

Pursuant to Article 29, Paragraph 1 of the Slovenian Sovereign Holding Act (Official Gazette of RS, No. 25/14) and Article 108, Paragraph 3 of the Rules of Procedure of the National Assembly of the Republic of Slovenia (Official Gazette RS Nos. 92/07 - official consolidated text, 105/10 and 80/13), at the session held on 13 July 2015, the National Assembly adopted the

## **ORDINANCE**

### **On State Assets Management Strategy (OdSUKND)**

#### **INTRODUCTION**

(1) The Republic of Slovenia is an important owner of assets in enterprises which have been generated by past generations. These are assets which, following the privatization process, have remained in partial or full state ownership and they present the basis for the State to perform its key functions for the provision of infrastructural tasks and a coordinated promotion of a balanced and sustainable economic development and to implement other strategic goals. The State Assets Management Strategy (hereinafter referred to as: the "Asset Management Strategy" or the "Strategy") pursues the goals of individual sectoral strategies. The main goal is to pursue a stable, balanced and sustainable economic development, thus providing for the stable long-term well-being of inhabitants of the Republic of Slovenia.

(2) The Asset Management Strategy is a fundamental document of the State which represents the basic tool for an active state ownership with which the State communicates its goals to the state assets manager, to shareholders, the broader capital markets and the general public. A clearly defined ownership policy eliminates the need for the Government to interfere with current affairs in regard with the management of the state-owned enterprises (SOEs) since the performance of asset management is measured periodically, by benchmarking the performance against the goals set in advance; the Government of the Republic of Slovenia (hereinafter referred to as: the "Government"), as the holder of the corporate rights, adopts its decisions on the basis of such performance results. The Management Strategy thus represents a fundamental document for the provision of independent, professional and effective management pursued by the manager of state-owned assets on one side, and the separation of the functions of the State as the owner of state assets from other State functions on the other side, thus preventing the conflict of interest, the distortion of competition in the markets and the unequal treatment of companies. The principle of independent asset management does not mean the State is fully withdrawing from the management of state-owned assets, but it ensures to the manager of state assets that politics and other interest groups will not intervene with the daily management of individual companies, while at the same time, it provides for the owner, i.e., the State, to set to the asset manager clear goals on the basis of which the performance and professional management of state-owned assets will be measured. The Management Strategy follows the OECD Guidelines on Corporate Governance of State-Owned Enterprises (hereinafter referred to as: the "OECD Guidelines"), recommending to Member States to establish a clear and consistent ownership policy, ensuring that the governance of state-owned enterprises is carried out in a transparent and accountable manner, with a necessary degree of professionalism and effectiveness.

(3) In accordance with the Slovenian Sovereign Holding Act (Official Gazette RS, No. 25/14; hereinafter referred to as: "ZSDH-1"), the Asset Management Strategy is a

fundamental document for the management of assets in which these assets are defined and classified into individual types of assets, the development policies of the Republic of Slovenia in the role of a shareholder of companies are determined and individual strategic objectives pursued by the Republic of Slovenia in regard to each asset classified as strategic asset are defined in the Strategy. Considering the definition of the asset management as stipulated by ZSDH-1, the asset management comprises the acquisition of assets, the disposal of assets and the exercise of the rights of a shareholder or member, or all other legal transactions in accordance with the act regulating companies, and other regulations.

(4) The objectives of asset management as stipulated by ZSDH-1 are to increase the value of assets, to provide for the highest possible yield to the owners and to attain other potential strategic objectives regarding the assets which are defined as strategic by way of governance documents. The detailed objectives of management of an individual asset are determined by the Asset Management Strategy with regard to the type of individual asset. On this basis, the Asset Management Strategy therefore determines the objectives of asset management in a narrower sense as well as the objectives for the disposal of assets and their acquisition.

(5) For the purpose of defining the development policies and determining the objectives of asset management, the Strategy as the fundamental document regarding the asset management has been based on the current situation, the reasons for the state ownership and the criteria for the classification of assets.

## **Chapter 1**

### **ANALYSIS OF SITUATION OF THE STATE ASSETS PORTFOLIO**

#### **1.1. Overview of state assets under management**

(1) ZSDH-1 and the Management Strategy, in accordance with ZSDH-1, define the management of state-owned assets, that is, the assets owned by the Republic of Slovenia, Slovenian Sovereign Holding (hereinafter referred to as: SSH) and Pension Fund Management (Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., hereinafter referred to as: "KAD"). Capital assets are equity securities under the act regulating the financial instruments market, or shareholdings or other equity stakes in individual companies in accordance with the Act regulating companies. Assets are thus limited to capital assets in enterprises, not comprising other movable and immovable property and rights held by the Republic of Slovenia.

(2) One of the main objectives of ZSDH-1 is a concentrated management of the assets owned by SSH, KAD and the Republic of Slovenia, with the aim of establishing a stable ownership for the reduction of the management costs and the increase in the profitability and the value of these assets in the long term, for the purpose of attaining the economic and developmental objectives and objectives related to the public interest. The implementation of this objective started with the day of the entry into force of the mentioned Act, by way of which Slovenska odškodninska družba (hereinafter referred to as: "SOD") has been transformed into SSH, the number of owners of state assets has been reduced by way of the further implementation of the Act and the management of state assets has been centralised within the scope of SSH, making SSH responsible for the management of assets;

- owned by SSH,
- owned by the Republic of Slovenia (the management on behalf of and for the account of the Republic of Slovenia),

- owned by KAD, subject to conditions and methods as referred to in Articles 51 and 53 of ZSDH-1,
- formerly owned by D. S. U., družba za upravljanje, d. o. o., (hereinafter referred to as: "DSU") which has been acquired by SSH, in accordance with ZSDH-1 (owned by SSH),
- formerly owned by Posebna družba za podjetniško svetovanje, d. d., (hereinafter referred to as: "PDP") which has been merged with SSH, in accordance with Article 82 of ZSDH-1 (owned by SSH),
- Pension and Disability Insurance Institute of Slovenia (hereinafter referred to as: "ZPIS") and in Zavarovalnica Triglav, d.d..

(3) Slovenian Sovereign Holding is not responsible for the management of assets owned by the Republic of Slovenia and held in:

- international financial institutions;
- enterprises rendering the service of general economic interest relating to the system operator for the transmission and distribution of natural gas and electricity and the service of general economic interests relating to the organisation of the electricity market in the Republic of Slovenia (SODO, ELES and Borzen), and
- Bank Asset Management Company (hereinafter referred to as: "BAMC").

(4) The reason for the first exception mentioned above lies in the observance of the international treaties, while the observance of the EU energy directives and regulations for the second one.

State assets in BAMC have also been separated due to the special nature and duty of this institution, making it a separate manager of assets owned by the Republic of Slovenia.

Table 1: Equity holdings owned by the Republic of Slovenia, SSH, KAD, PDP and BAMC as of 28 February 2015 and according to their book value as of 31 December 2013

Lfd. No.	Company name:	Equity holdings as of 28 February 2015 (in %)						Book value of shareholdings as of 31 December 2013 (in EUR 000)					Total
		RS	SSH	KAD	PDP	BAMC	Total	RS	SSH	KAD	PDP	BAMC	
1	ABANKA VIPA, D.D.	100					100	212,139					212,139
2	A-COSMOS, D. D.	0.81					0.81	33					33
3	ADRIA AIRWAYS, D.D.	69.87			2.08	19.63	91.58	7,030			209	1,975	9,214
4	ADRIA AIRWAYS TEHNIKA, D. D				52.15		52.15				2,616		2,616
5	ADRIA, TURISTIČNO PODJETJE D.O.O., ANKARAN		12.24				12.24		2,433				2,433
6	BANKA CELJE, D. D.	100					100	4,119		17			4,135
7	AERO, D. D.				1.44		1.44				32		32
8	BODOČNOST MARIBOR, D. O. O.	75.83					75.83	1,292					1,292
9	BORZEN, ORGANIZATOR TRGA Z ELEKTRIČNO ENERGIJO, D. O. O.	100					100	5,199					5,199
10	CASINO BLED, D. D., BLED		43	3.5			46.5		47	4			50
11	CASINO PORTOROŽ, D. D., PORTOROŽ		9.46	15.07			24.53		164	262			426
12	CETIS, D. D.		7.47	7.8			15.27		2,068	2,159			4,227
13	CIMOS, D. D.		6.9	0.83			7.73		0	0			0
14	CINKARNA CELJE, D. D., CELJE		11.41				11.41		15,420				15,420
15	CSS-IP, D. O. O.	96.65					96.65	698					698
16	ČZP VEČER, D. D, MARIBOR*	0	10				10	0	205				205
17	D. S. U., D. O. O., LJUBLJANA	100					100	54,295					54,295
18	DOM UPOKOJENCEV IDRIJA, D. O. O.	18.91					18.91	1,577					1,577
19	DRI UPRAVLJANJE INVESTICIJ, DRUŽBA ZA RAZVOJ INFRASTRUKTURE, D. O. O.	100					100	19,109					19,109
20	DRUŽBA ZA AVTOCESTE V REPUBLIKI SLOVENIJI, D. D., CELJE	100					100	2,472,933					2,472,933
21	DRUŽBA ZA SPODBUJANJE RAZVOJA TNP, D.D.	51.04					51.04	1,093					1,093

Lfd. No.	Company name:	Equity holdings as of 28 February 2015 (in %)						Book value of shareholdings as of 31 December 2013 (in EUR 000)					Total
		RS	SSH	KAD	PDP	BAMC	Total	RS	SSH	KAD	PDP	BAMC	
22	DTK MURKA, DRUŽBA TVEGANEGA KAPITALA, D. O. O.	49					49	1,335					1,335
23	EKOEN, D. O. O.	49.07					49.07	414					414
24	ELAN, D. D.				66.37		66.37				24,579		24,579
25	ELAN INVENTA, D. O. O.			19.88			19.88			169			169
26	ELEKTRO CELJE, D. D.	79.5		0.8		0.06	80.36	149,840		1,508		1,119	152,467
27	ELEKTRO GORENJSKA SKUPINA, D. D.	79.42	0.31	2.5		1.2	83.43	108,003	422	3,400		16,010	127,834
28	ELEKTRO LJUBLJANA SKUPINA, D. D.	79.5	0.3	0.51		0.2	80.51	225,197	850	1,445		5,616	233,107
29	ELEKTRO MARIBOR SKUPINA, D. D.	79.5		1.61			81.11	194,777		3,945			198,721
30	ELEKTRO PRIMORSKA SKUPINA, D. D.	79.5		2		0.36	81.86	113,260		2,849		4,900	121,010
31	ELEKTROGOSPODARSTVO SLOVENIJE – RAZVOJ IN INŽENIRING, D. O. O.	100					100	875					875
32	ELEKTROOPTIKA, D. D.				70.48		70.48						
33	ELES, D. O. O.	100					100	382,788					382,788
34	ENERGETIKA ČRNOMELJ, D. O. O.	49.3					49.3	272					272
35	GEN ENERGIJA, D. O. O.	100					100	520,668					520,668
36	GEOPLIN, D. O. O.	39.57	0.05	0.41			40.03	117,006	148	1,212			118,366
37	GORENJE, D. D.			16.37			16.37			62,315			62,315
38	GORENJSKA BANKA, D. D.	0.05				4.42	4.47	83				7,337	7,420
39	GORIŠKE OPEKARNE, D. D., RENČE		12.32				12.32		548				548
40	GOSPODARSKO RAZSTAVIŠČE, D. O. O.			29.51			29.51			6,633			6,633
41	UNION HOTELI, D. D.			18.75			18.75			6,127			6,127
42	HIT, D. D.		20	20.32		7.37	47.69		11,561	11,746		3,026	26,332
43	HSE, D. O. O.	100					100	1,546,787					1,546,787
44	HTG HOTELI, TURIZEM IN GOSTINSTVO, D. D.			9.63			9.63			33			33
45	INFRA, IZVAJANJE INVESTICIJSKE DEJAVNOSTI, D. O. O.	100					100	10					10

Lfd. No.	Company name:	Equity holdings as of 28 February 2015 (in %)					Book value of shareholdings as of 31 December 2013 (in EUR 000)					Total	
		RS	SSH	KAD	PDP	BAMC	Total	RS	SSH	KAD	PDP		BAMC
46	INKOS, D. O. O., KRMELJ	2.54					2.54	0					0
47	INTEREUROPA, D. D.		1.73	2.62			4.35		2,660	4,029			6,689
48	INTERTRADE ITA, D. D., LJUBLJANA		7.69	7.69			15.38		1,303	1,303			2,607
49	JAVNO PODJETJE URADNI LIST REPUBLIKE SLOVENIJE, D. O. O.	100					100	4,562					4,562
50	KAPITALSKA DRUŽBA, D. D.	100					100	856,523					856,523
51	KDD, D. D., LJUBLJANA		9.62	4.81			14.43		979	490			1,469
52	KOMPAS MTS, D. D.			11.35			11.35			6,355			6,355
53	KONTROLA ZRAČNEGA PROMETA, D. O. O.	100					100	12,636					12,636
54	KRKA, D. D.	0.01	16.2	10.65			26.86	133	215,883	141,923			357,939
55	LIPICA TURIZEM, D. O. O.	100					100						0
56	LOTERIJA SLOVENIJE, D. D., LJUBLJANA		15	25			40		3,510	5,849			9,359
57	LUKA KOPER, D. D.	51	11.13	4.98			67.11	132,194	28,849	12,897			173,940
58	META INGENIUM, DRUŽBA TVEGANEGA KAPITALA, D. O. O.	49					49	328					328
59	MODRA ZAVAROVALNICA, D. D.			100			100			178,076			178,076
60	MURKA, TRGOVINA IN STORITVE, D. D.	0.17					0.17	3					3
61	NAFTA LENDAVALA, D. O. O.	100					100	4,820					4,820
62	NOVA KBM, D. D.	100					100	560,028					560,028
63	NOVA LB, D. D.	100					100	1,270,997					1,270,997
64	PALOMA, D. D.	0.01			70.97		70.98	1			4,633		4,634
65	PDP, D. D.		100				100		20,456				20,456
66	PEKO, D. D.	66.8					66.8	2,141					2,141
67	PERUTNINA PTUJ, D. D.	0		9.92		0.04	9.96	0		8,761		36	8,797
68	PETROL, D. D.		19.75	8.27			28.02		92,364	38,676			131,041
69	PIVOVARNA LAŠKO, D. D.			7.06		23.51	30.57			4,110		16,005	20,115
70	POČITNIŠKA SKUPNOST KRŠKO, D. D.	1.46					1.46	50					50
71	POMURSKE MLEKARNE, D. D., M. SOBOTA	0	3.34	5.05			8.39	0	276	418			694

Lfd. No.	Company name:	Equity holdings as of 28 February 2015 (in %)					Book value of shareholdings as of 31 December 2013 (in EUR 000)					Total	
		RS	SSH	KAD	PDP	BAMC	Total	RS	SSH	KAD	PDP		BAMC
72	POŠTA SLOVENIJE, D. O. O.	100					100	221,527					221,527
73	POZAVAROVARNICA SAVA, D. D.		25	0.0049			25.0049		60,025	12			60,037
74	PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D. O. O.	48.9					48.9	4,073					4,073
75	PS ZA AVTO, D. O. O., LJUBLJANA		90	10			100		8,346	927			9,274
76	RRA REGIONALNA RAZVOJNA AGENCIJA CELJE, D. O. O.	5.1					5.1	146					146
77	RTH, D. O. O.	100					100	16,667					16,667
78	RŽV, JAVNO PODJETJE ZA ZAPIRANJE RUDNIKA URANA, D. O. O.	100					100	109					109
79	SAVA, D. D.	0.03	11.06	18.71			29.8	5	1,789	3,027			4,820
80	SID BANKA, D. D.	99.41					99.41	371,758					371,758
81	SIJ – SLOVENSKA INDUSTRIJA JEKLA, D. D.	25					25	80,912					80,912
82	SLOVENSKE ŽELEZNICE, D. O. O.	100					100	153,266					153,266
83	SM STROJKOPLAST, D. O. O.			10			10			152			152
84	SNEŽNIK, D. D.	70		3			73	3,560		153			3,713
85	SODO, D. O. O.	100					100	8,094					8,094
86	STH VENTURES, D. O. O.	49					49	69					69
87	STUDENTENHEIM KOROTAN GMBH	100					100	4,718					4,718
88	TALUM, D. D.			4.42			4.42			4,470			4,470
89	TELEKOM SLOVENIJE, D. D.	62.54	4.25	5.59			72.38	475,385	32,305	42,491			550,181
90	TELEMACH ROTOVŽ, D. D.	1.1					1.1	187					187
91	TELEMACH TABOR, ŠIROKOPASOVNE KOMUNIKACIJE, D. D.	0.03					0.03	2					2
92	TERME ČATEŽ, D. D.			23.79			23.79			29,605			29,605
93	TERME OLIMIA, D. D.		4.01	24.79			28.81		1,000	6,177			7,177
94	TKI HRASTNIK, D. D.			7.32			7.32			775			775
95	TOPLOTNA OSKRBA, D. O. O., LOČE	49.17					49.17	124					124

Lfd. No.	Company name:	Equity holdings as of 28 February 2015 (in %)					Book value of shareholdings as of 31 December 2013 (in EUR 000)					Total	
		RS	SSH	KAD	PDP	BAMC	Total	RS	SSH	KAD	PDP		BAMC
96	UNIOR, D. D.		2.31	5.55	37.11		44.97		3,161	7,594	38,354		49,109
97	VARNOST SISTEMI, D. O. O.		9.74				9.74		29				29
98	VELANA, D. D.			10			10			427			427
99	VODNOGOSPODARSKO PODJETJE DRAVA, D. D., PTUJ	25					25	1,226					1,226
100	VODNOGOSPODARSKO PODJETJE MURA, D. D.	25.01					25.01	953					953
101	VODNOGOSPODARSKO PODJETJE NOVO MESTO, D. D.	25					25	917					917
102	VGP KRANJ, D. D.	25		3.33			28.33	804		107			911
103	ZAVAROVALNICA TRIGLAV, D. D.**	34.47	28.09				62.56	203,558	165,882				369,440
104	ŽITO, D. D.***		12.26				12.26		8,609				8,609

\*The Share Purchase and Sale Agreement for ČZP Večer, d.d., was signed on 20 April 2015.

\*\* The equity stake of the Republic of Slovenia held in Zavarovalnica Triglav, d.d., is owned by ZPIZ.

\*The Share Purchase and Sale Agreement for Žito, d.d., was signed on 21 April 2015.

Table 2: Equity holdings owned by the Republic of Slovenia, SSH, KAD, PDP and BAMC as of 28 February 2015 and according to their book value as of 31 December 2013 (assets in companies in liquidation or undergoing bankruptcy proceedings)

Lfd. No.	Company name:	Equity holdings as of 28 February 2015 (in %)					Book value of shareholdings as of 31 December 2013 (in EUR 000)					Status:
		RS	SSH	KAD	BAMC	Total	RS	SSH	KAD	BAMC	Total	
1.	ABC TRGOVINA, D. D., LJUBLJANA - IN BANKRUPTCY		2.37.			2.37.		0.			0.	Liquidation/bankruptcy/being wound up
2.	CASINO LJUBLJANA, D. D. - IN BANKRUPTCY		3.29.	47.01.		50.3.		0.	0.		0.	Liquidation/bankruptcy/being wound up
3.	CASINO MARIBOR, D. D. - IN BANKRUPTCY		22.83.	20.00.		42.83.		0.	0.		0.	Liquidation/bankruptcy/being wound up
4.	DEKORATIVNA, D. O. O. - IN LIQUIDATION		100.00.			100.00		0.			0.	Liquidation/bankruptcy/being wound up



Lfd. No.	Company name:	Equity holdings as of 28 February 2015 (in %)					Book value of shareholdings as of 31 December 2013 ( in EUR 000)					Status:
		RS	SSH	KAD	BAMC	Total	RS	SSH	KAD	BAMC	Total	
5.	GIO, D. O. O, LJUBLJANA – IN LIQUIDATION		71.31.	28.68.		100.00		0.	0.		0.	Liquidation/bankruptcy/being wound up
6.	GLIN IPP, D. O. O. - IN BANKRUPTCY	16.06.				16.06.	0.				0.	Liquidation/bankruptcy/being wound up
7.	GRADBINEC KRANJ, D. D. - IN BANKRUPTCY		2.68.			2.68.		0.			0.	Liquidation/bankruptcy/being wound up
8.	IPOZ TRBOVLJE, D. O. O. - IN LIQUIDATION		1.20.			1.20.		0.			0.	Liquidation/bankruptcy/being wound up
9.	KLI LOGATEC, D. D. - IN LIQUIDATION		0.59.	27.70.		28.29.		0.	0.		0.	Liquidation/bankruptcy/being wound up
10.	LESNA, D. D. – IN BANKRUPTCY			18.08.		18.08.			0.		0.	Liquidation/bankruptcy/being wound up
11.	MAKSIMA HOLDING, D. D. – IN BANKRUPTCY	0.01.				0.01.	0.				0.	Liquidation/bankruptcy/being wound up
12.	MAKSIMA INVEST, D. D. – IN BANKRUPTCY	0.00.				0.00.	0.				0.	Liquidation/bankruptcy/being wound up
13.	MTT, D. D. – IN BANKRUPTCY			4.38.		4.38.			0.		0.	Liquidation/bankruptcy/being wound up
14.	MURA, D. D. – IN BANKRUPTCY		12.23.			12.23.		0.			0.	Liquidation/bankruptcy/being wound up
15.	NFD HOLDING, D. D. – IN BANKRUPTCY	0.00.			9.97.	9.97.	0.			neg.	0.	Liquidation/bankruptcy/being wound up
16.	PLANIKA KRANJ, D. D. – IN BANKRUPTCY		56.68.			56.68.		0.			0.	Liquidation/bankruptcy/being wound up
17.	PODJETJE ZA UREJANJE HUDOURNIKOV, D. D. – IN BANKRUPTCY	40.00.				40.00.	0.				0.	Liquidation/bankruptcy/being wound up
18.	RIMSKE TERME, D. O. O. - IN BANKRUPTCY	3.83.				3.83.	0.				0.	Liquidation/bankruptcy/being wound up
19.	RUDNIK KANIŽARICA V ZAPIRANJU, D. O. O., ČRNOMELJ – IN LIQUIDATION	100.00.				100.00	2,744.				2,744.	Liquidation/bankruptcy/being wound up
20.	RUDNIK SENOVO V ZAPIRANJU, D. O. O. - IN LIQUIDATION	100.00.				100.00	0.				0.	Liquidation/bankruptcy/being wound up
21.	RUDNIK ZAGORJE V ZAPIRANJU, D. O. O. - IN LIQUIDATION	100.00.				100.00	2,731.				2,731.	Liquidation/bankruptcy/being wound up
21.	RUDNIK ŽIVEGA SREBRA IDRIJA V ZAPIRANJU, D. O. O. - IN LIQUIDATION	100.00.				100.00	3,371.				3,371.	Liquidation/bankruptcy/being wound up
23.	STEKLARSKA NOVA ROGAŠKA SLATINA, D. O. O. - IN BANKRUPTCY			100.00.		100.00			0.		0.	Liquidation/bankruptcy/being wound up
24.	SVEA, D. D. – V STEČAJU		15.57.			15.57.		925.			925.	Liquidation/bankruptcy/being wound up

Lfd. No.	Company name:	Equity holdings as of 28 February 2015 (in %)					Book value of shareholdings as of 31 December 2013 ( in EUR 000)					Status:
		RS	SSH	KAD	BAMC	Total	RS	SSH	KAD	BAMC	Total	
25.	TAM MARIBOR, D. D. – IN BANKRUPTCY	10.85.				10.85.	0.				0.	Liquidation/bankruptcy/being wound up
26.	TEKSTILNA TOVARNA PREBOLD, D. D. – IN BANKRUPTCY			9.92.		9.92.			0.		0.	Liquidation/bankruptcy/being wound up
27.	TOVARNA DUŠIKA RUŠE, D. O. O. - IN LIQUIDATION		95.76.			95.76.		0.			0.	Liquidation/bankruptcy/being wound up
28.	UNIVERZALE, D. D., DOMŽALE – IN BANKRUPTCY		8.53.	8.53.		17.06.		0.	0.		0.	Liquidation/bankruptcy/being wound up
29.	ZLIT ZDRUŽENA LESNA INDUSTRIJA TRŽIČ, D. O. O. - IN BANKRUPTCY		100.00.			100.00		0.			0.	Liquidation/bankruptcy/being wound up

## 1.2 State-Owned Enterprises Performance Highlights for 2013

(1) In regard to the performance of enterprises directly owned by the Republic of Slovenia and SOD, 2013 was a relatively successful year. The value of assets (measured by the sum of the book-value of state assets) amounted to the total sum of EUR 11.2 billion, as of 31 December 2013. It has to be highlighted, however, that this is mainly a result of state recapitalisation of three banks at the end of 2013. This had a significant effect on the net operating profit or loss generated by state-owned enterprises in 2013. Without including the operating result of the banks recapitalised by the State, the operating result of state-owned enterprises would amount to slightly less than EUR 550 million (net result of all enterprises owned by the Republic of Slovenia and/or SOD).

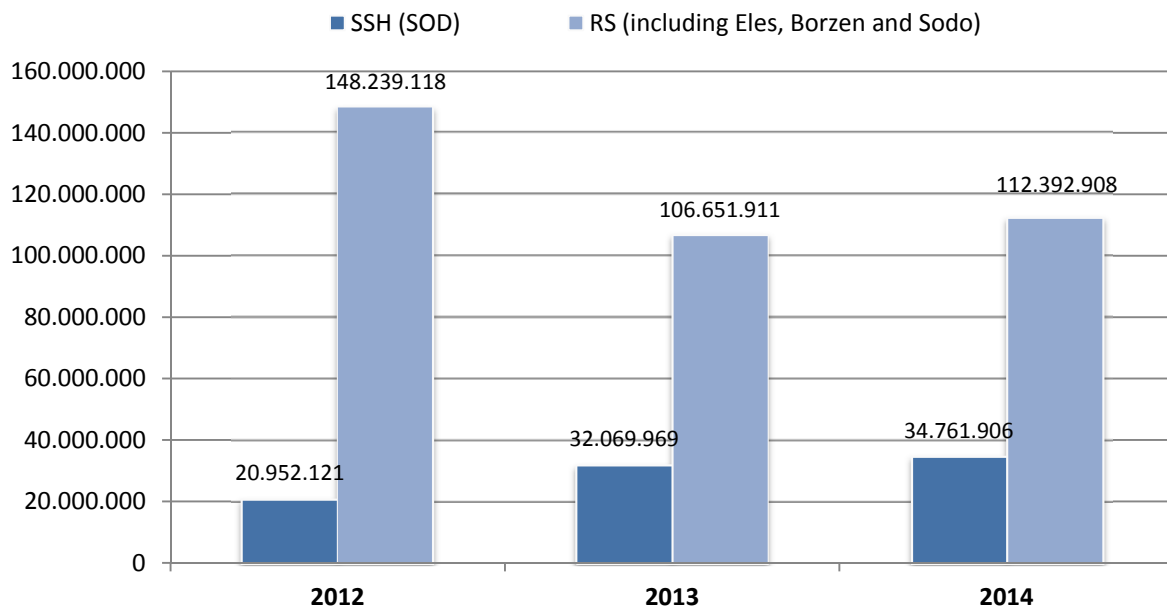
Table 3: The overview of main balance sheet items (aggregated amounts) in regard to companies directly owned by the Republic of Slovenia and/or SOD for 2013 (in EUR)

Data excluding companies in bankruptcy, liquidation or being wound-up	2013.		2012.
	Directly owned by SSH (SOD)	Directly owned by RS	Directly owned by RS
Assets (aggregated amounts)	14,317,331,576.	47,277,868,408.	47,844,819,475.
Equity (aggregated amounts)	4,955,221,844.	13,625,876,557.	12,967,659,960
Net profit and loss, including banks	215,078,729.	-2,101,053,995*	-139,697,284.
Net profit and loss, excluding banks	330,763,729.	322,515,000.	266,601,413.
Total of book-value of assets	658,734,782.	10,589,017,397.	9,199,655,763.

\*Including losses generated by Abanka, NLB and Nova KBM in 2013 (the total amount of EUR 2.4 billion).

(2) If Abanka, Nova KBM and NLB are excluded from the statistical reports, since, considering their size and the volume of losses recorded for 2013, an objective insight into the performance of other SOEs is prevented, it may be concluded that 2013 was the year of net growth in ROE. Specifically, ROE of the Republic of Slovenia's portfolio increased by 1.4 percentage points, rising to 1.7%, while ROE of SSH portfolio of companies amounted to 8.6%. This was mainly contributed to by very successful performance results generated by Krka, Telekom Slovenije, Petrol, Zavarovalnica Triglav and HSE, DARS and Gen, which hold a relatively high weight in the portfolio. On the other side, the lowest results were still generated by the financial industry, with the exception of insurance companies, which in addition to insurance undertakings and banks, also includes financial holdings and venture capital companies.

Figure 1: Dividend amounts received by the Republic of Slovenia and SOD/SSH in the 2012-2014 period (in EUR)



(3) The dividend amount received by the State was higher in 2013. In comparison to 2012, the total dividend amount received by the Republic of Slovenia increased by 5.3% (totalling EUR 112.4 million), while the dividend amount received by SSH increased by 8.4% (totalling EUR 34.8 million). Similarly as in the case of the portfolio composition, a relatively high concentration is typical for dividends paid out by individual companies. In both cases, both as regards the Republic of Slovenia and SSH, the major part of the total amount of dividends received is generated by a small number of companies. In the case of the Republic of Slovenia, more than one half of all dividends received by the Republic of Slovenia in 2014 was paid out by only two companies, the largest two according to the dividend pay-out (Telekom Slovenije and Aerodrom Ljubljana). In the case of SSH this share is even greater (the two companies in this case are Krka and Zavarovalnica Triglav), amounting to a solid 63 %.

### 1.3 Operations of companies in direct ownership of the Republic of Slovenia

(1) In comparison with 2012, the state assets (in the form of direct equity holdings of the Republic of Slovenia in companies) slightly increased in 2013. Measured with the book value of these assets, the value of assets owned by the Republic of Slovenia increased by EUR 1.4 billion. The increase is mainly a result of recapitalisation and nationalisation of the three banks, NLB, Nova KBM and Abanka, at the end of 2013. At the same time, in 2013, the operation results of these three banks, which are also included in the table below, significantly contributed to the negative aggregate net profit and loss of SOEs (EUR -2.1 billion; excluding the above mentioned banks, in 2013, the net profit and loss would have amounted to EUR -333 million). It must be noted that due to special characteristics of operations and the lack of data, companies in bankruptcy, liquidation or being wound-up have not been included in the table below. Similarly, the Republic of Slovenia's equity investment in SSH has not been included in the figures for 2013. Slovenian Sovereign Holding, as the manager of capital assets owned by the Republic of Slovenia, is separately presented in the continuation of the text.

(2) The continuation of the text presents some basic financial data of companies in direct ownership of the Republic of Slovenia, aggregated by individual sectors, valid as of 31 December 2013 (excluding companies in liquidation, bankruptcy or being wound-up).

Table 4: Summary of aggregated financial data of companies in direct ownership of the Republic of Slovenia, by sector in FY 2013, excluding companies in bankruptcy, liquidation or being wound-up (in EUR)

Sector	Assets	Equity	Net profit and loss	Qualifying Participation of RS
Energy	6,484,395,510.	3,789,929,839.	139,527,348.	3,406,306,461.
Public service companies	51,576,288	30,363,083	674,850	10,895,592
Companies employing disabled people	4,673,093	2,426,597	-285,147	1,990,497
Postal services, Telecommunications	1,700,439,797	1,005,684,534	36,943,853	697,098,630
Food and beverages	262,186,849	88,320,187	821,570	508
Manufacturing	2,595,590,790	1,668,659,568	161,109,348	91,465,902
Traffic, transport and infrastructure	7,009,273,469	3,052,004,887	77,534,115	2,839,617,582
RRA	21,057,302	5,653,194	-656,018	642,977
General economic sector	16,296,866	5,642,097	-54,909	35,851
Tourism	11,954,046	10,277,235	-725,770	5,859,770
Financial holding companies	1,741,026,426	947,384,530	-161,824,622	910,818,061
Venture capital companies	13,383,628	11,865,349	-400,616	5,805,692
Banking	24,288,907,000	2,417,128,000	-2,423,569,000	2,414,921,612
Insurance companies	3,077,107,344	590,537,457	69,851,003	203,558,261
TOTAL	47,277,868,408	13,625,876,557	-2,101,053,995	10,589,017,397

\* Excluding companies in bankruptcy, liquidation or being wound-up  
Source: Companies' annual reports, SSH's own calculations

(3) A more detailed insight into the performance of state-owned enterprises (aggregated by sectors) is provided in the table below, showing, among other matters, highly poor results generated by financial companies (with the exception of insurance industry). On the other hand, in addition to insurance companies, the year of 2013 saw a relatively successful performance of companies from the energy sector, postal services and telecommunications (Telekom Slovenije Group) and manufacturing sector (Krka Group), generating a solid net ROE with a moderate financial leverage (the relation between the total assets and equity capital). From the aspect of the capacity for servicing the financial debts, measured as a ratio between the net debt/EBITDA, the financial holding sector stood up, and the sector of traffic, transport and infrastructure also needs to be pointed out, specifically, the Motorway Company of the Republic of Slovenia, with the ratio amounting to 10.4.

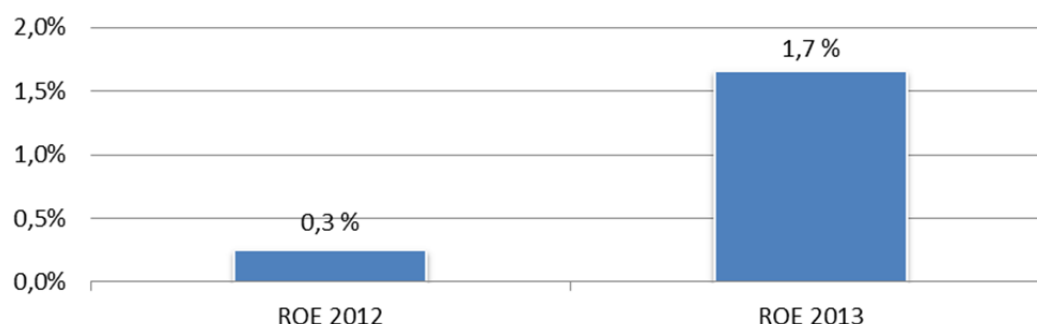
Table 5: Overview of financial ratios of companies owned by the Republic of Slovenia, by sector in FY 2013:

Sector*	EBIT margin	Financial leverage	Net debt to EBITDA	ROE
Energy	4.3 %	1.7	2.0	3.7 %
Public service companies	3.0 %	1.7	-0.9	2.2 %
Companies employing disabled people	-4.7 %	1.9	5.8	-11.8 %
Postal services, Telecommunications	7.3 %	1.7	1.2	3.7 %
Food and beverages	3.8 %	3.0	4.4	0.9 %
Manufacturing	16.3 %	1.6	0.5	9.7 %
Traffic, transport and infrastructure	12.0 %	2.3	8.1	2.5 %
Companies to be transferred to SRRP	-53.8 %	3.7	n.a.	-11.6 %
General economic sector	1.3 %	2.9	8.0	-1.0 %
Tourism	-51.1 %	1.2	n.a.	-7.1 %
Financial holding companies	-8.2 %	1.8	20.8	-17.1 %
Venture capital companies	n.a.	1.1	n.a.	-3.4 %
Banking	n.a.	10.0	n.a.	-100.3 %
Insurance companies	n.a.	5.2	n.a.	11.8 %

\* Excluding companies in bankruptcy, liquidation or being wound-up  
Source: Companies' annual reports, SSH's own calculations

(4) The positive ROE of portfolio of assets in direct ownership by the Republic of Slovenia as a whole was mostly contributed to by the companies from the energy sector, traffic, transport and infrastructure sector and Zavarovalnica Triglav and Telekom Slovenije (the calculation of ROE is influenced by holdings (measured at the book value) held by the Republic of Slovenia in an individual company or sector). In comparison to 2012, ROE of the Republic of Slovenia's portfolio increased by 1.4 percentage points, rising to 1.7%. It needs to be highlighted, however, that the banking sector was excluded from the calculation of ROE for 2013 since owing to the extraordinary situation in the banking sector which had resulted in the nationalisation of three banks at the end of the year, the following banking institutions, Abanka, Nova KBM and NLB, due to their size and losses generated, would distort the full picture and prevent the objective presentation of operations of companies in other sectors.

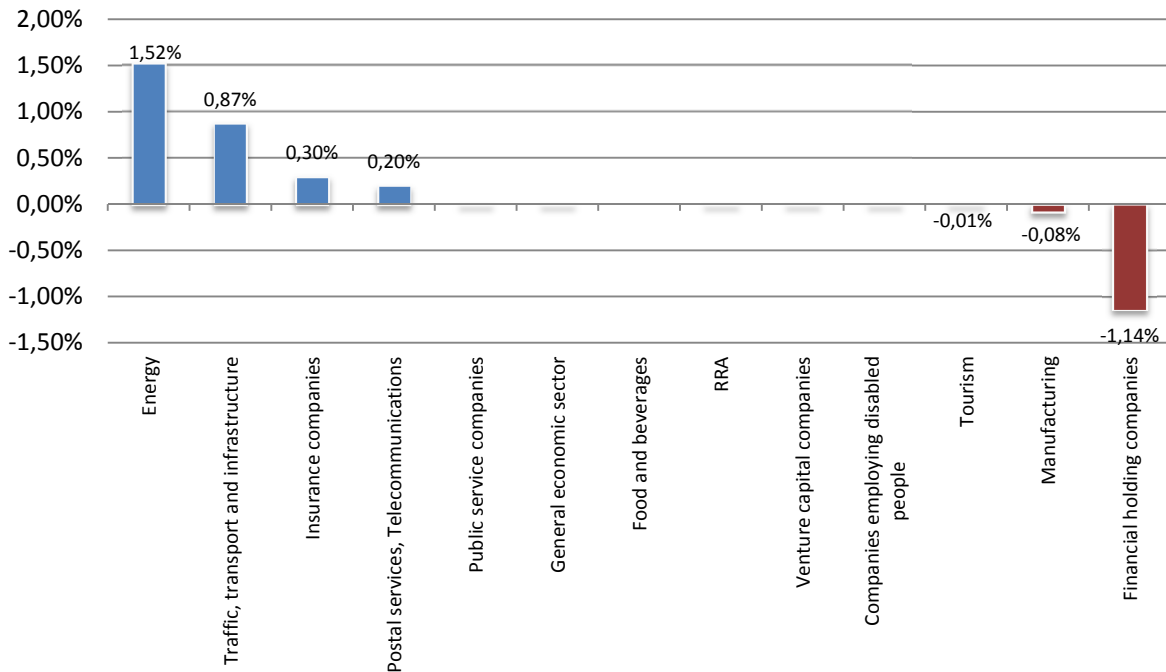
Figure 2: ROE of the portfolio of assets in direct ownership of the Republic of Slovenia in 2012 and 2013\*



\*Banks are not included in the data for FY 2013

Source: Annual Report of Capital Asset Management Agency for 2012, annual reports of companies SSH's own calculations

Figure 3: Individual industry contribution to the Portfolio's ROE in 2013



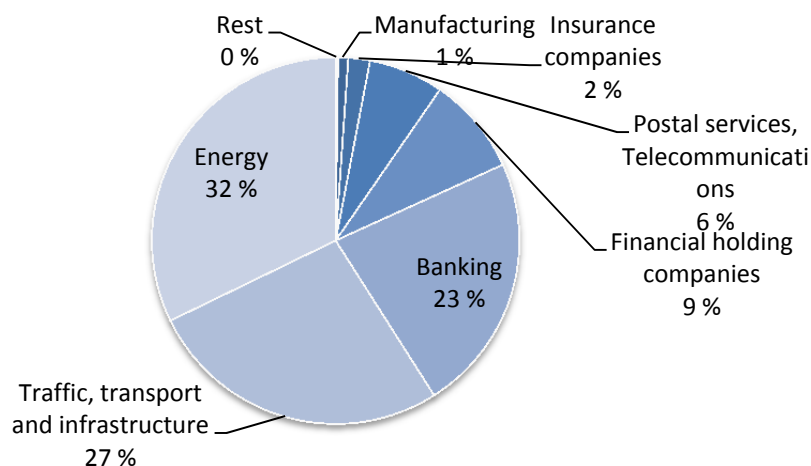
Source: Companies' annual reports, SSH's own calculations

(5) The individual companies which due to the size of capital assets owned by the Republic of Slovenia and held in these companies, and/or due to high ROE, contributed the most to the positive ROE of the portfolio of assets in direct ownership by the Republic of Slovenia are HSE Group, the Motorway Company of the Republic of Slovenia, Telekom Slovenije Group, Zavarovalnica Triglav Group and GEN Group. The other side of the list includes KAD Group, Post of Slovenia, Peko Group and Nafta Lendava Group.

#### 1.4 Comparison of assets owned by the Republic of Slovenia to OECD countries and EU Member States

(1) The assets owned by the Republic of Slovenia are still highly concentrated since in 2013, the three largest sectors (energy sector, traffic, transport and infrastructure sector, and the financial sector, including banks, insurance companies, financial holding companies and venture capital companies) represented as much as 92% of all capital assets of the Republic of Slovenia, measured at the book value of these assets.

Figure 4: The share of individual sectors in the portfolio of the Republic of Slovenia (measured at the book value as of 31 December 2013)



Source: Companies' annual reports, SSH's own calculations

(2) As is presented in the publication: The Size and Composition of the SOE Sector in OECD Countries (Hans Christiansen: 2011), in the OECD countries in general, the majority state ownership is highly concentrated in three sectors which represent 74 % of the value of all state assets; these sectors are the energy sector, the financial sector and transport. In comparison to the OECD area, in Slovenia, the financial sector stands out, presenting 33% of the value, while it amounts to 24% in the OECD countries where the figure mainly includes insurance companies and pension funds and other specialized financial entities, and not banks. The situation is similar in the transport sector which in Slovenia represents 27% while in the OECD area 19%.

The share is almost the same in the energy sector, specifically, 32% as compared to 31%, if, similarly as in Slovenia, the energy sector in the OECD countries also includes electricity and gas and mines. The manufacturing sector in Slovenia represents 1%, thus lagging behind the share in the OECD area, but it has to be noted, that the manufacturing in the OECD countries (7%) is relatively high mainly due to two companies, General Motors in the USA and Tobacco in Japan.

Figure 5: The share of individual sectors in OECD countries in regard to the book value

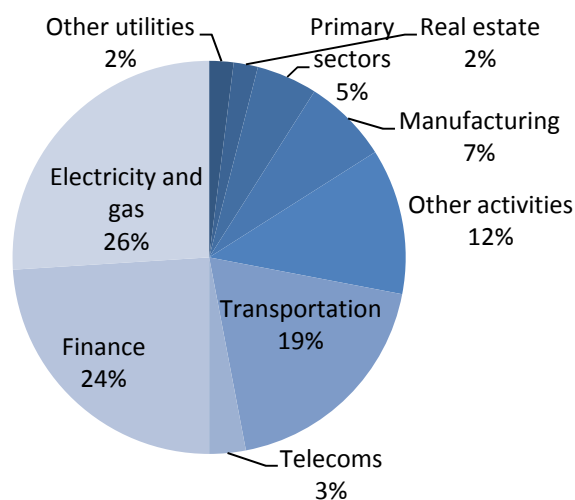
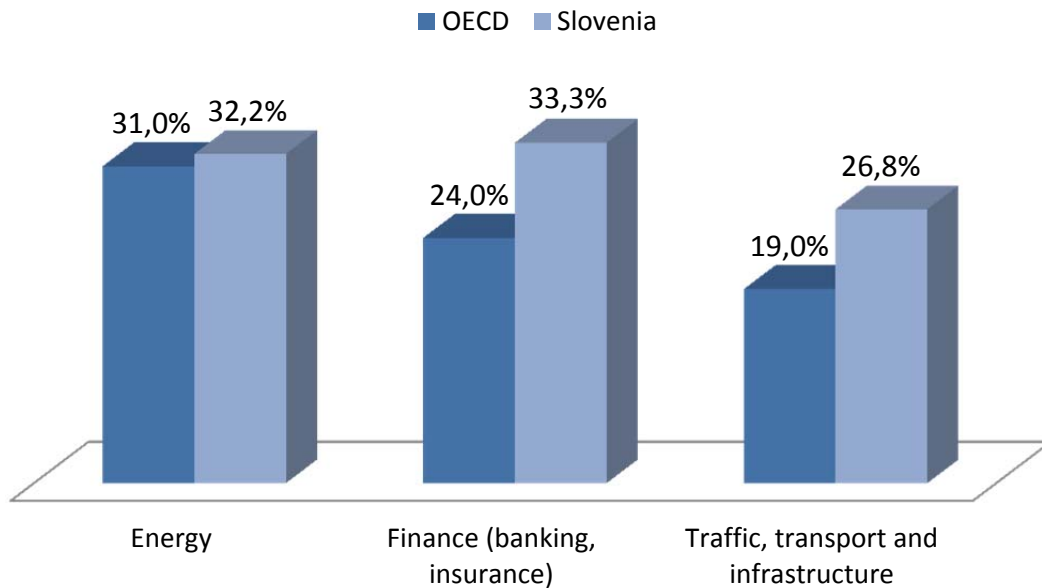




Figure 6: The comparison of the three largest sectors in Slovenia and OECD countries



(3) In spite of a comparable distribution of state-owned enterprises by sectors in the Republic of Slovenia and the OECD countries, there is an important difference in regard to the volume of the equity capital in enterprises in which the State holds majority shareholdings. In the Development Report 2014, the Institute of Macroeconomic Analysis and Development (hereinafter referred to as: IMAD) has warned about a high level of the state ownership in businesses which has even increased further during the financial crisis. The compulsory compositions and bankruptcies of companies have forced banks to swap loans for equity holdings in companies, and the State to recapitalise the state-owned banks. This resulted in a direct and indirect increase in the shareholdings owned by the State in companies. According to the data by IMAD, the share of the equity capital of companies in which the state holds a majority stake in the total capital of Slovenia's corporate sector increased further during the crisis: from 16.4% to 23.2% in 2012, and to 30% including the companies in which the state has more than a 25% ownership stake. This ranked Slovenia among the OECD countries with the highest share of state-owned enterprises. In the Country Report Slovenia 2015, the European Commission, drawing from the OECD data, has concluded that the state involvement in the national economy remains elevated, actually among the highest in the European Union (hereinafter referred to as: "EU"). The share of companies with a shareholding owned by the State that is larger than 50%, according to the book value in the share of GDP, is the highest in the EU, and by taking into account companies with the state-owned assets in equity amounting from 10% to 50%, the second highest. On the other hand, the proportion of employees employed by the state, as a percentage of all employees in Slovenia, is ranked as the third highest in both cases.

Figure 7: Book value of state-owned enterprises in the European Union (as % of GDP)

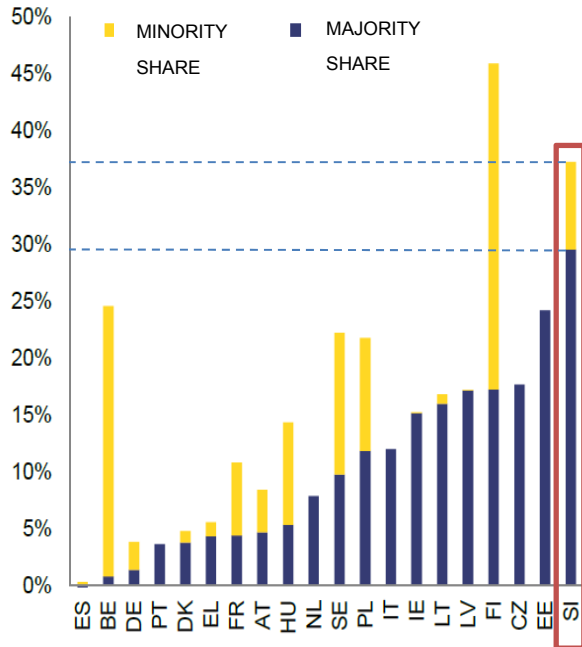
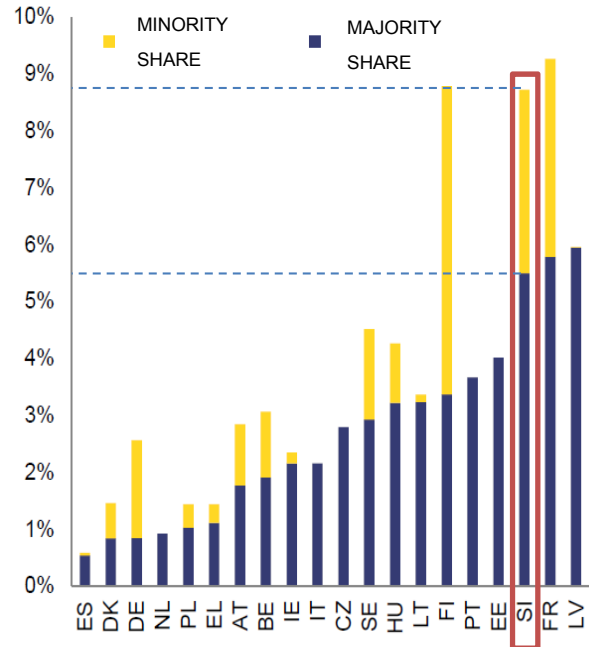


Figure 8: Employment in state-owned enterprises in the European Union (as % of the total employment)



Source: Country Report Slovenia 2015, European Commission.

\*»Minority share« – companies with state-owned assets held in the company's equity that amount from 10 % to 50 %

\*\*»Majority share« – companies with state-owned assets held in the company's equity that amount to more than 50 %

(4) It has been pointed out by IMAD in Economic Issues 2015, that lower performance results are generally recorded by the state-owned enterprises in Slovenia as compared to other companies operating in the same industries, measured according to productivity, ROE and EBITDA (earnings before interest, taxes, depreciation and amortisation which is one of the criteria for measuring the companies' efficiency). Their results are particularly poor in regard to the operating profit, thus showing that these companies experience issues with their main activity. The analysis of the state of the state-owned assets portfolio conducted in this Management Strategy has concluded that, generally, the operation of state-owned enterprises is not suitable which is why it is urgent that the increase in ROE is also determined with the Management Strategy; this will have to be ensured by SSH and individual state-owned enterprises by attaining other objectives determined in this Management Strategy.

## Chapter 2

### RATIONALE FOR STATE OWNERSHIP

#### 2.1 Rationale and level of state ownership in OECD countries

(1) In accordance with the practice of the OECD countries, a permanent (full or partial) state ownership of individual enterprises is justified subject to a special role and significance by individual sectors and individual companies for the long-term economic development of a country. The equity participation of the State in a certain business has a decisive impact on the fact that such enterprise, at least from a certain aspect, acts differently from a private enterprise operating under like circumstances. A company in partial or full state ownership is not only committed to a short-term maximisation of profit but, while pursuing transparent and democratically defined broad social objectives, is expected to act in accordance with the highest standards of governance and social responsibility. However, this cannot be an excuse for a too far-fetched deviation from a company's efficient and economic operation.

(2) In the OECD countries, the state ownership of enterprises is justified in the following cases:

1. Natural monopoly – a state ownership in an enterprise which is managed in an efficient manner is economically justified in some sectors in which the regulation costs would be higher than the benefits of the increased efficiency of a privatised company. States in particular desire to retain the majority shareholding in natural monopolies.
2. Market incumbency (the original operator) - in spite of competition having been introduced, the state ownership is justified in particular in network sectors, in companies carrying out key public service obligations (service of general economic interest), such as public passenger transport, postal services, infrastructure maintenance services.
3. Imperfect contracts – when due to uncertain events or owing to fast changing environment, the rendering of services of general economic interest with important externalities cannot be precisely defined in advance to be laid down in a contract and transferred to a private service provider. This is an argument for some countries to maintain continued public supervision over strategically important airports and airlines.
4. The industrial policy and development strategies – externalities provided by individual enterprises may be used by countries as an important instrument of the industrial and development policy. In this regard, the use of the state ownership as an instrument of government policy may be of a defensive or proactive nature:
  - Defensive practices – states may retain state ownership in some enterprises with the aim of maintaining higher employment levels, retaining development and leadership functions in the domestic country, or for pursuing other objectives such as stabilising business cycles in an easier manner. The common rationale in this case lies in correcting market imperfections which would occur as a result of full private ownership of enterprises;
  - Proactive strategies – the activities of some companies produce key effects which are important for a faster and balanced and sustainable economic development; state ownership in such companies gives the possibility to provide the same access to these services to all entities in the market – this mainly includes investments in areas where long-term economies of scale are perceived, investments in key infrastructure which is important for the development of companies in other sectors, investments promoting the creation and transfer of knowledge in other sectors and in sectors with important technological spill-overs.

(3) In addition to these formal reasons, many countries apply specific arguments for state ownership, such as the strategic nature of an individual sector (for example, agriculture,

forestry, shipbuilding, nuclear energy production) or a strategic nature of a specific company (the preservation of a brand, the preservation of natural and cultural heritage, etc.) or enterprises which are important for the identity of a nation in other symbolic manner.

(4) When evaluating the decision for maintaining state ownership in companies in accordance with the above mentioned national priorities, it is of key importance that the priorities have been developed in a transparent manner and in accordance with the public interest and that they were adopted in a democratic and representative manner.

(5) The OECD countries differ one from the other in regard to their philosophy on the urgency/need for state ownership and consequently equity participation of the state in enterprises. Countries which judge the necessity for having the state equity participation with a question whether some products and services might be produced and rendered by private companies or not (Israel) represent one extreme. These are followed by countries which justify the state ownership function by assessing whether in a certain sector the public interest may be ensured by efficient regulation of competitive private companies or not (New Zealand). In this regard, the state is mostly involved in companies with the activity that is predominately founded on a natural or legal monopoly. In the Netherlands, the state ownership function is mainly justified by way of strategic sectoral priorities and is mostly connected with infrastructural activities, with many state-owned enterprises being established as a result of a functional separation of companies to the infrastructure and an operator.

(6) On the other side of the spectrum there are countries for which the need for state ownership is justified by general public interest, the implementation of public policies or the management of natural and legal monopolies (Hungary). As regards the philosophy for the necessity of state ownership of enterprises, Norway is positioned at the extreme edge among the OECD countries; in Norway, it is normal that the state, together with private owners, manages individual companies in with a concerted approach, and as a result of the institutional efficiency of the regulation regulating the management of state-owned assets, the state is perceived as the an equally efficient owner as a private one. In numerous cases, additional arguments for state ownership are the argument for correcting market imperfections, the need to control revenues from natural resources and the need to retain some key companies under Norwegian state ownership.

(7) In OECD countries, the criteria for classifying SOEs into various classes have been defined in accordance with various philosophies regarding the need for state ownership. These are:

- Hungary: profit versus non-profit SOEs;
- Israel: commercial or non-commercial SOEs;
- the Netherlands: there is no formal criterion – all state-owned companies are expected to maximize profits;
- New Zealand: profit maximising state-owned companies as opposed to companies pursuing mixed objectives;
- Norway: four categories of state-owned enterprises: (1) commercial (2) commercial with the urgency to retain headquarters in Norway, (3) commercial with some non-commercial objectives, and (4) SOEs in accordance with sectoral policies.

## **2.2 Rationale for state ownership in strategic development priorities of the Republic of Slovenia**

In accordance with the practice pursued by the OECD countries, and in the absence of a new strategy of the development of the Republic of Slovenia, the assessment regarding

the rationale for state ownership follows objectives of individual sectoral strategies. The Management Strategy is therefore founded on the following documents:

- The Platform for Smart Specialisation Strategy of 24 April 2015.
- The Slovenian Industrial Policy (Government, No. 31000-1/2013/5 of 6 February 2013).
- Resolution on Research and Innovation Strategy of Slovenia 2011-2020 (Official Gazette RS, No. 43/11),
- Transport Development Strategy in the Republic of Slovenia (Ministry of Infrastructure of 15 October 2014),
- Resolution on the National Energy Programme (Official Gazette RS, No. 57/04),
- Action Plan to Increase Competitiveness of Forestry and Wood Chain in Slovenia by 2020) Government, 27 June 2012),
- Slovenian Banking System Strategy and
- Strategy for Insurance Industry.

### 2.2.1 SMART SPECIALIZATION STRATEGY AND SLOVENIAN INDUSTRIAL POLICY

(1) In Smart Specialization Strategy (hereinafter referred to as: "SSS"), the areas with a critical mass of knowledge, capacities and competences are defined in which Slovenia has the innovation potential for being positioned on global markets and thus for enhancing the Slovenia's recognition. The smart specialization is therefore the strategy for:

- strengthening the competitiveness of the national economy by enhancing the research, development and innovation capacities,
- diversifying the existing industry and services and
- the growth of new and emerging industries and companies.

(2) SSS represents the implementing document of the strategic documents that have already been adopted. It addresses all four objectives of the exiting Development Strategy of Slovenia 2006-2013 in the part which relates to the establishment of the "innovative society of knowledge". In regard to this, Slovenia has already defined three key sectoral strategies, specifically, Research and Innovation Strategy of Slovenia (RISS), Slovenian Industrial Policy (SIP) and Digital Agenda. In regard to individual aspects, other strategies, such as for example, strategies regarding the nature protection, energy, education and similar, are also of relevant importance. SSS integrates and brings policies into a uniform and consistent framework which enables the implementation of target oriented and mutually supportive measures.

(3) SSS is based on the assumption that the main duty of the state is to establish conditions for business and life. Therefore, SSS first deals with the establishment of an efficient entrepreneurial and innovative eco-system which will ensure that each initiative with a growth potential and possibility to create work posts is considered as a priority for the country which will be suitably addressed and supported. The main task of SSS is to define the priority areas, that is, to identify those areas where the cooperation of several stakeholders is urgently needed for making a breakthrough and achieving success. Such cooperation usually follows the logic of "Triple Helix" in which SOEs hold an important role of a promoter and they represent the socially responsible capital, also promoting the balanced regional development. A strong and strategic integration between stakeholders will be established in these areas, and between the stakeholders and the state which will pay close and special attention to the needs of these areas, for example, the provision of human resources, international promotion, smart public tendering or elimination of regulatory or bureaucratic barriers.

(4) In SSS Platform of 24 April 2015, published on the web site of the Government Office for Development and European Cohesion Policy, three priority areas have been identified (Healthy Working and Living Environment, Natural and Traditional Resources for the Future, (S)Industry 4.0) which build on cross-sectoral technologies from numerous areas; the upgrading strategy will seek for niches in these areas in which the industry will invest. These areas are:

1. Healthy Working and Living Environment

The areas within the scope of which the most promising technological areas and product lines will be identified:

- Smart cities and communities, such as for example, smart networks, local energy self-supply and sustainable mobility and accessibility.
- Smart buildings and homes, such as for example, integrated building management systems, home and work environment of the future and smart domestic appliances.

2. Natural and traditional resources for the future

The areas within the scope of which the most promising technological areas and product lines will be identified:

- Networks for the transition to circular economy such as for example, recycling, the development of technological and biological materials, alternative fuels extraction, energy transformation, distribution and storage and management of resources (clean water, clean air, unpolluted production surfaces).
- Wood chain, such as for example, the shift from the selling of natural resources to the development and production of new innovative products.
- Sustainable food production such as, for example, a recognition of Slovenia as the provider of the best (high-quality, above average and natural) food, establishing short delivery channels and short food supply chains.
- Sustainable tourism, such as, for example, boutique, ecological spa tourism with an emphasis on the development of integrated services leading to top experience while taking into consideration natural and cultural resources.

3. (S)Industry 4.0

The areas within the scope of which the most promising technological areas and product lines will be identified:

- Smart factories, such as, for example, smart machinery, mechatronics systems, management and organisation technologies.
- Medicine, such as, for example, pharmaceuticals, translation medicine, medical instruments, devices and appliances.
- Mobility, such as, for example, a shift from the development of individual components and materials to the development of integrated solutions and systems made of the most complex products with high added value of energy and substance efficiency that satisfy the most complex technical standards.
- The development of materials as end products, such as, metallurgy and metalworking.

Table 6: In the Slovenian Industrial Policy, the following challenges and opportunities have been identified and the focus has been placed on priority technological and industrial areas

Challenges	Priority technological areas	Key industrial sectors
Environmental-energy challenge and efficient use of natural resources, based on sustainable production and consumption	Environmental technologies (technologies for the efficient use of energy, including the economical use of energy, renewable energy technologies, technologies for increasing material efficiency etc.)	Energetics / 'Smart' systems
		Sustainable construction
		Manufacturing (particularly, wood manufacturing industry, metal products industry, electric and electronics industry)
		Chemical and process industry
Sustainable mobility	Technologies for sustainable mobility	Automotive industry
Food, health and ageing population	Biotechnologies and other challenge-related technologies	Pharmaceutical industry
		Food-processing industry and sustainable food production
		Sustainable tourism
Potential KET - Key Enabling Technologies	Nanotechnology, micro- and nano-electronics, photonics, biotechnology, advanced materials, advanced manufacturing and process technologies	ICT
		Electrical industry and electronics
		New materials
		Metal-processing industry, engineering and tool-making

## 2.2.2 RESEARCH AND INNOVATION STRATEGY, TRANSPORT DEVELOPMENT STRATEGY AND RESOLUTION ON NATIONAL ENERGY PROGRAMME

(1) On the other hand, with the set objectives, the Resolution on Research and Innovation Strategy of Slovenia 2011-2020 and the Transport Development Strategy in the Republic of Slovenia focus on measures and support mechanisms which will enable to realise the harmonised development priorities in the identified sectors.

(2) The following objectives have been identified in the Resolution on Research and Innovation Strategy of Slovenia :

- increasing the number of researchers and developers in the economy;
- international integration in accessing developed and large research infrastructure;
- enhance investments into R&DM
- promotion of science, creativity and innovation.

(3) In the Transport Development Strategy in the Republic of Slovenia, the focus has been placed on four key priorities (improving mobility and accessibility; improving the supply of the economy; improving transport safety and security; reduction of energy consumption); identifying as a key measure the increased investments in the modernisation and building of transport infrastructure.

(4) As regards the justification of state ownership in individual enterprises, the Resolution on National Energy Programme is also important. The following objectives have been defined in this Resolution:

- providing for a reliable electricity supply of quality supply;
- preserving in the long-term the availability of energy resources (electricity, gas, fuels);
- providing for mandatory reserves of petroleum oil and its derivatives.

(5) As these are key strategic and security objectives of the Republic of Slovenia, the need for state ownership in the area of production, distribution and storage of energy products is thus determined.

### 2.2.3 ACTION PLAN FOR INCREASING COMPETITIVENESS OF FOREST-WOOD CHAIN

(1) The Action Plan for Increasing Competitiveness of Forest-Wood Chain in Slovenia by 2020 is the operational document for increasing competitiveness of the entire forest-wood value chain, and it follows the guidelines of the resolution on National Forest Programme (Official Gazette of the Republic of Slovenia, No. 111/07). In the Action Plan, the wood is defined as the strategic raw material of Slovenia with a lot of unused potential which is why the Slovenian wood processing industry has been classified as strategically important and promising industries with sufficient quantity of domestic raw material.

(2) The key objectives of the Action Plan are: Environmental Objectives and Programmes

- creating the market for wood products and services;
- the increase in tree felling and forest cultivation level in accordance with the forest management plans,
- the increase in the quantity and processing of wood on higher levels of complexity using new technologies,
- new work places and the growth in the added value per employee in the wood processing industry.

(3) One of the key factors for successful implementation of these objectives is to establish a suitable model for managing state forests.

### 2.2.4 BANKING SYSTEM STRATEGY

(1) In the Slovenian Banking System Strategy, the role of the Republic of Slovenia for the development and management of banks is emphasised, specifically, to provide for a stable financial environment and trust in the financial system through the legal framework and supervisory bodies of state-owned banks, and in areas where non-commercial players are not present, to provide for taking over non-market risks and promoting sustainable development.

(2) A special attention has been dedicated to the monitoring of the operations of state-owned banks which have received substantial state aid. By the time the Republic of Slovenia exits from the ownership of these banks, these banks must be actively managed. The main objectives of the banking sector in Slovenia have been derived from the above mentioned facts:



- ensure that the banking sector performs its national and economic function of a financial intermediary in a sustainable manner in the long-term, that is, to be able to exist in the market without any state aid;
- increase the efficiency of banks' operations, that is, their profitability;
- sell the banks, that is, achieve the highest proceeds as possible from the sale of state assets in banks;
- provide for a systemic framework for the functioning of banks which will give support to the financial stability and protect the tax-payer assets in the future.

### 2.2.5 INSURANCE INDUSTRY STRATEGY

(1) It has been concluded in the Strategy for Insurance Industry, that, in the group of the largest European insurance companies, the state is only exceptionally a majority shareholder of insurance companies. Insurance companies mostly invest in debt securities (approximately 65% of the portfolio), with the government bonds prevailing in the bond portfolio structure, ranging between 55% and 60%. For this reason, it is good from the national perspective, that a certain influence on the management of insurance companies remains in Slovenia as it represents one of the potential pillars of the ownership and accumulation of capital in the financial sector, together with the development of professional knowledge in the field of insurance business.

(2) The main objective for insurance industry is to develop new insurance products, particularly in regard to health and pension insurance product, and to expand to regional markets. Within the scope of regulatory policies for the Solvency II, insurance companies will provide for the investment diversification in regard to the risk profile and the suitable structure of domestic and foreign instruments. Insurers will not invest less than 30% of assets from the funds covering mathematical provisions into the domestic instruments.

### 2.3 Criteria for Classification of State Assets in the Republic of Slovenia

(1) The criteria for the classification of state assets are founded on the main purposes for state ownership in the OECD countries and on the purposes for state ownership as justified by strategic and development priorities of the Republic of Slovenia by which the terms of the content regarding the criteria and indicators are determined, classifying by way of this Strategy the state assets into strategic, important and portfolio assets.

(2) In line with this Strategy, the **strategic assets** include SOEs which carry out important infrastructural duties for the state and which are in possession of natural monopolies with the objection to use them for economic purposes as effectively and efficiently as possible. This group also includes the public grid operators which are of key importance for the safety and reliability of the supply to the economy and population. These enterprises provide for broader social interest and accessibility of the public to the services rendered under the same conditions. The majority state ownership is also needed in cases when the operation of solely private providers of economic activity may cause disturbances in the market. The strategic assets are assets with which the State, in addition to economic objectives, also reaches for development and other objectives related to the provision of individual services of general economic interest with which not only business interest but the broader social interest is pursued. In companies classified as strategic, the State will maintain or obtain at least a 50% shareholding + 1 share. Owing to the strategic nature of these assets, it is important that only the core business for which the businesses have been established is pursued by these enterprises. The strategic enterprises are the providers of

innovation activity, they have research and innovation departments and they become integrated with innovation networks with domestic public and international research and innovation institutions. This group of state assets includes companies to which special public powers have been conferred by way of the law, and companies in the ownership of economically significant infrastructure. In regard to companies which own infrastructure, it is admissible to conclude long-term concession contracts for infrastructure management following the public-private partnership system, whereby the concession fee is the revenue of the Government budget. In accordance with ZSDH-1, the Asset Management Strategy may also determine specific strategic assets in regard to which the efficient realisation of strategic objectives is ensured by a concession contract of a limited duration which is why in case of such companies, the minimum shareholding may be reduced below a 50% equity stake and one vote.

(3) The **important assets** include companies which are similarly the providers of the broader economic development and hold an important role in the integration of companies into supply chains and for the internationalisation of the economy. As a rule, these enterprises provide for the management along the entire value chain, they manage key technologies and keep key business functions in Slovenia (that is, the development function, financial, marketing and senior management functions), together with the strategic management function and the management of the group. These companies also represent important players on the capital market. In regard to important assets, the State shall retain the controlling share (25% equity stake + 1 share) with which the State wishes to retain key development components in Slovenia and pursue development priorities and objectives referred to in the strategic development documents of the Republic of Slovenia. This group of state assets may include enterprises with an important role for the transfer of knowledge and technology. In regard to individual important assets which are specially determined in this Strategy, the prohibition of the concentration and dispersed ownership by private owners apply, specifically, up to the total amount of the state owned assets. In regard to these assets, prior to any disposal of capital assets, SSH as the asset manager, must provide for the prohibition of concentration on the part of individual private owners and ensure the dispersion of their ownership up to the total amount of the state owned assets, in the Articles of Association of a company or in any other suitable manner.

(4) The **portfolio assets** include assets in which it is not mandatory for the State to keep the controlling shareholding, and SSH manages them and disposes of them exclusively for the purpose of attaining economic goals. This category also includes enterprises which must be restructured. This group of state assets therefore includes companies which are attractive from the market perspective since these are companies that operate well, or it includes assets in companies which, prior to their sale, need an owner's active cooperation in their restructuring process and in the process of their further development.

(5) As to the content, the main criteria for classifying companies into strategic and important assets are as follows:

<b>STRATEGIC ASSETS</b>	
•	Enterprises carrying out key infrastructural duties:
○	network infrastructure of key electronic communications (*)
○	transport infrastructure (roads, railways)
○	natural monopolies (ports, etc.)
•	Companies in economic activities which are important for stable and safe supply of resources and energy and public grid operators:
○	Energy industry
○	distribution of electricity and distribution and storage of other energy products (gas, oil)
○	water supply* and other environmental services
○	national operator of the port activity (Port of Koper)
•	Companies rendering important public obligations (services of general economic interest):
○	public passenger transport
○	maintenance and management of public infrastructure (roads, railways, distribution networks)
•	Companies increasing the competitiveness of the entire forest-wood value chain
<b>IMPORTANT ASSETS</b>	
○	systemic financial institutions and venture capital funds
○	lottery and gambling
○	companies important in terms of their development and technology, mastering key technologies and with key development components to remain in Slovenia
○	the development centres of the Slovenian economy, competence centres and centres of excellence
○	companies having an important role in the integration of companies within supply chains and for the internationalisation of economy.

\*in Article 70 of the Constitution of the Republic of Slovenia (Official Gazette of the Republic of Slovenia, Nos. 33/91-I, 42/97 – UZS68, 66/00 – UZ80, 24/03 – UZ3a, 47, 68, 69/04 – UZ14, 69/04 – UZ43, 69/04 – UZ50, 68/06 – UZ121,140,143, 47/13 – UZ148 and 47/13 – UZ90,97,99) it is stipulated that special rights to use national assets may be acquired, subject to conditions established by law. In the case of water resources, this is stipulated in the Waters Act (Official Gazette of the Republic of Slovenia, Nos.67/02, 2/04 – ZZdrI-A, 41/04 – ZVO-1, 57/08, 57/12, 100/13 and 40/14); on the basis of this Act, the water rights and concessions for water resources may be granted, however, in accordance with the Constitution, the water resources remain under the ownership of the Republic of Slovenia.

(6) In classifying state assets into strategic, important and portfolio assets, and in regard to acquiring new assets and increasing the equity stake in the existing companies, the Management Strategy follows the criteria mentioned below. These criteria have been derived from the level of strategic significance of companies as defined in strategic national documents and in regard to other strategic, safety and broader social objectives pursued by the Republic of Slovenia.

Table 7: Criteria for classifying state assets

CRITERIA FOR CLASSIFYING STATE ASSETS	Weight
<b>A. Strategic and development indicators:</b>	
1. A company is a provider of technology and development activities in the areas which have been classified as priority areas by the Smart Specialisation Strategy.	0.5
2. Within the scope of the Slovenian Industrial Policy, the activity of a company is classified within priority areas within which the development of new technologies and their application in industrial sectors will be promoted.	0.5
3. The activity of a company provides support to key objectives of the Resolution on Research and Innovation Strategy of Slovenia 2011-2020.	0.5
4. A company exploits the natural monopoly or the location rent.	1.0
5. A company manages natural resources and is important for sustainable development.	0.5
<b>B. SECTORAL AND ENTREPRENEURIAL INDICATORS</b>	
6. The activity of a company provides support to key objectives of the Transport Development Strategy in Slovenia.	1.0
7. The activity of a company is compliant with the Resolution on National Energy Programme.	1.0
8. A company is an owner of a brand providing Slovenia with international recognition.	0.5
<b>C. NETWORK INDICATORS</b>	
9. A company is an operator of the public grid or provides services of general economic interest.	1.0
10. A company is a provider of internationalisation and gives support to the international competitiveness of the Republic of Slovenia.	0.6
11. A company is important for integrating companies and holds all management functions in the Republic of Slovenia, or is an important provider of regional development.	1.0
12. A company carries out an activity with a particularly limited provision of products and services.	0.5
13. A company significantly contributes to the development of the image and international recognition of Slovenia, to the provision of tourist products and services and promotion of natural assets of Slovenia and promotion of culture and creativity.	1.0
<b>D. FISCAL INDICATORS</b>	
14. A company is an integrator of the value chain and keeps all key business functions in Slovenia.	1.5
15. A company has the nature of systemic financial institution and contributes significantly to the stability of funding the long-term development.	1.0
16. A company carries out gambling activity on a large scale.	0.5

## Chapter 3

### OBJECTIVES OF STATE ASSETS MANAGEMENT

#### 3.1 Implementing strategic and development objectives

(1) The objectives of the management of an individual company differ according to the classification of a company and thus state asset as strategic asset, important asset or portfolio asset, in accordance with ZSDH-1. While in regard to strategic assets, in addition to economic objectives, development and other objectives related to the provision of individual services of general economic interest are pursued, and in regard to important assets, key development components are desired to be retained in Slovenia, in the case of portfolio assets, exclusively economic objectives are being sought.

(2) By pursuing objectives from individual sectoral strategies with important and strategic assets, the main objective of the Asset Management is to contribute to attaining these objectives. For attaining all of the above mentioned harmonised strategic and development objectives, and broader social strategic and safety objectives, it is of key importance to mobilise all resources at the national level, to enable to all entities free access to goods and services in the public domain and placing target-focus on areas with a critical mass of knowledge, capacities and competences and with the largest innovation potential. For the purpose of attaining the strategic development objectives, the State may use state assets in important enterprises as an important instrument of economic policy. The State holds equity stakes in companies which carry out important infrastructural duties, which possess natural monopolies and which function as operators of public grids and networks with which the broader social interest is provided for and access to services is enabled to all entities under the same conditions. On the other hand, the State holds capital assets in companies which are the providers of the broader economic development and hold an important role in the integration of companies within the value chain, in the transfer of knowledge and technology and for the internationalisation of economy.

(3) By pursuing organised, transparent and efficient management of state assets, the objective of the Management Policy is to contribute significantly to the implementation of harmonised national development priorities referred to in the strategic development documents *via* promoting the competitiveness of economy, technological restructuring in the direction of developing innovative products and services of high technological complexity and high added value, and through promoting a stable supply of resources, sustainable food production and sustainable tourism.

#### 3.2 Rise in culture of corporate governance

(1) From the aspect of the state as a whole, the organised corporate governance is highly important for its economic efficiency, effectiveness and competitiveness as it reduces the risk of corporate failures. The State has a central role in this regard as it must become actively involved in the development and implementation of standards and practices of good corporate governance. The corporate governance system of quality pursued by companies also means that companies gain organised and functioning system of internal controls, internal audits and risk management which reduces any unlawful conduct in companies. It similarly improves the quality of decision-making and thus reduces risks while increasing trust in the company on the part of shareholders, employees and other stakeholders. It is also important for improving the working atmosphere and ethics among employees.

(2) For attaining its objectives, SSH, as the manager of state assets, will advocate the improvement of the corporate governance in SOEs, it will follow the long-term interests of companies which may be exclusively economic, national and strategic goals, a combination of both goals while simultaneously oriented towards the sustainable development of companies; in addition, SSH will support the establishment of such ownership structure which will ensure efficient management, competitiveness and successful development in the long term. The long-term vision of SSH is to become recognised as an informed and active asset manager conducting the best practice in corporate governance.

(3) The Asset Management Strategy is the fundamental and the most important document for the management of state assets upon which the entire concept of the Slovenian Sovereign Act is founded. Without this document, the main objectives of the law, which are: the separation of the function of the State as the owner of state assets from other functions of the state, concentrated management, transparent asset management system and management of assets in accordance with the international guidelines of good practice, cannot be satisfied to the relevant extent. The Asset Management Strategy therefore gives to the Government, functioning as the General Meeting of SSH, the National Assembly, functioning as the legislator and the custodian of state assets, and SSH in the role of the manager of state assets, relevant legal bases and responsibility and accountability for effective and transparent management. This will be fully achieved by appointing professional and independent and autonomous members of Supervisory and Management Boards of SOEs. Thus, one of the fundamental objectives of the Strategy is also to enhance the professionalism and independence in management.

(4) Within the scope of asset management, a very important duty of SSH is to appoint professional and experienced members of the Personnel Committee and supervisory bodies of SOEs which is why the Management Board of SSH must carry out all processes for the recruitment and appointment of candidates in a consistent, transparent and responsible manner, while ensuring that all regulated conditions are satisfied, as stipulated by ZSDH-1. The same applies to the Personnel Committee which, as the consultation body of the SSH Management Board, and in accordance with ZSDH-1, carries out procedures for the recruitment of candidates for Supervisory Board Members of SOEs. The transparent and professional appointment of members of the SSH Management Board are key elements and must be provided for by the SSH Supervisory Board with the greatest possible level of diligence; the members of the SSH Supervisory Board are proposed by the Government and appointed by the National Assembly by consistently observing the regulated procedure and conditions as stipulated by ZSDH-1. Only such procedures will contribute to the improvement in the efficiency of state asset management and to the attainment of other objectives referred to in the Strategy.

(5) The Asset Management Strategy also provides SSH with the necessary basis for increasing the efficiency of SOEs and for developing the criteria for measuring the performance of SOEs which must be developed by SSH in regard to the type of asset not later than within one month, and the Government must endorse them not later than within two months after the adoption of this Strategy. The criteria for measuring the performance of SOEs with strategic assets must take into account the strategic objectives and determine economic and financial objectives as stipulated by this Asset Management Strategy. For the evaluation of performance of important assets and portfolio assets, the criteria may only be of a financial and an economic nature and must be so as to measure the social responsibility of the conduct pursued by SOEs. The operation of SOEs is monitored by SSH in accordance with the criteria and objectives referred to in this Strategy. The Slovenian Sovereign Holding verified the companies' effectiveness in implementing objectives, controls their operations and reporting, and, in obtaining information, SSH may apply all legal methods.

(6) Members of SSH management bodies must provide for the implementation of objectives referred to in this Strategy, and when doing so act with diligence as defined in the law governing companies and principles for asset management stipulated by ZSDH-1, while being accountable for their actions in accordance with the provisions of the said acts,

### **3.3 Improving efficiency in disposing of assets**

(1) The disposal of assets is the encumbrance, sale, swap or any other legal transaction on the basis of which an asset owned by SSH or the Republic of Slovenia is transferred to another legal entity or an individual.

(2) The assets which have been classified as important or strategic by way of this Strategy may be disposed of up to the minimum stakes as regulated by ZSDH-1, specifically, as a rule, with the aim of increasing the share capital with contributions in kind and/or monetary contributions by private investors; contributions obtained in such manner will be used by companies solely for increasing the value of individual assets and for providing for relevant conditions for the further development of the company. When disposing of the most important assets, the state asset manager will pursue objectives which are important from the aspect of stable economic growth and are in accordance with rules on state aid, such as: employment, competitiveness and successful performance of companies, improvement of public services and development of companies in the future. On the basis of the Strategy, the more detailed objectives for disposing of individual state assets are determined by SSH in the Asset Management Annual Plan.

(3) In addition, SSH must also envisage procedures for companies' deleveraging and restructuring, specifically, for those overindebted enterprises with too little own equity on average, which is why it is urgent for them to initiate restructuring processes. It is hard to expect any improvement of the economic situation in Slovenia without any financial, ownership and business restructuring of companies. The sale of a larger amount of portfolio state assets is not feasible within a short period of time which is why, in the interim period, it is important for SSH to provide for the wise management of SOEs conducted by professionally qualified managers who follow good business and management practices and who will implement the relevant restructuring, therefore creating suitable conditions for the development of companies and increasing their value. During the preliminary proceedings leading to the sale of state assets, SSH must provide for the protection of any potential art collections and cultural monuments in the public domain or of national significance, as a part of the permanently accessible national cultural wealth of the Republic of Slovenia.

(4) The definition of individual capital assets as strategic or important is based on criteria for classifying state assets determined in this Strategy and is based on the assessment of the core business being carried out by an individual SOE. In accordance with this statement of reasons, SSH must verify all strategic and important assets under its management and SSH's assets in other companies (companies in their majority ownership, subsidiaries, minority equity stakes in enterprises) and, in doing so, pursue the objective of carrying out the core business and providing support for key activities of parent companies. SSH must also take into account any potential companies' assets invested in other SOEs with assets defined as important or strategic, and, in accordance with this principle, provide for suitable and justified procedures for disposing of capital assets in other companies. In such cases, prior to disposing of assets in other companies, the Supervisory Board of an individual company must obtain a consent granted by SSH.

(5) The sale of capital assets is also a good opportunity for Slovenia to attract foreign investors and generate economic growth. The implementation of policy regarding the sale of state assets is a complex process which is why an efficient and well-coordinated approach to the formation of the strategy for the sale of state assets which ultimately paves the way to efficient and successful sales is needed. As a rule, such sales increase economic efficiency, reduce the involvement of the Government in the economy and contribute to the reduction of the indebtedness of the public sector. The sale of assets is favourable for the Government, as, among other matters, it is saved from dealing with the burden of companies which generate losses. The ownership of companies is thus transferred to the general public, and the equity stakes of public companies are transferred to private individuals or privately-owned companies.

(6) In regard to the disposal of portfolio assets, as a rule, the sale processes are applied with objectives and methods defined by this Asset Management Strategy. From a budget point of view, the main goal in the sale of state assets is to provide for liquid earnings, which is why it is important to attain the highest proceeds from the sale. This is particularly important from the aspect of fiscal consolidation of Stability Programme 2014 in which the deleveraging of the state is envisaged by means of proceeds from the sale of state assets. The use of proceeds from the sale of assets owned by the Republic of Slovenia is intended for the repayment of debts in the financing account, and regulated by virtue of the law regulating public finance. In accordance with ZSDH-1, 10% of proceeds from the sale of assets owned by the Republic of Slovenia are dedicated for the financing of the demographic reserve fund.

(7) Due to the broader macroeconomic interests of the State related to economic development, the attainment of the highest proceeds from the sale and budget revenue cannot be the only main objective of the sale, when selling state assets. Especially when selling state assets it is necessary to provide for the attainment of macroeconomic objectives, particularly the attainment of permanent and stable growth of economy and employment, the improvement of the quality and capacity of public services and the provision of a more successful and competitive economic system. Therefore, in sale processes, while observing the rules on state aid, it should be ensured that responsible owners will be found for enterprises who will be able to provide for the long-term and successful development of companies.

(6) In accordance with the Social Agreement 2015-2016, in the implementation of sale processes, while taking into account the binding directives and rules on granting state aid, SSH must include conditions for the withdrawal of the State from the ownership of enterprises, so that the development of the company is ensured, workplaces are maintained, the company's headquarters are retained in Slovenia, the collective agreements are observed, the standard of employees and the Slovenian language are preserved, and in due course include employee representatives in these processes.

(9) When disposing of state assets, particularly prior to the initiation of a sale process, SSH must study the interest, possibilities and conditions for internal ownership to be held by employees, particularly from the aspect of employee stock ownership and forms of employee cooperative.

(10) The sale of state assets must be implemented in a manner in which the transparency of sale processes is ensured and equitable treatment is granted to all bidders. When assets are owned by several entities in direct or indirect ownership of the Republic of Slovenia, the joint sale of assets is implemented with the aim of attaining better sale results. The methods and processes for the sale of state assets must be determined so as to enable



a simultaneous achievement of the main objectives regarding the sale of state assets, specifically:

- the attainment of the highest proceeds from sale and thus budget revenues,
- the attainment of macroeconomic objectives, primarily the achievement of permanent and stable economic growth, the improvement of the quality and capacity of public services and the provision of a more successful and competitive economic system.
- further existence and development of the company, new investments, opening of new markets and preservation or increase in the number of work places in the domestic economy.

(11) In the process for the sale of state assets, SSH must select such methods as to ensure an optimum attainment of the sale goals. The sale must be implemented in accordance with the applicable legislation.

### **3.4 Wise acquisition of assets**

(1) In addition to processes for the disposal of assets, processes for acquisition of new state assets are managed in a transparent manner and in accordance with rules regulated in advance. The fundamental provisions on the acquisition of capital assets are incorporated in ZSDH-1, and the detailed rules are regulated by the SSH Asset Management Policy.

(2) The acquisition of assets, against payment or free of charge, is the acquisition of assets for the ownership of the Republic of Slovenia or SSH; within the scope of asset management, SSH acquires assets by establishing, acquiring or recapitalising companies. All individual processes for acquiring capital assets must be based on substantive criteria for strategic and important assets and indicators for classifying state assets as defined by this Asset Management Strategy.

(3) If individual shareholdings in strategic and important assets fail to attain minimum holdings as determined for an individual type of assets by ZSDH-1, SSH shall be free of any obligation to acquire new shareholdings to attain the minimum shareholding; however, SSH must not dispose of such assets unless under conditions and in accordance with procedures stipulated in ZSDH-1.

(4) More detailed objectives for acquiring individual capital assets shall be determined by SSH on the basis of this Strategy in the Asset Management Annual Plan to which the consent shall be granted by the Government.

### **3.5 Increasing return on equity**

(1) From the aspect of SOEs, return on equity (ROE) shows how efficiently a company uses its assets for creating value through their commercial activities. If SOEs operate in the market fully, they must attain rates of returns consistent with private companies; it is thus ensured that assets are allocated to the most productive activities. Since with SOEs both commercial and non-commercial activities or only non-commercial activities are carried out, the establishing of ROE for SOEs poses a special challenge.

(2) In the publication Financing State-Owned Enterprises published by OECD (2014) it has been concluded that the anticipated rate-of-return requirements are determined at the level of the state or at the level of an individual enterprise in three quarters of countries,

which have been included in the survey (Australia, Canada, Chile, Estonia, Finland, Hungary, South Korea, Latvia, New Zealand, the Netherlands, Norway, Sweden, Switzerland, Great Britain). Two approaches are used in this regard, specifically, establishing the expected rates-of-return at the level of all companies in state ownership and/or at the level of an individual company. Only in minority number of countries, no specific expectations in regard to the SOEs rate-of-returns are made (Czech Republic, Germany, Italy, Japan and Poland), but among these, expected rates-of-return are determined in regulated sectors in some countries (Ireland, Israel). Sweden has been highlighted by OECD as an example of the state which has developed the best system for establishing rates-of-returns in SOEs.

(3) It has been emphasized by the Swedish Ministry of Finance in the Annual Report State-Owned Companies 2013 that the establishing and monitoring of distinct financial targets and indicators is an important tool in the corporate governance of SOEs. Realistic yet ambitious targets enable the measurement of the performance of companies and reflect the urgency in the need for taking measures. The main role among financial indicators is taken by ROE which in Sweden is determined by an individual SOE. In 2013, individual state-owned enterprises achieved the following ROE indicators (the figure in bracket is the expectation by the Government): LKAB, the steel company: 14,6 (12%); Teracom Group, telecommunications company, 29.4% (17%), Svenska Spel, lottery firm: 22.6% (22%), Sveaskog, forest owner, 8.8% (7%), SJ, railway passenger company: 5.1% (10%), Post Nord, postal service: 3.8% (10%), SBAB bank: 9.5% (10%) and SEK, providing export financing: 7.4% (8,3%). On average, the target ROE of all enterprises owned by Sweden was 9.2%, and, on average, the Swedish SOEs generated return in the amount of 6.9%, without taking into account negative values of 9.0% . In the same year in Slovenia, Slovenian SOEs achieved negative ROE on average, without taking into account banks, the ROE amounted to 2.89% and excluding banks and negative rates-of-return, the ROE stood at 4.8%. This comparison clearly shows that the rates-of-return of Slovenian companies are way too low.

(4) The analysis of the state of the Republic of Slovenia's assets portfolio, the above mentioned practices of the most of the OECD countries and the example of Sweden give grounds for setting realistic yet ambitious expectations by the Government in regard to fulfilling target returns on equity in managing state assets.

(5) Target returns as determined by this Asset Management Strategy are based on the analysis and expectations of the asset manager at the level of individual companies; out of these indicators, target rates-of-return have been set for individual sectors and at the level of the entire state assets portfolio by 2016, inclusive. In addition, additional strategic targets for generating returns have been set for the period beyond 2016.

(6) The main goal for managing state assets is to generate by 2020 returns from state assets in the amount of 5% on the book value of equity. In the following three years, the target returns from state assets are expected to amount to 5.9% for 2015, 6.3% for 2016 and 7.1 % in 2017.

Table 8: ROE in 2013 and expectations for 2016

	2013*	2016**
Net profit and loss, excluding banks	322,515,005.	669,471,814
Return on equity (ROE)	2.89 %	6.30 %
Net profit and loss, excluding banks and negative values (only profits without losses)	486,462,087	669,471,814
ROE	4.80 %	6.30 %

\*With the average value of the preceding two years for the entire book value of SOEs, excluding banks, companies undergoing sale process and small businesses. Commercial banks have not been included in the ROE calculation due to extraordinary conditions in the banking industry which have led to the recapitalisation and nationalisation of these banks. For the sake of the comparability of data, returns for banks have not been taken into account in the projections for 2016. As a matter of fact, a return in the amount of EUR 130.066 million has been anticipated in the case of banks (NLB, Abanka, Banka Celje and SID bank).

\*\* The estimate for 2016 has been made on projections made on the basis of individual SOEs.

Table 9: Overview of ROE indicator by sectors in 2013, including the assessment for 2016

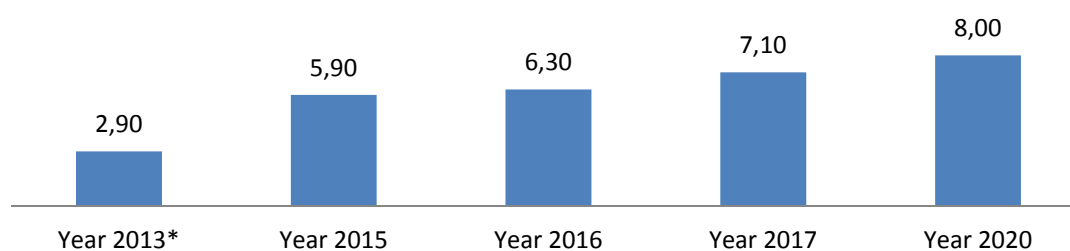
Sector*	ROE 2013	ROE 2016**
Energy	3.70 %	5.18 %
Public service companies	2.20 %	5.90 %
Companies employing disabled people	-11.80 %	2.02 %
Postal services, Telecommunications	3.70 %	4.00 %
Food and beverages	0.90 %	1.64 %
Manufacturing	9.70 %	11.47 %
Traffic, transport and infrastructure	2.50 %	3.96 %
Companies to be transferred to SRRP	-11.60 %	n.a.
General economic sector	-1.00 %	5.79 %
Tourism	-7.10 %	3.25 %
Financial holding companies	-17.10 %	3.10 %
Venture capital companies	-3.40 %	n.a.
Banking	-100.30 %	7.06%
Insurance companies	11.80 %	14.15%

\* Excluding companies in bankruptcy, liquidation or being wound-up

\*\* The calculation has been made on the basis of data for companies directly owned by the Republic of Slovenia, for which the ROE assessment for 2016 has been at disposal, taking into account the state of equity at the end of FY 2013. The ROE calculation at the level of a sector takes into account shareholdings owned by the Republic of Slovenia and held in an individual company, similarly in the ROE calculation at the level of the portfolio of assets as a whole.

Source: Companies' annual reports, SSH's own calculations

Figure 9: Target ROE in 2015- 2020 period



\*With the average value of the preceding two years for the entire book value of SOEs, excluding banks, companies undergoing sale process and small businesses. Commercial banks have been not included in the ROE calculation due to extraordinary conditions in the banking industry which have led to the recapitalisation and nationalisation of these banks. For the sake of the comparability of data, returns for banks have not been taken into account in the projections for 2016. As a matter of fact, the return in the amount of EUR 130.066 million has been anticipated in the case of banks (NLB, Abanka, Banka Celje and SID bank).

### **3.6 Listing of SOEs shares on regulated securities market**

(1) The objective of the Strategy is that, within the scope of asset management policy, SSH gives support to listing the shares of important economic players on capital markets. Enterprises with a capitalisation which is potentially higher than EUR 300 million will be supported by SSH in becoming listed on the Ljubljana Stock Exchange with the aim of increasing their market capitalisation and thus the value of state assets and associated entities. In addition, it will be made possible for these companies to issue structured financial products and to obtain financing with the issue of new equity shares.

(2) Enterprises with market capitalisation approximating EUR 1 billion will be supported by SSH to become listed on international capital markets. The guidelines for international listing are:

- market capitalisation exceeds EUR 1 billion,
- an expected daily turnover (security liquidity) of not less than EUR 5 million.

(3) In a case of listing shares on stock market through initial public offering (IPO), the reservations in regard to ownership concentration must be suitably regulated by SSH in the company's Articles of Association.

(4) The cooperation in the development of the capital market in the Republic of Slovenia is an important guideline for the operation of SSH. Taking into account broader dimensions regarding the supply and demand in capital markets, the Republic of Slovenia will develop in parallel relevant public institutional investors and encourage private institutional investors who will be able to provide for a relevant volume of aggregated demand in the capital markets. To a large extent, this role will be played by the demographic reservation fund as defined by ZSDH-1, and additionally, by other funds.

### **3.7 Ensuring long-term sustainability of the pension system**

(1) For the long-term and balanced sustainability of the pension insurance fund and public finance, it is necessary to establish the demographic reserve fund and for its proper operation and financing, since the revenues into the pension insurance fund have been decreasing during the time of the economic crises when, on the other hand, the number of pensioners is increasing which consequently is posing an increasing burden on the Government budget.

(2) Therefore, the objective of the Strategy is also the transformation of KAD into an independent and autonomous demographic reserve fund as defined by the law regulating pension and disability insurance, and in accordance with Article 73 of ZSDH-1, not later than by 31 December 2015.

(3) The operation of the demographic reserve fund and additional permanent sources of the fund financing will be defined with a special Act.

In ZSDH-1, the sources for financing the demographic reserve fund have been defined, specifically, 10% of proceeds from the sale of assets owned by the Republic of Slovenia and assets arising from the management of equity investment by ZPIS in the insurer, Zavarovalnica Triglav, d.d.

## **Chapter 4**

### **MANAGEMENT OF STATE ASSETS**

#### **4.1 Legal status and responsibilities of SSH in regard to the management of state assets**

(1) On 28 December 2012, with the entry into force of the Slovenian Sovereign Holding Act (Official Gazette RS, Nos. 105/12 and 39/13; hereinafter referred to as: ZSDH) the management of capital assets owned by the Republic of Slovenia was transferred from the Capital Assets Management Agency of the Republic of Slovenia to SOD. SOD used to manage state assets until 25 April 2014 when SSH was established in accordance with ZSDH-1.

(2) Slovenian Sovereign Holding holds the status of public limited company with a two-tier management system. It has four bodies: the General Meeting, the Management Board, the Supervisory Board and the Expert Committee for Economic and Social Issues. The founder and sole shareholder of SSH is the Republic of Slovenia. The powers and duties held by the SSH General Meeting are carried out by the Government of the Republic of Slovenia. The SSH Supervisory Board consists of five members who are all appointed by the National Assembly of the Republic of Slovenia as proposed by the Government of the Republic of Slovenia. The SSH Management Board consists of three members; the President and two members are appointed by the SSH Supervisory Board. The Expert Committee for Economic and Social Affairs is a seven-member consultation body of the SSH's Management Board; its members are appointed by the Slovenia's representative trade unions and confederations who are members of the Economic and Social Council. Their appointment is approved by the SSH Management Board.

(3) Slovenian Sovereign Holding is a public company since bonds issued by SSH (SOS2E symbol) are listed on the regular market. As a result, SSH has the obligation to disclose the regulated information under the Financial Instruments Market Act (Official Gazette of RS, Nos. 108/10 -official consolidated text, 78/11, 55/12, 105/12 – ZBan-1J in 63/13 – ZS-K).

(4) Slovenian Sovereign Holding is responsible for the management of state assets (i.e., assets owned by the Republic of Slovenia and SSH, and assets owned by KAD subject to statutory provisions) and equity investment of ZPIS held in the insurer, Zavarovalnica Triglav, d.d. The management of assets comprises the acquisition of assets, the disposal of assets and the exercise of the rights of a shareholder or member, or all other legal acts in accordance with the Companies Act (Official Gazette RS, Nos. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – CC Decision and 82/13 – hereinafter referred to as the ZGD-1).

(5) Four company's objects have been registered by SSH: Activities of holding companies, Other financial service activities, except insurance and pension funding n.e.c., Renting and operating of own or leased real estate, Other education n.e.c..

(6) As it is clear from Article 1 of ZSDH-1, SSH was established with the purpose of providing a concerted, transparent, professional management of the State's capital assets separated from everyday politics. Slovenian Sovereign Holding continues to carry out powers, responsibilities, rights and obligations that used to be managed by SOD (the settlement of liabilities due to beneficiaries under several laws). For this purpose, the Company issues SOS2E bonds and other securities and manages and disposes of securities and other assets obtained.

#### **4.2 SSH duties related to state asset management**

(1) Slovenian Sovereign Holding must manage state assets in accordance with ZSDH-1, the act governing companies and in accordance with this Strategy and other legal documents related to asset management, taking into consideration the legal form of an individual company and its internal corporate legal documents and in line with good practice in corporate governance. When managing state assets, SSH must follow the principle of responsibility and due care, the principle of independence, the principle of transparency and the principle of economy.

(2) With the aim of creating long-term value in capital asset management, SSH must strive to achieve the following: good relationships between companies and their owners; transparent operation of SOEs; the adoption of measures for measuring SOEs' performance and their presentation to SOEs Management Boards and the public; heterogeneous and independent SOEs Supervisory Boards consisting of members without any conflict of interest; and for developing such remuneration measures as will enable the company value to grow, while preventing the company from taking excessive risks.

(3) Slovenian Sovereign Holding must provide for the transparency of operations of companies under its management, together with SSH recommendations and expectations in regard to SOEs operation since a high level of transparency improves forecasting and contributes to the confidence on the part of enterprises which has a positive impact on the value of assets.

(4) Within the scope of asset management, SSH mainly carries out the following duties and activities:

- participates at General Meetings where voting rights are exercised;
- provides for the exercise of other rights of a shareholder or member such as the convocation of General Meetings, extensions of agenda, lodges applications for a special audit review, an extraordinary audit review and files compensation claims and similar;
- provides for the legal protection of the rights of the shareholder or member and acts as the authorised person representing the shareholder or member in administrative procedures, judicial proceedings and other procedures;
- in terms of the content, provides for a suitable evaluation of individual AGM resolution proposals and for the observance of provisions of the statutory provisions and legal documents related to state asset management;
- develops a suitably designed and transparent procedure regarding the accreditation, nomination and selection of candidates for members of SOEs Supervisory Boards, and provides for their implementation;

- ensures that the remuneration systems regarding the Supervisory Board members of SOEs will satisfy the long-term interests of a company and attract and promote qualified experts to run for the membership in SOEs Supervisory Boards;
- in accordance with applicable regulations, establishes reporting systems which enable the legal protection of SSH and the Republic of Slovenia as a shareholder or member, and the evaluation of management systems applied for an individual company;
- concludes shareholders agreements or other agreements in which the rights and obligations by and between SSH, the Republic of Slovenia and third persons are defined in regard to the management or disposal of assets;
- promotes and within the scope of its rights, ensures good corporate governance systems in an individual SOE;
- acquires assets by establishing, acquiring or recapitalising companies;
- disposes of individual state assets within the scope and in a manner as stipulated by ZSDH-1 and legal documents regarding state assets management.

#### **4.3 Legal documents regarding asset management**

(1) Generating long-term value of SOEs can be most easily achieved by means of a clear matrix of powers and responsibility and transparent procedures taking place between the Management Board, Supervisory Board and shareholders, with all members of bodies being aware of their function and responsibility and accountability.

(2) Slovenian Sovereign Holding must implement good practice in corporate governance by legal documents relating to asset management as stipulated mainly by ZSDH-1; in addition, SSH must provide for the foundations for efficient, transparent and professional management of state assets, particularly with the following documents:

1. Annual Asset Management Plan

- On the basis of the adopted Strategy, for every following calendar year, SSH must adopt the Annual Asset Management Plan to which the consent by the Government, in the role of SSH General Meeting, is granted. The detailed goals to be achieved by SSH in the management of individual assets are defined in the Plan, together with measures and policies for attaining these goals. The forecast cash flows from the management of assets owned by SSH and the Republic of Slovenia are also determined in the Annual Asset Management Plan. In addition, procedures for the sale of individual portfolio assets are defined in the Annual Asset Management Plan.

2. Asset Management Policy

- The Asset Management Policy is a legal document which presents principles, procedures and criteria which are applied by SSH in carrying out its duties and activities which are stipulated by ZSDH-1. The purpose of the document is to provide for transparency and traceability of decision made by SSH. This particularly applies to the recruitment processes for members of SOEs supervisory bodies, for procedures for disposal of state assets and also for the setting of control mechanisms in regard to recruitment and hiring of external providers of services.

3. The Corporate Governance Code for Companies with Capital Assets of the State

- The purpose of the Code is to set the standards of governance and supervision in SOEs and to develop a transparent and understandable system of corporate governance in SOEs. The Code is addressed to SOEs under the "apply and explain" principle. It is also used by subsidiaries in the Group in which a state-owned enterprise is the parent company. By analogy, the Code is used by SSH for its operation. The Code contains

principles and recommendations for good practice in corporate governance of SOEs. Some principles are general and refer to all SOEs, while some recommendations refer to companies with specific legal form and organisational structure, taking into account the ownership structure of the company and the fact, whether the company's shares are traded on the regulated market. The Code also includes individual general expectations by SSH from SOEs. The aim of the Code is to improve operations in SOEs by improving the quality of corporate governance in SOEs, for the benefit of all stakeholders. In this manner and while protecting interest of all other stakeholders, enterprises will improve returns on capital invested by the State and SSH and contribute to the attainment of strategic objectives as determined by the Asset Management Strategy.

(3) All other guidelines and viewpoints submitted by SSH in any manner to SOEs must be fully compliant with the Code and the Asset Management Policy.

#### **4.4 Methods for managing direct and indirect capital assets**

##### **4.4.1 BASIC PRINCIPLES FOR MANAGING SOEs**

(1) The Slovenian Sovereign Holding manages SOEs in compliance with the Strategy and on the basis of clearly set operation goals proposed by Management Boards and adopted and endorsed by Supervisory Boards. Goals cover all key aspects which are important for the development and competitive position of enterprises, and in particular the following:

- growth of operations,
- cost efficiency,
- innovation and launching of new products or services on the market,
- internationalisation of operations,
- effectiveness of business model,
- efficiency of investing activities,
- return on assets,
- optimum structure of sources of financing,
- return on equity, and
- dividend yield.

(2) Enterprises which are managed by SSH adopt the Strategic Business Plan at the level of the parent company and the Group and monitor the efficiency of its implementation at least at one-year intervals. The efficiency in attaining strategic goals is measured by companies with the KPI (key performance indicators) system. Slovenian Sovereign Holding has also recommended to the enterprises to implement the business excellency system as a tool for managing key business processes.

(3) The performance of enterprises which pursue solely commercial goals will be monitored by SSH at three levels:

- Past dynamics – trends in the reported business results of an individual company will be monitored, together with movements in key performance indicators in an observed period.
- The benchmarking analysis – the values of key performance indicators and the values of selected financial ratios at a certain moment and in the past will be compared to the values which have been achieved by previously determined comparable competitors, taking into account the differences in the business environment in which individual companies operate and which have an impact on their business results.



- Plans – results forecasted by an individual company are compared with values determined by SSH as expected, on the basis of past analysis, benchmark to competitors' results and an assessment of trends in the business environment, and realisation of plans assessed.

#### 4.4.2 EXPECTATIONS IN REGARD TO DIVIDEND YIELD AND RETURNS ON EQUITY

(1) The value and volume of state assets represent an important part of the Slovenian economy. An important goal imposed on SOEs is to attain a suitable long term rate of return on the invested capital – in addition to other goals, which are pursued by enterprises in accordance with their mission and purpose of their establishment (rendering services of general economic interest, and similar).

(2) When managing capital assets, and by taking into account the specific characteristics of operations regarding individual companies, SSH will strive for increasing the profitability of individual companies and the portfolio as a whole – while simultaneously taking into account risks which are usually an intrinsic part of higher profitability. For this purpose, in this document, among other matters, SSH has determined target values for ROE for every single state asset, while taking into account the above mentioned business factors and the value of this indicator generated by selected comparable companies.

(3) The term "dividend policy" is used for the financial decision on the share of the net profit or profit for appropriation paid out to the owners of a company.

(4) A balance between the current dividend pay-outs and the future growth of company's operations is well observed in an optimum dividend policy, together with taking into account that which increases the most the market value of a unit of equity invested and thus assets of the company's owners. A reasonable dividend policy must therefore contribute to the solid long-term market rate of return and development policy of a company. From this aspect, for SSH, the dividend policy will be one of the more important elements in corporate governance to which the necessary attention will be paid.

(5) The basic dividend yield and the dividend per share as expected for every individual SOEs in the SSH's portfolio, will be determined by taking into account the optimum capital structure and will be founded on the following calculations: the expected return of equity (ROE), the weighted average cost of capital (WACC), and on other economically eligible factors.

(6) Long-term expectations regarding dividends will be determined by considering the following criteria:

- the company's Strategy,
- the company's development phase,
- the company's capital structure,
- access to the sources of financing,
- tax aspect,
- the policy regarding the profit pay-out for other purposes (for example, employee participation),
- the lowest dividend pay-out as regulated by the law due to the right to challenge the dividend pay-out,
- the expected rates-of-returns of a company,
- the implemented and planned investment activities by considering optimum WACC, and

- the characteristics of the sector in which a company operates, including the level of competition present in the sector.

#### 4.4.3 CONTROL OVER COMPANIES' RESULTS AND CONTACTS WITH SOEs

(1) The Management Boards of SOEs are responsible for business results and thus for the company's performance, while the Supervisory Boards are responsible for executing efficient supervision over the operations and the work carried out by the Management Board. Slovenian Sovereign Holding will manage state assets as a responsible and informed owner, and, after every quarterly and/or interim reports issued, SSH will examine the performance of a company in the following manner:

- by reviewing the regular quarterly reports prepared by Supervisory Boards, and checking data on planning for the following three years,
- by organising regular interim interviews with members of Supervisory Boards – a more direct discussion on current issues is enabled by such meetings and measures to be taken for solving any potential issues can be determined much faster,
- by providing feedback to Supervisory Boards from SSH, possibly by submitting a written document with comments and recommendations and opinions regarding future operations and the attainment of the goals set,
- by organising ad hoc meetings in the event of unpredicted yet particularly important developments which may have an impact on the attainment of the goals which have been set and the value of a company,
- by taking measures on the occasion of a serious lagging behind of the approved business plans: SSH will require that the Supervisory and Management Boards provide immediately information with an explanation of reasons for the situation and with the measures that have already been adopted and those which are planned for improving the situation, obliging them to inform SSH regularly on the progress.

(2) Regularly held meetings with companies are an important element of supervision in exercising the rights of a shareholder or member. Questions raised at such meetings may refer to the assessment regarding financial movements, the provision of expectations by SSH in regard to ROE and dividend yields, reports on strategic issues regarding companies and handling of problematic issues. Meetings are conducted within the scope of legislation governing companies and other relevant applicable legislation.

#### 4.5 Transparency of operations, performance monitoring and reporting

(1) For a successful monitoring of performance of companies under management, updated, exact and full information on past and planned business results is needed, together with a series of other factors which enable transparency, increase efficiency of the management (data on members of supervisory bodies, management boards, their terms of office, contact data of various service departments in these companies, financial calendars with information on General Meetings, publication of business results, ownership structure, and similar). For every company, measurable performance goals will be set by SSH and by means of the financial statements submitted by enterprises and publicly published business reports on operations, in addition to periodic meetings held with supervisory bodies of individual companies, SSH will analyse the operation of SOEs.

(2) In the Republic of Slovenia, the State is an important shareholder and member in enterprises. The portfolio of companies in which the State holds its shares and shareholdings comprises a significant number of Slovenian businesses which poses a great obligation onto

the State for being an active and professional owner. In accordance with the OECD Guidelines on Corporate Governance of State-Owned Enterprises, all enterprises must be well managed, and in this regard, it is expected from them that they will to manage their business with the diligence of a prudent businessman, following the principles of economy, productivity and economic viability. On the basis of Recommendations, the companies from the SSH's portfolio must periodically report on their operating results. The data submitted by the companies under management will be studied and analysed by SSH and compared to business plans; in this manner, SSH will regularly monitor the SOEs' business results. Occasionally and when the need arises, SSH will present the processed business results to the companies and address questions to them on the reasons for deviations of results achieved from those planned and expected.

(3) The Chapter V of OECD Guidelines stipulates that SOEs should observe high standards of transparency in accordance with OECD Principles of Corporate Governance, which should also be advocated by SSH. The above mentioned guideline is put in practice with an instruction that SOEs, large ones and those listed on the regular market, should publish financial and non-financial data in accordance with internationally recognized standards of top quality. In the Preamble of the OECD Guidelines, it is explained that the guidelines primarily refer to SOEs under full state ownership due to the 100-per cent stake, majority or significant minority ownership.

(4) In accordance with the Chapter V of OECD Guidelines, the manager of state assets must develop a consistent and aggregate reporting on state-enterprises and publish annually an aggregate report on SOEs. These reports are intended for the general public, the Government, the Parliament and the media. The reporting must be designed in such a manner as to enable a clear overview of the entire operation and development of state-owned enterprises. This obligation will be met by SSH by producing annual and quarterly asset management reports to be submitted to the Government and the National Assembly, in accordance with the provisions of Article 67 of ZSDH-1.

#### 4.5.1 INTERNAL REPORTING

(1) The complete, exact and updated data base on companies constitutes one of the key elements for a suitable monitoring of performance generated by companies under management; such data base includes data on such business results as have been achieved and planned, on supervisory and management bodies, ownership structure, results achieved by competitors, and similar other data. When establishing such a data base, one of the main principles refers to the greatest possible automation of data collection and processing processes, which results in a reduction of failures during the registration of data (human factor), increases the speed and reduces the costs of drawing up reports (human resources are released). The establishing of a complete and updated data base and the financial and analytical system that is based on it, will result in the production of standard periodic and ad hoc financial reports and analysis. In addition to the breakdown of portfolio data, these analyses will include all the necessary key performance indicator in relation to individual SOEs which will provide the basis for the planning and measuring of their performance – i.e., of individual enterprises and of their asset managers – while functioning as a motivational factor for attaining the best results possible.

(2) With the assistance of the relevant IT support, various types of specific statistical reports will be made, and/or summarised standardised reports:

- statistics/reports at the level of the portfolio,
- statistics/reports at the level of individual companies.

(3) The reports produced at the level of the portfolio will include the breakdown of company portfolio data by various parameters:

- performance results at the level of the portfolio as a whole,
- performance results at the level of individual sectors/industries within the portfolio,
- comparison with preceding periods,
- comparison with performance of foreign state asset managers.

(4) The reports produced at the level of individual enterprises will include:

- presentation of data on the company (company objects, current Supervisory Board/Management Board members, and similar data),
- financial statements,
- numerical and graphical presentations in regard to key performance indicators,
- information on return on equity (ROE) and return on assets (ROA),
- information on EBITDA, EBIT and net profit margin,
- dividend yield and dividend per share,
- the company's capital structure,
- the productivity, liquidity and solvency indicators;
- a benchmark of operations in regard to the selected and comparable companies, other data (subject to specific characteristics of a company, sector).

#### 4.5.2 EXTERNAL REPORTING

(1) Slovenian Sovereign Holding will communicate the data on the portfolio (for example, portfolio composition, key performance indicators, and other data), main business events (sale of shareholdings, General Meetings of companies which have been implemented) and information on business results achieved by SOEs in accordance with statutory obligations and good practice in corporate governance. In accordance with the principle of transparency, SSH will disclose to the public all important information apart from that the disclosure of which is prohibited by the legislation or which is classified as a business secret.

### Chapter 5

#### CLASSIFICATION OF STATE ASSETS

(1) The state assets are classified into strategic, important and portfolio assets – in accordance with the classification criteria as stipulated by this Strategy. The portfolio assets include companies which, in accordance with the relevant criteria, have been evaluated to achieve up to 3 points, inclusive, the important assets include companies ranked with 3.1 points up to 5.9 points, inclusive, and strategic assets include companies granted 6 or more points.

(2) State assets referred to in the Decision of the National Assembly of the Republic of Slovenia on Granting the Consent for the Disposal of Capital Assets of the Republic of Slovenia, Kapitalaska družba pokojninskega in invalidskega zavarovanja d.d. (Pension Fund Management), Slovenska odškodninska družba d.d., Modra zavarovalnica d.d., D.S.U., družba za svetovanje in upravljanje, d.o.o. and Posebna družba za podjetniško svetovanje d.d. (Official Gazette of the Republic of Slovenia, No. No. 52/13), adopted by the National Assembly on 21 June 2013 are portfolio assets. The processes for the sale of these enterprises shall also continue on the basis of this Strategy.

(3) All capital assets acquired by the Republic of Slovenia in accordance with applicable legislation by swapping claims into capital assets in compulsory settlement proceedings and as a result of loans and guarantees granted and not yet a part of this Strategy, are deemed to be portfolio assets, pursuant to Article 10, Paragraph 2 of ZSDH-1.

(4) The shareholdings of the Republic of Slovenia held in a bank undergoing a process of orderly winding-up, and the shareholdings of the Republic of Slovenia in legal entities which are established as a result of the transformation of the legal form of such bank, are deemed to be portfolio assets.

Table 10: Classification of state assets in accordance with criteria referred to in the Strategy

	CRITERIA FROM TABLE 7 OF THIS STRATEGY (individual figure means the criteria referred to in Table 7)	STRATEGIC AND DEVELOPMENT INDICATORS					SECTORAL AND ENTREPRENEURIAL INDICATORS			NETWORK INDICATORS					FISCAL INDICATORS			TOTAL POINTS	CLASSIFICATION
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
		WEIGHTING	0.5	0.5	0.5	1.0	0.5	1.0	1.0	0.5	1.0	0.6	1.0	0.5	1.0	1.5	1.0		
1	ABANKA VIPA, D. D.														1	1		2.5	PORTFOLIO
2	A-COSMOS, D. D.																	0.0	PORTFOLIO
3	ADRIA, TURISTIČNO PODJETJE D. O. O., ANKARAN												1					1.0	PORTFOLIO
4	BANKA CELJE, D. D.													1	1			2.5	PORTFOLIO
5	BODOČNOST MARIBOR, D. O. O.											1						0.5	PORTFOLIO
6	BORZEN, ORGANIZATOR TRGA Z ELEKTRIČNO ENERGIJO, D. O. O.	1	1		1	1		1		1	1	1						6.1	STRATEGIC
7	CASINO BLEDE, D. D., BLEDE												1				1	1.5	PORTFOLIO
8	CASINO PORTOROŽ, D. D., PORTOROŽ												1				1	1.5	PORTFOLIO
9	CETIS, D. D.		1								1				1			3.0	PORTFOLIO
10	CIMOS, D. D.	1	1							1	1							2.6	PORTFOLIO
11	CSS-IP, D. O. O.														1	1		2.5	PORTFOLIO
12	ČZP VEČER, D. D., MARIBOR											1			1			2.5	PORTFOLIO
13	D. S. U., D. O. O., LJUBLJANA											1	1		1	1		4.0	IMPORTANT
14	DOM UPOKOJENCEV IDRIJA, D. O. O.														1			1.5	PORTFOLIO
15	DRI UPRAVLJANJE INVESTICIJ, DRUŽBA ZA RAZVOJ INFRASTRUKTURE, D. O. O.	1	1	1			1	1				1			1			6.0	STRATEGIC
16	DRUŽBA ZA AVTOCESTE V REPUBLIKI SLOVENIJI (MOTORWAY COMPANY OF THE REPUBLIC OF SLOVENIA), D. D., CELJE				1	1	1			1	1		1		1			6.1	STRATEGIC
17	DRUŽBA ZA SPODBUJANJE RAZVOJA TNP, D.D.					1								1				1.5	PORTFOLIO
18	DTK MURKA, DRUŽBA TVEGANEGA KAPITALA, D. O. O.	1		1								1	1		1	1		5.0	IMPORTANT
19	EKOEN, D. O. O.																	0.0	PORTFOLIO
20	ELAN INVENTA, D. O. O.	1	1	1											1			3.0	PORTFOLIO
21	ELEKTRO CELJE, D. D.				1			1		1		1			1			6.0	STRATEGIC

		STRATEGIC AND DEVELOPMENT INDICATORS					SECTORAL AND ENTREPRENEURIAL INDICATORS			NETWORK INDICATORS					FISCAL INDICATORS			TOTAL POINTS	CLASSIFICATION
CRITERIA FROM TABLE 7 OF THIS STRATEGY (individual figure means the criteria referred to in Table 7)		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
WEIGHTING		0.5	0.5	0.5	1.0	0.5	1.0	1.0	0.5	1.0	0.6	1.0	0.5	1.0	1.5	1.0	0.5		
22	ELEKTRO GORENJSKA SKUPINA (GROUP), D. D.				1			1		1		1	1		1			6.0	STRATEGIC
23	ELEKTRO LJUBLJANA SKUPINA (GROUP), D. D.				1			1		1		1	1		1			6.0	STRATEGIC
24	ELEKTRO MARIBOR SKUPINA (GROUP), D. D.				1			1		1		1	1		1			6.0	STRATEGIC
25	ELEKTRO PRIMORSKA SKUPINA (GROUP), D. D.				1			1		1		1	1		1			6.0	STRATEGIC
26	ELEKTROGOSPODARSTVO SLOVENIJE – RAZVOJ IN INŽENIRING, D. O. O.	1						1				1						2.5	PORTFOLIO
27	ELEKTROOPTIKA, D. D.	1	1	1								1						2.5	PORTFOLIO
28	ELES, D. O. O.	1	1		1	1		1		1	1	1						6.1	STRATEGIC
29	ENERGETIKA ČRNOMELJ, D. O. O.							1					1					1.5	PORTFOLIO
30	GEN ENERGIJA, D. O. O.	1	1		1	1		1		1	1	1						6.1	STRATEGIC
31	GEOPLIN, D. O. O.	1			1	1		1		1	1	1						5.6	IMPORTANT
32	GORENJE, D. D.	1	1	1					1		1	1	1		1			5.6	IMPORTANT
33	GORENJSKA BANKA, D. D.														1	1		2.5	PORTFOLIO
34	GORIŠKE OPEKARNE, D. D., RENČE		1	1											1			2.5	PORTFOLIO
35	GRAND HOTEL UNION, D. D.											1		1				2.0	PORTFOLIO
36	HIT, D. D.													1			1	1.5	PORTFOLIO
37	HSE, D. O. O.	1	1		1	1		1		1	1	1						6.1	STRATEGIC
38	HTG HOTELI, TURIZEM IN GOSTINSTVO, D. D.													1				1.0	PORTFOLIO
39	INFRA, IZVAJANJE INVESTICIJSKE DEJAVNOSTI, D. O. O.				1	1		1		1								3.5	IMPORTANT
40	INKOS, D. O. O., KRMELJ	1	1												1			2.5	PORTFOLIO
41	INTEREUROPA, D. D.						1		1						1			3.0	PORTFOLIO
42	INTERTRADE ITA, D. D., LJUBLJANA			1														0.5	PORTFOLIO
43	JAVNO PODJETJE URADNI LIST REPUBLIKE SLOVENIJE, D. O. O.				1					1		1						3.0	STRATEGIC
44	KAPITALSKA DRUŽBA, D. D.								1		1	1	1	1	1	1		6.1	STRATEGIC
45	KDD, D. D., LJUBLJANA															1		1.0	PORTFOLIO
46	KOMPAS MTS, D. D.													1	1			2.5	PORTFOLIO

		STRATEGIC AND DEVELOPMENT INDICATORS					SECTORAL AND ENTREPRENEURIAL INDICATORS			NETWORK INDICATORS					FISCAL INDICATORS			TOTAL POINTS	CLASSIFICATION
CRITERIA FROM TABLE 7 OF THIS STRATEGY (individual figure means the criteria referred to in Table 7)		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
WEIGHTING		0.5	0.5	0.5	1.0	0.5	1.0	1.0	0.5	1.0	0.6	1.0	0.5	1.0	1.5	1.0	0.5		
47	KONTROLA ZRAČNEGA PROMETA (SLOVENIA CONTROL, LIMITED), D. O. O.	1			1	1	1			1				1	1			6.5	STRATEGIC
48	KRKA, D. D.	1	1	1					1		1	1	1		1			5.6	IMPORTAT****
49	LOTERIJA SLOVENIJE, D. D., LJUBLJANA								1				1	1	1		1	4.0	STRATEGIC**
50	LUKA KOPER, D. D.				1	1	1		1	1	1			1	1			8.1	STRATEGIC
51	META INGENIUM, DRUŽBA TVEGANEGA KAPITALA, D. O. O.	1		1								1	1		1	1		5.0	IMPORTANT
52	MODRA ZAVAROVALNICA, D. D.														1	1		2.5	STRATEGIC***
53	MURKA, TRGOVINA IN STORITVE, D. D.																	0.0	PORTFOLIO
54	NAFTA LENDAVALA, D. O. O.	1	1	1	1	1		1			1		1					5.1	IMPORTANT
55	NOVA LB, D. D.										1				1	1		3.1	IMPORTANT****
56	PEKO, D. D.		1	1											1			2.5	PORTFOLIO
57	PERUTNINA PTUJ, D. D.	1	1									1			1			3.5	IMPORTANT
58	PETROL, D. D.		1		1			1	1		1				1			5.1	IMPORTANT****
59	PIVOVARNA LAŠKO, D. D.		1									1			1			3.0	PORTFOLIO
60	POČITNIŠKA SKUPNOST KRŠKO, D. D.													1				1.0	PORTFOLIO
61	POMURSKE MLEKARNE D. D., MUR.SOBOTA											1			1			2.5	PORTFOLIO
62	POŠTA SLOVENIJE, D. O. O.		1	1				1	1	1		1			1			6.0	STRATEGIC
63	POZAVAROVALNICA SAVA, D. D.								1		1	1			1	1		4.6	IMPORTANT****
64	PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D. O. O.	1		1								1	1		1	1		5.0	IMPORTANT
65	PS ZA AVTO, D. O. O., LJUBLJANA																	0.0	PORTFOLIO
66	RRA REGIONALNA RAZVOJNA AGENCIJA CELJE, D. O. O.															1		1.0	PORTFOLIO
67	RTH, D. O. O.				1	1												1.5	PORTFOLIO
68	RŽV, JAVNO PODJETJE ZA ZAPIRANJE RUDNIKA URANA, D. O. O.																	0.0	PORTFOLIO
69	SAVA, D. D.					1					1	1		1				3.1	IMPORTANT****
70	SID BANKA, D. D.		1	1		1					1	1	1		1	1		6.1	STRATEGIC



		STRATEGIC AND DEVELOPMENT INDICATORS					SECTORAL AND ENTREPRENEURIAL INDICATORS			NETWORK INDICATORS					FISCAL INDICATORS			TOTAL POINTS	CLASSIFICATION	
CRITERIA FROM TABLE 7 OF THIS STRATEGY (individual figure means the criteria referred to in Table 7)		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
WEIGHTING		0.5	0.5	0.5	1.0	0.5	1.0	1.0	0.5	1.0	0.6	1.0	0.5	1.0	1.5	1.0	0.5			
71	SIJ – SLOVENSKA INDUSTRIJA JEKLA, D. D.	1	1	1							1	1						3.1	IMPORTANT	
72	SLOVENSKE ŽELEZNICE, D. O. O.				1	1	1			1	1	1			1			6.6	STRATEGIC	
73	SM STROJKOPLAST, D. O. O.	1	1															1.0	PORTFOLIO	
74	SNEŽNIK, D. D.	1	1		1	1					1	1		1	1			6.6	STRATEGIC	
75	SODO, D. O. O.	1	1		1	1		1		1	1	1						6.1	STRATEGIC	
76	STH VENTURES, D. O. O.	1		1								1	1		1	1		5.0	IMPORTANT	
77	STUDENTENHEIM KOROTAN GMBH													1				1.0	PORTFOLIO	
78	TALUM, D. D.	1	1	1				1			1	1	1		1			6.1	STRATEGIC	
79	TELEMACH ROTOVŽ, D. D.	1	1															1.0	PORTFOLIO	
80	TELEMACH TABOR, ŠIROKOPASOVNE KOMUNIKACIJE, D. D.	1	1															1.0	PORTFOLIO	
81	TERME ČATEŽ, D. D.					1					1			1				2.1	PORTFOLIO	
82	TERME OLIMIA, D. D.	1				1					1	1		1				3.6	IMPORTANT	
83	TKI HRASTNIK, D. D.	1	1	1											1			3.0	PORTFOLIO	
84	TOPLOTNA OSKRBA, D. O. O., LOČE				1			1										2.0	PORTFOLIO	
85	VARNOST SISTEMI, D. O. O.	1	1	1														1.5	PORTFOLIO	
86	VELANA, D. D.		1	1											1			2.5	PORTFOLIO	
87	VODNOGOSPODARSKO PODJETJE DRAVA, D. D., PTUJ				1	1				1					1			4.0	IMPORTANT	
88	VODNOGOSPODARSKO PODJETJE MURA, D. D.				1	1				1					1			4.0	IMPORTANT	
89	VODNOGOSPODARSKO PODJETJE NOVO MESTO, D. D.				1	1				1					1			4.0	IMPORTANT	
90	VGP KRANJ, D. D.				1	1				1					1			4.0	IMPORTANT	
91	ZAVAROVALNICA TRIGLAV, D. D.								1		1	1		1	1	1		5.6	STRATEGIC*****	
																		NUMBER OF ASSETS CLASSIFIED	46	POTRFOLIO ASSETS
																			21	IMORTANT ASSETS
																			24	STRATEGIC ASSTS

\* The public company Uradni list Republike Slovenije (Official Gazette of the Republic of Slovenia), d. o. o., is considered a strategic asset, until it is Stipulated by the Official Gazette of Republic of Slovenia Act, (Official Gazette of Republic of Slovenia, Nos. 112/05 – official consolidated text, 102/07, 109/09 and 38/10 – ZUKN) that the Republic of Slovenia is the sole owner and member in a private public company.

\*\* Loterija Slovenije (Lottery of Slovenia), d. d., is deemed to be a strategic asset as long as its ownership structure is determined by the Act on Ownership Transformation of Lottery of Slovenia (Official Gazette of RS, Nos. 44/96, 47/97, 102/07, 26/11, 109/11 in 58/12).

\*\*\* Pursuant to Article 80 of ZSDH-1, Modra zavarovalnica, d. d., is deemed to be a strategic asset as long as it manages the Closed Mutual Pension Fund for Public Employees.

\*\*\*\* The important assets held in the following companies: Krka, d. d., Nova Ljubljanska banka, d. d., Petrol, d. d., Pozavarovalnica Sava, d. d., and Sava, d. d., are subject to the condition regarding the dispersion of ownership as referred to in Section 2.3, Paragraph 3.

\*\*\*\*\* In accordance with Act on Ownership Transformation of Insurance Companies' shareholdings subject to Entitlements by Natural Persons (Official Gazette of the Republic of Slovenia, Nos. 56/08 and 38/10 – ZUKN), which stipulates that KAD shares shall be transferred to the ZPIZ ownership with the purpose of providing for additional funds for mandatory pensions and disability insurance, the insurer, Zavarovalnica Triglav, d. d., is classified as a strategic asset. Due to the above mentioned reason, state assets owned by ZPIZ and SSH shall be classified as strategic which means that the state assets should amount to the minimum shareholding of 50% + one vote, in accordance with Article 14, Paragraph 1 of ZSDH-1.

## Chapter 6

### CLASSIFICATION OF STATE ASSETS MANAGEMENT BY SECTORS AND INDIVIDUAL COMPANIES

(1) The classification of asset management by sectors and individual companies is based on the classification of state assets which has been determined with this Strategy and refers to assets defined as important asset or strategic asset.

(2) In accordance with Article 29 of ZSDH-1, the development guidelines of the Republic of Slovenia as a shareholder or member are presented with the determination of asset management, together with individual strategic objectives pursued by the Republic of Slovenia with each asset defined as strategic, the basic information about individual companies, their performance and expectations in regard to their operations.

(3) The performance-related expectations in regard to individual companies are categorised as:

- return on equity (ROE – annual net income/average shareholders' equity during a financial year), or
- return on assets (ROA – annual net income/average total assets during a financial year), and
- EBITDA margin (EBITDA/total operating revenue; EBITDA represents net operating income (EBIT) + write-off - depreciation, amortization, revaluation operating expenses),
- operating expenses/net income (CIR – only for banks),
- non-performing loans (NLP)/ total loans (only for banks),
- combined ratio (CR – is the ratio between expenses and the sum of incurred losses and earned premium which is used for insurance companies, indicating how well the company is performing).

#### 6.1 Energy sector

(1) The energy sector includes production, trading, consumption, transfer, distribution, transformation, storage, export and import of many types of energy products: petroleum oil and petroleum products, gas, electricity, solid fuel (various types of coal), heating, renewable sources of energy, and other. According to Eurostat, statistical records regarding nine groups of energy sources are kept; energy sources may occur as a primary or secondary source of energy (as an output from the transformation process of other primary sources).

(2) The energy sector is of strategic importance as the provision of energy is essential for the life of people (heating, lighting, transport, etc.) and for the functioning of the economy.

(3) The Government Energy Policy includes the implementation of measures for ensuring a reliable, sustainable and competitive supply of energy for the State, specifically, by promoting:

- reliable and quality supply of energy products,
- the long-term balance in the development of the energy economy in regard to the movements in energy consumption,
- a planned diversification of various primary energy sources, taking into account their economics,
- a competitive supply of energy,
- the use of renewable and low-carbon energy resources,
- promoting the efficient use of energy in favour of the supply of energy,

- the ecological carrying capacity in extraction, production, transport and use of all types of energy products,
- competition in the energy market,
- flexible energy consumers,
- consumer protection.

(4) The EU, which is the largest world economy, consumes approximately one fifth of the world energy supplies but has very little of its own energy resources. The total dependency of the EU on energy imports amounts to 53.8%, with oil products import dependency standing at 84.9% and natural gas at 67%. The annual costs of energy imports in EU-27 are estimated to amount to EUR 350 billion. In 2011, the gross domestic consumption of oil products and natural gas in the EU, as a share of the total gross domestic energy consumption, amounted to 59% , 17% in case of solid fuel, 14% of nuclear energy and 10% of renewable energy sources. In comparison to 1995, the share of renewables doubled in the gross total energy consumption in the EU (it increased from 5% to 10%), however, the target for 2020 amounts to as much as 20%, with a simultaneous decrease in greenhouse emissions (hereinafter referred to as: GHG) by 20 %.

(5) With the aim of decreasing energy import dependency and reducing GHG emissions, the Energy Strategy by 2020 has been adopted by the EU which is structured around five priorities: limiting energy consumption, building a pan-European energy market, providing for the highest safety levels and reliability of supplies to energy consumers, supporting the development of new energy technologies and innovation and enhancing the international dimension of the EU energy market.

(6) The dependency of Slovenia on energy imports does not come in a smaller amount than the European one – in 2013, it amounted to 47%, thus achieving the lowest level recorded so far. This figure is mostly contributed to by the dependency on oil and oil products imports, together with natural gas which, in the case of Slovenia, is, practically, 100-percent. The self-sufficiency of Slovenia, on the other hand, is demonstrated with the production and consumption of electricity and remote heat. In accordance with EU directives, by 2020, Slovenia must achieve a 25% share of renewable energy sources (hereinafter referred to as: "RES") in the total energy consumption. In 2013, as an interim target, 21.5% of the share of RES in total energy consumption was recorded. A special "Feed-in Tariff" programme promotes investments into the RES production units and heat and electricity cogeneration plants (hereinafter referred to as: CHP), with subsidies for these purposes being provided for from a special contribution paid by final electricity consumers. In 2012, a total of EUR 90 million of subsidies had been paid and in 2014 it amounted to as much as EUR 131 million. In the coming years, a 10% increase is expected as regards the pay-outs necessary for the financing of the support scheme which is resulting in putting a pressure on final prices of electricity and other energy products. With the aim of reducing the energy consumption, measures for efficient energy consumption (hereinafter referred to as: "EES") are being implemented which are financed from a special EES contribution paid by final consumers of electricity, natural gas, oil and heat – in the amount of from EUR 25 to 30 million, annually. It does not need to be emphasized that the implementation of RES and EES measures have a direct impact on the increased general economic activity in Slovenia.

(7) In regard to legislation, the energy sector is mainly governed by the Energy Act (Official Gazette RS, No. 17/14; hereinafter referred to as: EZ-1) and the Mining Act (Official Gazette of RS, No.14/14 – official consolidated text) and numerous implementing regulations issued on the basis of these two acts. These also include action plans and operational programmes in which activities for attaining environmental and climate targets by 2020 or beyond 2020 are determined, for example: Action Plan for Renewable Sources of Energy, Acton Plan for Energy Efficiency, Operational Programme for Reducing GHG Emissions,

Operational Programme for Implementing European Cohesion Policy, National Programme for Mineral Matter Management. The Electrical Grid Development Plan for Ten Year Period of 2013 - 2022 applies in regard to the development of infrastructure.

(8) The natural gas market, the electricity market and the remote heat market is regulated by an independent regulator – the Energy Agency; it is worth pointing out that the production and trading with natural gas and electricity are not regulated activities but the regulator monitors the operations of companies, the prices of energy products and the competitiveness levels in the wholesale and retail markets. As regards the retail market, the regulator brings the main input for the transparency of prices and provision of services for household consumers, thus enabling the functioning of the competition: it provides for the high availability of web applications for comparing the services rendered and for verifying the calculation of electricity consumption and enables e-service for supervising the consumption with automatic notification about the changed properties. The agency also publishes monthly reports on the services offered in regard to the supply of electricity and the retail price index for household consumers.

(9) With the entry into force of the Energy Act, the Energy Concept of Slovenia (hereinafter referred to as: "ECS") represents the basis for the energy policy in the Republic of Slovenia, as the national energy programme which is, by virtue of a resolution, adopted by the National Assembly of the Republic of Slovenia upon the proposal by the Government of the Republic of Slovenia. On the basis of projections regarding the economic, environmental and social development of the State, and in line with the international commitments given by the State, the targets for reliable, sustainable and competitive energy supply for the next 20 years, with an energy supply indication for the following 40 years, are determined with ECS; in addition, obligations in regard to the renewable energy sources are also established.

(10) An important document regarding the long-term planning of energy policy in the Republic of Slovenia is the preparation of the national development energy plan which will be an indicative plan for investments in the energy infrastructure, and the production of operational programme and action plans for individual areas of energy supply and energy management. Documents must include the regulation of energy supply, the conclusion and implementation of energy-related international treaties, implementation of investments and promotion of investments and other activities.

(11) SOEs which provide obligatory services of general economic interest (hereinafter referred to as: "OSGEI") in the field of electricity and natural gas and in companies of national importance for the generation of electricity, are of strategic importance. These companies are: HSE, EGS-RI until the collection of all claims due by businesses in countries created from the former Yugoslavia state, and GEN energija, which has in its ownership the co-ownership share in NEK.

(12) The companies which render the services of distribution system operator provide OSGEI related to electricity distribution, and their main duty is to provide for a safe, reliable and efficient operation of the distribution system of the Republic of Slovenia, together with its maintenance.

(13) After the spin-off of a subsidiary Plinovodi, Geoplin continues to provide commercial activities related to the trading with natural gas, while Plinovodi renders services of general economic interest as the transmission system operator (TSO).

### 6.1.1 ELEKTRO MARIBOR, d. d., ELEKTRO LJUBLJANA, d. d., ELEKTRO CELJE, d. d., ELEKTRO PRIMORSKA, d. d., ELEKTRO GORENJSKA, d. d.

(1) These companies own the majority share of the electricity grid in the Republic of Slovenia. Under the agreement concluded with SODO, they render services for SODO on the electricity grid. The activities related to trading, representation and intermediation in electricity market for household consumers and industrial consumers have been transferred to subsidiaries. These companies trade in electricity on the wholesale electricity market, with their total market share standing at 11.0%. As regards the retail electricity market in the territory of the Republic of Slovenia, the market share achieved by these companies amounts to 60.5%. In the Group, they have subsidiaries for the generation of electricity in small hydroelectric power plants and solar power plants and the cogeneration of heat and electricity.

(2) Since these companies own the electricity grid in the territory of the Republic of Slovenia and, under contract, render OSGEI for SODO, these companies are of strategic importance. It is ensured by the Energy Agency, that these companies receive income for the maintenance and extension of the electricity distribution system through the lease agreements concluded with the electricity distribution system operator (SODO), and on the basis of the Act determining the methodology for charging for the network charge, the methodology for setting the network charge, and the criteria for establishing eligible costs for electricity networks. Every electricity consumer is obliged to pay the network charges in regard to the electricity consumed; this charge is intended for the maintenance and extension of the distribution system.

(3) The electricity distribution companies in which the Republic of Slovenia directly holds approximately a 79.5% shareholding, and together with indirect shareholdings held by SSH and KAD, more than 80% shareholding, are 100% owners of subsidiaries for the generation of electricity and trading with electricity:

1. ELEKTRO CELJE, d. d.:
  - MHE – ELPRO, d. o. o.
  - Elektro Celje Energija, d. o. o.
2. ELEKTRO GORENJSKA, d. d.:
  - Gorenjske elektrarne, d. o. o.
  - Elektro Gorenjska prodaja, d. o. o.
3. ELEKTRO MARIBOR, d. d.:
  - Elektro Maribor Energija Plus, d. o. o.
  - OVEN Elektro Maribor, d. o. o.
4. ELEKTRO LJUBLJANA d. d.:
  - Elektro Ljubljana OVE, d. o. o.
  - Elektro Energija, d. o. o.
5. ELEKTRO PRIMORSKA, d. d.:
  - E3, d. o. o.

(4) The asset management is designed for implementing active management of SOEs with the goal of achieving business results in accordance with key performance indicators. The emphasis of active management in regard to electricity distribution companies is to achieve the efficient and profitable operation of companies while managing cost and to reasonably apply the Energy Agency's methodology for determining network charges. The objective of active management is to increase the profitability of companies, to develop and improve the electricity grid and to provide for a good quality and reliable electricity supply to electricity consumers. Companies must take advantage of the investment capital potential to realize energy projects for providing for a reliable, safe and stable operation of energy system in the country. The attainment of goals set for companies is

monitored on the basis of the companies' business plans and quarterly meetings held with management and supervisory boards of companies.

(5) After the spin off or the sale of assets for the carrying out of electricity trading, companies, which render services of general economic interest of electricity distribution, must gradually consolidate their ownership stakes in the direction of acquiring 100% ownership of the Republic of Slovenia in companies which own electricity distribution infrastructure. In this manner, the recapitalisation of SODO as the electricity distribution system operator with concession is enabled or the granting of concession for rendering services of general economic interest (hereinafter referred to. SGEI) of distribution operator directly to electricity distribution companies. Both solutions satisfy the requirements imposed by legislation and a response report for the Court of Auditors of the Republic of Slovenia. The first solution enables additional synergy effects in the field of cost cutting and the possibility for specialization of individual companies, leading to technological unification in the construction and maintenance of electricity distribution infrastructure. The goal of this unification is providing for a high level of supply for electricity consumers in the distribution grid and the long-term development of the electricity grid in order to satisfy the future needs and a dispersed generation and consumption of electricity. In the second case, i.e. the granting of concessions directly to electricity distribution companies, it would be necessary for each of five companies to first reorganize into a holding company which is a subsidiary that owns the grid and renders services in this network.

(2) Subsidiaries, which carry out the activity of trading in electricity, have been classified as portfolio assets, and as such they are eligible for sale, by taking into account the liberalisation of the electricity market. In regard to the strategy of companies rendering the services of electricity trading, it is urgent to examine the possibility of the integration of companies with the aim of achieving synergies in regard to the optimising of the costs of energy supply and the complementarity of products and faster and more efficient entry into the foreign markets. It is also important to examine the possibility of selling off individual subsidiaries to other, potentially domestic players in the electricity market of the Republic of Slovenia or to foreign providers of the same services which have demonstrated an interest in entering the electricity market in the territory of the Republic of Slovenia.

#### (7) Performance indicators

Elektro Maribor	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	62,443	63,981	61,306	60,518
Return on assets (ROA)	1.9 %	2.1 %	2.3 %	2.8 %
EBIT margin	34.70 %	35.51 %	35.44 %	37.6 %
Added value per employee (in EUR 000)	64	66	67	70

Elektro Ljubljana	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	83,029	83,009	87,112	86,734
Return on assets (ROA)	1.0 %	1.1 %	1.8 %	2.6 %
EBIT margin	36.85 %	33.45 %	37.26 %	42.3 %
Added value per employee (in EUR 000)	68	67	78	78

Elektro Celje	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	50,660	52,140	52,579	53,920
Return on assets (ROA)	2.0 %	2.9 %	2.1 %	3.4 %
EBIT margin	35.20 %	36.30 %	38.11 %	40.3 %
Added value per employee (in EUR 000)	67	69	73	77

Elektro Primorska	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	39,186	40,061	40,807	38,391
Return on assets (ROA)	0.77 %	1.56 %	2.2 %	1.5 %
EBIT margin	30.13 %	31.73 %	34.89 %	32.5 %
Added value per employee (in EUR 000)	59	62	66	66

Elektro Gorenjska	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	28,238	30,066	30,904	31,426
Return on assets (ROA)	0.8 %	1.3 %	1.6 %	2.3 %
EBIT margin	37.06 %	40.55 %	39.01 %	40.1 %
Added value per employee (in EUR 000)	79	84	84	90

## (8) Expectations

Elektro Maribor	2015	2016
Return on assets (ROA)	2.8 %	3.0 %
EBIT margin	37.40 %	40.10 %

Elektro Ljubljana	2015	2016
Return on assets (ROA)	2.8 %	3.0 %
EBIT margin	41.91 %	42.58 %

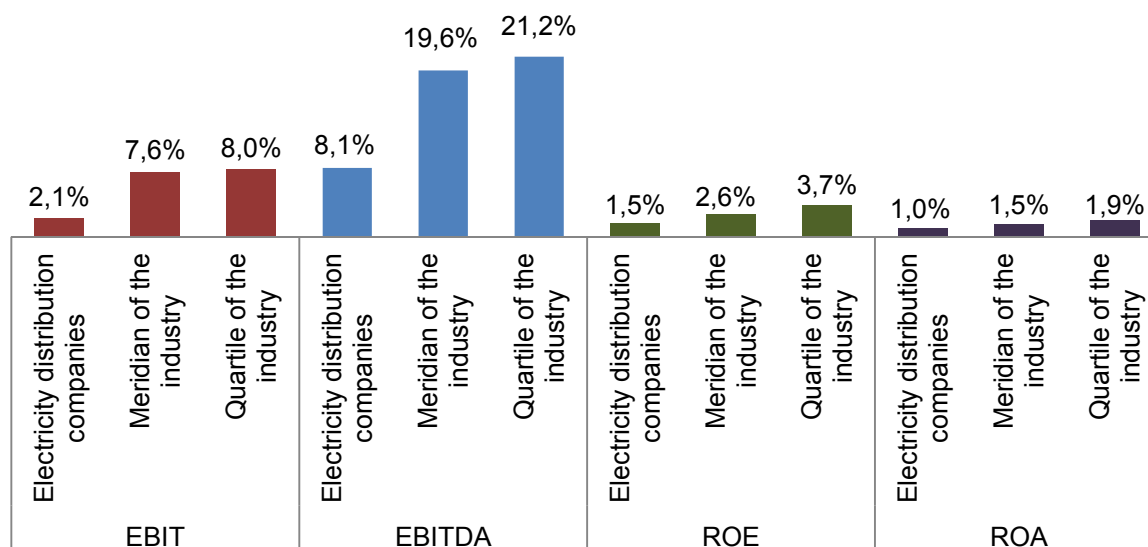
Elektro Celje	2015	2016
Return on assets (ROA)	3.4 %	3.6 %
EBIT margin	43.24 %	44.63 %

Elektro Primorska	2015	2016
Return on assets (ROA)	2.8 %	3.0 %
EBIT margin	34.80 %	34.90 %

Elektro Gorenjska	2015	2016
Return on assets (ROA)	2.8 %	3.0 %
EBIT margin	40.90 %	41.70 %



(9) A benchmark analysis of a company with a set of comparable businesses (2011-2013 average)



### 6.1.2 GEN ENERGIJA, d. o. o.

(1) GEN Group trades with electricity in the energy market of the Republic of Slovenia and the energy markets of Central and East Europe and the Balkans. The energy generation capacities of GEN Energija Group are concentrated in its subsidiaries, Savske elektrarne Ljubljana, d.o.o. (hereinafter referred to as: "SEL") and Nuklearna elektrarna Krško, d.o.o. (hereinafter referred to as: "NEK"), while the trading with electricity is handled by GEN-I, d.o.o., in which it holds a 50% ownership stake. It also has a 50% shareholding in NEK, the operation of which is determined with the intergovernmental treaty concluded by and between the Republic of Slovenia and the Republic of Croatia. The Group generates 22% of total income in the domestic market and 78% of revenues from the sale of electricity are generated in foreign markets.

(3) The GEN Group is composed of the parent company, GEN energija, d.o.o., and the following subsidiaries;

- Krško Nuclear Power Plant, (50,0 %),
- GEN-I, electricity trading and sales, (50.0 %),
- Hydroelectric Power Plants on the Lower Sava River (hereinafter referred to as: HESS), (51.0 % – of this figure, 33.5 % stake is owned by Gen energije, 14.7 % is owned by SEL and 2.8 % is owned by Brestanica Thermal Power Plant),
- Hydroelectric Power Plants on the Sava River, (100,0 %), and
- Brestanica Thermal Power Plant (hereinafter referred to as: TEB), (100,0 %).

- (3) In addition to subsidiaries, GEN indirectly holds stakes in the following companies:
- companies in 100% ownership of GEN-I: GEN-I, d. o. o., Zagreb, Croatia; GEN-I, d. o. o., Beograd, Serbia; GEN-I Budapest Kft, Hungary; GEN-I Skopje, Macedonia; GEN-I, d. o. o., Sarajevo, Bosnia and Herzegovina; GEN-I Tirana, Albania; GEN-I Tirana, Kosovo Branch; GEN-I Athens, Greece; S. C. GEN-I Bucharest, Romania; GEN-I Sofia SpLLC, Bulgaria; GEN-I Milan, Italy; GEN-I Vienna, Austria; GEN-I Istanbul, Turkey;
  - HSE Invest, d. o. o., in which 25% stake is owned by SEL, and
  - Hydroelectric Power Plants on the Middle Course of the Sava River (SRESA) in which GEN holds a 10% ownership stake and SEL a 30% shareholding; the company's activities are currently suspended.

(4) The market share of the GEN Group stands at 23.4 % of the entire Slovenian wholesale electricity market (measured by HHI index) and 26.2 % of the retail electricity market (source: JARSE, Report on State of Play in Energy Sector in Slovenia in 2012). The company owns production units within the scope of SEL and HEES which exploit the natural benefit of the Slovenian waters on the Sava River basin. It also owns NEK which produces electricity from nuclear energy and TEB, which for NEK, with certain generation units, represents an important chain in the system of providing for nuclear safety and is a reliable and independent source of electricity supply in a case of any damages in the electricity system of the Republic of Slovenia (tertiary reserve of power).

(5) GEN energija is the provider of the planned investment into the NEK 2 which will be of strategic importance for a long-term and reliable electricity supply of the Republic of Slovenia in the future and for the shift to a low-carbon society. In addition, the company provides for financial funds for the decommissioning and storage of low and medium radioactive and highly radioactive waste from NEK 1. Prior to making the final decision on the investment into NEK 2, all the necessary economic and other expert analyses will be made and a consultative referendum will be organised.

(6) The asset management is designed to pursue active management of the company and GEN Group with the aim of achieving the result in accordance with the indicators of successful performance while taking into account the external boundary conditions (key boundary conditions are: electricity market prices, the own electricity price from NEK, the levy for NEK decommissioning). The emphasis of the active management is to achieve efficient operation so that the operation strives for reasonable profitability and cost management of the entire Group. The objective of active management is to increase the profitability of the company and create conditions for the development and improvement of the energy infrastructure. The company and the GEN Group must take advantage of the investment potential to realize energy projects in order to provide for a reliable, safe and stable operation of the energy system in the country. The improvement and increase in the company's energy generation capacities in subsidiaries are monitored through annual financial statements and business plans. The gradual rationalisation of the number of employees will have to be gradually implemented in the entire GEN Group.

(7) The joint co-investments into new electricity generation capacities (if possible, RES/CHP), must be promoted, specifically, via establishing new joint companies with partners. GEN energija must manage and provide for the management of its subsidiaries so that it ensures the operation and availability of the systems which provide for the regulated level of nuclear safety and provide for the concerted action in the generation and sale of electricity with the aim of maximising the income.

(8) The main challenge for GEN energija is the constructions of NEK 2 which is anticipated to be conducted following the principle of joint venture with the participation of private investors (domestic and foreign) organised in SPV.

(9) The main challenge for GEN energija is the constructions of NEK 50 which is anticipated to be conducted following the principle of joint venture with the participation of private investors (domestic and foreign) organised in SPV.

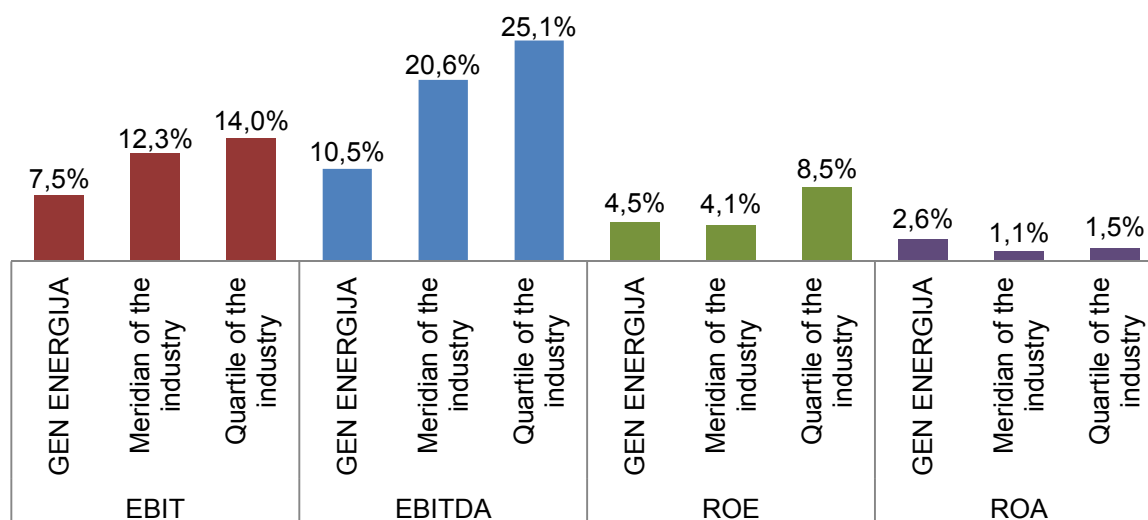
## (10) Performance indicators (GEN Group)

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	559,168	809,991	668,243	728,427
Return on equity (ROE)	5.37 %	3.88 %	4.04 %	4.86 %
EBIT margin	13.3 %	8.22 %	10.09 %	10.6 %
Added value per employee (in EUR 000)	103	95	93	95

## (11) Expectations

Indicator	2015	2016
Return on equity (ROE)	4.5 %	4.7 %
EBIT margin	8.00 %	7.60 %

## (12) A benchmark analysis of a company with a set of comparable businesses (2011-2013 average)



## 6.1.3 GEOPLIN, d. o. o.

(1) The company is licensed for carrying out energy activities of supply, trade, representation and intermediation in the natural gas market. It has two subsidiaries: Plinovodi, d. o. o., (hereinafter referred to as: "Plinovodi") and Geocom, d. o. o., (hereinafter referred to as: "Geocom"). Plinovodi renders services of general economic interest of a natural gas transmission system operator. Geocom carries out activities related to trading in natural gas but has suspended them.

(2) Plinovodi owns the entire natural gas transmission system. Under the bilateral agreement between the Republic of Slovenia and the Russian Federation, Plinovodi is a 50% owner of the joint venture Južni tok Slovenija, d.o.o. (incorporated on 5 September 2012) for the construction and management of the Slovenian part of the South Stream pipeline.

(3) The asset management is designed for implementing the management of the company with the aim to attain business results in accordance with key performance

indicators. The emphasis of the active management is to achieve efficient operation so that the operation strives for the greatest profitability and cost management of the entire Group. The objective of active management is to increase the profitability of the company and provide for a suitable development of the natural gas transmission system.

(4) The strategic interest of the Republic of Slovenia in the subsidiary Plinovodi may be optionally possible if the company is carved out for the direct ownership of Geoplin members. In this manner, the Republic of Slovenia and related persons in Plinovodi would directly acquire a 42.54% ownership stake. In order to obtain a higher than 50% stake in Plinovodi, the ownership of the Republic of Slovenia in Geoplin shall be exchanged for the stakes in Plinovodi with all the interested shareholders. If the carve-out of Plinovodi and the exchange of shareholdings in Geoplin for shareholdings in Plinovodi would not be feasible from an economic aspect (for example, due to an unfavourable exchange rate or owing to the lack of willingness on the part of shareholders to carry out the exchange), the strategic objective of the Republic of Slovenia is that the Republic of Slovenia and related entities acquire and maintain the majority stake (higher than 50%) in Geoplin. After Plinovodi is carved out, the capital assets of the Republic of Slovenia in Geoplin shall be considered as important, while the assets in Plinovodi as strategic, since Plinovodi renders services of general economic interest as the transmission system operator (TSO). If the carve out of Plinovodi was not possible or feasible, the assets in Geoplin shall be considered as strategic.

(5) The main challenges of Geoplin are to maintain the dominant market position in trading with natural gas in the territory of the Republic of Slovenia and to develop a retail network in the neighbouring countries. The main challenges of Plinovodi are to implement key infrastructure projects related to the natural gas infrastructure for supplying the Slovenian economy with natural gas under competitive conditions and for the development of transit pipelines in accordance with the European Energy Strategy.

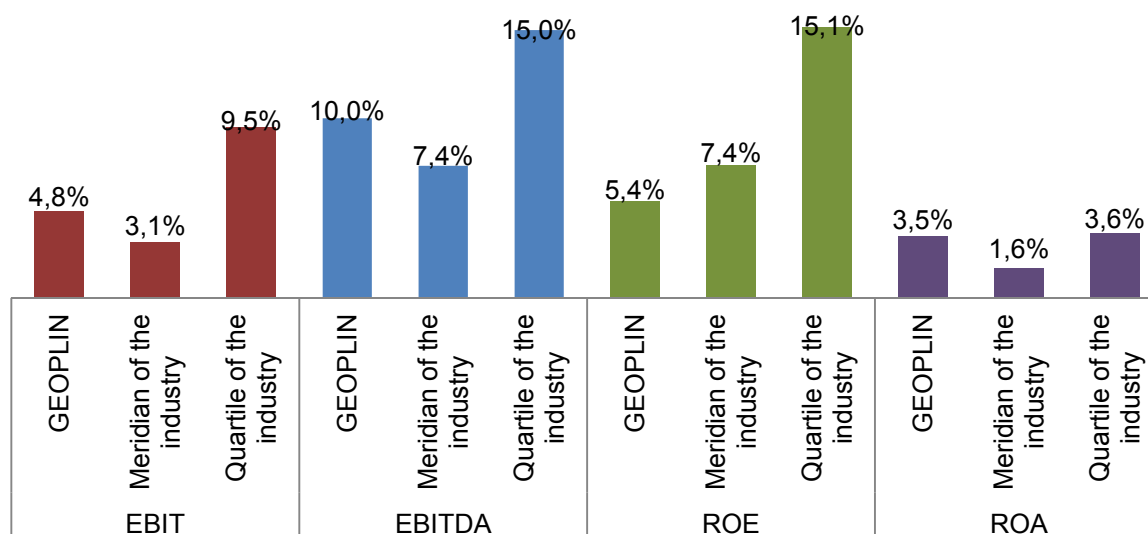
#### (6) Performance indicators (GEOPLIN Group)

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	401,148	482,324	350,207	377,500
Return on equity (ROE)	6.57 %	5.35 %	4.37 %	5.2 %
EBIT margin	10.77 %	9.86 %	9.19 %	9.0 %
Added value per employee (in EUR 000)	278	125	226	239

#### (7) Expectations

Indicator	2015	2016
Return on equity (ROE)	5.7 %	5.9 %
EBIT margin	10.3 %	10.4 %

(8) A benchmark analysis of a company with a set of comparable businesses (2011-2013 average)



#### 6.1.4 HOLDING SLOVENSKE ELEKTRARNE, d. o. o.

(1) The company trades with electricity in the energy market of the Republic of Slovenia and energy markets of East and Central Europe and the Balkans. The energy generation capacities are concentrated in the company's subsidiaries. Among other companies, it owns Premogovnik Velenje, the coal mine operator and the supplier of lignite for Šoštanj Thermal Power Plant. The Group generates 69 % of total income in the domestic market and 31 % of revenues from the sale of electricity are generated in foreign markets. In regard to the trading of the Group, 62% of all revenues is generated from the sale of electricity produced by HSE subsidiaries.

(2) The HSE Group is composed of

- Holding Slovenske elektrarne, d. o. o., as the parent company (hereinafter referred to as: "HSE"),
- Dravske elektrarne Maribor, d. o. o., with a subsidiary (hereinafter referred to as: "DEM"),
- Soške elektrarne Nova Gorica, d. o. o., with a subsidiary (hereinafter referred to as: "SENG"),
- Termoelektrarna Šoštanj, d. o. o., with an affiliated company (hereinafter referred to as: "TEŠ"),
- Termoelektrarna Trbovlje, d. o. o. – in liquidation,
- Premogovnik Velenje, d.d., with six subsidiaries and four affiliated companies (hereinafter referred to as: "PV"),
- HSE Invest, d. o. o.,
- HSE Italia S. r. l.,
- HSE Balkan Energy, d. o. o.,
- HSE Hungary Kft,
- HSE Adria, d. o. o.,
- HSE Bulgaria EOOD,
- HSE MAK Energy DOOEL,
- HSE BH, d. o. o.,
- HSE Prague Branch,
- HSE Bratislava Branch,
- HSE Bucharest Representation Office,

- HSE Belgrade Representation Office.

(3) The market share of the Group stands at 55.5 % of the entire Slovenian wholesale electricity market and 8.0 % of the retail electricity market, thus having dominance in the wholesale electricity market in the Republic of Slovenia. The company owns production units within the scope of DEM; SENG and HESS which exploit the natural rent of the Slovenian waters of the Drava, Soča and Sava Rivers. It also owns TEŠ which produces electricity from the domestic lignite (PV). This company represents the natural rent and ensures services for the stable operation of the electricity grid in the Republic of Slovenia. In addition, it is the owner of Trbovlje Thermal Power Plant (TET) which has been in the process of liquidation since December 2014.

(4) HSE holds a 77.7% shareholding in PV. PV and its five subsidiaries (HTZ, GOST, RGP, PV Invest and Golte) employs 2,607 people, which means as much as 66 % of all employees in the HSE Group (3,923 employees). Owing to accumulated business issues, the financial and business restructuring plan has been produced and approved for PV; a significant rationalisation of costs is mainly expected to be achieved with this plan in order to create of conditions for achieving the planned sale price for lignite for the needs of Unit 6 of TEŠ.

(5) The asset management is designed for implementing active management of the company with the goal of achieving business results in accordance with key performance indicators. The emphasis of the active management is to achieve efficient operation so that the operation strives for the greatest profitability and cost management of the entire Group. The objective of active management is to increase the profitability of the company and develop and improve the energy infrastructure. The company must take advantage of the investment capital potential to realize energy projects for providing for a reliable, safe and stable operation of energy system in the country. The improvement and increase in the company's energy generation capacities in subsidiaries are monitored through annual financial statements and business plans.

(6) Due to a non-economic electricity generation in TET and since it was not possible to sell HSE shareholding in TET (there was no interest expressed by private investors), TET will be liquidated with the aim of retaining the energy location.

(7) From the aspect of a more efficient management of hydro-potential on the Sava River and for increasing the investment potential for funding investments into hydro power plants in the lower and middle course of the Sava River, the option for a merger of SEL and HESS into one company should be examined.

(8) The merger of TEŠ and PV into one company should be examined, aiming at the rationalisation of operating costs. In particular, PV is the sole supplier of the energy product (lignite) for the generation of electricity in TEŠ that is why the optimum cost structure of the lignite price is of key importance for the economic feasibility of the operation of TEŠ Unit 6 in which approximately 3,500 GWH of electricity will be generated.

(9) The key challenges of HSE Group are: a successful launch of the operation of TEŠ Unit 6, the rationalisation of costs in the PV Group and the continuation of the construction of hydro power plant on the lower Sava River and in the middle course of the Sava River.

(10) The assets held by the Republic of Slovenia in HSE are considered strategic for several reasons: the company's large market share in the electricity market in Slovenia, the ownership of companies (SENG, DEM, HESS) exploiting energy potential of the Slovenian

rivers (natural monopoly), a great investment potential for investments into new production capacities and thus providing for a safe and reliable supply of electricity for Slovenia.

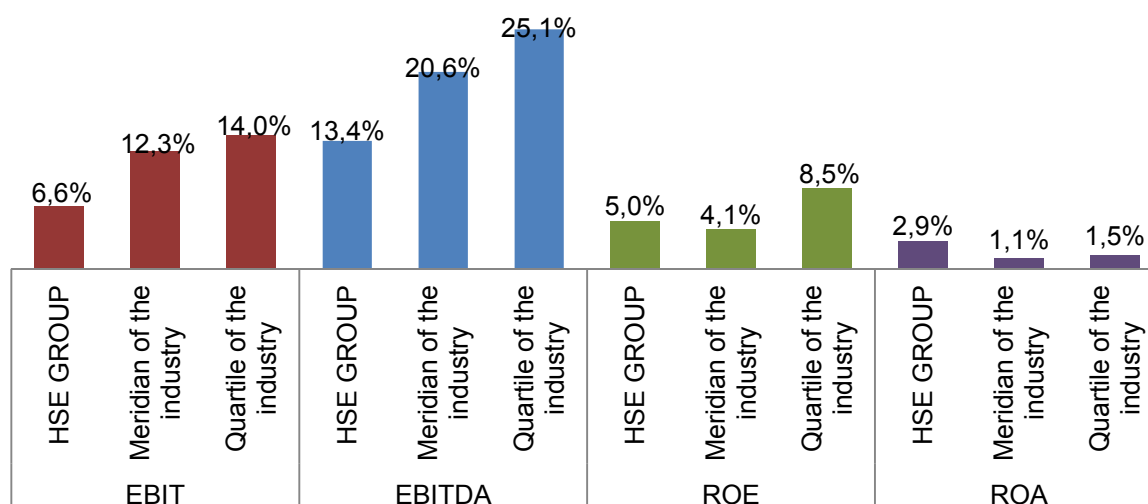
(11) Performance indicators (HSE Group)

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	1,327,546	1,807,655	1,562,320	1,359,325
Return on equity (ROE)	5.07 %	6.18 %	4.41 %	1.5 %
EBIT margin	13.84 %	12.2 %	12.76 %	10.25 %
Added value per employee (in EUR 000)	88	98	92	76

(12) Expectations

Indicator	2015	2016
Return on equity (ROE)	1.5 %	2.0 %
EBIT margin	12.1 %	13.7 %

(13) A benchmark analysis of a company with a set of comparable businesses (2011-2013 average)



6.1.5 BORZEN, ORGANIZATOR TRGA Z ELEKTRIČNO ENERGIJO, d. o. o.

(1) The company renders services of general economic interest in the electricity market. In accordance with EZ-1 and implementing regulations, the company carries out the activity of a power market operator and the activity of the support centre.

(2) As the Power Market Operator, the company implements tasks related to the balance scheme management, the recording of closed contracts, the development of an indicative operating schedule, the imbalance settlement of transactions, along with the financial settlement of transactions related to the aforementioned tasks. This enables the participants in the electricity market to actively operate in the market.

(3) Through the Centre for RES/CHP support, the company acts as an operational provider of the support scheme for the generation of electricity from renewable energy sources and highly efficient cogeneration of heat and power. In line with the above mentioned, the company manages funds from contributions referred to in Article 377 of EZ-1, concludes agreements on support schemes and pays for support, purchases electricity in accordance with Article 372, Paragraph 6, indent 1 of EZ-1 at the price determined by the Government, purchases electricity from the producers referred to in Article 372 of EZ-1, implements payments for the financial support enabling current operation of business and sells the purchased electricity in the market at an auction or through a call to tender at the energy exchange.

(4) The management system applied in Borzen, d. o. o., (hereinafter referred to: "Borzen") is a two-tier one. The management bodies are: the Management Board, the Supervisory Board and a member. The Director of the company and three members of the Supervisory Board are appointed for a five-year term of office.

(5) Borzen holds an ownership stake in BSP Regional Energy Exchange d.o.o., together with ELES d.o.o., each in the amount of a 50% shareholding.

(6) The goal of the asset management is to provide for successful performance and profitability of state assets, operating on the principles of economy, productivity and economic viability, in accordance with the adopted business plans. The attainment of goals set for companies is monitored through business plans and reports.

(7) The company is exposed to higher risks in providing for sufficient funds to facilitate payments within the scope of the RES/CHP support scheme activity. There are high liquidity risks involved due to the discrepancy between the actually collected and potentially needed funds to release the support payments.

#### (8) Performance indicators

Indicator	2011	2012	2013
Return on equity (ROE)	45.1 %	38.9 %	17.9 %
EBIT margin	40.9 %	41.9 %	39.6 %
Added value per employee (in EUR 000)	89	92	87

#### (9) Expectations

Indicator	2014	2015	2016
Return on equity (ROE)	16.1 %	15.0 %	16.8 %
EBIT margin	40.3 %	39.1 %	39.7 %

#### 6.1.6 ELES, d. o. o.

(1) ELES, d. o. o., (hereinafter referred to as: "ELES") renders services of general economic interest of an electricity transmission system operator, on the basis of EZ-1. The company has been granted the exclusive right for carrying out the activity of Electricity Transmission System Operator rendering services of general economic interest on the territory of the Republic of Slovenia. Within the scope of carrying out the regulated activity, it provides a safe, reliable and efficient operation and maintenance of the electricity transmission system.



(2) The services of general economic interest are financed by the network charges for the use of the electricity transmission system determined by a national regulator and paid by electricity consumers as calculated within an invoice for the use of the electricity grid, and from the payment of cross-border transfer capacities paid by international electricity traders who have managed to acquire the right to import/export electricity from and to the Republic of Slovenia at the auction of cross-border transfer capacities.

(3) This company own the majority share of the electricity transmission network in the Republic of Slovenia. The entry into force of a decree on the basis of EZ-1 will create conditions for ELES to become the owner of the entire electricity transmission network in the Republic of Slovenia. On the basis of EZ-1, against the payment, ELES will take over 110kV elements which function as the elements of the electricity transmission network.

(3) The ELES Group is composed of the parent company ELES, and subsidiaries in which the parent ELES, d. o. o., holds the following equity stakes:

- TALUM, d. d., aluminium, aluminium billets and aluminium products production (83.44 %),
- TRGEL, d. o. o., rendering services in electricity trading (100 %),
- STELKOM, d. o. o., rendering services in electronic communications (56.26 %).

(5) ELES, d. o. o., also has

- a 50% shareholding in a subsidiary BSP Regional Energy Exchange d.o.o., carrying out energy exchange activities for the Slovenian electricity market and gives its members the possibility to operate also in Serbia;
- a 25% shareholding in the affiliated company ELDOM, d.o.o., carrying out activities related to the facilities support activities and management of tourist facilities, cleaning of buildings, hospitality services, catering and reception services;
- a 12.5% shareholding in Central Allocation Office GmbH Freising;
- a 10% shareholding in Coordinated Auction Office for South East Europe Podgorica (SEE CAO);
- a 8.33% shareholding in TSC NET GmbH Munich,;
- a 8.33% shareholding in Capacity Allocating Service Company Luxembourg (CASC.EU).

(6) The goal of the asset management is provide for successful performance and profitability of state assets, operating on the principles of economy, productivity and economic viability, in accordance with the adopted business plans. The objective is to increase the profitability of the company and provide for the development and improvement of the electricity transmission network. The attainment of goals is monitored through business plans and reports.

(7) The company must take advantage of the investment capital potential to realize energy projects for providing for a reliable, safe and stable operation of energy system in the country. The improvement and the increase in transmission capacities of the company is monitored through business plans and reports. Due to the fact that the company carries out the activity of the electricity transmission system operator rendering services of a general economic interest, the 100% equity stake will continue to be retained by the Government in the future.

(8) in the period from 2006 to 2009, financial statements were not kept compliant to the energy legislation which is why there is a discrepancy between the financial statements published by ELES and data on ELES registered by the Energy Agency, specifically, in the total amount of EUR 70 million. This discrepancy will be eliminated in a year or two, but it will have an impact on business results.

(9) ELES recapitalised its subsidiary Talum, d.d. with a contribution in kind by converting claims due from the calls on guarantees in the company's share capital. Further capital injections subject to the same issue are expected in the coming years. The long-term ownership in this company will be retained owing to synergies for providing for the stability of the energy system of the Republic of Slovenia.

(10) Performance indicators

Indicator	2011	2012	2013
Return on equity (ROE)	1.0 %	1.3 %	2.5 %
EBIT margin	8.4 %	7.5 %	7.2 %
Added value per employee (in EUR 000)	116	116	122

(11) Expectations

Indicator	2015	2016
Return on assets ROA)	2.8 %	3.0 %

6.1.7 SODO, d. o. o.

(1) The distribution system operator renders OSGEI which include a safe, reliable and efficient operation of the distribution system, together with its maintenance and development, the provision of a reliable electricity supply with a relevant network capacity and reliability.

(2) SODO, d. o. o., (hereinafter referred to as: "SODO") is an electricity distribution system operator rendering services of general economic interest in the territory of the Republic of Slovenia. The company owns 2.7% of the electricity distribution network in the Republic of Slovenia. The company leases the remaining part of the electricity distribution network from five electricity distribution companies: Elektro Maribor, d. d., Elektro Celje, d. d., Elektro Ljubljana, d. d., Elektro Gorenjska, d. d., and Elektro Primorska, d. d..

(3) The company provides for long-term, reliable, quality and efficient supply of users of electricity distribution network by rendering services of general economic interest. By planning the network development, by constructing, managing and operating and maintaining it, the company ensures that connection applications and network access are reasonable, while taking into account the quality standards for the voltage supply and electricity supply. This activity is financed from network charges and other income related to the provision of services of general economic interest. The income amount is determined by the regulator, the Energy Agency, by setting the network charge which must be paid by the users of the electricity distribution system regardless of the volume of electricity consumed.

(4) The goal of active asset management is to provide for successful performance and profitability of state assets, by operating at the principles of economy, productivity and economic viability, in accordance with the adopted business plans, and to provide for the reliability of electricity supplies to final consumers. The attainment of goals is monitored through business plans and reports. Due to the fact that the company carries out the activity of the electricity transmission system operator rendering services of general economic interest, the 100% equity stake will continue to be retained by the Government in the future.

(5) SODO mostly settles its short-term payables with short-term receivables. The planned long-term solvency of the company is based on the assumption that short-term payables are equal to short-term receivables both in terms of their maturity and value. That is why the company dedicates a lot of attention to managing risks related to the solvency of business partners from which receivables are due. In case of unforeseen circumstances, the risk will not be manageable and as a result SODO will be faced with capital inadequacy since the share of equity in liabilities in SODO amounts to approximately 7%. Considering the volume and type of transactions and liabilities resulting from EZ-1, the current share capital of the company is too low, failing to ensure the stability of the company's operation.

#### (6) Performance indicators

Indicator	2011	2012	2013
Return on equity (ROE)	98.31 %	52.00 %	46.62 %
EBIT margin	1.02 %	0.87 %	0.97 %
Added value per employee (in EUR 000)	144	151	173

#### (7) Expectations

Indicator	2014	2015	2016
Return on equity (ROE)	20.37 %	18.81 %	13.19 %
EBIT margin	0.62 %	0.69 %	0.72 %

### 6.1.8 PETROL, d. d.

(1) Petrol, d. d., (hereinafter referred to as: "Petrol") is the largest Slovenian energy company, the largest Slovenian importer and one of the largest Slovenian companies in terms of income generated and one of the largest Slovenian trading companies. The company's area of operations is trading in oil products, gas and other energy products. Petrol also trades in consumer goods and services, generating as much as 20% of income. The major part of Petrol's business is generated on the Slovenian market. The company is recognised for its strong market and financial position, a widespread retail network which is Petrol's main competitive advantage. With its activity of trading in oil products, gas and other energy products, Petrol holds the leading market position in all segments of the Slovenian market.

(2) The Petrol Group consists of the following companies:

- Petrol, d. o. o., (100 %),
- Petrol tehnologija, d. o. o., (100 %),
- Petrol energetika, d. o. o., (99,38 %),
- Petrol PLIN, d. o. o., (100 %),
- IG energetske sistemi, d. o. o. – (100 %) GEN-I in (50 %) ELTEC,
- ELTEC Petrol, d. o. o., (100 %),
- RODGAS AD Bačka Topola (89,64 %),
- Petrol Geoterm, d. o. o., (100 %),
- BEOGAS INVEST, d. o. o., (100 %),
- INTERTRADE ENERGIJA, d. o. o., (100 %),
- Petrol LPG, d. o. o., (51 %),
- PETROL Energetika DOOEL (100 %),
- Geoenergo, d. o. o., (50 %),
- AQUASYSTEM, d. o. o., (26 %),

- SOENERGETIKA, d. o. o., (25 %),
- PETROL BUCHAREST ROM (100 %),
- Geoplin, d. o. o., (31,98 %),
- MARCHE Gostinstvo, d. o. o., (25 %).

(3) The management of the company is directed towards the attainment of goals set in the annual asset management plan and attainment of key performance indicators which are set in the business plan on an annual basis. The main goals are: the continued growth, increase in the profitability of assets and stable dividend policy. The ultimate objective is to maximize the value of the company and to attain results in accordance with indicators obtained by comparable companies in the region.

(4) In the case of a decision for reducing state assets in the company, the position of Geoplin should be arranged. Geoplin, as a matter of fact, has ownership stake in Plinovodi (31.98%). In order to obtain a higher than 50% stake in Plinovodi, the ownership of the Republic of Slovenia in Geoplin shall be exchanged for the stakes in Plinovodi with all the interested shareholders. There is also an option to exchange the remaining equity interest of the Republic of Slovenia in Geoplin for the shareholding held by Petrol in the oil depot Instalacija d.o.o. in Sermin, in the amount which is needed for the provision of storage and mandatory oil product reserves within the scope of the service of general economic interest rendered by the Agency of the Republic of Slovenia for Commodity Reserves (hereinafter referred to as: "ARSCR"). The total storage capacity of the Sermin facility is 480,000 m<sup>3</sup>. Of this figure, ARSCR owns as much as 39,500 m<sup>3</sup> of the depot, but lacks the easement rights for the access and use of tanks in its ownership; in addition, ARSCR leases from Petrol approximately 160,000 m<sup>3</sup> of depot capacities, representing as much as 42% occupancy of the entire oil depot with goods owned by ARSCR. The oil depot Instalacija in Sermin is the largest oil products storage facility in Slovenia with the most modern equipment where 2.28 million tonnes of oil products is handled on an annual basis, mostly for the needs of the Slovenian market (90% of all oil products sold on the Slovenian market) and the rest is exported to foreign markets.

(5) Petrol must settle the issue regarding the pricing model for oil products with the Government, with the aim of attaining better business results.

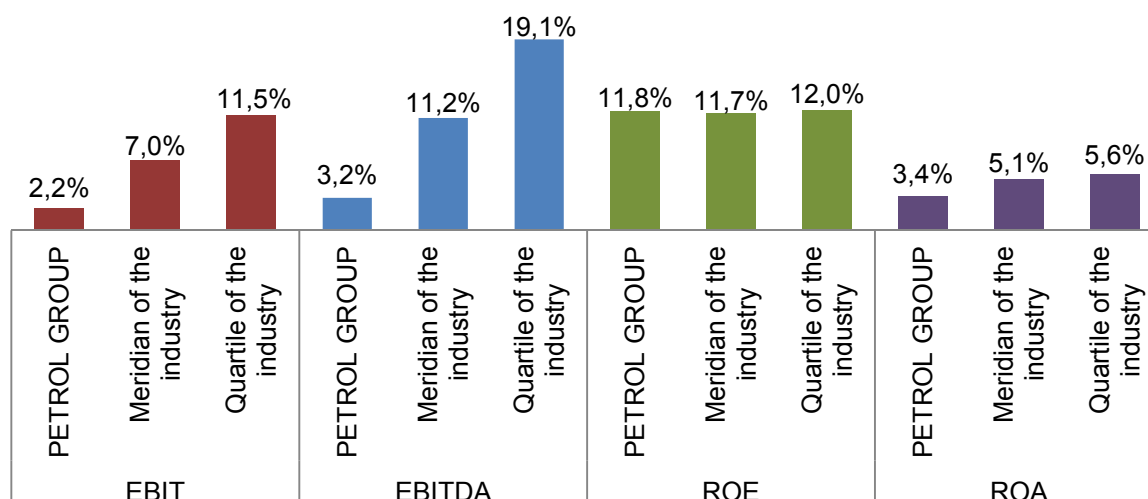
#### (6) Performance indicators (Petrol Group)

Indicator	2011	2012	2013	2014
Net sales revenue ( in EUR 000)	3,270,353	3,753,993	3,947,323	4,014,303
Return on equity (ROE)	12.37 %	12.32 %	11.71 %	12.46 %
EBIT margin	3.38 %	3.08 %	3.27 %	3.47 %
Added value per employee (in EUR 000)	57	46	49	52

#### (7) Expectations

Indicator	2015	2016
Return on equity (ROE)	13.6 %	13.8 %
EBIT margin	3.5 %	3.5 %

(8) A benchmark analysis of a company with a set of comparable businesses (2011-2013 average)



## 6.2 Banking sector

(1) Banks belong to a category of companies which are of key importance for overcoming any economic crisis. The Government as the owner will have to actively intervene with the business policy of state-owned banks in order to make them return to carrying out the activity for which they have been registered, that is the lending activity. It is in the interests of the State that the banking system is stable, and to keep all decision-making levels of key financial institutions in Slovenia which is why it is important that systemic banking institutions retain their headquarters in Slovenia, or as is in case of SID bank, remain in state ownership. This is important for the development of knowledge, the provision of services rendered by financial institutions and complex financial products, the accumulation of capital in the state and reinvestment of funds in the national economy; the competitiveness of the banking sector is also important for which engagement in the international financial market is needed. Only a competitive banking sector may provide for the stability of the financial system and accompany the real sector in the domestic and international markets.

(2) The majority of large banks in Europe are privately owned. Individual exceptions are mostly the result of the bank resolutions which have been implemented by states; for example, Dexia, Hypo, Commerzbank. In France where state ownership is common, BNP and Société Générale are examples of banks with a partial state ownership. The Government also holds some equity interest in Italian banks. In Switzerland, the state has a 20% and 25% equity stake in the two largest banks, whereas a higher level of state ownership is found in individual banks in cantons.

### 6.2.1 NOVA LJUBLJANSKA BANKA, d. d., (NLB Group)

(1) Nova Ljubljanska banka, d. d., (hereinafter referred to as: ("NLB Group")) is the largest Slovenian banking Group and financial institution composed of 45 members operating in 12 markets. In NLB Group, banking is the core business which is accompanied by other financial activities, such as insurance services (life insurance and pension insurance) and asset management. The NLB Group, which is operating in 12 markets, is currently composed of 9 banks, 7 leasing companies, 9 companies pursuing factoring and forfeiting activities,

three insurance companies and an asset management company, together with 16 companies carrying out activities from other fields.

(2) On 18 December 2013, the measures to provide for the bank's long-term capital adequacy were undertaken. As a result of the measures for providing long-term capital adequacy, the bank is in 100% ownership of the Republic of Slovenia. The bank had to draw up the restructuring plan and the capital increase plan which was approved by the European Commission. On the basis of this adopted plan, in the following years, the bank management is planned to be focused on disposing of some assets (branches and other assets), optimising of operating costs and on attaining the target financial indicators (for example, ROE and CIR). The asset management in regard to non-financial operations will mainly include the improving of the corporate governance, risk management and credit policy. The bank will be subject to restrictions regarding dividend pay-outs for a certain period of time.

(3) In accordance with the commitments by the Republic of Slovenia related to the state aid granted for the bank's recapitalisation, the decrease of state assets in the bank to 25% + 1 share is envisaged by 31 August 2017; in cooperation with NLB Management Board, SSH will prepare the programme for listing NLB shares on the international stock exchange by means of IPO. In this case, SSH must provide for relevant restrictions regarding ownership concentration in the bank's Articles of Association.

#### (4) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Return on equity (ROE)	neg.	neg.	neg.	4.7 %
Operating expenses to net income ratio (CIR)	59.7 %	54.6 %	96 %	59.4 %
Loan to deposit ratio (LTD)	105.4 %	104.7 %	86.2 %	75.9 %
NPL ratio	21.3 %	28.2 %	25.6 %	25.5 %

#### (5) Expectations

Indicator	2015	2016*
Return on equity (ROE)	8 %	8 %
Operating expenses to net income ratio (CIR)	< 55 %	< 55 %
NPL to total gross loans,	< 16 %	< 12 %

\*The attainment of certain target financial indicators for the period until 2016 is determined in the bank restructuring plan approved by the European Commission.

#### SID - SLOVENSKA IZVOZNA IN RAZVOJNA BANKA, D.D., LJUBLJANA

(1) SID banka, d. d., (hereinafter referred to as: "SID bank") is a specialised state-owned export and development bank with numerous public powers referred to in the Act Governing Insurance and Financing of International Commercial Transactions (Official Gazette RS, Nos. 2/04 and 56/08 – ZSIRB hereinafter referred to as: (ZZFMGP), Slovene Export and Development Bank Act (Official Gazette RS, Nos. 56/08, 20/09 and 25/15 – ZBan-2; hereinafter referred to as: ZSIRB), Environment Protection Act (Official Gazette RS, No. 39/06 – official consolidated text , 49/06 – ZMetD, 66/06 – CC Decision, 33/07 –

ZPNačrt, 57/08 – ZFO-1A, 70/08, 108/09, 108/09 – ZPNačrt-A, 48/12, 57/12 in 92/13), Public Finance Act (Official Gazette RS, Nos.11/11 – official consolidated text, 14/13 – corr. and 101/13), Decree on implementing the Law on guarantee scheme of Republic of Slovenia (Official Gazette RS, Nos. 33/09 and 42/09), Decree on implementing of the Republic of Slovenia Guarantee Scheme Act for Natural Persons (Official Gazette RS, No. 59/09) and Act on Guarantees of the Republic of Slovenia for financing investments of enterprises (Official Gazette RS, Nos. 43/10, 87/11 in 55/12) for implementing promotion and development duties and services in regard to international trade, economic and development cooperation, entrepreneurial, innovation and research activities, ecology, energy and construction of infrastructure and in other areas important for the development of Slovenia.

(2) The main role of SID bank is to provide support to economic, structural, social and other policies resulting from the long-term development policies of the Republic of Slovenia and the EU, which, in addition to providing for long-term stable economic growth and sustainable development and the improvement of the development financing system, was the main objective of ZSIRB adopted in 2008. With the outbreak of the global financial and economic crisis, SID bank undertook an important task in anti-cyclical activities carried out by the State and with a gradual exit from the crisis, the bank's development and promotional activities are being strengthened.

(3) In accordance with the role, purposes and the duties assumed, SID bank mainly renders financial services, in accordance with and within the scope of licences issued by the Bank of Slovenia. This is mainly lending activity (promotion and development financing, export and project financing) which is mainly conducted through banks and in individual cases in cooperation with other commercial banks in a syndicate, and to a small extent, the bank directly finances final borrowers. SID bank also prepares credit rating information and other credit-related information. SID bank is empowered to perform the following public duties for the account of the Republic of Slovenia: export credit insurance and investment insurance against non-marketable risks; Interest Rate Equalization Programme (IREP); guarantee scheme for enterprises; guarantee scheme for individuals and guarantee scheme for investments.

(4) The following companies operate within the scope of the SID Bank Group: SID – Prva kreditna zavarovalnica, d. d.(SID - First Credit Insurance Company, Inc.) (short-term trade receivables insurance, marketable risk management); Pro Kolekt – debt collection company (debt collection, credit rating information, risk monitoring); Prvi Faktor (factoring, insurance of trade receivables, purchase of bills of exchange, factoring ); CMSR (research and analysis, advisory services, provision of information, bilateral ODA, combined transactions).

(5) The companies in the SID bank Group are:

1. SID – Slovenska izvozna in razvojna banka, d. d., Ljubljana (Slovene Export and Development Bank)
2. SID – Prva kreditna zavarovalnica, d. d., Ljubljana(First Credit Insurance Company), in which SID Bank holds a 100% equity stake;
3. PRO KOLEKT, družba za izterjavo, d. o. o., Ljubljana(debt collection company), in which SID Bank holds a 100% equity stake and 6 subsidiaries:
  - PRO KOLEKT, d. o. o., Zagreb, Croatia,
  - PRO KOLEKT, d. o. o., Skopje, Macedonia,
  - PRO KOLEKT, d. o. o., Belgrade, Republic of Serbia,
  - PRO KOLEKT CMSB, S. R. L., Bucharest, Romania,
  - PRO KOLEKT SOFIA OOD, Sofia, Bulgaria,
  - PRO KOLEKT, d. o. o., Sarajevo, Bosnia and Herzegovina;



4. PRVI FAKTOR, d. o. o., Ljubljana, in which SID Bank holds a 50% equity stake and 4 subsidiaries:
  - Prvi faktor, d. o. o., Zagreb, Croatia,
  - Prvi faktor, d. o. o., Belgrade, Serbia,
  - PRVI FAKTOR, d. o. o., Sarajevo, Bosnia and Herzegovina,
  - PRVI FAKTOR, d. o. o., Skopje, Macedonia,
5. Centre for International Cooperation and Development, Ljubljana, carrying out activities in the field of entrepreneurial and business consultancy – it is an independent institution with the right to render public services on the basis of a contract.

(6) As a result of the fact that the bank implements specific tasks and statutorily determined objectives, the only shareholder of SID Bank is the Republic of Slovenia. The supervision over the operations of SID Bank is carried out by the Bank of Slovenia, the Insurance Supervision Agency, and the ministry responsible for finance, each within the scope of their responsibilities. SID Bank must report to the Government on the exercise during the previous year of the public powers which have been granted to the Bank, and must do so once a year and by not later than the 31st May. The Government has to report to the National Assembly on the implementation of activities assumed by SID Bank once a year.

(7) In accordance with ZSIRB, the members of the Supervisory Board of SID Bank are appointed by the Government. The Commission for the Promotion of International Trade, which is appointed by the Government, is responsible for the coordination of activities undertaken by responsible public authorities and other institutions in regard to the implementation of ZZFMGP and for the functioning of the system providing insurance services and financial services related to international business transactions and for the efficient rendering of insurance services and financial services related to international trade and investments.

(8) In regard to the management of the bank, a special attention will be dedicated to an integrated risk management and for maintaining a high level of organisational culture. One of the key strategic policies is also to maintain a favourable cost efficiency at the current levels regardless of constant increase in and extension of activities. The objective of SID Bank as the bank publicly promoting export and development is not the maximization of profits but the attainment of social benefit while preserving and increasing the wealth of invested capital.

#### (9) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Return on equity (ROE)	3.1 %	1.9 %	2.7 %	1.2 %
Operating expenses to net income ratio (CIR)	19.5 %	14.4 %	18.6 %	23.7 %
Loan to deposit ratio (LTD)*	-	-	-	-
NPL to total gross loans,	1.5 %	3.6 %	7.7 %	n.a.

\*In accordance with Article 4, Paragraph 7 of the Banking Act (Official Gazette of RS, No. 25/25), SID Bank is not allowed to accept deposits from the public, except for public offerings referring to the pay-ins for debt securities issued by SID Bank.



## (10) Expectations

Indicator	2015	2016
Return on equity (ROE)	3.0 %	3.3 %
Operating expenses to net income ratio (CIR)	17.8 %	17.5 %
NPL to total gross loans	7.0 %	6.5 %

### 6.3 Insurance sector

(1) The stability of the insurance sector is in the interest of the Government, together with keeping all decision-making levels of the key financial institution in Slovenia which is why it is important that systemic institutions retain their headquarters in Slovenia. This is important for the development of knowledge, the provision of services rendered by financial institutions and complex financial products, the accumulation of capital in the state and reinvestment of funds in the national economy; the competitiveness of the insurance sector is also important for which an engagement in the international financial market is needed. Only a competitive insurance sector may provide for the stability of the financial system and accompany the real sector in the domestic and international markets.

(2) Contrary to a slightly more specific global reinsurance market with reinsurance companies assuming individual potential liabilities from all over the world, the insurance market is much more localised and its growth strongly depends on the macroeconomic condition of an individual country.

#### 6.3.1 POZAVAROVALNICA SAVA, d. d.

(1) The main activity pursued by Pozavarovalnice Sava, d. d., (hereinafter referred to as: "Sava Reinsurance Company") is reinsurance business and insurance business. The company's subsidiaries, which operate in the territories of Slovenia, Croatia, Republika Srbska, Montenegro, Kosovo and Macedonia, mainly deal with insurance business. The company also owns the insurance company, Zavarovalnica Maribor, d.d. Sava Reinsurance Company is also the largest reinsurance company with its headquarters located in Central and Eastern Europe. The development of insurance business as an important section of the financial industry in the Republic of Slovenia is in the strategic interests of the Republic of Slovenia. The stability of the financial system and further development of managerial knowledge and skills in the field of insurance business is also in the strategic interest of the Republic of Slovenia.

(2) The assets held in Sava Reinsurance Company is classified as important asset since it ensured multiplicative effects in the broader economy and expansion to the markets of the Western Balkans. The company will continue to develop its reinsurance business in the future, together with insurance business for corporate and retail clients.

(3) The management of the company is planned to be based on measures with which the capital adequacy and stability of the insurance company will be emphasized, the accelerated integration of Zavarovalnica Maribor into the Group, and cost effectiveness of operation, on the other hand. In the next period, Sava Reinsurance Company must maintain the return on equity achieved and continue with the regular pay-out of annual dividends (at least  $\frac{1}{3}$  of annual profits).

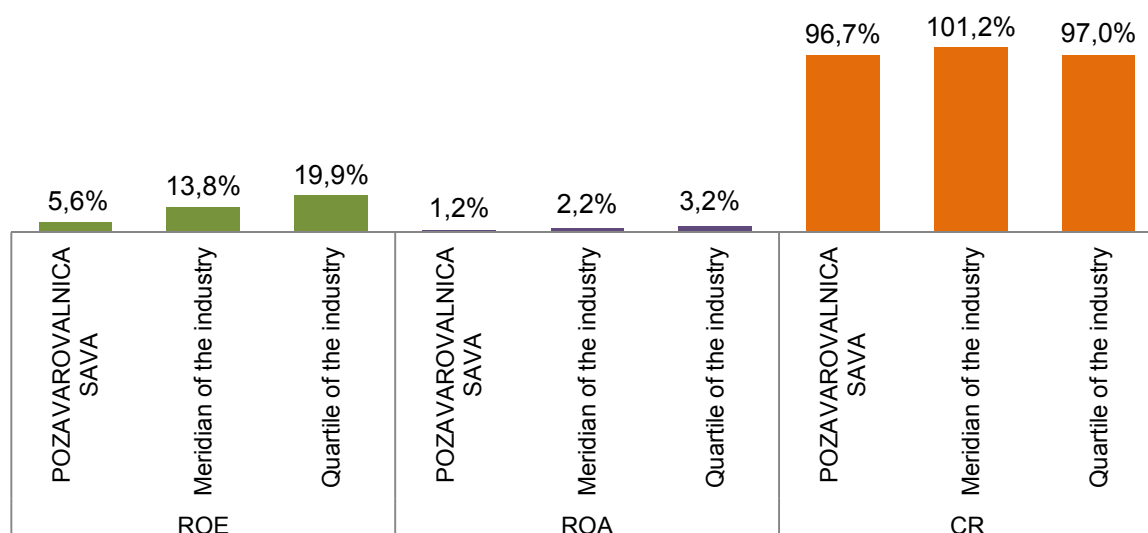
## (4) Performance indicators

Indicator	2011	2012	2013	2014
Return on equity (ROE)	2.7 %	7.4 %	7.6 %	11.9 %
Combined Ratio	98.3 %	98.7 %	96.8 %	95.5 %

## (5) Expectations

Indicator	2015	2016
Return on equity (ROE)	> 11.5%	> 12%
Combined Ratio	< 95 %	< 95 %

(6) A benchmark analysis of a company with a set of comparable businesses (2011-2013 average)



## 6.3.2 ZAVAROVALNICA TRIGLAV, d. d.

(1) Zavarovalnica Triglav, d. d., (hereinafter referred to as: Zavarovalnica Triglav) is the largest insurance company in Slovenia and among the largest in the region. Together with related entities, it provides all types of property insurance, personal insurance and health insurance policies. The insurance business is a core business and the largest activity conducted by the Triglav Group providing to its customers non-life insurance, life insurance, supplementary voluntary pension insurance and health insurance policies.

(2) Due to its regional importance, the significance of its financial stability and, as a consequence, its impact on sustainable development, Zavarovalnica Triglav, as the largest Slovenian insurer, is considered a strategic asset. It is in the strategic interests of the Republic of Slovenia to participate in the insurer's strategic decisions and to retain managerial knowledge and skills in the field of insurance business in Slovenia.

(3) The main pillars of the company's operations are:

- insurance business,
- asset management, and
- ancillary activities for supporting the fundamental financial pillars.

(4) The following companies operate within the scope of the Group in Slovenia:

- Zavarovalnica Triglav, d. d.,
- Triglav zdravstvena zavarovalnica, d. d.,
- Pozavarovalnica Triglav Re, d. d.,
- Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami, d. o. o., Ljubljana,
- Triglav Skladi, družba za upravljanje, d. o. o.,
- Triglav Naložbe, Finančna družba, d. d.,
- Triglav INT, holdinška družba, d. d.,
- TRI-PRO, d. o. o.,
- Slovenijales, d. d.,
- Gradis IPGI, d. d.,
- AS Triglav – servis in trgovina, d. o. o.,
- abroad, in Croatia: Triglav Osiguranje, d. d., in BIH: Triglav Osiguranje, d. d., in Serbia: Triglav osiguranje, a. d. o., in Montenegro: Lovčen Osiguranje, a. d., in Macedonia: Triglav Osiguruvanje AD, in Czech Republic: Triglav Pojišt'ovna, a. s.

(5) Slovenian Sovereign Holding must provide support for all measures aiming at internal rationalisation of operations, maintaining the quality of assets and improving the corporate governance, while also supporting the regional expansion of the insurer. Consequently, the maintaining of high return on equity generated by the insurer is expected, together with a stable dividend policy.

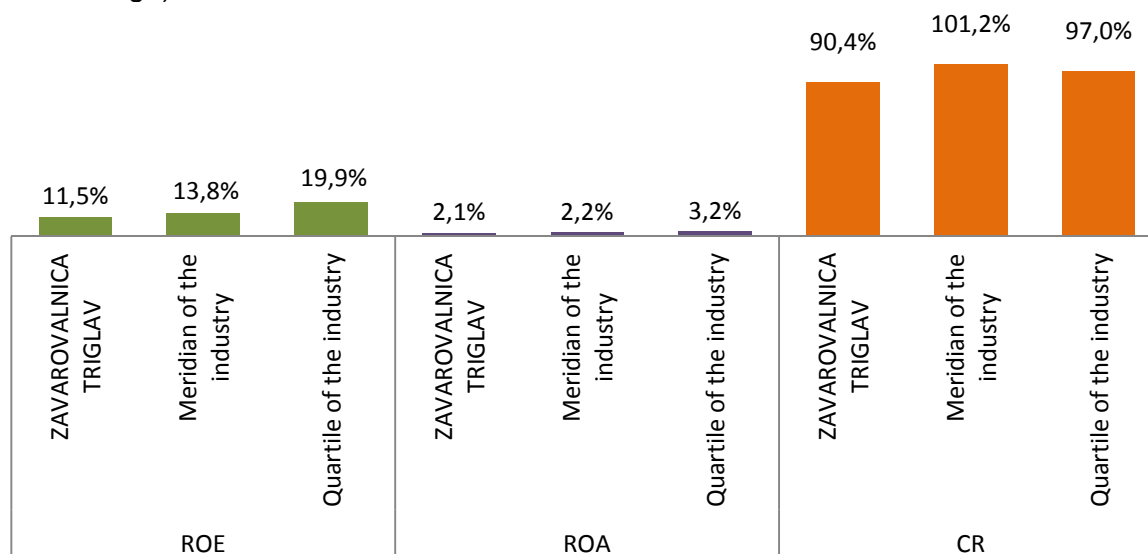
(6) Performance indicators

Indicator	2011	2012	2013	2014
Return on equity (ROE)	9.6 %	13.8 %	12.0 %	13.4 %
Combined Ratio	90.1 %	89.6 %	91.0 %	96.3 %

(7) Expectations

Indicator	2015	2016
Return on equity (ROE)	> 11.5%	> 12 %
Combined Ratio	< 95 %	< 95 %

(8) A benchmark analysis of a company with a set of comparable businesses (2011-2013 average)



### 6.3.3 MODRA ZAVAROVALNICA, d. d.

(1) Modra zavarovalnica, d. d., (hereinafter referred to as: Modra zavarovalnica) performs insurance transactions for the life-insurance group of insurance business, in accordance with the Insurance Act (Official Gazette of RS, Nos. 99/10 – official consolidated text – 90/12, 56/13 and 63/13 – ZS-K) and the licence issued by the Insurance Supervision Agency for performing insurance transactions in the following groups of insurance business: (1) accident insurance and (2) life insurance. The company was established in October 2011 as a spin-off from KAD; the company took over the management of the following pensions funds: the Closed Mutual Pension Fund for Civil Servants (ZVPSJU), Capital Mutual Pension Fund (KVPS), the First Pension Fund (PPS), and the Guarantee Fund of the First Pension Fund. The mutual pension funds are separated assets in the ownership of insurance holders/members of an individual fund and are separated from the insurer's own assets.

(3) With the aim of reducing the number of people being at risk of poverty in their old age, the Republic of Slovenia has introduced a 3-pillar pension system, within which, Modra zavarovalnica represents the most important and the largest provider of the second pillar of the Republic of Slovenia's pension system. In fact, at the end of the third quarter of 2014, the insurer managed assets amounting to EUR 1,200 million, which is 20% more than assets under management in October 2011 when it started with its operation. From the above mentioned figure, the insurer's own financial assets amounted to EUR 219 million, and the financial assets of all three mutual pension funds to EUR 871 million, while the financial assets of both guarantee funds amounted to EUR 127 million.

(3) The two main strategic objectives of Modra zavarovalnica are to build confidence and to provide for the safety of pension savings of insurance holders; the company attains these objectives by means of professional management and by maintaining a high level of contingent capital.

(4) In accordance with the provisions of Article 80 of ZSDH-1, Modra zavarovalnica is considered a strategic asset as long as it manages the Closed Mutual Pension Fund for Public Employees (ZVPSJU). A potential disposal of the shares of Morda zavarovalnica will

be based on a public offering in which the shareholdings of the Republic of Slovenia and Kapitalska družba must together represent the majority of all shares of Modra zavarovalnica. The pre-emption right for acquiring shares in the public offering is guaranteed for the holders of insurance in the funds managed by Modra zavarovalnica and trade unions representing public officials and employers financing pension schemes.

(5) Since Modra zavarovalnica is one of the most important equity investments of KAD, an indirect objective of the insurer is also to provide for additional funds for the first pillar of the Slovenian pension system by generating profits from the management of pension funds and from the management of the company's own investment portfolio. (2) After the transformation of KAD into an independent and autonomous demographic reserve fund, as stipulated by the law regulating pension and disability insurance, Modra zavarovalnica will remain one of the fundamental building blocks for ensuring the safety of pension savings of the existing and future insured persons.

(6) The main challenge of Modra zavarovalnica is to attain the fixed rate of return in pension funds which are under its management on the basis of the approved pension schemes.

(7) Performance indicators (total for life insurance and accident insurance)

Indicators	2012	2013	2014 non-audited
Increase in gross written premium (index)	1,161*	94	125
Operating costs as % of gross written premium	30 %	33 %	28 %
Gross profit or loss for the year as % of net written premium	85 %	24 %	93 %
The investment portfolio's rate of return (in%)	10.2 %	8.3 %	19 %
Return on equity (ROE) (in %)	9 %	2 %	9 %
Added value per employee (in EUR)	293,763	324,976	380,856

\* Modra zavarovalnica was operational only for three months in FY 2011, which is why the data on the increase in gross written premium in 2012 are not comparable.

(8) Expectations

Indicator	2015	2016
Increase in gross written premium (index)	101	100
Operating costs as % of gross written premium	45 %	43 %
Gross profit or loss for the year as % of net written premium	11 %	13 %
The investment portfolio's rate of return (in%)	3 %	3 %
Return on equity (ROE) (in %)	> 8 %	> 9 %
Added value per employee (in EUR)	276,568	288,200

#### 6.4 Financial holding companies

The core business of financial holding companies is the management of financial assets. The Financial Assets Management Strategy refers to the forming of a suitable number of financial assets under management with the aim of attaining the best possible

business result. The enterprises were established with the purpose of attaining various economic goals.

#### 6.4.1 SAVA, d. d.

(1) Sava, d. d., (hereinafter referred to as: "Sava") is a management and financing company and the Sava Group is a holding company. The Sava Group is composed of the parent company Sava, 8 subsidiaries and 2 affiliated companies. They differ rather substantially in regard to their core business (management of financial investments, and tourism with the company being the leading provider of tourist services in Slovenia, and other activities which are mainly planned to be sold off).

(2) Sava holds an important position in the national economy, mainly due to its shareholdings in financial institutions and tourism providers. The asset has been classified as important.

(3) The main goal in the management of the asset is to monitor the business and financial restructuring of Sava which is supposed to reduce the company's indebtedness and increase the value of the asset. The purpose of active management is to increase the efficient and profitable operation of the company. The objective is to increase the profitability of the company and maintain a stable dividend policy. The attainment of goals set for the company is monitored on the basis of the companies' business plans and at quarterly meetings held with management and supervisory boards of the company.

#### (4) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	193,783	192,188	67,221	62,997
Return on equity (ROE)	neg.	neg.	neg.	neg.
EBIT margin	9.93 %	12.23 %	13.29 %	15.0 %
Added value per employee (in EUR 000)	34	35	30	30

#### (5) Expectations

Indicator	2015	2016
Return on equity (ROE)	neg.	0.50 %
EBIT margin	16.00 %	16.00 %

### 6.5 Traffic, transport and infrastructure

(1) Traffic, transport and logistics infrastructure belong to the most important factors of economic and sustainable development of every modern country. It must not be ignored that traffic and transport cannot function without the necessary logistics infrastructure. They form an integral part which is inseparable and which is a generator of the development of the most important tertiary industries in any organised system.

(2) It is particular to the Slovenian environment that the most important businesses in the traffic and transport sector own the logistics infrastructure (for example, Port of Koper, DARS) or they have under their management the public infrastructure which is state-owned

(Slovenian Railways). These companies have at their disposal important an natural monopoly or constructed monopoly which gives them a special role in the Slovenian economic environment. Therefore, the majority shareholding owned by the State in all of such companies is not a coincidence.

(3) Another very important specific characteristic of these companies relates to a high level of regulation in the activity through concessions, services of general economic interest, regulatory agencies and subsidies for the use of technologies. This is particularly important in the case of the sale of assets since only by regulation may the State have an assurance that it will have a degree of influence on activities which are important for the provision of certain public services.

(4) Slovenske železnice, d. o. o., (Slovenian Railways) (hereinafter referred to as: "SŽ") is a national operator in freight transport and passenger transport and the manager of the public railway infrastructure. As the national operator in passenger transport it is also renders the OSGEI in passenger transport, and in the capacity of the infrastructure manager, it provides OSGEI regarding the maintenance of public railway infrastructure and traffic management. It is in the strategic interest of the Republic of Slovenia that services rendered by SŽ in regard to the management of the public railway infrastructure provide for the operational capacity of such infrastructure, traffic safety and smooth running and undisturbed railway transport, while consistently taking into account the principle of independence of the railway infrastructure manager and the transport operator, in accordance with the EU acquis. In line with the current legislation, the company is a strategic asset but considering tight economic conditions and the high indebtedness of the company, the entry of new shareholders into the parent company, carrying out commercial activity, or into subsidiaries cannot be excluded, while observing the above mentioned principle of independence of the railway infrastructure manager and the transport operator.

(5) The Port of Koper is the only international port in the Republic of Slovenia which is dedicated to public freight and passenger transport and, considering its exceptional geographic and strategic location in the Northern Adriatic and its position between the two core TEN-T ports, is of a high strategic significance for the State. In addition to port services rendered by the concession holder, Luka Koper, d. d., (hereinafter referred to as: "Luka Koper) in the area of the port, in accordance with the Concession Agreement, the company is responsible for rendering OSGEI regarding regular maintenance of the port infrastructure dedicated to the public transport; the company also maintains infrastructure which is not intended for public transport and is in charge of the development and construction of port and transshipment logistic infrastructure. During the privatization of the socially owned assets, the in-kind contribution invested by the Republic of Slovenia into Luka Koper's equity represented in kind the public and non-public port infrastructure, except for land, port water area and berths.

#### 6.5.1 LUKA KOPER, d. d.

(1) In 2008, the exclusive right and duty to perform tasks related to the port management and individual management tasks not determined with the concession agreement was granted to Luka Koper for the period of 35 years, by way of a decree and concession agreement. The principal activity of Luka Koper relates to the provision of port and storage services, together with other logistics services for all types of goods. The port has the following modern terminals:

- container terminal,
- car and ro-ro terminal,
- general cargo terminal,

- fruit terminal,
- timber terminal,
- terminal for minerals,
- terminal for cereals and fodder,
- alumina terminal,
- European energy terminal,
- liquid cargoes terminal,
- livestock terminal,
- cruise terminal.

(2) In addition to maritime and passenger transport implemented by Luka Koper in the port area, in accordance with the concession agreement, the company is also responsible for rendering services of general economic interest related to a regular maintenance of port infrastructure, dedicated for public transport. The company also manages, handles and develops port infrastructure which is not intended for the public transport.

(3) The Port of Koper is the only international port in the Republic of Slovenia which is dedicated to public freight and passenger transport and, considering its exceptional geographic and strategic location in the Northern Adriatic and its position between the two core TEN-T ports, is of a high strategic significance for the State. A favourable position in the far north of the Adriatic and exceptional micro-location which is characterised by flat land surfaces in the direct vicinity of the port (wide catchment area) enables a fast delivery of goods to their final destination and efficient transshipment and handling and storage activities. This provides for a great competitive advantage for the port as compared to other ports in the Adriatic and positions it in a very important place in a wider Central European milieu. Due to an intertwined ownership relations in regard to the port infrastructure which is located on the territory of the port of Koper as a whole and it is owned by the Republic of Slovenia and by the only operator in the port of Koper area (that is, the company, Luka Koper), it is urgent that the majority equity stake is retained by the State in the future. This will enable the Government to (co)manage the port through its own ownership leverage in Luka Koper. The State may therefore exercise its influence on the development of the port directly, through the concession granted, and indirectly, through its ownership in Luka Koper. Owing to the above mentioned circumstances relating to the (co)ownership of assets, and the extraordinary strategic importance of the port in the Republic of Slovenia, both management levels must be maintained in the future. The port of Koper represents the most important and the largest source of cargo business in Slovenia which, from the aspect of the use of the transport mode, is burdened with the least marginal social costs. An increased traffic in the cruise terminal is expected for the future which will be important for the State for the development of a specific type of tourism. In the future, a great attention will be dedicated to the third pier and the construction of the second Divača - Koper railway track which will significantly increase the capacities of the port in Koper and ensure the further development of Luka Koper.

(3) The Luka Koper Group consists of the following subsidiaries and affiliates:

- Luka Koper INPO, d. o. o., (100 %),
- Luka Koper Pristan, d. o. o., (100 %),
- Adria Terminali, d. o. o., (100 %),
- Adria Investicije, d. o. o., (100 %),
- Adriasole, d. o. o., (98 %),
- Logis Nova, d. o. o., (96.26 %)
- TOC, d. o. o., (68.13 %),
- Adria-tow, d. o. o., (50 %),
- Adria Transport, d. o. o., (50 %),
- Adriaфин, d. o. o., (50 %),



- Avtoservis, d. o. o., (49 %),
- S. C. Railport Arad, s. r. l., (33.33 %).

(5) The company must ensure that operational efficiency is constantly improved and profitability of operations increased which is why the cost management and cost-efficient management of investments in the port infrastructure is important. The passenger terminal must be constructed, the third pier, the existing piers need to be extended, the port infrastructure must be upgraded and all these activities must be balanced with a stable rate-of-return and stable dividend policy. A smooth development of the port in the future requires a good operation of Luka Koper and the local community, that is, the Koper City Municipality and the newly established municipality, Ankaran. It is important for the company to organize a new access for the entry into the port.

(6) The company owns an important share of the port infrastructure (in the territory of the freight port of Koper), because during the privatization of the socially owned assets, an in-kind contribution was invested by the Republic of Slovenia into Luka Koper's equity which represented the public and non-public port infrastructure, except for land, port water area and berths. In accordance with the Maritime Code (Official Gazette of the Republic of Slovenia, Nos 120/06 – official consolidated text, 88/10 and 59/11), Decree on the administration of the freight port of Koper, port operations, and on granting concession for the administration, management, development and regular maintenance of its infrastructure (Official Gazette of the Republic of Slovenia, Nos. 71/08, 32/11, 53/13 in 25/14), and the Concession Agreement for Provision of Port Services, Management, Development and Regular Maintenance of Port Infrastructure (No. 2411-08-80011 of 8 September 2008) the company renders important public services which gives it the capacity of the Port Authority. In case a decision is made to put the company in the programme of potential sale, the port infrastructure should have been previously removed from the company's assets and provide for further smooth provision of services of general economic interest (the establishment of the Port Authority).

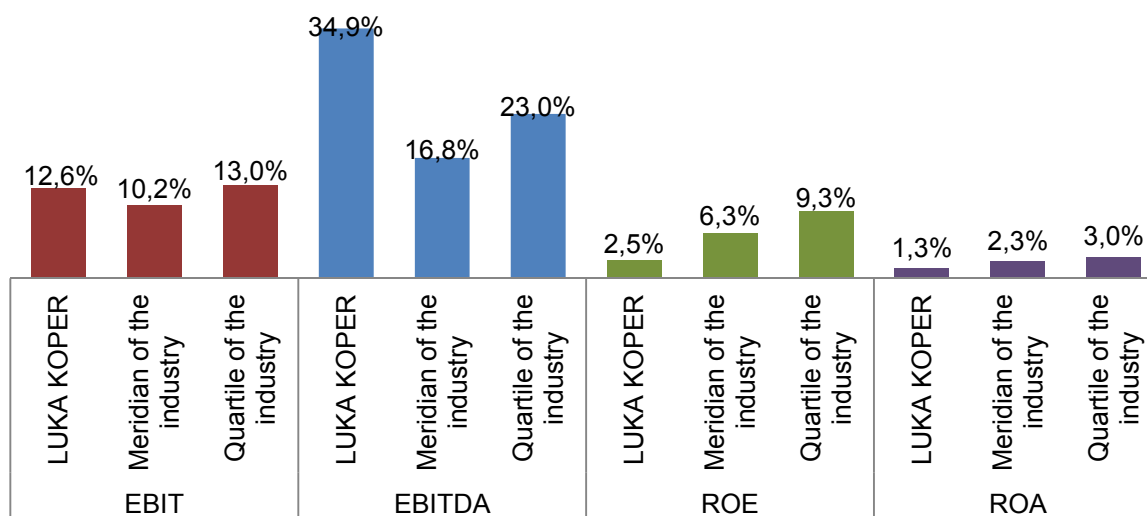
#### (7) Performance indicators (Petrol Group)

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	141,032	141,702	141,235	163,634
Return on equity (ROE)	0.2 %	4.3 %	3.05 %	10.4 %
EBIT margin	34.8 %	33.9 %	33.6 %	37.1 %
Added value per employee (in EUR 000)	88	87	90	105

#### (8) Expectations

Indicator	2015	2016
Return on equity (ROE)	11 %	11.5 %
EBIT margin	37 %	38 %

(9) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



### 6.5.2 SLOVENSKE ŽELEZNICE, d. o. o.

(1) SŽ is a national operator in freight transport and passenger transport and the manager of public railway infrastructure. As the national operator in passenger transport it is also renders the OSGEI in passenger transport, and in the capacity of the infrastructure manager, it provides OSGEI regarding the maintenance of public railway infrastructure and traffic management. As regards the legal form, the above mentioned activities and other activities (ancillary and commercial) are implemented in subsidiaries which, together with the parent, SŽ, form the SŽ Group, which is the group of companies on the basis of a contract on control (with the exception of two companies in the SŽ Group having the form of public limited company). The current organisational structure is based on the Slovenian Railway Company Act (Official Gazette RS, Nos. 106/10, 43/11, 40/12 – ZUJF in 25/14 – ZSDH-1; hereinafter referred to as: ZDSŽ).

(2) The Slovenske železnice Group (SŽ Group) is composed of the following companies:

1. the parent company, SŽ, d. o. o., (in 100% ownership of the Republic of Slovenia) and
2. subsidiaries (with 100% ownership interest of or the majority shareholding held by SŽ, d.o.o.);
  - SŽ – Tovorni promet, d. o. o., (100 %),
  - SŽ – Potniški promet, d. o. o., (100 %),
  - SŽ – Infrastruktura, d. o. o., (100 %),
  - SŽ – Vleka in tehnika, d. o. o., (100 %),
  - SŽ – ŽIP storitve, d. o. o., (100 %),
  - Feršped, d. o. o., (100 %),
  - Prometni inštitut, d. o. o., (100 %),
  - SŽ – ŽGP, d. d., (79.82 %),
  - SŽ – Železniška tiskarna, d. d., (64.28 %).

(3) As regards passenger transport, SŽ – Potniški promet, d. o. o., is the company rendering passenger transport services in internal and cross-border regional transport. The importance of the services offered and provided by passenger transport will be increased as a result of the public passenger integration project and efforts by larger cities for limiting the entry of personal vehicles into the city centres.

(4) Freight transport is a commercial activity carried out by SŽ. The company: SŽ – Tovorni promet, d. o. o., provides cargo transport at home and abroad, especially of mass cargo, with multi-modal transport gaining in importance as it enables a simple and competitive use of an optimum transport mode. SŽ is the most important business partner of Luka Koper since more than half of the goods transhipped in Luka Koper is transported further by SŽ.

(5) The duty of the company: SŽ – Infrastruktura, d. o. o., is to provide for regular maintenance and investment into the maintenance of the Slovenian railway infrastructure owned by the Republic of Slovenia, and, secondly, railway traffic management. An important portion of revenues is generated by rendering maintenance services for the public benefit (MSPB).

(6) The company: SŽ – Vleka in tehnika, d. o. o., renders services of cargo and passenger train haulage and the maintenance and improvement of vehicles for reliable and high quality services related to the provision of freight and passenger transport.

(7) Other companies in the Group carry out activities on the basis of other regulations, for example, as a company employing disabled people (SŽ – ŽIP, d. o. o.), render ancillary services for the companies in the Group (SŽ – Železniška tiskarna, d. d., Prometni inštitut, d. o. o.) or perform commercial activities (SŽ – ŽGP, d. d., Feršped, d. o. o.).

(8) A developed transport infrastructure and transport are the essential preconditions for the economic development of every country and for the well-being of their inhabitants. Thus, the strategic interest of the Republic of Slovenia in regard to railway transport and the management of the public railway infrastructure must be to provide for the normal operational capacity of SŽ, for traffic safety and smooth, organised and undisturbed railway transport of passengers and cargo under competitive conditions.

(9) Such status of the railway transport system is also required from the policy adopted by the EU in the field of railway transport, with the emphasis being given to the strengthening of railway connections between the EU countries; in this regard the V Pan-European Corridor and the VI Rail Freight Corridor (Mediterranean) and X Pan-European Corridor are important, with the latter partially crossing the V Rail Freight Corridor (Baltic-Adriatic) on the route of the Šentily-Zidani Most track.

(10) The above mentioned corridors were determined within the scope of the European Conference of Ministers of Transport, UN Economic Commission of Europe and European Commission in 1997, while the rail freight corridors were determined by the Regulation (EU) No 913/2010 of the European Parliament and of the Council of 22 September 2010 concerning a European rail network for competitive freight.

(11) The strategic importance of SŽ has been basically established by virtue of Article 2, Paragraph 1 of ZSDŽ which, among other matters, stipulates that the Republic of Slovenia is the founder and the sole shareholder of SŽ and that it cannot divide or transfer its shareholding to another person. Such provision regarding the company's management and ownership is presented further in Article 3, Paragraph 5 of the same Act, stipulating that SŽ as the founder and the only shareholder of its subsidiaries (listed in Paragraph 1 of the same Article and providing the railway infrastructure services, railway traffic management, passenger and freight transport) cannot split or transfer its shareholding to another person.

(12) For maintaining the strategic importance of SŽ, it is necessary to ensure stable investment in the long-term into the railway infrastructure owned by the Republic of Slovenia,

and vehicles of SŽ owned by SŽ. Considering the tightened economic conditions and high debt in SŽ, the financial capability of SŽ to implement the necessary investments into new vehicles is questionable. That is why the entry of new shareholders into the parent company, carrying out the commercial activity, or into subsidiaries cannot be excluded, in order to provide for financial funds for decreasing SŽ's debt and the company's development. If realistic needs for such a measure actually did arise, the previously mentioned statutory limitations regarding the ownership control of SŽ should first be modified. However, it is important that in regard to activities by means of which the OSGEI are rendered, the Republic of Slovenia retains the prevailing influence.

(13) In accordance with the company's recovery programme, the reorganisation of SŽ was implemented with the aim of improving the management of companies in the SŽ Group; the companies are in the process of restructuring (the improvement of economy of operations and their economic viability). The company recorded a business turn in 2012 when a positive business result was achieved by SŽ, after several years of operating at a loss. The positive trends in operation continued in 2013 and 2014. In spite of the measures adopted for the company's recovery, it is of strategic importance for SŽ to improve the structure of the sources of funds in the direction of reducing debt financing; the funding which must be adapted to the current and future capacity to generate cash flows in the company in order for debt to be repaid and to facilitate the necessary investment into the company's development.

(14) In addition to the financial restructuring, the business restructuring must also be undertaken in SŽ together with the sale of some non-strategic assets (portfolio assets) of SŽ. The sale of assets would also be reasonable in some companies carrying out ancillary activity. The activities regarding passenger and freight transport, infrastructure, construction and haulage and technical maintenance represent the strategic activity, the core business of SŽ which is why the disposal of such assets is possible at least up to the SŽ's equity stake of 50% + 1 share. The assets acquired from the disposal of SŽ assets must be allocated for the deleveraging of SŽ and for investments into its core business.

(15) Having regard to statutory provisions on rendering OSGEI, in addition to improving of the operational parameters, as regards the asset management, the emphasis will be placed on the following:

- passenger transport is OSGEI and it means that a good quality of services must be ensured while simultaneously rationalizing the operating expenses (including their more thorough planning, approval and control), thus consequently reducing the pressure on budget funding. In this regard a consideration on reducing the scope of OSGEI services is of interest, considering the fact that the funds provided for by the state are not sufficient and that such funds should be adapted to the current situation of the state budget and not to the actual costs for rendering this service by SŽ. A partial sale of the minority equity stake would also be reasonable but it is questionable without having in place any binding long-term agreement with the Republic of Slovenia on the coverage of costs of OSGEI services;
- the freight transport is a commercial activity which is why the disposal of this asset is possible, subject to the amendments of the legislation and improvement in general economic conditions;
- the infrastructure owned by the Republic of Slovenia requires investments for enabling the modernisation of the railway network; in this regard, the public-private partnership model could be applied, primarily following the model of the provision of availability since the infrastructure itself does not generate enough revenue for a private investor to repay its investment. The activity regarding the infrastructure maintenance and traffic management, as an activity rendering OSGEI, must be controlled in terms of the

ownership (while consistently having regard to the principle of independence of the railway infrastructure operator and transport operator, in accordance with the EU *acquis*) and it is not reasonable to dispose of assets carrying out these activities as they are involved in providing for safe and smooth railway transport,

- it is possible to dispose of, partially or wholly, all other activities carried out by SŽ (ancillary and commercial activities).

(16) SŽ must become a principal railway operator – market-oriented, technologically developed and cost effective – for the transport of freight on the above mentioned corridors running along the territory of the Republic of Slovenia, and on newly-formed ones (for example, X Corridor for the West Balkans), a provider of integrated and passenger-friendly services in the passenger transport in Slovenia and the region and the manager of a modern and safe railway infrastructure. The preconditions for this are: the financial restructuring of SŽ, a stable and integrated funding of OSGEI by the Government and further rationalisation of operations in SŽ.

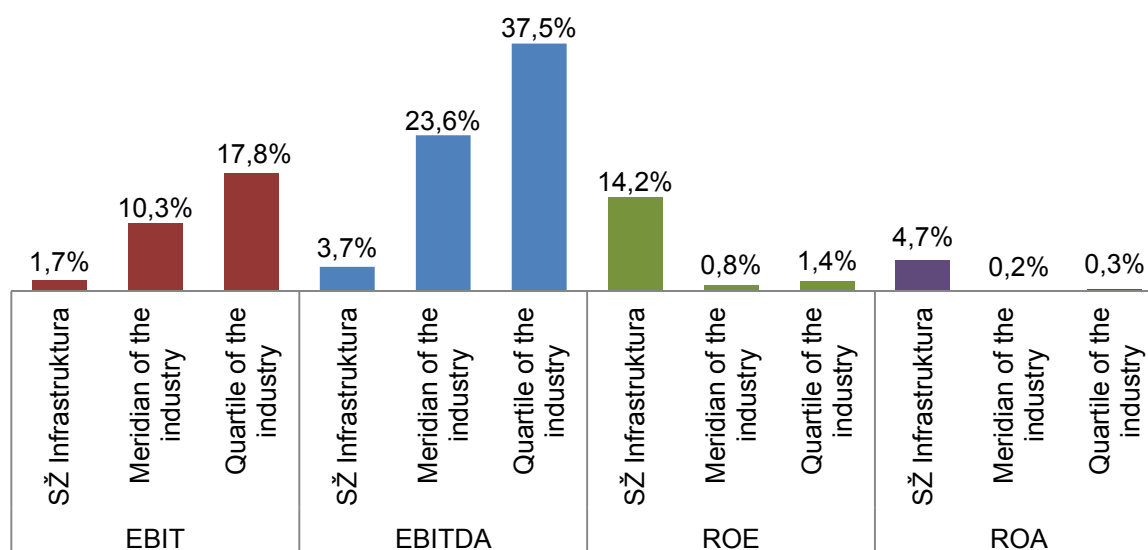
#### (17) Performance indicators (SŽ Group)

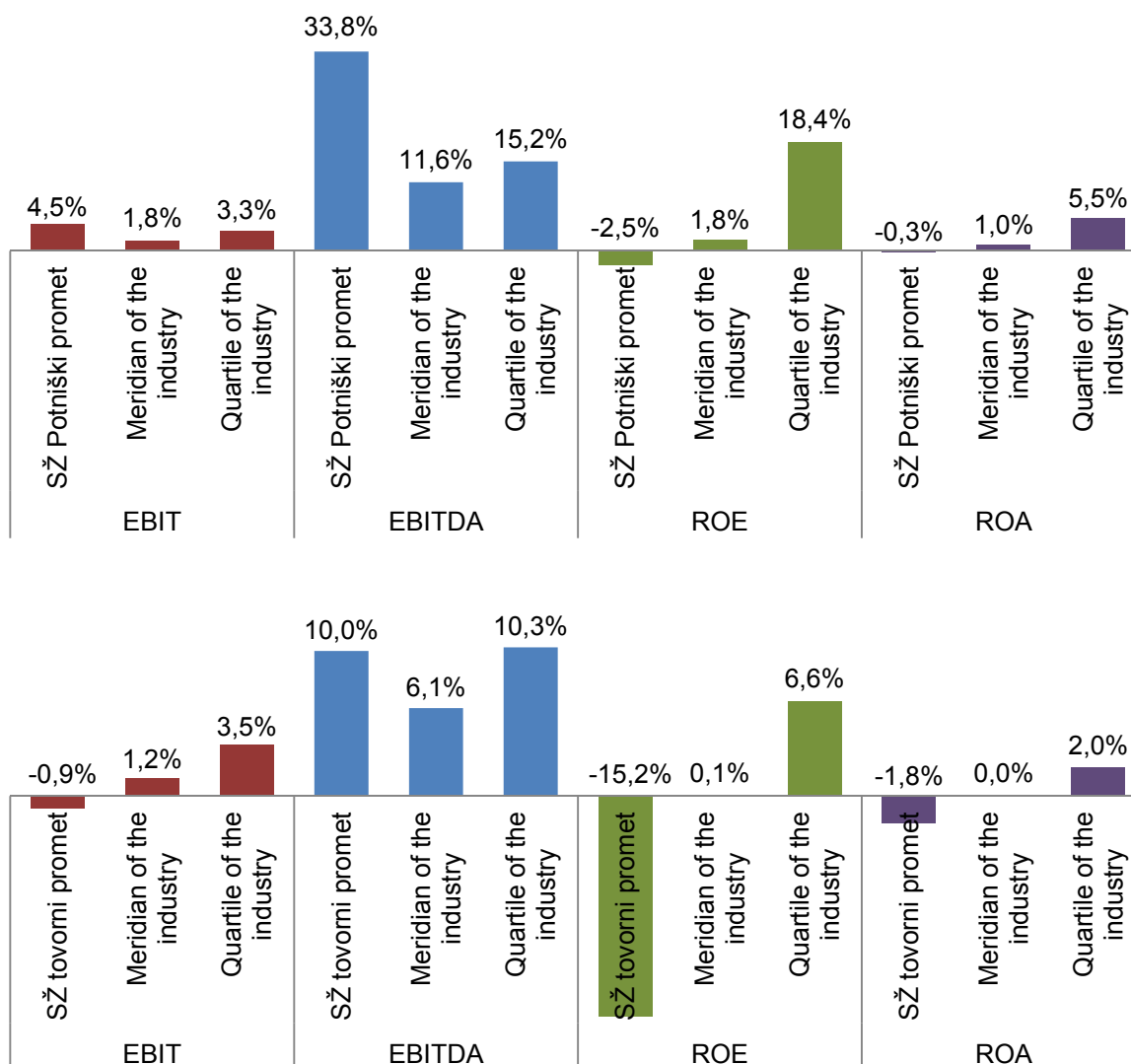
Indicator	2011	2012	2013	2014
Net sales revenue ( in EUR 000)	479,000	450,213	504,040	557,189
Return on equity (ROE)	-9.1 %	2.5 %	10.1 %	8.90 %
EBIT margin	8.9 %	10.8 %	11.3 %	10.6 %
Added value per employee (in EUR 000)	32	33	34	37

#### (18) Expectations

Indicator	2014	2015	2016
Return on equity (ROE)	6.2 %	6.5 %	7 %
EBIT margin	11.6 %	12.1 %	12.6 %

(19) A benchmark analysis of the company with a set of comparable businesses for the following subsidiaries: SŽ Infrastruktura, d. o. o., SŽ – Tovorni promet, d. o. o., and SŽ – Potniški promet, d. o. o., (2011-2013 average)





### 6.5.3 DRUŽBA ZA AVTOCESTE V REPUBLIKI SLOVENIJI, d. d.

(1) Družba za avtoceste v Republiki Sloveniji, d. d., (hereinafter referred to as: "DARS") (Motorway Company of the Republic of Slovenia) holds a concession for motorways and highways, and, based on orders received, performs for the Republic of Slovenia tasks related to spatial planning, locating and acquiring pieces of real estate for the construction of motorways and highways. The duties of DARS are:

- a good quality management and maintenance of motorways in the Republic of Slovenia,
- the management of efficient tolling in the toll roads network;
- further development of the motorway network;
- placing of motorways into the environment and acquiring pieces of real estate for their construction, on behalf of and for the account of the Republic of Slovenia.

(2) DARS holds a 100% stake in Delkom, d. o. o.

(3) The strategic interest refers to the provision of financially sustainable continuation of the construction of new motorway sections, in accordance with Slovenian Motorways Company Act (Official Gazette of the Republic of Slovenia, Nos. 97/10 in 40/12 – ZUJF), and to the provision of a suitable quality of the management and maintenance of the constructed motorway network, along with the need to suitably manage the financial debt due by the State. The activity which is carried out by DARS in regard to motorways is a legal monopoly which must be taken into account when establishing any subsidiaries. It must be ensured that the profits generated by subsidiaries will be allocated to the financing of the construction, the management and maintenance of the infrastructure and the repayment of debt. The operation of Delkom, d.o.o., must be adjusted accordingly.

(4) Considering a rather high debt leverage applied for the funding of investments into the motorway network construction, a special attention must be dedicated to hedging of interest risks since the increase in the variable interest rate might have a significant impact on the financial sustainability of the debt; and a stable cash flow must urgently be provided for the regular settlement of financial liabilities.

(5) Further, measures for internal rationalisation of operation must be continued, the efficiency of operations must constantly be improved, costs must be managed and the debt portfolio must actively be managed. The financial restructuring of the company must be implemented.

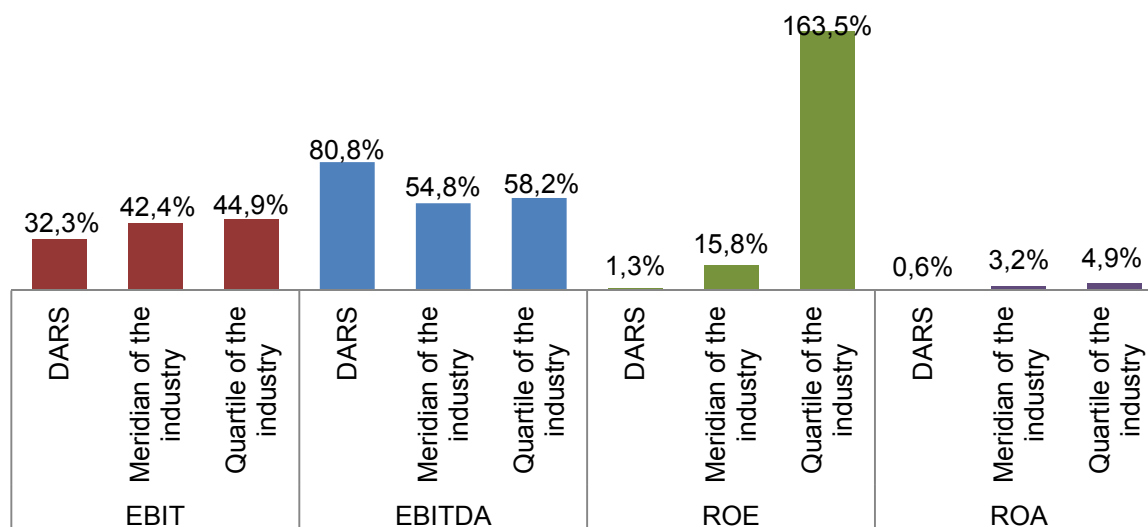
#### (6) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	310,772	305,817	315,640	354,456
Return on equity (ROE)	1.02 %	1.01 %	1.91 %	2.80 %
EBIT margin	84.03 %	78.80 %	79.55 %	80.60 %
Added value per employee (in EUR 000)	246	228	239	268

#### (7) Expectations

Indicator	2015	2016
Return on equity (ROE)	2.90 %	3.00 %
EBIT margin	80.01 %	82.06 %

(8) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



#### 6.5.4 DRI UPRAVLJANJE INVESTICIJ, d. o. o.

(1) DRI upravljanje investicij, d. o. o., (hereinafter referred to as: "DRI") (DRI Investment Management) is in 100% ownership of the Republic of Slovenia. It renders advisory and engineering services related to the infrastructure projects in roads, railways, airport infrastructure, buildings, sports infrastructure, energy and telecommunication facilities, municipal utility infrastructure and water infrastructure and border crossings. The company was transformed from DDC, Svetovanje in inženiring, d. o. o., which used to have rich and extensive experience in managing large scale investment projects.

(2) The Railway Transport Act (Official Gazette of the Republic of Slovenia No 11/11 – official consolidated text and No 63/13, in its Article 13(a) stipulates that the management of investments in the public railway infrastructure on behalf and for the Account of the Republic of Slovenia is conducted by a company carrying out the activity of investment management and is determined by the Government (DRI). The sole founder and shareholder of DRI is the Republic of Slovenia (100% equity stake). The shareholding of the company must not be stripped nor transferred to another person since the company was established with the purpose to manage state investments for the Government, following the "in-house" principle.

(3) DRI owns with a 100% stake the company DRI BH, d. o. o., (not an active company, in liquidation). The company established the EEIG Trieste–Divača Cross-Border Railway Line (European Economic Interest Grouping) together with the Italian partner in which each has 50% management rights.

(4) It is in the interests of the State to own an entity with a status of its own in-house provider of services capable of managing important large-scale projects as a whole, from the planning to their implementation and completion of all works. Such position enables the company to fully realise its possibilities in managing state investment projects, particularly in regard to the transport and environment infrastructure. Such form is highly beneficial for the efficiency of the State as an investor since the centralisation of the investment management on the part of various national authorities ensures transparency and result in synergy effects



of a systematic, economic and effectively organised project management. It is DRI that has the most extensive and rich experience and professional capacities from various fields which are necessary for the management of investment processes, which is why the company is entrusted with the management of the largest national investment projects. It is of key importance that the company holds the status of the in-house provider of services. The conditions which must be satisfied by the company for having the in-house status are the following:

- the company must have the status of the Ordering Party under the public procurement regulations;
- the supervision of the Government over the company must be similar to the supervision exercised over its internal organisational units and for satisfying these conditions, the company must be in full state ownership; having regard to regulations and the EU case law, the shareholder's supervision must be such as to be given the possibility of having a decisive influence on the strategic objectives and important decisions of such company;
- the majority of the company's activities must not be of a commercial nature but must arise from the company's relation with the State as the Ordering Party;
- the bidding price must be the same or lower than the price achieved in the market.

(5) The active management of the company is implemented with the goal of attaining business results in accordance with expectations. The emphasis of the active management is placed on increasing the efficient and profitable operation of the company. The objective is to increase the profitability of the company and maintain a stable dividend policy. The attainment of goals set for the company is monitored on the basis of the companies' business plans and at quarterly meetings held with management and supervisory boards of the company.

#### (6) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	19,419	17,199	15,011	16,935
Return on equity (ROE)	8.7 %	5 %	3.9 %	4.7 %
EBIT margin	12.6 %	10.7 %	10.6 %	11.36 %
Added value per employee (in EUR 000)	51	49	44	51

#### (7) Expectations

Indicator	2015	2016
Return on equity (ROE)	4.8 %	5.0 %
EBIT margin	11.4 %	11.5 %

#### 6.5.5 INFRA, IZVAJANJE INVESTICIJSKE DEJAVNOSTI, d. o. o.

(1) INFRA, d. o. o., (hereinafter referred to as: "INFRA") carries out activities related to the services of general economic interest for the water management in the impact area of the energy exploitation of the lower Sava River, in accordance with the following laws and regulations: Act on Conditions For Concession on Exploiting Energy Potential of Lower Sava River (Official Gazette RS, Nos.87/11, 25/14 – ZSDH-1 and 50/14; hereinafter referred to as: ZPKEPS-1), Decree on the method of implementation of a public utility service relating to the water regulation in the impact area of the energy exploitation of the Lower Sava River (Official Gazette of the Republic of Slovenia, Nos. 22/04, 125/04; hereinafter referred to as:

"Decree on Lower Sava River"), the Articles of Association of INFRA, izvajanje investicijske dejavnosti, d.o.o., of 24 January 2013 the Agreement of 7 July 2005 on the provision of services of general economic interest for the water management in the impact area of the energy exploitation of the lower Sava River. These activities include:

- the organisation of water infrastructure and national and local infrastructure in the impact area of the energy exploitation of the Lower Sava River;
- operation and maintenance of water infrastructure dedicated for the maintenance and regulation of water quantities in the impact area of the energy exploitation of the Lower Sava River;
- operation and maintenance and monitoring of the state of water infrastructure dedicated for the protection against the detrimental effects of waters in the impact area of the energy exploitation of the Lower Sava River;
- implementation of extraordinary measures at the time of increased risk levels due to the detrimental effects of waters in the impact area of the energy exploitation of the Lower Sava River;
- the maintenance of water and offshore land in the impact area of the energy exploitation of the Lower Sava River.

(2) In addition to the registered activity, INFRA may also carry out other activities which are necessary for its existence and the implementation of the registered activity.

(3) The company generates income:

- with funds provided within the scope of the waters fund in accordance with regulations governing waters management,
- with funds received from the budget of the ministry responsible for the environment, for the SGEI regarding water management, in accordance with regulations governing waters management,
- earmarked funds from the climate change fund, and
- by carrying out activities referred to in the Articles of Association.

(4) The main priority and goals of the public company are: timely and good quality implementation of obligations under ZPKEPS-1, the Lower Sava River Decree, the Agreement on rendering SGEI, the Concession Agreement No. 354-01-61/97 of 8 July 2002 on exploiting energy potential of Lower Sava River (clean copy, 19 February 2015, Government Decision, No. 35501-10/2015/5; hereinafter referred to as: "Concession Agreement"), and in accordance with individual programmes regarding the organisation of infrastructure in the extent which refers to the construction of water, national and local infrastructure.

(5) The management of the company is founded on the economic use of budget funds in carrying out all activities stipulated in ZPKEPS-1, the Lower Sava River Decree, the Agreement on rendering SGEI, the Concession Agreement and individual programmes regarding the organisation of infrastructure in the extent which refers to the construction of water, national and local infrastructure.

(6) Together with representatives of the Ministry of the Environment and Spatial Planning, the company will continue with activities for the reorganisation of water discipline. The company will work to achieve the taking over of some public duties related to the water management which will have an influence on the future work of the ministry and the company.

## (7) Performance indicators

Indicator	2011	2012	2013	2014
Net sales revenue ( in EUR 000)	1,119	1,129	1,309	1,599
Return on equity (ROE)	0 %	0 %	0 %	0 %
EBIT margin	40.63 %	38.15 %	15.46 %	8.63 %
Added value per employee (in EUR 000)	38.19	42.62	41.27	38.29

(8) Expectations The company is financed from the state budget in the same amount as the operating costs incurred which is why no return on equity is generated.

## 6.5.6 KONTROLA ZRAČNEGA PROMETA SLOVENIJE, d. o. o.

(1) The public company: Kontrola zračnega prometa Slovenije, d. o. o., (hereinafter referred to as: "KZPS", "Slovenia Control") provides for safe and smooth flowing air traffic in Slovenian airspace. Slovenia Control uses and manages that part of the infrastructure which is necessary for the provision of air navigation services, and one part of the infrastructure is owned by the Republic of Slovenia.

(2) The company must provide for a regulated level of services and safety in air traffic with minimum costs which is why it is necessary to constantly improve productivity and, where possible, improve technical equipment. The company must also achieve performance targets (the cost efficiency is included in the implementation plan) which are determined by the Ministry of Transport.

(3) In the future, the company will have to strive for higher cost-efficiency of operations which should be a constant duty of the company's Management Board. A high level of transparency in operations must also be provided for by the company.

(4) The company is of strategic importance. The Act on the Provision of Air Navigation Services (Official Gazette of the Republic of Slovenia, No 30/06 – official consolidated text and Nos.109/09, 62/10 – ZLet-C and 18/11 – ZUKN-A) stipulates in Article 4 that the Republic of Slovenia is the sole shareholder of the company. The preservation of a 100% shareholding of Slovenian Control in state ownership is determined in the sectoral policy on air traffic and in the Resolution on the National Programme on Development of Civil Aviation in the Republic of Slovenia by 2020. KZPS is a highly regulated company which represents a decisive factor in providing for the national safety, public safety and freedom of the Slovenian air and air traffic. Similar companies in EU Member States are organised in the same manner.

(5) The active management of the company is implemented with the goal of attaining business results in accordance with expectations. The emphasis on active management is placed on increasing the efficient and profitable operation of the company. The objective is to increase the profitability of the company and maintain a stable dividend policy. The attainment of goals set for the company is monitored on the basis of the companies' business plans and at quarterly meetings held with management and supervisory boards of the company.

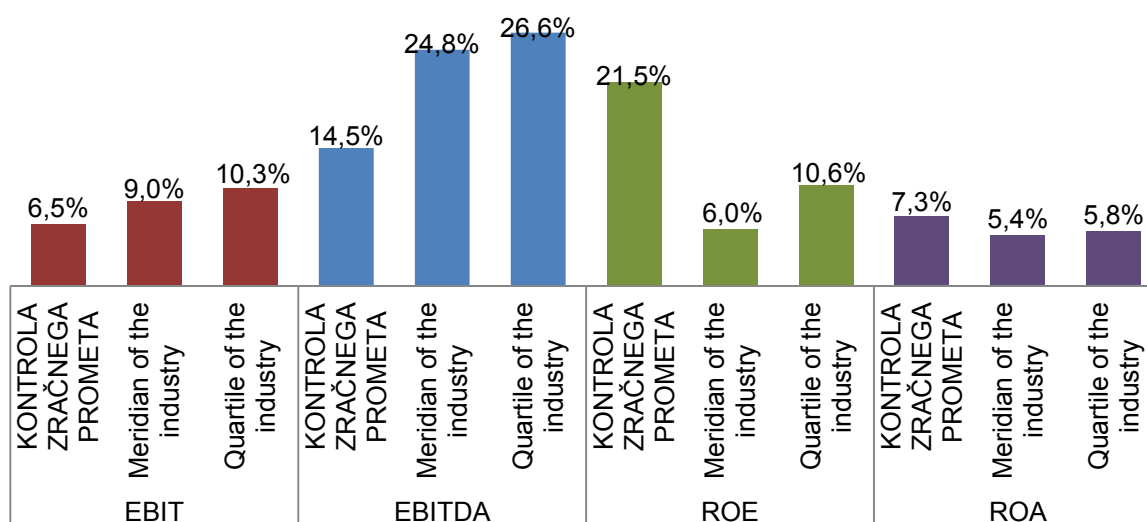
## (6) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	33,265	34,138	32,484	33,995
Return on equity (ROE)	18.6 %	58.1 %	8.28 %	19.7 %
EBIT margin	8.9 %	18.5 %	15.7 %	19.6 %
Added value per employee (in EUR 000)	105	121	115	127

## (7) Expectations

Indicator	2015	2016
Return on equity (ROE)	9.00 %	9.00 %
EBIT margin	16.50 %	17.00 %

(8) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



## 6.6 Tourism

(1) Tourism is a service activity with a specific characteristic in that it markets natural assets (that is, mountains, beaches, the sea, culture, the history) due to which it must be conducted in cooperation with the public administration which is the custodian of such common assets. Therefore, cooperation and dialogue between all three stakeholders – the public, private and civil sectors – must be put in place for a successful development of tourism. Various stakeholders are responsible for the development of tourism, from the Government bodies (Ministry for Economic Development and Technology and the Tourism and Internationalisation Directorate), private organisations (promoting their interest by means of the Chamber of Commerce and Industry of Slovenia and various professional associations), and public organisations to civil or international organisations. The development of tourism is and will be an important economic activity with numerous multiplicative effects. According to the World Travel and Tourism Council (WTTC), tourism in Slovenia generates as much as 12 % of GDP. At the same time, tourism is an important

export activity which comprises a solid 8 % of the total export in the balance of payments and represents over 40% of export in services (source: Bank of Slovenia).

(2) Considering the growth in the tourism industry and conditions in the Republic of Slovenia, it is necessary to continue to pursue tourism that is environmentally friendly, protective towards the national and local culture and oriented towards preserving the social balance in terms of the well-being of every individual, family, society, and our country.

(3) In accordance with the Slovenian Tourism Development Strategy 201-2016, tourism in Slovenia represents a development opportunity and is one of the most important economic sectors which is creating new work posts and has a positive impact on a balanced regional development.

#### 6.6.1 TERME OLIMIA, d. d.

(1) Terme Olimia, d. d., (hereinafter referred to as: "Terme Olimia") is one of the most recognised Slovenian companies in the tourism industry. Terme Olimia provides services in the field of relaxation, leisure, health, beauty and well-being. The company renders services in Slovenia (Aqualuna, Termalija, the Breza Hotel, Sotelia Hotel , Wellness Orhidelia) and in Croatia (Tuhelj Spa).

(2) The objectives of the company are: to become the best spa in the region between the Alps, the Adriatic and the Danube River, and to restructure the company's ownership structure so as to enable its further growth and development and provide for a leading role in the development of tourism in this field.

(3) In June 2013, the National Assembly granted consent for the sale of the company Terme Olimia Bazeni, d.d.. Owing to a specific business relation between the two companies, Terme Olimia and Terme Olimia Bazeni, it was assessed that the sale of only one company, i.e., Terme Olimia Bazeni, would not be reasonable as the company owned the thermal water well and the outside swimming pool complex, Aqualuna, which was leased to Terme Olimia. It was assessed that the sale of two companies in two separate sale processes would be confusing for any potential investors and that only the sale of integrated companies would ensure the best result from the sale. For that purpose, on 22 September 2014, the General Meetings of both companies passed the Resolution on the merger of Terme Olimia Bazeni and Terme Olimia. The merger was recorded in the Business Register of Companies on 30 September 2014.

(4) The active management of the company is implemented with the goal to attain business results in accordance with expectations. The objective is to increase the profitability of the company and maintain a stable dividend policy. The attainment of goals set for the company is monitored on the basis of the companies' business plans and at quarterly meetings held with management and supervisory boards of the company.

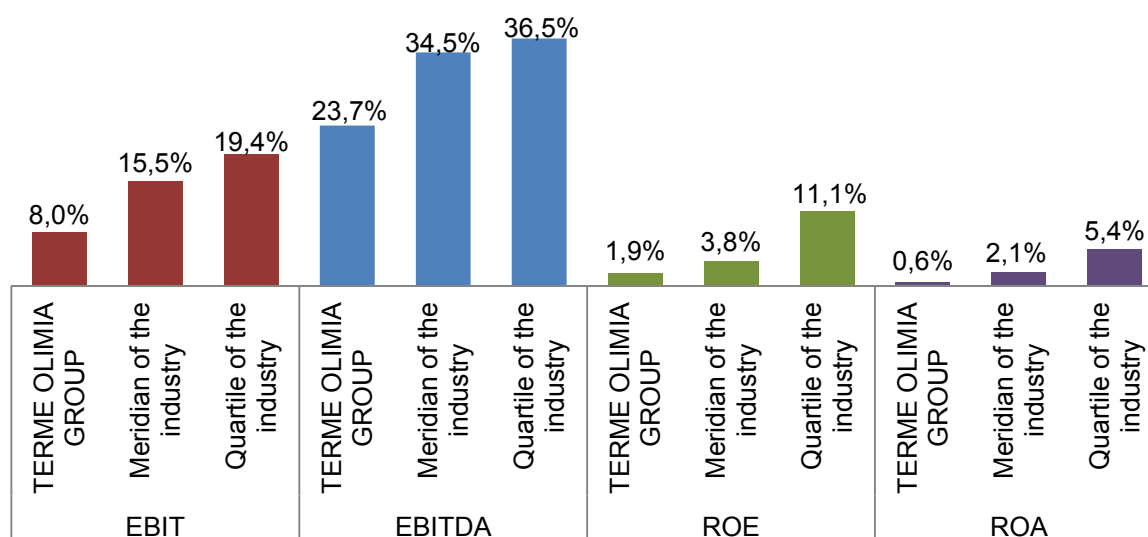
(5) Performance indicators (total for life insurance and accident insurance)

Indicator	2014
Net sales revenue ( in EUR 000)	16,707
Return on equity (ROE)	2.98 %
EBIT margin	28.60 %
Added value per employee (in EUR 000)	n.a.

## (6) Expectations

Indicator	2015	2016
Return on equity (ROE)	3.0 %	3.5 %
EBIT margin	30.0 %	32.0 %

(7) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



## 6.7 Gaming industry

(1) Gaming is an industry which has been developed in Slovenia for the past 30 years. For the most part, casinos are located on the borders with Italy and Austria since many casino customers come from these countries. The gambling destinations are Nova Gorica, Portorož, Lipica and Kranjska Gora. The casinos in Slovenian towns and tourist places primarily represent an improvement of hotel and restaurant services, cultural events and live entertainment events.

(2) As a result of recession and worse economic conditions, revenues in gambling have been decreasing for a period of time. According to the general trends in the industry, important shifts from physical casinos to internet gambling houses are anticipated. As a result, games of chance on social networks and other internet gaming activities represent a very powerful competition for the existing gambling houses. As a reaction to these trends, the existing casinos try to increase their revenues by introducing new games of chance. The bigger casinos will be enlarged to accommodate emerging markets where the growth potential is higher.

(3) Gambling brings commercial possibilities to areas which have limited possibilities for independent development. The attractiveness and advantages of gambling are mainly linked to the fact that it provides a package of various games and entertainment and that it is easily accessible. But to maintain the competitive nature of the activity requires the product to be improved and upgraded in the direction of the increasing variety and the extent of services. In addition, gambling is a highly regulated and supervised activity in Slovenia. In

accordance with the above mentioned, the companies carrying out this activity have been classified as portfolio assets.

(4) In the case of Loterija Slovenije this is a differently regulated activity since the company organizes classic games of chance. As regards lotteries in the majority of the EU Member States, the system of monopolies applies, that is, the system of exclusive rights being granted to state-owned providers, private non-profit operators or such entities which are directly supervised by a public authority. The major part of revenues are thus generated *via* state-owned lotteries, that is, 75-80%.

#### 6.7.1 LOTERIJA SLOVENIJE, d. d.

(1) Loterija Slovenije, d. d., (hereinafter referred to as: "Loterija Slovenije") (Lottery of Slovenia), is deemed to be a strategic asset as long as its ownership structure is determined by the Act on Ownership Transformation of Lottery of Slovenia (Official Gazette of RS, Nos. 44/96, 47/97, 102/07, 26/11, 109/11 and 58/12). In accordance with Article 1 of the above mentioned Act, 25% of Loterija Slovenije shares are owned by SSH, 15% by KAD and 40% by Foundation for Financing Organisations for the Disabled and Humanitarian Organisations in the Republic of Slovenia, 10% for the Foundation for Financing Sports Organisations in the Republic of Slovenia and 10% of shares are owned by employees, former employees and pensioners.

(2) Loterija Slovenije organises classic games of chance. The sales programme includes three games (Loto, Eurojackpot and Astro), four instant games (Izredna srečka, Ekspres loterija, Kviz loterija in spletne igre) and bingo games (3x3 plus 6 and Deteljica). Loto, Eurojackpot and 3x3 belong to the most recognised Slovenian brands.

(3) The game of chance which is the most popular among Slovenians is Loto, taking up a 60% share in the company's sales structure. The second place is taken by Eurojackpot which has been organised by the company since 2012. The company has achieved outstanding results on the international level, and among 31 organisers of Eurojackpot game it is positioned at a very high 4th place in regard to the average lottery ticket revenue per inhabitant.

(4) Approximately 55–60% of the amount of tickets sold is allocated for the payment of prizes which represents the highest cost. This is followed by concession fees with approximately 20% share in the company's cost structure. By paying concession fees to the Foundation for Financing Organisations for the Disabled and Humanitarian Organisations, and the Foundation for Financing Sports Organisations, Loterija Slovenije provides for balanced funding of organisations for disabled, humanitarian and sports organisations. The 10% tax on lottery tickets and 5% tax on games of chance takes up an 11% share of the company's expenses.

(5) Loterija Slovenije has a wide-spread sales network. Lottery tickets are sold through its own sales network (the company's own and leased points of sale), at Petrol gas stations, points of sale of Slovenia Post, 3Dva tobacco shops, sales outlets of Delo prodaja and through digital sales channels.

(6) The audit institutions of the European and World Lotteries Association has recognised Loterija Slovenije as a socially responsible organizer of games of chance, satisfying all the most demanding conditions (European Responsible Gaming Standards and WLA certification).

(7) By paying concession fees to the Foundation for Financing Organisations for the Disabled and Humanitarian Organisations, and the Foundation for Financing Sports Organisations, Loterija Slovenije provides for balanced funding of organisations for disabled, humanitarian and sports organisations. The concession fee with approximately 20% share in the company's cost structure.

(8) The active management of the company is implemented with the goal of attaining business results in accordance with expectations. The emphasis of the active management is placed on increasing the efficient and profitable operation of the company. The objective is to increase the profitability of the company and maintain a stable dividend policy and funding of humanitarian and sports organisations. The attainment of goals set for the company is monitored on the basis of the companies' business plans and at quarterly meetings held with management and supervisory boards of the company.

#### (9) Performance indicators

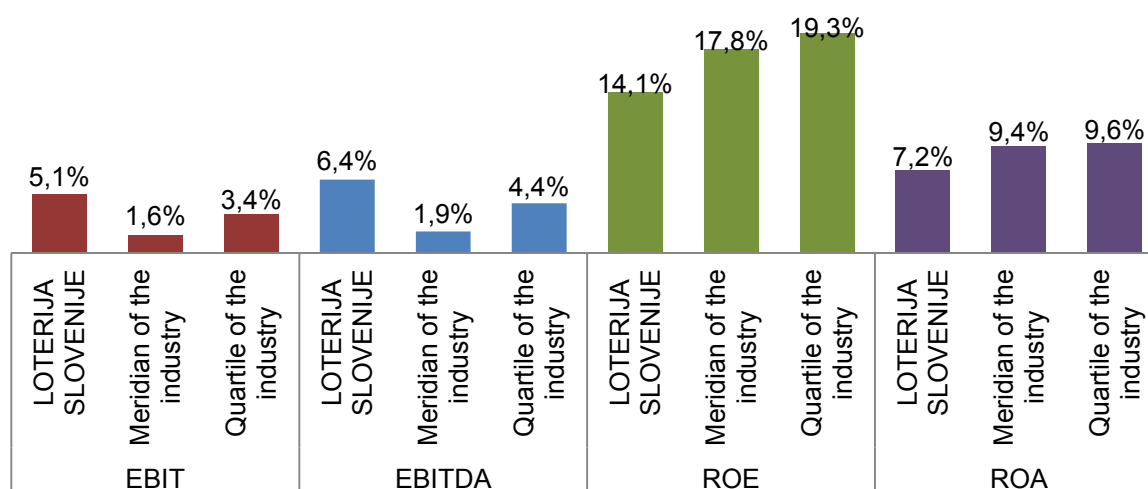
Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	104,031	127,118	101,861	92,927*
Return on equity (ROE)	15.9 %	17.7 %	6.3 %	15.4 %
EBIT margin	5.85 %	7.61 %	5.56 %	7.49 %
Added value per employee (in EUR 000)	151	216	150	169

\* in 2013, 10% raffle tax was levied throughout the year which is why the net sales revenues cannot be realistically compared to the 2010-2013 period when this tax was either not fully levied or was not charged at all.

#### (10) Expectations

Indicator	2015	2016
Return on equity (ROE)	16.0 %	17.5 %
EBIT margin	7.50 %	7.70 %

(11) A benchmark analysis of a company with a set of comparable businesses (2011-2013 average)





## 6.8 Public service companies

(1) The services of general economic interest are rendered in the public domain as products and services of which permanent and regular production and provision is guaranteed by the Republic of Slovenia or other self-governing local community, in order to satisfy public needs when they cannot be acquired in the market.

(2) In regard to activities where the provision of products and services in the public domain is subject to generating profit, such companies are of strategic importance for the State. Companies which render services of general economic interest primarily pursue business interests and they do not have any broader social significance.

### 6.8.1 VODNOGOSPODARSKO PODJETJE DRAVA PTUJ, d. d., MURA – VODNOGOSPODARSKO PODJETJE, d. d., VODNOGOSPODARSKO PODJETJE, D.D., KRANJ VODNOGOSPODARSKO PODJETJE NOVO MESTO, D.D.

(1) The main activity of water management companies (hereinafter referred to as: "VGP") is the monitoring and management of waters and the maintenance of facilities and installations for water management. These companies are specialised for rendering water management services, specifically, on the basis of concessions granted and concession agreements. The call for proposals is in progress, inviting operators to participate in the process for granting concession for rendering the obligatory national services of general economic interest in regard to water management for the following four years.

(2) The main source of income of these companies is provided by the Government, and one portion of revenue is generated by companies by rendering commercial services related to the motorway project, agricultural projects, the construction of sewage system, and similar.

(3) The emphasis on active management is placed on increasing the efficient and profitable operations. The objective is to increase the profitability of the company and maintain a stable dividend policy. The attainment of goals set for the company is monitored on the basis of the companies' business plans and at quarterly meetings held with management and supervisory boards of the company.

#### (4) Performance indicators

Indicator VGP Drava	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	11,019	13,936	14,087	19,541
Return on equity (ROE)	4.9 %	7.2 %	12.4 %	19.0 %
EBIT margin	8.5 %	7.0 %	7.1 %	6.0 %
Added value per employee (in EUR 000)	36	33	35	35

Indicator VGP Mura	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	1,599	1,693	1,478	2,827
Return on equity (ROE)	2.8 %	0.3 %	1.8 %	2.1 %
EBIT margin	15.0 %	17.4 %	8.2 %	6.2 %
Added value per employee (in EUR 000)	28	31	24	26

Indicator VGP Kranj	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	6,690	4,317	5,830	5,516
Return on equity (ROE)	4.6 %	0.06 %	0.1 %	0.01 %
EBIT margin	6.0 %	5.6 %	0.8 %	0.4 %
Added value per employee (in EUR 000)	34	26	24	27

Indicator VGP Novo mesto	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	4,586	4,973	3,339	
Return on equity (ROE)	5.6 %	2.2 %	1.1 %	
EBIT margin	6.4 %	2.5 %	3.2 %	
Added value per employee (in EUR 000)	24	22	22	

#### (5) Expectations

Indicator VGP Drava	2015	2016
Return on equity (ROE)	19.5 %	20.0 %
EBIT margin	8.5 %	9.0 %

Indicator VGP Mura	2015	2016
Return on equity (ROE)	3.0 %	5.0 %
EBIT margin	8.0 %	9.0 %

Indicator VGP Kranj	2015	2016
Return on equity (ROE)	3.0 %	5.0 %
EBIT margin	8.0 %	9.0 %

Indicator VGP Novo mesto	2015	2016
Return on equity (ROE)	3.0 %	5.0 %
EBIT margin	8.0 %	9.0 %

#### 6.8.2 JAVNO PODJETJE URADNI LIST REPUBLIKE SLOVENIJE, d. o. o.

(1) The public company Uradni list Republike Slovenije, d. o. o., (Official Gazette of the Republic of Slovenia) is considered a strategic asset, until it is Stipulated by the Official Gazette of Republic of Slovenia Act ,(Official Gazette of Republic of Slovenia, Nos. 112/05 – official consolidated text, 102/07, 109/09 and 38/10 – ZUKN) that the Republic of Slovenia is the sole owner and member in a private public company. Due to the great significance in rendering services of general economic interest it is stipulated in the law that this company must not be wound up except in the case of 60-day insolvency or its over indebtedness.

(2) The company renders services of general economic interest which include the administration, publication and maintenance of the e-form of the Official Gazette of the Republic of Slovenia, the management tasks related to the operation of the legal information system PIS and the management and development of the Public Procurement Portal which became the public service company in 2010; the company also manages the Register of

ordinances issued by self-governing local communities and provides supplementary training programmes.

(3) The management should be focused on improving business processes in commercial activities in order to increase returns generated with commercial activities and the net income of the company.

(4) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	4,152	2,772	2,258	2,124
Return on equity (ROE)	1.3%	0.7%	-1.8%	-0.2 %
EBIT margin	14.5%	9.6%	4.6%	7.0 %
Added value per employee (in EUR 000)	53	46	41	41

(5) Expectations

Indicator	2014	2015	2016
Return on equity (ROE)	0.0%	0.7%	0.9%
EBIT margin	8.3%	8.7%	9.2%

## 6.9 Venture capital firms

(1) The promotion of the development of capital market in Slovenia is also oriented towards the development of venture capital which is why in October 2009 the Government adopted the Programme of Financial Engineering Instruments for SMEs and Large Companies for 2009-2013 (PIFI Programme) which includes equity financing and debt financing and will be implemented through a holding fund. The proper implementation and management of the holding fund has been undertaken by the Slovene Enterprise Fund, in accordance with an agreement concluded with the Republic of Slovenia. According to this programme, state assets in the already established venture capital firms (hereinafter referred to as: "VCF") may amount to not more than 49% of assets (the remaining 51% is private capital) which has accelerated the establishment of new VCFs, and it will enable small and medium size enterprises (hereinafter referred to as: "SMEs") an easier access to financing which could not be obtained using the classic methods of financing. The part of the above mentioned programme that refers to the support provided for the venture capital market which is financed on behalf of the Republic of Slovenia by the EU cohesion policy funds (85% of funds of the European Regional Development Fund and 15% of national funds) represents the state aid therefore the relevant rules of the European cohesion policy and rules on state aid must be observed in regard to assets in VCFs, or, in case of their breach, Slovenia will have to repay monies to the European Commission.

(2) By investing into a VCF, the Republic of Slovenia wishes to stimulate the development of high-potential SMEs with high growth potential and thus amplify the effects of public funds invested. The legal basis for VCF is Venture Capital Firms Act (Official Gazette RS, Nos. 92/12 and 57/09).

6.9.1 META INGENIUM, DRUŽBA TVEGANEGA KAPITALA, d. o. o,  
DTK MURKA, DRUŽBA TVEGANEGA KAPITALA, D. O.  
PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D. O.  
PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D. O.

(1) Exclusively for the purpose of generating profit, VCFs invest, manage and dispose of venture capital and and perform these transactions:

- invest the available monies as equity investments in other SMEs, in debt securities and deposits held in banks,
- provide mezzanine capital at market conditions for SOEs in which they participate with their venture capital.

(2) VCFs must dedicate at least 70% of their assets for investments in venture capital and mezzanine capital in target SOEs registered in Slovenia and 30% in target SOEs registered outside Slovenia.

(3) With the Slovenian Enterprise Fund, the Government wishes to increase the availability of funds for innovative SMES with market-oriented projects in accordance with the Programme of Financial Engineering Instruments for SMEs and Large Companies for 2009-2013 (PIFI Programme), develop further the existing venture capital market in the country, and enable high-potential SMEs an easier access to sources of financing.

(4) Thus, the Slovenian Enterprise Fund, with the assistance of the holding fund and by means of calls to tender, provides instruments for equity financing which represent the holding funds' equity investments in private VCFs which invest into equity of SMEs with growth potential.

(5) At the level of promoting the development of the venture capital market, the quantitative objectives are oriented towards the establishment of new VCFs in Slovenia seeking the best investment opportunities with SMEs with fast growth potential for creating macroeconomic effects, such as the increase in the added value per employee, the increase in income, profit and number of employees in SMEs.

(6) Partners implementing the PIFI programme, which refers to the equity financing instruments, are VCFs selected at the public calls to tender. The public call to tender provides for the transparency of the bid, fair competition and equal treatment of bidders, and enables the inclusion of the greatest possible number of private VCFs, while also providing for the greatest possible number of SMEs in which VCFs will invest. By providing a summary of the public call to tender, Slovenian Enterprise Fund notifies potential international investors in a suitable manner.

(7) The purpose of promoting venture capital firms is, by sharing risks and by actively managing private highly qualified asset managers, to accelerate the development of high-tech companies in Slovenia and to generate profits from such investments in order to attain strategic objectives of the Republic of Slovenia in regard to the development of the venture capital market (from the aspect of establishing new VCFs and from the aspect of the development of specific knowledge and skills which are necessary for the such investments, also by transferring good practice from abroad), and also to promote high-tech companies in Slovenia.

(8) VCFs, for which the State has provided equity investments in accordance with the PIFI Programme, will be liquidated in a period of 10 years from their establishment, with an option for prolonging their existence for two more years. In this period, VCFs will go through three cycles: investing in SMEs in various manners (until 5 August 2015, as a result of the

rules of the European cohesion policy), actively managing and monitoring of an individual investment in SMEs, and exiting from all equity investments in SMEs, for attaining a positive financial effect.

(9) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)

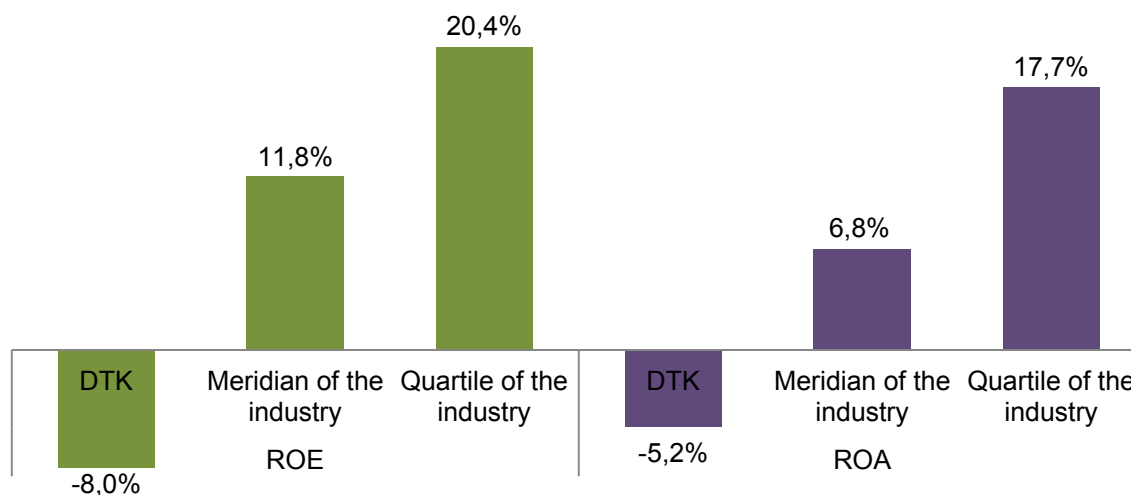
	Total planned size	Planned value of RS ownership interest	Planned value of private funds invested
META INGENIUM	10,207,000	5,001,000	5,206,000
DTK MURKA	8,000,000	3,920,000	4,080,000
PRVI SKLAD	18,405,258	9,000,000	9,405,258
STH VENTURES	7,500,000	3,675,000	3,825,000

(10) Having regard to a special 10-year life cycle of VCFs' operation, which includes investment (until 5 August 2015), management and exit from all ownership interest for attaining the positive financial effect, the performance indicators are not a relevant data of VCFs' operation in 2011-2015 period and are not mentioned. However, the common quantitative objectives, which are pursued by VCFs with their investment policies and are reflected in SMEs, are mentioned; these goals must be compliant with the goals of the Operational Programme for Strengthening of Regional Development Potentials for 2007-2013, approved on 27 August 2007 by the European Commission (Decision No. CI 2007S1161PO001, OP RR).

(11) Common quantitative objectives of venture capital firms

Form of support	Goals	Indicators	Type of indicator	Period	Value
Equity financing instrument	Increase in the number of work posts	Number of new work posts in companies	Result	2009-2015	9/company upon the exit from assets
	Increase in added value per employee	Average increase in added value per employee	Impact	2009-2015	8–10 %
	Establishment and growth of new high-tech companies with headquarters in RS	Number of companies supported	Impact	2009-2015	1 company/1 MIO EUR funds of equity contribution

(12) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



\*The difference between the ROA and ROE average between Slovenian and foreign comparable VCFs for 2011-2013 is a result of the fact that, in Slovenia, the financing of companies in the form of venture capital has just been started which is why the emphasis will be placed on the monitoring of plans and attainment of better results.

## 6.10 Postal services, Telecommunications

(1) From 1 January 2011, the postal services market in Slovenia has been liberated, thus enabling other players to operate in this segment, without any price restrictions or quality-related regulations which has resulted in the expanding of the market for rendering postal services. As a consequence, in 2013, in addition to Pošta Slovenije, d. o. o., (hereinafter referred to as: Pošta Slovenije) (Slovenia Post), 18 other companies operated in the postal services market, according to the data by the Agency for Communication Networks and Services.

(2) At the EU level, market shares of national postal operators are decreasing, while the market shares of their competitors remain stable. The volume of services is declining – partially due to an increasing penetration of electronic substitutes to postal services, and partially due to the economic crisis.

(3) The national operators in Europe still have the dominant market shares in the postal services market and they are still mostly held in direct or indirect state ownership, except in Malta and the Netherlands.

### 6.10.1 POŠTA SLOVENIJE, d. o. o.

(1) The core business of Pošta Slovenije is rendering universal postal services and it includes the receipt, sorting, transmission and delivery of letters and parcels in domestic and internal postal traffic, rendering IT services, cash services and providing for the sale of goods.

(2) The mission of the company is to render good quality, competitive and reliable services and provide for the sale of commercial goods across the Republic of Slovenia.

(3) The general economic crisis, a decline in GDP in Slovenia, the growth in e-commerce, changing customer habits, liberalised postal services market and competition in all segments of operation and high costs for the maintenance of the entire postal network have required from the company to implement strategic policies: i.e., to enhance the position of the leading provider of parcel services and become a recognised operator in the logistics services market; to increase revenue from express mail, to become an important player in rendering morning delivery services and supply chain logistics, to market direct mail directly, to become the leading provider of safe e-services and to expand the set of services provided in postal outlets. Pošta Slovenije is one of more important employers in the Republic of Slovenia.

(4) The Pošta Slovenije Group, in which the Republic of Slovenia holds a 100% equity stake, consists of the following companies:

- POŠTA SLOVENIJE, d. o. o.,
- EPPS Elektronsko pismo Pošte Slovenije, d. o. o.,
- PS VilaMedia, oglaševalska agencija, d. o. o.,
- FENIKSŠPED, podjetje za mednarodno špedicijo, uvoz-izvoz in notranjo trgovino, d. o. o., Brnik,
- POŠTNA BANKA SLOVENIJE, d. d. – banking group of Nova Kreditna banka Maribor, d. d.,
- Športna loterija in igre na srečo, d. d.

(5) The management of the company will be directed towards the attainment of goals set in the strategic development programme and the attainment of key performance indicators which are set in the business plan on an annual basis. The objective of active management of the company is to attain business results in accordance with expectations. The emphasis on active management is placed on increasing the efficient and profitable operation of the company. The objective is to increase the profitability of the company and maintain a stable dividend policy. The attainment of goals set for the company is monitored on the basis of the company's business plans and at quarterly meetings held with the management and supervisory board of the company.

(6) The main challenges of the company's operation will be to achieve competitive advantages in the liberalised postal services market and to expand the volume of operation in the segments of parcel logistics, morning delivery and express mail. The potential internationalisation of operations cannot be excluded; however, Pošta Slovenije cannot compete with large European postal companies in a potential acquisition of foreign postal services operators in the markets of the SE Europe. There is a possibility for the company to diversify and provide services similar to the postal service activity for which Pošta Slovenije has the necessary knowledge and personnel.

(7) A modification of the regulatory framework regarding the operation of Pošta Slovenije and other stakeholders in the postal services market is necessary for a comprehensive transformation of operation of Pošta Slovenije.

#### (8) Performance indicators

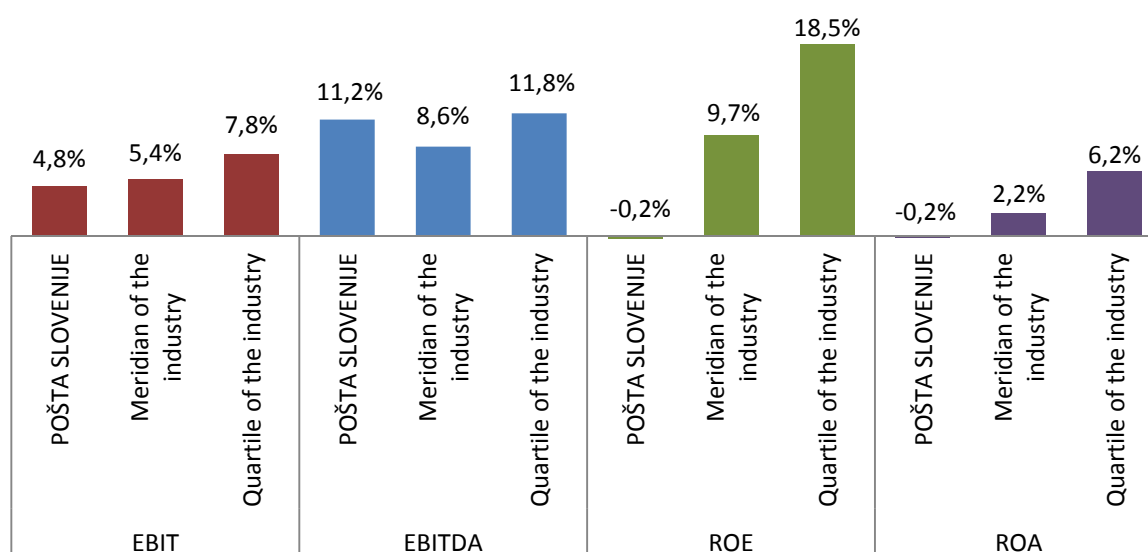
Indicator	2011	2012	2013	2014
Operating income ( in EUR 000)	237,689	226,965	213,337	215,752
Return on equity (ROE)	3.55 %	2.56 %	-7.17 %	2.71 %
EBIT margin	14.94 %	10.18 %	8.01 %	10.07
Added value per employee (in EUR 000)	30	28	27	28

\* In 2013, 10% raffle tax was levied throughout the year which is why the net sales revenues cannot be realistically compared to the 2010-2013 period when this tax was either not fully levied or was not charged at all.

#### (9) Expectations

Indicator	2015	2016
Return on equity (ROE)	3.4 %	4.0 %
EBIT margin	11.0 %	11.5 %

(10) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



#### 6.10.2 TELEKOM SLOVENIJE, d. d.

(1) The Telekom Group is a leading business system and provider of telecommunication services in Slovenia. The companies within the Group render services in the fields of terrestrial and mobile communications, systems integration and cloud computing, installation and maintenance of telecommunications networks.

(2) The Group is increasingly penetrating into the fields of multi-media and digital advertising. In addition to the domestic market, the Group is also present in the region of South-East Europe, in Croatia, Bosnia and Herzegovina, Kosovo, Macedonia and Montenegro, and by the ownership of a subsidiary, in Germany.

(3) As of 31 December 2014, the Group was composed of the parent company Telekom Slovenije, and 9 subsidiaries GVO, d. o. o., Avtenta, d. o. o., TSmedia, d. o. o., ONE DOOEL Skopje, d. o. o., Blicnet, d. o. o., Banja Luka, SOLINE, d. o. o., SIOL, d. o. o., Podgorica, SIOL, d. o. o., Sarajevo, SIOL DOOEL, d. o. o.

(4) Telekom Slovenije was classified as a portfolio asset on the basis of the Decision of the National Assembly of the Republic of Slovenia of 21 June 2013. The processes for the sale of the company shall continue on the basis of this Strategy.



(5) The sale process for the sale of Telekom Slovenije is in the final phase and the final decision is linked to the improved bid. In the event the bid will not be acceptable, alternative scenarios will be examined.

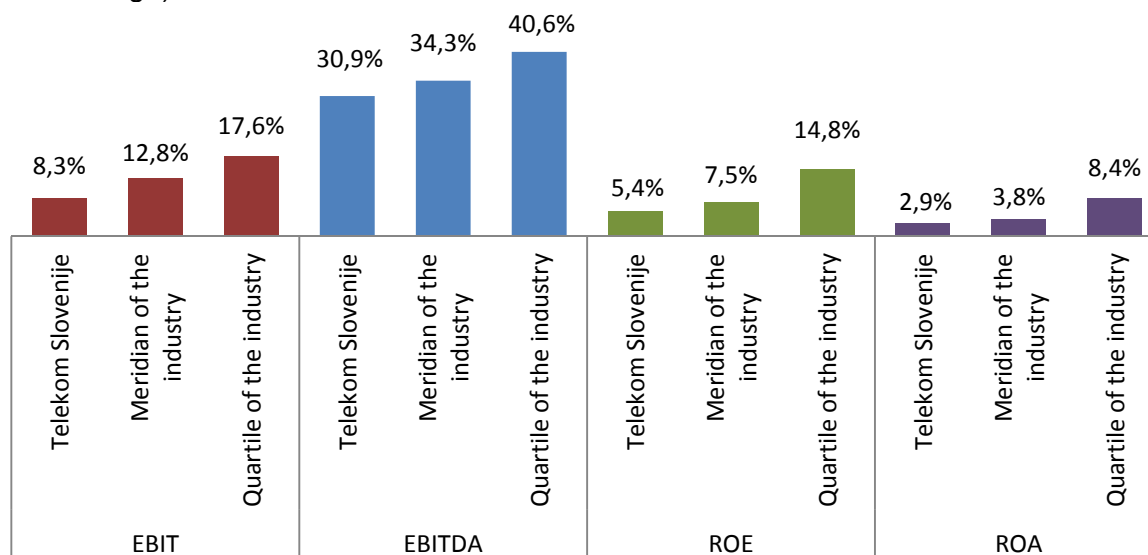
(6) Performance indicators (for the Group)

Indicator	2011	2012	2013	2014
Net sales revenue ( in EUR 000)	815,085	785,123	779,360	756,454
Return on equity (ROE)	4.4 %	5.70 %	6.68 %	0.22 %
EBIT margin	31.36 %	30.76 %	30.80 %	22.50 %
Added value per employee (in EUR 000)	88	84	82	68

(7) Expectations

Indicator	2015	2016
Return on equity (ROE)	5 %	6 %
EBIT margin	26.0 %	30.0 %

(8) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



## 6.11 Manufacturing

(1) Manufacturing sector includes assets held in various manufacturing companies. The majority of assets are minority shareholding in companies.

(2) Companies, which are important from the aspect of the sustainable development of the industry, building their mission on knowledge, are of great importance for the competitiveness of the Slovenian economy. It is important to retain the development activities and headquarters of these companies in the Republic of Slovenia.

## 6.11.1 GORENJE, d. d.

(1) The Gorenje Group, d.d. (hereinafter referred to as: "Gorenje") is a leading European home appliance manufacturer with a history spanning more than 60 years. Technologically perfected, superiorly designed and energy-efficient home appliances are traded under brands Gorenje, Gorenje+, Atag, Asko, Pelgrim, Mora, Etna, Körting and Upo. The core activity of the Gorenje Group is the business segment providing products and services for home that includes major and small domestic appliances, products for heating, ventilation and air-conditioning (HVAC), kitchen furniture, and services in the field of design. The business segment Ecology is the secondary activity of the Gorenje Group which includes ecology-related services. Its main focus is placed on integrated waste treatment. Other activities pursued by the Gorenje Group are toolmaking, engineering, hospitality services, catering and trade. The company has been expanding its international sales network located on all continents for almost half a century, and, with a 95 percent of exports generated in sales revenue, Gorenje is the most international of all Slovenian companies. In 2013, the company generated revenue amounting to EUR 1.24 billion.

(2) In 2010, the shareholding of KAD in the company's equity amounted to 25.19%. Since then, due to several capital increases in Gorenje, it decreased to 16.37%. After the inclusion of IFC and Panasonic among the shareholders of Gorenje, KAD has remained to be the largest individual shareholder; however, the KAD's influence on the voting at the General Meeting has decreased.

(3) The objective is to increase the profitability of the company with the aim of increasing the value of assets and to maintain a stable dividend policy. The attainment of goals set for the company is monitored on the basis of publicly accessible data, the companies' business plans and at quarterly meetings held with management and supervisory boards of the company.

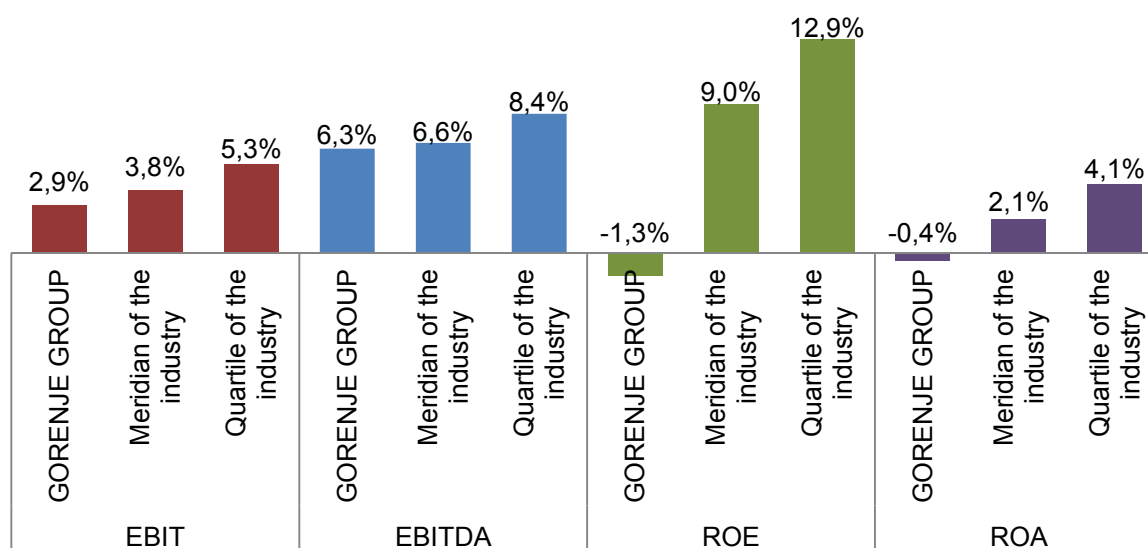
## (4) Performance indicators

Indicator	2011	2012	2013
Operating income ( in EUR 000)	1,422,229	1,263,082	1,240,482
Return on equity (ROE)	2.31 %	0.07 %	-6.47 %
EBIT margin	6.10 %	7.17 %	6.30 %
Added value per employee (in EUR 000)	31	31	32

## (5) SSH's expectations

Indicator	2015	2016
Return on equity (ROE)	2.5 %	3.0 %
EBIT margin	7.5 %	8.5 %

(6) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



#### 6.11.2 KRKA, TOVARNA ZDRAVIL, d. d., NOVO MESTO

(1) Krka, d. d., (hereinafter referred to as: "Krka") is one of the leading generic pharmaceutical companies in the world, headquartered in Slovenia. As regards revenues from the sale of generic medicines, it is ranked No. 9 worldwide and No. 6 in Europe.

(2) The company is focused on the production and sale of prescription generic pharmaceuticals marketed under its own brands and generating as much as 82% in sales revenue; as regards income structure, this is followed by non-prescription medicines (11%) and animal health products (4%); the company generates 3% with spa activities. Market-wise, the company generated 34.3% of income in the markets of East Europe, 21.1% in the markets of West Europe, 13% in SE Europe, 6.6% in Slovenia and 2.1% overseas.

(3) The main objective of the company's management is to provide for its further development and successful operation. The company is one of the largest employers which is very important for the social situation in the region and the national economy as a whole. The additional annual increase in the total number of employees amounts to 4% (in Slovenia and abroad). The company pursues an active development policy and maintains the location of its R&D function in Slovenia, not relocating it abroad. The company's investment activities amount to approximately EUR 160 million.

(4) Krka carries out activities in line with high quality standards in all segments of its operation which is why it is of a strategic importance for the Republic of Slovenia. Therefore, it is reasonable to maintain the existing ownership structure and to support the strategy in favour of further independence of the company.

(5) The assets held in Krka are also the source of funds for the settlement of statutory liabilities due by SSH and KAD. The target policy in asset management is the most active participation in the company's management that is possible, particularly as regards the modification of the dividend policy (which was changed with the company's Dividend Policy 2014-2018 in the direction of providing for a higher share in the consolidated profit), increase in dividend yield and income from this source.

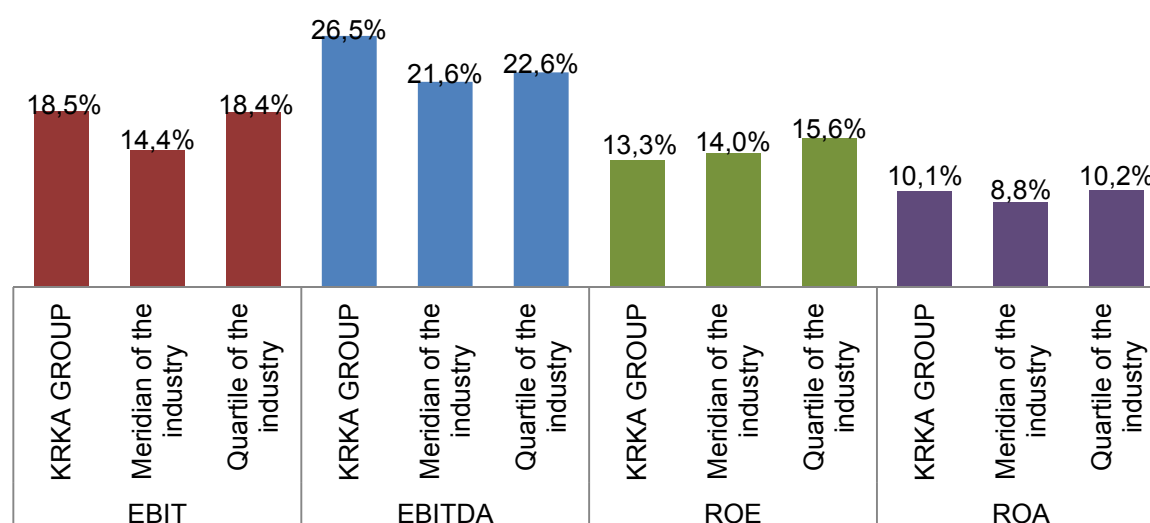
## (6) Performance indicators

Indicator	2011	2012	2013	2014
Net sales revenue ( in EUR 000)	1,075,627	1,143,301	1,200,827	1,191,614
Return on equity (ROE)	14.8 %	13.4 %	13.41 %	12.4 %
EBIT margin	27.8 %	24.7 %	26.8 %	31.4 %
Added value per employee (in EUR 000)	65	63	65	65

## (7) Expectations

Indicator	2015	2016
Return on equity (ROE)	13.0 %	13.5 %
EBIT margin	31.6 %	32.0 %

(8) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



## 6.11.3 NAFTA LENDAVAL, d. o. o.

(1) Nafta Lendava d. o. o., (hereinafter referred to as: "Nafta Lendava") is a holding company which owns 5 daughter companies of which only three are operational: Eko Nafta, d. o. o., (in a 100% ownership of Nafta Lendava), Geoenergo, d. o. o., (in a 50% ownership of Nafta Lendava) and Nafta varovanje in požarna varnost, d. o. o., (in a 100% ownership of Nafta Lendava).

(2) These are important companies which manage the infrastructure facilities in the Nafta Lendava's industrial zone and provide for the conditions for the storing of strategic oil reserves on this location. Due to poor operation, some subsidiaries are in liquidation (Nafta Informatika) or in bankruptcy (Nafta inženiring). Nafta Petrochem d. o. o. has also been in bankruptcy since 9 September 2014. The main strategic asset is Geoenergo, a joint venture company co-owned with Petrol, which develops a gas field in Petišovci, using a new technology.

(3) In Ekon Nafta, the transfer of assets (reservoirs) to the Agency of the Republic of Slovenia for Commodity Reserves (ARSCR) is planned, together with liabilities associated with these assets (repurchase of liabilities due to Hypo Bank at a discount). After the transfer of assets and liabilities, the company shall render services for ARSCR, trading with oil products. Nafta varovanje in požarna varnost, d. o. o., will remain in the ownership of Nafta Lendava or will be sold to Lendava Municipality; the company carries out the regulated activity related to the fire safety which in its nature is not a non-profit activity.

(4) The shareholding of the Republic of Slovenia held in Nafta Lendava is considered important due to its 50% shareholding in Geoenergo which has a potential to become of high value owing to the company's exploiting of mineral and hydrocarbon resources in the area of the Petišovci field.

#### (5) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	49,280	25,622	24,876	n.a.
Return on equity (ROE)	-49.67 %	-66.98 %	-45.2 %	n.a.
EBIT margin	-1.29 %	-3.7 %	25.75 %	n.a.
Added value per employee (in EUR 000)	24	23	35	n.a.

#### (6) Expectations

Indicator	2015	2016
Return on equity (ROE)	0.00 %	0.00 %

### 6.11.4 SIJ – SLOVENSKA INDUSTRIJA JEKLA, d. d.

(1) In SIJ Group – Slovenska industrija jekla, d. d., (, v hereinafter referred to as: "SIJ") (Slovenian Steel Group), the two most important steelwork companies are Acroni, d. o. o., and Metal Ravne, d. o. o., processing process steel in flat and long steel programmes. The company Noži Ravne d.o.o. (Ravne Knives) manufactures industrial knives, and Elektrode Jesenice d.o.o. welding materials for various steel and other metal welding procedures. The SIJ Group also includes the following companies: SUZ, d. o. o., the company employing disabled people - ZIP Center, d. o. o., and Odpad, d. o. o., Pivka. Serpa, d. o. o., Ravne is a subsidiary of Metal Ravne, carrying out service activities. The sales network of the company includes companies Acroni Italy and Acroni Deutschland, Luenna Stahl in Austria and Kopo International in the USA.

(2) No sectoral policy is needed for the industry in which SIJ operates. The company is important for the purpose of preserving metallurgical knowledge in the Republic of Slovenia and for providing for its development, and for employing employees with such expertise. The Group was able to take advantage of its small size – on the global scale, this is a very small steel plant – and is looking for its opportunities in niche products with high added value which is enabled by its high level of flexibility and fast responsiveness.

(3) For SIJ, the key challenges are to increase the volume of sales and EBITDA while reducing net debt.

(4) The signing of a shareholder's agreement is envisaged with the majority shareholder, Dilon, d.o.o., in order to regulate all key functions of the management of SIJ.

(5) The assets of the Republic of Slovenia held in SIJ are considered important assets.

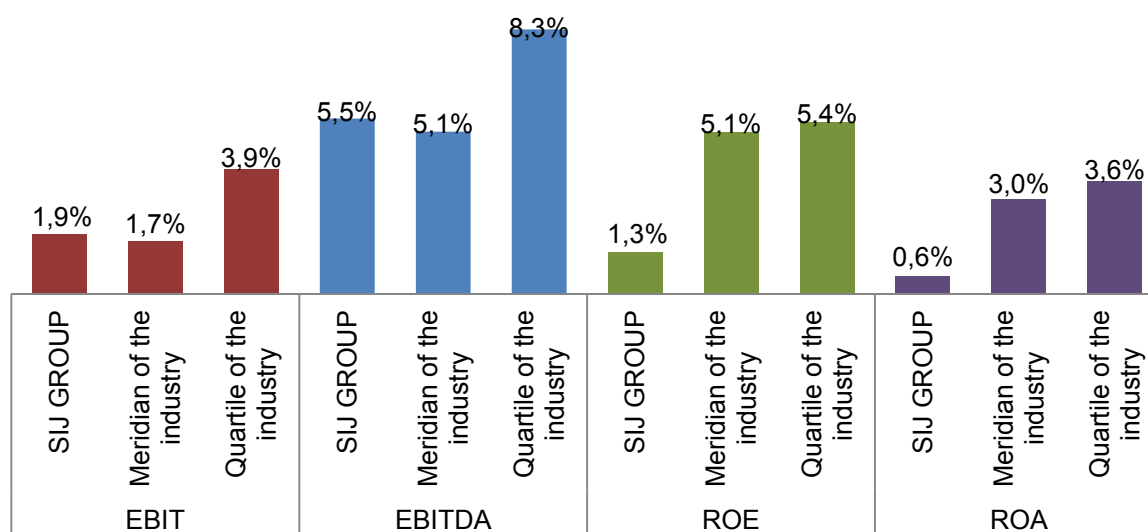
(6) Performance indicators

Indicator	2011	2012	2013	2014
Net sales revenue ( in EUR 000)	764,978	732,550	658,653	708,000
Return on equity (ROE)	5.31 %	0.22 %	-1.51 %	7.2 %
EBIT margin	8.26 %	5.6 %	14.86 %	11.0 %
Added value per employee (in EUR 000)	51	45	37	53

(7) Expectations

Indicator	2015	2016
Return on equity (ROE)	7.0 %	8.0 %
EBIT margin	11.1 %	11.4 %

(8) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



#### 6.11.5 SNEŽNIK, PODJETJE ZA PROIZVODNJO IN STORITVE, d. d.

(1) Snežnik, d. d., (hereinafter referred to as: "Snežnik") is the legal successor of Snežnik Estate. The company's core business is forestry and wood processing. The majority of wood intended for the processing is obtained by felling their own trees in forests on the territory under the company's management. The company has been granted the concession for exploiting forests in state ownership. Snežnik is the founder and the sole shareholder of Snežnik Sinpo, d.o.o.. The products produced by Snežnik include: harvested wood products, sawn wood (conifer and deciduous trees), wooden discs (beech, oak, fir, beech-natural, steamed beech, ash, walnut) and biomass.

(2) The assets are strategic since the company manages forests owned by the Republic of Slovenia. According to the applicable legislation, a concession is granted for the forest management; the concession may be obtained by any company carrying out forestry-related activities. Snežnik does not have its own forests which is why its further development depends a lot on the national forest management policy.

(3) The objective is to increase the profitability of the company with the aim of increasing the value of assets and to maintain a stable dividend policy. The attainment of goals set for the company is monitored on the basis of the company's business plans and at quarterly meetings held with management and supervisory board of the company.

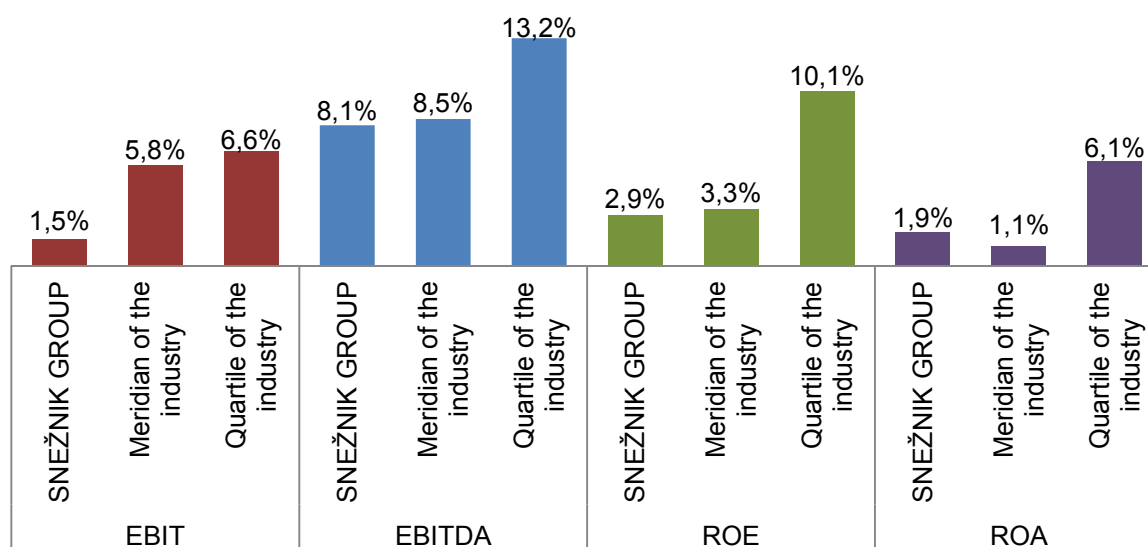
#### (4) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	7,343	8,230	8,989	9,497
Return on equity (ROE)	-0.0 %	2.8 %	3.9 %	7.8 %
EBIT margin	8.45 %	6.81 %	11.75 %	7.50 %
Added value per employee (in EUR 000)	22,113	23,492	25,013	28,005

#### (5) Expectations

Indicator	2015	2016
Return on equity (ROE)	8.0 %	8.20 %
EBIT margin	8.50 %	9.00 %

(6) A benchmark analysis of the company with a set of comparable businesses (2011-2013 average)



#### 6.11.6 TALUM, d. d.

(1) Talum, d.d. (hereinafter referred to as: "Talum") operates in the field of production and processing of primary aluminium. The company's production programme consists of the production of alloys and billets, cast alloys, wide strips, slugs and discs, evaporators and

castings. The company is included in the ELES Group which has an 83.4% stake Talum. KAD owns 4.42% shareholding.

(2) The major shareholder of Talum is ELES; Talus is therefore its subsidiary. Together with its subsidiaries, Talum is a closed distribution system and, for electricity supplies of the system, has an agreement on the access to ELES transmission network. The energy supplied in this manner is used for the needs of its subsidiaries and five foreign companies located within the closed distribution system of Talum. Talum is thus not a final consumer – its subsidiaries are net electricity consumers which is why the electricity sold to third persons does not present a significant income in regard to the remaining operations. The above stated gives grounds for the fact that for Talum, the exception stipulated in Article 61 of EZ-1 applies.

(3) The company is managed by ELES, as its subsidiary, while ELES is managed by the Government. A minority shareholding in Talum is held by KAD. The strategic position of the company is linked to the provision of stability in the electricity system of the Republic of Slovenia and in the creation of internal synergies in the value chain.

#### (4) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	261,363	261,363	261,363	280,827
Return on equity (ROE)	-6.56 %	-15.39 %	-12.84 %	-4.42 %
EBIT margin	0.41 %	-1.59 %	2.94 %	0.44 %
Added value per employee (in EUR 000)	24	21	33	29

#### (5) Expectations

Indicator	2015	2016
Return on equity (ROE)	-1.21 %	5.13 %
EBIT margin	2.08 %	6.11 %

## 6.12 DSU, KAD

### 6.12.1 D. S. U., DRUŽBA ZA SVETOVANJE IN UPRAVLJANJE, d. o. o.

(1) D. S. U., družba za svetovanje in upravljanje, d. o. o, (hereinafter referred to as: "DSU") mainly executes public powers and performs duties related to the ownership restructuring of the previously socially-owned property, privatisation and denationalisation and the related property, in addition to providing services related to the management of assets and real estate. A special emphasis is dedicated to identifying previously socially-owned assets which has not been included in the transformation of the companies' ownership structures and, in accordance with regulations, is to be handed over to DSU, for its ownership and management. DSU manages vast assets, which involves numerous duties and tasks, for its own behalf and for the account of the Republic of Slovenia.

(2) The company implements public powers on the basis of several acts, primarily pursuant to the Act on the Transfer of Powers, Rights and Liabilities of Slovenian Development Corporation and on the dissolution of the Agency of the Republic of Slovenia for Restructuring and Privatisation (Official Gazette RS, No. 50/04) and Act Concluding



Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia (Official Gazette RS, Nos. 30/98, 72/98 – CC Dec, 12/99, 50/99 – ZPSPID, 79/01 and 80/04 – ZUARLPP). The monetary funds which are acquired on the basis of implementing public powers represent a liability due by the company and payable to the budget of the Republic of Slovenia; they are identified by means of a special balance regarding the inflow of funds from proceeds. In addition, the relevant part of proceeds is also transferred to SSH and KAD, in accordance with the legislation.

(3) In accordance with ZSDH-1, the company shall remain independent and under SSH's active management with the aim to attain the business results in accordance with key performance indicators. A special emphasis regarding the management will be dedicated to increasing efforts in reducing the costs incurred in the asset management (rationalisation of operations). The objective of such management is to achieve the highest company value possible.

(4) The key challenge of the company is to close as soon as possible still numerous not yet closed procedures (lawsuits) related to the ownership restructuring of companies.

(5) The assets of the Republic of Slovenia held in DSU are considered strategic assets since the company implements public powers on the basis of several acts.

#### (6) Performance indicators

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	5,690	10,571	10,690	10,425
Return on equity (ROE)	0.59 %	0.78 %	2.08 %	10.58 %
EBIT margin	51.67 %	70.38 %	70.26 %	60.97 %
Added value per employee (in EUR 000)	233	500	466	371

#### (7) Expectations

Indicator	2015	2016
Return on equity (ROE)	3.50 %	4.00 %
EBIT margin	70.00 %	70.00 %

### 6.12.2 KAPITALSKA DRUŽBA POKOJNINSKEGA IN INVALIDSKEGA ZAVAROVANJA, d. d.

(1) The main activity and the mission of KAD relates to the provision of additional funds for pension and disability insurance by managing the company's own assets and by managing pension funds. KAD also carries out other activities related to the asset management and provides support services for asset management.

(3) The KAD Group is composed of Kapitalska družba and Modra zavarovalnica. The KAD Group manages four pension funds and three guarantee funds:

- the First Pension Fund of the Republic of Slovenia (hereinafter referred to as: "PPS"),
- the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (hereinafter referred to as: SODPZ),
- the Capital Mutual Pension Fund (hereinafter referred to as: KVPS),

- the Closed Mutual Pension Fund for Civil Servants (hereinafter referred to as: ZVPSJU),
- the Guarantee Fund of the First Pension Fund (PPS Guarantee Fund) and the Guarantee Fund Modra renta, paying out pension annuities, and the Guarantee fund of SODPZ which pays out occupational pensions.

(3) All pension funds managed by KAD are managed for the account of members/insured persons, separately from KAD's own assets. The assets of the pension funds and the guarantee funds are held in the ownership of members/insurance holders.

(4) With the entry into force of the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) (Official Gazette RS, Nos. 79/10, 26/11, 40/12 – ZUJF and 105/12 – ZSDH-1; hereinafter referred to as: ZPKDPIZ), the regulatory framework for the transformation of the company were given, separating the two activities into two separate legal entities. Gradually, KAD will be transformed into a portfolio investor. In accordance with Article 52 of ZSDH-1, KAD provides for the pension insurance fund of ZPIZ. In 2011, a new insurance company was carved out from KAD, specifically, Modra zavarovalnica, which took over the management of the following pensions funds: ZVPSJU, KVPS, PPS and the PPS Guarantee Fund; Modra zavarovalnica may perform insurance transactions in the life-insurance group of insurance business. In accordance with ZPKDPIZ, the management of SODPZ has remained under the management of KAD.

(5) KAD has been established with a special act stipulating the purpose of the company's incorporation, which is, providing for additional funds for the pension insurance fund of ZPIZ. Due to its special purpose, KAD is a strategic asset of the Republic of Slovenia. The company forms an important part of the Slovenian pension system, therefore, the main objective of its transformation is to set up a stable financial group which will contribute to the long-term sustainability of the pension system in the Republic of Slovenia. The sphere of operation and provision of competitive services has been extended by establishing a new insurance company, thus providing for additional income for the pension fund. After the transformation is completed, KAD will remain the manager of SODPZ and will continue to pay out occupational pensions. Pursuant to the Bridging Insurance of Professional Athletes Act, in 2015, the Assistance Fund for Professional Athletes must be formed by KAD with the aim of providing for the social security of professional and top athletes after the conclusion of their career in sports.

(6) The main purpose for efficient management of capital assets held by KAD is to provide additional funds for the first pillar of the Slovenian pension system.

(7) The payment transfer to ZPIZ includes yields which are to be generated from the asset management which, in terms of the content and value, will primarily include Slovenian equity securities. A special emphasis regarding the management will be dedicated to increasing efforts in reducing costs in asset management (rationalisation of operations).

(8) In accordance with ZSDH-1, the function of the General Meeting of KAD is performed by the Government.

(9) A key challenge of KAD involves the transformation of its asset portfolio in which 60% of all assets are currently taken up by the domestic equity securities.

(10) KAD is considered as a strategic asset.

(11) In accordance with the provisions of ZDH-1, not later than by 31 December 2015, KAD is to be transformed into an independent and autonomous demographic reservation

fund as defined by the law regulating pension and disability insurance. The operation of the demographic reserve fund and additional permanent sources for the fund financing will be defined in a special Act. In ZSDH-1, the sources for financing the demographic reserve fund have been defined, specifically, 10% of proceeds from the sale of assets owned by the Republic of Slovenia and assets resulting from the management of equity investment by ZPIS in the insurer, Zavarovalnica Triglav, d.d. Providing for a proper operation and financing of the demographic reserve fund is important and necessary in order to ensure the long-term and balanced sustainability of the pension fund and public finances.

(12) Performance indicators (KAD)

Indicator	2011	2012	2013	2014 non-audited
Net sales revenue ( in EUR 000)	8,927	9,468	9,899	8,715
Return on equity (ROE)	-29.95 %	-9,54 %	-8.94 %	5.36 %
EBIT margin	-6.42 %	115.06 %	53.34 %	52.78 %
Added value per employee (in EUR 000)	120	132	141	124

\*(Net sales revenue - BMS costs)/ number of employees

(13) Performance indicators (KAD Group)

Indicator	2011*	2012**	2013***	2014*** non-audited
Net sales revenue ( in EUR 000)	246,063	134,737	32,020	35,297
Return on equity (ROE)	-22,25 %	-5.15 %	-10.07 %	9.09 %
EBIT margin****	-0.21 %	4.78 %	-21.35 %	-5.70 %
Added value per employee (in EUR 000)	22	23	neg.	28

\*In 2011, the KAD Group was composed of KAD, Modra zavarovalnica and PDP, including the following companies in its Group: Elektrooptika, Paloma, Adria tehnika and Adria Airways (only until 30 September 2011) which were fully consolidated, and Fotona and Elan, classified as companies held for sale.

\*\*In 2012, the KAD Group was composed of KAD, Modra zavarovalnica and PDP, including the following companies in its Group: Elektrooptika, Paloma and Adria Airways which were fully consolidated, and Fotona and Elan, classified as companies held for sale.

\*\*\*In 2013 and 2014, the KAD Group was composed of KAD and Modra zavarovalnica, which were fully consolidated, and PDP Group which was classified as a company held for sale.

\*\*\*\*The KAD Group is an insurance group.

(14) Expectations (KAD)

Indicator	2015	2016
Return on equity (ROE)	3.0 %	4.0 %
EBIT margin	4.5 %	5.0 %

\*Prior to the payment transferred to ZPIZ.

## **Chapter 7**

### **AMENDMENT TO THE ASSET MANAGEMENT STRATEGY**

Within one year from the adoption of this Asset Strategy, the document shall be reviewed by the Government, and, in case of any changed economic and other circumstances, on a proposal prepared by the ministry responsible for finance, its amendments or a new strategy will be proposed to the National Assembly, for its adoption.

Registration No.: 450-01/15-15/

Date: 13 July 2015

EPA 520-VII

National Assembly  
Dr Milan Brglez  
President