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**ANNUAL REPORT
OF SSH AND SSH
GROUP** for 2023



ANNUAL REPORT

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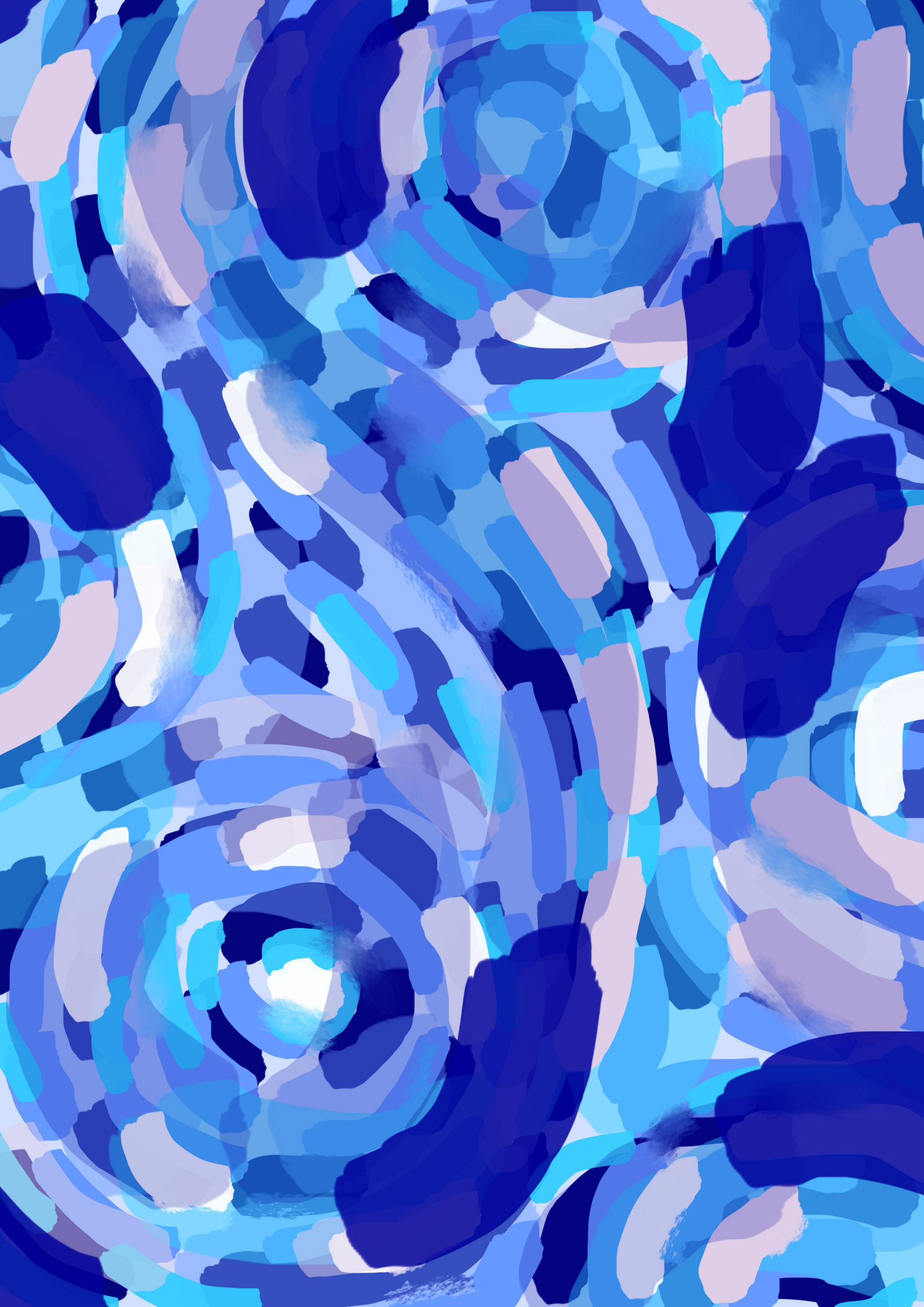
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INTRODUCTION

SSH IN FIGURES AS AT 31 DECEMBER 2023

EUR **1,509** million

SSH assets



EUR **1,360** million

SSH equity



EUR **78.90** million

SSH net operating result in 2023



124

Number of SSH employees as at 31 December 2023



OVERVIEW OF ASSET MANAGEMENT ACTIVITIES

MANAGEMENT OF PORTFOLIO OF RS AND SSH CAPITAL ASSETS

10.2 %

*Estimated ROE of RS and SSH portfolios to be realised in 2023

EUR **175.5** million

(of this figure, EUR 53.2 million of dividend income was paid to SSH)

Total sum of dividends paid to RS, ZPIZ and SSH in 2023

EUR **12.2** billion

Book value of RS and SSH capital assets as at 31 December 2023

*The assessed value is based on currently known results and estimates for companies.

MANAGEMENT OF PORTFOLIO OF CLAIMS

EUR **52.2** million

Inflows from claim management in 2023

EUR **203.5** million

Book (fair) value of claims as at 31 December 2023

MANAGEMENT OF PORTFOLIO OF TANGIBLE FIXED ASSETS

EUR **20.7** million

Inflows from tangible fixed assets management in 2023

EUR **94.3** million

Book value (at cost or realizable value) of tangible assets as at 31 December 2023 (estimated market value amounts to EUR 158.8 million)

LETTER BY THE MANAGEMENT BOARD

The year of 2023 remained affected by the consequences of the 2022 energy crisis, as progress in stabilising economic growth and inflation became increasingly evident. Geopolitical uncertainties and conflicts, both in the Middle East and Ukraine, hindered economic recovery in key trading partners, which also impacted the operations of export-oriented companies with state capital assets.

SSH's portfolio companies rebounded effectively in 2023, particularly those in the energy sector, which were most financially affected in 2022. In December 2022, SSH approved subsequent payments to capital for HSE to bridge extraordinary liquidity challenges, totalling EUR 492 million. Throughout 2023, HSE returned EUR 342 million of the subsequent payments to capital to its owner, with an additional EUR 75 million in the first quarter of 2024, and the remaining EUR 75 million expected to be repaid by the end of 2024.

Good performance of portfolio companies in 2023

The estimated ROE of the portfolio for 2023 stands at 10.2%, exceeding the planned ROE in the 2023 AAMP of 7.3%. The out-performance in the planned profitability for 2023 has been primarily driven by the successful operations of SOEs in the energy sector.

Implementing a relevant dividend policy is one of core activities in the management of state assets. It enables SSH to pursue goals aiming at the maximisation of cash flows for the owner while simultaneously taking into account the performance results of individual companies included in its management portfolio and their development needs. In 2023, dividend payments by the companies in the SSH's management portfolio totalled EUR 175.5 million, of which RS and ZPIZ received EUR 122.3 million and SSH received EUR 52.2 million, a total increase of 7.9% over the planned amount (EUR 162.6 million).

At the end of 2023, the book value of equity stakes in the SSH's managed portfolio of assets amounted to EUR 12.2 billion, which is an increase of by EUR 1.0 billion as compared to the end of 2022 (EUR 11.2 billion).

The fair value of financial claims under management was EUR 203.5 million at the end of 2023, while the book value of tangi-

ble assets, mostly comprising real estate, was EUR 94.3 million, with an estimated market value of EUR 158.8 million.

SSH operations

The operations of SSH in 2023 were successful, generating a net operating profit of EUR 78.90 million.

The year 2023 also saw the successful integration of the former BAMC activities into SSH's operations. These activities were acquired through a merger with BAMC on 30 December 2022, expanding SSH's management activities to include claim and real estate management.

SSH continues to actively engage in the denationalization process, focusing mainly on the most challenging cases in the recent years, and regularly satisfies its liabilities arising from denationalisation. In 2022, EUR 3.8 million in denationalization compensation was paid, with 161 denationalization claims still open at the end of the year.

Due to the conditions in the business environment, comprehensive management of business and financial risks was a priority in 2023. SSH was closely monitoring the situation, assessing its impact on the companies in the SSH's portfolio, and expected concrete actions from companies to manage the risks. This necessitated adjusted priorities and brought additional challenges in both the management and oversight of companies, as well as in managing capital assets.

In 2023, there was also significant emphasis on further developing sustainable business practices among companies, with a focus on gradually moving towards a carbon-neutral economy. The general part of the Annual Asset Management Plan (AAMP) for 2024, prepared in 2023, includes expectations regarding sustainable business practices, including anticipated actions by the supervisory boards of companies in relation to sustainability. New sustainability goals are now included in the individual AAMPs for all major companies.

Another important strategic theme was governing corporate culture. SSH expects the members of the supervisory bodies to monitor and supervise this topic periodically within the established corporate governance system. Meanwhile, the members of the management bodies are expected to implement the necessary measures, including setting the right tone from the top

and promoting appropriate leadership at all levels, to ensure the desired corporate culture is practiced and supports the company's strategic objectives.

These topics were also addressed through educational meetings for supervisory board members and company executives.

Enhanced development of corporate governance

Good corporate governance practices are essential for effective and responsible management of companies, as they ensure that all significant decisions are made in a transparent and responsible manner, and in accordance with the best interests of the companies and all stakeholders. Improvements were made at both the level of SSH's own operations, primarily through extensive changes to the SSH Asset Management Policy; and other internal policies and regulations following the merger with BAMC, as well as at the level of portfolio companies through the revision and amendments to the SSH Recommendations and Expectations and the Corporate Governance Code for SOEs.

Similarly, the revised **"Rules on the Assessment of Potential Candidates for Members of Supervisory and Management Boards of SOEs"**, which defines in detail the conditions, criteria, and procedures for evaluating and determining the suitability of potential candidates for members of supervisory and management boards of SOEs, was markedly upgraded. This

has introduced stricter nomination criteria, particularly for candidates for supervisory bodies of companies, which under the new definition fall within the scope of complex systems in terms of corporate governance (public limited companies, banks, insurance companies, larger economic entities meeting additional requirements, and other economic companies categorized as complex systems due to specific characteristics).

All regulatory changes in governance instruments, strengthened educational activities in the fields of integrity and other sustainability topics, as well as new technologies, alongside management activities, will contribute to strengthening all control functions at the company level, thereby enhancing the organization and greater success of portfolio companies' operations.

The year 2023 proved to be a year of extensive activity for SSH, driven significantly by the merger with BAMC. The integrated team performed admirably and achieved its objectives, attributable to the commitment and proactive efforts of its employees. We extend our appreciation and recognition to them for their outstanding contributions and eagerly anticipate continued collaboration and the pursuit of new shared accomplishments.

Janez Tomšič, Member of the Management Board

Žiga Debeljak, MSc, President of the Management Board

SUPERVISORY BOARD'S REPORT

The Supervisory Board of Slovenian Sovereign Holding is composed of five members, in accordance with Article 39 of ZSDH-1.

Until 18 December 2023, the Supervisory Board of the Slovenian Sovereign Holding consisted of the following five members: Karmen Dietner, President (Karmen Dietner's term of office as a member of the Supervisory Board expired on 18 December 2023), Franjo Bobinac, MBA, Deputy President of the Supervisory Board (appointed Deputy President of the Supervisory Board at the first ordinary meeting of the Supervisory Board in 2023 on 14 March 2023), Ivan Simič, MSc, Member, Suzana Bolčič Agostini, Member, and Miro Medvešek, Member. As of 19 December 2023, the Supervisory Board was composed of four members.

Most important topics discussed at SB sessions

Key tasks carried out by Supervisory Board include monitoring the attainment of goals and the performance of asset management activities envisaged by the State Assets Management Strategy, by each Annual Asset Management Plan and by the SSH Business and Financial Plan.

In 2023, Slovenia experienced catastrophic floods in August, which contributed to a considerable moderation in economic growth compared to previous years. Despite the challenges, the outlook for 2024 shows a slight improvement, albeit with persistent uncertainties.

Amidst this backdrop, SSH delivered a strong performance in 2023. The results surpassed the targets established for the year, as returns on the portfolio of capital assets significantly exceeded expectations. Furthermore, both dividend inflows and claims management proceeds outperformed the projections. In terms of quantitative targets, SSH achieved all plans except for inflows from tangible fixed asset management (property), where forecasting remains challenging due to the uncertainty surrounding prospective acquisition interest.

The following decisions and topics were the focal points of discussion during the Supervisory Board meetings, in line with the competencies outlined in SSH's Articles of Association and the Supervisory Board's mandates.

During its initial meeting in 2023, the Supervisory Board made key appointments, including the Deputy President, the Member of the Audit Committee, the President and the Member of the

Risk Committee of the Supervisory Board, and the President of the Nomination Committee of the Supervisory Board.

Throughout the fiscal year 2023, particular emphasis was placed on enhancing SSH's corporate governance.

Diligent consideration was given to reports on SSH's operations and capital asset management, especially in the light of the revised asset structure following the merger with BAMC in late 2022. In addition to the overall portfolio, the Supervisory Board considered separately the management activities for both capital assets and claims, as well as real estate and movable or tangible assets. Claims and tangible assets as components of the portfolio were fully transferred to SSH through the BAMC merger.

Special attention was directed towards the management of significant claims and pieces of real estate with a carrying value exceeding EUR 1 million. In accordance with SSH's Articles of Association, the Management Board requires the Supervisory Board's consent for transactions involving the disposition of assets with the carrying value exceeding EUR 1 million, for the acquisition of assets with the carrying value exceeding EUR 1 million, and for lending activities exceeding EUR 1 million or with repayment terms exceeding 365 (three hundred and sixty-five) days.

In 2023, in accordance with the provisions of Article 11 of SSH's Articles of Association, the Supervisory Board granted its consent for various transactions. These included the sale of real estate properties such as Tennis Centre - Dolgi most, land parcels like Iverka, and warehouse complexes such as Kozina. Furthermore, Supervisory Board's consent was given for the acquisition of land at Majske Poljane, and to approve a moratorium with the debtor FARME IHAN - KPM, d. o. o., as well as for the conclusion of Addendum No 5. Other consents encompassed the sale of the property Projekt ob jarku - Centrum, granting of a new loan, and extending the moratorium on loan repayment to DUTB Črna Gora, d.o.o. The extension of the moratorium on loan repayment to FACTOR PROJEKT, d.o.o., and the sale of SSH's minority investment in Salomon, d.o.o., Ljubljana, were also approved. In addition, Supervisory Board's consent was provided for the purchase of office premises located on the second floor at Mala ulica 5 in Ljubljana.

The SSH Management Board regularly reported to the Supervisory Board on the management of SOEs. Particular attention was given to ensuring the stable operation of the HSE Group and Slovenia's electricity supply security. Noteworthy was the partial reimbursement of financial resources through a subsequent capital injection, as agreed upon by the Supervisory Board in late 2022.

The Supervisory Board closely monitored the enhancement of SSH's IT infrastructure following the BAMC merger. The focus was on reinforcing security, implementing robust risk management practices, and realising cost efficiencies. Commendation was given for the comprehensive IT solution supporting business operations.

The SSH Management Board updated the Supervisory Board on the realisation of the anticipated synergy effects between Pošta Slovenija, d.o.o. and Intereuropa, d. d. These effects are subject to regular monitoring by the Management Board. Moreover, further systemic measures have been implemented to ensure the sustained and efficient delivery of these synergies over the long term. The Supervisory Board was also briefed on the ramifications of the strategic partner's involvement in the freight transport operations of Slovenske železnice.

The recent water storm had a profound impact on several companies under SSH management. The SSH Management Board provided the Supervisory Board with a comprehensive overview of the flood consequences in Slovenia and an assessment of the resulting damages incurred by individual portfolio companies, particularly from the energy and economy sectors. In response, the Supervisory Board endorsed the proactive measures initiated by the SDSH Management Board. This included a recommendation for affected companies to extend aid to the most impacted entities. To formalize this guidance, the Supervisory Board supplemented the SSH's internal guidelines, i.e. the SSH Recommendations and Expectations.

The Supervisory Board was briefed on multiple occasions regarding the challenges and status in the denationalization and liabilities settlement domain.

The Supervisory Board monitored the dynamics of HR management at SSH and endorsed the Management Board's efforts to ensure equitable workload distribution among employees. It also supported initiatives to enhance internal communication, thereby fostering greater cohesion and engagement among staff following the merger with DUTB.

Additionally, the Supervisory Board deliberated and approved revisions to the following internal policies and regulations:

- SSH Asset Management Policy;
- Corporate Governance Code for SOEs;
- Rules of Procedures of SSH Supervisory Board's Risk Committee.

The Supervisory Board acknowledged the revisions made to the following internal documents:

- SSH Recommendations and Expectations;
- The Rules on assessment of potential candidates for members management and supervisory bodies of SOEs;
- Policy on Conflicts of Interest.

The Supervisory Board approved an amendment to the Code of Ethics of the Supervisory Board of SSH.

During its regular meeting, the Supervisory Board reviewed the Annual Report of SSH and SSH Group for 2022. It endorsed the audited Annual Report of SSH and SSH Group for 2022, expressed a positive opinion on the audit report for 2022 prepared by the audit company BDO Revizija, d.o.o., and recommended to the Government of the Republic of Slovenia, acting as the General Meeting, to adopt a resolution on the discharge of the SSH Management Board and the SSH Supervisory Board for 2022. Additionally, it approved the proposal for the convening of the Ordinary Annual General Meeting submitted by the SSH Management Board.

The Supervisory Board deliberated on the reports concerning SSH's operations for the periods January-June 2023 and January-September 2023, the Annual Report on the Management of Capital Assets of the Republic of Slovenia and SSH for 2022 to be presented to the National Assembly of the Republic of Slovenia, and the reports on capital assets management for the first quarter and the first half of 2023.

During its initial meeting in 2023, the Supervisory Board endorsed the SSH's Business and Financial Plan for 2023, in which the implementation of all key asset management activities outlined in the SSH Annual Asset Management Plan for 2023 is envisaged.

During its final meeting, the Supervisory Board approved the SDSH Business and Financial Plan for 2024.

Additionally, during its regular meeting in November 2023, the Supervisory Board reviewed and consented to the Annual Asset Management Plan for 2024, in accordance with ZSDH-1. Its consent was also granted to draft Criteria for Measuring Performance of SOEs.

The Supervisory Board granted consent to the internal policies and regulation and the Annual and Multiannual Work Plans of SSH's Internal Audit, in accordance with ZGD-1. The 2022 Internal Audit Work Report highlighted the most significant topics of the previous year which were presented to the Supervisory Board.

The Supervisory Board received regular updates on the quarterly reports detailing the activities of the Chief Compliance and Integrity Officer and any alterations to the Integrity Plan. It was also briefed on the progress of tasks outlined in the Chief Compliance and Integrity Officer's Annual Work Plan for 2022 and the Annual Compliance and Integrity Work Plan for 2023.

During its routine meetings, the Supervisory Board reviewed reports from the Presidents of the Audit, Nomination, and Risk Committees, paid close attention to the technical recommendations of the Committees and ensured the implementation of decisions adopted by the Supervisory Board.

The Supervisory Board maintained vigilant oversight over circumstances that could lead to conflicts of interest, with its members consistently avoiding such situations.

Work carried out by SB's Committees

More detailed information on the composition of all Supervisory Board's Committees is presented in tables included in the Corporate Governance Statement.

Three Supervisory Board's permanent committees were active in 2023:

- Risk Committee;
- Audit Committee and
- Nomination Committee.

The Risk Committee regularly monitored risk management process and dealt with the changes to the Risk Register in 2023. With its initiatives and proposals, it significantly contributed to the preparation of a risk review related to the merger of BAMC with SSH, which involved the transfer of assets and liabilities, as well as the assumption of employees. The Risk Committee's recommendations contribute to enhanced risk management practices at SSH. It acknowledged the 2022 Report on Risk Management at SSH and the revisions made to the Rules on Risk Management at SSH.

In 2023, it was regularly updated on the ongoing work of the Risk Commission, which, under the guidance of the SSH Management Board, identifies, analyses, classifies, quantifies and manages the risks held in the Master Risk Register, and moni-

tored the reporting of the Chief Compliance and Integrity Officer.

As the Risk Committee held only for two regular meetings, a self-assessment test of its performance was not carried out in 2022.

The **Audit Committee** performed its assignments in accordance with the provisions of ZGD-1 and recommendations about the audit committee's work. During its operation, it actively cooperated with the SSH Internal Audit Department, while having regular contacts with the SSH's independent auditor.

The Audit Committee reviewed and upheld the auditor's independence in connection with the annual report. It reviewed the preliminary audit plan for 2022, assessed the content of the 2022 Annual Report for the SSH and SSH Group, and considered the Auditor's Report. Furthermore, the Committee examined the supplementary report on the audit of SSH's financial statements and provided an evaluation of the audit firm's performance for 2022 in accordance with its established criteria.

Additionally, the Audit Committee deliberated on the Business and Financial Plans for 2023 and 2024, reviewed operational reports for the periods January-June 2023 and January-September 2023, assessed the Report on the work of the Commission for handling irregularities in SOEs, and reviewed statistics on reports received for the second half of 2022. It also examined the Semi-annual Report on the handling of external irregularities for 2023.

The Committee focused on reviewing the Internal Audit Work Plan for 2024 and the Multiannual Internal Audit Work Plan 2024-2026.

It considered various internal audit reports, including the 2022 Report on Work of the Internal Audit of SSH, the review of the implementation of Internal Audit recommendations, the Report on the external audit of the Internal Audit's activities, and quarterly reports on the Internal Audit's activities.

The Audit Committee was updated with the proposed revisions to the following internal rules and regulations: the Internal Audit Charter and the Internal Audit Rules of Procedure. The Audit Committee recommended to the Supervisory Board to approve them.

The Audit Committee carried out a self-assessment of its performance for 2023 and reviewed the results of this evaluation. The President of the Audit Committee subsequently reported the findings of the self-assessment process to the Supervisory

Board. The analysis indicated that there were no significant areas requiring corrective action or further improvements.

The Committee convened for four regular meetings throughout the year.

The **Nomination Committee** is composed of all of the members of the SSH Supervisory Board. On 14 March 2023, Franjo Bobinac assumed the role of the President of the Nominations Committee. In addition to overseeing activities related to the processes for filling up the vacancy in the Management Board, the Nomination Committee is tasked with determining the remuneration of the SSH Management Board. During 2023, the Nomination Committee formulated proposals for the Supervisory Board, including amendments to the Remuneration Policy for the Management Board of SSH and criteria for awarding the Performance Award for the financial year 2023. Additionally, the Committee proposed the award of the Performance Award to the SSH Management Board for the financial year 2022, based on the Report submitted by the SSH Management Board. All proposals put forth by the Nomination Committee received approval from the Supervisory Board.

Work carried out by SSH Supervisory Board

The Supervisory Board convened eight ordinary meetings and four correspondence meetings in 2023, with full attendance from its members on almost all occasions.

The SSH Supervisory Board is composed of members who complement each other in terms of their expertise and competences. Its composition is diverse in terms of educational background, work experience and personal characteristics, fostering effective discussion and decision-making. In line with the formal legal framework stipulated by the legislation, the SSH's Articles of Association and Corporate Governance Code and by adhering to the principle of due care and responsibility, Supervisory Board members diligently discharged their duties.

During its operation, Supervisory Board members adhered to Slovenian and international recommendations as well as good practice in corporate governance. In 2023, SSH adhered to the reference Corporate Governance Code for SOEs.

The Supervisory Board conducted a self-assessment of its performance for the year and reviewed the findings during its second regular meeting of 2024, which was held on 9 April 2024. The analysis of this self-assessment indicated that there were no significant areas requiring corrective action or improvements.

The total expenditure for the Supervisory Board and its Committees in 2023 was EUR 1,172.89, encompassing attendance fees

and compensation for performing the function. This amount also includes costs associated with personal liability insurance.

Throughout 2023, the SSH Management Board consistently participated in Supervisory Board meetings, provided the necessary underlying materials for decision-making and ensuring efficient governance processes.

Review of SSH and SSH Group Annual Report

During the audit process, the Audit Committee met with the auditor twice, once without the presence of the SSH Management Board. The Audit Committee addressed various aspects including the audit plan, key risks, materiality, composition of the audit team, compliance of the audit process with the timetable, and auditor independence. On 22 May 2024, the Audit Committee reviewed the SSH and SSH Group Annual Report for 2023. Additionally, at its meeting on 27 May 2024, the Committee considered the Annual Report together with the Independent Auditor's Report to the SSH shareholder, which included an unqualified audit opinion. With the aim of providing further insights into the findings of the independent auditor, the representatives of the independent auditor BDO revizija, d.o.o. were invited to attend the said meeting and answered questions raised by the Audit Committee's members. The additional report to the Audit Committee was also discussed at the meeting. The Audit Committee proposed the SSH SB to approve the Annual Report of SSH and SSH Group for 2023, to discuss the Auditor's Reports for 2023 and to take a positive position on both of them. The Audit Committee also evaluated the auditor's contribution to the financial reporting.

By taking into account the Audit Committee's assessment and its proposals, SB reviewed and discussed the SSH Group and SSH Annual Report 2023 at its regular meeting held on 28 May 2024. It also reviewed the Auditor's Reports to the shareholder. During this meeting, the individual components of the Annual Report of SSH and SSH Group for 2023 were presented to the Supervisory Board by the Company's Management Board. Upon review, the Supervisory Board concluded that the Annual Report contains all the requisite elements, adheres to ZGD-1 and the International Financial Reporting Standards, maintains clarity and transparency, provides a true and fair view of the Company's operations during the preceding financial year, and accurately reflects the financial position of SSH and the SSH Group as of 31 December 2023, including profit or loss, cash flows, and financial performance. Based on this assessment, the Supervisory Board adopted the following resolutions:

- the Supervisory Board adopts the Audited Annual Report for SSH and SSH Group for 2023;

- the Supervisory Board has taken a positive position on the Auditor's Report for 2023 prepared by the audit firm BDO revizija d.o.o.;
- the Supervisory Board proposes to the SSH General Meeting, i.e. the Government of RS, relying on the approved Annual Report of SSH and SSH Group for 2023 and the positive position on the Audit Report for the same period, to adopt the Resolution granting the discharge from liability to the SSH Management Board and SSH Supervisory Board for 2023.

Position in regard to the Independent Auditor's Report

At the regular meeting of the Supervisory Board held on 28 May 2024, the SSH Management Board presented to the SSH Supervisory Board the Annual Report of SSH and SSH Group for 2023, together with the Report on the audit review of consolidated and annual financial statements which were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The report provided by the audit firm BDO revizija, d.o.o. on the SSH annual financial statements includes the Audit Opinion

with no reservations - in all material aspects, financial statements give a true and fair view of the financial position, financial performance and cash flows of SSH as at 31 December 2023, in accordance with the International Financial Reporting Standards (IFRSs). Similarly, the audit opinion provided by the audit firm for the SSH Group holds no reservations - in all material aspects, the consolidated financial statements give a true and fair presentation of the financial position of the SSH Group as at 31 December 2023 as well as the Group's consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs). The Supervisory Board has taken a positive position on the Auditor's Report for 2023 prepared by the audit firm BDO revizija d.o.o.

Endorsement of Audited Annual Report

On the basis of the final review of the Audited SSH and SSH Group Annual Report for 2023, which includes the accompanying Auditor's Report for 2023, the Supervisory Board hereby declares that no objections in regard to the said report have been made, and, pursuant to Article 282 of Companies Act, the Supervisory Board therefore endorses the SSH and SSH Group Annual Report for 2023.

Suzana Bolčič Agostini, President of Supervisory Board



1. BUSSINESS REPORT

Responsible, prudent and efficient management of RS and SSH assets, ensuring compliance with denationalisation and other obligations in accordance with a mandate.

1.1 CORPORATE GOVERNANCE STATEMENT

In accordance with the provision of Article 70, Paragraph 5 of ZGD-1 and the Recommendation 3.6.1 of the Corporate Governance Code for SOEs (the latest Code's amendments considered as of December 2023), Slovenian Sovereign Holding hereby provides the Corporate Governance Statement which forms an integral part of this Business Report. The said Statement is available on the Company's web site: www.sdh.si. The Corporate Governance Statement includes all of the important aspects of all the important aspects of the governance of SSH and SSH Group and refers to the period from 1 January to 31 December 2023.

SSH is the umbrella manager of capital assets of the State. On 30 December 2022, with the merger of BAMC, SSH also began managing tangible fixed assets (real estate and movable property) and claims. Certain legal matters concerning SSH and specific aspects of its management are regulated by a special law, ZSDH-1, which mainly implemented the OECD Guidelines on Corporate Governance of State-Owned Enterprises into Slovenian legal order. As regards certain legal matters and aspects of asset management, which are not regulated by ZSDH-1, the provisions of ZGD-1 apply in the subsidiary manner. Additionally, by observing the "comply or explain" principle, SSH follows the principles and recommendations of the reference code, that is the Corporate Governance Code for SOEs, which was adopted by SSH in accordance with ZSDH-1. SSSH has also adopted the SSH Asset Management Policy to which it has to adhere to.

In accordance with Article 18, Paragraph 1 of ZSDH-1, SSH manages state capital assets in accordance with ZSDH-1, the law governing companies, and the governance instruments, considering the organizational status and internal policies and regulations of each company. SSH, in conjunction with certain companies under its management, constitutes the SSH Group. SSH manages state capital assets which are part of the SSH Group in the same manner as other state capital assets. There is no special legal regime for managing state capital assets in the SSH Group as compared to other state capital assets.

Reference Corporate Governance Codes - Statement of Compliance with Reference Code

In accordance with ZSDH-1 and the SSH Asset Management Policy, adopted on 19 December 2014 and last revised in May and June 2023, SSH applies the Corporate Governance Code for SOEs as the reference corporate governance code. The Code, acces-

sible on SSH's website www.sdh.si, underwent its latest update in December 2023.

The Corporate Governance Code for SOEs is the asset management document adopted by SSH in accordance with ZSDH-1 by way of which SSH, in the capacity of the central ownership entity, recommends to SOEs good practice in corporate governance and, partially, set expectations from them. The said Code is one of the most important legal instruments regarding the governance system of state capital assets through which SSH strives for the overall improvement of the quality of corporate governance pursued by SOEs.

In 2023, SSH deviated from the following recommendations referred to in the reference Code:

- The recommendation regarding remuneration for Supervisory Board members and members of Supervisory Board Committees for their services and attendance fees were determined by the SSH General Meeting through a resolution passed on 4 December 2014 (in connection with the resolution of 21 July 2017). While the remuneration aligns with the principles outlined in the Code (Principle 6.21 and related recommendations), it slightly deviates from the amounts suggested by the SSH Recommendations and Expectations, which the Code references. Attendance fees for SSH's Supervisory Board members were set slightly lower than the recommended amounts, along with additional remuneration for the President of the Supervisory Board and for the participation in the Supervisory Board's Committees.
- SSH progressively implements recommendations on employee development plans (Code point 7.7) in line with enacted internal policies and regulations. Following the guidelines of the SSH HR Strategy for the 2021–2023 strategic period, SSH initiated the activities planned. It has also been implementing the provisions of the Policy on Management of Key and Prospective Staff. In 2022, SSH actively began preparing development plans for employees, with a time line until the end of 2023 and a semi-annual review of employees' goal achievement. Adaptations to these plans are ongoing in light of new challenges and practices arising from the BAMC merger in 2023.
- The Supervisory Board failed to formally develop a succession plan for the members of the Management Board owing to special statutory provisions (as set out in ZSDH-1) which stipulate the procedure for the selection and ap-

pointment of the SSH's Management Board (Recommendation 7.10 of the Code).

- Similarly, the Supervisory Board was not in a position to prepare a competency profile for Supervisory Board members from the aspect of the Supervisory Board's optimum size and composition due to the fact that the procedure for appointing Supervisory Board members which is specifically regulated by ZSDH-1 (SSH's General Meeting does not elect members of the Supervisory Board on proposal by the Supervisory Board but they are appointed by the Parliament) (Recommendation 6.10, and 6.10.1 of the Code).
- As the procedure for appointing Supervisory Board members is specifically regulated by ZSDH-1 (the General Meeting does not elect the Supervisory Board members on the proposal of the Supervisory Board, but they are appointed by the RS Parliament), the Nomination Committee of the Supervisory Board does not undertake tasks relating to proposing candidates for Supervisory Board membership (Recommendation 6.20 and the subsequent recommendations of the Code).
- As a result, the Management and Supervisory Boards did not develop and adopt a diversity policy. With regard to the composition of the Supervisory Board, special provisions of ZSDH-1 which determine the procedure for the selection and nomination of the Supervisory Board Members hamper the adoption of the diversity policy (SSH's General Meeting does not elect members of the Supervisory Board on proposal by the Supervisory Board but they are appointed by the Parliament). Consequently, the Corporate Governance Statement does not include the report on the implementation of the Diversity Policy and on the results of its implementation (Recommendation 3.6 of the Code).

Description of main characteristics embedded in the internal control systems and risk management in connection with financial reporting and information technology

Financial Reporting

Internal controls in connection with financial reporting are policies and procedures implemented by SSH in accordance with statutory regulations, relevant standards and the Rules on Accounting and good business practice. The said Rules contribute to efficient management of risks connected with financial reporting and other areas of financial accounting. Internal controls provide for reliability and compliance of financial reporting with applicable laws and regulations.

Accounting controls are based on the principles of true presentation, responsibility, control of transactions, compliance of

books of accounts with the true state of business, in addition to the principles of professionalism and independence.

Information Technology

In an era marked by dynamic technological innovation, SSH is steadfast in leveraging information technology to foster innovation, enhance efficiency, and promote sustainability.

SSH's strategic investments in cutting-edge technologies aim to streamline business operations and bolster organizational agility. Notably, transformative changes were implemented to fortify the stability of our IT infrastructure, prioritizing efficiency, redundancy, and business continuity. This steadfast commitment to stability serves as the cornerstone for sustainable growth across SSH's business areas. Moreover, environmentally conscious practices have been introduced, by integrating eco-friendly technologies, optimizing energy usage, and adopting green computing methodologies. By actively reducing SSH's carbon footprint, a contribution is made to a more sustainable future. Furthermore, telecommuting opportunities are facilitated by our IT initiatives, encourage healthier lifestyles while mitigating the environmental impact associated with transportation.

Mindful of evolving cyber threats, substantial investments have been made in advanced threat detection systems, and protocols are actively being developed to ensure seamless connectivity with the Cyber Security and Resilience Centre. This strategic endeavour not only safeguards SSH's digital assets but also bolsters our resilience against potential cyber threats.

Indeed, technology serves as a catalyst for positive transformation. The synergy between digitization, process optimization, stability, sustainability efforts, and robust cybersecurity measures underpins SSH's continued success in the years ahead.

Internal Control System and Risk Management at the SSH Group Level

As previously explained, SSH manages companies within the SSH Group in the same manner as other state capital assets, in accordance with ZSDH-1, governance documents on asset management, and considering the legal organizational form and the Articles of Association of each company.

SSH requires all SOEs to adhere to the Corporate Governance Code of SOEs. A special chapter in the Code is dedicated to establishing and managing the internal control system and risk management. Internal control and risk management systems are more developed in large companies and entities of public interest, where additional functions (audit committees, internal auditing, risk management coordinators, etc.) contribute to the establishment and development of these systems. Companies

with more complex operations have well-developed business processes, regulated by internal policies and regulations, and where internal controls are also legally regulated. Companies have both automatic and manual controls in place. Transparency in operations is an important focus within the SSH Group and SOEs in general. Companies comply with regulations and good corporate governance practices recommended by SSH in the Code and SSH Recommendations and Expectations. Internal controls are regularly adapted to legislation, standards, processes, organizational changes, external assessors' findings (such as the Court of Audit of the Republic of Slovenia), internal and external audit recommendations, and best practices. In one-person companies, SSH occasionally conducts reviews with its own internal audit service and issues recommendations for improving internal controls and for implementing risk management measures.

SSH does not directly lead the group of companies as a joint concern, thus it does not directly intervene in their operations, their business processes, internal control systems, and risk management systems. SSH aims to have an influence on improving corporate governance practices in portfolio companies through governance instruments on asset management and educational activities, where appropriate emphasis is placed on internal control and risk management systems. The development and complexity of these systems largely depend on each company's size, business complexity, number of employees, and other factors which influence the required level of complexity to meet the standard of a diligent and fair business operator.

External and Internal Audit

In accordance with Article 57 of ZGD-1, SSH is obliged to have its financial statements audited. Since 2018, SSH has been audited by the audit firm DBO revizija d. o. o., which was appointed by the SSH General Meeting to audit financial statements for 2022, 2023 and 2024. Previously, audits were conducted by Deloitte Revizija, d.o.o. As regards the findings of the financial statements' audit, the external auditor reports its findings to the Management Board, the Audit Committee of the Supervisory Board and the Supervisory Board.

The Internal Audit is an independent and unbiased function within SSH, providing assurances and advisory services and designed to add value to and improve the functioning and performance of SSH. It helps the Company to achieve its objectives by systematically and methodically assessing the effectiveness of risk management, the implementation of internal control business processes and corporate governance. The Internal Audit performs its tasks on the basis of the Internal Audit Charter and reports directly to the SSH Management Board and the Audit

Committee of the SSH Supervisory Board or the SSH Supervisory Board.

Reporting in accordance with Article 70, Paragraph 6 of ZGD-1

In accordance with the provision of Article 33, Paragraph 1 of ZSDH-1, the Republic of Slovenia is the sole shareholder of SSH, and that provision implicitly includes a prohibition of the disposal of SSH shares. Therefore, there is not even a theoretical option that ZPre-1 applies to SSH. As SSH is included on the Securities Market Agency's list of companies to which ZPre-1 applies, notwithstanding the foregoing, in accordance with Article 70, Paragraph 6 of ZGD-1, SSH provides information and all the necessary explanatory notes as at the last day of the financial year.

1. The structure of the SSH's share capital:

All SSH shares are ordinary, no-par value shares which grant their holders the right to participate in the management of the Company, the right to dividends and the right to the corresponding part of assets remaining after the liquidation of a company. All shares are one class shares and are issued in non-certified form.

2. Restrictions regarding transfer of shares:

SSH shares are not freely transferable.

3. Qualified holding as stipulated by Zpre-1

As at 31 December 2022, the Republic of Slovenia was the holder of the qualified holding as stipulated by ZPre-1, with 180,788 shares or 100% of the share capital.

4. Explanatory notes regarding the holder of securities with special controlling rights:

Slovenian Sovereign Holding has issued 180,788 ordinary, registered, no-par value shares of the same class with the same rights which means that the holder has no special controlling rights arising from the ownership of shares.

5. Employee Share Scheme

There are no Employee Share Schemes established in SSH.

6. Restrictions on voting rights

There are no restrictions on voting rights.

7. Agreements between shareholders which may result in a restriction on the transfer of shares or voting rights

There are no such agreements. However, ZSDH-1 explicitly stipulates that RS is the sole shareholder of SSH which means that shares are not transferable without amendments being made to the legislation.

8. SSH's Rules on the appointment and replacement of members of Management and Supervisory Bodies and on amendments to Articles of Association:

According to ZSDH-1, the SSH Management Board consists of the President and a maximum of two members. The SSH Management Board is appointed by the SSH Supervisory Board based on a public call for applications. The term of office for the Management Board members lasts for four years with an option of reappointment. The Supervisory Board assesses the fulfilment of the criteria required by ZGD-1 and ZSDH-1 in a prudent and responsible manner. Any breach of duties under ZSDH-1 or under any instruments of corporate governance is a severe violation of obligations assumed by a Management Board Member. The provisions of ZGD-1 apply for the dismissal of a Management Board Member.

The Supervisory Board of SSH is composed of five members, whose term of office is five years. All members of the SSH Supervisory Board are appointed by the National Assembly of the Republic of Slovenia upon the proposal of the Government of the Republic of Slovenia, and the proposal cannot be altered. The composition of the SSH Supervisory Board is not subject to the provisions of the law governing the participation of employees in management. Detailed criteria regarding a SSH Supervisory Board Member are laid down in ZGD-1 and ZSDH-1. A member of the SSH Supervisory Board may be dismissed by the National Assembly of the Republic of Slovenia upon the proposal by the Government of the Republic of Slovenia on the account of reasons stipulated in ZSDH-1.

There are no special rules stipulated by ZSDH-1 in regard to amendments to Articles of Association. The SSH Articles of Association are amended in accordance with ZGD-1.

9. Authorisations to the management, particularly authorisations to issue or purchase own shares:

Authorisations conferred on the Management Board Members are defined in the remaining part of this Chapter. However, there are no authorisations granted to the Management Board in regard to the issue or purchase of own shares.

10. Major agreements which take effect, are changed or cancelled following a change in control over the Company resulting from a public take-over bid

There are no such agreements.

11. Agreements between SSH and its management or supervisory bodies or its employees subject to which a compensation is envisaged, if, due to a bid as stipulated by the act governing mergers and acquisitions, these per-

sons are dismissed without a justified cause, or their employment is terminated:

There are no such agreements.

In accordance with Article 18, Paragraph 1 of the Slovenian Compensation Fund Act (hereinafter referred to as: ZSOS), any profit generated by SSH from securities trading and other activities must be allocated to SSH's reserves. This stipulation precludes SSH from distributing dividends to its sole shareholder. Pursuant to Article 65, Paragraph 1 of the Reconstruction, Development and Provision of Financial Resources Act, and notwithstanding the provisions of Article 18 of the ZSOS, SSH's net profit for each of the five financial years following the enactment of this law (which was enacted on 23 December 2023) shall be utilised to fund the measures outlined in Article 1, Paragraph 1 of this law, after covering any carried-forward losses and creating mandatory statutory reserves. The aforementioned amount is subject to reduction by the anticipated obligations of SSH under the ZSOS if the carried-forward reserves from previous years' profits are insufficient to meet these obligations. The funds designated for the purpose referred to in the preceding BUILDING shall be allocated to the budget of the Republic of Slovenia and shall constitute earmarked revenue for the designated budget fund referred to in Article 127 of ZORZFS.

Compliance and corporate integrity system

The SSH's compliance and integrity system is set up in accordance with the provisions of ZSDH-1. The provisions of ZSDH-1 are further enhanced by rules and procedures defined in the Company's internal policies and regulations. The provisions of Chapter VI of ZSDH-1 are further defined in internal policies and regulations concerning conflicts of interest, traceability of contacts, reporting on non-public contacts, unethical or illegal actions or influences, acceptance of gifts, restrictions on transactions with related parties, transactions by liable persons with securities of companies under SSH management, business compliance policy, handling reports of suspected irregularities, and the Code of Ethics. SSH has established an Integrity Plan, which is regularly updated based on newly identified risks. It encompasses both ongoing and one-time measures to manage risks in compliance and integrity. Special attention is also dedicated to the protection of personal data and the prevention of money laundering and terrorism financing.

In 2023, with the implementation of a new organizational structure following the merger with BAMC, the Compliance and Integrity Department (hereinafter referred to as: the "CID Department") was formed as a staff service of the SSH Management Board. The Chief Compliance and Integrity Officer assumed the role of the Director of the CIS Department. Internal procedures were upgraded in line with the new legislation on the handling

of irregularity reports. SSH became one of the 24 authorities in the Republic of Slovenia for handling external irregularity reports. A confidential officer for handling internal reports and an official for handling external reports were appointed. The advisory function of the Chief Compliance Officer and the CID Department was strengthened across all areas related to compliance and integrity.

Key ongoing activities of the CID Department include the review of all materials for executive committees and the Company's Management Board, providing opinions or approvals from the CID Department, reviewing all revised or newly prepared internal rules and regulations, and reviewing contracts valued at over EUR 10,000 for compliance and integrity. In 2023, particular attention was also given to enhancing advisory roles for all employees at SSH and representatives of SOEs, educational activities for SSH employees, the bodies of supervision and management of SOEs, organizing working meetings with compliance officers of SOEs in which SSH holds a majority ownership stake or has dominant influence, upgrading the Corporate Governance Code and SSH Recommendations and Expectations for companies in regard to compliance and integrity, enhancing internal procedures for the management conflict of interest, and enhancing internal communication on changes or current topics in the compliance and integrity domain.

Data regarding SSH General Meeting, its key responsibilities and presentation of shareholder rights and the method of their exercising

In accordance with ZSDH-1, the function of the SSH's General Meeting is exercised by the RS Government. The General Meeting makes decisions on key issues pertaining to SSH which are defined in ZGD-1 and ZSDH-1, in addition to adopting measures for measuring performance of SOEs. A special feature of corporate governance pursued by SSH is that the members of the SSH Supervisory Board are not appointed by the SSH's General Meeting (the RS Government), but they are appointed or dismissed by the National Assembly of the Republic of Slovenia.

A shareholder - the Republic of Slovenia (represented by the Government of the Republic of Slovenia) - exercises its rights

at the General Meeting. As a rule, the General Meeting is convened once a year and is held in accordance with applicable regulations.

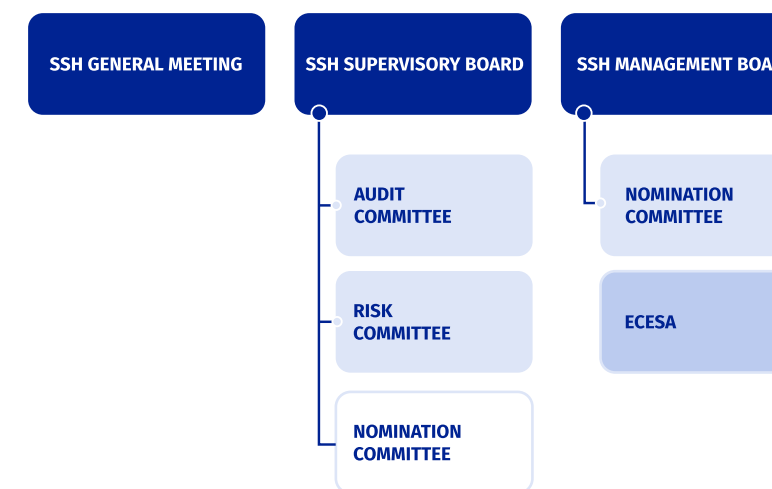
Diversity Policy - description

The Supervisory Board comprised three members, including two female members, for most of 2023. From mid-December 2023, following the termination of one member's mandate, it consisted of three members, including one female member. The Management and Supervisory Boards did not formulate nor adopt a diversity policy which is usually carried out with regard to the composition of the management and supervisory bodies of the Company. In fact, as regards the composition of the Supervisory Board, the adoption of the Diversity Policy is subject to specific legal provisions (Articles 39 and 40 of ZSDH-1), which provide for the composition and a specific procedure for the selection and appointment of the Supervisory Board of the Company (the sole proposer of candidates for the Supervisory Board of SSH is the Government of the Republic of Slovenia, and the appointing authority is the National Assembly of the Republic of Slovenia). SSH will consider developing a diversity policy if amendments to the legislation are adopted in the section pertaining to the procedure for the selection and the nomination of the Supervisory Board.

Data on composition and functioning of supervision and management bodies and their committees

In accordance with ZGD-1 and ZSDH-1, SSH is an entity with a two-tier system of governance with two separate bodies, i.e. the Management Board and the Supervisory Board. The Management Board runs SSH and organizes its work and operations, while the Supervisory Board oversees the running of SSH's businesses. The governance of SSH is based on statutory provisions, on the Articles of Association which is the fundamental legal document, internal policies and regulations and on good business practice. The composition of the management and supervisory bodies is such that the members have complementary skills and experience, thus ensuring heterogeneity of their composition.

FIGURE: THE COMPANY'S BODIES AND THEIR WORKING AND CONSULTATION BODIES



SSH Management Board

The SSH Management Board organises and runs the operation of Slovenian Sovereign Holding; it is responsible for all management decisions taken in accordance with ZSDH-1. The adoption and implementation of all decisions is carried out in an independent manner, with the Board acting under their own responsibility. The Management Board represents the Slovenian Sovereign Holding.

By law, the SSH Management Board of SSH is composed of the President and up to two members who are all appointed by the SSH Supervisory Board on the basis of a public call for applications. The SSH Management Board operated with two members in 2023. The Management Board mainly took its decisions mainly at the Management Board meetings and, in addition to the formal Board meetings, exercised its powers and responsibilities in the day-to-day business operations and its powers and responsibilities vis-à-vis the General Meeting as laid down in ZGD-1 and ZSDH-1. The activities in respect of the Supervisory Board were carried out by the SSH Management Board in accordance with the provisions of the law, the Articles of Association and the Rules on Procedure of the SSH Supervisory Board.

The President of the SSH Management Board represents SSH individually and without any restrictions, while a member of the SSH Management Board may represent the Company only jointly with the President.

The Management Board is obliged to obtain the Supervisory Board's consent for the following transactions:

- for legal transactions in regard to approving short-term loans to entities not having the authorisation of the Bank

of Slovenia for pursuing banking activities – regardless of the nominal amount of an individual transaction;

- for legal transactions in regard to issuing guarantees to third persons – regardless of the nominal amount of an individual transaction;
- for legal transactions in regard to obtaining or granting loans maturing within more than 365 calendar days – regardless of the nominal amount of an individual transaction;
- for the acquisition of capital assets with a cost exceeding EUR 1 (one) million and the disposal of capital assets with a carrying amount exceeding EUR 1 (one) million
- for the adoption of the Criteria for Measuring the Effectiveness of State-Owned Enterprises,
- for the adoption of the Annual Asset Management Plan;
- for the adoption of the Asset Management Policy;
- for the adoption of the Corporate Governance Code for Companies with Capital Assets of the State;
- for concluding agreements on the provision of advisory services, such as agreements concluded with legal and financial advisors, agreements for carrying out due diligence of a company, agreements for company's valuations, agreements concluded in processes for the acquisition and disposition of capital assets, the value of which equals or exceeds EUR 40,000, excluding VAT, per contractor.

The SSH Management Board is appointed by the SSH Supervisory Board on the basis of Article 46 of ZSDH-1, which also sets out the requirements and conditions for the appointment to the position. In addition to the statutory criteria and conditions, and on the basis of the recommendation prepared by the Commission for the Prevention of Corruption, the Nomination Committee of the Supervisory Board has developed additional cri-

teria which it takes into account in the nomination procedures. These additional criteria mainly relate to the experience of the candidates, the assessment made by the Nomination Committee after an interview with the candidate is carried out, and the vision for the position which is provided by the candidates.

THE MEMBERSHIP OF THE SSH MANAGEMENT BOARD

Name and surname	Žiga Debeljak, MSc.	Janez Tomšič
Position held (President, Member)	President of the Management Board	Member of the Management Board
Area of work covered within the Management Board	The President and the Member of the SSH Management Board cover all areas together.	The President and the Member of the SSH Management Board cover all areas together.
First appointment to the position	1 Sept 2022	23 April 2021
End of function/term-of-office		
Gender	M	M
Citizenship	Slovenian	Slovenian
Year of birth	1971	1979
Qualification	University Degree in Computer Science (<i>univ. dipl. inž. računalništva</i>) and Master's in Business and Organisation (<i>mag. poslovedenja in organizacije</i>)	University Degree in Law (<i>univ. dipl. pravnik</i>)
Expert profile	Running and Organisation of Business	Corporate Governance, Running Companies, Legal Affairs
Membership in supervisory bodies in companies not related to the company	President of the Supervisory Board of Telekom Slovenije, d. d., President of the Supervisory Board of Gen energija, d. o. o.	President of Supervisory Board of SID banka, d. d., President of Supervisory Board of - KAD, d. d.

Management Board's Consultation Bodies SSH

The Nomination Committee is a consultation body to the SSH Management Board, which, based on the ZSDH-1, SSH Asset Management Policy, and Rules on the Assessment of Potential Candidates for Members of Supervisory and Management Bodies of SOEs carries out implementation procedures for recruiting candidates for members of supervisory and management bodies of SOEs, as well as procedures for their accreditation and nomination. The Nomination Committee is composed of three members who are appointed by the SSH Management Board for the 4-year tenure after having been selected from experts in corporate governance, HR management and experts in the functioning of bodies of supervision.

In, 2023, the SSH Nomination Committee was composed of the following members: Samo Roš, the President of the Nomination Committee, an expert in corporate governance; Urška Podpečan, the Deputy President of the Nomination Committee, an expert in the functioning of supervisory boards; and Vlasta Leonardič, Member, an expert in HR Management.

Expert Committee for Economic and Social Affairs (ECESA) is a seven-member consultative body of the SSH Management Board, which gives opinions and makes initiatives in regard to economic and social affairs and adopts the opinions and initiatives on subject matters which result or may result in issues concerning the labour law, the legal form of organisation or have a social impact on SSH's employees or on companies from the portfolio managed by SSH.

ECESA is composed of representatives of Slovenia's representative trade unions and confederations who are members of the Economic and Social Council. In 2023, ECESA was composed of the following members: Saška Kiara Kumer (Association of Free Trade Unions of Slovenia), Zdenko Lorber ((Slovenian Union of Alternative Trade Unions of Slovenia), Albert Pavlič (Association of Workers Trade Unions of Slovenia – Solidarity), Jakob Počivavšek (Pergam Confederation of Trade Unions), Branimir Štrukelj (Confederation of Slovenian Public Sector Trade Unions), Damjan Volf (Trade Unions Confederation 90 of Slovenia) and Evelin Vesenjsek (Confederation of new Trade Unions of Slovenia Independence). Zdenko Lorber is the President of ECESA and Saška Kiara Kumer acts as its Deputy President.

Supervisory Board

In accordance with ZSDH-1, the SSH Supervisory Board is appointed as a five-member body. There were three committees operating within the SSH Supervisory Board in 2023: the Audit Committee, the Risk Committee and the Nomination Committee. In accordance with ZSDH-1, the SSH Supervisory Board's meetings may also be attended by the ministers responsible for

finance and the economy and the President of the parliamentary Commission for Public Finance Control (or their authorised representatives). Each of these individuals receives an invitation, as well as all materials and minutes pertaining to each Supervisory Board meeting. More details on the membership and work carried out by the Supervisory Board are given in the Supervisory Board's report and in tables below.

MEMBERSHIP OF THE SSH SUPERVISORY BOARD AND SSH SUPERVISORY BOARD'S COMMITTEES IN 2023

Name and Surname	Karmen Dietner	Franjo Bobinac	Ivan Simič, MSc.	Suzana Bolčič Agostini	Miro Medvešek
Position held (President, Deputy, Member)	President of Supervisory Board	Deputy President of Supervisory Board	Member of Supervisory Board	Member of Supervisory Board	Member of Supervisory Board
First appointment to the position	19 Dec 2018	17 Nov 2022	17 July 2020	17 Nov 2022 (On 12 Feb 2024, she assumed the role of the President of Supervisory Board)	15 Dec 2022
End of function/term-of-office	19 Dec 2023	17 Nov 2027	17 July 2025	17 Nov 2027	15 Dec 2027
Representative of shareholders/employees	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1	appointed in accordance with ZSDH-1
Attendance at SB's meetings in regard to the total	12/12	10/12	12/12	12/12	11/12
Gender	F	M	M	F	M
Citizenship	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Year of birth	1968	1958	1959	1967	1964
Qualification	University Degree in Economics (<i>univ. dipl. ekon.</i>)	University Degree in Economics (<i>univ. dipl. Ekon.</i>), MBA from ESCP Business School	University Degree in Law (<i>univ. dipl. pravnik</i>). and Master's degree in Tax Law (<i>mag. davčnega prava</i>)	University Degree in Economics (<i>univ. dipl. ekon.</i>)	University Degree in Economics (<i>univ. dipl. ekon.</i>)
Expert profile	finance, corporate governance	Finance, Corporate Governance, Running Organizational Systems	Tax Law Corporate Law Corporate Governance	Corporate Governance, Auditing Specialist, Running Organisational Systems	Finance, Insurance, Banking
Independence under Article 23 of the Code (YES/NO)	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1	YES, appointed in accordance with ZSDH-1
Existence of conflict of interest in the financial year: YES/NO	NO	NO	YES, Recusal in a specific matter	YES, Recusal in a specific matter	NO
Membership in supervisory bodies in other companies	-	-	-	-	-

Membership in the Audit Committee	President / member	Attendance at sessions of SB's Committees in regard to the total number of SB's sessions
Ivan Simič, MSc.	President of Audit Committee:	8/8
Suzana Bolčič Agostini	Member of Audit Committee since 14 March 2023	4/8

Membership in Risk Committee	President / member	Attendance at sessions of SB's Committees in regard to the total number of SB's sessions
Miro Medvešek	President of Risk Committee	2/2
Franjo Bobinac	Member of Risk Committee since 14 March 2023	2/2


Supervisory Board's Nomination Committee	President / member	Attendance at sessions of SB's Committees in regard to the total number of SB's sessions
Franjo Bobinac	President of Nomination Committee since 14 March 2023	2/2
Karmen Dietner	Member of Nomination Committee	2/2
Ivan Simič, MSc.	Member of Nomination Committee	2/2
Suzana Bolčič Agostini	Member of Nomination Committee	2/2
Miro Medvešek	Member of Nomination Committee	2/2

External Members of Committees	Committee	Attendance at sessions of SB's Committees in regard to the total number of SB's sessions	Gender	Citizenship	Qualification	Year of birth	Professional profile	Membership in supervisory bodies in companies not related to the company
Darinka Virant	Audit Committee	4/4	F	Slovenian	University Degree in Economics (univ. dipl. ekon.)	1954	Expert in Financial, Accounting and Auditing Reporting	External Member of Audit Committees of Supervisory Boards of Talum, Elektro Celje, Mladinska knjiga and GVO
Darinka Virant	Risk Committee	2/2	F	Slovenian	University Degree in Economics (univ. dipl. ekon.)	1954	Expert in Financial, Accounting and Auditing Reporting	External Member of Audit Committees of Supervisory Boards of Talum, Elektro Celje, Mladinska knjiga and GVO

Ljubljana, 27 May 2024



Janez Tomšič, Member of the Management Board



Žiga Debeljak, MSc, President of the Management Board

1.2 PRESENTATION OF SSH GROUP AND SSH

1.2.1 PRESENTATION OF SSH GROUP

As at 31 December 2021, SSH was the controlling company which prepares the consolidated annual report for THE companies within its Group.

For this purpose, the companies are classified into four groups:

- subsidiaries (Sava, d. d., which has been included in the consolidation since 30 September 2022, PS ZA AVTO, d. o. o., Elektrooptika, d. o. o.),
- subsidiaries transferred from BAMC,
- associates;
- entities which are solely the subject of management and are owned by RS and/or SSH.

Based on the analysis and in accordance with the International Financial Reporting Standards (IFRS), entities within the group number four are not controlled by SSH but are only managed by it, as stipulated by the statutory provisions of ZSDH-1. Article 36(a) of ZSDH-1 stipulates that subsidiaries, in which the position of the controlling company has been obtained through the transfer of assets, rights, and obligations from BAMC to SSH in accordance with the Act Regulating Measures of the Republic

of Slovenia to Strengthen the Stability of Banks, are not to be included in the consolidated annual report. SSH does not form a joint concern with any company, as there are no unified management between structures or management agreements

The Accounting Report (Item 2.4. 1) presents which subsidiaries were controlled by SSH and in which SSH exercised a significant influence (associates).

Presentation of consolidated company - Sava, d. d.

At the end of 2023, the Sava Group, which is focused on tourism, consisted of five companies: in addition parent the parent company Sava, d. d., the main subsidiary engaged in tourism activities, Sava Turizem, d. d., with seven destinations (Bled, Moravske Toplice, Ptuj, Radenci, Bernardin, and the resorts Salinera and San Simon under management), the dormant companies Sava Zdravstvo, d. o. o., and BLS Sinergije, d.o.o., and the associated company Zavod SEIC. The consolidated financial statements of the Sava Group include Sava, d. d., and Sava Turizem, d. d.



COMPANY DETAILS - SIGNIFICANT DATA

Company name:	Sava, družba za upravljanje in financiranje, d. d.
Registered office:	Ljubljana
Business address:	Dunajska cesta 152, 1000 Ljubljana
Telephone No.:	04 206 5510
Web site and e-mail:	www.sava.si, info@sava.si
Activity code:	64,200 Activities of holding companies
VAT ID:	SI75105284
Registration No.:	5111358
Transaction Account:	SI56 3300 0000 9608 326 held by Addiko bank SI56 0700 0000 0002 418 held by Gorenjska banka
Date of legal entity's establishment:	8 September 1989
Registered legal form:	public limited company registered at the Ljubljana District Court (court register decision no. 10024800)
Share capital:	EUR 29,082,968 The company's share capital is divided into 29,082,968 ordinary, freely transferable, and no-par value shares. The corresponding amount per share is 1 EUR.
SSH ownership stake as at 31 December 2022:	61.91%
Dividend limitations:	SSH has no limitations regarding dividend payments to which it is entitled as the controlling company.

Sava, d.d., is the majority owner (95.47%) of Sava Turizem, d. d., which is the largest provider of tourist services in Slovenia, with capacities in the Alpine, thermal Pannonian, and Mediterranean regions of Slovenia.

1.2.2 PRESENTATION OF SSH

SSH is the umbrella manager of capital assets of the State. Its comprehensive and diversified portfolio includes various sectors, specifically: energy industry, manufacturing, Insurance business, banking sector, traffic, transport and infrastructure, general economic sector and tourism as well as other branches of industry. The management of state capital assets is SSH's core business. With the merger of BAMC on 30 December 2022, SSH acquired two new activities, specifically, tangible fixed asset management, and claim management.

SSH was established on 26 April 2014 by transforming SOD when the Act entered into force regulating its establishment, status, tasks, asset management related and some other relevant matters (ZSDH-1). SSH continues to exercise all powers,

responsibilities, rights and obligations which used to be held by SOD. SSH as a liable party to proceedings takes part in proceedings for determining compensation for nationalised assets and provides for regular settlement of liabilities arising from denationalised assets. In the capacity of the holder of public powers on behalf of and for the account of the Republic of Slovenia, SSH runs procedures for the issue of decisions on the compensation amount and settles liabilities under the following laws: ZSPOZ and ZIOOZP.

The sole founder and shareholder of SSH is the Republic of Slovenia. SSH operates as a public limited company with rights, liabilities and obligations stipulated by ZGD-1, ZSDH-1, ZSOS and other bills and the SSH Articles of Association.

COMPANY DETAILS - SIGNIFICANT DATA



Company name:	Slovenian Sovereign Holding d. d.
Registered office:	Ljubljana
Business address:	Mala ulica 5, 1000 Ljubljana
Telephone No.:	+386 1 300 91 13
Web site and e-mail:	www.sdh.si; info@sdh.si
Activity code of core business:	K 64.990
VAT ID:	SI46130373
Registration No.:	SI46130373
Transaction Accounts:	SI56 0291 3001 6492 958, held by NLB SI56 0451 5000 2472 262, held by Nova KBM SI56 2900 0005 1319 162, held by Unicredit Bank
Date of legal entity's establishment:	19 February 1993
Date of SSH's incorporation:	26 April 2014
Date of company transformation from SOD into SSH:	11 June 2014
Date of merger of BAMC with SSH:	30 December 2022
Registered legal form:	Public limited company registered before Ljubljana District Court, under the Reg. Entry No. 1/21883/00
Share capital as at 31 December 2022:	EUR 301,765,982.30
No. of employees as at 31 December 2022:	124
Membership in other organisations:	Directors' Association of Slovenia, Association of Employers of Slovenia, Chamber of Commerce and Industry of Slovenia, CER- Sustainable Business Network
Management Board:	Žiga Debeljak, MSc, President of SSH Management Board, Janez Tomšič, Member of SSH Management Board.
Members of Supervisory Board:	Suzana Bolčič Agostini, President, Franjo Bobinac, Deputy President, Ivan Simič, MSc, Member, Miro Medvešek, Member.
Members of the SB's Audit Committee:	Ivan Simič, MSc, President, Suzana Bolčič Agostini, Member, Darinka Virant, External Member.

Members of the SB's Risk Committee:

Miro Medvešek, President
Franjo Bobinac, Member
Darinka Virant, External Member.

Members of Nomination Committee:

Samo Roš, President,
Urška Podpečan, Deputy President,
Vlasta Lenardič, Member.

Members of ECESA:

Zdenko Lorber, President (the Slovenian Union of Alternative Trade Unions of Slovenia),
Saša Klara Kumer, Deputy President (the Association of Free Trade Unions of Slovenia),
Evelin Vesenjak (the Confederation of new Trade Unions of Slovenia Independence)
Albert Pavlič (Association of Workers Trade Unions of Slovenia – Solidarity),
Jakob Počivavšek (Pergam Confederation of Trade Unions),
Branimir Štrukelj (Confederation of Slovenian Public Sector Trade Unions),
Damjan Volf (Trade Unions Confederation 90 of Slovenia).

SSH VISION, MISSION, VALUES

Vision

Generating value from capital assets for the owner.

Mission

The Slovenian Sovereign Holding was established with the purpose of providing a concerted, transparent, and independent management of the State's capital assets.

SSH also exercises powers, rights, and obligations of SOD related to settling obligations to beneficiaries under various laws and manages assets, especially real estate and claims, transferred from BAMC.

SSH Values

The values underpinning the functioning of SSH are interlinked, giving the basis for activities pursued by SSH:



INTEGRITY AND LEGALITY



TRUST AND RESPECT



ROLE MODEL LEADERSHIP, AUTONOMY



OBJECTIVITY AND IMPARTIALITY

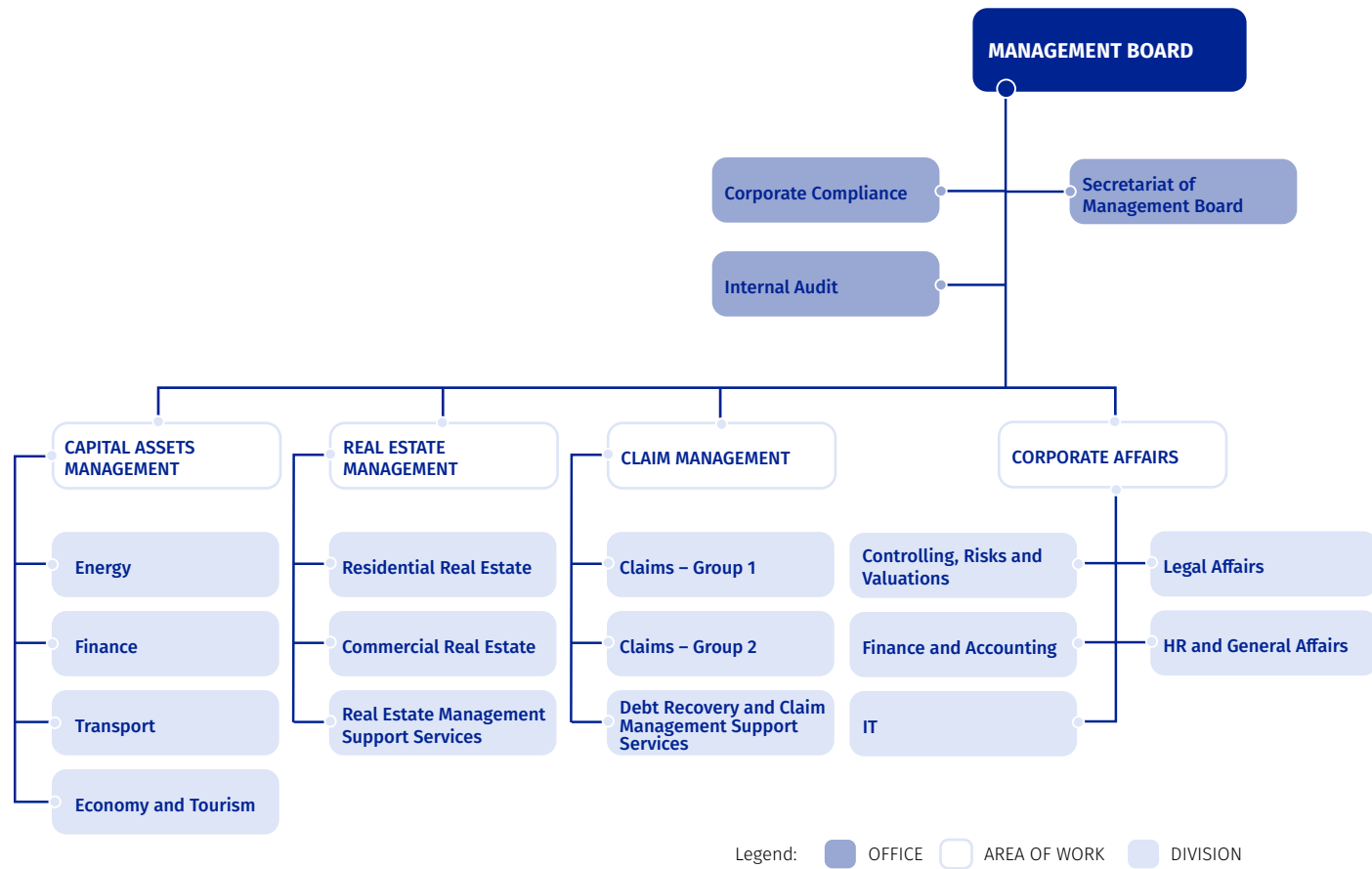
ORGANISATION OF SSH

At the beginning of 2023, a new organizational structure was adopted to reflect the fact that, following the merger with BAMC, SSH also acquired responsibilities related to managing claims and tangible fixed assets.

The organization of SSH has undergone significant changes due to the merger with BAMC. These changes include the addition of new areas of operation, an increase in the number of employees, and expansion to additional operating location.

SSH is run by the Management Board, the composition of which is defined by ZSDH-1 and the Company's Articles of Association. Since September 2022, the Management Board has been composed of the President and one member. Following the merger with BAMC, the work areas have been restructured into four broader areas, encompassing capital assets, real estate management, claim management, and corporate affairs, which now includes support sectors. Apart from the operational areas, there are separate units for Corporate Compliance, Internal Audit, and the Secretariat of the Management Board, each headed by directors who report directly to the Management Board. The areas of property management and claims management are led by Executive Directors, while the areas of capital assets and corporate affairs do not have designated Executive Directors. These functions are organised into sectors, each overseen by Directors. For a more detailed organizational chart, please refer to the Company's organogram.

FIGURE: SSH'S ORGANISATIONAL STRUCTURE AS AT 31 DECEMBER 2023

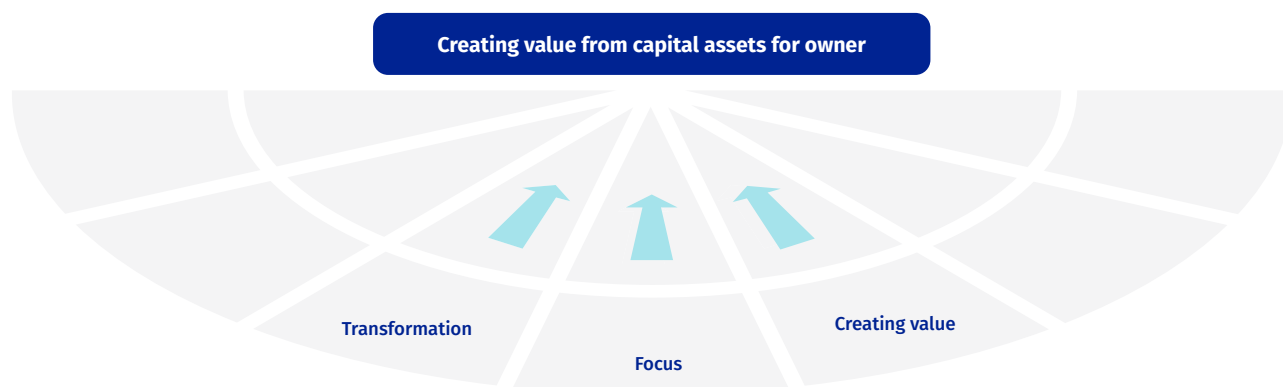


SSH strategic policies and goals

Strategic policies are guidelines selected for moving closer to the SSH vision in the next long-term period. They are the foundation for defining the operation of SSH as an integrated organisation with a duty to manage capital assets and perform other tasks. SSH intends to update its strategic directions and

develop a business strategy following the spin-off of one of its property management activities. This will occur alongside the adoption of a new capital asset management strategy by the RS National Assembly, which will form a key foundation for SSH's business strategy.

FIGURE: SSH VISION AND STRATEGIC POLICIES



Transformation

The transformation is the first direction and the first step which lays down the foundations for achieving the vision. The main factors of the first direction include:

- implementation of key strategic projects in regard to state assets management;
- restructuring of state assets under management;
- upgrading the operational model of SSH's functioning;
- providing for the professional competence and expertise in management and increasing the culture of corporate governance in SSH and companies managed by SSH.

Focus

The focus is the second direction which will ensure the orientation of sources and energies into such factors which will bring the highest value for the owner of assets. The main factors included in the said second direction comprise:

- stabilising the capital asset portfolio;
- increasing and taking the advantage of synergies within the portfolio of state assets;
- risk management;
- timely implementation of measures adopted by SOEs to align their operations with a potential downturn.

Creating value

Creating value is the vision and the main direction in the operation of SSH. The main impetus of this direction include:

- increasing the equity value of companies under management, ROE and ROI;
- attaining strategic goals of the State in accordance with AAMP;
- efficient management of strategic state assets;
- implementing activities for developing and improving the environment in which SSH operates;
- addressing the aspect of sustainability in SOE's operations.

SSH's objectives related to management of assets owned by RS and SSH

The ultimate objective of state-owned companies under the SSH management is effective, profitable, economical operation, creation of value, and efficient management of services of general economic interest. This must be achieved by means of a balanced, stable and sustainable development of enterprises from the economic, social and environmental aspects.

In accordance with ZSDH-1 and Capital Asset Management Strategy, the goals in asset management vary depending on the classification of the company and state assets as strategic, important, or portfolio assets. All assets owned by SSH and RS are classified into one of three groups of assets with equal or similar characteristics, realising the same or similar goals. For strategic and important assets, the objectives are to fulfil significant societal interests, such as ensuring an adequate level and accessibility of infrastructure, delivering public services, achieving security goals, and advancing other key social interests.

A fundamental aim is also to preserve essential developmental factors within the country and to pursue development priorities and objectives as outlined in the Republic of Slovenia's strategic documents. In contrast, for portfolio assets, the aim is to enhance the value of the investment and to achieve the highest possible returns for the shareholders.

Key goals pursued by SSH in managing SOEs are:

- efficient, prudent, transparent and responsible management of capital assets, in accordance with the provisions of ZSDH-1;
- attaining strategic, economic and financial as well as other objectives of companies as defined in the State Assets Management Strategy, in every Annual Asset Management Plan, and ultimately, the goals which are set for SSH by the RS Government on an annual basis;
- continuously improving the efficiency of operation of the portfolio companies;
- increasing their value of capital and their return on equity (ROE) of portfolio companies.

Key goals pursued by SSH in managing claims and tangible fixed assets are as follows:

- increasing the value of claims and tangible assets through appropriate management activities and achieving proceeds planned.

Other objectives pursued by SSH as an economic entity are:

- providing for sufficient liquidity to repay all matured statutory and contractual liabilities due by SSH, including optimum management of assets in accordance with mid-term and long-term needs for funding,
- ensuring adequate sources of future funding;
- the day-to-day fulfilment of the tasks entrusted to SSH by the public mandates;
- efficient implementation of all support functions inside the Company, cost management and process optimisation;
- Managing the Company's risks.

Goals and values of performance indicators in SSH's core business, i.e., asset management, in 2023

The remainder of the Chapter presents quantitative goals set for SSH for 2023 and an estimate regarding the values to be achieved. The achievement of the 2023 ROE target with regard to RS and SSH assets under management can only be reliably presented on the basis of the audited financial statements of all portfolio companies for 2023. The table below presents an evaluation based on unaudited data from the companies and their valuations. Please note that adjustments may be made.

Financial indicator	Achieved value in 2022	Target value in 2023	Achieved value in 2023
ROE of state assets managed (RS and SSH) in %	2.8	7.3	10.2
Dividend income paid by companies with capital assets managed by SSH, in EUR million			
- RS	101.7	91.0	102.7
- ZPIZ	29.0	19.6	19.6
Total RS and ZPIZ	130.7	110.6	122.3
- SSH	60.0	49.0	53.2
Total RS and ZPIZ and SSH	190.7	159.6	175.5
Subsequent payments to capital - HSE, in EUR million			
- payments			
- repayments	492.0	242.0	342.0
Other Inflows arising from the capital assets, claim management and tangible fixed assets management, in EUR million			
- Sale of SOEs	2.9	0.0	0.0*
- claims	55.8	45.1	52.2
- tangible fixed assets	6.5	28.4	20.7
Total	65.2	72.9	73.5

* Sales of minor capital assets totalling EUR 38,000.

The primary quantitative objectives were largely surpassed in 2023; notably, the estimated ROE from the management of capital asset was exceptionally high. Dividends and proceeds from claim management were also exceeded as planned. The

sole exception was the proceeds from real estate management, which fell short of projections.

In 2023, HSE reimbursed EUR 342 million of subsequent payments to capital, although the repayments of EUR 242 million were planned.

Summary of key tasks for 2024

- Efficient implementation of ongoing tasks in regard to asset management, claim management and tangible fixed assets management as well as the attainment of economic and financial indicators in asset management for 2024.
- Carrying out management activities, envisaged in the Annual Asset Management Plan for 2024.
- Projects to strengthen corporate governance and sustainable performance of companies with RS and SSH capital assets, as defined in the Annual Asset Management Plan 2024.

- Implementation of the CSRD Directive into SSH's internal operations.
- Further development of SSH's business processes.
- Other tasks related to the continued strengthening of SSH's role as the central manager of state capital assets.

Key economic and financial - indicators in 2024

SSH anticipates a 6.7% ROE for the management of the portfolio of capital assets in 2024. The foreseen inflows comprise EUR 383.9 million from dividends, EUR 150 million in repayments of subsequent payments to the capital from HSE, EUR 32.6 million of net inflows from claim management, and EUR 8.7 million net inflows from real estate management.

Financial indicator	Target value in 2024
ROE of the portfolio of companies with capital assets managed by SSH (capital assets of RS and SSH) in %	6.7
Dividend income paid by companies with capital assets managed by SSH, in EUR million	
- RS	327.5
- ZPIZ	3.9
Total RS and ZPIZ	331.4
- SSH	52.5
Total RS and ZPIZ and SSH	383.9
Repayments of subsequent payments to the capital - HSE, in EUR million	
	150.0
Other Inflows arising from the assets management, in EUR million	
- net inflows from management of claims	32.6
- net inflows from management of tangible fixed assets	8.7
Total	41.3

The SSH profit for 2024 is planned to amount to **EUR 52.2 million**. The projected consolidated profit for the SSH Group in 2024 is expected to be **EUR 54.3 million**.

1.3 OVERVIEW OF SELECTED MACROECONOMIC DATA AND OF SLOVENIAN CAPITAL MARKET

According to the initial estimates, GDP in Slovenia was anticipated to grow by 1.6% in 2023. This growth was driven by gross fixed capital formation and household final consumption. Investment saw an increase primarily due to construction of buildings, whereby the construction activities registered a large jump in value added, particularly in response to flood rehabilitation efforts. However, investment in equipment and machinery were subdued, likely influenced by uncertainties in the international environment. GDP growth was dampened by a decline in inventories. Household consumption continued to grow in 2023, albeit at a slower pace than in 2022, partly due to high inflation affecting purchasing power. Nonetheless, factors such as high employment, real wage growth, and government support programs to help in the wake of the energy crisis and

flood damage mitigated the impact of inflation. Government consumption experienced a decline in the first quarter of 2023 due to reduced COVID-19 measures, but subsequent quarters saw higher spending, driven by employment growth, increased health expenditure, and flood relief efforts. Exports decreased by 2.0% and imports by 5.1% in 2023.

In 2024, economic growth is projected to strengthen to 2.4%, supported by ongoing investment expansion, an easing of inflationary pressures, and a rebound in external demand. Following last year's contraction, a rise in goods exports and a modest increase in value-added within the manufacturing sector are anticipated. In 2025, a modest increase in growth is anticipated, with an expected rate of 2.5%.

TABLE: OVERVIEW OF MACROECONOMIC INDICATORS FOR REPUBLIC OF SLOVENIA

	Estimate 2023	Outlook 2024	Outlook 2025
GDP, real growth in %	1.6	2.4	2.5
Registered survey-based unemployment rate in %	3.8	3.8	3.8
- HICP Inflation rate, average of the year/average of the previous year in %	7.4	2.7	3.4
- YoY Inflation rate, HICP Dec/Dec, in %	4.2	3.1	3.1

Source: Spring Forecast of Economic Trends 2024 (IMAD, February 2024)

Slovenian capital market

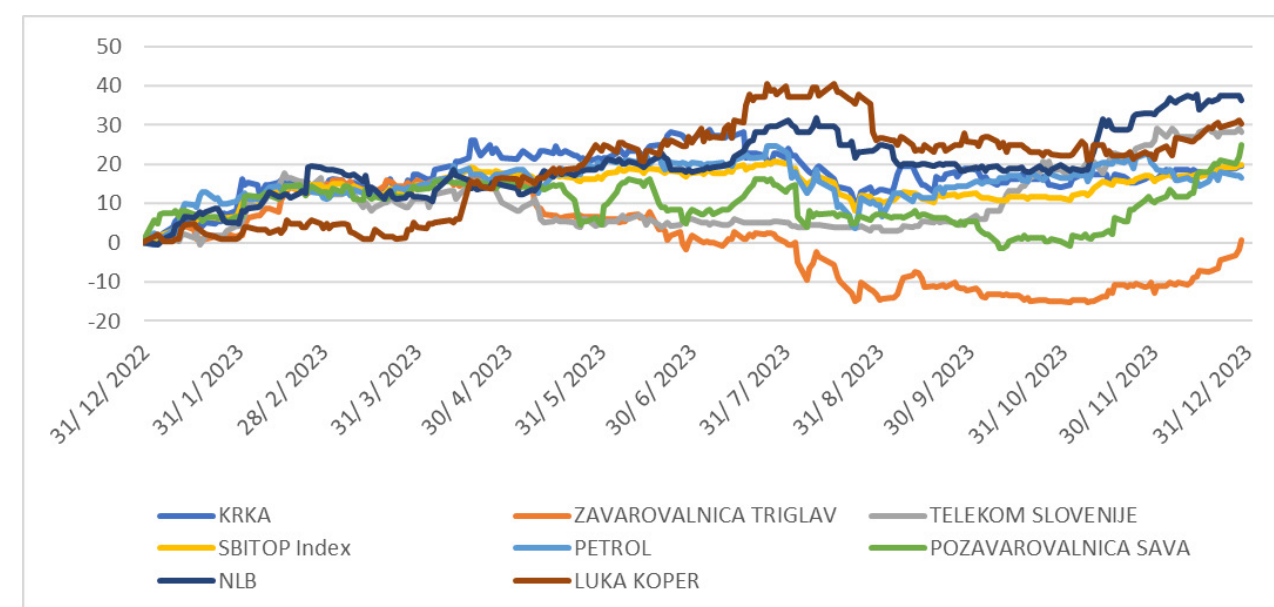
The SBITOP Index delivered investors an annualized return of 19.81% in 2023, by way of which it nearly fully recovered the losses incurred in 2022 due to the negative impact of the Ukraine war and the ECB's monetary tightening starting in 2022. Investor sentiment was optimistic in 2023 as Europe managed the energy crisis relatively well (substituting Russian gas), international supply chains saw some relief, Euro area inflation began to decline, no widespread recession occurred in the Euro area, and the pause in Central Bank rate hikes prompted speculation on when monetary policy would ease. This positive sentiment extended to the Slovenian stock market, where the SBITOP index closed 2023 at 1253.41 points. In 2023, the Ljubljana

Stock Exchange recorded a total turnover of EUR 330.2 million, the majority of which was made with securities without block trades (EUR 293.7 million). Krka (KRKG) shares remained the most traded, with a turnover of EUR 108.9 million turnover and Krka also maintained the highest market capitalisation among listed shares at the end of 2023, standing at EUR 3.6 billion. The runner-up in 2023 was NLB (NLBR) with a turnover of EUR 67.9 million, followed by Petrol shares (PETG) with EUR of 25.4 million EUR in turnover. NLB (NLBR) ranked as the second most traded share in 2023, with a turnover of EUR 67.9 million, followed by Zavarovalnica Triglav as the third most traded share with a turnover of EUR 25.4 million. These companies and the bank have a significant weight both in the contribution to the ROE of the portfolio of capital assets managed by SSH and in

the volume of dividends collected by SSH in the process of its management of capital assets. In 2023, 15 shares on the Ljubljana Stock Exchange experienced price increases, four witnessed price declines, and three remained unchanged in value. Portfolio of companies with capital assets managed by SSH primarily consists of shares in the SBITOP index, while SSH also manages certain non-marketable investments (shares in non-listed companies). As a result, the performance of the portfolio of companies with capital assets managed by SSH is influenced not only by conventional macroeconomic factors but also by specific conditions within the Republic of Slovenia, including tariffs established by the State in particular sectors. As regards the review of changes in share prices in 2023, among the companies with capital assets managed by SSH, it is worth mentioning the performance of Zavarovalnica Triglav's shares. These shares

saw a modest gain of only 0.58% in value in 2023, primarily to the damage incurred from the August floods and the market dynamics of voluntary supplementary health insurance in the RS. In contrast, in 2023, NLB's share price experienced a significant increase (by 36.22%); this is attributed to factors such as movements in the interest rate market (influenced by inflation and ECB monetary policy) and the successful performance of the banking group (driven by the bank's business strategy on interest rates and its support for projects in the economy). It is noteworthy that NLB is one of the major companies with capital assets managed by SSH. The following figure also illustrates the price movements of selected shares in the SSH portfolio (measured in terms of generated returns) and the performance of the SBITOP Index in 2023 (measured in terms of generated returns).

FIGURE: THE RETURN FROM BLUE CHIP SHARES TRADED ON LJUBLJANA STOCK EXCHANGE, REPRESENTING SUBSTANTIAL PORTION OF EQUITY INVESTMENTS MANAGED BY SSH, IN IN PERCENTAGE TERMS, AS WELL AS A COMPARISON TO THE RETURNS ACHIEVED BY THE SBITOP INDEX.

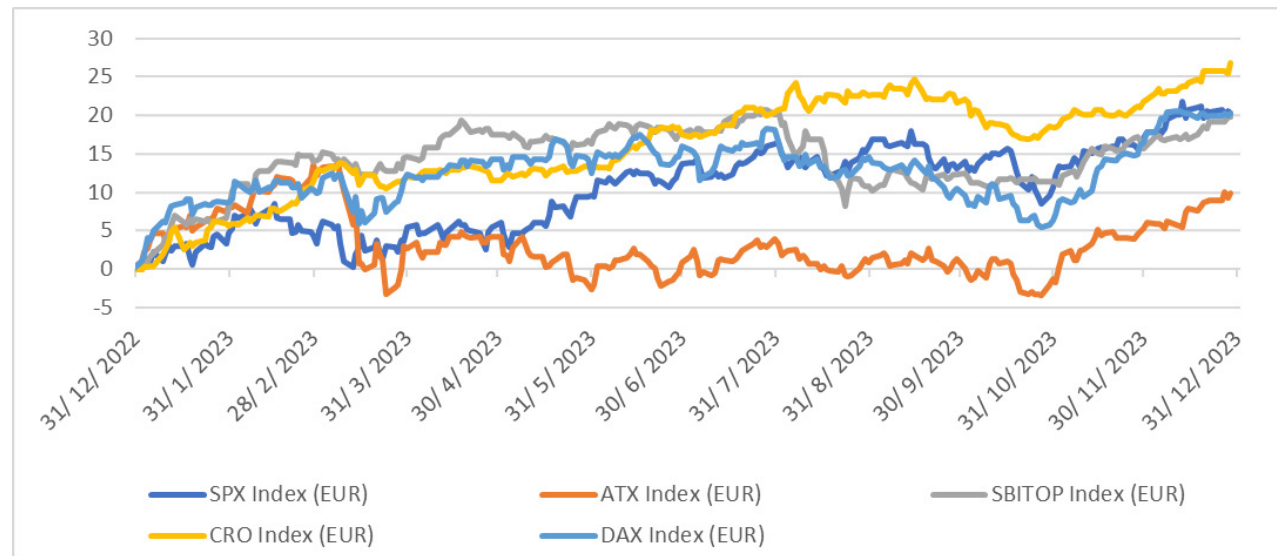


Source: Bloomberg.

The return of the SBITOP index in 2023 was comparable to the returns generated by the DAX and S&P 500 indices (SPX Index converted to EUR). Among the selected indices, only the Austrian ATX Index underperformed, which is understandable given that Austrian companies are closely tied to Eastern Europe (affected by the war in Ukraine) and specific sectors of the German

economy. Overall, equity markets worldwide delivered positive returns for investors in 2023, with the MSCI All Country World Index returning 16.26% in EUR terms. These results align with some positive developments and optimistic expectations in global markets. The chart below illustrates the returns of selected equity indices in 2023 (in % in EUR).

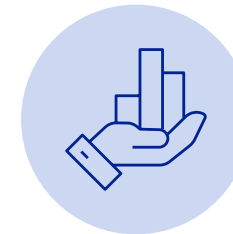
FIGURE: RETURNS OF TOP REGIONAL AND GLOBAL STOCK INDICES AND SBITOP IN 2023 (%).



Source: Bloomberg

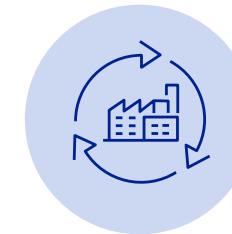
1.4 SSH CORE BUSINESS ACTIVITIES

After the merger with BAMC, the core business activities of Slovenian Sovereign Holding (SSH) are as follow:



MANAGEMENT OF STATE CAPITAL ASSETS

Acquiring and disposing of capital assets in accordance with the Annual Asset Management Plan, as well as exercising the rights of a shareholder or partner and rights pertaining to a founder.



MANAGEMENT OF CLAIMS

Acquiring and disposing of SSH claims and other forms of their management, including the engagement in restructuring of companies.



MANAGEMENT OF TANGIBLE ASSET

Disposing of real estate and movable property owned by SSH and other forms of their management.



DENATIONALISATION AND SETTLEMENT OF LIABILITIES

Participation in procedures under the Denationalization Act (ZDen) to determine compensation for expropriated property and settling liabilities on behalf of and for the account of SSH.

Settlement of liabilities under the following Acts: ZSPOZ, ZI-OOZP and ZVJTO on behalf of and for the account of the Republic of Slovenia.

1.4.1 MANAGEMENT OF CAPITAL ASSETS

SSH manages assets in accordance with ZSDH-1, ZGD-1, other acts and regulations, Articles of Association and other legal documents related to asset management, mentioned in the previous Chapter. When managing state assets, SSH observes good corporate governance practices and respects the principles of due diligence, accountability, independence, transparency and cost-effectiveness, the content of which is defined in the ZSDH-1.

The essential elements of active management of capital assets, which were implemented in 2023, are as follows

- **the defined and updated criteria for measuring the performance of companies:** strategic and economic as well as financial objectives of the companies under management are determined on the basis of the knowledge of the companies' business and sectors, and taking into critical account the development plans and the orientation of the individual companies;
- **regular monitoring of the performance of the companies under management:** on the basis of quarterly or monthly reports of the companies under management and by conducting periodic meetings with members of the management and supervisory bodies of SOEs;

- **Annual Asset Management Plan:** On 16 February 2023, the Government of the Republic of Slovenia approved the Annual Asset Management Plan for 2023 (AAMP 2023), followed by the approval of the Annual Asset Management Plan 2024 (AAMP 2024) on 21 December 2023. This plan outlines detailed objectives for SSH in the management of capital assets in individual companies, specific plans to achieve management goals, and the expected cash flows from managing state capital assets;
- **attending and voting at General Meetings of companies, adopting founder's resolutions in companies under the SSH management, exercising other rights of a shareholder or a member:** submitting requests to convene General Meetings, expanding the agendas of General Meetings, preparing counter-proposals for the General Meeting, ensuring proper substantive and legal review of individual activities and decisions in the capacity of the manager of capital assets;
- **implementing best practices of corporate governance:** a continuous effort to enhance the quality of corporate governance within companies under SSH management, updating policies and regulations related to the management of state capital assets, and organizing educational events for members of management and supervisory bodies of SOEs;
- **taking the necessary steps to ensure appropriate procedures for timely accreditation, nomination and selection of candidates for Supervisory Boards.**

Disposal and acquisition of capital assets held by SSH in 2021

Disposition

Cetis, d. d.

In 2023, SSH and KAD continued the sales process for their 15.40% ownership stake in Cetis, d. d. One purchase offer was received in the sale process, but due to market uncertainty and rapidly changing conditions in the market, a decision was made to halt the sale process for this investment.

Terra Mediterranea, d. d., and Terra Firma, d. d.

On 26 June 2023, SSH issued a public tender offer for the purchase of 98,987 shares (42.85% equity stake) of Terra Mediterranea, d. d., and 20 shares (0.06% equity stake) of Terra Firma, d. d., owned by SSH. The sale of shares in Terra Mediterranea, d. d., concluded at the end of October 2023, while the sale of shares in Terra Firma, d. d., concluded at the end of December 2023. On 26 October 2023, SSH received a payment of EUR 36,150.45 for the first company, and on 19 December 2023, a payment of EUR 1,600 for the second company.

KS Naložbe, d. d., and Vipva Holding, d. d.

On 19 December 2023, on behalf and for the account of the Republic of Slovenia, SSH entered into a direct sales contract with KAD for the sale of 448 shares of KS Naložbe, d. d., and 279 shares of Vipva Holding, d. d., which resulted in a total consideration of EUR 313.20 for the Republic of Slovenia.

Salomon, d. o. o.

In December 2023, SSH entered into a sale and purchase agreement for its 30.6% equity stake in Salomon, d. o. o. Following the fulfilment of all conditions precedent, which is expected to occur in early 2024, SSH will have fully divested its ownership of the company. SSH had virtually no managerial influence over the company since acquiring this investment, and significant legal costs were incurred in managing it. In addition to the sale of the ownership stake, the transaction also included an agreement to withdraw all related lawsuits and transfer all risks of potential fines to the buyer. Further mechanisms were agreed upon to safeguard SSH's legal interests within the framework of the transaction.

Fair Gmbh

In accordance with the guidance of the Ministry of Finance, prepared based on findings from the Court of Audit of the Republic of Slovenia, the investment in Fair GmbH was transferred from SSH to the management of the Ministry of Higher Education, Science, and Innovation in 2023.

Sale of minority portfolio capital assets owned by SSH, RS, and KAD

On 27 November 2023, SSH and KAD jointly announced a call for binding bids for the purchase of several minority capital assets owned by SSH, RS, and KAD. The deadline for the submission of binding bids expired on 5 January 2024. The sales processes will continue in 2024.

Other

During 2023, the following companies were deleted from the Business Register: Unis, Visoko, 6.75% owned by SSH; Autotehna Croatia, d. o. o., in liquidation, 100% owned by SSH; Autotehna, d. o. o., Belgrade, in liquidation, 100% owned by SSH; Velta plast, d. o. o., 100% owned by RS; Mura, d. d. – in bankruptcy, 12.23% owned by SSH; Inkos, d. o. o. – in bankruptcy, 2.54% ownership of RS. In 2023, Bankruptcy proceedings were initiated against the company BR89, projektna družba, d. o. o. Due to the increase in the share capital of Pomorska družba, d. d., the ownership stake of RS decreased from 0.0957% to 0.0068% in 2023.

Acquisition

HSE, d. o. o. – subsequent payments to the share capital

With the aim of preventing liquidity problems within the HSE Group and ensuring its stable operation, the Republic of Slovenia (RS) provided HSE with EUR 492 million in cash in December 2022 in the form of subsequent payments to the share capital. On 7 June 2023, HSE returned the first EUR 100 million of cash from the subsequent payments to the share capital, followed by EUR 142 million on 7 September 2023, and an additional EUR 100 million on 21 December 2023. By the end of 2023, HSE had returned a total of EUR 342 million to RS out of the sum of EUR 492 million received in the form of subsequent payments to the share capital. The remaining sum of EUR 150 million repayment is scheduled for 2024.

Electric Distribution Companies

In accordance with AAMP 2023, SSH carried out several management actions related to electric distribution companies (EDP) with the aim of considering the possibility of optimizing the ownership and organizational model of the electricity distribution activity. Based on publicly available data from EDP, independent valuations were obtained for all five EDPs for the purpose of considering the possibility of purchasing shares from minority shareholders. After obtaining valuation reports for making decision on purchase conditions, SSH announced a call for the submission of non-binding expressions of interest for the sale of EDP shares on its website on 21 November 2023. As only a small number of shareholders expressed interest in selling their shares under price and other conditions acceptable to SSH, SSH decided not to execute any purchases of EDP shares, as such acquisitions would not have been able to achieve the planned management objectives.

Talum, d. d.

Based on ZSDH-1A, on 20 September 2023, the ownership stake in Talum, d. d., was transferred from Eles, d. o. o., to the Republic of Slovenia (RS).

Other

In accordance with the Resolution of the shareholders' General Meeting of SŽ, d. o. o., its 23.87% ownership stake in Terme Olimia, d. d., was transferred to the RS (the RS's stake increases from 43.26% to 67.13%). In 2023, pursuant to the Inheritance Act, the RS also acquired 94 shares of KS Naložbe, d. d. (the stake increases from 0.0036% to 0.0045%), four shares of Zavarovalnica Triglav, d. d. (the stake remains at 34.48%), a 100% share in Elbeko, d. o. o., three shares in M1, d. d. (total stake of 0.0039%),

1,200 shares in DBS, d. d., equating to 0.0281%, and 867 shares, representing a 0.0366% equity stake in Ilirka modra zvezda, d. d. In 2023, SSH acquired 13 shares, or 0.00263%, of PRVA GROUP, insurance holding company, plc.

More detailed information on the management of RS and SSH capital assets, the performance of the management activities, processes for the disposal and acquisition of capital assets will be presented in the Annual Report on the Management of Capital Assets of RS and SSH for 2023 which will be submitted by SSH to the National Assembly of the RS no later than by the end of October 2024.

Results of the portfolio of capital assets managed by SSH

As the core business of SSH is the management of the State's capital assets, SSH's objectives are also to a large extent linked to the results achieved in asset management. Key performance results in the area of asset management are presented in this Chapter.

In addition to its own equity investments, SSH has a number of capital assets under management which are owned by RS. In total, there were 84 active companies with assets under SSH management as at 31 December 2023 (88 as at 31 December 2022), of which RS had a direct shareholding in 39 companies, SSH in 30 companies, and both RS and SSH held direct shareholdings in 15 active companies. In addition, there are assets in 21 companies in liquidation or undergoing bankruptcy proceedings. By value, the largest investments held by SSH are Krka, Zavarovalnica Triglav, Petrol, Pozavarovalnica Sava, Cinkarna Celje and Luka Koper, while the largest investments held by RS are DARS, GEN energija, HSE, Slovenske železnice, NLB and Zavarovalnica Triglav¹.

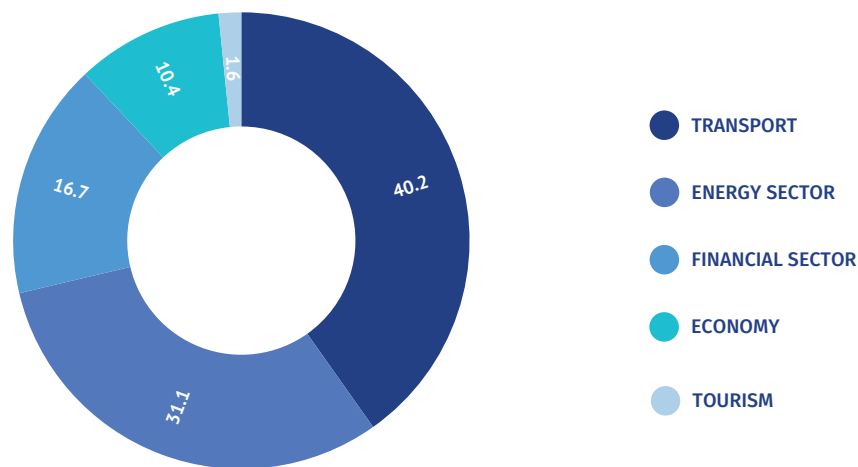
Structure of the SSH portfolio of capital assets by management pillar

The portfolio of RS and SSH assets is divided into four pillars, of which the pillars of Transport and of Energy sector comprise few more than 71% of the portfolio's book-value (see graph below). As at 31 December 2023, the total book value of shareholdings pertaining to capital assets under SSH's management amounted to EUR 12.2 billion (as at 31 December 2021, it amounted to EUR 11.2 billion).² SSH's portfolio is highly concentrated, with the top 20 companies with capital assets, measured by the book value of equity holdings, representing almost 95% of the total portfolio at the end of 2023.

¹ ZPIZ is a direct holder of 34.47% of share capital of Zavarovalnica Triglav. The shareholder's rights arising from these shares are exercised by SSH on behalf of and for the account of ZPIZ.

² The data and calculations provided below for 2023 are based on estimates and unaudited information for 2023 financial year, as available at the time of preparing the report, and are therefore subject to change.

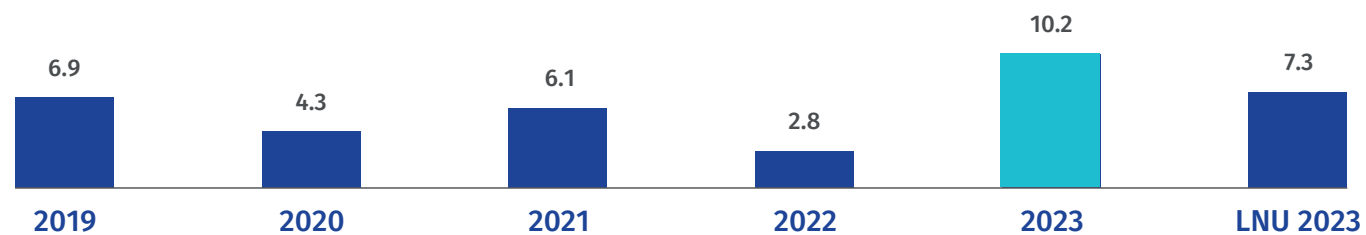
GRAPH: THE PROPORTION OF PILLARS IN THE TOTAL SSH PORTFOLIO OF CAPITAL ASSETS UNDER MANAGEMENT (TOTAL ASSETS OWNED BY RS AND SSH) AS AT 31 DECEMBER 2023,%



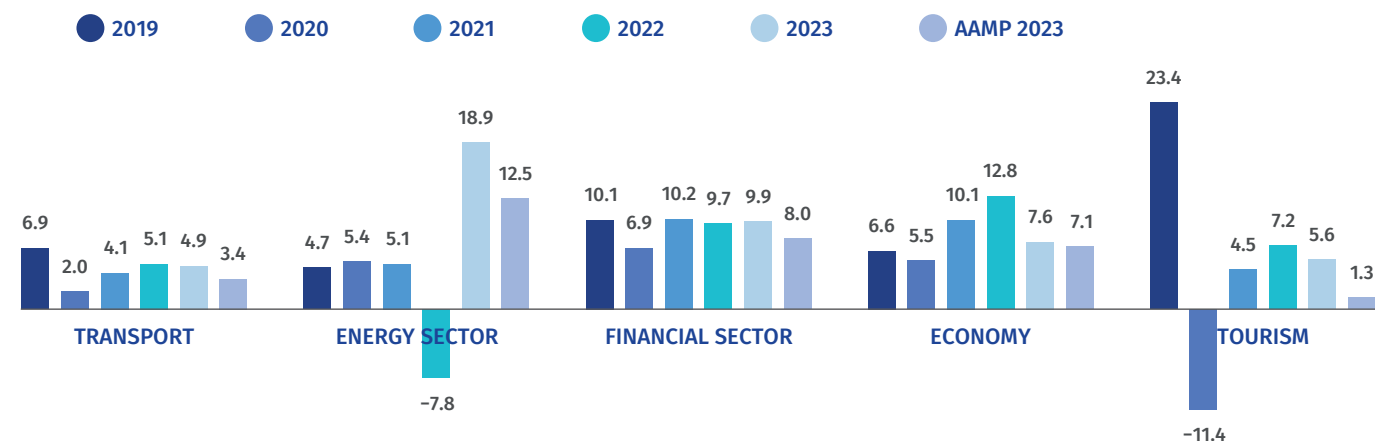
Return of equity (ROE) of the portfolio of assets under SSH management in 2019–2023 period

The return on equity (ROE) of the portfolio of capital assets managed by SSH in 2023 amounted to 10.2%, which is considerably more than targets stated in AAMP 2023 (7.3%) as well higher than performance results achieved in 2022 (2.8%).

GRAPH: ROE FOR PORTFOLIO OF CAPITAL ASSETS MANAGED BY SSH IN 2019-2023 PERIOD, IN %



GRAPH: ROE FOR PORTFOLIO OF CAPITAL ASSETS MANAGED BY SSH IN 2019-2023 PERIOD BY PILLARS, IN %

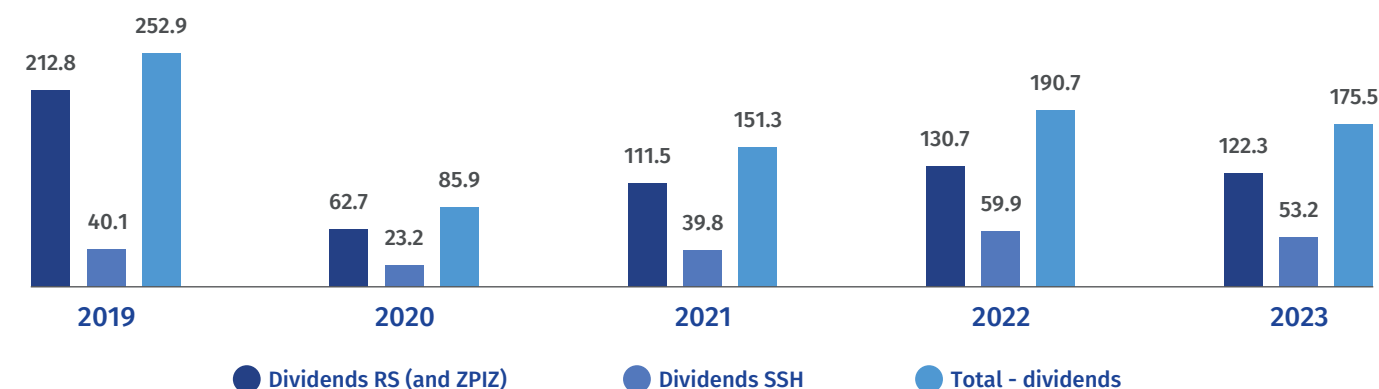


Dividends

When formulating proposals for General Meeting Resolutions and when devising the voting positions in connection with dividend pay-outs, SSH continued to advocate the aim of striking the balance between dividend-income and development needs of companies. In 2023, dividend payouts from companies in SSH’s management portfolio amounted to a total of EUR 175.5 million, which exceeded the AAMP plans by EUR 12.9 million

(AAMP 2023: EUR 162.6 million). Of this amount, RS (and ZPIZ) received EUR 122.3 million, while SSH received EUR 53.2 million in dividends. The largest dividend payers for SSH in 2023 were Krka, Zavarovalnica Triglav, Petrol, Pozavarovalnica Sava and Luka Koper, while for RS they were NLB, Zavarovalnica Triglav (ZPIZ), Luka Koper, SiDG and Krka.

GRAPH: DIVIDEND PAY-OUTS IN EUR MILLION FOR CAPITAL ASSETS OWNED BY RS AND SSH, SEPARATELY BY YEARS (FOR PREVIOUS FINANCIAL YEAR)



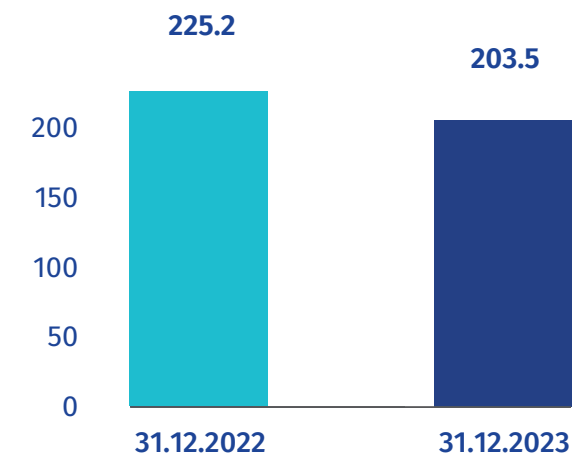
1.4.2 MANAGEMENT OF CLAIMS

The primary objective in managing claims is to maximise the total value to SSH. When SSH acts as both a creditor and a shareholder of the debtor, the aim is to enhance the combined value of its interests. The claims management also includes the management of individual capital assets for which the primary objective is to repay the SSH’s claims.

The claims management process initiates first with a situation analysis; this includes an assessment of (i) the potential for long-term repayment of claims through the debtor’s cash flows, (ii) the potential for disinvesting the debtor’s assets, (iii) the feasibility of a legal framework enabling maximum repayment of claims, (iv) the debtor’s readiness to seek a solution acceptable for SSH, and (v) any other circumstances that may affect repayment of the claims. Based on the analysis of the situation, the appropriate strategy is then selected which has been assessed as delivering the highest value for the creditor, either:

- the restructuring of claims,
- the recovery (the realisation) of collateral,
- sale of a claim,
- full or partial repayment of claims of debtor/guarantor.

BOOK VALUE OF CLAIMS (IN EUR MILLION)



Restructuring of debtors

The objective to restructure a company is to ensure the long-term efficiency of the debtor's operations, its liquidity and competitiveness and to maximise the repayment of debts through cash flows from operations and the divestment of unnecessary assets. Where possible, SSH seeks to reduce the debtor's indebtedness to a sustainable level with the aim of enabling the existing claims of SSH against the debtor to be refinanced by a commercial bank. Financial restructuring of the debtor can run concurrently with operational restructuring, which SSH can actively implement, especially in companies where it holds a dominant or majority ownership stake.

SSH implements financial restructuring measures in collaboration with other financial creditors. Financial restructuring measures makes it possible for debtors to extend the repayment period, reduce the interest rate, partially deleverage (mainly through the identification and sale of non-essential assets of the company), improving the capital structure and providing additional liquidity. SSH may convert its claims into equity investments, take on other claims and ownership stakes, or increase capital of individual debtors, particularly where it already holds ownership stakes.

Managing claims with collateral recovery strategy

Where a debtor is a loss-making entity and where even financial and operational restructuring measures would not ensure to generate more value in the future than the value which can be obtained through the recovery and realisation of collateral, SSH, acting as a fair and diligent business operator, opts for realising pledged assets and foreclosing on the debtor's free assets. This strategy is also basically applied to companies which are already subject to insolvency proceedings or on assets for which enforcement proceedings have been confirmed. On the other hand, the realisation of collateral can also be carried out by constituent agreement with the debtor, without initiating enforcement or insolvency proceedings.

Performance of claim management

In 2023, SSH generated EUR 52.2 million in cash inflows from claim management. The principal inflows were generated from the restructuring of claims against entities within the FORI Group. During 2023, 91 cases were resolved following the refinancing of business loans, regular or alternative repayments, with the full recovery of contractual debt, leading to inflows of EUR 23.9 million.

In instances where repayments were deemed unlikely as at 31 December 2022 (cases without tangible collateral), EUR 1.5 million was nonetheless recovered in 2023, which was achieved through a range of proactive measures. These relate to 49 cases (distribution of general bankruptcy estates, payments based on agreements, successfully completed enforcement and other judicial proceedings).

T-2 GROUP

In 2023, bankruptcy proceedings commenced for the companies Rešet, d. o. o., and Eko!, d. o. o., in which SSH continues liquidation activities. Parallel efforts were also undertaken to recover debts from T-2, d.o.o., and to address claims from other creditors within the T-2 Group. By the end of 2023, a settlement agreement had not been reached. Consequently, in 2024, SSH continued its recovery activities, including the initiation of bankruptcy proceedings against T-2, Gratel, and Lokainvest in the first quarter of 2024.

PAPIRUS GROUP

At the end of 2022, Annex No. 3 to the Financial Restructuring Agreement was signed, which came into effect on 1 January 2023, by way of which the obligations of the companies within the Group were extended until 31 December 2024. It included contractual provisions intended to incentivize the companies to secure refinancing from banks. Throughout 2023, the Group companies adhered to the contractual deadlines for repaying financial obligations to SSH.

FORI GROUP

In November 2023, an agreement on refinancing was concluded with the FORI Group, on the basis of which the company repaid its debt to SSH in the amount of EUR 1.7 million on 1 December 2023. Consequently, the FORI Group successfully finalized the restructuring of its debt through refinancing with the assistance of a foreign investor.

CIMOS GROUP

The management of the company, together with new owners, implemented measures for financial and business restructuring in 2023. This included securing additional liquidity from the owner and commercial bank, moratoriums from certain commercial banks, and preparing a plan to relocate production from Slovenia and Croatia to Bosnia and Herzegovina and Serbia. Financial obligations of the company under the financial restructuring agreement were not fully repaid in 2023, and the company ceased paying accrued default interest in December 2023.

MEJA ŠENTJUR

In 2023, a sales process was conducted for the sale of claims against MEJA Šentjur, which concluded unsuccessfully in the third quarter of the same year. In November 2023, the administrator of the compulsory settlement prepared a report on the approval of the compulsory settlement. In addition, a report was also prepared on the registration and subscription of new shares, during which SSH converted EUR 3.6 million of ordinary claims into capital, thus becoming the sole owner of the company. The court's decision on the approval of the compulsory settlement has not yet been issued, as the existing shareholder appealed the decision on the examination of claims.

MLM

After an unsuccessful sales process, SSH continued to search for a strategic partner for the company in 2023. Two interested investors were willing to acquire the company for EUR 1, under condition that a multi-million Euro of non-refundable state aid is provided; this, however, would constitute illegal state aid. Consequently, at the end of 2023, SSH announced a public call for offers to purchase a stake in MLM and provide financial assistance to the company, with the process continuing into 2024. Continuing these efforts, SSH persists in seeking a strategic partner for MLM, as the company continues to face liquidity challenges in its operations. In early June 2023, SSH supported the proposal of MLM's Management Board and Supervisory Board for a simplified reduction of the company's share capital at the company's General Meeting, aimed at ensuring capital adequacy. In October 2023, the company confirmed the report on the measures of financial restructuring.

ENGROTUŠ

Regarding Engrotuš, SSH's claims against the company were regulated by a master agreement signed after the approval of preventive restructuring in 2020. The contractual provisions were notably disadvantageous for SSH, given the absence of provisions allowing for the forced realization of securities, as the debtor consistently met its obligations. In 2023, pursuant to an agreement with SSH, the debtor divested real estate assets pledged to SSH, utilizing the proceeds to settle in full SSH's outstanding claims, totalling EUR 2.3 million.

MARTEX – IN BANKRUPTCY

In September 2023, at a public auction within the bankruptcy proceedings, a substantial industrial complex in Volčja Draga was sold for EUR 3.1 million. However, the purchase price in bankruptcy has yet to be settled.

RAVNE PRESSES – IN BANKRUPTCY

Following the liquidation of the entire bankruptcy estate, SSH, as a creditor in the bankruptcy proceedings, received EUR 1.0 million in repayment, fully satisfying SSH's claims against the debtor. As all other creditors were also fully reimbursed in the bankruptcy, the remaining bankruptcy estate will be distributed among the owners of the bankrupt debtor in proportion to their respective ownership shares, with SSH expected to receive additional inflows.

ISTRABENZ

Regarding Istrabenz, the debtor is repaying SSH as the sole creditor using proceeds from the sale of non-essential assets. In 2023, SSH received repayments totalling EUR 2.3 million from the sale of Zastava Istrabenz Leasing, d.o.o., Belgrade, and the sale of Kolomban land.

PRIMORJE – IN BANKRUPTCY

In September 2023, SSH concluded the acquisition of the Majske Poljane land within the bankruptcy proceedings conducted against the debtor. This approximately 34,000 m² plot of land in Nova Gorica is suitable for the construction of apartments.

GRADIS SKUPINA G – IN BANKRUPTCY

Following the completion of a mortgage lawsuit initiated in 2018, several apartments, commercial spaces, storage units, and parking spaces in the centre of Kranjska Gora were sold in execution against the mortgage debtor. As the first-ranking mortgage creditor, SSH was repaid from the proceeds of the real estate sales, significantly exceeding their reserve price.

1.4.3 MANAGEMENT OF TANGIBLE ASSETS

The management of tangible assets involves the disposal of both properties and movable assets owned by SSH, as well as leasing of real estate assets and other forms of their management.

The tangible assets of SSH primarily consists of real estate, along with movable assets such as artworks and other miscellaneous property. The management of tangible assets held by SSH also includes the management of selected capital assets, the predominant portion of which includes real estate assets.

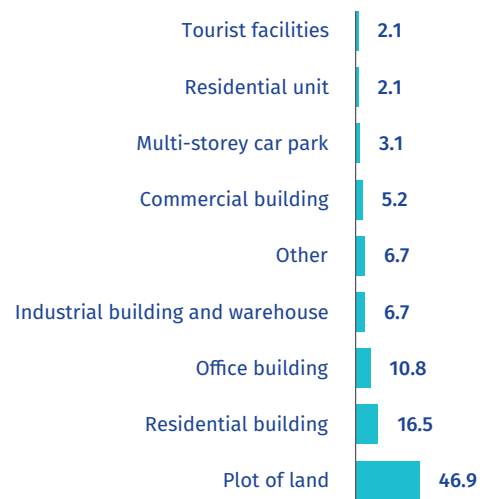
Objectives in management of capital assets

The fundamental objective in tangible asset management is to maximize value for SSH. To achieve this goal, SSH implements measures to increase the value of individual properties or portfolios of properties³ (such as land consolidation, spatial planning arrangements, change of land use, investment in maintenance works, management of investments across all phases of the investment process, etc.), as well as for efficient marketing.

The most of tangible assets are intended for sale, while a portion may also be leased (permanently), for example, when the necessary property development is completed, or the construction is built, or for lending purposes lent (works of art). The land, which, if used for the property development projects of business, residential and other type of structures, can provide the owner with a higher long-term return (through rent or the sale price of constructed properties) than an immediate sale, is intended for the development and construction of real estate projects.

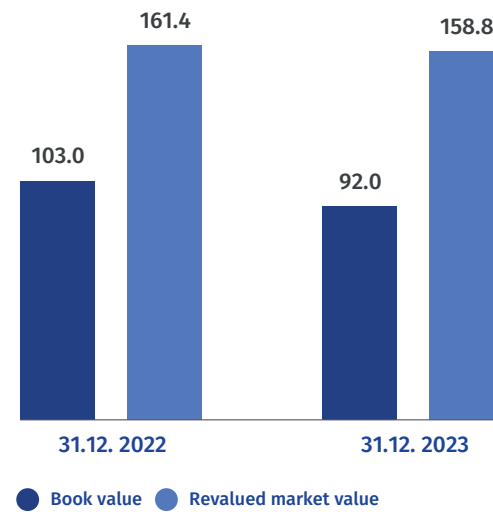
Portfolio of tangible assets

STRUCTURE OF REAL ESTATE PORTFOLIO BY REAL ESTATE TYPE (IN %)



At the end of 2023, SSH owned 194 sets of real estate units with a total book value of EUR 92.0 million. A smaller portion of the tangible asset portfolio (EUR 2.3 million) includes two aircraft, artworks, properties currently being acquired by SSH, advances given, and various equipment (located in business premises). Consequently, the total book value of tangible assets stands at EUR 94.3 million. Half of the properties consist of land, followed by residential, commercial, and industrial buildings. The land is predominantly intended for residential purposes.

THE BOOK VALUE AND THE REVALUATION MARKET VALUE OF OWNED REAL ESTATE (IN EUR MILLION)



Acquisition of tangible assets (conversion of claims into tangible assets)

Tangible assets (mostly real estate) represent the highest value of collateral for claims which were transferred to BAMC and subsequently, through the merger, to SSH. As the quality of the transferred claims was poor (making enforcement the most rational strategy for most debtor companies), a majority of these collateral assets (real estate) are subject to realization by bankruptcy administrators and debtors in the market. In these cases, SSH is repaid with the proceeds received, reduced by the costs of sales procedures. From the perspective of optimizing the value of its investment, SSH may also decide to take over tangible assets with the intention of their subsequent resale.

Takeover of tangible assets

In cases where it is not possible to achieve an acceptable market price for collateral (tangible assets) during the process for recovering the collateral, SSH may opt to participate directly in the sale of such assets as a purchaser in bankruptcy or enforcement proceedings. This approach allows SSH to acquire the tangible assets by offsetting the claims it holds against the debtor. The principal criterion SSH employs in determining whether to take direct ownership of the pledged asset is whether such ownership and management will result in a higher return than the sale price established by the bankruptcy administrator or the debtor company during the debt recovery process. Similarly, SSH decides to take over tangible assets even when there is no market interest for it in bankruptcy proceedings and it

cannot be sold at all, while assessing whether the tangible asset is burdened by potential liabilities, such as environmental contamination, and the like. In special circumstances, SSH decides to purchase even unpledged land to gain access to its real estate, consolidate ownership, and the like.

In 2023, SSH acquired 5 sets of real estate with a total acquisition value of EUR 4.8 million. The largest sets encompass approximately 40,000 square meters in total and are located in Nova Gorica and Ljubljana.

FIGURE: PLOT OF LAND IN NOVA GORICA



Management of owned real estate

As part of the management of tangible assets, a number of measures have been implemented to ensure that these assets are properly maintained and that (at a minimum) their value is preserved. All immovable and movable property is cared for in accordance with the principle of due diligence; buildings, which have been taken over, are adequately insured; damaged buildings are rehabilitated for to prevent any further damage, and additional security is provided over some assets.

In 2023, SSH implemented numerous measures to increase the value of its assets, including the development of two detailed municipal spatial plans in Ljubljana, carrying out various legalization procedures, and undertaking extensive, long-term post-earthquake renovations of residential buildings in Zagreb. The period from June to August was heavily marked by numerous weather disturbances, resulting in damages to numerous

APPRAISED VALUE OF COLLATERALISED REAL ESTATE (IN EUR MILLION)

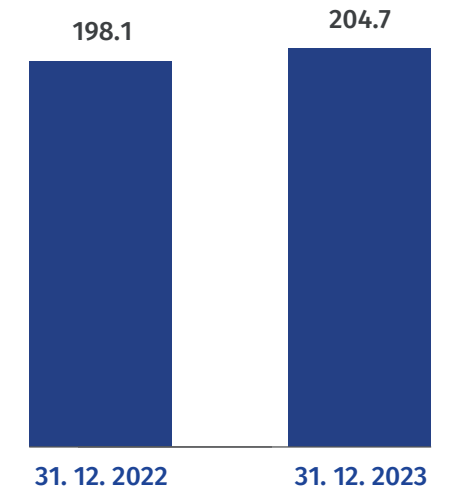
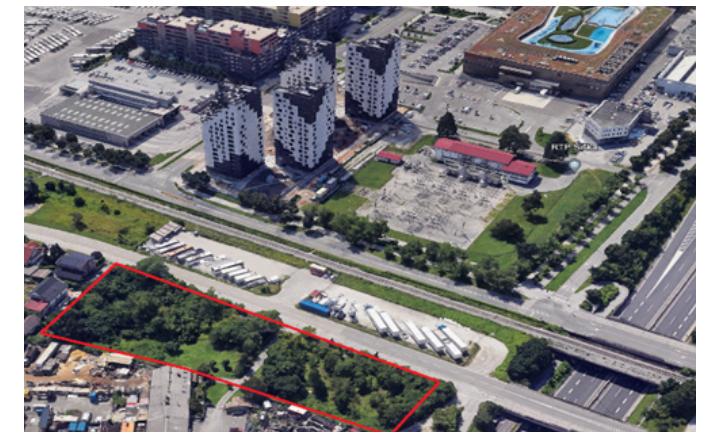


FIGURE: PLOT OF LAND IN LJUBLJANA



roofs and building fixtures of properties owned by SSH. As a result, various activities were carried out to prevent further damage to the buildings, and comprehensive renovations of these properties were also undertaken.

In collaboration with the Ministry of Culture, SSH successfully completed the transfer of 499 artworks from rented archival spaces to various state art galleries by the end of June. This initiative not only facilitated the effective relocation of the artworks but also resulted in cost savings for SSH in their management.

Throughout 2023, SSH also conducted numerous operational development activities on individual residential properties, where the construction of multi-family residential buildings is planned.

³ A set of real estate units represents a cohesive collection of multiple real estate assets (such as multiple land parcels at the same location, several individual parts of a building within the same structure, etc.).

Sales and leasing of tangible assets

At the beginning of the year, activities in the field of tangible asset management were initially focused on establishing efficient processes for the management of tangible assets and their sales. In the latter part of the first quarter, the initial significant sales transactions were executed, with the majority being realised in the second half of 2023. In total, more than 150 parts of real estate were sold in 2023, with a total sales value of EUR 18.8 million. Real estate was predominantly sold through electronic public auctions, with some also being marketed through adver-

tising. The largest number of individual units of real estate were sold as part of the Metelkova Parking House complex in Ljubljana (82 units). In addition to these sales, SSH also completed five sales transactions with a value exceeding EUR 1 million each. The largest sales included a fully operational four-star hotel in Bulgaria, a complex of interconnected industrial buildings spanning 5417 m2 in Hrpelje, an approximately 11,000 m2 unfinished commercial-residential building in Maribor, an 8200 m2 plot of land with a functioning tennis centre in Ljubljana, and a larger plot of land with a 4866 m2 production hall in Kromberk.

FIGURE: HOTEL OASYS, BULGARIA



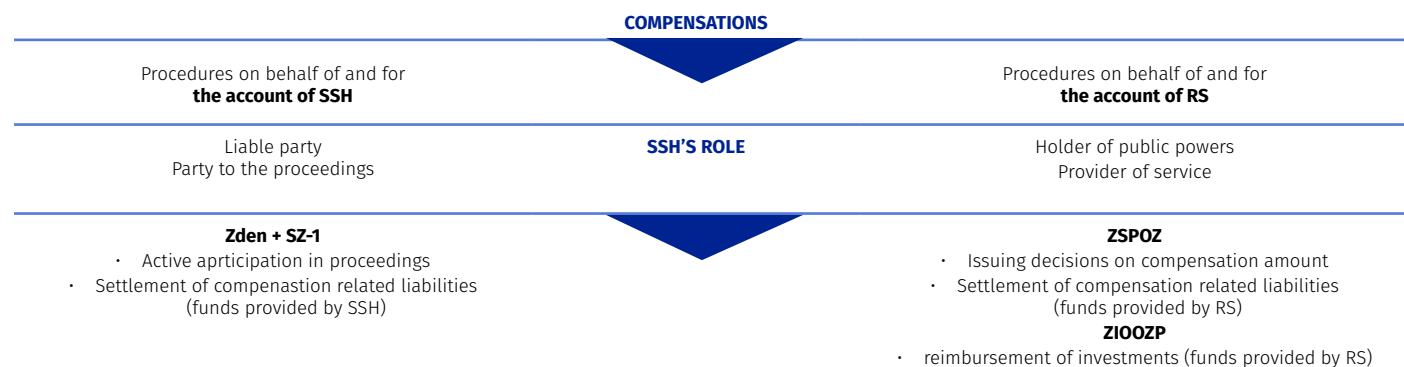
FIGURE: INDUSTRIAL BUILDINGS, HRPELJE



Revenue for SSH from the management of tangible assets in 2023 primarily relates to the sale of real estate, partly also from leasing arrangements. In 2023, SSH actively managed over 130 lease agreements and significantly increased the volume of rental income compared to previous years, amounting to almost EUR 1.9 million by the end of 2023.

In 2023, the transfer of land and buildings, comprising the former shipyard in Izola, was carried out. The property was formally transferred to the Republic of Slovenia in July 2023, pursuant to a decision by the Government of the Republic of Slovenia. This transfer was recognised as a return of capital to the owner, with the economic loss incurred by SSH duly acknowledged.

1.4.4 DENATIONALISATION AND SETTLEMENT OF COMPENSATION UNDER VARIOUS BILLS



SSH's role in denationalisation processes

SSH takes an active part in proceedings before administrative and judicial bodies and in procedures for determining compensation amount in line with Article 73 of ZDen, according to which the compensation may be determined in accordance with general rules on compensation. It takes part in mediation proceedings, primarily addressing compensation claims of re-constituted agrarian communities. SSH acts in two capacities in denationalization proceedings: firstly, as a party to the proceedings and as party liable to pay compensation, exercising all rights powers, competences, rights and obligations imposed on it by the rules governing the restitution of nationalised property

In 2023, same as before, SSH dealt with denationalization of assets, and larger nationalized companies and equity stakes in companies owned by individuals and legal entities. The return of assets to cooperatives or agrarian communities, as well as to some individuals and legal entities, continues. The subject of compensation claims includes land, residential and commercial buildings, industrial facilities, and movable assets. SSH was first involved in proceedings as a party in denationalization cases, where the jurisdiction of the decision-making body was disputed. The main issues that remain disputed relate primarily to the basis of nationalization, the legal succession of investors, eligibility for denationalization, questions regarding reciprocity for foreign nationals, and the status of building land.

Only the most expert complex denationalisation cases remain to be resolved. These are typically substantial cases, involving considerable compensation amounts and intricate legal and factual complexities.

Denationalisation procedures at the level of the Republic of Slovenia

The Ministry of Justice monitors the conclusion of the denationalization process and prepares semi-annual statistical reports which indicate that 98.3% of cases before administrative authorities were conclusively resolved as of 31 December 2023. Out of a total of 39,715 cases filed, 91 are pending, As many as 99.9% of the cases handled by the district courts were closed. Three out of a total of 2903 cases remain unresolved, but this data only pertains to claims under Article 5 of the Denationalization Act. Under the provision of Article 73 of the Denationalization Act, courts do not report on unresolved claims and claims from re-established agrarian communities. In both

cases, claims may still be lodged before the competent courts since their lodging is not limited with the preclusion period referred to in Article 64 of ZDen.

Denationalisation procedures at the level of SSH

In denationalisation proceedings, SSH carefully determines the compensation amount, which must comply with the law and subordinate regulations. In these matters, a comprehensive assessment is made of facts that affect the accurate and lawful determination of compensation. Calculations of the value of nationalized agricultural and building land, as well as the valuation of movable property, are reviewed. Appraisals of business premises and buildings, as well as art valuations, are verified with the assistance of experts and appraisers in the relevant field. Documents are obtained from various registers, and cadastral and land registry data are verified by SSH. SSH actively participates in proceedings by attending oral hearings and preparing settlement proposals in mediation procedures. The successful operation of SSH is reflected in the concluding part of special fact-finding procedures or in decisions that are appropriate for both parties. The reconsideration of cases at subsequent levels of decision-making is inevitable only in cases of differing legal positions between parties and authorities leading the proceedings.

As at 31 December 2023, SSSH had 161 pending claims in 112 administrative and judicial cases. The restitution of nationalized property is not yet complete; therefore, in 2023, SSH received two new cases with claims for compensation and one supplementary request. The administrative authorities and the courts convened 54 oral hearings and trials, in which SSH either participated or made written submissions on the claims. In the reporting period, SSH received 17 decisions of decisions by way of which claims were finally rejected at the first and at the higher instances. It reviewed eight building and agricultural appraisals, and took a position on appeals, actions, revisions by applicants and other significant documents in the process in just under 700 submissions. SSH utilised legal remedies against decisions on compensation amounts either due to an incompletely or incorrectly determined statement of affairs, or due to mistaken application of the substantive law.

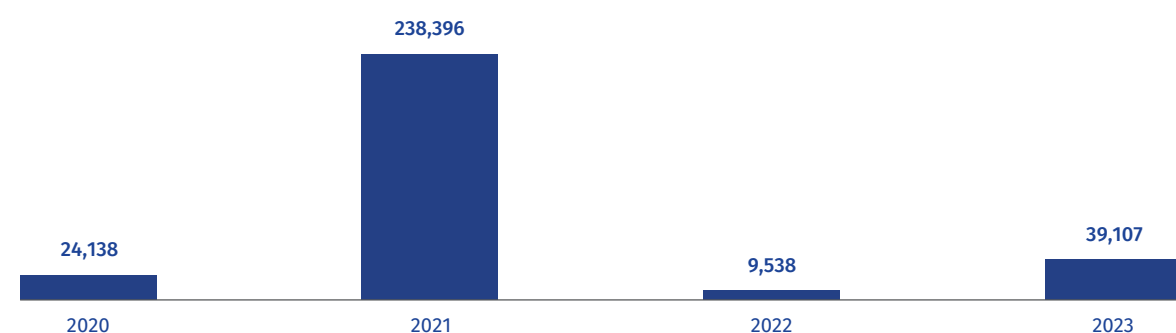
TABLE: THE NUMBER OF RECORDS RECEIVED AND SENT

	Total by 31 Dec 2023	From 1 January until 31 Dec 2023
New claims and continued claims received	22,547	2
Reports received on the factual and legal state of affairs of the case	22,753	14
First-instance decisions received determining compensation in bonds	20,604	26
Appeals filed in regard to decisions with preclusion period	6,070	11

When resolving claims, SSH also suggests to reaching a settlement agreement when such action is feasible based on the factual and legal context of the case. In 2023, three settlements were reached before the competent court in the mediation process.

Implementation of denationalisation-related decisions and settlement of liabilities

SSH executes decisions issued in administrative and judicial proceedings, as well as decisions issued by the Ministry of Environment and Spatial Planning concerning alternative apartment purchases. Eligible individuals must claim compensation under ZDen and other regulations governing the denationalization of property, as payment is not made automatically. The decisions are implemented by paying the full value of the SOS2E bond, including all matured coupons.

GRAPH: THE NUMBER OF PAID-OUT SOS2E BONDS

Since the commencement of its duties until 31 December 2023, SSH has re-registered 17,767,775 bonds to 28,238 holders, and paid out a total of EUR 1.7 billion. In 2023, the compensation of EUR 3.8 million was disbursed to 59 beneficiaries. The amount of EUR 38 thousand was paid to tenants renting denationalised apartments for their alternative repurchases.

Settlement of liabilities arising from compensations to victims of war and post-war violence and from compensation for confiscated property pursuant to the abrogation of the property confiscation penalty

Based on public authorisation, SSH conducts proceedings to issue decisions on the amount of compensation and, on behalf and for the account of the Republic of Slovenia, also handles all administrative and technical matters related to their enforcement. On the basis of the relevant policies and regulations and criteria determined by ZSPOZ, SSH calculates the compensation amount and issues a decision on the amount of compensation to the beneficiaries designated by ZZVN or Zpkri.

The total amount received by an individual beneficiary under ZSPOZ cannot exceed the legally established limit of EUR 8,345. Hence, SSH also issues determinative decisions wherein it concludes that certain beneficiaries are not entitled to compensation despite being recognized as eligible.

In the reported period, SSH thus issued 14 decisions on compensation amount, which were based on ZPkri. Some beneficiaries were not granted compensation as they had already received the maximum possible compensation amount. From 1 January to 31 December 2023, SSH disbursed EUR 120 thousand to beneficiaries under ZSPOZ.

On the basis of the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property (ZIOOZP), on behalf of and for the account of the Republic of Slovenia, SSH calculates and accrues the compensation specified in the enforcement title according to the criteria of this law. Final decisions on compensation amount for the confiscated property are implemented by paying out the total value of the RS21 bond.

As regards the reporting period, the compensation in the equivalent value of 39,907 RS21 bonds was paid out to beneficiaries or their legal successors, totalling EUR 2.5 million.

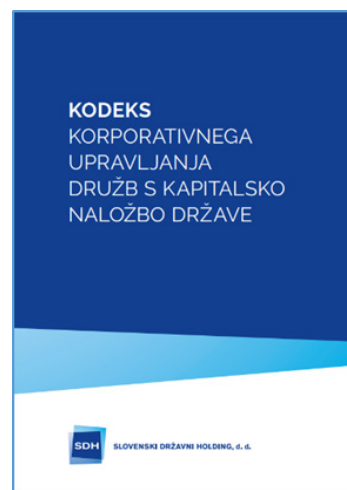
1.4.5 DEVELOPING CORPORATE GOVERNANCE PRACTICES AND CHANGES TO KEY CORPORATE GOVERNANCE INSTRUMENTS

One of the most important tasks pursued by SSH is to contribute to the development of the corporate governance system of SOEs, which is based on corporate governance instruments - they are publicly disclosed and ensure the predictability and transparency of the system and overseeing the functioning of the corporate governance system. These corporate governance instruments include the State Assets Management Strategy, the Annual Asset Management Plan (AAMP); Criteria for Measuring Effectiveness of SOEs, SSH Corporate Governance Code for SOEs SSH Asset Management Policy. Continuing in 2023, by means of assuming an active asset management approach, SSH worked on implementing the best practices in corporate governance in order to achieve its asset management objectives.

Corporate governance instruments revised in 2023

Following the acquisition of assets from DUTB, which introduced two new categories of assets—claims and tangible assets—SSH initiated a revision of its **SSH Asset Management Policy** before the close of 2022. A valid, substantially refreshed, and updated version of the SSH Asset Management Policy was approved by the Supervisory Board of SSH in June 2023. Considering the new organization of SSH after the merger with BAMC and the transfer of assets from BAMC to the management of SSH, the SSH Asset Management Policy has been adjusted and harmonized to a significant extent regarding the management of all three types of investments (capital assets, claims, and tangible assets) in terms of basic principles and practices. In the updated of the SSH Asset Management Policy, special emphasis was placed on improving the candidate selection process for members of the Supervisory Boards, by enhancing the accredita-

tion and nomination processes to assess, in the most systemic manner, the knowledge, qualifications, and compliance with fit & proper standards of candidates for members of the Supervisory Boards, including their duty of continuous education and training). The chapter on the SSH Nomination Committee and the candidate selection processes has thus been substantially modified compared to the previous version, which regulated the same matter. Among the significant new solutions, it is worth mentioning provisions on classifying candidates into accreditation categories based on the different levels of complexity of the position they are applying for. Details are regulated in the equally extensively updated the **Rules on assessment of potential candidates for members management and supervisory bodies of SOEs**, which was adopted by the SSH Management Board in May 2023. A novelty in the revised SSH Asset Management Policy is also a special chapter relating to the principles that SSH considers when exercising its corporate rights as a company member or a shareholder. The provisions are primarily aimed at establishing basic rules that SSH adheres to when formulating its voting positions when attending the General Meetings of companies, and, by extension, the provisions also apply as a guide for SSH when making decisions in its role as the founder of single-member companies. Until now, such principles have been regulated in a separate act (SSH's Premises for Voting at General Meetings of SOEs), which is abolished by transferring its provisions to the SSH Asset Management Policy.



In December 2023, the **Corporate Governance Code for SOEs (SSH Code)** underwent extensive revisions. The aim of the revision was to introduce current topics into the corporate governance of state-owned companies (e.g., gender balance among members of management and supervisory bodies, sustainability reporting) and to enhance various areas of corporate governance to improve transparency in operations, increase the accountability of officeholders, enhance stakeholder trust, and strengthen compliance and integrity. The SSH Code, as a whole, is primarily intended for non-public companies with state capital investment and public companies whose shares are not listed on an organized securities market – these companies use the SSH Code as their reference code. Only certain principles and recommendations of the SSH Code are dedicated to public limited companies with state capital assets, whose shares are listed on a regulated securities market. These principles and recommendations go beyond the Slovenian Corporate Governance Code for Listed Companies. These public companies thus adhere to at least the principles and recommendations of the SSH Code expressly addressed to them, but they may also choose to use the SSH Code as their reference code. These recommendations are specifically marked with the abbreviation “JDD” in the SSH Code. For public companies that are only public based on the criterion of their bonds being listed on an organized market, it is expected that they use the SSH Code as their reference code. The SSH Code includes recommendations

regarding the formulation of strategic objectives, which should be long-term and sustainable and aligned with the company's fundamental objectives. The SOE's annual plans must align with its strategic goals and represent their concrete realization (gradation of objectives). Additionally, a recommendation regarding gender representation in management and supervisory bodies has been added. Another recommendation is for SOEs to set an example for other companies and operate ethically, responsibly, and in accordance with the law. Financing, restructuring, and comparable actions undertaken by a company predominantly owned by the state or SSH, when dealing with other commercial entities, must adhere to state aid rules. In the chapter concerning the body of supervision, exceptions to the prohibition of non-monetary benefits for members of Supervisory Boards have been added (premium for D&O insurance, costs of education and memberships in professional organizations), and recommendations have been included specifying the duties and obligations of the President of the Supervisory Board and the Secretary of the Supervisory Board and its Committees. Based on the principle of importance, the list of transactions for which the Supervisory Board must give consent to the management has been slightly modified. A new recommendation has been added for “in-house” companies, where all members of the Supervisory Board may now be dependent on the client, if necessary to ensure the company's status as an internal service provider. In the section concerning the management, the criteria for appointing directors have been slightly tightened for the purpose of enhancing trust and integrity, and a recommendation has been added regarding the formation of an internal succession policy in large companies. The system of mandates is now explicitly provided as a special recruitment path in the case of multi-member management.

Simultaneously with the SSH Code, the **SSH Recommendations and Expectations** were also amended. This is an internal document of SSH that specifies the general principles of the SSH Code. The novelties primarily concern compliance, with recommendations focusing on establishing the function/position of a compliance and integrity officer, as well as the obligation for companies to identify risks in the area of compliance and prepare a risk management plan.

1.5 ANALYSIS OF SSH OPERATIONS AND LIQUIDITY

1.5.1 CASH FLOWS AND FINANCIAL DEBT

In the cash flow, the most important items on the inflow side include dividends received, the fee for managing capital assets held by RS and inflows arising from claims and the sale and lease of real estate. Noteworthy outflows consist of compensation payments to denationalization beneficiaries, settlement of operational costs, expenses for real estate acquisitions, advance payments for corporate income tax, and VAT liabilities and local municipal fees relating for the use of building land (in Slovene: NUSZ) and the purchase of the second floor at 5 Mali Street in Ljubljana. Major outflow items include payments imposed under the three laws (ZSPOZ, ZIOOZP and ZVJTO), which are settled by SSH on behalf of and for the account of RS. These expenses do not have an impact on the financial position of SSH since they are repaid to SSH by RS.

Financial and operating liabilities of Sava, d. d., including principal, interest, and fees, amount to EUR 62,729 thousand and are due on 30 June 2024 in accordance with Annex No. 6 to the SAVA Reprogramming Agreement.

Sava Turizem, d. d., has taken long-term loans from commercial banks, with the final maturity at the end of 2036. The company is repaying its liabilities according to the amortization schedules. The value of the assets of the Sava Group which has been provided as collateral for financial liabilities significantly exceeds the amount of its financial liabilities.

in EUR '000

	SSH 2023	SSH 2022	SSH Group 2023	SSH Group 2022
Cash flows from operating activities				
Cash receipts from operating activities	125,140	81,337	261,551	111,876
Cash payments relating to operating activities	-64,820	-34,268	-181,848	-62,135
NET CASH FLOW FROM OPERATING ACTIVITIES	60,320	47,069	79,703	49,742
Cash flow from investing activities				
Cash receipts from investing activities	68,524	159,089	125,063	161,139
Cash payments relating to investing activities	-76,635	-124,585	-145,935	-141,300
NET CASH FLOW FROM INVESTING ACTIVITIES	-8,111	34,504	-20,872	19,839
Cash flows from financing activities				
Cash receipts from investing activities	0	41,599	0	42,409
Cash payments from investing activities	-33,960	-133,634	-42,713	-135,853
Net cash flows from financing activities	-33,960	-92,035	-42,713	-93,444
BAMC cash balance as at takeover date	0	29,775	0	29,775
SAVA cash balance as at takeover date	0	0	0	34,698
CASH AT END OF PERIOD	47,906	29,657	67,072	50,954
Net cash inflow/(outflow) during the period	18,249	-10,462	16,118	-23,863
Cash at beginning of period	29,657	10,344	50,954	-10,344

1.5.2 STATEMENT OF FINANCIAL POSITION

On its session of 25 October 2022, the National Assembly of the Republic of Slovenia adopted ZSDH-1, which, among other matters, removed the obligation for the free-of-charge transfer of strategic and important assets from SSH to the Republic of Slovenia, which was required on the basis of the provisions of ZSOS-C, adopted in 2017, and the transfer deadline extended with the adoption of ZIPRS2122 to 31 December 2022.

When the obligation to transfer capital investments to the Republic of Slovenia was removed, a deferred tax liability of EUR 68.3 million was once again created. The Company values equity investments at fair value through other comprehensive income (FVTOCI); the tax liability will arise on the day of disposal/sale of individual investment.

During the second half of 2022, BAMC managed to repay EUR 62.7 million of a loan 2022 from its own funds, and an additional EUR 70 million was provided by SSH (the acquiring company), so that the financial debt amounted to EUR 30 million at the end of 2022. The loan was repaid on 15 March 2023.

Previously, SSH primarily accounted for liabilities towards denationalization beneficiaries in the non-current provisions. With the merger, the range of non-current provisions expanded

to include guarantees for apartments sold, unsettled legal disputes, and warranties and collateral given. One portion of the liability for compensation to the denationalisation beneficiaries, which is expected to be settled in 2024, is disclosed under current liabilities (EUR 10.9 million).

As before, the most significant items among the assets are financial investments, while among the liabilities, provisions for compensation to denationalization beneficiaries.

The main difference between SSH and the SSH Group relates to the acquisition of the subsidiary Sava, d. d., which has been included in the consolidated financial statements since 20 September 2022. The predominant portion of the difference in the Statement of Financial Position includes real estate and equipment from the tourism sector, along with financial liabilities and non-current provisions. The Sava Group is exclusively focused on tourism and is the largest tourism company in Slovenia. It has accommodation facilities in various tourist destinations in Slovenia, including Bled, Moravske Toplice, Ptuj, Portorož, and Radenci. Its key products include vacations, events, conferences, wellness, healthcare, thermal parks, camping, and golf. A more detailed presentation of the impact of the acquisition is provided in the Accounting Report, in section 3.6.2.

in EUR '000

	SSH 31 Dec 2023	SSH 31 Dec 2022	SSH Group 31 Dec 2023	SSH Group 31 Dec 2022
ASSETS	1,508,614	1,358,429	1,747,039	1,586,161
Non-current assets	1,050,402	948,182	1,260,272	1,150,674
Property, plant and equipment	3,113	2,062	255,603	259,943
Financial investments	1,047,289	946,120	1,000,479	885,600
Investment property	0	0	4,164	5,105
Trade receivables	0	0	26	26
Current assets	458,212	410,247	486,767	435,487
Inventories of real estate and equipment	94,276	106,188	95,445	106,927
Financial investments	300,896	261,978	203,468	225,177
Cash and cash equivalents	47,905	29,657	67,072	50,954
Trade and other payables	15,135	12,424	120,782	52,429
EQUITY AND LIABILITIES	1,508,614	1,358,429	1,747,039	1,586,161
Equity	1,359,616	1,191,257	1,461,854	1,282,408
Equity attributable to the owners of the controlling company	1,359,616	1,191,257	1,394,115	1,213,870
Called-up equity	301,766	301,766	301,766	301,766
Capital reserve	112,287	112,287	112,287	112,287
Other revenue reserves	250,601	66,003	313,510	66,003
Fair value reserve	616,057	521,324	303,840	201,846
Retained net profit or loss	0	189,877	319,520	469,059
Net loss for the period	78,905	0	43,192	62,909
Equity attributable to non-controlling interest	0	0	67,739	68,538
Non-current liabilities	111,429	119,355	174,384	189,511
Provisions	44,766	49,147	58,228	62,384
Financial liabilities	41	15,044	42,889	64,285
Deferred tax liabilities	66,622	55,164	73,267	62,842
Current liabilities	37,569	47,817	110,801	114,242
Financial liabilities	194	15,233	34,414	49,992
Trade and other liabilities	37,375	32,584	76,387	64,250

1.5.3 INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

The Income Statement of SSH for 2023 encompasses the full-year operations of SSH, while the figures for 2022, include the total revenues of SSH as well as the income generated and expenses incurred by BAMC in the second half of the year, rendering the categories incomparable.

The realised profit exceeded the planned profit primarily due to revaluation gains on claims amounting to EUR 33.90 million and on real estate amounting to EUR 3.90 million.

The realized financial expenses are higher than planned due to the depreciation of real estate inventories, write-offs of business receivables, financial investments, and revaluations of receivables.

The planned income also included reimbursements of external contractors' costs that would have been incurred in the projects for the acquisition, disposal or management of RS capital assets, but which were not realised in 2022. As a consequence, the costs of services did not reach the planned level.

in EUR '000

	SSH Realised in 2023	SSH Realised in 2022	SSH Group Realised in 2023	SSH Group Realised in 2022
Operating income	35,664	18,711	163,658	42,157
Cost of goods sold	13,300	3,277	40,695	3,312
Operating expenses excluding denationalisation-related reserves	22,943	15,575	113,501	39,677
Long-term provision	0	0	5,014	0
Operating profit/(loss)	-579	-141	4,448	-832
Financial income	99,455	83,638	81,636	102,992
Financial expenses	16,784	17,347	50,930	18,514
Share of profit/loss from investments measured at equity method			9,949	45,129
Profit before taxes	82,092	66,150	45,103	128,775
Income tax	-2,737	-1,144	-3,322	-1,143
Deferred tax	-450	997	612	760
Net profit/(loss) for the period	78,905	66,003	42,393	128,392

1.6 ORGANISATIONAL DEVELOPMENT OF SSH

1.6.1 COMPLIANCE AND CORPORATE INTEGRITY SYSTEM

The SSH's compliance and integrity system is set up in accordance with the provisions of ZSDH-1. These provisions are further enhanced by rules and procedures defined in the Company's internal policies and regulations. Special attention is paid to the provisions of applicable legislation related to conflict of interest, traceability of contacts, reporting on non-public contacts and unethical or illegal conduct or influence, acceptance of gifts, restriction of transactions with related parties, transactions by obliged entities with securities of companies managed by SSH, handling of reports of alleged irregularities, and ethical standards included in the SSH Code of Ethics. SSH has established an Integrity Plan, which is regularly updated based on newly identified risks. It encompasses both ongoing and one-time measures to manage risks in compliance and integrity. The area of personal data protection and prevention of money laundering and terrorist financing also falls within the scope of the Compliance and Integrity Department.

The compliance and integrity system is an integral part of the comprehensive risk management system at SSH. Risks are systematically monitored within the framework of the Master Risk Register, which includes not only the Integrity Plan but also the Basic Risk Register and the Security Risk Register. Risk owners manage the risks, and discussions on identified risks and measures are conducted at regular sessions of the Risk Committee and the Chief Compliance and Integrity Officer's secretariat.

At the beginning of 2023, with the implementation of a new organizational structure, the Compliance and Integrity Department (hereinafter referred to as: the "CIS Department") was formed as a staff service of the SSH Management Board. The Chief Compliance and Integrity Officer assumed the role of the Director of the CIS Department. Internal procedures were appropriately upgraded in line with the new legislation on the handling of irregularity reports. SSH became one of the 24 authorities in the Republic of Slovenia for handling external irregularity reports. A whistleblower protection officer was appointed for handling internal reports and an official was designated for handling external reports. The advisory function of the authorized person or the CIS Department was strengthened.

On of the key ongoing activities of the CIS Department, which represents a significant "above-standard" level of competence and role for CIS, includes reviewing all materials for executive committees and the Company's Management Board, providing opinions or approvals as necessary. Additionally, the department reviews all revised or newly prepared internal company documents and assesses contracts valued at over EUR 10,000 for compliance and integrity. The CIS Department continually monitors legislative and regulatory developments related to SSH's activities and informs relevant personnel about them.

In 2023, the CIS Department strengthened its advisory role and provided opinions on questions raised by employees, the management, and members of SSH's Supervisory Board, prepared opinions related to specific dilemmas encountered in SOEs, conducted training activities for SSH employees, and participated in educational events in the field of CIS which were aimed at members of supervisory and management bodies of SOEs.

It organized two working meetings with persons authorized to oversee compliance and integrity matters in SOEs where SSH holds a majority ownership or significant influence. It also took part in the improvements of the provisions outlined in the Corporate Governance Code and the SSH Recommendations and Expectations with regard to the compliance and integrity area of work. Additionally, it collaborated with an external consultant to enhance internal procedures for managing conflicts of interest and improved the internal communication system to address changes or current topics related to compliance and integrity.

Handling reports on alleged irregularities

The Chief Compliance and Integrity Officer received a total of 82 reports under the system for handling reports of suspected irregularities.

The number of reports saw a significant rise in 2023, chiefly due to the implementation of the Reporting Persons Protection Act and extensive activities throughout the year concerning the drafting and enforcement of the legislation. SSH improved

procedures for addressing internal reports and for managing external reports (reports of suspected irregularities in SOEs).

In accordance with internal processes, reports were categorised into the following categories:

- alleged irregularities by employees, members of bodies and working bodies of SSH;
- alleged irregularities by companies with state capital assets;
- violations whose handling falls under the responsibility of other bodies or institutions (the referral of such reports for their handling);
- inappropriate conduct under Article 57 of ZSDH-1;
- expression of opinion by persons reporting non-ethical or illegal conduct;
- other issues not classified as reports.

Fifty-five reports pertained to suspicions of irregularities in the functioning of SOEs which are included in the SSH's portfolio of assets (external reports). Twenty-three reports were expressions of opinion by whistle-blowers, or they included other matters where no elements of alleged irregularities were detected. Four reports related to alleged irregularities within SSH and were addressed in accordance with internal procedures. The Whistleblower Protection Programme was not activated, as based on the content of the reports and the anonymity or immediate anonymisation of the reporters in individual cases, there was no need for it. External reports were handled within SSH's remit, and where applicable, appropriate measures were taken, or recommendations were provided to the portfolio companies.

SSH's main operational compliance and integrity tools



Conducting business in accordance with relevant legislation, codes of reference, ethical standards and provisions of SSH's internal policies and regulations



Continuously reviewing risks identified and actions outlined in the Integrity Plan within SSH, along with quarterly reporting on the implementation of the Integrity Plan and the activities of the Chief Compliance and Integrity Officer as well as the CIS Department to the Management Board and the Supervisory Board



Providing advisory services and organizing training sessions for employees, arranging workshops for compliance officers from SOEs, and collaborating on educational events for companies within SSH Portfolio



Cooperating with regulatory bodies and investigative institutions, submitting explanation and documentation



Addressing reports of alleged irregularities within SSH and SOEs.

Personal data protection

As regards personal data protection, SSH added new datasets to its registry, commencing their processing in 2023. All endeavours concerning personal data protection proceeded smoothly. The Personal Data Protection Officer addressed a request from an individual for the disclosure of SSH documents, which the individual claimed contained personal data. All personal data pertaining to the individual, as held by SSH, was duly sent or disclosed.

On 10 August 2023, an incident concerning data protection was reported. SI-CERT informed the Company of a data breach involving the unauthorised extraction of data from an application provided by an external vendor, which is used on mobile devices. A systemic vulnerability within the software employed by SSH was identified, resulting in the data breach of six individuals. The compromised data included official email addresses, specifically those of the first six individuals in alphabetical order in the dataset of the application.

SSH promptly responded by implementing corrective measures, manually installing the necessary update to the external provider's application on 10 August 2023, thus mitigating any potential further data breach.

A formal notification regarding the breach in personal data security was dispatched to the Information Commissioner using the prescribed format, outlining the issue and the measures undertaken by SSH. On 24 August 2023, the Information Commissioner notified SSH that no inspection procedure would be instigated, as the incident had no impact on the rights and freedoms of the individuals whose data was compromised. The actions taken by SSH were considered appropriate.

Money Laundering

In 2023, SSH conducted its annual internal training on anti-money laundering and counter-terrorism financing for employees who engage in customer transactions or conduct customer reviews, in line with the provisions of the Prevention of Money Laundering and Terrorist Financing Act. The training focused on practical examples where, during second-level checks, it was

1.6.2 INTERNAL AUDIT

In terms of organisation, the SSH's internal audit functions as an independent department. It is responsible for exercising continuous and comprehensive oversight of the legality, regularity and timeliness of SSH's operations. The basis for its operation is the Internal Audit Charter. The scope and schedule of Internal Audit's activities are defined in the annual work plan of the, which is adopted by the Management Board of the Company with the consent of the SSH Supervisory Board.

Internal audit successfully completed all tasks planned for 2023. The audit reviews in SSH covered both compliance and performance of the Company. Significant audit reviews at SSH pertained to the information security of SSH and processes initiated within SSH after the merger with BAMC, especially the management and valuation processes of claims and real estate. With the aim of reducing significant risks for SSH or the Republic of Slovenia, which may affect the objectives of SSH and/or the Republic of Slovenia regarding the ownership of individual capital assets, business reviews of companies under SSH's management are conducted annually; one such review was conducted in 2023.

The expertise of internal auditors enabled the execution of planned internal audit reviews. Audits related to the review

1.6.3 RISK MANAGEMENT

In the arena of risk management at SSH, throughout 2023, efforts ran parallel to standard operations, aiming to facilitate a seamless exchange of information among diverse operational domains and cultivate collaboration among specialized sectors within SSH. These endeavours were geared towards fortifying the organisational culture and enhancing staff awareness regarding the pivotal role of risk management. Emphasis was placed on embedding such principles into the everyday workflows of all employees.

deemed beneficial to refresh knowledge. The number of customers reviewed in 2023 was significantly higher than before the integration of BAMC. SSH consistently monitors the list of countries posing a high and increased risk of money laundering or terrorist financing activities, adjusting customer review procedures accordingly.

of SSH's information security and individual applications were conducted in collaboration with an external expert. All audits carried out were performed in accordance with the Hierarchy of Internal Audit Rules.

In areas where some weaknesses were identified, recommendations were made to establish an even more effective system of internal controls and adequate risk management. Both SSH as well as companies under review took a proactive approach to remedy the shortcomings identified.

The assessment of the Internal Audit with regard to the areas reviewed is as follows:

- the significant risks were identified and evaluated, and appropriate responses to risks were selected. An internal control system for fraud prevention has been established;
- the Company operates in accordance with internal the rules and external regulations in the areas being reviewed, ensuring the reliability and integrity of business information;
- the Company's organizational management adheres to adopted directions and business objectives.

Activities were carried out during joint sessions of the Risk Committees (hereinafter referred to as: the "Committee") and meetings with the Chief Compliance and Integrity Officer, as well as with risk owners. These activities also included regular joint meetings of the Three Level Risk Management Working Group, which is composed of representatives from compliance and integrity, internal audit, controlling, and risk management departments.

Risk management system

The risk management process in SSH is based on a centralised and integrated system which functions at SSH as a whole. Risk management is the responsibility of every SSH's employee whose actions and decisions expose them daily to risks within the scope of their job responsibilities.

The risk management framework at SSH is governed by the Risk Management Policy, with coordination of the risk management process overseen within the Controlling, Risk Management and Valuation Department. The bodies involved in the process include the SSH Management Board, the joint Risk Committee, the members of the secretariat of the Chief Compliance and Integrity Officer, and the Risk Commission of the Supervisory Board as an advisory body to the Supervisory Board.

FIGURE: ORGANISATIONAL STRUCTURE FOR RISK MANAGEMENT PROCESSES AT SSH



Joint meetings of the Risk Commission (and the Compliance and Integrity Officer' secretariat) are convened four times a year or as required. The chairperson of the committee is the President of the SSH Management Board, who presides over the committee. Their deputy is a member of the Management Board. The responsibilities of the committee secretary are carried out by an independent risk advisor. All documentation related to risk management (reports, analyses, risk registers, internal documents, etc.) is discussed by the bodies involved in the risk management process during their respective meetings.

All risks, which SSH is exposed to during its operation, are described in the Master Risk Register in a systematic manner. The said Register is composed of the following parts:

FIGURE: SSH MASTER RISK REGISTER



In the Basic Risk Register, the SSH risk model is conceptually linked to a set of four risk categories:

- I. Company-level risks;
- II. Operational risks;
- III. Business security risks (employees - security and operation), and
- IV. Risks in business environment.

The Risk Register details all risks which SSH is exposed to in its operations. The following key risks are highlighted:

1. **strategic risks**, include risks to which SSH is potentially exposed due to changes in legislation that could have negative consequences on the scope and nature of SSH's operations in the future,

2. **financial risks**, the most prominent of which is the liquidity risk as a result of which SSH would not be able to meet its legal or any other obligations during a given period or on a given day;
3. **risks associated with the merger of BAMC with SSH**, where HR risks, IT risks, accounting and financial risks, risks associated with the transfer of investments, real estate, and claims, harmonization of investment databases, legal risks, general affairs risks were the most prominent **risks, as well as risks associated with the post-integration period**,
4. **risks associated with the digitisation of business processes**, including the introduction of e-documentation and the transition to paperless operations, as well as potential breaches of SSH's data systems,
5. **risks associated with asset management (capital assets, real estate and claims)**, in which case unforeseen market conditions may significantly deteriorate business conditions or even make business operations unviable and adversely affect the results of operations,
6. **HR risks** are associated with staff planning, development and retention,
7. **risks associated with personal data protection**, which are connected with the processing of personal data by outsourced data processors, the possibility of personal data having been disclosed, and with the inadequate software used for the management of personal data bases,
8. **risks associated with the safekeeping of documents, of data and of pieces of information**, in which regard appropriate measures have been adopted to manage risks arising from the established work-from-home mode of operation introduced (unauthorised access to business documents/data, loss of documents/data, computer hacking and misuse of IT systems and misappropriation of data as a result of access rights which have been established anew to enable work from home, hacking of and misuse of remote communication devices and systems),
9. **IT risks** are associated primarily with cybersecurity. with the IT system outages and external service provider outages, inability to operate in emergency circumstances due to incompletely defined business continuity plans and procedures,
10. **employee safety and mode of work** in which regard measures were adopted to take preventive action, as well as measures in the case of individual infections and meas-

ures to address poorer effectiveness connected with the work-from-home mode of operation, and measures to tackle worsened psychological conditions of an individual (psychological issues),

11. **safety of property**, in case when business premises are infected and offices are inadequately protected,
12. **risks stemming from changes in the external business environment** due to geopolitical risks, the negative and long-term detrimental impact of exceptional circumstances on the Slovenian economy, and disruptions in critical infrastructure operations.

The Security Risk Register contains the risk model of SSH and is conceptually linked to five risk groups associated with its operations, which refer to

1. **employees and hazards to employees** (work accidents, poisonings, traffic accidents, serious illnesses, latent or open dissatisfaction, lack of loyalty, the possibility of employee strikes, threats, pressure, extortion of employees by third parties, violence at work (physical, psychological, sexual violence etc.), lack of a security culture;
2. **property and technical security** (theft/alienation, destruction/damage to fixed assets and small inventory, fraud, embezzlement, robberies, poor, inadequate performance of the security service);
3. **data protection** (intrusion and misuse of information systems, protection of personal data, theft of data/information (materials));
4. **information security** (failure to identify trade secrets (levels of confidentiality of materials), economic espionage, information security and use of company equipment and assets),
5. **protection of documentation** (archiving, data/information retention).

In accordance with ZSDH-1, a specific approach is defined for addressing corruption risks, unlawful and unethical conduct, as detailed in the Compliance and Integrity Plan which is presented in detail in the section on corporate chapter on compliance and integrity.

Risk assessment

SSH evaluates its risk exposure using a five-level matrix based on unified criteria for assessing risks with regard to the importance of potential consequences or impacts on SSH operations and their probability of occurrence.

Significance of potential consequences:

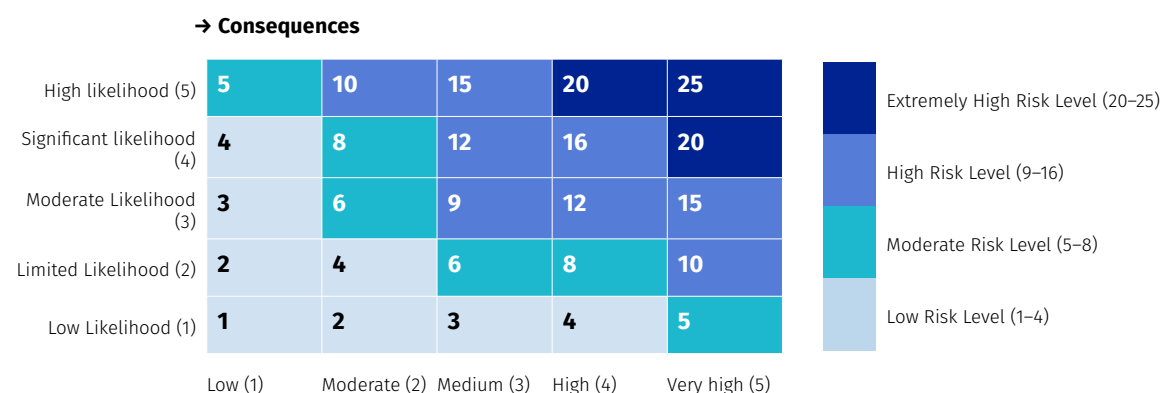
- **Low (1)** – up to EUR 10 thousand (no consequences/no impact);
- **Moderate (2)** – up to EUR 100 thousand (partial impact),
- **Medium (3)** – up to EUR 1 million (medium impact),
- **High (4)** – up to EUR 10 million (high impact), and
- **Very high (5)** – more than EUR 10 million (very high impact).

Likelihood of Event Occurrence:

- **Low Likelihood (1)** – once or twice every 10 to 20 years,
- **Limited Likelihood (2)** – once or twice every 5 to 10 years,
- **Moderate Likelihood (3)** – once or twice every year to once every 5 years,
- **Significant Likelihood (4)** – once or twice every month to once every year, and
- **High Likelihood (5)** – once or twice every day to once or twice a month.

FIGURE: RISK QUANTITATIVE ASSESSMENT MATRIX

LEVELS OF RISKS (PROBABILITY X CONSEQUENCES):

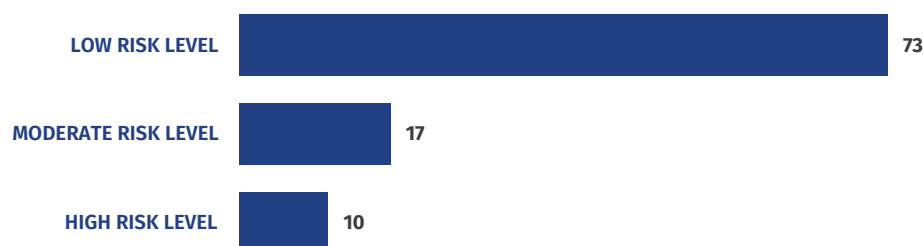


According to the levels of risk acceptability, SSH is prepared to accept only risks which have been assessed as low. These risks are monitored on a semi-annual basis at the Risk Commission’s meetings. For risks assessed as moderate, high, and extremely high, specific measures are identified, and additional proposed measures are added if necessary. Implementation of these measures is continuously monitored. Such risks are prioritized for discussion at regular Risk Commission’s meetings. These risks can be addressed and monitored more frequently, not just during regular meetings if such a decision is made by the members of the Risk Commission.

Risks assessed as moderate, high, and extremely high are managed through:

- risk reduction (strengthening internal controls, implementing effective risk reduction measures, assigning responsible parties and deadlines for implementing measures);
- risk avoidance (contracting with verified external contractors);
- risk transfer (insurance coverage with an insurance company).

FIGURE: RISKS AS AT 31 DECEMBER 2022 IN %



Key risks in 2023

In 2023, ten percent of the risks to which SSH was exposed and assessed as high were linked to the potential adverse effects of significantly deteriorated business conditions or a recession. These risks included deviations in the performance of portfolio companies from the expectations and targets outlined in the Business and Financial Plan or the Annual Asset Management Plan, negative consequences arising from state-imposed price regulations and inadequate legislative provisions, macroeconomic risks affecting the sale or lease of real estate in property management, the deteriorating financial condition of debtors in claims management, and risks related to the ineffective management of the information system supporting claims management. Furthermore, these risks encompassed geopolitical uncertainties and the long-term detrimental impacts of extraordinary circumstances on the Slovenian economy, which fall within the category risks related to the business environment.

Seventeen percent of all risks were assessed as moderate. These were associated with issues encountered by individual companies owned and managed by SSH and their potential insolvency (and ultimately, bankruptcy) due to worsening economic conditions. They also included the negative impacts of new or amended legislation affecting decisions on profit distribution, insufficient adaptation by companies to a changing business environment, risks in property management related to property valuations which did not incorporate all relevant data due to limited time for review, difficulties in the prompt disposal (including sale) of real estate, challenges in generating rental income, risks associated with evicting tenants or finding (or retaining) potential tenants for harder-to-sell properties, insufficient regular oversight of properties, risks related to acquiring properties encumbered with individuals or items, risks associated with payments of contingent liabilities in denationalisation procedures, risks arising from external property valuations, and cybersecurity threats.

SSH closely monitors the performance of companies in its portfolio, holds periodic meetings with company representatives, articulates its expectations, monitors their execution, prepares internal analyses of the condition of companies with capital assets and sensitivity analyses, and implements other measures. However, SSH cannot fully manage these risks through its own actions, as they can also emanate from the external business environment and may be the result of the worsening economic conditions. Unfavourable market conditions can significantly worsen business conditions or even render business operations impossible, negatively impacting business outcomes.

During the merger process of the Bank Asset Management Company (BAMC) with SSH, significant risks were identified beforehand, presenting both opportunities and challenges for all employees at SSH. These processes entailed integrating various business activities, and processes, cultures, personnel, and roles. In recognition of the significance of these risks, challenges, and opportunities, SSH formulated a comprehensive set of measures and activities to ensure that risks associated with the merger process were effectively identified and managed. The implementation of these measures was subject to ongoing oversight through regular weekly meetings of the project team responsible for the merger, as well as through the committee. Following the successful integration of BAMC into SSH, the risks associated with the merger were, by mid-2023, succeeded by those pertinent to the post-merger phase. Throughout the merger process and its aftermath, none of the risks materialized, underscoring SSH’s effective execution of all necessary measures to avert them.

To address HR risks, SSH plans its workforce needs, nurtures their development through regular training, and focuses on their retention. Thus, it has a prepared staffing plan for a designated period, in which key positions are identified and departures are planned.

With the rising global cyber risks, SSH has undertaken numerous measures and activities in this domain, introducing various safeguards and firewalls against malicious intrusions, computer viruses, and other information system damages, with a strong emphasis on employee training.

Operational risks cover a wide spectrum of the company’s activities and account for as much as 73% of all risks in 2023. SSH has established and regularly implements appropriate measures to address all risks identified in its Basic Risk Register and Security Risk Register. Risks and the implementation of measures for their mitigation are consistently monitored and dealt with in detail within the scope of regular meetings, events and regular sessions of the committee. By strictly adhering to legislation, adopted documents and provisions of internal policies and regulations and through various risk-mitigation mechanisms, SSH has succeeded in having its risks properly identified, addressed and managed.

1.6.4 CORPORATE SECURITY

The Management Board has appointed a Corporate Security Officer who is responsible for monitoring compliance with internal regulations and providing advice in case of identified discrepancies.

The security measures introduced include physical and informational, or cyber security measures, such as:

- risk assessment;
- employee security awareness;
- implementation of suitable security infrastructure;
- collaboration with the leading companies to ensure cyber security;

- regular monitoring and action;
- encryption of business content;
- advanced management of credentials and access control;
- correlation of corporate security events or incidents;
- unification of physical and technical security oversight.

To raise awareness among employees about the importance of information security, a workshop on information security for all employees and a social engineering attack simulation were conducted in 2023. Additional risks in the field of corporate security were not identified.

1.6.5 ACCESS TO INFORMATION OF PUBLIC NATURE

SSH is a liable party under the Public Information Access Act. In 2023, SSH received 10 requests to access information of a public nature, which referred to various aspects of its operations.

The structure of applicants was as follows: individual (4), lawyer (2), legal entity (2), journalist (1), Member of Parliament (1).

Decisions on requests received:

- rejected: 4
- partially granted, partially rejected: 2
- dismissed: 2
- granted: 1
- referred to another liable entity for access to public information: 1

1.7 SUSTAINABLE BUSINESS OF SSH



The main purpose of SSH is for SOEs to achieve the financial success expected by the owner while simultaneously implementing all three aspects of sustainable business: responsible attitude towards the society and the natural environment along with responsible management.

1.7.1 STATEMENT OF NON-FINANCIAL INFORMATION

In accordance with the provisions of Article 70.c of the Companies Act (ZGD-1), in conjunction with Article 56, Paragraph 12 of ZGD-1, SSH, as a public-interest entity with an average number of employees exceeding 500 at the balance sheet date for the Group, includes a non-financial statement in its annual report at the group level.

The required content of the non-financial statement is incorporated into the Business Report of the Company and the SSH Group. The following areas are specifically highlighted:

- the description of the business model or value creation model is presented in Chapter 1.2; Overview of the SSH Group and SSH is detailed in Chapter 1.4.; SSH's core business activities, which are discussed in Chapter 1.4
- environmental, social, and HR policies and results: Information on policies, results related to human rights, and anti-corruption and bribery efforts is provided in Chapter 1.7; Sustainable business,
- the main risks associated with the aforementioned areas are described in Chapter 1.6.3. - Risk Management System.

SSH does not yet monitor key non-financial performance indicators at the company or group level. However, it sets certain key indicators for the companies under its management as part of the expectations outlined in the Annual Asset Management Plan and when setting strategic objectives for strategic companies.

As mentioned in point 1.1 of this Report, i.e Corporate Governance Statement, SSH's subsidiaries are not managed as a joint concern; they are managed in the same way as other SOEs. Therefore, detailed information about the non-financial performance of the subsidiary Sava, d. d., is not included in this Report, but it can be found in the company's and Sava Group's Annual Report for 2022, which is published on the following website (www.sava.si).

The following is an outline of the main elements contributing to the sustainable value creation of companies in the SSH's portfolio.



Contribution to the 2030 Agenda

SSH has analysed and examines 17 goals of the 2030 Agenda, of which five objectives have been selected to be pursued in accordance with its mission and strategic directions. They are presented in order of significance and categorized based on the following characteristics:

- whether, considering its activities, SSH can have an impact on the selected goal and contribute to its achievement;
- whether a goal is an integral element of SSH's sustainability.

The SSH's contribution to the 2030 Agenda is presented in two pillars, i.e. Asset Management and SSH as a corporation.

ASSET MANAGEMENT



- 1 Value creation (increasing the value of equity in SOEs, increasing ROE and, attaining the strategic goals of RS, in accordance with AAMP)
- 2 2 2 Expectations regarding SOEs' sustainability through AAMP, Performance Criteria, the Code and Recommendations
- 3 Selection of suitable and competent members of supervisory boards
- 4 Open communication and dialogue with stakeholders
- 5 Continuous improvement of the corporate governance culture
- 6 Ongoing enhancement of expertise among members of supervisory boards
- 7 7 7 Continual improvement of standards in all strategic management areas highlighted in AAMP
- 8 Enhancing gender diversity outcomes in management and supervisory bodies.

SSH



- 1 Supportive working environment for employees
- 2 Promoting work-life balance
- 3 Education and training for employees (priority areas: digitisation, asset management, sustainable business, sector-specific governance topic)
- 4 Promoting health at work
- 5 Carbon footprint reduction and maintaining low energy consumption
- 6 Continued digitisation and paperless operation
- 7 Careful procurement and waste reduction and segregation.

E – Environment, S – Social, G – Governance

1.7.2 KEY SUSTAINABILITY ACTIVITIES

Selected topics and a summary of key sustainability activities carried out in 2023 is presented below.

SUBJECT MATTER	Activities in 2023
ASSET MANAGEMENT	
1 Value creation (increasing the value of equity, claims, tangible assets, increasing ROE and, attaining the strategic goals of RS, in accordance with AAMP)	The section covering the performance results for the year 2023 presents the details regarding the portfolio's ROE and dividends received.
3 Selection of suitable, diverse, and competent members of supervisory boards	In May 2023, SSH revised its SSH Asset Management Policy and adopted new Rules on the Assessment of Potential Candidates for Members of Supervisory and Management Boards of SOEs, which tightens the candidacy requirements for supervisors in more complex business systems. More information is available in the Chapter 2 of the Annual Report - Management of Assets of RS and SSH .
4 Open communication and dialogue with stakeholders	The table below illustrates the most important SSH's stakeholders, the method of their engagement and key areas of their cooperation and interest.
5 Continuous improvement of the corporate governance culture	New SSH Recommendations and Expectations have been adopted, including additional recommendations regarding corporate culture, diversity, fairness, and inclusivity, compliance, and the allocation of sponsorship and donation funds for disaster relief companies.
7 7 7 Continual improvement of standards in all strategic management areas highlighted in AAMP	In the Annual Asset Management Plan for 2024, SSH has included significant recommendations and expectations regarding ESG topics for portfolio companies.
2 2 2 Expectations regarding sustainable business as outlined in AAMP, Criteria, the SSH Code and the SSSH Recommendations and Expectations	A revised Code of Corporate Governance for SOEs has been adopted. More information is available in the section on the development of corporate governance practices.
6 Ongoing enhancement of expertise among members of supervisory boards and organization of educational events	Conducting educational events and training sessions for members of supervisory bodies of the portfolio companies and other decision-makers.
8 Improving gender diversity in management and supervisory bodies	Improving the representation of women on supervisory boards: from 26.1% in 2022 to 30.1% in 2023 (as at 31 December). For Management Boards, the improvement is from 24.5% in 2022 to 28% in 2023.
SSH	
1 Supportive working environment for employees	More is presented in the chapter on employees.
2 Promoting work-life balance	
3 Education and training for employees (priority areas: digitisation, asset management, sustainable business, sector-specific governance topic)	
4 Promoting health at work	More in the chapter on responsibility towards the natural environment.
5 Carbon footprint reduction and maintaining low energy consumption	
6 Continued digitisation and paperless operation	
7 Careful procurement and waste reduction and segregation.	

1.7.3 REVIEW OF STAKEHOLDERS AND THEIR ENGAGEMENT

SSH has many stakeholders who represent an important part of the Slovenian economy, the executive and legislative authorities, and the social partnership associations, to name just three of the largest groups. SSH strives for professional and two-way communication with them, in which regard their interest and needs are identified and monitored and included in a variety of ways. Some collaborations with stakeholders are also governed by law.

The table below illustrates the most important SSH's stakeholders, the method of their engagement and key areas of cooperation and interest.

Stakeholder	Methods of Cooperation	Areas of Cooperation and interest covered	Activities in 2023
Companies from the RS and SSH portfolios; members of Supervisory and Management Boards	Regular periodic and other meetings, written communication, invitations to SSH events.	Monitoring business performance of a company and of the attainment of economic and strategic indicators set, monitoring of companies' operations and harmonisation of goals planned, supplementary training and implementation of cases of good practice, stable, professional; predictable and transparent governance.	SOEs are SSH's key stakeholder and for that purpose a standardised system of cooperation and for relations with companies from the RS and SSH portfolio has been established (supervisory boards and management boards); the system is explained in detail in Annual Report on Management of Capital Assets of RS and SSH . SSH organized 87 regular meetings with portfolio companies in 2023 (43 in spring and 44 in autumn). Additionally, meetings on various governance matters were arranged with the companies. SSH dispatched a letter to the members of the Supervisory Boards stressing the significance of bolstering the competencies of board members and continuously enhancing their knowledge, including through participation in SSH's educational events.
National Assembly of RS, Government of RS, sectoral ministries	Quarterly asset management reports, Annual Report - Management of Capital Assets of RS and SSH, the cooperation in regard to the carrying out of sectoral policies, the participation of three decision-makers at the sessions of SSH's Supervisory Board (Article 41 of ZSDH-1). The cooperation must be traceable (Article 7 of ZSDH-1). The Government of the Republic of Slovenia acts as the General Meeting of SSH.	The effectiveness in the attainment of economic and strategic goals from the Asset Management Strategy and Annual Asset Management Plan, the amount of dividends paid out to the RS's budget. Regular collaboration with relevant ministries regarding the achievement of strategic goal.	The participation of SSH's representatives at the meetings of the Committee on Finance also occasionally be on the Commission for Public Finance Control, regular quarterly and annual reporting to the Government of RS and the Parliament, regular cooperation with sectoral ministries.
Employees	Face-to-face and virtual cooperation, e-mail, participation in governance (Employees' Council), Intranet portal, employee meetings, directors' meeting and sectoral meetings.	Information flow, training and education and other activities in the framework of the HR strategy, employee-management relations, diversity and equal opportunities, health and safety at work and at home and health promotion, measures in the framework of the full Family Friendly Company certification, reconciliation of work and family life during the coronavirus crisis, transition to hybrid working.	These activities are presented in more detail in the remainder of this Chapter.
The media	Press releases, statements for interested media, timely and prompt responses to journalist inquiries, personal interactions with journalists, occasional event invitations, and, if necessary, other forms of communication.	Up-to-date, comprehensive and transparent information on major developments in the business of SSH and in the management of RS and SSH capital assets. Enhancing the positive image of the Company. Maintaining positive and regular relationships with all stakeholders.	SSH issued 29 press releases, eight statements from the SSH Supervisory Board meetings, and one announcement for portfolio companies in 2023. SSH published 29 press releases, Eight press releases from the SSH Supervisory Board's meetings, and one announcement to SOEs; In 2023, SSH recorded 2500 media appearances. The most prominent media topics were: energy (HSE, EDP), business operations of companies in the SSH portfolio (MLM, Dars, Petrol), the merger with BAMC, and the Remuneration Policy for members of management bodies.
Beneficiaries for compensations under various bills	Procedures before administrative, judicial and other bodies, implementation of public powers.	Consistent adherence to regulations for the determination of compensations, fair and effective payment of compensations under various bills.	See section on denationalisation for a more detailed presentation.

Social partners	Sessions of the Expert Committee for Economic and Social Affairs which is a consultation body of the SSH's Management Board (representatives of trade union associations).	Providing opinions and giving initiatives in regard to economic and social affairs (consequences for employees in companies managed by SSH in the fields of labour law, legal form of organisation and social security).	One regular meeting was organised.
Business partners	SSH has established a clear and transparent manner for selecting business partners (financial advisors, legal advisors and other suppliers of goods and services), The criteria for the selection of suppliers of goods and providers of services differ in regard to the type of a supplier and provider. SSH adheres to the following principles: the principles of economy, efficiency and effectiveness, the principle of ensuring competition among the bidders, the principle of transparency, the principle of equal treatment and the principle of proportionality. Calls to tender, meetings.	Adherence to the provisions of the Public Procurement Act, internal policies on procurement of goods and services and relevant provisions in regard to prevention of corruption, protection of trade secrets, avoidance of conflicts of interest, etc., clear selection criteria, regular settlement of liabilities, compliance with the Decree on green public procurement and ZDIJ (publication of the essential elements of a contract).	In 2023, in addition to procedures for the public procurement tenderers under ZJN-3, a total of 443 contracts of record with a total value of almost EUR 1.76 million were concluded. All orders have been placed in the general field of business. Out of these, 78 contracts of record for the procurement of goods in the general field were placed, with a total value of EUR 0.12 million, predominantly involving general affairs and human resources (the purchases of various material). For the execution of services, 257 contracts of record were concluded, totalling EUR 1.55 million. These primarily pertain to consulting services, upgrade services, maintenance and license procurement in the IT sector, training implementation, and others. In 2023, eight contracts of record for construction works were also concluded (implementation of renovations on various facilities).
Potential investors	Publicly posted Requests for Proposal for the purchase of capital assets and other assets managed, announcement and submission of information on SSH's activities in connection with the processes for the sale of capital assets.	Transparent, equal and competition-based conduct of sale processes in accordance with applicable regulations and comparable international practice.	Publications of invitation for submitting bids on the Public Procurement Portal and through e-auctions platform (in Slovene: e-dražbe).
Regulators and supervisory institutions	Electronic mail, submission of applications, meetings, reporting.	The adherence to the legislation and the compliance with regulations and good practice in corporate governance, transparency of operations.	Occasional cooperation in accordance with the law. Cooperation with the Court of Audit of the Republic of Slovenia in audit reviews.

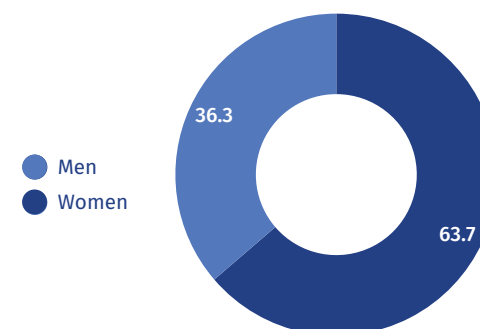
Key information about employees

Through their work, proactive approach to the implementation of tasks, their creativity, and personal professional development, the employees of SSH demonstrate their willingness to progress, thereby contributing to the successful functioning of the Company.

KEY INFORMATION ABOUT EMPLOYEES AS AT 31 DECEMBER 2023.

Female	79
Men	45
Total number of employees	124

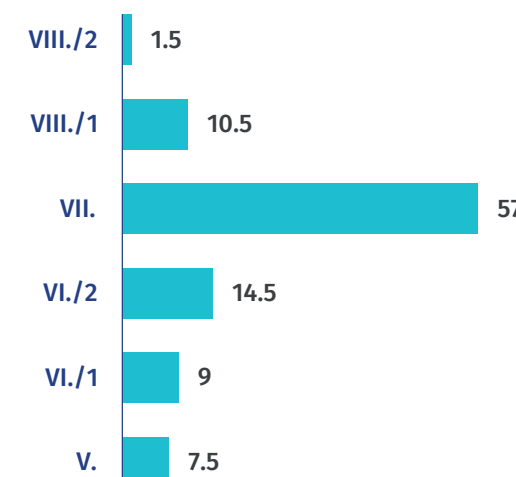
EMPLOYEE STRUCTURE BY GENDER AS AT 31 DEC 2023, IN %



Educational structure

Owing to the nature of its operations, SSH predominantly employs highly skilled professionals. The breakdown of employees' educational qualifications at SSH as at 31 December 2023, is illustrated in the graph below.

QUALIFICATION STRUCTURE OF SSH EMPLOYEES AS AT 31 DEC 2023, IN %



Development activities and care for employees

In addition to providing a supportive and health-friendly work environment, SSH provides its employees additional social security and assistance in balancing their professional and personal lives. There are two groups organised for these purposes: the Health Promotion Group and the Family-Friendly Company Group. They implement a variety of measures in both domains to cultivate pleasant and competitive working environments.

The Company implements employees' development plans gradually, in line with adopted policies. Drawing from the guidelines outlined in SSH Human Resources (HR) Strategy for the 2021–2023 strategic period, the Company strategized activities and laid the groundwork for employee development (endorsing the Key and Prospective HR Management Policy and the Strategy for Effective Management of Older Employees). Throughout 2023, the envisaged employee development endeavours experienced a slight deceleration owing to post-merger operations and shifts in task allocation across multiple organizational units. Employee development was underscored by the acquisition of fresh experiences and skills within specific realms of the Company's operations and a deepened collaboration, including intergenerational teamwork.

Within the year, a cumulative total of 4919 hours of training were conducted within the company, prioritising professional education and, to a lesser degree, the cultivation of soft skills. Professional training sessions were primarily held in person, where feasible, fostering employee engagement and networking. The Health Promotion Group and the Family-Friendly Company Group organised tailored training sessions aligned with employee interests, complemented by recurrent sessions on Slovenian linguistic norms, attended by nearly all employees in smaller groups. Training sessions tailored for supervisory and management board members of companies under SSH management were bolstered, drawing significant attendance from SSH personnel.

After completing five training modules designed to enhance leadership skills, three additional modules were held in 2023. These sessions focused on amalgamating the two identities and establishing a unified one for the expanded management structure following the BAMC merger, with an emphasis on practical training and case studies.

New employments in 2023

SSH's employment processes are conducted in a transparent manner and following the principle of equal opportunity.

In SSH, there were several public job postings in 2023, and by 31 December 2023, the Company employed eight new individuals. They joined various departments, including claim management, real estate management, capital assets management, the Information Technology sector, and the Secretariat of the Management Board (for Public Relations). During the year, the employment contracts of eighteen individuals ended, primarily due to the discontinuation of activities by the legal predecessor of BAMC in Maribor.

Organizational Climate within the Company, Interpersonal Relationships, and plans for further integration



The organizational atmosphere in the company is fostered by the leadership together with the employees, based on the values outlined in the SSH Code of Ethics. The Company's survey on the organizational climate and employee satisfaction, typically conducted at the end of each calendar year, was delayed to June 2023 due to intense merger activities. The Company acknowledges that suitable working conditions and quality interpersonal relationships contribute to more successful work and operations. Measures promoting health, such as occasional healthy breakfasts, fruit at the workplace, and encouragement of a healthy lifestyle, as well as initiatives under the Family-Friendly Company program, further support employees in balancing personal and professional life (for example, possible additional absence from work in various cases). Joint socially responsible events for employees also contributed to an enhanced organisational climate by fostering and strengthening personal relationships and collaboration among staff members.

The Company addresses issues of misconduct through the Rules on the Prevention of Mobbing and Other Forms of Harassment and Bullying at the Workplace, and the Rules on the Prohibition of Work Under the Influence of Alcohol, Drugs and Other Illegal Substances, and other provisions of internal policies and regulations, supplemented by additional awareness-raising efforts. The Rules on Determining Disciplinary Liability defines also mechanisms for internal resolution in cases of violations of ethical provisions outlined in internal policies and regulation.

Workplace Health and Safety and Health Promotion

The work at the Company is predominantly office-based and does not pose significant health risks to employees. In 2023, following the merger, there were significant changes in the

organization of the Company (changes in job roles, risks, new employer locations, etc.), which led to an update of the Safety Statement and Risk Assessment and adjustments to employee safety training instructions and internal policies and regulations related to safety and health at work and safe and healthy work environment. An inspection of the premises at locations where the Company operates was conducted. The SSH's Safety Statement and Risk Assessment were last revised in September 2023, prompted by changes resulting from the merger with BAMC. This update was more comprehensive than usual due to the operational activities occurring across various locations.

Hybrid work has become a best practice in recent years and was also implemented in 2023. An analysis of hybrid work showed that employees adhere to safe and healthy work regulations even when working from home, which is why the established hybrid work method, if work processes permit, will continue in the future.

The absenteeism rate increased compared to previous years

The absenteeism rate, which did not exceed 3% in previous years, was 6% in 2023, mainly due to an increase in long-term sick leave among employees of the merged company.

Contributions to employee social security

SSH provides to all its employees a premium for additional pension insurance which is provided by the Pension Fund MKPR, managed by Modra zavarovalnica. SSH ensured the payment of premiums for voluntary additional pension insurance at the pension fund MKPR of Modra zavarovalnica for the employees who were taken over, and for whom premiums for voluntary additional pension insurance were also paid into the same pension fund before the merger.

Internal communication and employee collaboration with management

Open and regular communication with employees and among them is fundamental for a good organizational atmosphere, maintaining good relationships, and achieving good business results.

The goal of employee relations in SSH is to ensure effective communication, raise awareness of the Company's mission, strategy, and values, promote team collaboration, and facilitate the exchange of knowledge, ideas, and experiences, while encouraging engagement by recognizing team and individual achievements.

Internal communication takes place face-to-face or online through various mechanisms (meetings, councils, employee assemblies), using various communication tools (internal newsletters, internal socially responsible and networking events, internal portal, structured e-notifications, internal surveys), and projects (raising awareness of corporate culture, research, surveys).

The internal portal provides information from all areas relevant to the Company's operation: current information, all valid internal SSH policies and regulations are available in one place, educational materials, measures related to preventing mobbing, occupational health and safety, promoting health, and family-friendly company policies, as well as current topics of the workers' council, which is an important connecting link between employees and the Management Board. At the end of 2022, the Employees' Council and the SSH Management Board laid the foundations for good cooperation by concluding an agreement on employee involvement in company management.

The Management Board and the Employees' Council meet at meetings, when necessary, and employees are informed of the with Council's final annual report. Additionally, all-employee assemblies are convened upon proposals from the Employees' Council or the SSH Management Board.

1.7.4 EDUCATIONAL AND OTHER MEETINGS

As part of its activities to update the skills and improve the quality of the work of the members of the Supervisory Boards, SSH focused on the strategic themes of **sustainability, risk, new technologies and integrity**. It organised the following training sessions:

- Holistic Approach to Risk Management;
- Impact of Implementing CSRD on Future Performance of Companies;
- Current Issues of Compliance and Integrity in SOEs;
- The Impact of AI of Business Operations in Future,
- Employee Mental Health as Business Imperative: how to create a successful and healthy organisation,
- Practical Challenges in Public Procurement from Compliance and Integrity Perspective.

Additionally, SSH facilitated a three-day training programme on Sustainability in Business, which was organised by the Centre of Business Excellence of the University of Ljubljana, Faculty of Economics, offering complimentary attendance to all relevant portfolio companies. Furthermore, in cooperation with the Commission for the Prevention of Corruption, extended invitations to participate in a significant event titled "Whistleblowers as Key players in Integrity Society" during the Prevention of Corruption Week. This partnership underscores the importance of joint efforts to bolster integrity within the SOEs' portfolio.

Throughout 2023, SSH continued to convene meetings of Chief Compliance and Integrity Officers from SOEs, where SSH holds a majority stake or exerts dominant influence. These gatherings aim to facilitate the exchange of professional insights, best practices, and discussions on common challenges. The meetings also seek to strengthen SSH's advisory role and facilitate joint training initiatives on compliance and integrity.

Topics addressed during these meetings encompassed procedural aspects of managing corruption and unethical conduct risks, insights into the Reporting Persons Protection Act, and necessary procedural adjustments for addressing irregularities and managing conflicts of interest. Moreover, individual companies shared best practices in compliance and integrity, fostering discussions among participants on prevailing issues, innovations, and challenges in this domain.



1.7.5 RESPONSIBILITY TOWARDS ENVIRONMENT

SSH does not have a major impact on the environment, considering the nature of its activities. Few years ago, the business premises on Mali Street in Ljubljana were renovated and more energy-efficient devices were installed. The protection of the environment is ensured through implementing the following measures:

When making decisions, SSH takes into account the environmental impact. Moreover, SSH enhances the digitalization of its business, promotes waste separation, practices energy and resource efficiency and supports sustainable project as well as carries out activities which contribute to sustainable business.

SSH

- Educational event on sustainable business practices for employees and portfolio companies;
- organised collection and sorting of all waste types under the established system and raising awareness;
- full phase out of using single-use plastic products;
- continued introduction of paperless operations through digitalization tools. SSH encouraged portfolio companies to use digital tools solely for reporting purposes,
- complying with the Green Public Procurement Regulation where applicable in procurement processes (the purchase of goods or to the provision of services, the tender documentation which requires the compliance with the mentioned regulation);
- offering hybrid work options and additional days for employees commuting from afar,
- employing video conferencing platforms for staff training and meetings,
- providing company bicycles,
- collecting electronic waste and toner cartridges for their handover to authorised waste collectors,
- and engaging employees in forest restoration efforts such as tree planting on Lovrenc on Pohorje.

REAL ESTATE

- Ensuring energy efficiency in property management in accordance with current guidelines for all energy sources,
- cleaning hazardous waste from SSH-owned properties by companies registered for such activities,
- active monitoring of buildings for fire safety and machinery control and installations, and immediate response to any damages,
- sustainably investing and consistent adhering to current PURES requirements for all investment maintenance work,
- providing high-quality and sustainable property management and maintenance services that are environmentally friendly and user-friendly.

SSH does not measure the amount of wastewater and other waste by activity and had not measured its carbon footprint until 2023. Procedures for measuring carbon footprint began in early 2024.

1.8 EU TAXONOMY

The Taxonomy Regulation (Regulation (EU) 2020/852) sets out criteria for determining whether an economic activity qualifies as environmentally sustainable for the purpose of assessing the level of environmentally sustainable investment. Taxonomy reporters are divided into financial and non-financial companies based on the scope and type of disclosures required. The ultimate aim of the regulation is to promote and facilitate cross-border sustainable investments in the EU, thereby supporting the sustainable operation of the economy. Investors or participants in the financial market can make more informed investment decisions in environmentally sustainable economic activities or financial products based on disclosed information, while economic entities will find it easier to raise funds for environmentally sustainable activities.

SSH is not yet subject to reporting under the EU Taxonomy for 2023. However, certain companies within the Group (specifically, two companies) are required to do so, and consequently, this obligation extends to the SSH Group. The following provides a

summary of the taxonomy report for the Sava Business Group, whose financial statements are the sole statements consolidated within the SSH Group's financial statements. The report was prepared for Sava Turizem, d. d., which is the activity holder in the Sava Group, while the parent company Sava, d. d., did not generate additional revenue or investments aligned with the Taxonomy.

Sava Turizem, as the activity holder in the Sava Business Group, categorised its activities as compliant and aligned with the Taxonomy to the best of its knowledge and considering the criteria of delegated regulations governing the Taxonomy. When using and calculating key performance indicators, the activity of Sava Turizem was considered in accordance with the scope included in the Annual Financial Statements.

OVERVIEW OF KEY TAXONOMY INDICATORS FOR SAVA TURIZEM FOR 2023

Environmental objective	Share of Turnover aligned with the Taxonomy/Total Company Turnover		Share of Capital Expenditures (CapEx)/Total CapEx		Proportion of investments in fixed assets/total investments in fixed assets	
	Taxonomy-Aligned	Taxonomy-Eligible	Taxonomy-Aligned	Taxonomy-Eligible	Taxonomy-Aligned	Taxonomy-Eligible
2023						
CCM	–	–	2.45%	6.33%	7.28%	29.28%
CCA	–	–	–	–	–	–
WMR	–	–	–	–	–	–
CE	–	–	–	–	–	–
PPC	–	–	–	–	–	–
BDE	–	–	–	–	–	–
2022					8.76%	8.76%

Acronyms Explanation: CCM – Climate Change Mitigation, CCA – Climate Change Adaptation, WMR – Sustainable Use and Protection of Water and Marine Resources, CE – Transition to Circular Economy, PPC – Pollution Prevention and Control, BDE – Conservation and Preservation of Biodiversity and Ecosystems.

A more detailed Taxonomy Report is available in the Annual Report of the Sava Group and Sava Turizem, which is published on the following website: www.sava.si.

SHARE OF TURNOVER FROM PRODUCTS OR SERVICES RELATED TO ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY FOR SAVA TURIZEM – DISCLOSURE FOR 2023

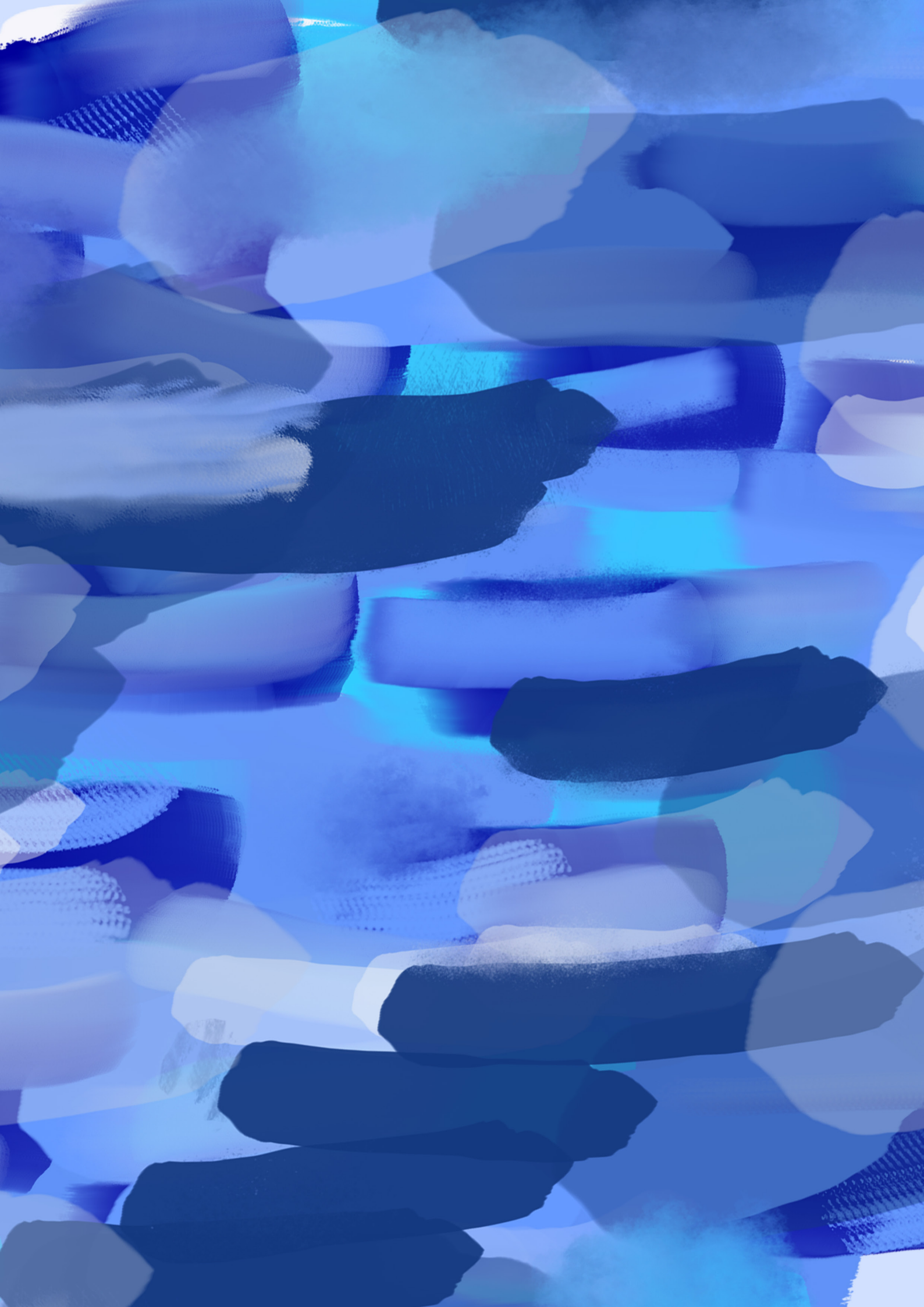
Economic Activities (1)	Labels (2)	Absolute Turnover (3)	Share of Turnover (4)	Criteria for Substantial Contribution						Criteria for Do No Significant Harm						Share of Turnover Aligned with the Taxonomy, 2022 (18)	Share of Turnover Aligned with the Taxonomy, 2021 (19)	Category (Enabling Activity) (20)	Category (Transition Activity) (21)	
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystems (16)					Minimum Safeguards (17)
		EUR	%	%	%	%	%	%	%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	Percentage	Percentage	E	T
A. ACTIVITIES ELIGIBLE UNDER THE TAXONOMY																				
A1 Environmentally Sustainable Activities (Taxonomy-Aligned)																				
Turnover from Environmentally Sustainable Activities (Taxonomy-Aligned) (A.1)		0	0%	100%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES				
Of which enabling activities		0	0%	–	–	–	–	–	–	YES	YES	YES	YES	YES	YES	YES			E	
Of which transitional activities				–	–	–	–	–	–	YES	YES	YES	YES	YES	YES	YES				T
A.2 Activities Eligible Under the Taxonomy but Not Environmentally Sustainable (Non-Taxonomy-Aligned Activities)																				
Turnover from Activities Eligible Under the Taxonomy but Not Environmentally Sustainable (Non-Taxonomy-Aligned Activities) (A.2)		0	0%	100%	0%	0%	0%	0%	0%											
Total (A.1 + A.2)		0	0%	–	–	–	–	–	–											
B. ACTIVITIES NOT ELIGIBLE UNDER THE TAXONOMY																				
Turnover from Activities Not Eligible Under the Taxonomy (B)		119,893,573	100%																	
Total (A + B)		119,893,573	100%																	

SHARE OF CAPITAL EXPENDITURE FOR PRODUCTS OR SERVICES RELATED TO ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY FOR SAVA TURIZEM – DISCLOSURE FOR 2023

Economic Activities (1)	Labels (2)	Absolute Capital Expenditures(3)	Share of Capital Expenditures (4)	Criteria for Substantial Contribution							Criteria for Do No Significant Harm							Share of Capital Expenditures Aligned with the Taxonomy, 2022 (18)	Share of Capital Expenditures Aligned with the Taxonomy, 2021 (19)	Category (Enabling Activity) (20)	Category (Transition Activity) (21)
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)					
		EUR	%	%	%	%	%	%	%	%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	Percentage	Percentage	E	T
A. ACTIVITIES ELIGIBLE UNDER THE TAXONOMY																					
A.1 Environmentally Sustainable Activities (Taxonomy-Aligned)																					
Refurbishment of Existing Buildings	7.2	0	- %	100%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES				T
Installation, Maintenance, and Repair of Energy-Efficient Equipment	7.3	266,272	2.66%	100%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES			E	
Installation, Maintenance, and Repair of Instruments and Devices for Measuring, Regulating, and Controlling Building Energy Efficiency	7.5	0	- %	100%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES			E	
Installation, Maintenance, and Repair of Renewable Energy Technologies	7.6	463,084	4.62%	100%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES			E	
A.1 Capital Expenditure in Environmentally Sustainable Activities (Aligned with the Taxonomy)		729,356	7.28%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.76%			
Of which enabling activities		729,356	7.28%	-	-	-	-	-	-	-	YES	YES	YES	YES	YES	YES	YES			E	
Of which transitional activities		0	0.00%	-	-	-	-	-	-	-	YES	YES	YES	YES	YES	YES	YES				T
A.2 Activities Eligible Under the Taxonomy but Not Environmentally Sustainable (Non-Taxonomy-Aligned Activities)																					
Refurbishment of Existing Buildings	7.2	77,441	0.77%	100%	0%	0%	0%	0%	0%	0%											
Installation, Maintenance, and Repair of Energy-Efficient Equipment	7.3	1,608,111	16.05%	100%	0%	0%	0%	0%	0%	0%											
Installation, Maintenance, and Repair of Instruments and Devices for Measuring, Regulating, and Controlling Building Energy Efficiency	7.5	89,658	0.90%	100%	0%	0%	0%	0%	0%	0%											
Installation, Maintenance, and Repair of Renewable Energy Technologies	7.6	427,955	4.27%	100%	0%	0%	0%	0%	0%	0%											
A.2 Capital Expenditure in Activities that are Taxonomy-Eligible but not Environmentally Sustainable (Non-Taxonomy-Aligned Activities) (A.2)		2,203,164	22.00%	-	-	-	-	-	-	-								0.00%			
Total (A.1 + A.2)		2,932,519	29.28%	-	-	-	-	-	-	-								8.76%			
B. ACTIVITIES NOT ELIGIBLE UNDER THE TAXONOMY																					
Capital Expenditure in Activities that are Not Taxonomy-Eligible (B)																					
		7,083,903	70.72%																		
Total (A + B)		10,016,422	100.00%																		

SHARE OF OPERATING EXPENDITURE IN ACTIVITIES ALIGNED WITH THE TAXONOMY FOR SAVA TURIZEM – DISCLOSURE FOR 2023 FINANCIAL STATEMENTS OF SSH

Economic Activities (1)	Labels (2)	Absolute Operating Expenditure (3)	Share of Operating Expenditure (4)	Criteria for Substantial Contribution							Criteria for Do No Significant Harm							Share of Operating Expenditures Aligned with the Taxonomy, 2022 (18)	Share of Operating Expenditures Aligned with the Taxonomy, 2021 (19)	Category (Enabling Activity) (20)	Category (Transition Activity) (21)
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)					
		EUR	%	%	%	%	%	%	%	%	DA/NE	DA/NE	DA/NE	DA/NE	DA/NE	DA/NE	DA/NE	Odstotek	Odstotek	E	T
A. ACTIVITIES ELIGIBLE UNDER THE TAXONOMY																					
A.1 Environmentally Sustainable Activities (Taxonomy-Aligned)																					
Installation, Maintenance, and Repair of Energy-Efficient Equipment	7.3	77,146	2.11%	100%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES			E	
Installation, Maintenance, and Repair of Instruments and Devices for Measuring, Regulating, and Controlling Building Energy Efficiency	7.5	12,521	0.34%	100%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES			E	
Installation, Maintenance, and Repair of Renewable Energy Technologies	7.6	0		100%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES			E	
A.1 Capital Expenditure in Environmentally Sustainable Activities (Aligned with the Taxonomy)		89,667	2.45%	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Of which enabling activities		89,667	2.45%	-	-	-	-	-	-	-	YES	YES	YES	YES	YES	YES	YES			E	
Of which transitional activities		0	0.00%	-	-	-	-	-	-	-	YES	YES	YES	YES	YES	YES	YES				T
A.2 Activities Eligible Under the Taxonomy but Not Environmentally Sustainable (Non-Taxonomy-Aligned Activities)																					
Installation, Maintenance, and Repair of Energy-Efficient Equipment	7.3	141,485	3.87%	100%	0%	0%	0%	0%	0%	0%											
Installation, Maintenance, and Repair of Instruments and Devices for Measuring, Regulating, and Controlling Building Energy Efficiency	7.5	375	0.01%	100%	0%	0%	0%	0%	0%	0%											
Installation, Maintenance, and Repair of Renewable Energy Technologies	7.6	0		100%	0%	0%	0%	0%	0%	0%											
A.2 Capital Expenditure in Activities that are Taxonomy-Eligible but not Environmentally Sustainable (Non-Taxonomy-Aligned Activities) (A.2)		141,860	3.88%	-	-	-	-	-	-	-											
Total (A.1 + A.2)		231,528	6.33%	-	-	-	-	-	-	-											
B. ACTIVITIES NOT ELIGIBLE UNDER THE TAXONOMY																					
Operating Expenditures in Non-Taxonomy Eligible Activities (B)		3,427,110	93.67%																		
Total (A + B)		3,658,637	100.00%																		



2.FINANCIAL STATEMENTS OF SSH

2.1 STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the preparation of the Accounting Report so that it provides a true and accurate account of the financial position of SSH as at 31 December 2023 as well as of the SSH's financial performance and cash flows for 2023, in accordance with the provisions of ZSDH-1 and ZGD-1.

The Management Board confirms that appropriate accounting policies and prudent accounting estimates have been consistently applied in the preparation of the separate financial statements of SSH (hereinafter also referred to as: the "Company"). The Board further confirms that the financial statements and interpretations have been prepared under an assumption of the going concern and are compliant with applicable legislation and International Financial Reporting Standards as adopted by the EU (IFRS), with the exception of the inclusion of subsidiaries in the consolidated financial statements. Article 36(a) of ZSDH-1 stipulates that subsidiaries, in which the position of the controlling company has been obtained through the transfer of assets, rights, and obligations from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, are not to be included in the consolidated annual report.

Ljubljana, 27 May 2024



Janez Tomšič, Member of the Management Board

The Management Board is responsible for adequate and orderly accounting and the adoption of appropriate measures for safeguarding property and other assets as well as for the prevention and detection of fraud as well as other irregularities and illegalities.

At any time, tax authorities may review the operations of SSH within five years from the tax calculation date which may consequently result in additional tax liabilities, interest and penalties being imposed pursuant to the Corporate Income Tax Act or arising from any other taxes and levies. The Management is not aware of any circumstances that may give rise to any potential material liability arising thereunder.

The President and the Member of the Management Board of Slovenian Sovereign Holding hereby declare that we are familiar with the content of all integral parts of the Accounting Report, and we confirm it hereby with our signatures.



Žiga Debeljak, MSc, President of the Management Board

2.2 INDEPENDENT AUDITOR'S REPORT



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Slovenija

INDEPENDENT AUDITOR'S REPORT To the shareholder of SSH (Translation from the original in Slovene language)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of the company SSH (hereinafter »the Company«) which comprise the separate statement of financial position as at 31 December 2023, the separate income statement, the separate statement of other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the separate financial statements, comprising material accounting policy information and other explanatory information.

In our opinion the accompanying separate financial statements have been prepared, in all material respects, in accordance with the accounting requirements of the Slovenian Sovereign Holding Act (ZSDH-1).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter the »Regulation«). Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IEASBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to note 2.4.2 *Basis for preparation of separate financial statements*, which describes the basis of accounting. The Act Amending the Slovenian Sovereign Holding Act (ZSDH-1A, Official Journal of the Republic of Slovenia No. 140/22 of 4 November 2022) exempts the Company from consolidating entities over which it has control and that were acquired in terms of the assets and liabilities transfer from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks. The ZSDH -1A requires the Company to comply with International Financial Reporting Standards (IFRS) and non-inclusion of all subsidiaries in the consolidated financial statements constitutes a departure from IFRS. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current financial period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories of real estate

As at 31.12.2023, the inventories in the separate financial statements amount to EUR 94,276 thousand, of which the inventories of real estate amount to EUR 91,969 thousand (31.12.2022: total inventories EUR 106,177 thousand, of which inventories of real estate EUR 103,008 thousand).

The accounting policies for inventories are disclosed in the separate financial statements in section 2.5. Material Accounting Policy Information under Inventories of real estate and equipment and disclosures in section 2.7.5 Inventories of real estate and equipment.

BDO Revizija d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.
Okrožno sodišče v Ljubljani, vl.št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.



Description of the key audit matter

Inventories of property are valued at the lower of cost or net realisable value. Land and office premises represent the largest proportion of the inventories of property.

When measuring the net realisable value, management uses significant judgement in the areas of:

- the choice of valuation methods depending on the type of property (market comparisons or yield-based),
- the use of key assumptions, notably market rents, comparable transactions and the market prices realised in them, investment costs and a discount for illiquidity and time to sale.

As the determination of the net realisable value of property inventories involves significant subjective judgements and therefore required our additional attention, we have identified this matter as a key audit matter.

Our audit approach

Our audit procedures in this area included, among others:

- reviewing the Company's methodology for determining the net realisable value of inventories,
- gaining an understanding of the control environment and key internal controls in the area of determining the net realisable value of inventories of property,
- verification of ownership and potential encumbrances, with the assistance of an external property valuation expert, engaged by us, by comparison with land registers on a selected sample of properties,
- verification of the determination of net realisable value, with the assistance of an external property valuation expert, engaged by us, by means of an assessment on a selected sample of properties:
 - whether appropriate methods, and techniques are used to determine net realisable value for the selected sample of properties,
 - whether the assumptions used were fit for purpose,
 - whether the assumptions are reasonable, depending on the model used,
 - mathematical accuracy of the estimates.
- reviewing the adequacy and completeness of the disclosures in the Company's financial statements relating to inventories of property in the light of the requirements of the relevant accounting standards.

Valuation of financial assets at fair value through profit or loss acquired through the merger of BAMC - Loans

As at 31.12.2023, financial assets at fair value through profit or loss in the separate financial statements amount to EUR 225,896 thousand (31.12.2022: EUR 247,604 thousand), of which loans arising from the merger of BAMC amount to EUR 203,468 thousand (31.12.2022: EUR 225,177 thousand).

The accounting policies for financial assets at fair value through profit or loss are disclosed in the separate financial statements in section 2.5. Material Accounting Policy Information under Financial Assets and Fair Value Measurement; disclosures are provided in section 2.7.2.5 Financial Assets measured at Fair Value through Profit or Loss - Loans.

Description of the key audit matter

Of the loans resulting from the merger of BAMC, EUR 202,316 thousand, or 99% (31.12.2022: EUR 223,050 thousand, or 99%), relate to individually valued loans. Their fair value is based on a binomial option pricing model with two possible scenarios of future expected cash flows: from restructuring or from recovery.

Our audit approach

Our audit procedures in this area, which also included our business valuation experts and an external property valuation expert, engaged by us, included, among others:

- reviewing the Company's methodology for determining the fair value of loans,
- gaining an understanding of the control environment and key internal controls in the



Management exercises significant judgement in measuring the fair value of these individually valued loans in the following areas:

- estimates of the likelihood of a single scenario (restructuring : recovery),
- the use of assumptions in the process of estimating risk parameters,
- estimating future expected cash flows from operating activities or from collaterals and their time component,
- setting the discount rate.

Complex models and significant management judgements are used in determining the fair value of loans.

For these reasons, we considered the measurement of the fair value of loans valued individually to be a key audit matter.

area of determining the fair value of loans, on a selected sample of loans, we tested the inputs used to measure fair value, focusing on:

- criteria for setting risk parameters,
- assumptions for determining the likelihood of a particular scenario materialising,
- assessing the design of expectations about future cash flows from operating activities,
- assessing the value of collateral with assistance of our business and property valuation experts,
- assessing the discount rates used with assistance of our business valuation experts,
- reviewing the adequacy and completeness of the fair value disclosures in Company's financial statements in the light of the requirements of the relevant accounting standards.

Other Information

Management is responsible for the other information. Other information comprises the information included in the Annual Report other than the separate financial statements and the auditor's report thereon. Other information was obtained before the date of the auditor's report, with the exception of the Supervisory Board report, which will be available later.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read other information and, in doing so, assess whether the other information is materially inconsistent with the separate financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work done, we conclude that there is a material misstatement of other information, we must report such circumstances. Based on the procedures performed, we report that:

- the other information is in all material respect consistent with audited financial statements;
- the other information is prepared in compliance with applicable law or regulation;
- based on the knowledge and understanding of the Company obtained in the audit, we have not identified any material misstatement of other information.

Responsibilities of the Management and the Supervisory Board for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with ZSDH-1, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee



that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board and the Audit Committee, among other matters, the planned scope and timing of the audit and significant findings from the audit, including significant deficiencies in internal control we have identified during our audit.

We also provide the Supervisory Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other reporting obligations as required by EU Regulation No. No 537/2014 of the European Parliament and of the Council

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company.

Prohibited services

We confirm that we have not performed any prohibited services referred to in the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council. We declare that we ensure our independence from the Company.



Other Services

In addition to the statutory audit services and services disclosed in the annual report, we have not provided any other services to the Company.

Appointment of the Auditor, Period of Engagement and Responsible Engagement Partner

We were appointed as the statutory auditor of the Company by the Government of the Republic of Slovenia on 8 December 2022 for the financial years 2022 - 2024. The Chairman of the Supervisory Board signed the engagement letter on 23 December 2022. We have been performing the statutory audit of separate financial statements since 8.8.2018 without interruption.

Engagement partner responsible for the audit on behalf of BDO Revizija d.o.o. is Mateja Vrankar, certified auditor.

Ljubljana, 27 May 2024

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

(Signature on the original Independent Auditor's Report in Slovene language)

Mateja Vrankar, certified auditor
Managing partner

2.3 SEPARATE FINANCIAL STATEMENTS OF SSH

2.3.1 SEPARATE STATEMENT OF FINANCIAL POSITION OF SSH

in EUR '000

	Note	31 Dec 2023	31 Dec 2022
ASSETS			
NON-CURRENT ASSETS		1,050,402	948,182
Intangible assets		652	605
Property, plant and equipment	2. 7. 1.	2,446	1,445
The right to use leased assets		15	12
Investments in subsidiaries	2. 7. 2. 1.	124,980	129,515
Investments in associates	2. 7. 2. 2.	300,683	299,337
Financial assets measured at fair value through other comprehensive income (FVTOCI)	2. 7. 2. 3.	621,626	517,268
CURRENT ASSETS		458,212	410,247
Inventories of real estate and equipment	2. 7. 5.	94,276	106,177
Financial assets measured at fair value through profit or loss (FVTPL)	2. 7. 2. 5.	225,896	247,604
Financial assets measured at amortised cost	2. 7. 2. 7.	75,000	14,374
Assets from contracts with customers		0	25
Trade receivables	2. 7. 3.	14,959	11,013
Income tax receivables		0	1,168
Other current assets		176	229
Cash and cash equivalents	2. 7. 4.	47,905	29,657
TOTAL ASSETS		1,508,614	1,358,429
EQUITY AND LIABILITIES			
EQUITY		1,359,616	1,191,257
Equity attributable to the owners of the controlling company		1,359,616	1,191,257
Called-up equity		301,766	301,766
Capital reserve		112,287	112,287
Other revenue reserves		250,601	66,003
Fair value reserve		616,057	521,324
Retained net profit or loss		0	189,877
Net profit or loss for the period		78,905	0
NON-CURRENT LIABILITIES		111,429	119,355
Provisions and non-current deferred revenues	2. 7. 7.	44,766	49,147
Financial liabilities	2. 7. 8.	39	15,039
Finance lease payables		2	5
Deferred tax liabilities	2. 7. 17.	66,622	55,164

CURRENT LIABILITIES		37,569	47,817
Financial liabilities	2. 7. 8.	177	15,223
Finance lease payables		17	10
Liabilities from contracts with customers		507	172
Operating liabilities	2. 7. 9.	20,150	20,710
Income Tax Liabilities		1,593	0
Other liabilities	2. 7. 10.	15,125	11,702
LIABILITIES		148,998	167,172
LIABILITIES AND EQUITY - TOTAL		1,508,614	1,358,429

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

2.3.2 SEPARATE INCOME STATEMENT OF SSH

in EUR '000

	Note	2023	2022
Revenue from contracts with customers	2. 7. 11.	25,185	12,137
Other operating income	2. 7. 11.	10,479	6,574
Operating income		35,664	18,711
Cost of goods sold	2. 7. 12.	13,300	3,277
Costs of materials and services	2. 7. 12.	6,276	4,939
Labour costs	2. 7. 13.	9,285	7,816
Depreciation and amortisation	2. 7. 14.	463	463
Non-current provisions	2. 7. 7.	5,014	598
Write-offs and impairments	2. 7. 15.	1,719	1,193
Other operating expenses		186	566
Operating profit/(loss)		-579	-141
Financial income	2. 7. 16.	99,455	83,638
Finance expense	2. 7. 16.	16,784	17,347
Profit or loss before taxes		82,092	66,150
Income tax	2. 7. 17.	-2,737	-1,144
Deferred taxes	2. 7. 17.	-450	997
NET PROFIT/(LOSS) FOR THE PERIOD		78,905	66,003

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

2.3.3 SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME OF SSH

in EUR '000

	2023	2022
Net profit/(loss) for the period	78,905	66,003
Change in fair value reserve (financial investments)	94,682	-193,365
Recalculation of post-employment benefits	23	121
Total other comprehensive income not to be recognized in Income Statement in the future	94,705	-193,244
Other comprehensive income after tax - total	94,705	-193,244
Total comprehensive income after tax	173,610	-127,241

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

2.3.4 SEPARATE STATEMENT OF CASH FLOWS OF SSH

in EUR '000

	2023	2022
Cash flows from operating activities		
Cash receipts from operating activities	125,140	81,337
Receipts from operating activities	122,531	80,787
Receipts from Republic of Slovenia (sales on consignment)	2,609	550
Cash payments relating to operating activities	-64,820	-34,268
Payments to suppliers for goods and services	-42,468	-19,690
Payments to and on behalf of employees	-9,395	-6,920
Payments of taxes and duties of all kinds	-5,913	-4,930
Payments pursuant to ZDen and SZ	-3,944	-914
Payments on behalf the Republic of Slovenia (sales on consignment)	-2,375	-1,159
Other cash payments relating to operating activities	-725	-655
Net cash flow from operating activities	60,320	47,069
Cash flow from investing activities		
Cash receipts from investing activities	68,524	159,089
Interest received - deposits	830	141
Dividends received	53,282	59,975
Proceeds from the sale of property, plant and equipment	0	3
Proceeds from the sale of non-current financial investments	38	170
Proceeds from the sale of current financial investments	14,374	98,800

Cash payments relating to investing activities	-76,635	-124,585
Negative interest and bank charges paid	0	-132
Payments to acquire intangible assets	0	-200
Payments to acquire property, plant and equipment	-1,587	-297
Payments to acquire non-current financial investments	-48	-42,156
Payments to acquire current financial investments	-75,000	-81,800
Net cash flow from investing activities	-8,111	34,504
Cash flows from financing activities		
Cash receipts from investing activities	0	41,599
Cash proceeds from paid-in capital	0	41,599
Cash proceeds from increase in non-current financial liabilities	0	0
Cash proceeds from increase in current financial liabilities	0	0
Cash payments from investing activities	-33,961	-133,634
Interest payments relating to financing activities	0	-1,316
Repayment of non-current financial liabilities	-30,016	-132,318
Repayment of current financial liabilities	-3,945	0
Net cash flows from financing activities	-33,961	-92,035
BAMC cash balance as at cut-off date	0	29,775
Cash at end of period	47,905	29,657
Net cash inflow/(outflow) during the period	18,248	-10,462
Cash at beginning of period	29,657	10,344

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

2.3.5 SEPARATE STATEMENT OF CHANGES IN EQUITY OF SSH

in EUR '000

	Called-up equity	Capital reserve	Other revenue reserves	Fair value reserve	Retained profit/loss	Net profit/loss	Total
Opening balance as at 1 Jan 2023	301,766	112,287	66,003	521,324	189,877	0	1,191,257
Total comprehensive income for the period	0	0	0	94,705	0	78,905	173,610
Net profit for the period	0	0	0	0	0	78,905	78,905
Other comprehensive income	0	0	0	94,705	0	0	94,705
Transactions with owners	0	0	184,598	28	-189,877	0	-5,251
Transfer to retained profit/loss	0	0	189,877	0	-189,877	0	0
Transfer of assets as a return of capital (2.7.2.4)	0	0	-5,251	0	0	0	-5,251
Transfer of actuarial losses to retained earnings	0	0	-5	5	0	0	0
Transfers due to sale of financial investments	0	0	-23	23	0	0	0
Creation of other revenue reserves out of profits in accordance with Article 25 of Articles of Association	0	0	0	0	0	0	0
CLOSING BALANCE AS AT 31 DEC 2023	301,766	112,287	250,601	616,057	0	78,905	1,359,616

	Called-up equity	Capital reserve	Other revenue reserves	Fair value reserve	Retained profit/loss	Net profit/loss	Total
Opening balance as at 1 Jan 2023	260,167	0	0	723,827	-70,624	0	913,370
Merger with BAMC 30 June 2022	0	112,287	0	0	251,177	0	363,464
Total comprehensive income for the period	0	0	0	-193,179	0	66,003	-127,176
Net profit for the period	0	0	0	0	0	66,003	66,003
Other comprehensive income	0	0	0	-193,179	0	0	-193,179
Transactions with owners	41,599	0	66,003	-9,324	9,324	-66,003	41,599
Share capital increase	41,599	0	0	0	0	0	41,599
Transfer to other revenue reserves	0	0	66,003	0	0	-66,003	0
Transfers due to reclassification of financial investments	0	0	0	-9,324	9,324	0	0
CLOSING BALANCE AS AT 31 DEC 2022	301,766	112,287	66,003	521,324	189,877	0	1,191,257

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

The Financial Statements for the financial year of 2023 were approved for the publication by the SSH Management Board on 27 May 2024.

2.4 NOTES TO SEPARATE FINANCIAL STATEMENTS

2.4.1 REPORTING COMPANY

The reporting company – Slovenian Sovereign Holding (hereinafter also referred to as: the “Company”) – is a joint stock company registered at the Ljubljana District Court (court register decision 199304616, registration entry no. 1/21883/00). In accordance with the provisions of Articles 55 and 56 of ZGD-1 (the Slovenian Companies’ Act), the Company is classified as a large company required to undergo a regular annual audit.

In line with the Standard Classification of Activities, the Company’s activity is categorised as: K 64.990 - *Other financial service activities, except insurance and pension funding*. The Company’s activity is presented in detail in the Business Report, Chapter 1. 5.

The Company’s share capital as at 31 December 2023 amounted to EUR 301,765,982.30. On 24 February 2022, funds in the amount of EUR 41,599,065.26 were paid in to increase the share capital, and the increase of the share capital was registered in the Business Register on 17 March 2022. The Company’s share capital is divided into 180,788 non- par value shares not listed on the regulated stock exchange market. The sole shareholder of SSH is the Republic of Slovenia.

Slovenian Sovereign Holding is a controlling company of Slovenian Sovereign Holding Group, with its company office registered in the Republic of Slovenia, at the address: Mala ulica 5, Ljubljana. As explained in Note 2. 6. Business Combinations, the merger of BAMC with SSH took place in 2022. Also, in 2022, the majority stake in Sava, d. d. was acquired.

THE LIST OF ASSOCIATED COMPANIES OF SSH AS AT 31 DECEMBER 2023 IS AS FOLLOWS:

Company	Registered office	Equity Stake in %	Core business/notes
Unior, d. d.	Kovaška cesta 10 3214 Zreče, SLO	39.43	Metal forging, pressing, stamping and rolling; powder metallurgy
Casino Bled, d. d.	Cesta svobode 15 4260 Bled, SLO	33.75	Casinos
Salomon, d. o. o.	Vevška cesta 52 1260 Ljubljana Polje, SLO	30.59	Temporary employment agency activities
Zavarovalnica Triglav, d. d.	Miklošičeva 19 1000 Ljubljana, SLO	28.09	Non-life insurance
Hit, d. d.	Delpinova 7A 5000 Nova Gorica, SLO	28.54	Casinos
Cinkarna Celje, d. d.	Kidričeva 26 3000 Celje, SLO	24.44	Manufacture of dyes and pigments

THE LIST OF ASSOCIATED COMPANIES OF SSH AS AT 31 DECEMBER 2022 IS AS FOLLOWS:

Company	Registered office	Equity Stake in %	Core business/notes
Terra Mediterranea, Croatia	Budmanijeva 3 10000 ZAGREB, CRO	42.85	Economy
Unior, d. d.	Kovaška cesta 10 3214 Zreče, SLO	39.43	Metal forging, pressing, stamping and rolling; powder metallurgy
Casino Bled, d. d.	Cesta svobode 15 4260 Bled, SLO	33.75	Casinos
Salomon, d. o. o.	Vevška cesta 52 1260 Ljubljana Polje, SLO	30.59	Temporary employment agency activities
Zavarovalnica Triglav, d. d.	Miklošičeva 19 1000 Ljubljana, SLO	28.09	Non-life insurance
Hit, d. d.	Delpinova 7A 5000 Nova Gorica, SLO	28.54	Casinos
Cinkarna Celje, d. d.	Kidričeva 26 3000 Celje, SLO	24.44	Manufacture of dyes and pigments

THE LIST OF DIRECT AND INDIRECT COMPANIES OF SSH AS AT 31 DECEMBER 2023 IS AS FOLLOWS:

Company	Registered office	interests	Core business/notes
Subsidiaries:			in %
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana, SLO	90.00 Business administration
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	70.48 Business and management consultancy activities
Argolina, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00 Management of construction projects
Avtotehna Zagreb, d. o. o.	Nova cesta 109	10000 Zagreb, CRO	100.00 Sale of motor vehicles
BR89, d. o. o.	Breznikova cesta 89	1230 Domžale, SLO	100.00 Pig farming
Ihan, d. o. o., Beograd			100.00
DUP, d. o. o., Sarajevo	Ul. Vrazova broj 3	71000 Sarajevo, BiH	100.00 Real estate
DUTB Crna Gora, d. o. o.	Ul. Svobode 74/II	81000 Podgorica, MNE	100.00 Real estate
Factor projekt, d. o. o., Hrvaška	Šetalište Svetog Bernardina b. b. Krk	51500 Krk, CRO	100.00 Real estate
Farme Ihan – KPM, d. o. o.	Korenova cesta 9	1241 Kamnik, SLO	100.00 Pig farming
Go-KO, d. o. o.			100.00
Farme Ihan - MPR, d. o. o.			100.00
VOA, d. o. o.			100.00
Meso Kamnik, d. d.			91.08
Fundus, d. o. o., Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Real estate
Hyundai auto Beograd, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Sale of motor vehicles
Illuria Holdings Limited	ARCH. MAKARIOU III, 195	3030 Cyprus	100.00 In liquidation
Istrabenz turizem, d. d.	Obala 33	6320 Portorož, SLO	100.00 Hotels and tourism
Istrabenz, d. o. o.	Obala 33	6320 Portorož, SLO	100.00 Business and management consultancy activities
MLM d. d.	Oreško nabrežje 9	2000 Maribor, SLO	100.00 Foundry, machine tools
MLM Alutec, d. o. o., Bugojno			99.97
PROLeasing Rijeka, d. o. o. - v likvidaciji	Prolaz Marije Krucifikse Kozulić 2	51000 Rijeka, CRO	100.00 Leasing
Sklad turističnih naložb, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00 Holding company
Thermana, d. d.	Zdraviliška cesta 6	3270 Laško, SLO	100.00 Hotels and tourism
MK Založba, d. d.	Slovenska cesta 29	1000 Ljubljana, SLO	83.47 Publishing
MK trgovina, d. o. o.			83.47*
Grafika Soča, d. o. o.			83.47*
CZ-Z, d. o. o.			83.47*
Mozaik knjiga, d. o. o.			83.47*
Mladinska knjiga društvo sa ograničenim odgovornošću za izdavačko delatnost i trgovinu Beograd			83.47*
Mladinska knjiga, d. o. o., Sarajevo			83.47*
DS Projekt, d. o. o.	Ulica bratov Rozmanov 1	1000 Ljubljana, SLO	74.00 Buying and selling of own real estate
Sava, d. d.	Dunajska cesta 152	1000 Ljubljana, SLO	61.91 Holding company
Sava Turizem, d. d.			59.11
Sava Zdravstvo, d. o. o., Ljubljana (v lasti Sava Turizem)			59.11*
BLS SINERGIJE, d. o. o., Portorož			35.00**
Poslovni sistem Domina, d. o. o., Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	55.52 Real estate

*Share calculated to indirect ownership of SSH in a company that is a subsidiary of an SSH subsidiary.

** BLS SINERGIJE, d. o. o. : 10% owned by Sava, d. d., 60% owned by Sava Turizem, d. d.

THE LIST OF DIRECT AND INDIRECT COMPANIES OF SSH AS AT 31 DECEMBER 2022 IS AS FOLLOWS:

Company	Registered office	interests	Core business/notes
Subsidiaries:			in %
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana, SLO	90.00 Business administration
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	70.48 Business and management consultancy activities
Argolina, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00 Management of construction projects
Avtotehna Croatia, d. o. o., v likv.	Murini 7/D	51000 Rijeka, CRO	100.00 Wholesale of household electrical appliances
Avtotehna Beograd, d. o. o., v likv.	2/25 Lazarevićeva	11000 Beograd, SRB	100.00 Manufacture and wholesale of office machinery and equipment of office machinery and equipment (except computers and peripheral equipment)
Avtotehna Zagreb, d. o. o.	Nova cesta 109	10000 Zagreb, CRO	100.00 Sale of motor vehicles
BR89, d. o. o.	Breznikova cesta 89	1230 Domžale, SLO	100.00 Prašičereja
Ihan, d. o. o. Beograd			100.00
DUP, d. o. o. Sarajevo	Ul. Vrazova broj 3	71000 Sarajevo, BiH	100.00 Real estate
DUTB Crna Gora, d. o. o.,	Ul. Svobode 74/II	81000 Podgorica, MNE	100.00 Real estate
Factor projekt, d. o. o. Hrvaška	Šetalište Svetog Bernardina b. b. Krk	51500 Krk, CRO	100.00 Real estate
Farme Ihan - KPM d. o. o.	Korenova cesta 9	1241 Kamnik, SLO	100.00 Pig farming
Go-KO, d. o. o.			100.00
Farme Ihan - MPR, d. o. o.			100.00
VOA, d. o. o.			100.00
Meso Kamnik, d. d.			91.08
Fundus, d. o. o., Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Real estate
Hyundai auto Beograd, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Sale of motor vehicles
Illuria Holdings Limited	ARCH. MAKARIOU III, 195	3030 Cyprus	100.00 In liquidation
Istrabenz turizem, d. d.	Obala 33	6320 Portorož, SLO	100.00 Hotels and tourism
Istrabenz, d. o. o.	Obala 33	6320 Portorož, SLO	100.00 Business and management consultancy activities
MLM, d. d.	Oreško nabrežje 9	2000 Maribor, SLO	100.00 Foundry, machine tools
MLM Alutec, d. o. o., Bugojno			99.97
PROLeasing Rijeka, d. o. o. – v likvidaciji	Prolaz Marije Krucifikse Kozulić 2	51000 Rijeka, CRO	100.00 Leasing
PY&CA, d. o. o., Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Real estate
Sklad turističnih naložb, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00 Holding company
Thermana, d. d.	Zdraviliška cesta 6	3270 Laško, SLO	100.00 Hotels and tourism
MK Založba, d. d.	Slovenska cesta 29	1000 Ljubljana, SLO	83.47 Publishing
MK trgovina, d. o. o.			83.47*
Grafika Soča, d. o. o.			83.47*
CZ-Z, d. o. o.			83.47*
Mozaik knjiga, d. o. o.			83.47*
Mladinska knjiga društvo sa ograničenim odgovornošću za izdavačko delatnost i trgovinu Beograd			83.47*
Mladinska knjig, d. o. o., Sarajevo			83.47*
DS Projekt, d. o. o.	Ulica bratov Rozmanov 1	1000 Ljubljana, SLO	74.00 Buying and selling of own real estate
Sava, d. d.	Dunajska cesta 152	1000 Ljubljana, SLO	61.91 Holding company
Sava Turizem, d. d.			59.11
Sava Zdravstvo, d. o. o., Ljubljana (v lasti Sava Turizem)			59.11*
BLS SINERGIJE, d. o. o., Portorož			35.00**
Poslovni sistem Domina, d. o. o., Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	55.52 Real estate

*Share calculated to indirect ownership of SSH in a company that is a subsidiary of an SSH subsidiary.

** BLS SINERGIJE, d. o. o. : 10% owned by Sava, d. d., 60% owned by Sava Turizem, d. d.

2.4.2 BASIS FOR PREPARATION OF SEPARATE FINANCIAL STATEMENTS

2.4.2.1 Statement of Compliance

The separate financial statements of the controlling company have been prepared in accordance with the requirements of ZSDH-1. The Company follows the International Financial Reporting Standards, as adopted by the European Union (hereinafter referred to as: "IFRS") and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the EU with the exception of the inclusion of subsidiaries in the consolidated financial statements. Article 36(a) of ZSDH-1 stipulates that subsidiaries, in which the position of the controlling company has been obtained due to the acquisition of shares and stakes based on the transfer of assets and rights and obligations from BAMC to SSH in accord-

2.4.2.2 Basis of measurement

These Financial Statements were prepared under the going concern assumption.

The historical cost basis was used as the basis for measurement in these financial statements, except for the following items the measurement of which is presented in detail in the remainder of the notes.

- investments in subsidiaries - acquisition cost or lower recoverable value,
- investments in associates - at fair value through other comprehensive income (FVTOCI),
- other financial investments - fair value prior through other comprehensive income,

2.4.2.3 Use of estimates and judgements

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts for assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and other factors which are considered reasonable in the circumstances and are the basis for determining the carrying amount of assets and liabilities. Estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates, judgements and assumptions are recognised in

accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, shall not be included in the consolidated annual report. The financial statements have been prepared in accordance with Slovenian legislation (ZGD-1 and ZGD-1) and the SSH's internal policies and regulations.

For the year ending on 31 December 2023, in addition to separate financial statements, the consolidated financial statements have also been prepared. They are presented in Chapter 3 of the Annual Report.

- loans - fair value through profit or loss,
- inventory of property or property held for resale - the lower of cost or net realizable value,
- operating receivables and liabilities - at amortised cost,
- provisions for retirement benefits and jubilee premiums - at present value of assessed deferred payments on the basis of an actuarial calculation,
- other provisions - at present value of the assessed deferred payments,
- deferred tax assets and liabilities - non-discounted, measured using the applicable tax rate.

the period in which the estimates are revised and in any future periods affected.

Significant management judgements primarily relate to determining when in asset sales all the significant risks and ownership rights have been transferred to the buyer, which results in the derecognition of the assets, and to the classification of categories for which fair value levels are separately disclosed.

Estimates and assumptions are involved in the following judgements:

- revenue from contracts with customers: the relationship of a principal or agent;
- adjustments to the value of receivables;
- estimates of the net realisable value of inventories (real estate and equipment);
- assessing the value of provisions and contingent liabilities, and the categorization of provisions as short-term or long-term;
- estimating the fair value of assets;
- assessing the likelihood of utilising deferred tax assets.

Estimates and related assumptions and uncertainties are disclosed in the notes to individual line items in financial statements.

2.4.2.4 Application of new and revised IFRS Standards and IFRIC Interpretations

Initial application of new standards or amendments to existing standards applicable in current reporting period

The following amendments to existing Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU apply to the current reporting period:

Disclosure of accounting policies (amendments to IAS 1 and IFRS 2 Statement of Practice): In February 2021, the IASB issued amendments to IAS 1 that alter the disclosure requirements relating to accounting policies from "significant accounting policies" to "material accounting policy information". The amendments provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier implementation permitted. As IFRS Practice Statement documents are not mandatory, the effective date for IFRS Practice Statement 2 is not specified.

Definition of accounting estimates (amendments to IAS 8). The amendments introduce a new definition for an accounting estimate and include other interpretations to help entities distinguish between an accounting policy and an accounting estimate. The amendment clarifies that the effect of a change in inputs or measurement techniques is a change in an accounting estimate unless it results in a correction of a prior period error.

IFRS 17 – Insurance Contracts (new Standard) and Amendments to IFRS 17 – Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts. It applies to all types of insurance contracts

Regardless of the fact that the management carefully examines all factors which might affect such assumptions and estimates, it is possible that the actual outcomes of business events may be different from the estimates. Estimates are subject to subjective judgement and a certain rate of uncertainty.

In 2023, the Company changed the accounting estimate which serves as the basis for the financial reporting of property as inventory.

The basis for determining the net realizable value (NRV) under the new estimate is the market value of the real estate, which is no longer adjusted for special circumstances.

The change in accounting estimate was made based on an economic analysis of the reasonableness of such a change in the real estate management policy as well as of its financial consequences.

(i.e., life, non-life, direct insurance, and reinsurance), regardless of the type of entity issuing them, and extends to certain guarantees and financial instruments with discretionary participation features, subject to specific exceptions. The overarching objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that enhances the usefulness and consistency of financial reporting for insurers and encompasses all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- a specific adjustment for contracts with direct participation features (variable fee approach); and
- a simplified approach (premium allocation approach - PAA) primarily for short-term contracts.

Deferred tax assets and deferred tax liabilities on individual transactions (amendments to IAS 12 - Income Taxes). In May 2021, the IASB issued amendments to IAS 12. The amended Standard clarifies whether the initial recognition exemption applies to certain transactions that are recognised as both an asset and a liability (e.g., such as a lease under IFRS 16). The amendment introduces additional criterion for the initial application of exceptions under IAS 12.15, where the initial recognition exception does not apply to an asset or liability that gives rise to the same taxable and deductible temporary differences at the time of the recognition.

International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12):

The amendments to IAS 12 were introduced in response to the OECD Pillar Two BEPS rules and include:

a mandatory temporary exception regarding the recognition and disclosure of deferred taxes related to the Pillar Two model rules, and disclosure requirements regarding exposure to Pillar Two income tax.

The adoption of these amendments to existing standards and interpretations did not lead to any material impact on the Company's financial statements.

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet effective

As of the day of approval of these financial statements, IASB had issued the following amendments to existing standard which have been adopted by the EU but are not yet effective.

For the reporting period starting on 1 January 2024, the following standards and amendments shall enter into force:

Amendments to IAS 1 – Presentation of Financial Statements

Classification of liabilities as current or non-current. The amendment requires that the entity's right to defer settlement of a liability for at least 12 months after the reporting date must have substance and must exist at the end of the reporting period. The classification of liabilities is unaffected by the likelihood that an entity will exercise its right to defer the liability for at least 12 months after the reporting date. The standard was subsequently further amended.

Non-current liabilities with covenants. If the right to defer settlement is subject to the company complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period where an entity is required to comply with the condition on or before the end of the reporting period, and not where an entity is required to comply with the condition after the reporting period. The amendment also includes an explanation of the term "settlement" for the purpose of classifying liabilities as current or non-current.

Amendments to IFRS 16 - Leases: lease liability in a sale and leaseback transaction. The amendment requires a vendor-lessee to designate "lease payments" or "modified lease payments" so that the vendor-lessee would not recognise a gain or loss relating to a right-of-use right retained by the vendor-lessee.

The adoption of other new standards and amendments of existing standards and interpretations will not have any material impact on the Company's financial statements.

New standards and amendments to existing standards issued by the IASB and yet to be adopted by the EU

Currently, IFRS standards as adopted by the EU do not differ significantly from standards adopted by IASB with the exception of the following new Standards and amendments to the existing Standards which will become effective for the reporting periods beginning on 1 January 2024 or 1 January 2025 and which have not yet been adopted by the EU:

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (amendments). On 25 May 2023, the IASB issued "Supplier Finance Arrangements", which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (amendments). These amendments were prompted by a request received by the International Financial Reporting Interpretations Committee (IFRIC) (Committee) regarding the presentation requirements for liabilities and related cash flows that arise from supply chain financing arrangements and associated disclosures. In December 2020, the Committee published an agenda decision on Supply Chain Financing Arrangements – Reverse Factoring, which explains the requirements in IFRS Accounting Standards that apply to such arrangements. During the process, stakeholder feedback on the draft agenda decision suggested that the information an entity is required to provide about this form of financing falls short of meeting user information needs to understand the effects of financing arrangements with suppliers on an entity's financial statements and for enabling comparisons between entities. In response to this feedback, the IASB undertook a narrow scope standard revision exercise that resulted in the current amendments. The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.

The Company expects that the introduction of these new standards, and the amendments to the existing standards should not have any material impact on the Company's financial statement in the transition period.

2.4.2.5 Amendments to accounting policies

There were no changes to accounting policies in 2023; however, due to the provisions of IAS 1, which came into effect on 1 January 2023, there were changes in the presentation of information about accounting policies in the financial statements. The man-

2.4.2.6 Currency reporting

a) Functional and presentation currency

All financial information in the financial statements of SSH is presented in Euros (EUR), which is the functional and presentation currency of SSH. All accounting information, with the exception of the earnings of the members of the Management Board, Supervisory Board and the Supervisory Board Committees, presented in the Euro, has been rounded to the nearest thousand. The rounding may result in some insignificant differences in totals and tables.

agement reviewed the accounting policies and, in some cases, adjusted the disclosure of information about accounting policies in accordance with the amendments.

b) Transactions and balances

Transactions expressed in foreign currencies are converted into the Euro at the European Central Bank's reference exchange rate at the transaction date. The gains or losses incurred in these transactions and in the reconversion of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION

Operating income

Revenue from contracts with customers relates to services rendered and goods sold. They are recognised when control over the product or service is transferred to a customer in the amount which reflects the consideration for which SSH expects to be entitled in exchange for transferring those goods or services. Revenue from contracts with customers is recognised at the fair value of the consideration received, reduced by any potential discount. Income is measured when the benefits of services rendered have been passed on to the customer. Income is recognised in the reporting period during which services are rendered.

Significant types of income are as follows:

- compensation for managing capital assets owned by the Republic of Slovenia;
- rental income from real estate;
- income from the sale of real estate inventory.

Other operating income mainly relates to income associated with denationalisation and is recognised when SSH is eligible to receive a fee.

Financial income and expense

Financial income relates to the following: income from a share in profits, interest income, income from the sale of debt financial instruments measured at fair value through other comprehensive income (FVTOCI) or through profit or loss (FVTPL) and to changes in fair value of financial assets through profit and loss (FVTPL). Income from shares in profits is recognised as income from financing activities when AGMs of these companies pass a resolution on the profit distribution and its distribution. Interest income is recognised as it accrues unless there is a doubt about its collection.

Any potential profits or losses upon the disposal of subsidiaries are recognized as financial income or expenses.

Financial expenses comprise borrowing costs, changes in the fair value of financial assets at fair value through profit or loss (FVTPL), and losses arising on the impairment of financial assets. Borrowing costs are recognised using the effective interest rate method.

Investments in subsidiaries

A subsidiary is a company in which the controlling company has a controlling interest or exercises a controlling influence by other means, effectively controlling the company.

Investments in subsidiaries are measured at their original cost, reduced by any potential impairments.

Investments in associates

Associates are companies in which SSH holds from 20% to 50% of voting rights, or it has a significant influence over their operation but does not control them.

Investments in associates are disclosed at fair value through other comprehensive income (FVTOCI) in the separate financial statements. The quoted market price at the date of the Statement of Financial Position is used, while the remaining investments are valued using an appropriate valuation model. SSH regularly monitors business results and major events and measures fair value at an annual basis. All changes in fair value are recognised in Other Comprehensive Income Statement.

Tangible fixed assets

Tangible fixed assets include property, plant and small tools. Tangible fixed assets are recognised at cost less depreciation and accumulated impairment losses.

The depreciation of tangible fixed assets is calculated at the straight-line method taking into account the useful life of the assets. The estimated useful life is as follows:

- buildings and parts of buildings: from 10 to 33 years
- computer equipment : from 2 to 5 years
- motor vehicles: 8 years
- other equipment : from 3 to 5 years.

Property, plant and equipment with a useful economic life exceeding one year and with individual acquisition cost of less than EUR 500 are expensed, except for printers, smart phones, desktop computers, and similar equipment.

Financial assets

Financial assets include cash and cash equivalents, deposits, receivables, loans and financial investments (excluding investments in subsidiaries and associates).

When a financial asset is first recognised, it is classified in accordance with the business model used for managing financial assets and in line with the characteristics of the contractual cash flows generated by the assets. Financial assets are classified into one of the groups below:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit or loss (FVTPL);
- financial investments measured at fair value through other comprehensive income (FVTOCI).

Cash and cash equivalents are initially recognized in the amount stated in relevant records. In the Cash Flow Statement, cash and cash equivalents comprise cash in hand, cash at bank, deposits and certificates of deposit held with banks (with a maturity of no more than 90 days from the transaction execution date) and other investments in money market instruments. When a bank account overdraft contract has been signed, overdrawn amounts are recognised as current financial liabilities in the Statement of Financial Position.

Financial assets measured at amortised cost are financial assets held by SSH as part of its business model of collecting the contractual cash flows and where the cash flows comprise solely payments of principal and interest on the amount of principal outstanding. This group includes trade receivables and deposits. Initially, they are recognised at fair value increased by direct transaction costs and subsequently they are measured at amortised cost using the method of effective interest rate and are written down in the event of impairment losses. Trade receivables include receivables arising from financial investments and related to financial income, as well as receivables for management fees of state-owned capital assets, receivables from loans/equity investments /properties sold, receivables for advances paid for real estate purchases, receivables arising from deposits paid for auction participations, receivables for rents charged, other receivables due by the state, and other minor receivables.

SSH acquired an additional segment of loans measured at fair value through profit or loss (FVTPL) with the merger of BAMC in 2022. These are loans which BAMC took over from four systemic banks in 2013 and 2014 and from the merger with Factor bank and Probanka in 2016. Loans are valued at least once a year based on the valuation policy adopted, which is presented in the section "Loan Valuation Methodology measured at fair

value through profit or loss". The effects of valuation are recognized in the Income Statement as revaluation gains/losses. The fair value of the loans is calculated using the Binomial Option Pricing Model (BOPM), except for loans with a gross exposure lower than 0.3 million EUR.

Loans can also be recovered through the acquisition of ownership of the collateralised assets. Loans can be converted into equity investments, properties, or equipment. The asset subject to conversion is measured at the amount of the converted loan based on the final plan for the distribution of the debtor's bankruptcy estate. Any difference between the conversion value and the carrying amount of the converted loan is recognized in the Income Statement as gains/losses from loans and/or gains/losses from properties.

Financial assets measured at fair value through other comprehensive income (FVTOCI), represent investments in equity instruments, i.e. shares of other companies. Upon initial recognition of investments as equity instruments not held for trading, SSH makes an irrevocable election to measure these investments at fair value through other comprehensive income (FVTOCI). This election is made for each investment separately. The fair value of listed investments is measured using the closing quote on the reporting date. The fair value of non-listed investments is measured by using the estimate model. Gains and losses arising from the changed fair value are recognized in the Statement of Comprehensive Income and are presented in equity as fair value reserves in the net amount, after the associated deferred tax assets or liabilities are calculated. Amounts presented in other comprehensive income must not be subsequently transferred to the profit or loss, however, they may be transferred to retained earnings or loss.

Impairment of financial assets

The Company does not hold any debt financial instruments measured through the Statement of Comprehensive Income. Impairment requirements for financial assets apply to trade receivables and deposits granted.

Based on historical data and forward-looking information, the Company evaluates whether there are expected credit losses relating to the potential default of receivables within the next 12 months. The impairment amount is the difference between the carrying amount and the present value of the estimated future cash flows. The impairment is recognized in profit or loss as a revaluation expense. For the purpose of carrying out impairment tests, each financial asset is evaluated individually, taking account of the identity and circumstances of the debtor.

Impairment of non-financial assets

At each reporting date, the carrying amount of assets is reviewed with the aim of determining whether there are any indications of impairment of assets. If such indication exists, an assessment of recoverable value is performed. The amount of the impairment loss recognized is the excess of the carrying amount of an asset over its recoverable value.

For the purpose of assessing an impairment, assets are divided into smaller units which can be identified as generating cash flows independently of other units (cash-generating units).

Inventories of real estate and equipment

Inventories largely consist of properties acquired through insolvency proceedings with the purpose of recovering the non-performing loans or optimizing the profitability of existing properties.

Inventory is presented at lower of cost or net realizable value. The net realizable value is calculated as the fair value reduced by the costs of selling the inventory.

The amount of the write-down is recognized as an inventory loss in the period in which it occurs. Any subsequent increase in the net realizable value of the inventory is recognized as a reversal of the inventory write-down. The amount of the write-down reversal is limited to the original amount, so that the new carrying amount is equal to lower of acquisition cost or adjusted net realizable value.

When the inventory is sold, its carrying value is recognized as an expense in the same period as the revenue from the sale of inventory.

Financial and operating liabilities

Financial liabilities include loans and operating liabilities.

Operating liabilities are amounts due to suppliers for assets acquired or services rendered, and liabilities due to employees, government, the owners.

Financial liabilities are recognised when incurred at fair value without any associated transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. The portion of non-current liabilities which are overdue, or which are due within twelve months after the reporting date is recognised as current liabilities.

Provisions

Significant provisions include:

- provisions for claims from the beneficiaries of denationalization;
- provisions for unsettled legal disputes;
- provisions for retirement benefits and jubilee awards;
- provisions for warranties to remedy defects in apartments sold;
- provisions for bank guarantees issued;
- provisions for warranties and collateral given.

When estimating which claims arising from denationalisation proceedings are to be included among provisions and which are to be included among contingent liabilities, decisions of administrative bodies and courts and the current case law for similar cases were taken into account, together with SSH's own assessment. Contingent liabilities include some claims referring to various legal issues. It is difficult to make a reliable assessment in respect of these cases, however, it can be expected that the Company will not be liable to pay a compensation. In cases when, by examining all facts, it is considered that there is a small likelihood that SSH will be deemed as a party liable to pay compensation, such claims are classified as contingent liabilities.

The company reviews the probability of a cash outflow and estimates the most likely amount needed to settle the liability at least once a year.

Deferred tax

A deferred tax asset is recognised when it is probable that sufficient taxable income will be generated in the future to enable the utilization of deferred tax asset. Tax assets and tax liabilities are recognised net (mutually offset) in the Statement of Financial Position since deferred taxes (both assets and liabilities) relate to the same tax authority.

Deferred tax liabilities primarily arise from temporary taxable differences due to the fair value revaluation of financial assets, while deferred tax assets arise from provisions, tax losses, and investments.

Equity

Total equity comprises called-up capital, capital reserves, profit reserves, fair value reserves, retained earnings and the undistributed profit for the current year.

The fair value reserve relates to changes in fair value of financial investments measured at fair value through other compre-

hensive income (FVTOCI) and actuarial gains/losses or losses arising from provisions for retirement bonus payments.

The profit remaining after covering losses and creating statutory reserves according to applicable regulations is allocated to other reserves in accordance the Company's Articles of Association, except as stated in Note 2.11.

Fair value measurement

In accordance with SSH's accounting policies, there is a requirement to determine the fair value of financial instruments in a number of cases. For this purpose, financial instruments are categorised into two groups:

- financial instruments which are measured at fair value in the Statement of Financial Position, which include investments in associates, loans, and equity instruments other than investments in subsidiaries which are measured at cost in accordance with IFRS 28, and
- financial instruments for which a fair value disclosure is required even though they are not measured at fair value in the Statement of Financial Position, and which include trade receivables, financial and operating liabilities.

When measuring the fair value of financial instruments, the following three-level fair value hierarchy is used:

- the first level includes quoted prices (unadjusted) in active markets for identical assets or liabilities; this level includes listed shares and bonds;
- the second level includes the values which are not equal to quoted prices but can be also acquired directly or indirectly from the market (for example, values which have been derived from quoted prices in an active market); for example, UCITS units of mutual funds;
- the third level includes input data for an asset or liability not based on market data; this level represents non-marketable shares, bonds and receivables. Valuations are based on the yield-based method and partially on the asset-based method. The methods used by SSH are the discounted cash flow method, the comparable company analysis, the comparable purchases-and-sales method and the adjusted book values method.

Quoted prices SSH used as a basis for determining fair value of financial instruments; if financial instrument is not listed on the regulated market, inputs from the second and third levels are used by SSH to evaluate the fair value of a financial instrument.

Methodology for the valuation of loans measured at fair value through profit or loss (FVTPL)

The valuation of loans with a gross exposure exceeding EUR 300,000 is performed at individual debtor level, while smaller exposures are valued using group valuations at debtor level. The valuations follow the methodology stipulated in Level 3 of the fair value hierarchy and involve unobservable inputs, which represent the best available information in the given circumstances. This includes SSH's own proprietary data (formerly that of BAMC), such as information on market participant assumptions that are available and reasonably reliable.

Individual loan valuations at debtor level

Loan valuations are based on the Binomial Model for Valuation of Real Options (BMVRO). Two scenarios, or rather strategies (restructuring scenario and recovery of collateral scenario) are considered for each individual debtor, along with the forecast of future expected cash flows.

The key unobservable input in the loan assessment process is the estimation of the probability of successfully implementing each of the two strategies. In cases where it is assessed by the Company that the probability of realizing the collateral recovery strategy is higher, only the future cash flows of that strategy are considered to have 100% probability. In cases where it is assessed by the Company that there is a higher probability of implementing the restructuring strategy, the DPS model (Default Probability Scorecard) is used to determine the probability of implementing the restructuring scenario. The probabilities of implementing the restructuring scenario calculated using the DPS tool can be overruled by the claims manager with appropriate justification (based on an explanation of various risk factors and presentation of realistic options). The loan valuation methodology described is in line with the requirements of IFRS and International Valuation Standards (IVS) as it ensures the following:

- applicability and theoretical consistency;
- repeatability of the valuation process;
- comparability of the valuation process irrespective of who the valuer is;
- identification of key specific risks relating to the feasibility of the scenario, not covered in the discount rate.

The DPS model defines 13 different elements of business risk on a 7-point scale, which reflects different levels of risk. The risk elements are defined based on specific knowledge of the debtor. If a high level of risk is identified for an individual element of business risk, the probability of implementing the restructuring strategy is reduced. Once all the levels of risk for individual elements are determined, the average risk profile (avgP) of the restructuring strategy is calculated.

The probability of implementing the collateral recovery strategy is determined as “1– probability of implementing the restructuring strategy” in restructuring cases.

After determining the probabilities of implementing each individual strategy, and the future cash flows are determined for each strategy, the loan value is calculated. If a restructuring strategy is adopted, the BMVRO model is used. This model is a discrete model based on probability distribution and assumes that SSH (formerly BAMC) can also opt for a modified scenario - changing the strategy from restructuring to collateral recovery if the restructuring fails. The main input data for the BMVRO model are as follows:

- the probability of implementing the restructuring strategy (which is determined by using the DPS model);
- the probability of implementing the collateral realisation strategy (which is determined by using the DPS model);
- the period of transition from the restructuring strategy to the collateral recovery strategy. According to the principle of conservatism, SSH (formerly BAMC) assumes that such a strategy change is possible with immediate effect. The model considers the probability of restructuring failure, thus eliminating the possibility of deferring this failure to later periods. Additionally, SSH (formerly BAMC) estimates that due to the early stage and uncertain nature of restructuring, it is reasonable to assume that if the restructuring fails, it does so within a very short period.
- The future cash flows for each strategy (restructuring and collateral recovery). Under the restructuring strategy, future cash flows are derived from the debtor’s ability to service the debt and from cash flow forecasts. Under the collateral recovery strategy, future cash flows are based on the valuation of the collaterals.
- The risk-free rate of return is not treated as a separate input within the BMVRO model as it is already factored into the calculation of the discount rate and included in the present value for both strategies.

At 31 December 2023, the discount rate used in the individual loan valuations was 7.96% (31 December 2022: 7.87%).

In general, the SSH (former BAMC) calculated the probability-weighted average of the present values of forecasted cash flows in both scenarios. This subsequently reduces the present value of the loan from a higher value under restructuring scenario to a lower value under collateral recovery scenario, taking into account the probability of restructuring success and the value of collaterals considered in the recovery scenario. This reflects the assumption of the BMVRO that the collateral recovery strategy is a real option to the restructuring strategy.

Valuation and Control Process

Individual loan valuations at the debtor level are carried out once a year, specifically on 31 December.

The individual manager of each case is responsible for preparing a cash flow forecast and determining the probabilities of both scenarios, which are further confirmed by business analysts. In the collateral recovery scenario, the basis for valuing the collaterals consists of estimates of asset values which have been provided by real estate experts and/or business analysts from the Controlling, Risks and Valuations Department. The valuation report is prepared in accordance with international valuation standards.

Among other things, the process includes a review of assumptions, such as:

- under the restructuring scenario:
 - defining the reasons for specifying individual factors which determine the probability of restructuring success via DPS;
 - the sustainability of forecasted cash flows;
 - any adjustments to inflows and their justifications;
 - the recognition of appropriate sources of cash flows (from operations, divestments, refinancing, etc.).
- Under the collateral recovery scenario:
 - using appropriate valuation estimates as a basis for valuing the collaterals and providing appropriate justifications for value adjustments;
 - assumptions regarding the conversion of loans into assets (real estate) and assumptions about the timing of sales;
 - -recognition of relevant costs related to individual assets.

Group loan valuation at the debtor level:

Group loan valuation is conducted for smaller credit exposures (whose total exposure does not exceed EUR 300,000). The valuation is affected by the estimated probability of default and the value of the potential reserve scenario in the event of default. The latter value represents the value of the assets pledged to secure loans of each debtor. Further, SSH makes a 100% write-down for the loans where the repayment is overdue by more than five years, regardless of the status and value of their collateral. Debtors which are valued as a group are presented in the category of Group Valued Exposures.

Valuation and Control Process

Group loan valuations at the debtor level are carried out once a year at 31 December.

Among other things, the process includes a review of assumptions, such as:

- proper classification of debtors into groups based on the number of days overdue;
- the use of correct bases for recognizing the value of collaterals.

The valuations are presented to and confirmed by the Management Board.

Real estate valuation methodology

The internal methodology for valuing real estate pertains to the inventory of properties and properties received as collateral. The valuations follow Level 3 of the fair value hierarchy and use unobservable inputs, which represent the best available information in the given circumstances. This includes SSH’s own proprietary data, such as information on market participant assumptions that are available and reasonably reliable.

The key unobservable inputs in the valuation process are adjusted market rent, adjusted market property price, investment costs, and illiquidity discount (time of sale).

Notwithstanding the methodology outlined above, the company uses transaction values/prices as fair value when the outcome of a sales transaction is highly probable (e.g., signed contract, receipt of deposit/advance).

The market comparison method is the most common approach for calculating value because it provides the most realistic assessment of the market value. It is used when there are quality data on transactions (Trgoskop, proprietary database) or offers (e.g. Nepremičnine.net) available.

When using the market comparison method, the adjusted market value of real estate is calculated by the adjusting market prices of several properties within a sample for factors such as condition, size, age, and location of the subject property. Based on the data, the average of adjusted market values is calculated, which is used as the value of the assessed real estate.

The assessment always includes the property and its functional land, and is compared with other properties. Functional land refers to the land which is required for the property for its intended use. In some cases, a building may have more land than necessary, but if it cannot be sold independently, adjustments are made to consider its impact on the property’s value. Before the valuation process begins, data is verified to ensure that

firstly, the sales transactions are carried out between unrelated parties, secondly, whether the data includes taxes, and thirdly, the consistency of areas with data from the Surveying and Mapping Authority of the republic of Slovenia (GURS).

In **the income-based approach**, two methods can be used. If a constant annual income is expected to continue until the end of the property’s useful life, the capitalization of stabilized annual income method is applied. If a limited number of years of income is expected, the discounted cash flow (DCF) method is used. Before commencing the valuation, data on market-adjusted rents is obtained. Adjustments are made to compare either gross or net rents and comparable cost structures. After calculating the effective income, which is the product of market rent and selling area, adjustments are made for vacancy rates, and the following costs are added up: indirect investment costs (studies, estimates, technical documentation), investor’s profit, financing costs, time to complete the project, and the assumption of the time required for sale.

The simplified approach is used for properties whose estimated value is lower than EUR 0.1 million.

Similar to the market comparison method, relevant transaction data from the past year is sought. If there are insufficient transactions, the period is extended and adjusted with an index of price growth for the specific property type.

Based on a certain sample of transactions, the valuer calculates the median price, age and size. The property in question is adjusted to the median age and size, and the calculated value is taken as the market value. For determining fair value under special conditions, a discount for the estimated time to sale is applied, and additional adjustments are made for any corrections for higher physical, functional, or economic obsolescence.

Valuation and Control Process

The Company performs property revaluations once a year at 31 December. Comprehensive valuations of properties are typically carried out every three years, with annual revaluations taking into account changes in market conditions. Comprehensive valuations are carried out by authorised valuers, employed by the Company, or by external valuers.

During the interim period of up to 3 years, property values are adjusted annually as follows:

- Consideration of market conditions: revaluation using statistical indices for individual property types and areas in Slovenia published by GURS every six months (for properties in Slovenia).

2.6 BUSINESS COMBINATIONS

Two business combinations took place in 2022: the merger with SSH, and the acquisition of a majority stake in Sava, d. d., as described in detail below. This disclosure is included for the

2.6.1 MERGER WITH BAMC

In accordance with the provisions of the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks (ZUKBS), which states that the assets, rights, and obligations of BAMC will be transferred to the Slovenian Compensation Fund or its legal successor, with the legal succession further regulated by the Government of the Republic of Slovenia by means of secondary legislation, the Government issued the Decree on the legal succession of the Bank Asset Management Company, d. d., on 27 October 2022, through which SSH, by way of a merger, became the legal successor of BAMC.

The legal basis for the establishment of BAMC was provided by ZUKSB which came into force at the end of 2012. BAMC was established with a limited life until the end of 2017, and with the amendment to ZUKSB at the end of 2015, the lifespan of BAMC was extended until the end of 2022. ZUKBS already in its first issuance stipulated that, upon the termination of BAMC, the assets, rights, and obligations of BAMC will be transferred to the Slovenian Compensation Fund., or its legal successor. The Government of the Republic of Slovenia established the Bank Asset Management Company (BAMC), as a key institution to contribute to the strengthening of the stability of the Slovenian financial system and thereby to restore confidence in it. It was one of the government's measures to enhance the financial capacity and sustainability of the banking system, which was expected to contribute to increased economic growth. The primary task of BAMC was to relieve systemic banks by taking over non-performing assets, primarily receivables, and subsequently manage the acquired assets. These were mainly loans which banks had granted in the past, but they were not be-

purpose of comparison; there were no business combinations in 2023.

ing repaid by companies and organizations that had taken out these loans due to the effects of the economic crisis or for other reasons. Banks were impairing their receivables because of expected losses, which undermined their capital base. Based on the decision of the Government of the Republic of Slovenia acting as the General Meeting of BAMC, BAMC acquired bad assets from four banks (NLB, NKBM, Abanka, Banka Celje) at the end of 2013 and in 2014 with the aim of maximizing the value of the assets acquired and selling the assets at the best possible price. In 2016, Probanka and Factor banka and their subsidiaries were also merged with BAMC. ZUKSB stipulated that DUTB must dispose of at least 10% of the estimated transfer value of assets transferred to BAMC each year.

The merger date was set as 30 June 2022. The merger was recorded in the Business Register of Companies on 30 December 2022, and as of this date BAMC ceased to exist and SSH became its legal successor. In the period from 1 July 2022 until 31 December 2022, income of EUR 9,754 thousand and the profit of EUR 2,153 thousand was recognised by BAMC.

In accordance with accounting policy, the merger was treated as a transaction under common control, which means that on the merger date, the assets and liabilities were transferred to the financial statements of SSH at their carrying amounts on that date.

The table below shows the recognized amounts of assets acquired and liabilities taken over from BAMC on the merger date, 30 June 2022, in the separate financial statements of SSH:

in EUR '000

	30 June 2022
ASSETS	544,785
Intangible assets	327
Property, plant and equipment	250
Deposits with commercial banks	3,522
Financial assets measured at fair value through profit or loss (FVTPL)	401,444
- Loans	277,714
- Equity investments	123,730
Inventories of real estate and equipment	100,304
Trade and other payables	7,076
Assets from contracts with customers	786
Deferred tax assets	625
Other assets	676
Cash and cash equivalents	29,775
LIABILITIES	181,321
Provisions and non-current deferred revenues	6,231
Financial liabilities	162,730
Operating liabilities	8,857
Contractual liabilities from contracts with customers	434
Tax liabilities	480
Other liabilities	2,589
NET ASSETS ACQUIRED	363,464

2.6.2 ACQUISITION OF SUBSIDIARY - SAVA, d. d.

In 2022, SSH exercised its pre-emptive right to purchase 12,571,257 Sava shares (43.226% ownership stake), increasing its existing ownership to 61.91%. The transfer of ownership in the Central Securities Clearing Corporation (KDD) records was executed on 15 September 2022. The investment in the subsidiary Sava is valued at cost in the standalone financial statements, amounting to EUR 43,659 thousand. The acquisition mentioned is presented in detail in section 3.6.2 Acquisition of subsidiary - SAVA, d. d.

2.7 NOTES TO INDIVIDUAL ITEMS IN SEPARATE FINANCIAL STATEMENTS

2.7.1 TANGIBLE FIXED ASSETS

in EUR '000

	31 Dec 2023	31 Dec 2022
Land	193	140
Buildings	1,791	796
Equipment	462	509
Total	2,446	1,445

In December 2023, the Company acquired additional office space at location Mala ulica 5, Ljubljana, valued at cost at EUR 1.095 million, encompassing a usable area of 608.40 m² (the entire floor space of the premises). The amount was proportionately allocated to land and buildings.

The tangible fixed assets are not subject to mortgages, liens, or other encumbrances. As at the reporting date, there were no signs of impairment of these assets.

2.7.2 FINANCIAL ASSETS (EXCLUDING TRADE RECEIVABLES AND CASH AND CASH EQUIVALENTS), INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

in EUR '000

	1 Jan 2023	Acquisitions	Transfers	Disposals/Repayments	Revaluations/Gains	31 Dec 2023
Investments in subsidiaries (2.7.2.1.)	129,515	0	0	-258	-4,277	124,980
Investments in associates (2.7.2.2.)	299,337	0	0	-36	1,382	300,683
Financial assets measured at fair value through other comprehensive income (FVTOCI) (2.7.2.3.)	517,268	0	0	-1	104,359	621,626
Financial assets measured at fair value through profit or loss (FVTPL) (2.7.2.5.)	247,604	4,392	-2,631	-52,103	28,634	225,896
Deposits measured at amortised cost (2.7.2.7.)	14,374	74,953	0	-14,327	0	75,000
Total	1,208,098	79,345	-2,631	-66,725	130,098	1,348,185

in EUR '000

	1 Jan 2022	Merger with BAMC 30 June 2022	Acquisitions of Sava d. d. 30 September 2022	Acquisitions - other	Transfers	Disposals	Revaluations	31 Dec 2022
Investments in subsidiaries	3,692	83,889	32,010	5	11,644	0	-1,725	129,515
Investments in associates	20,166	35,785	0	0	241,718	0	1,668	299,337
Financial assets measured at fair value through other comprehensive income (FVTOCI)	42,408	4,056	0	61	504,457	0	-33,714	517,268
Financial assets to be distributed to owner	861,877	0	0	0	-757,819	0	-104,058	0
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	277,714	0	0	0	-61,134	8,597	247,604
Deposits measured at amortised cost	17,000	3,522	0	67,852	0	-74,000	0	14,374
Total	967,570	404,966	32,010	67,918	0	-135,134	-129,232	1,208,098

The restriction on the disposal of shares of Casino Bled and Casino Portorož was recorded as at the balance sheet date.

2.7.2.1 Financial investments in subsidiaries

in EUR '000

	31 Dec 2023	31 Dec 2022
Investments in subsidiaries	124,980	129,515

The table below provides an overview of investments in subsidiary companies, detailing the stake in their capital and the net profit or loss:

in EUR '000

Company	Equity Stake in %	31 Dec 2023		31 Dec 2022	
		Equity	Net profit or loss	Equity	Net profit or loss
Argolina, d. o. o.	100.00	-3,986	-488	-3,498	-596
Autotehna Croatia, d. o. o. – v likvidaciji*	100.00	-	-	13	39
Avtotehna Beograd, d. o. o. – v likvidaciji*	100.00	-	-	0	0
Avtotehna Zagreb, d. o. o.	100.00	n.a.	n.a.	82	-27
BR89, d. o. o.	100.00	n.a.	n.a.	-908	3,158
DS Projekt, d. o. o., Ljubljana	74.00	1,930	-49	1,979	-35
DUP, d. o. o., Sarajevo	100.00	561	-3,285	563	-3,599
DUTB Crna Gora, d. o. o.	100.00	-247	8	-256	-32
Elektrooptika, d. d.	100.00	-106	-2	-109	-3
Factor projekt, d. o. o., Hrvaška	100.00	n.a.	n.a.	585	-93
Farme Ihan – KPM, d. o. o.	100.00	6,272	903	5,369	-600
Fundus, d. o. o., Beograd – v likvidaciji	100.00	n.a.	n.a.	417	-17
Hyundai auto Beograd, d. o. o.	100.00	n.a.	n.a.	-6,219	-15
Illuria Holdings Ltd – v likvidaciji	100.00	n.a.	n.a.	n.a.	n.a.
Istrabenz Turizem, d. d.	100.00	41,682	1,776	39,906	1,990
Istrabenz, d. o. o.	100.00	n.a.	n.a.	-514	-111

in EUR '000

Company	Equity Stake in %	31 Dec 2023		31 Dec 2022	
		Equity	Net profit or loss	Equity	Net profit or loss
MK Založba, d. d.	83.47	32,724	282	32,600	601
MLM, d. d.	100.00	916	-4,386	5,640	-3,693
Poslovni sistem Domina, d. o. o., Beograd	55.52	n.a.	n.a.	-3,714	-22
PROLeasing Rijeka, d. o. o. – v likvidaciji	100.00	n.a.	n.a.	-4,624	-351
PS ZA AVTO, d. o. o.	100.00	5,674	165	5,303	145
PY&CA, d. o. o., Beograd – v likvidaciji*	100.00	-	-	560	-269
Sava, d. d.	61.91	114,750	242	47,505	-4,143
STNA, d. o. o.	100.00	6	0	0	7
Thermana, d. d.	100.00	26,141	929	25,473	2,121

*Liquidations were finalized in 2023, and by 31 December 2023, they were no longer included in the SSH portfolio.

In every subsidiary company, the percentage of ownership corresponds exactly to the percentage of voting rights. All investments in subsidiaries are classified as long-term investments.

DATA FROM THE STATEMENTS OF FINANCIAL POSITION AND INCOME STATEMENTS OF SUBSIDIARIES FOR 2023 AND 2022

in EUR '000

As at	PS ZA AVTO, d. o. o.		Elektrooptika, d. d.		Sava Group	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Current assets	3,125	2,659	1	1	58,900	52,466
Non-current assets	3,851	3,901	0	0	220,835	223,180
Current liabilities	109	64	107	110	103,576	94,818
Non-current liabilities	1,193	1,193	0	0	56,310	62,478
Equity	5,674	5,303	-106	-109	119,848	118,350
Year	2023	2022	2023	2022	2023	2022
Sales revenue	369	311	0	0	119,781	106,556
Net profit or loss	165	145	-3	-3	2,031	6,559
Other comprehensive income	0	-230	0	0	-534	305
Total comprehensive income	165	-85	-3	-3	1,479	6,864
SSH ownership interest (in %)	90.00	90.00	70.48	70.48	61.91	61.91

2.7.2.2 Financial investments in associates

in EUR '000

	31 Dec 2023	31 Dec 2022
Investments in associates	300,683	299,337

The ownership percentage is equal to the percentage of voting power in all associates.

DATA FROM THE STATEMENTS OF FINANCIAL POSITION AND INCOME STATEMENTS OF ASSOCIATES FOR 2023 AND 2022

in EUR '000

As at	Casino Bled, d. d.		HIT Group		Unior Group	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Current assets	117	269	45,749	41,907	151,323	170,085
Non-current assets	210	241	98,234	95,725	239,486	211,026
Current liabilities	222	190	38,247	38,887	78,810	32,951
Non-current liabilities	0	0	36,423	39,458	125,526	163,515
Equity	105	320	69,313	59,287	186,473	184,645
Year	2023	2022	2023	2022	2023	2022
Sales revenue	1,144	1,206	171,135	153,203	294,237	287,653
Net profit or loss	-216	98	10,664	11,157	4,937	10,232
Other comprehensive income	0	0	-626	2,790	-1,804	-912
Total comprehensive income	-216	98	10,038	13,947	3,132	9,320
SSH ownership interest (in %)	33.75	33.75	20.00	20.00	39.43	39.43

in EUR '000

As at	Zavarovalnica Triglav Group		Cinkarna Celje		Salomon	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Current assets	138,888	373,882	144,697	142,388	13,403	17,183
Non-current assets	3,960,140	3,754,943	114,387	108,560	32,915	33,420
Current liabilities	102,832	206,644	25,929	23,106	28,700	13,285
Non-current liabilities	3,105,096	3,169,382	19,271	18,832	5,050	22,577
Equity	891,100	752,799	213,884	209,010	12,568	14,741
Year	2023	2022	2023	2022	2023	2022
Sales revenue	1,382,793	1,189,906	176,464	227,153	55,410	66,340
Net profit or loss	16,265	110,217	5,489	43,396	-750	-4,338
Other comprehensive income	34,672	-208,117	-458	370	-984	120
Total comprehensive income	50,937	-97,900	5,031	43,766	-1,734	-4,218
SSH ownership interest (in %)	28.09	28.09	24.44	24.44	30.59	30.59

In 2023, Terra Mediterranea was sold. As investments in associates are valued at fair value through other comprehensive income, the effect of the sale is recognised in equity as a re-

classification from fair value reserves to retained profits. A sale agreement for Salomon was executed in 2023, but as of 31 December 2023, the transaction had not yet been completed.

Note: The audited data are presented for the companies listed above, except for Salomon and Casino Bled (the data are not audited).

2.7.2.3 Financial assets measured at fair value through other comprehensive income (FVTOCI)

Financial assets measured at fair value through other comprehensive income include:

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Other equity investments	621,626	517,268
Total	621,626	517,268

Other equity investments comprise a portfolio of financial investments which are (like associated and subsidiary companies) classified as strategic and important assets for the Republic of Slovenia's perspective, much like associated and subsidiary entities. The methodologies for assessing the fair value of these investments are set out in note 2.7.2.4, and for the categorisation as listed and unlisted investments in note 2.7.2.6. The effects of the valuations of these investments, as well as of as-

sociated entities are recorded in other comprehensive income, as explained in note 2.7.6. Dividends from these investments, in addition to those from associated and subsidiary entities, are recorded under financial income, as specified in note 2.7.16. The corresponding deferred tax liabilities are set out in note 2.7.17.

2.7.2.4 Valuation of capital assets

VARIABLES USED IN THE VALUATION OF FINANCIAL INVESTMENTS

Variables used	31 December 2023	31 December 2022
Discount rate (WACC)	8.70 % - 13.23 %	9.2 % - 14.3 %
Long-term growth rate (g)	2 % - 2.02 %	2 % - 2.6 %
Discount for the lack of control	0 % - 27.34 %	0 % - 20 %
Discount for the lack of lack of marketability	3.29 % - 24.00 %	0 % - 20 %

The variables employed relate to equity investments in subsidiary and associate entities, as well as other equity investments.

Valuing some important investments for which market prices were not available as at 31 December 2023

All estimates of the value of investments, which are presented below, were made by accredited, certified value valuers for the financial reporting purposes. The estimates were made on the basis of the fair value as defined in IFRS 13, which matches the market value under the International Valuation Standards (IVS). Valuation reports were made in accordance with the Hierarchy of Valuation Rules (Official Gazette RS, No. 106/10). The use of different valuation methodologies or different valuation assumptions may result in different fair values SSH is aware of this fact, but at the same time considers the values as appropriate.

The fair value of SSH's 15% shareholding in **Loterija Slovenije, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption, with the divi-

dend discount model used as a verification approach. Following an analysis of the company's historical performance, its management's plan for 2023-2025, and the long-term strategy up to 2027, the valuer has formulated their own forecast of future business activities from the viewpoint of a majority shareholder, incorporating discounts due to the absence of a controlling interest.

The fair value of SSH's 11.74% shareholding in **Adria, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption, and the method of comparable transactions as a verification approach (also taking into account the discount for lack of control). Based on an analysis of the company's past performance and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own

projection of the company's future performance from the perspective of the majority owner.

The fair value of SSH's 4.42% shareholding in **KOTO, d. d.** was appraised utilising the comparable companies method. The valuer applied the average EV/EBITDA multiple to the EBITDA of KOTO for the year 2023 based on the analysis.

The fair value of SSH's 100.00% shareholding in **Farne Ihan - KPM, d. o. o.** the discounted cash flow (DCF method) method was employed under the assumption of a going concern. The valuation was conducted based on the management's plan for the business year 2024, the forecast for the period 2025-2026, an analysis of past performance, an analysis of the industry and operations of other companies in the same sector, and other explanations and data provided by the management.

The fair value of SSH's 100.00% shareholding in **Thermana, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption, with the comparable companies method used as a verification approach. The valuation was conducted based on the management's plan, an analysis of past performance, an analysis of the industry and operations of other companies in the same sector, and other explanations and data provided by the management.

Valuing important investments for which market prices were not available as at 31 December 2022

The fair value of SSH's 15% shareholding in **Loterija Slovenije, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the past performance of Loterija Slovenije and of the company's management plan for 2023 and 2024 as well as an analysis of the company's capacities, risks and market and development opportunities, the valuer prepared their own projections of the company's future performance from the perspective of the majority owner for 2025 and onwards. The discount rate (WACC) used in the calculation was 12.10%, taking into account a long-term growth rate (g) of 2.6%. A discount for lack of control of 10% and a discount for lack of marketability of 13% were applied.

The fair value of SSH's 11.74% shareholding in **Adria, d. o. o.** the discounted cash flow (DCF method) method was employed under the assumption of a going concern. Based on an analysis of the company's past performance, a review of the management's plan for 2023- 2025 and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner. The discount rate (WACC) used in the calculation was 10.80%, taking into account a long-term growth rate (g) of 2.6%.

A discount for lack of control of 15% and a discount for lack of marketability of 15% were applied.

The fair value of SSH's 4.42 % shareholding in **KOTO, d. o. o.** (6.25% taking into account own shares held by KOTO itself) was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the company's past performance, a review of the company's management plan for 2023, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner for 2024 and onwards. The discount rate (WACC) used in the calculation was 11.08%, taking into account a long-term growth rate (g) of 2.6%. A discount for lack of control of 15% and a discount for lack of marketability of 24% were applied.

The fair value of SSH's 100% shareholding in **Mariborska livarna, Maribor, d. d.**, was appraised using the discounted cash flow method (DCF-method) on a going concern assumption and the net asset value method. Based on an analysis of the company's past performance, a review of the company's management plan, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner. For the purpose of making the calculation using the DCF method, the discount rate (WACC) was determined to be 11.92%, and the long-term growth rate (g) considered was 2%. However, both of these factors are not particularly relevant in this case since the projected cash flows are negative, and therefore, no liquidity discount was applied. Additionally, due to the nature of the majority of the company's assets, the net asset value method also indicated a negative value. The value of the investment, therefore, is nil as of 31 December 2023.

The fair value of SSH's 8.08% shareholding in **Terme Olimia, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the past performance of Terme Olimia Group, a review of the company's management plan for 2023 - 2027, of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of Terme Olimia Group from the perspective of the majority owner for 2028 and onwards. The discount rate (WACC) used in the calculation was 9.2%, taking into account a long-term growth rate (g) of 2%. A discount for lack of control of 20% and a discount for lack of marketability of 15% were applied.

The fair value of SSH's 20% shareholding in **Hit, d. d.**, (the ordinary Hit shares which represent 33,33 % of the voting rights) was

appraised using the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the company's past performance, a review of the company's management plan for 2023 -2025 and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of HIT Group from the perspective of the majority owner for 2026 and onwards. The discount rate (WACC) used in the calculation was 11.3%, taking into account a long-term growth rate (g) of 2%. A discount for lack of control of 5% and a discount for lack of marketability of 20% were applied. In addition, the valuer also carried out a valuation of the preferred shares of HIT, d. d., which are owned by SSH, but which do not carry voting rights and represent an 8.54% stake in the company. Due to the specific characteristics of the preference shares, the valuer used the dividend discount model in this case. The required rate of return used was 12.1% based on the planned management scenario, which assumes a 50% profit

payout. The long-term growth rate used was 2%, and consistent with the long-term growth rate of ordinary shares.

The fair value of SSH's 5.21% shareholding in **Talum, d. o. o.** was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. The internal assessment was made based on the management's plan for the period 2023-2025. Taking into account an analysis of the company's capacities, risks and market and development opportunities, a separate projection of the future performance of Talum Group was prepared from the perspective of the majority owner for 2026 and onwards. In accordance with the internal methodology, the discount rate (WACC) was determined to be 14.3 % during the forecast period and 12.8% in the residual period (two-stage WACC). The long-term growth rate (g) of 2% was used. A discount for lack of control of 15% and a discount for lack of marketability of 10% were applied.

2.7.2.5 Financial assets measured at fair value through profit or loss (FVTPL) - loans

This group includes loans which were acquired through the merger of BAMC with SSH in 2022 and the outstanding amount of the receivable purchased/loan to Sava, which was obtained

by SSH during the Sava's financial restructuring process in 2016. All loans acquired are classified as current.

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Loans valued in accordance with the restructuring strategy	84,302	105,539
Loans valued in accordance with the collateral recovery strategy	118,014	117,510
Loan to Sava, d. d.	22,427	22,427
Other loans	1,153	2,127
Total	225,896	247,604

CLASSIFICATION OF LOANS IS BASED ON THE SELECTED STRATEGY

	in EUR '000			
	31 Dec 2023		31 Dec 2022	
	Fair value	Number of debtors	Fair value	Number of debtors
Loans valued in accordance with the restructuring strategy	84,302	10	105,539	18
Loans valued in accordance with the collateral recovery strategy	118,014	351	117,511	390
Other loans	1,153	160	2,127	192
Total	203,468	521	225,177	600

FAIR VALUE OF LOANS BY MATURITY

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Restructuring strategy	84,302	105,539
Non-overdue loans	26,242	33,970
Overdue loans	58,060	71,570
Overdue by up to 90 days	0	0
Overdue between 90 days and one year	0	14,467
Overdue between one and three years	0	0
Overdue by more than three years	58,060	57,102
Collateral recovery strategy	118,014	117,510
Non-overdue loans	12,514	7,718
Overdue loans	105,499	109,792
Overdue by up to 90 days	0	7,603
Overdue between 90 days and one year	633	464
Overdue between one and three years	14,187	12,111
Overdue by more than three years	90,679	89,614
Group valued exposure	1,153	2,127
Non-overdue loans	607	1,359
Overdue loans	546	768
Overdue by up to 90 days	263	108
Overdue between 90 days and one year	104	366
Overdue between one and three years	16	64
Overdue by more than three years	162	231
Total	203,468	225,177

FAIR VALUE OF LOANS BY INDUSTRY SECTOR OF DEBTOR

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Companies	198,288	218,649
Construction industry	39,834	46,922
Manufacturing	41,087	50,352
Wholesale and Retail Trade	1,883	5,979
Tourism	8,694	6,816
Professional Services	6,882	10,702
Financial Services	15,240	17,638
Real Estate Activities	5,227	6,387
Other Activities	73,653	67,569
Companies with Foreign Registered Offices	5,787	6,283
Natural persons	5,078	5,298
Republic of Slovenia	101	1,230
Total	203,468	225,177

FAIR VALUE OF LOANS BY THE LOCATION OF THE REGISTERED OFFICE AND THE TYPE OF DEBTORS

in EUR '000

	31 Dec 2023	31 Dec 2022
Companies	198,288	218,649
Slovenia	190,412	210,488
EU Member States	2,102	3,831
Other European countries	5,774	4,330
Natural persons	5,078	5,298
Republic of Slovenia	101	1,230
TOTAL	203,468	225,177

The value of collateral in the loan portfolio

Loans can be secured with one or more types of collateral or may be entirely unsecured. The majority of loans were transferred to BAMC together with collateral, or BAMC acquired the collateral without having an influence on the selection of loans or collateral transferred. SSH's active role in obtaining new or additional collateral is evident during the financial restructuring when the debtors' contractual obligations are redefined.

The fair value of individually valued loans is calculated as the discounted value of future cash flows from the restructuring scenario and the collateral recovery scenario (weighted by the probability of each scenario occurring). The collateral recovery

scenario includes only expected cash flows from collateral recovery.

The expected collateral value used as input for the collateral recovery scenario assessment is an estimate based on a formal internal appraisal and additional knowledge of the circumstances surrounding the recovery of the collateral.

The tables below present the value as expected from the recovery of collateral. The value from the recovery of the collateral represents the expected cash flows of each debtor (separately for each scenario) discounted at the weighted average cost of capital.

THE VALUE OF RESTRUCTURING AND COLLATERAL RECOVERY SCENARIOS AS AT 31 DECEMBER 2023.

in EUR '000

31 Dec 2023

Unweighted by scenario, unlimited in terms of total exposure	Fair value	Value	Vrednost scenarija unovčevanja zavarovanj	Delež vrednosti scenarija unovčevanja zavarovanj v pošteni vrednosti
Restructuring strategy	84,302	88,437	86,418	102%
Collateral recovery strategy	118,014	29,539	120,562	102%
Group valued exposure	1,153	-	11,571	1004%
Total	203,468	117,975	218,551	107%

THE VALUE OF RESTRUCTURING AND COLLATERAL RECOVERY SCENARIOS AS AT 31 DECEMBER 2022.

in EUR '000

31 Dec 2022

Unweighted by scenario, unlimited in terms of total exposure	Fair value	Value of the restructuring scenario	Value of the collateral recovery scenario	Share of collateral recovery scenario value in fair value
Restructuring strategy	105,539	110,140	92,902	88%
Collateral recovery strategy	117,510	10,303	128,621	109%
Group valued exposure	2,127	-	13,612	640%
Total	225,177	120,443	235,134	104%

Movement of loans and receivables

The changes in the tables below mostly relate to the portfolio of debtors in the collateral recovery strategy.

MOVEMENT OF LOANS AND RECEIVABLES FOR 2023

in EUR '000

	31 Dec 2023
Opening balance as of 01/01/2023	225,177
Increases in loan portfolio	4,392
Purchases of receivables	0
New loans granted	4,388
Realization of guarantees	0
Other increases	4
Decreases	-54,735
Cash repayments	-49,115
Transfers to real estate and equipment	-2,631
Transfers to operating receivables	0
Loans sold	-2,989
Debt equity conversion	0
Increases/decreases due to revaluation	22,136
Increases/decreases due to realized profits/losses	5,892
Other changes	606
Closing balance as at 31 Dec 2023	203,468

MOVEMENT OF LOANS AND RECEIVABLES FOR 2022

in EUR '000

	1. July - 31 Dec 2022
Opening balance	277,714
Increases in loan portfolio	624
Purchases of receivables	0
New loans granted	602
Realization of guarantees	0
Other increases	22
Decreases	-61,134
Cash repayments	-28,113
Transfers to real estate and equipment	-64
Transfers to operating receivables	-1
Loans sold	-32,908
Debt equity conversion	-48
Increases/decreases due to revaluation	4,963
Increases/decreases due to realized profits/losses	1,938
Other changes	1,072
CLOSING BALANCE	225,177

2.7.2.6 Fair value levels of financial instruments

CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2023

in EUR '000

	1 level	2 level	3 level
Investments in associates	273,397	0	27,286
Other non-current financial assets	604,829	0	16,797
Investments in listed shares	604,829	0	0
Non-listed shares and stakes	0	0	16,797
Other current financial assets	47,905	0	315,855
Bad loan receivables	0	0	203,469
Purchased receivables	0	0	22,427
Cash and cash equivalents and deposits to commercial banks	47,905	0	75,000
Current operating receivables	0	0	14,959
Finance lease payables	0	0	19
Financial liabilities	0	0	216
Current operating liabilities	0	0	20,150

CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2022

in EUR '000

	1 level	2 level	3 level
Investments in associates	277,104	0	22,233
Other non-current financial assets	502,088	0	15,180
Investments in listed shares	502,088	0	0
Non-listed shares and stakes	0	0	15,180
Other current financial assets	0	0	302,634
Bad loan receivables	0	0	225,177
Purchased receivables	0	0	22,427
Cash and cash equivalents and deposits to commercial banks	7,057	0	36,974
Current operating receivables	0	0	10,999
Finance lease payables	0	0	15
Financial liabilities	0	0	30,262
Current operating liabilities	0	0	32,584

Fair values are equal to book values in all cases.

2.7.2.7 Other financial investments measured at amortised cost

in EUR '000

	31 Dec 2023	31 Dec 2022
Financial assets measured at amortised cost	75,000	14,374
Total	75,000	14,374

Financial assets measured at amortised cost as at 31 December 2023 represent EUR 75 million in deposits with a maturity of more than 90 days (31 December 2022: the EUR 10 million long-

term deposit with maturity in May 2023 and a pledged deposit of EUR 4.374 million provided as collateral for bank guarantees issued to debtors).

2.7.3 CURRENT OPERATING RECEIVABLES

in EUR '000

	31 Dec 2023	31 Dec 2022
Receivables due from customers	4,401	4,718
Impairment of receivables due from customers	-723	-355
Interest receivable	8,683	5,129
Impairment of interest receivable	-16	-16
Receivables due from the Republic of Slovenia in accordance with ZSPOZ, ZIOOZP, ZVJTO	0	670
Receivables due from state institutions	1,588	281
Other receivables	14,301	15,392
Adjustments of other receivables	-13,275	-14,806
Total	14,959	11,013

Interest receivables primarily consist of amounts due from Sava d. d. (EUR 7,743 thousand) and interest on deposited funds.

The disclosed value of current operating receivables reflects their fair value.

MOVEMENTS IN BAD DEBT PROVISION

in EUR '000

	31 Dec 2023	31 Dec 2022
Adjustment balance as at 1 Jan	15,177	2,015
Increase due to merger with BAMC	0	13,264
Collected receivables for which adjustment was made	0	-16
Written-off receivables for the year	-515	-174
Adjustments made for the year	424	88
Reversal of provision (write-off) due to completed bankruptcy proceedings	-1,072	0
Bad debt provision as at 31 Dec	14,014	15,177

2.7.4 CASH AND CASH EQUIVALENTS

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Credit balances at commercial banks	6,069	7,057
Cash equivalents	41,836	22,600
Total	47,905	29,657

2.7.5 INVENTORIES OF REAL ESTATE AND EQUIPMENT

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Real estate	91,969	103,008
Advance payments and deposits for real estate inventory	603	1,244
Equipment	1,704	1,925
Total	94,276	106,177

The majority of the total EUR 93,673 thousand (31 December 2022: EUR 104,933 thousand) of real estate and equipment inventory was acquired through loan transfers or purchases at auctions.

Out of the total real estate inventory amounting to EUR 91,969 thousand (31 December 2022: EUR 103,008 thousand), EUR 76,749

thousand (31 December 2022: EUR 73,086 thousand) of inventory is valued at cost, and EUR 15,220 thousand (31 December 2022: EUR 29,922 thousand) at net realizable value.

The main components of the inventory are offices and land. As at 31 December 2023, none of the real estate inventory was pledged.

MOVEMENT OF REAL ESTATE AND EQUIPMENT INVENTORY IN 2023

	in EUR '000		
	Real estate	Equipment	Total
Balance as at 1 Jan 2023	103,008	1,925	104,933
Transfers from loans	2,631	0	2,631
Acquisitions	2,131	0	2,131
Disposals	-18,357	-193	-18,550
Revaluations	2,556	-28	2,528
Closing balance as at 31 Dec 2023	91,969	1,704	93,673

In 2023, in accordance with a decision of the Government of the Republic of Slovenia, the Company transferred a property at a carrying amount of EUR 5,250 thousand at the date of transfer, to the direct ownership of the Republic of Slovenia. The effect of the transfer is presented as a return of capital to the owner, as evidenced in the Statement of Changes in Equity.

The revaluation effect represents an increase in value amounting to EUR 3,483 thousand (reversal of previous impairments up to the acquisition cost or lower net realisable value) and a decrease due to impairments amounting to EUR 956 thousand.

The total effect of the change in the accounting estimate used (as detailed in note 2.4.2.3) is a one-off and is estimated at EUR 2,475 thousand.

MOVEMENT OF REAL ESTATE AND EQUIPMENT INVENTORY FROM 1 JULY TO 31 DECEMBER 2022

	in EUR '000		
	Real estate	Equipment	Total
Balance as at 1 Jan 2022	0	0	0
Merger with BAMC - 1 July 2022	95,075	1,893	96,968
Transfers from loans	2,852	0	2,852
Acquisitions	6,817	111	6,928
Disposals	-3,221	-3	-3,224
Revaluations	1,485	-76	1,409
Closing balance as at 31 Dec 2022	103,008	1,925	104,933

The real estate acquired by BAMC as a creditor with a right to a separate satisfaction through auctions is recorded as an acquisition.

2.7.6 EQUITY

ACCUMULATED PROFIT/LOSS

	in EUR '000	
	2023	2022
Retained earnings as at 1 Jan	189,877	-70,624
Retained earnings taken over from BAMC upon merger	0	251,177
Transfers due to redistribution financial investments	0	9,324
Net profit for the period	78,905	66,003
Total	268,782	255,880
Transfer to other revenue reserves in accordance with Article 25 of Articles of Association	-189,877	-66,003
Accumulated profit (loss) as at 31 Dec	78,905	189,877

The accumulated profit/(loss) has been disclosed in accordance with Article 66 of ZGD-1.

In accordance with the dividend policy of the sole shareholder, accumulated profit is not distributed, except for the purpose of financing measures in accordance with the Reconstruction, Development and Provision of Financial Resources Act, as described in Note 2.11.

Proposal for the distribution of retained earnings:

The management of SSH proposes to the shareholders that the entire retained earnings for 2023, amounting to EUR 78,904,581.64, is utilised to finance the measures referred to in Article 1, Paragraph 1 of the Reconstruction, Development, and Provision of Financial Resources Act, in accordance with the Decision of the Government of the Republic of Slovenia of 7 March 2024.

The equity of the Company includes the called-up capital, fair value reserves arising from revaluation of financial investments, actuarial gains/losses and retained losses. The sole shareholder of SSH is the Republic of Slovenia. On a basis of the decision of the Government of the Republic of Slovenia, the share capital increased by EUR 41,599,065.26 (24,922 shares) in March 2022, so that at the balance sheet date it amounted to EUR 301,765,982.30 and is divided into 180,788 registered shares. In 2022, the capital increase was additionally affected by the merger with BAMC. SSH covered the uncovered loss with the retained earnings of the merged company.

FAIR VALUE RESERVE BALANCE

in EUR '000

	31 Dec 2023	31 Dec 2022
Revaluation of investments in shares of domestic listed companies	415,436	334,677
Revaluation of investments in shares of non-listed companies	18,711	12,028
Revaluation of investments in shares of insurance companies	250,071	231,748
Actuarial gains/losses	108	132
Deferred tax liability	-68,269	-57,261
Total	616,057	521,324

MOVEMENT OF FAIR VALUE RESERVE FOR 2023

in EUR '000

	Financial investments	Deferred tax expense	Net financial investments	Provisions for severance payments	Total
Opening balance as 1 Jan 2023	578,454	-57,261	521,193	132	521,325
Other comprehensive income	105,741	-11,007	94,734	-28	94,706
Transfer to retained earnings	0	0	0	4	4
Transfers due to sale of financial investments	23	-1	22	0	22
Closing balance as at 31 Dec 2023	684,218	-68,269	615,949	108	616,057

MOVEMENT OF FAIR VALUE RESERVE FOR 2022

in EUR '000

	Balance as at 1 Jan 2022	Transfer from reserve to retained earnings	Added during FY	Balance as at 31 Dec 2022
Domestic listed companies	446,431	0	-111,753	334,678
Domestic non-listed companies	14,204	-9,257	7,081	12,028
Domestic listed insurance companies	263,179	0	-31,431	231,748
Actuarial gains/losses	12	-18	138	132
Total by investment type	723,826	-9,275	-135,965	578,586
Deferred tax liability	-2,274	0	-57,261	-59,535
Deferred tax assets	2,274	0	0	2,274
Total	723,826	-9,275	-193,226	521,325

Disclosure in regard to deferred tax liabilities is provided in Note 2. 7. 17.

BOOK VALUE OF SSH SHARE.

in EUR '000

	31 Dec 2023	31 Dec 2022
Value of equity	1,359,616	1,191,257
Number of shares	180,788	180,788
Book value per share	7.52	6.59

The book value per SSH share is calculated as a ratio between the total capital and the number of SSH's shares:

2.7.7 PROVISIONS AND NON-CURRENT ACCRUED COSTS AND DEFERRED REVENUE

in EUR '000

	31 Dec 2023	31 Dec 2022
Provisions for denationalisation	40,238	42,024
Provisions for guarantees on apartments sold	199	157
Provisions for warranties given	89	445
Provisions for collateral given	0	2,257
Provisions for jubilee premiums	118	102
Provisions for severance payments	408	360
Provisions for legal disputes	3,317	3,443
Non-current deferred revenues	397	359
Total	44,766	49,147

The applicable legislation, past experience and above all the case law are taken into account when assessing whether conditions have been met in order to create non-current provisions for denationalisation claims lodged under ZDen. Provisions were assessed by examining each denationalisation claim. The current practice shows that the amount of such claims usually significantly exceeds the amount of approved compensation which is taken into account when forming the estimation. Provisions are reviewed at least once a year. The denationalisation claims are in different phases; the closer the claim is to its conclusion, the more reliable the estimates tend to be.

- The following phases can be distinguished: potential final decisions with the compensation amount having already been determined - SSH agrees with the claim, however, legal remedies lodged by claimants are considered possible;
- claims where decisions have been given but legal remedies have been lodged and the procedure has been renewed;
- claims where a decision has not been given and the proceedings are still ongoing.

Provisions for guarantees for the elimination of defects in apartments sold have been formed based on the provisions of the Protection of Buyers of Apartments and and Single Occu-

pancy Buildings Act, which stipulate that the seller is liable for the so-called hidden defects of the property which were not discoverable on the property's takeover, if these hidden defects appear within two years of the takeover of the property. The provision amount have been estimated based on past experiences, specifically for the number of apartments for which the company's liability as a seller has not yet expired.

Provisions for legal disputes have been formed by the Company based on assessments and assumptions derived from knowledge of individual legal cases, past judicial practices, and other factors. Despite the best knowledge of events and ongoing activities, the actual results may differ from estimates. The Company adjusts the estimates and assumptions on an ongoing basis and recognizes their effects during the period of change.

Individual cases have been assessed by the Company's management together with the legal department. According to the Company's management assessment, there is a likelihood of certain legal disputes being lost. For cases where the likelihood of losing a lawsuit is greater than 50%, the provisions for legal disputes have been formed in the entire value of the currently known liability.

MOVEMENTS IN PROVISIONS OF SSH

in EUR '000

	Balance as at 1 Jan 2023	Newly formed provisions	Use	Transfer from current provisions	Transfer to current provisions	Reversal of provisions (2.7.11)	Balance as at 31 Dec 2023
Provisions for denationalisation	42,024	4,508	-3,809	8,468	-10,953	0	40,238
Provisions for guarantees on apartments sold	157	79	-37	0	0	0	199
Provisions for warranties given	445	0	-323	0	0	-34	88
Provisions for collateral given	2,257	0	0	0	0	-2,257	0
Provisions for jubilee premiums	102	26	-10	0	0	0	118
Provisions for severance payments	360	86	-38	0	0	0	408
Provisions for legal disputes	3,443	428	-49	0	0	-505	3,317
Non-current deferred revenues	359	39	0	0	0	0	398
Total	49,147	5,166	-4,266	8,468	-10,953	-2,796	44,766

V 1.000 EUR

	Balance as at 1 Jan 2022	Acquisitions due to the merger with BAMC	Newly formed provisions	Use	Transfer from current provisions	Transfer to current provisions	Reversal	Balance as at 31 Dec 2022
Provisions for denationalisation	38,669	0	0	679	13,431	-8,468	929	42,024
Provisions for guarantees on apartments sold	0	170	7	9	0	0	11	157
Provisions for warranties given	0	496	0	51	0	0	0	445
Provisions for collateral given	0	1,667	590	0	0	0	0	2,257
Provisions for jubilee premiums	56	39	26	6	0	0	13	102
Provisions for severance payments	318	168	39	0	0	0	165	360
Provisions for legal disputes	36	3,691	0	0	0	0	284	3,443
Non-current deferred revenues	320	0	39	0	0	0	0	359
Total	39,399	6,231	701	745	13,431	-8,468	1,402	49,147

Part of provisions for denationalisation, which are expected to be settled in 2023, has been transferred to other current liabilities.

2.7.8 FINANCIAL LIABILITIES

In December 2022, BAMC, as the borrower, and SSH, as the guarantor, concluded an addendum to the Credit Agreement of 2017 with a syndicate of banks. The refinancing sum is EUR 30 million, and the credit is secured by a pledge on shares of Krka,

amounting to twice the obligation. The pledge registration is scheduled for January 2023. The amount was fully repaid in 2023.

in EUR '000

	31 Dec 2023	31 Dec 2022
Loans granted by banks	0	30,041
Other	216	221
Total	216	30,262
Long-term portion	39	15,039
Short-term portion	177	15,223
Total	216	30,262

The amount of 216 thousand EUR under "Other" represents short-term and long-term deposits for issued guarantees (guarantees for defect rectification with banks and others).

MOVEMENT IN LOANS IN 2023

in EUR '000

	Balance as at 1 Jan 2023	Increases/interest	Repayments	Balance as at 31 Dec 2023
Loans granted by banks	30,041	0	30,041	0
Other	221	0	5	216
Total	30,262	0	30,046	216

MOVEMENT IN LOANS IN 2022

in EUR '000

	Balance as at 1 Jan 2022	New loans - BAMC	Increases/interest	Repayments	Balance as at 31 Dec 2022
Loans granted by banks	0	162,272	881	132,930	30,223
Other	0	41	0	2	39
Total	0	162,313	881	132,932	30,262

2.7.9 CURRENT OPERATING LIABILITIES

in EUR '000

	31 Dec 2023	31 Dec 2022
Trade payables	902	872
Liabilities due to denationalisation beneficiaries	17,125	17,373
Liabilities due to employees	664	628
Liabilities due to state institutions	284	758
Other operating liabilities	1,175	1,079
Total	20,150	20,710

All liabilities relating to compensation to denationalisation beneficiaries on the basis of SOS2E bonds (not fully paid yet) and on the basis of final decisions are reported under current operating liabilities. The amount of the matured and outstanding debt has no significant value for SSH. The reason for the non-payment lies with beneficiaries who fail to submit the necessary payment data.

Liabilities to state institutions primarily relate to corporate income tax and value-added tax liabilities.

At the end of the reporting period, except for wages and salaries payables, there are no payables outstanding associated with related undertakings. There are no matured and outstanding liabilities.

2.7.10 OTHER LIABILITIES

in EUR '000

	31 Dec 2023	31 Dec 2022
Current provisions for denationalisation	10,953	8,468
Accrued expense	1,962	1,025
Current deferred revenue	2,205	2,205
Other liabilities	5	4
Total	15,125	11,702

2.7.11 OPERATING INCOME

REVENUE FROM CONTRACTS WITH CUSTOMERS

in EUR '000

	2023	2022
Income from management of capital assets	4,501	5,337
Income from sale of real estate	13,988	5,806
Income from sale of goods, rental income and income from recharged expenses in the EU market	4,679	66
Rental income	2,017	928
Total income from contracts with customers	25,185	12,137

Revenue from contracts with customers includes fees for the management of capital assets owned by RS, and in accordance with contracts, the reimbursement of costs incurred in the sale of state-owned assets, fees for the implementation of three

laws (i.e., ZSPOZ, ZIOOZP and ZVJTO), income from sale of real estate, rental income and other income.

OTHER OPERATING INCOME

in EUR '000

	2023	2022
Income from reversal of non-current provisions - denationalisation	2,796	929
Income from reversal of other non-current provisions	0	71
Income connected with denationalisation	3,362	2,424
Revalued operating income	4,321	3,150
Other operating income	10,479	6,574

Material income allocated for denationalisation includes:

- proceeds from the sale and management of agricultural land and forests, paid by the Farmland and Forest Fund of the Republic of Slovenia;
- proceeds from the restructuring of companies' ownership – paid in cash or by means of shares or equity holdings, transferred to SSH partly from D.S.U. d. o. o., and partly from the budget of the Republic of Slovenia.

Revalued operating income primarily includes the reversal of the previous impairment of real estate inventories amounting to EUR 3,483 thousand (2022: EUR 2,510 thousand).

2.7.12 COSTS OF GOODS, MATERIALS AND SERVICES

in EUR '000

	2023	2022
Cost of goods sold	13,300	3,277
Cost of material	179	394
Cost of services	6,097	4,545
Total	19,576	8,216

Costs of goods sold represent the book value of real estate and associated equipment that were sold.

COST OF MATERIAL

in EUR '000

	2023	2022
Energy costs	122	348
Write-ups of small tools	2	3
Cost of office supplies and professional literature	26	23
Other costs of material	29	20
Total costs of material	179	394

COST OF SERVICES

in EUR '000

	2023	2022
Property management costs	1,849	0
Telecommunication expense	91	76
Maintenance expense	383	497
Renting expense	409	190
Reimbursement of work-related expenses	85	75
Cost of payment transactions, banking services, insurance services	290	416
Costs of intellectual and personal services	1,709	1,920
Costs of fairs, advertising and entertainment	105	97
Costs of natural persons not performing self-employed activities	300	412
Cost of other services	876	862
Total costs of services	6,097	4,545

The contractual amount for the auditing of the separate and consolidated financial statements of SSH for 2023 and 2022

amounted to EUR 97,800, excluding VAT. No other services were carried out by the auditors of financial statements.

2.7.13 LABOUR COSTS

Labour costs include wages and salaries paid to employees, wage compensation attributable to employees for the time of their absence from work, in accordance with the law, collective agreement or an employment agreement, and bonuses and rewards paid to employees, as well as taxes charged on the aforementioned items. They also include reimbursement for

travel expenses paid to employees and costs of meals, holiday allowances, any severance payments paid upon the termination of the employment relationship and costs of provisions for jubilee premiums and retirement benefits, as well as provisions for labour-law related lawsuits.

in EUR '000

	2023	2022
Salaries and wages	7,215	5,807
Retirement insurance costs	877	532
Costs of voluntary supplementary pension insurance	239	174
Social security contributions	545	433
Annual leave allowance, reimbursements and other earnings	341	814
Provisions for jubilee awards and retirement benefits	68	56
Total	9,285	7,816

2.7.14 DEPRECIATION AND AMORTISATION

in EUR '000

	2023	2022
Amortisation of intangible assets	175	148
Depreciation of buildings	48	47
Depreciation of equipment and spare parts	237	118
Depreciation of assets in use	3	150
Total	463	463

2.7.15 WRITE-OFFS AND IMPAIRMENTS

in EUR '000

	2023	2022
Write-offs and impairments of fixed assets	107	1
Write-offs and impairments of real estate inventories	928	1,082
Write-offs and impairments of current assets, excluding financial investments	684	111
Total	1,719	1,193

2.7.16 NET PROFIT OR LOSS**FINANCIAL INCOME**

in EUR '000

	2023	2022
Dividends and income similar to dividends - enterprises	32,323	31,778
Dividends - insurance companies	20,837	28,197
Capital gains	385	60
Income from repayment of loans	7,460	7,453
Income from valuation of financial investments at fair value	33,903	13,889
Interest from purchased receivables	2,650	1,981
Proceeds from reversal of impairments of other investments, including interest	0	117
Other interest	1,735	163
Other financial income	162	0
Total	99,455	83,638

FINANCIAL EXPENSES

	in EUR '000	
	2023	2022
Financial expenses for interest on deposits with banks	0	145
Interest on loans granted by banks	177	1,394
Impairments of capital asset	4,276	1,725
Impairments of loans	11,766	8,997
Loss on repayment of loans (BAMC)	515	5,075
Interest from leases	2	11
Other	48	0
Total	16,784	17,347
Net profit or loss	82,671	66,291

2.7.17 TAXES**CALCULATION OF THE EFFECTIVE TAX RATE**

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Profit before tax	82,092	66,149
Calculated tax (applicable rate = 19%)	15,597	12,568
Effect of non-taxable income	-9,627	-11,425
Effects non-deductible income	185	-180
Tax relief	-83	-1,325
Utilisation of losses	-2,820	
Other adjustments in taxable profit	-516	1,506
Increases/ Reversal of deferred tax assets due to changes in taxable profits	450	-997
Income tax	3,187	147
Effective tax rate	3.88%	0.2%

DEFERRED TAX ASSETS AND TAX LIABILITIES

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Deferred tax assets	1,647	2,097
Deferred tax liabilities	68,269	57,261
Net deferred tax assets/tax liabilities	-66,622	-55,164

Deferred tax liabilities relate to the effects of fair value valuation of financial investments (Notes 2.7.2.2 and 2.7.2.3).

The deferred tax assets are a result of impairment of financial investments, of provisions for retirement benefits and ju-

bilee premiums, investment reliefs and unutilised tax losses. Estimated future tax liabilities for corporate income tax were used to determine the expected amount of the utilisation of deferred tax assets.

UNRECOGNISED DEFERRED TAX ASSETS

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Unutilised tax losses	295,011	180,950
Impairment of receivables	508	423
Impairment of financial investments in subsidiaries	0	207
Total unrecognised deferred tax assets	295,519	181,580

Unutilised tax losses may be transferred to future periods without any restrictions.

MOVEMENT IN TAX LOSSES

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Opening balance of unutilised tax losses	1,566,478	948,970
Increase due to merger with BAMC	0	624,005
Increase in the period	0	0
Utilised in the period	-14,840	-6,497
Closing balance of unutilised tax losses	1,551,638	1,566,478

MOVEMENT IN DEFERRED TAX FOR 2023

	in EUR '000					
	Financial investments	Adjustments of receivables	Provisions	Investment relief	Tax loss	Total
Balance as at 1 Jan 2023	0	0	54	0	2,043	2,097
Use in 2023	0	0	0	0	-455	-455
Recognised in the year	0	0	5	0	0	5
Total changes in Income Statement	0	0	0	0	0	0
Total changes in Statement of Financial Position	0	0	0	0	0	0
Balance as at 31 Dec 2023	0	0	59	0	1,588	1,647

MOVEMENT IN DEFERRED TAX FOR 2022

in EUR '000

	Financial investments	Adjustments of receivables	Provisions	Investment relief	Tax loss	Total
Balance as at 1 Jan 2022	2,274	0	36	39	399	2,748
Acquisitions due to merger	0	0	0	0	625	625
Use in 2022	0	0	-18	-58	0	-76
Recognised in the year	0	0	36	19	1,019	1,074
Total changes in Income Statement	0	0	18	-39	1,019	998
Total changes in Statement of Financial Position	-2,274	0	0	0	0	-2,274
Balance as at 31 Dec 2022	0	0	54	0	2,043	2,097

MOVEMENT IN DEFERRED TAX LIABILITIES

in EUR '000

	31 Dec 2023	31. Dec 2022
Balance of deferred tax liabilities as at 1 Jan	57,261	2,274
Change due to reclassification of investments (IFRS 9)	0	0
Utilization	0	0
Change due to the removal of the requirement for the transfer of capital assets to RS	0	72,266
Change due to revised taxable profit	11,008	-17,279
Balance as at 31 Dec	68,269	57,261

The change in deferred tax liabilities was accounted for through other comprehensive income. Deferred tax liabilities include the revaluation of financial investments at fair value through other comprehensive income (FVTOCI). When recognising long-term deferred tax liabilities or deferred tax assets, the provi-

sions of the applicable Corporate Income Tax Act are taken into account, on the basis of which and subject to the fulfilment of certain conditions, half of the capital gain is excluded from the taxable base.

2.7.18 NOTE TO THE CASH FLOW STATEMENT

The cash flow statement shows changes in the cash balances in a given financial year using the direct method. The data were obtained from the books of account of SSH and from other accounting records such as original documents on receipts and expenditure and account balance slips provided by commercial banks. The data for the preceding year were prepared using the same methodology.

The amounts paid for SOS2E bond interest and principal were disclosed in the first part of the Cash Flow Statement (cash flows from operating activities), since SSH's core business includes the settling of denationalisation liabilities. Proceeds, with the exception of proceeds from financial investments sold in order to cover these outflows were recognised as operating

proceeds. Similarly, the first part of the Statement of Cash Flows includes cash flows arising from the payment of liability due by the Republic of Slovenia which are executed on its behalf by SSH (ZSPOZ, ZIOOZP and ZVJTO).

The most important source of funds to cover SSH liabilities in 2023 and 2022 were dividends of companies owned by SSH, income from the sale of real estate, rental income and income arising from recharged expenses, in addition to the repayment of costs for the management of capital assets owned by RS.

2.8 FINANCIAL RISK MANAGEMENT OF SSH

Financial risks are continuously monitored and assessed by SSH with the aim to provide for a long-term liquidity and to avoid excessive exposure to individual risks. SSH Group is exposed to and monitors the following risks: credit risk, interest

rate risk, and particularly market and liquidity risk. All financial instruments are denominated in Euros, currency risk is negligible for SSH.

2.8.1 CREDIT RISK

The Company is exposed to credit risk primarily in the case of trade receivables. The exposure to this type of risk increases with the tightening of economic conditions. The Company reduces its exposure by continuously monitoring the credit-worthiness of customers, conducting business on the basis of prepayments, monitoring bad payers, pursuing timely recovery, investing in enforcement proceedings, and using security instruments and compensations.

Financial assets at amortized cost represent deposits with commercial banks in Slovenia for which a minimal credit risk has been assessed. The same applies to cash and cash equivalents.

Financial assets measured at fair value through profit or loss (FVTPL) represent loans resulting from the merger with BAMC and receivables due from a subsidiary. These are typically non-performing loans. Credit risk in these instances is primarily associated with restructuring scenarios. Risks related to the credit portfolio are explained in more detail in Section 2.8.5.

TOTAL MAXIMUM EXPOSURE TO CREDIT RISK

in EUR '000

	31 Dec 2023	31. Dec 2022
Operating receivables	14,959	11,013
Financial assets measured at amortised cost	75,000	14,374
Cash and cash equivalents	47,905	29,657
Financial assets measured at fair value through profit or loss FVTPL)	225,896	247,604
Total	363,760	302,648

BALANCE OF OVERDUE AND NOT YET DUE TRADE RECEIVABLES

in EUR '000

	31 Dec 2023	31. Dec 2022
Trade receivables - balance	28,973	26,190
Overdue receivables	15,177	15,177
Receivables not yet due	13,796	11,013
Impairment of receivables	-14,014	-15,177
Total net receivables	14,959	11,013

Receivables due by Sava, d. d., arising from the purchase of its liabilities resulting from bank loans, is collateralised with pledges on shares of Sava Turizem, d. d.

The highest potential exposure to credit risk is the carrying amount of financial assets.

2.8.2 INTEREST RATE RISK

In 2023, the loans received were fully repaid, and the deposits made have a fixed interest rate. Consequently, as at 31 December 2023, the Company is not exposed to interest rate risk. The impact of increases in variable interest rate on profit or loss as at 31 December 2022 was as follows:

in EUR '000

	Balance as at 31 Dec 2022	100%	50%	25%	10%
Loan	30,000	640	320	160	64
Decrease in profit or loss by		640	320	160	64

2.8.3 Liquidity risks

Special attention was dedicated to managing liquidity risk. As before, all liabilities were regularly settled. A thorough planning of cash flows enabled a timely forecasting in regard to potential deficits or surpluses and their optimum management.

In accordance with the provisions of the Act on financial operations, insolvency proceedings and compulsory dissolution, particularly in regard to the short-term and long-term financial capacity and solvency of SSH, it was assessed that SSH remains solvent and is not at risk of insolvency. The value of assets exceeds the value of liabilities, and the solvency is not at risk.

The Slovenian Sovereign Holding settles all its liabilities in due time. All salaries to employees were paid in accordance with employment contracts. Taxes and benefits were regularly settled on the day of the salary pay-out.

The balance of cash and cash equivalents as at 31 December 2023 stands at EUR 47,905 thousand, exceeding the short-term liabilities. Consequently, SSH considers the liquidity risk to be minimal.

MATURITY OF LIABILITIES ACCORDING TO CONTRACTUAL CASH FLOWS AS AT 31 DECEMBER 2023

in EUR '000

	Book value of liabilities	Liability	Contractual cash flows			
			up to 6 months	from 6 to 12 months	from 1 to 5 years	more than 5 years
Finance lease payables	19	19	5	5	9	0
Financial liabilities	216	216	216	0	0	0
Operating liabilities	21,743	21,743	21,743	0	0	0
Other liabilities	15,125	15,125	15,125	0	0	0
Total liabilities	37,103	37,103	37,089	5	9	0

MATURITY OF LIABILITIES ACCORDING TO CONTRACTUAL CASH FLOWS AS AT 31 DECEMBER 2022

in EUR '000

	Book value of liabilities	Liability	Contractual cash flows			
			up to 6 months	from 6 to 12 months	from 1 to 5 years	more than 5 years
Finance lease payables	15	15	5	5	5	0
Financial liabilities	30,262	30,262	7,762	7,500	15,000	0
Operating liabilities	20,882	20,882	20,882	0	0	0
Other liabilities	9,497	9,497	5,263	4,234	0	0
Total liabilities	60,656	60,656	33,912	11,739	15,005	0

2.8.4 MARKET RISK

The company is primarily exposed to market risk through its investments in the equity of listed companies, due to fluctuations in stock prices and the liquidity of these investments. The total

value of listed investments amounts to EUR 878,226 thousand and is classified as Level 1 fair value, as detailed in Note 2.7.2.6.

QUOTED SHARES

Company	in EUR '000		in %	
	Value	Structure	Value	Structure
	31 Dec 2023		31 Dec 2022	
Krka, d. d.	324,486	36.95	271,389	34.83
Zavarovalnica Triglav, d. d.	221,617	25.23	220,339	28.28
Petrol, d. d.	123,472	14.06	105,984	13.60
Pozavarovalnica Sava, d. d.	86,229	9.82	68,183	8.75
Cinkarna Celje, d. d.*	40,478	4.61	45,414	5.83
Luka Koper, d. d.	50,319	5.73	38,635	4.96
Other listed investments	31,625	3.60	29,201	3.75
Total	878,226	100	779,145	100

LIQUIDITY OF THE MOST IMPORTANT INVESTMENTS OF SSH IN QUOTED SHARES

in EUR '000

Turnover ratio*	in 2023	in 2022
Cinkarna Celje, d. d.	9.45%	10.95%
Krka, d. d.	3.13%	5.16%
Luka Koper, d. d.	3.06%	3.33%
Petrol, d. d.	1.88%	4.11%
Pozavarovalnica Sava, d. d.	3.69%	4.14%
Zavarovalnica Triglav, d. d.	3.21%	3.49%
Prime market	3.45%	4.78%
Standard market	1.14%	1.87%

* A ratio between the annual turnover and an average market capitalisation based on values as at 31 December, before 6 and before 12 months
Source: Monthly and Annual Statistics Ljubljana Stock Exchange (LJSE), 2023 and 2022

SENSITIVITY ANALYSIS OF EQUITY INVESTMENTS AGAINST CHANGES IN MARKET PRICES AS AT 31 DECEMBER 2023

in EUR '000

Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
31 Dec 2023	15%	20%	-15%	-20%
878,226	131,734	175,645	-131,734	-175,645

SENSITIVITY ANALYSIS OF EQUITY INVESTMENTS AGAINST CHANGES IN MARKET PRICES AS AT 31 DECEMBER 2022

in EUR '000

Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
31 Dec 2022	15%	20%	-15%	-20%
779,145	116,872	155,829	-116,872	-155,829

Fluctuations in market prices affect the equity.

2.8.5 RISKS IN THE LOAN PORTFOLIO

Risk of change in the probability of the restructuring scenario

The restructuring strategy is defined based on the DPS model (Default Probability Scorecard), which classifies various elements of business risk on a seven-level scale from least to most risky. If a particular element of business risk poses a higher risk, the probability of a successful restructuring strategy will be lower. Based on the risk classes assigned, an average risk profile is determined for the restructuring scenario, which is then linearly distributed on the probability scale for the restructuring strategy.

Although the DPS model measures the business risk of individual companies, any change in the model has a direct impact on the fair value of loans and consequently also on credit risk exposure. The tables below present the loan exposure based on the probability classes of the realization of the restructuring scenario (DPS probability). All cases with the collateral recovery strategy have a probability of 0% for the restructuring scenario, and DPS is not defined for group-valued exposures.

PROBABILITY CLASSES BASED ON THE RESTRUCTURING STRATEGY PROBABILITY

in EUR '000

	Fair Value 2023	Share in total fair value 2023	Fair Value 2022	Share in total fair value 2022
Restructuring strategy	84,302	42%	105,539	47%
P (Restructuring Scenario Probability) 100 %	9,418	5%	31,100	14%
P (Restructuring Scenario Probability) 90– 99 %	-	-	-	-
P (Restructuring Scenario Probability) 80– 89 %	-	-	-	-
P (Restructuring Scenario Probability) 70– 79 %	-	-	-	-
P (Restructuring Scenario Probability) 60– 69 %	8,429	4%	8,451	4%
P (Restructuring Scenario Probability) 50– 59 %	66,455	33%	65,988	29%
Collateral recovery strategy	118,014	58%	117,510	52%
Group valued exposure	1,153	1%	2,127	1%
Total	203,468	100%	225,177	100%

Sensitivity Analysis on Changes in Restructuring Scenario Probability

The change in the probability of realizing the restructuring scenario (DPS probability) directly affects the credit risk exposure. Therefore, the following sensitivity analysis is presented for a 10-percentage point (pp) and 5 pp change in the DPS probability.

Impact of Parallel Changes in DPS Probability on Restructuring Scenario Realization

The tables below show the fair value of loans based on the parallel change in DPS probability for restructuring scenario realization, assuming all other assumptions remain unchanged. The group-valued exposure does not reflect the risk of changes in DPS probability for restructuring scenario realization since DPS probability is not one of the input data for calculating revaluations for group-valued exposure. Similarly, debtors catego-

rized in the strategy of collateral recovery do not reflect the risk of changes in DPS probability, as these cases do not include values from the restructuring scenario (SSH typically recovers debts through legal proceedings in such cases).

A parallel decrease in DPS probability would significantly impact the fair value of loans. As at 31 December 2023, the largest proportion, approximately 33%, of the fair value of the restructuring strategy is assigned to the DPS class between 50% and 59%. A large proportion of such debtors would be reclassified into the collateral recovery category (according to the rule that all debtors with DPS below 50% are automatically classified as collateral recovery cases), while increasing the DPS probability has no impact on the debtor portfolio with the collateral recovery strategy. The impact of a parallel change in DPS probability for restructuring scenario realization is therefore non-linear.

SENSITIVITY ANALYSIS OF DPS PROBABILITY FOR RESTRUCTURING SCENARIO REALIZATION AS AT 31 DECEMBER 2023

in EUR '000

	Fair value	Impact of a parallel change in DPS probability by 10 pp on the fair value of loans		Impact of a parallel change in DPS probability by 5 pp on the fair value of loans	
		Increase	Decrease	Increase	Decrease
Restructuring strategy	84,302	983	-66,497	491	-60,395
Collateral recovery strategy	118,014	0	61,704	0	55,622
Group valued exposure	1,153	-	-	-	-
Total	203,468	983	-4,794	491	-4,772

SENSITIVITY ANALYSIS OF DPS PROBABILITY FOR RESTRUCTURING SCENARIO REALIZATION AS AT 31 DECEMBER 2022

in EUR '000

	Fair value	Impact of a parallel change in DPS probability by 10 pp on the fair value of loans		Impact of a parallel change in DPS probability by 5 pp on the fair value of loans	
		Increase	Decrease	Increase	Decrease
Restructuring strategy	105,539	960	-66,985	480	-60,115
Collateral recovery strategy	117,510	0	60,716	0	54,345
Group valued exposure	2,127	-	-	-	-
Total	225,177	960	-6,269	480	-5,771

The change in fair value of loans due to a change in DPS probability for the realization of the restructuring scenario would also impact the income statement. Changes in the fair value of loans would result in variations in profit or loss, as indicated in the table above.

Risk of the failure of the restructuring strategy

The risk of the failure of the restructuring strategy applies to all borrowers for whom SSH pursues the restructuring strategy at once (within one year). As a consequence, all such borrowers would be reclassified into the collateral recovery strategy, and SSH would lose cash inflows from regular business operations. Consequently, SSH could only expect inflows from collateral recovery, which could be lower than the cumulative inflows from regular repayments.

The tables below show the difference in fair values if the entire portfolio of individually valued borrowers were classified under the collateral recovery strategy (if all cases with the restructuring strategy were to fail). The risk of the failure of the restructuring strategy does not technically impact the fair value of the group-valued exposure.

If all borrowers with the restructuring strategy were to fail, the fair value of individually valued loans would decrease by EUR 4,488 thousand (2022: EUR 16,145 thousand).

in EUR '000

2023	Fair value of loans	Fair value of loans, if all cases with restructuring strategy were to fail	Difference
Restructuring strategy	84,302	0	-84,302
Collateral recovery strategy	118,014	197,827	79,813
Group valued exposure	1,153	1,153	0
Total	203,468	198,979	-4,488

in EUR '000

2022	Fair value of loans	Fair value of loans, if all cases with restructuring strategy were to fail	Difference
Restructuring strategy	105,539	0	-105,539
Collateral recovery strategy	117,510	206,905	89,394
Group valued exposure	2,127	2,127	0
Total	225,177	209,032	-16,145

SENSITIVITY ANALYSIS FOR CHANGES IN THE DISCOUNT RATE AS AT 31 DECEMBER 2023

The fair value of SSH loans represents expected future cash flows, discounted at a discount rate of 7.96% as at 31 December 2023. A change in the discount rate directly impacts the fair value of loans, assuming all other assumptions remain unchanged, it affects the amount of loan impairments, and consequently, directly impacts the Income Statement.

The sensitivity analysis for changes in the discount rate was prepared considering a change of half and one percentage point (referred to as 0.5 pp. and 1 pp). The upper limit of Weighted Average Cost of Capital (WACC) is capped at 8.00%.

in EUR '000

2023	Fair value of loans	Impact of the increase in WACC by 0.5 pp on the fair value of loans	Impact of the increase in WACC by 1 pp	Impact of the increase in WACC by 8%
Restructuring strategy	84,302	675	1,363	-54
Collateral recovery strategy	118,014	1,052	2,118	-84
Group valued exposure	1,153	0	0	0
Total	203,468	1,727	3,482	-137

Maturity of anticipated cash flows

in EUR '000

	31 Dec 2023	31 Dec 2022
Short-term loans	32,215	48,130
Long-term loans	214,128	224,558
Total	246,344	272,688

SENSITIVITY ANALYSIS FOR CHANGES IN THE DISCOUNT RATE AS AT 31 DECEMBER 2022

Risk of changes in the discount rate

The fair value of SSH loans represents expected future cash flows, discounted at a discount rate of 7.87% as at 31 December 2022. A change in the discount rate directly impacts the fair value of loans, assuming all other assumptions remain unchanged, it affects the amount of loan impairments, and consequently, directly impacts the Income Statement.

The sensitivity analysis for changes in the discount rate was prepared considering a change of half and one percentage point (referred to as 0.5 pp. and 1 pp). The upper limit of Weighted Average Cost of Capital (WACC) is capped at 8.00%.

in EUR '000

	Fair value of loans	Impact of the increase in WACC by 0.5 pp on the fair value of loans	Impact of the increase in WACC by 1 pp on the fair value of loans	Impact of the increase in WACC by 8%
Restructuring strategy	105,539	899	1,812	-249
Collateral recovery strategy	117,510	702	1,521	-326
Group valued exposure	2,127	0	0	0
Total	225,177	1,601	3,333	-575

2.8.6 MANAGING CAPITAL ADEQUACY

In 2023 and in 2022, there were no changes to equity management. The main purpose of equity management is to ensure the capital adequacy and the financial stability of a company with the primary objective of providing a high return on equity. In accordance with the dividend policy of the sole shareholder, the accumulated profit is not distributed, except as outlined in Note 2.11 .

SSH uses financial leverage ratio to manage its capital structure, that is net debt vs. equity. Net debt includes liabilities to denationalisation beneficiaries and other operating liabilities, reduced by cash and cash equivalents.

in EUR '000

	31 Dec 2023	31 Dec 2022
Current liabilities	37,569	47,817
Non-current financial liabilities	41	15,044
Cash and cash equivalents	47,905	29,657
Net indebtedness	-10,295	33,204
Equity	1,359,616	1,191,257
Financial leverage ratio in %	-0.76	2.79

2.9 TRANSACTIONS WITH RELATED PARTIES

In addition to the Republic of Slovenia, considered as 100% owner, the following entities are considered to be related parties according to IAS 24:

- subsidiaries and associates;
- management personnel and members of Supervisory Board and Audit Committee;
- companies related to the state.

In 2023, no transactions were concluded by SSH which might result in harmful consequences for the operations of related parties

2.9.1 SUBSIDIARIES AND ASSOCIATES

As at 31 December 2023, SSH held at least a 20% ownership interest in several companies which are listed in Notes 2.7.2.1. and 2.7.2.2. The majority of the above-mentioned shares and shareholdings were obtained pursuant to the Ownership Transformation of Companies Act and other laws passed with the aim of settling denationalisation compensation to beneficiaries and compensation to victims of war- and post-war violence, and pursuant to ZSDH-1. There were no significant business transactions taking place between SSH and the above-mentioned companies.

In 2022, Sava, d. d. and its subsidiary Sava Turizem, d. d. became a subsidiary of SSH (Note 2.6.2). As at 31 December 2023, SSH recognised loans to Sava, d. d. amounting to EUR 22,427 thousand (31 December 2022: EUR 22,427 thousand) and operating receivables due by Sava, d. d. amounting to EUR 7,743 thousand (31 December 2022: EUR 5,264 thousand). In 2023, SSH generated EUR 2,650 thousand of interest income from Sava, d. d. (2022: EUR 1,980 thousand).

	Claims		Liabilities		Income		Expenses		Loans granted		Loans	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Subsidiaries	30,338	28,933	0	0	2,838	1,171	53	40	20	16	0
Associates	0	0	12	0	15,967	23,631	282	0	0	0	0	0
Total	30,338	28,933	12	0	18,805	24,802	335	40	20	16	0	0

As at 31 December 2023, the Company has outstanding loans to its subsidiary, Sava, d. d., totalling EUR 22,427,456.85, short-term interest receivables amounting to EUR 7,743,070.79, and receivables for the alteration in loan restructuring compensation amounting to EUR 171,104.28.

2.9.2 MANAGEMENT BODIES AND MEMBERS OF SUPERVISORY BOARD AND AUDIT COMMITTEE

EARNINGS OF SSH MANAGEMENT BOARD MEMBERS IN 2023

	in EUR	
	Žiga Debeljak 1 Jan.-31 Dec	Janez Tomšič 1 Jan.-31 Dec
Fixed earning (gross)	151,584	136,399
Variable income (gross)	26,246	77,001
Fringe benefits	1,511	8,039
Annual leave allowance	2,000	2,000
Reimbursement of costs (meals, transportation cost, use of own assets)	2,111	1,688
Reimbursement of business travel costs	850	88
Voluntary suppl. pension insurance	2,904	2,904

EARNINGS OF SSH MANAGEMENT BOARD MEMBERS IN 2022

	in EUR			
	Žiga Debeljak 1 Sep.-1 Dec	Janez Tomšič 1 Jan.-31 Dec	Peter Drobež 1. Apr- 31 Aug	Janez Žlak 1. Jan-31 Aug
Fixed earning (gross)	36,368	126,857	53,194	104,251
Variable income (gross)	0	20,428	0	32,925
Severance payment	0	0	65,463	72,737
Fringe benefits	23	8,945	567	7,428
Annual leave allowance	633	1,900	792	1,267
Reimbursement of costs (meals, transportation cost)	589	1,443	2,744	918
Reimbursement of business travel costs	0	30	1,180	21
Voluntary suppl. pension insurance	726	2,882	1,210	2,157

EARNINGS OF EXECUTIVE MEMBERS OF BAMC BOARD OF DIRECTORS FROM 1 JULY 2022 TO 31 DECEMBER 2022

	in EUR		
	Matej Pirc 1 July-31 Dec	Žiga Pfeifer 1. July- 31 Dec	Mitja Križaj 1. July- 31 Dec
Fixed earning (gross)	79,200	66,000	66,000
Variable income (gross)	0	0	0
Severance payment	0	0	0
Fringe benefits	0	2,045	0
Annual leave allowance	0	0	950
Reimbursement of costs (meals, transportation cost)	1,540	2,061	859
Reimbursement of business travel costs	1,076	431	618
Voluntary suppl. pension insurance	1,452	1,210	1,210

In 2023 and in 2022, no loans were granted either to the management, members of the Supervisory Board or to members of its committees or employees.

In 2023, alongside the Management Board members, two other individuals were employed under individual contracts (Executive Directors for the Management of Claims and Real Estate).

ZSDH-1 stipulates that provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities ("ZPPOGD", by way of which SSH is considered a large company) do not apply to salaries paid to the members of Management Board.

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	18,720	3,300	1,099	0	23,119
Ivan Simič	14,400	3,300	1,099	0	18,799
Franjo Bobinac	15,430	2,750	1,099	149	19,427
Miro Medvešek	13,858	2,530	1,099	0	17,487
Suzana Bolčič Agostini	14,400	3,300	1,099	1,854	20,653
Total	76,808	15,180	5,494	2,003	99,484

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	17,092	5,555	361	0	23,008
Leon Cizelj	8,080	3,520	0	133	11,733
Božo Emeršič	8,691	3,520	0	314	12,525
Ivan Simič	16,225	5,555	361	0	22,141
Janez Vipotnik	15,608	6,050	361	6,129	28,148
Franjo Bobinac	560	495	0	149	1,204
Suzana Bolčič Agostini	560	495	0	265	1,320
Total	66,816	25,190	1,083	6,989	100,079

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	1,026	440	0	0	1,466
Ivan Simič	3,600	880	0	0	4,480
Suzana Bolčič Agostini	2,574	440	0	530	3,544
Darinka Virant	7,200	880	0	120	8,200
Total	14,400	2,640	0	650	17,690

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	1,584	0	0	5,184
Ivan Simič	3,600	1,584	0	0	5,184
Darinka Virant	6,648	1,584	0	56	8,288
Total	13,848	4,752	0	56	18,656

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S NOMINATION COMMITTEE IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	440	0	0	4,040
Ivan Simič	3,600	440	0	0	4,040
Franjo Bobinac	3,600	440	0	0	4,040
Miro Medvešek	3,465	440	0	0	3,905
Suzana Bolčič Agostini	3,600	440	0	530	4,570
Total	17,865	2,200	0	530	20,594

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S NOMINATION COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	2,904	0	0	6,504
Leon Cizelj	2,020	2,112	0	0	4,132
Božo Emeršič	2,020	2,112	0	0	4,132
Ivan Simič	3,600	3,080	0	0	6,680
Janez Vipotnik	3,735	2,640	0	0	6,375
Franjo Bobinac	140	0	0	0	140
Suzana Bolčič Agostini	140	0	0	0	140
Total	15,255	12,848	0	0	28,103

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S RISK COMMITTEE IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	1,026	0	0	0	1,026
Miro Medvešek	2,574	220	0	0	2,794
Darinka Virant	4,800	220	0	15	5,035
Franjo Bobinac	2,574	220	0	0	2,794
Total	10,974	660	0	15	11,650

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S RISK COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	1,530	220	0	0	1,750
Božo Emeršič	2,020	440	0	0	2,460
Janez Vipotnik	3,735	660	0	0	4,395
Darinka Virant	4,432	660	0	13	5,105
Total	11,718	1,980	0	13	13,711

REMUNERATION OF MEMBERS OF THE NOMINATION COMMITTEE IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Vlasta Lenardič	25,200	0	0	0	25,200
Urška Podpečan	25,200	0	0	0	25,200
Samo Roš	25,200	0	0	390	25,590
Total	75,600	0	0	390	75,990

REMUNERATION OF MEMBERS OF THE NOMINATION COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Vlasta Lenardič	18,000	0	0	0	18,000
Urška Podpečan	18,000	0	0	0	18,000
Samo Roš	18,000	0	0	0	18,000
Total	54,000	0	0	0	54,000

OTHER COSTS ASSOCIATED WITH THE SUPERVISORY BOARD AND ITS COMMITTEES

in EUR

	2023	2022
Legal opinion	0	2,102
Costs in connection with the selection of a Management Board Member (advertisement, HR agency)	0	17,828
Costs for supplementary training	0	775
Other (insurance premiums)	1,173	1,181
Total	1,173	21,886

2.9.3 TRANSACTIONS WITH THE GOVERNMENT OF THE REPUBLIC OF SLOVENIA, STATE AUTHORITIES AND ENTERPRISES CONTROLLED BY THE GOVERNMENT OR IN WHICH ITS SIGNIFICANT INFLUENCE IS EXERCISED

Companies that are related to the state include all companies in which the Republic of Slovenia exercises a significant influence.

in EUR '000

	Claims		Income		Expenses	
	2023	2022	2023	2022	2023	2022
Ministry of Finance	72	1,762	4,452	5,240	0	696
Farmland and Forest Fund of RS	158	176	1,382	1,876	0	0
D. S. U.	1,207	41	1,976	402	42	0
Total	1,437	1,979	7,810	7,518	49	696

SSH also transacts with other companies, authorities, bodies and agencies in which the Republic of Slovenia is a majority or a minority shareholder. All transactions with the above-mentioned entities are concluded at arm's length, just like with other entities. Since no significant amounts are involved, these pieces of data are not disclosed.

2.10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent assets are more difficult to measure but represent claims which the Company asserts through legal proceedings, the outcome of which is uncertain, and arise from the merger with BAMC in 2022.

In addition to future liabilities for which provisions have been recognized due to the fact that conditions have been met for their recognition, SSH has also formed contingent liabilities arising from denationalisation in the amount of EUR 33.3 mil-

lion (31 December 2022: EUR 37.4 million) and contingent liabilities amounting to EUR 109.4 million (31 December 2022: EUR 114.2 million) arising from the merger with BAMC, as presented below. Administrative units and ministries are known to have additional requests for compensation according to ZDen that have not yet been communicated to SSH. The value of these liabilities has therefore been determined by means of an assessment. Total contingent liabilities amount to EUR 142.7 million (2022: EUR 151.6 million).

in EUR '000

	31 Dec 2023	31 Dec 2022
Contingent liabilities for legal disputes which have not been settled	108,459	108,991
Contingent liabilities arising from bank guarantees issued	140	491
Contingent liabilities for collateral granted	828	4,751
Total	109,427	114,233

a) Contingent liabilities for legal disputes which have not been settled

Contingent liabilities for legal disputes which have not been settled represent the total value of all litigation claims, including an estimate of legal costs and associated default interest.

Ninety-two per cent (92%) of the total value of all claims are represented by two lawsuits against SSH, one from 2015 and the other from 2020. One lawsuit was filed due to alleged unfair negotiations, while the other was filed for compensation due to an unjustified application for initiating the debtor's bankruptcy proceedings.

b) Contingent liabilities arising from bank guarantees issued

in EUR '000

	31 Dec 2023	31 Dec 2022
Arising from the merger of Factor banka	94	639
Arising from the merger of Probanka	46	298
Total	140	937
Less amount included in balance sheet in provisions for bank guarantees issued	0	-446
Contingent liabilities	140	491

The table shows contingent liabilities, which are the amounts of approved, yet uncashed, and still valid bank guarantees as at 31 December 2023. The entire amount was taken over as a result of the merger of Factor banka and Probanka.

c) Contingent liabilities for collateral and warranties granted

in EUR '000

	31 Dec 2023	31 Dec 2022
Collateral in the form of pledged deposits	0	4,374
Collateral from issued promissory notes	828	2,634
Total	828	7,008
Stated on the balance sheet among other provisions	0	2,257
Contingent liabilities	828	4,751

2.11 EVENTS AFTER THE BALANCE SHEET DATE

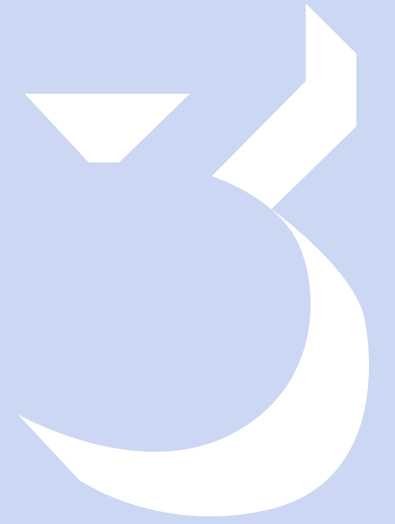
Following the reporting date, there were no developments that might affect the financial position, profit or loss and other comprehensive income of SSH for the year that ended on 31 December 2023. Other significant events are presented below.

- On 7 March 2024, the Government of the Republic of Slovenia, acting as the Company's General Meeting, adopted a decision regarding the amendment and supplementation of the Company's Articles of Association. The amendment pertains to the use of accumulated profit and stipulates that the Company's net profit for the financial years 2024, 2025, 2026, 2027, and 2028, which remains each year after covering any accumulated losses and creating statutory reserves, may be used to finance measures under Article 1, Paragraph 1 of the Reconstruction, Development, and Provision of Financial Resources Act.
- The Reconstruction, Development, and Provision of Financial Resources Act, adopted in December 2023, introduces a temporary increase in the corporate income tax rate from 19% to 22% for the years of 2024, 2025, 2026, 2027, and 2028.
- In December 2023, the Company signed a Share Sale Agreement for the divestment of its stake in the associate company Salomon; the transaction was concluded in March 2024.
- In order to maximise the repayment of its receivables/loans (financial assets measured at fair value through profit or loss (FVTPL), the Company filed bankruptcy petitions for T-2, d. o. o., Gratel, d. o. o and Lokainvest, d. o. o., in March 2024.

Ljubljana, 27 May 2024

Janez Tomšič, Member of the Management Board

Žiga Debeljak, MSc, President of the Management Board



3. CONSOLIDATED FINANCIAL STATEMENTS OF SSH GROUP

3.1 STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the preparation of the Consolidated Annual Report so that it provides a true and accurate account of the financial position of SSH Group as at 31 December 2023, as well as the Group's financial performance and cash flows for 2023, in accordance with the provisions of ZSDH-1 and ZGD-1.

The Management Board confirms that appropriate accounting policies and prudent accounting estimates have been consistently applied in the preparation of the consolidated financial statements of SSH Group. The Board further confirms that the consolidated financial statements and interpretations have been prepared under an assumption of the going concern and are compliant with applicable legislation and International Financial Reporting Standards as adopted by the EU (IFRS), with the exception of the inclusion of subsidiaries in the consolidated financial statements. Article 36(a) of ZSDH-1 stipulates that subsidiaries, in which the position of the controlling company has been obtained through the transfer of assets, rights, and obligations from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, are not to be included in the consolidated annual report.

Ljubljana, 27 May 2024



Janez Tomšič, Member of the Management Board

The Management Board is responsible for adequate and orderly accounting and the adoption of appropriate measures for safeguarding property and other assets as well as for the prevention and detection of fraud as well as other irregularities and illegalities.

At any time, tax authorities may review the operations of SSH within five years from the tax calculation date which may consequently result in additional tax liabilities, interest and penalties being imposed pursuant to the Corporate Income Tax Act or arising from any other taxes and levies. The Management is not aware of any circumstances that may give rise to any potential material liability arising thereunder.

The President and the Member of the Management Board of Slovenian Sovereign Holding hereby declare that we are familiar with the content of all integral parts of the Consolidated Annual Report, and we confirm it hereby with our signatures.



Žiga Debeljak, MSc, President of the Management Board

3.2 INDEPENDENT AUDITOR'S REPORT



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Slovenija

INDEPENDENT AUDITOR'S REPORT To the shareholder of SSH (Translation from the original in Slovene language)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of the SSH Group (hereinafter »the Group«) which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

In our opinion the accompanying consolidated financial statements have been prepared, in all material respects, in accordance with the accounting requirements of the Slovenian Sovereign Holding Act (ZSDH-1).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter the »Regulation«). Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to note 3.4.2 *Basis for preparation of consolidated financial statements*, which describes the basis of accounting. The Act Amending the Slovenian Sovereign Holding Act (ZSDH-1A, Official Journal of the Republic of Slovenia No. 140/22 of 4 November 2022) exempts the Company from consolidating entities over which it has control and that were acquired in terms of the assets and liabilities transfer from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks. The ZSDH -1A requires the Company to comply with International Financial Reporting Standards (IFRS) and non-inclusion of all subsidiaries in the consolidated financial statements constitutes a departure from IFRS. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters.

Valuation of inventories of real estate

As at 31.12.2023, the inventories in the consolidated financial statements amount to EUR 95,445 thousand, of which the inventories of real estate amount to EUR 91,969 thousand (31.12.2022: total inventories EUR 106,927 thousand, of which inventories of real estate EUR 103,008 thousand).

The accounting policies for inventories are disclosed in the consolidated financial statements in section 3.5. Material Accounting Policy Information of SSH Group under Inventories and disclosures in section 3.7.3 Inventories.

BDO Revizija d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.
Okrožno sodišče v Ljubljani, vl št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: S194637920.



Description of the key audit matter

Inventories of real estate are valued at the lower of cost or net realisable value. Land and office premises represent the largest proportion of the inventories of real estate.

When measuring the net realisable value, management uses significant judgement in the areas of:

- the choice of valuation methods depending on the type of real estate (market comparisons or yield-based),
- the use of key assumptions, notably market rents, comparable transactions and the market prices realised in them, investment costs and a discount for illiquidity and time to sale.

As the determination of the net realisable value of real estate inventories involves significant subjective judgements and therefore required our additional attention, we have identified this matter as a key audit matter.

Valuation of financial assets at fair value through profit or loss acquired through the merger of BAMC - Loans

As at 31.12.2023, financial assets at fair value through profit or loss in the consolidated financial statements amount to EUR 203,468 thousand (31.12.2022: EUR 225,177 thousand).

The accounting policies for financial assets at fair value through profit or loss are disclosed in the consolidated financial statements in section 3.5. Material Accounting Policy Information of SSH Group under Financial Assets and Fair Value Measurement; disclosures are provided in section 3.7.2.5 Financial Assets measured at Fair Value through Profit or Loss - Loans.

Description of the key audit matter

Of the loans resulting from the merger of BAMC, EUR 202,316 thousand, or 99% (31.12.2022: EUR 223,050 thousand, or 99%), relate to individually valued loans. Their fair value is based on a binominal option pricing model with two possible scenarios of future expected cash flows: from restructuring or from recovery.

Management exercises significant judgement in measuring the fair value of these individually valued loans in the following areas:

- estimates of the likelihood of a single scenario

Our audit approach

Our audit procedures in this area included, among others:

- reviewing the Group's methodology for determining the net realisable value of inventories,
- gaining an understanding of the control environment and key internal controls in the area of determining the net realisable value of inventories of real estate,
- verification of ownership and potential encumbrances, with the assistance of an external property valuation expert, engaged by us, by comparison with land registers on a selected sample of properties,
- verification of the determination of net realisable value, with the assistance of an external real estate valuation expert, engaged by us, by means of an assessment on a selected sample of properties:
 - whether appropriate methods, and techniques are used to determine net realisable value for the selected sample of properties,
 - whether the assumptions used were fit for purpose,
 - whether the assumptions are reasonable, depending on the model used,
 - whether the changes to the estimates are reasonable,
 - mathematical accuracy of the estimates.
- reviewing the adequacy and completeness of the disclosures in the Group's financial statements relating to inventories of real estate in the light of the requirements of the relevant accounting standards.

Our audit approach

Our audit procedures in this area, which also included our business valuation experts and an external real estate valuation expert, engaged by us, included, among others:

- reviewing the Group's methodology for determining the fair value of loans,
- gaining an understanding of the control environment and key internal controls in the area of determining the fair value of loans,
- on a selected sample of loans, we tested the inputs used to measure fair value, focusing on:
 - criteria for setting risk parameters,



- (restructuring : recovery),
- the use of assumptions in the process of estimating risk parameters,
- estimating future expected cash flows from operating activities or from collaterals and their time component,
- setting the discount rate.

Complex models and significant management judgements are used in determining the fair value of loans.

For these reasons, we considered the measurement of the fair value of loans valued individually to be a key audit matter.

Revenue from contracts with customers

In the year ended on 31.12.2023, revenue from contracts with customers amounted to EUR 144,946 thousand (2022: EUR 34,535 thousand).

The accounting policies for revenues are disclosed in the consolidated financial statements in section 3.5. Material Accounting Policy Information of SSH Group under Operating income; disclosures are provided in section 3.7.11 Operating Income.

Description of the key audit matter

The Group's tourism business involves a large volume of individual transactions of predominantly smaller value. Therefore, it is important to ensure their completeness within the accounting period and compliance with the price lists. The recording of transactions, which are numerous in number, requires a significant degree of judgement in determining the appropriate amounts and timing of revenue.

For these reasons, we considered the recognition of revenue from contracts with customers to be a key audit matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in the Consolidated Annual Report of the Group other than the consolidated financial statements and the auditor's report thereon. Other information was obtained before the date of the auditor's report, with the exception of the Supervisory Board report, which will be available later.

- assumptions for determining the likelihood of a particular scenario materialising,
- assessing the design of expectations about future cash flows from operating activities,
- assessing the value of collateral with assistance of our business and real estate valuation experts,
- assessing the discount rates used with assistance of our business valuation experts,
- reviewing the adequacy and completeness of the fair value disclosures in Group's financial statements in the light of the requirements of the relevant accounting standards.

Our audit approach

Our audit procedures included, among others:

- testing the design, implementation, and effectiveness of internal controls in the revenue recognition process,
- assessing the Group's accounting policy related to revenue recognition, including evaluation of the policy in the light of the requirements of the relevant accounting standards,
- assessing the Group's definition of components of individual contracts and recognition of revenue from sales on a selected sample of contracts with customers,
- reviewing the invoices issued just before and after the end of the financial year to verify whether the revenue is recognized in the correct accounting period,
- reviewing the accuracy and existence of recognized revenue on a selected sample based on supporting documentation,
- reviewing manual journal entries with the focus on unusual one-time entries in revenue accounts and entries made after the balance sheet date,
- assessing the adequacy and appropriateness of disclosures against the requirements of the relevant accounting standards.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work done, we conclude that there is a material misstatement of other information, we must report such circumstances.

Based on the procedures performed, we report that:

- the other information is in all material respect consistent with audited consolidated financial statements;
- the other information is prepared in compliance with applicable law or regulation;
- based on the knowledge and understanding of the Group obtained in the audit, we have not identified any material misstatement of other information.

Responsibilities of the Management and the Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ZSDH-1, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Group, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated and financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with the Supervisory Board and the Audit Committee, among other matters, the planned scope and timing of the audit and significant findings from the audit, including significant deficiencies in internal control we have identified during our audit.

We also provide the Supervisory Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other reporting obligations as required by EU Regulation No. No 537/2014 of the European Parliament and of the Council

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report issued to the Audit Committee.

Prohibited services

We confirm that we have not performed any prohibited services referred to in the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council. We declare that we ensure our independence.

Other Services

In addition to the statutory audit services and services disclosed in the annual report, we have not provided any other services to the SSH and its subsidiaries.

Appointment of the Auditor, Period of Engagement and Responsible Engagement Partner

We were appointed as the statutory auditor of the Company by the Government of the Republic of Slovenia on 8 December 2022 for the financial years 2022 - 2024. The Chairman of the Supervisory Board signed the engagement letter on 23 December 2022. We have been performing the statutory audit since 8.8.2018 without interruption.

Engagement partner responsible for the audit on behalf of BDO Revizija d.o.o. is Mateja Vrankar, certified auditor.

Ljubljana, 27 May 2024

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

(Signature on the original Independent Auditor's Report in Slovene language)

Mateja Vrankar, certified auditor
Managing partner

3.3 CONSOLIDATED FINANCIAL STATEMENTS OF SSH GROUP

3.3.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SSH GROUP

in EUR '000

	Note	31 Dec 2023	31 Dec 2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		1,825	1,594
Property, plant and equipment	3. 7. 1.	253,778	258,349
Investment property		4,164	5,105
Investments in subsidiaries	3. 7. 2. 1.	81,332	85,867
Investments in associates	3. 7. 2. 2.	295,892	280,414
Financial assets measured at fair value through other comprehensive income (FVTOCI)	3. 7. 2. 3.	622,724	519,319
Derivatives		531	0
Trade receivables		26	26
CURRENT ASSETS			
Assets/disposal groups held for sale		0	1,400
Inventories	3. 7. 3.	95,445	106,927
Financial assets measured at fair value through profit or loss (FVTPL)	3. 7. 2. 5.	203,468	225,177
Deposits measure at amortised cost	3. 7. 2. 7.	106,000	38,374
Assets from contracts with customers	3. 7. 11.	1,240	25
Trade receivables	3. 7. 4.	9,650	9,833
Income tax receivables		0	1,168
Other current assets		3,892	1,629
Cash and cash equivalents	3. 7. 5.	67,072	50,954
TOTAL ASSETS		1,747,039	1,586,161
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the owners of the controlling company	3. 7. 6.	1,461,854	1,282,408
Equity attributable to the owners of the controlling company		1,394,115	1,213,870
Called-up equity		301,766	301,766
Capital reserve		112,287	112,287
Other revenue reserves		313,510	66,003
Fair value reserve		303,840	201,846
Retained net profit or loss		319,520	469,059
Net profit or loss for the period		43,192	62,909
Minority interests		67,739	68,538

NON-CURRENT LIABILITIES			
Provisions and non-current deferred revenues	3. 7. 7.	58,228	62,384
Financial liabilities	3. 7. 8.	41,118	61,852
Finance lease payables		1,771	2,433
Deferred tax liabilities	3. 7. 17.	73,267	62,842
CURRENT LIABILITIES			
Financial liabilities	3. 7. 8.	33,743	49,339
Finance lease payables		671	653
Liabilities from contracts with customers	3. 7. 11.	6,649	3,413
Operating liabilities	3. 7. 9.	48,863	39,031
Other liabilities	3. 7. 10.	20,875	21,806
LIABILITIES			
		285,185	303,753
LIABILITIES AND EQUITY - TOTAL			
		1,747,039	1,586,161

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

3.3.2 CONSOLIDATED INCOME STATEMENT OF SSH GROUP

in EUR '000

	Note	2023	2022
Revenue from contracts with customers	3. 7. 11.	144,946	34,535
Other operating income	3. 7. 11.	18,713	7,622
Operating income		163,658	42,157
Cost of goods sold	3. 7. 12.	40,695	3,312
Costs of materials and services	3. 7. 12.	44,348	16,874
Labour costs	3. 7. 13.	47,502	15,984
Depreciation and amortisation	3. 7. 14.	13,101	3,850
Non-current provisions		5,014	598
Impairments and write-offs	3. 7. 15.	1,895	1,286
Other operating expenses		6,655	1,085
Operating profit/(loss)		4,448	-832
Financial income	3. 7. 16.	81,636	102,992
Finance expense	3. 7. 16.	50,930	18,514
Proportion of profit/loss from investments measured at equity method	3. 7. 16.	9,949	45,129
Profit or loss before taxes		45,103	128,775
Income tax	3. 7. 17.	-3,322	-1,143
Deferred taxes	3. 7. 17.	612	760
Net profit/(loss) for the period		42,393	128,392
Profit/(loss) attributable to minority interest		-799	-520
Earnings attributable to the owners of the controlling company		43,192	128,912

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

3.3.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF SSH GROUP

in EUR '000

	2023	2022
Net profit/(loss) for the period	42,393	128,392
Change in fair value reserve (financial investments)	92,768	-176,267
Share of other comprehensive income of associates	1,342	1,634
Recalculation of post-employment benefits	-185	245
Total other comprehensive income not to be recognized in Income Statement in the future	93,925	-174,388
Share of other comprehensive income of associates	8,041	-59,032
Total other comprehensive income to be recognized in Income Statement in the future	8,041	-59,032
Other comprehensive income after tax - total	101,966	-233,420
Total comprehensive income after tax	144,359	-105,028
attributable to the owners of the controlling company	145,158	-104,508
attributable to minority interest	-799	-520

3.3.4 CONSOLIDATED STATEMENT OF CASH FLOWS OF SSH GROUP

in EUR '000

	2023	2022
Cash flows from operating activities		
Cash receipts from operating activities	261,551	111,876
Receipts from operating activities	258,942	110,926
Receipts from Republic of Slovenia (sales on consignment)	2,609	950
Cash payments relating to operating activities	-181,848	-62,135
Payments to suppliers for goods and services	-112,402	-36,113
Payments to and on behalf of employees	-46,109	-16,105
Payments of taxes and duties of all kinds	-10,624	-7,169
Payments pursuant to ZDen and SZ	-3,944	-914
Payments on behalf the Republic of Slovenia (sales on consignment)	-2,375	-1,159
Other cash payments relating to operating activities	-6,394	-674
Net cash flow from operating activities	79,703	49,742
Cash flow from investing activities		
Cash receipts from investing activities	125,063	161,139
Interest received - deposits	1,325	142
Dividends received	53,559	59,981
Proceeds from the sale of property, plant and equipment	1,040	24
Proceeds from the sale of investment property	727	0
Proceeds from the sale of non-current financial investments	0	2,192
Proceeds from the sale of current financial investments	68,412	98,800

Cash payments relating to investing activities	-145,935	-141,300
Negative interest and bank charges paid	0	-132
Payments to acquire intangible assets	-357	-374
Payments to acquire property, plant and equipment	-9,530	-2,888
Payments to acquire non-current financial investments	-61,048	-42,156
Payments to acquire current financial investments	-75,000	-95,750
Net cash flow from investing activities	-20,872	19,839
Cash flows from financing activities		
Cash receipts from investing activities	0	42,409
Cash proceeds from paid-in capital	0	41,599
Cash proceeds from increase in current financial liabilities	0	810
Cash payments from investing activities	-42,713	-135,853
Interest payments relating to financing activities	-2,632	-1,607
Repayment of non-current financial liabilities	0	-134,232
Repayment of current financial liabilities	-40,081	-14
Net cash flows from financing activities	-42,713	-93,444
BAMC cash balance as at takeover date	0	29,775
SAVA cash balance as at takeover date	0	34,698
Cash at end of period	67,072	50,954
Net cash inflow/(outflow) during the period	16,118	-23,863
Cash at beginning of period	50,954	10,344

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them. CON

3.3.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF SSH GROUP

	Called-up equity	Capital reserve	Other revenue reserves	Fair value reserve	Retained profit/loss	Net profit/loss	Total	Minority interest	Total
Opening balance as at 1 Jan 2022	260,167	0	0	444,605	113,090	95,453	913,315	0	913,315
Merger with BAMC 30 June 2022	0	112,287	0	0	251,177	0	363,464	0	363,464
Acquisition of SAVA d. d. 30 Sept 2022	0	0	0	0	0	0	0	69,058	69,058
Total comprehensive income for the period	0	0	0	-233,420	0	128,912	-104,508	-520	-105,028
Net profit for the reporting period	0	0	0	0	0	128,912	128,912	-520	128,392
Other comprehensive income	0	0	0	-233,420	0	0	-233,420	0	-233,420
Transactions with owners	41,599	0	66,003	-9,339	104,792	-161,456	41,599	0	41,599
Share capital increase	41,599	0	0	0	0	0	41,599	0	41,599
Transfer to other revenue reserves	0	0	66,003	0	0	-66,003	0	0	0
Transfers to retained profit/loss and other revenue reserve	0	0	0	0	95,453	-95,453	0	0	0
Transfers due to reclassification of financial investments	0	0	0	-9,339	9,339	0	0	0	0
Balance as at 31 Dec.2022	301,766	112,287	66,003	201,846	469,059	62,909	1,213,870	68,538	1,282,408
Balance as at 1 Jan 2023	301,766	112,287	66,003	201,846	469,059	62,909	1,213,870	68,538	1,282,408
Total comprehensive income for the period	0	0	0	101,966	0	43,192	145,158	-799	144,359
Net profit for the reporting period	0	0	0	0	0	43,192	43,192	-799	42,393
Other comprehensive income	0	0	0	101,966	0	0	101,966	0	101,966
Transactions with owners	0	0	247,507	28	-149,538	-62,909	35,088	0	35,088
Share capital increase	0	0	0	0	0	0	0	0	0
Transfer to other revenue reserves	0	0	189,877	0	-189,877	0	0	0	0
Transfer of assets as a return of capital (2.72.4)	0	0	-5,251	0	0	0	-5,251	0	-5,251
Transfer of actuarial losses to retained earnings	0	0	-5	5	0	0	0	0	0
Transfers to retained profit/loss and other revenue reserve	0	0	62,909	0	0	-62,909	0	0	0
Effect of transition to IFRS 17 on associate companies	0	0	0	0	40,339	0	40,339	0	40,339
Transfers due to reclassification of financial investments	0	0	-23	23	0	0	0	0	0
Balance as at 31 Dec 2023	301,766	112,287	313,510	303,840	319,520	43,192	1,394,115	67,739	1,461,854

Notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

3.4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3.4.1 REPORTING COMPANY

The reporting company – Slovenian Sovereign Holding (hereinafter also referred to as: the “Company”) – is a joint stock company registered at the Ljubljana District Court (court register decision 199304616, registration entry no. 1/21883/00). In accordance with the provisions of Articles 55 and 56 of ZGD-1 (the Slovenian Companies’ Act), the Company is classified as a large company required to undergo a regular annual audit.

In line with the Standard Classification of Activities, the Company’s activity is categorised as: K 64.990 - Other financial service activities, except insurance and pension funding. The Company’s activity is presented in detail in the Business Report, Chapter 1. 5.

The Company’s share capital as at 31 December 2022 amounted to EUR 301,765,982.30. On 24 February 2022, funds in the amount of EUR 41,599,065.26 were paid in to increase the share capital, and the increase of the share capital was registered in the Business Register on 17 March 2022. The Company’s share capital is divided into 180,788 non- par value shares not listed on the regulated stock exchange market. The sole shareholder of SSH is the Republic of Slovenia.

Slovenian Sovereign Holding is a controlling company of Slovenian Sovereign Holding Group, with its company office registered in the Republic of Slovenia, at the address: Mala ulica 5, Ljubljana. As explained in note 2. 6. Business Combinations, the merger of BAMC with SSH took place in 2022. Also, in 2022, the majority stake in Sava, d. d. was acquired.

THE LIST OF ASSOCIATED COMPANIES OF SSH AS AT 31 DECEMBER 2023 IS AS FOLLOWS:

Company	Registered office	Equity Stake in %	Core business/notes
Unior, d. d.	Kovaška cesta 10	3214 Zreče, SLO	39.43 Metal forging, pressing, stamping and rolling; powder metallurgy
Casino Bled, d. d.	Cesta svobode 15	4260 Bled, SLO	33.75 Casinos
Salomon, d. o. o.	Vevška cesta 52	1260 Ljubljana Polje, SLO	30.59 Temporary employment agency activities
Zavarovalnica Triglav, d. d.	Miklošičeva 19	1000 Ljubljana, SLO	28.09 Non-life insurance
Hit, d. d.	Delpinova 7A	5000 Nova Gorica, SLO	28.54 Casinos
Cinkarna Celje, d. d.	Kidričeva 26	3000 Celje, SLO	24.44 Manufacture of dyes and pigments

THE LIST OF ASSOCIATED COMPANIES OF SSH AS AT 31 DECEMBER 2022 IS AS FOLLOWS:

Company	Registered office	Equity Stake in %	Core business/notes
Terra Mediterranea, Croatia	Budmanijeva 3	10000 ZAGREB, CRO	42.85 Economy
Unior, d. d.	Kovaška cesta 10	3214 Zreče, SLO	39.43 Metal forging, pressing, stamping and rolling; powder metallurgy
Casino Bled, d. d.	Cesta svobode 15	4260 Bled, SLO	33.75 Casinos
Salomon, d. o. o.	Vevška cesta 52	1260 Ljubljana Polje, SLO	30.59 Temporary employment agency activities
Zavarovalnica Triglav, d. d.	Miklošičeva 19	1000 Ljubljana, SLO	28.09 Non-life insurance
Hit, d. d.	Delpinova 7A	5000 Nova Gorica, SLO	28.54 Casinos
Cinkarna Celje, d. d.	Kidričeva 26	3000 Celje, SLO	24.44 Manufacture of dyes and pigments

The following companies, which were measured at equity method, were included in the Consolidated Financial Statements for 2023: Zavarovalnica Triglav, Unior, Hit, Casino Bled and Cinkarna Celje. Conversely, Salomon, d. o. o., was not included under

the equity method due to the fact that SSH does not control it and because it is immaterial and was sold. Similarly, Terra Mediterranea was not included in the Consolidated Financial Statements for 2023 because it was sold in 2023.

THE LIST OF DIRECT AND INDIRECT COMPANIES OF SSH AS AT 31 DECEMBER 2023 IS AS FOLLOWS:

Company	Registered office	interests	Core business/notes
Subsidiaries:		in %	
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana, SLO	90.00 Business administration
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	70.48 Business and management consultancy activities
Argolina, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00 Management of construction projects
Avtotehna Zagreb, d. o. o.	Nova cesta 109	10000 Zagreb, CRO	100.00 Sale of motor vehicles
BR89, d. o. o.	Breznikova cesta 89	1230 Domžale, SLO	100.00 Pig farming
Ihan, d. o. o. Beograd			100.00
DUP, d. o. o. Sarajevo	UL.Vrazova broj 3	71000 Sarajevo, BiH	100.00 Real estate
DUTB Crna Gora, d. o. o.	UL.Svobode 74/II	81000 Podgorica, MNE	100.00 Real estate
Factor projekt, d. o. o. Hrvaška	Šetalište Svetog Bernardina bb Krk	51500 Krk, CRO	100.00 Real estate
Farme Ihan - KPM, d. o. o.	Korenova cesta 9	1241 Kamnik, SLO	100.00 Pig farming
Go- KO, d. o. o.			100.00
Farme Ihan - MPR, d. o. o.			100.00
VOA, d. o. o.			100.00
Meso Kamnik, d. d.			91.08
Fundus, d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Real estate
Hyundai auto Beograd, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Sale of motor vehicles
Illuria Holdings Limited	ARCH. MAKARIOU III, 195	3030 Cyprus	100.00 In liquidation
Istrabenz turizem, d. d.	Obala 33	6320 Portorož, SLO	100.00 Hotels and tourism
Istrabenz, d. o. o.	Obala 33	6320 Portorož, SLO	100.00 Business and other management consultancy activities
MLM, d.d.	Oreško nabrežje 9	2000 Maribor, SLO	100.00 Foundry, machine tools
MLM Alutec, d. o. o. Bugojno			99.97

PROLeasing Rijeka, d. o. o. - in liquidation	Prolaz Marije Krucifikse Kozulić 2	51000 Rijeka, CRO	100.00	Leasing
Sklad turističnih naložb, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00	Holding company (in tourism sector)
Thermana, d. d.	Zdraviliška cesta 6	3270 Laško, SLO	100.00	Hotels and tourism
MK Založba, d. d.	Slovenska cesta 29	1000 Ljubljana, SLO	83.47	Publishing
MK trgovina, d. o. o.			83.47*	
Grafika Soča, d. o. o.			83.47*	
CZ-Z, d. o. o.			83.47*	
Mozaik knjiga, d. o. o.			83.47*	
Mladinska knjiga društvo sa ograničenim odgovornošću za izdavačko delatnost i trgovinu Beograd			83.47*	
Mladinska knjiga, d. o. o., Sarajevo			83.47*	
DS Projekt, d. o. o.	Ulica bratov Rozmanov 1	1000 Ljubljana, SLO	74.00	Buying and selling of own real estate
Sava, d. d.	Dunajska cesta 152	1000 Ljubljana, SLO	61.91	Holding company (in tourism sector)
Sava Turizem, d. d.			59.11	
Sava Zdravstvo, d. o. o., Ljubljana (owned by Sava Turizem)			59.11	
BLS SINERGIJE, d. o. o., Portorož			35.00**	
Poslovni sistem Domina, d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	55.52	Real estate

*Share calculated to indirect ownership of SSH in a company that is a subsidiary of an SSH subsidiary.

** BLS SINERGIJE, d. o. o.: 100% owned by Sava, d. d., 60% owned by Sava Turizem, d. d.

THE LIST OF DIRECT AND INDIRECT COMPANIES OF SSH AS AT 31 DECEMBER 2022 IS AS FOLLOWS:

Company	Registered office	interests	Core business/notes
Subsidiaries:		in %	
PS za avto, d. o. o.	Tržaška cesta 133	1000 Ljubljana, SLO	90.00 Business administration
Elektrooptika, d. d.	Mala ulica 5	1000 Ljubljana, SLO	70.48 Business and other management consultancy activities
Argolina, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00 Management of construction projects
Autotehna Croatia, d. o. o., in liquid.	Murini 7/D	51000 Rijeka, CRO	100.00 Wholesale of household electrical appliances
Avtotehna Beograd, d. o. o., in liquid.	2/25 Lazarevićeva	11000 Beograd, SRB	100.00 Manufacture and wholesale of office machinery and equipment (except computers and peripheral equipment)
Avtotehna Zagreb, d. o. o.	Nova cesta 109	10000 Zagreb, CRO	100.00 Sale of motor vehicles
BR89, d. o. o.	Breznikova cesta 89	1230 Domžale, SLO	100.00 Pig farming
Ihan, d. o. o. Beograd			100.00
DUP, d. o. o. Sarajevo	UL.Vrazova broj 3	71000 Sarajevo, BiH	100.00 Real estate
DUTB Crna Gora, d. o. o.	UL.Svobode 74/II	81000 Podgorica, MNE	100.00 Real estate
Factor projekt, d. o. o. Hrvaška	Šetalište Svetog Bernardina bb Krk	51500 Krk, CRO	100.00 Real estate
Farme Ihan - KPM, d. o. o.	Korenova cesta 9	1241 Kamnik, SLO	100.00 Pig farming
Go- KO, d. o. o.			100.00
Farme Ihan - MPR, d. o. o.			100.00
VOA, d. o. o.			100.00
Meso Kamnik, d. d.			91.08
Fundus, d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Real estate
Hyundai auto Beograd, d. o. o.	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00 Sale of motor vehicles
Illuria Holdings Limited	ARCH. MAKARIOU III, 195	3030 Cyprus	100.00 In liquidation

Istrabenz turizem, d. d.	Obala 33	6320 Portorož, SLO	100.00	Hotels and tourism
Istrabenz, d. o. o.	Obala 33	6320 Portorož, SLO	100.00	Business and other management consultancy activities
MLM, d.d.	Oreško nabrežje 9	2000 Maribor, SLO	100.00	Foundry, machine tools
MLM Alutec, d. o. o. Bugojno			99.97	
PROLeasing Rijeka, d. o. o. - in liquidation	Prolaz Marije Krucifikse Kozulić 2	51000 Rijeka, CRO	100.00	Leasing
PY&CA, d. o. o. Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	100.00	Real estate
Sklad turističnih naložb, d. o. o.	Davčna ulica 1	1000 Ljubljana, SLO	100.00	Holding company (in tourism sector)
Thermana, d. d.	Zdraviliška cesta 6	3270 Laško, SLO	100.00	Hotels and tourism
MK Založba, d. d.	Slovenska cesta 29	1000 Ljubljana, SLO	83.47	Publishing
MK trgovina, d. o. o.			83.47*	
Grafika Soča, d. o. o.			83.47*	
CZ-Z, d. o. o.			83.47*	
Mozaik knjiga, d. o. o.			83.47*	
Mladinska knjiga društvo sa ograničenim odgovornošću za izdavačko delatnost i trgovinu Beograd			83.47*	
Mladinska knjiga, d. o. o., Sarajevo			83.47*	
DS Projekt, d. o. o.	Ulica bratov Rozmanov 1	1000 Ljubljana, SLO	74.00	Buying and selling of own real estate
Sava, d. d.	Dunajska cesta 152	1000 Ljubljana, SLO	61.91	Holding company (in tourism sector)
Sava Turizem, d. d.			59.11	
Sava Zdravstvo, d. o. o., Ljubljana (owned by Sava Turizem)			59.11	
BLS SINERGIJE, d. o. o., Portorož			35.00**	
Poslovni sistem Domina, d. o. o, Beograd	Bulevar Mihajla Pupina 10A/12	11070 Beograd, SRB	55.52	Real estate

* share of the parent company in the subsidiary company

** BLS SINERGIJE, d. o. o.: 100% owned by Sava, d. d., 60% owned by Sava Turizem, d. d.

3.4.2 BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

3.4.2.1 Statement of Compliance

The consolidated financial statements of SSH Group have been prepared in accordance with the requirements of ZSDH-1. The Group follows the International Financial Reporting Standards, as adopted by the European Union (hereinafter referred to as: "IFRS") and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the EU, with the exception of the inclusion of subsidiaries in the consolidated financial statements. Article 36(a) of ZSDH-

1 stipulates that subsidiaries, in which the position of the controlling company has been obtained through the transfer shareholdings, assets, rights, and obligations from BAMC to SSH in accordance with the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks, shall not be included in the consolidated annual report. The financial statements have been prepared in accordance with Slovenian legislation (ZGD-1) and the SSH's internal policies and regulations.

3.4.2.2 Basis for Consolidation and Business Combinations

As at 31 December 2023, the SSH Group consists of the parent company SSH and its subsidiaries Sava, d. d., and Sava Turizem, d. d. Subsidiaries acquired by SSH through the merger with BAMC are not consolidated in accordance with the provisions of ZSDH-1. Subsidiaries, which are immaterial for a true and fair presentation of the consolidated financial statements, are not included in the consolidation. In the consolidated financial statements, associates are measured using the equity method.

For all companies included in the consolidation, the full consolidation method is applied from the date when the Group obtained control over the subsidiary company. Subsidiaries are excluded from the Group when the controlling influence of the parent company or other companies in the Group is lost. The financial statements of the companies in the Group are prepared for the same reporting period as the financial statements of the parent company and using the same accounting policies. During the preparation of the consolidated financial statements, all transactions, balances, and unrealized gains and losses resulting from internal transactions within the Group, as well as dividends between related companies, are eliminated.

A change in the ownership interest of a subsidiary company, where there has been no loss of control, is accounted for in equity. In the event of a loss of control in a subsidiary company, the Group must:

- derecognize the assets (including goodwill) and liabilities of the subsidiary company;
- derecognize the carrying amount of all minority interests;
- derecognize the entire amount of cumulative foreign exchange differences previously recognized in equity;
- recognize the fair value of any consideration received;
- recognize the fair value of any remaining investment;
- recognize any surplus or deficit in the income statement;
- reclassify the share of the parent company previously recognized in other comprehensive income to either the income statement or retained earnings as appropriate.

Mergers and Goodwill/ Gain on Negotiated Purchase

Business combinations are accounted for using the acquisition method. The cost related to the acquisition is determined as the total consideration at fair value on the acquisition date, increased by the amount of any minority interests in the acquired company. For each business combination, the acquiring company measures the minority interest in the acquired company either at fair value or as a proportionate share of the identifiable net assets of the acquired company.

Upon acquisition, the Group assesses whether the allocation of acquired assets and assumed liabilities is in accordance with contractual provisions, the economic situation, and relevant circumstances as of the acquisition date.

In business combinations achieved in stages, the fair value of the previous acquirer's interest in the equity of the acquired company is remeasured to fair value at the acquisition date. The amount of the contingent consideration which is expected to be transferred to the acquiring company is recognized at fair value on the acquisition date. Subsequent changes in the fair value of contingent consideration which is classified as an asset or liability are recognized either in the income statement or as a change in other comprehensive income, in accordance with IFRS 9. If contingent consideration is recognized in equity, it shall not be remeasured until it is settled.

Goodwill is recognized upon initial measurement as the excess of the total consideration paid and the recognized amount of non-controlling interests over the fair value of identifiable net assets acquired and liabilities assumed. If the consideration is lower than the fair value of identifiable net assets of the acquired subsidiary, the difference is recognized in the income statement (gain on negotiated purchase or negative goodwill).

After initial recognition, goodwill is measured at cost, reduced by any accumulated impairment losses. Due to the impairment test, the goodwill acquired in business combinations is allocated to each cash-generating unit within the Group, expected to benefit from the business combination, regardless of whether other assets and liabilities of the acquired subsidiary are assigned to these units.

When goodwill is part of a cash-generating unit and a part of the unit's operation is disposed of, the recognition of goodwill related to the disposed cash-generating unit is recognized at the carrying amount of the disposed operation. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed business and the proportion of the cash-generating unit retained by the Group.

Comparative data in the consolidated financial statements of the acquiring company is not restated for business combinations.

Business combinations of companies under common control:

When calculating business combinations of companies under common control, the Group accounts for transactions between entities forming an economic entity using the book value meth-

od, according to which, the carrying amounts of assets and liabilities of the acquired company are recognized in the individual or consolidated financial statements of the acquiring company on the date of the business combination (the transaction date).

The effects of the business combination (on the transaction date), which are calculated as the difference between:

- the carrying amount of the investment in the acquired company at the acquiring company, and
- the transferred assets, assumed liabilities, and transferred accumulated other comprehensive income of the acquired company,

are recorded directly in equity (retained profit/loss) without affecting the income statement.

Comparative data in the consolidated financial statements of the acquiring company is not restated for business combinations of companies under common control.

3.4.2.3 Basis of measurement

These Financial Statements were prepared under the going concern assumption.

The historical cost basis was used as the basis for measurement in these financial statements, except for the following items the measurement of which is presented in detail in the remainder of the notes.

- investments in subsidiaries - acquisition cost or lower recoverable value,
- investments in associates - equity method,
- other financial investments - fair value through other comprehensive income,

3.4.2.4 Use of estimates and judgements

The preparation of consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts for assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and other factors which are considered reasonable in the circumstances and are the basis for determining the carrying amount of assets and liabilities. Estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates, judgements and assumptions are rec-

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group is exposed to variable returns or has rights to variable returns from its investment in the company and has the ability to influence those returns through its control over the company.

The financial statements of subsidiary companies are included in the Group's financial statements from the date control commences until the date control is lost. The Group recognizes business combinations gradually, in individual stages, and any additional purchases of stakes do not affect previously recognized goodwill.

Elimination of transactions during consolidation:

Intercompany balances and transactions within the Group, including revenues, expenses, and dividends, are eliminated in their entirety. Unrealized gains and losses arising from transactions within the Group and recognized in assets are eliminated. Unrealized losses are eliminated in the same manner as gains, provided that there is no evidence of impairment.

- loans - fair value through profit or loss,
- inventory of property or property held for resale - the lower of cost or net realizable value,
- operating receivables and liabilities - at amortised cost,
- provisions for retirement benefits and jubilee premiums - at present value of assessed deferred payments on the basis of an actuarial calculation,
- other provisions - at present value of the assessed deferred payments,
- deferred tax assets and liabilities - non-discounted, measured using the applicable tax rate.

ognised in the period in which the estimates are revised and in any future periods affected.

Significant management judgements primarily relate to determining when all significant risks and ownership rights are transferred to the buyer in asset sales, which result in the derecognition of the assets, and to the classification of categories for which fair value levels are separately disclosed.

Estimates and assumptions are involved in the following judgements:

- revenue from contracts with customers: evaluating the transfer of control to the customer;
- adjustments to the value of receivables;
- estimates of the net realisable value of inventories (real estate and equipment);
- assessing the value of provisions and contingent liabilities, and assessing the allocation of provisions into short-term and long-term;
- estimating the fair value of assets;
- assessing the likelihood of utilizing deferred tax assets;
- estimating the useful economic life of depreciating assets;
- assessing the fair value of the net assets acquired in a business combination.

3.4.2.5 Application of new and revised IFRS Standards and IFRIC Interpretations

Initial application of new standards or amendments to existing standards applicable in current reporting period

The following amendments to existing Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU apply to the current reporting period:

Disclosure of accounting policies (amendments to IAS 1 and IFRS 2 Statement of Practice): In February 2021, the IASB issued amendments to IAS 1 that alter the disclosure requirements relating to accounting policies from “significant accounting policies” to “material accounting policy information”. The amendments provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier implementation permitted. As IFRS Practice Statement documents are not mandatory, the effective date for IFRS Practice Statement 2 is not specified.

Definition of accounting estimates (amendments to IAS 8). The amendments introduce a new definition for an accounting estimate and include other interpretations to help entities distinguish between an accounting policy and an accounting estimate. The amendment clarifies that the effect of a change in inputs or measurement techniques is a change in an accounting estimate unless it results in a correction of a prior period error.

IFRS 17 – Insurance Contracts (new Standard) and Amendments to IFRS 17 – Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts. It applies to all types of insurance contracts

Estimates and related assumptions and uncertainties are disclosed in the Notes to individual line items in the consolidated financial statements.

Regardless of the fact that the management carefully examines all factors which might affect such assumptions and estimates, it is possible that the actual outcomes of business events may be different from the estimates. Estimates are subject to subjective judgement and a degree of uncertainty.

In 2023, the Group changed the accounting estimate which serves as the basis for the financial reporting of real estate inventory. The basis for determining the net realizable value (NRV) under the new estimate is the market value of the real estate, which is no longer adjusted for special conditions. The change in accounting estimate was based on an economic analysis of the justification and the resulting change in the business policy for the management of real estate.

(i.e., life, non-life, direct insurance, and reinsurance), regardless of the type of entity issuing them, and extends to certain guarantees and financial instruments with discretionary participation features, subject to specific exceptions. The overarching objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that enhances the usefulness and consistency of financial reporting for insurers and encompasses all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- a specific adjustment for contracts with direct participation features (variable fee approach); and
- a simplified approach (premium allocation approach - PAA) primarily for short-term contracts.

Deferred tax assets and deferred tax liabilities on individual transactions (amendments to IAS 12 - Income Taxes). In May 2021, the IASB issued amendments to IAS 12. The amended Standard clarifies whether the initial recognition exemption applies to certain transactions that are recognised as both an asset and a liability (e.g., such as a lease under IFRS 16). The amendment introduces additional criterion for the initial application of exceptions under IAS 12.15, where the initial recognition exception does not apply to an asset or liability that gives rise to the same taxable and deductible temporary differences at the time of the recognition.

International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12):

The amendments to IAS 12 were introduced in response to the OECD Pillar Two BEPS rules and include:

a mandatory temporary exception regarding the recognition and disclosure of deferred taxes related to the Pillar Two model rules, and disclosure requirements regarding exposure to Pillar Two income tax.

The adoption of these amendments to existing standards and interpretations did not lead to any material impact on the Group's financial statements.

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet effective

As of the day of approval of these financial statements, IASB had issued the following amendments to existing standard which have been adopted by the EU but are not yet effective.

For the reporting period starting on 1 January 2024, the following standards and amendments shall enter into force:

Amendments to IAS 1 – Presentation of Financial Statements

Classification of liabilities as current or non-current. The amendment requires that the entity's right to defer settlement of a liability for at least 12 months after the reporting date must have substance and must exist at the end of the reporting period. The classification of liabilities is unaffected by the likelihood that an entity will exercise its right to defer the liability for at least 12 months after the reporting date. The standard was subsequently further amended.

Non-current liabilities with covenants. If the right to defer settlement is subject to the company complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period where an entity is required to comply with the condition on or before the end of the reporting period, and not where an entity is required to comply with the condition after the reporting period. The amendment also includes an explanation of the term "settlement" for the purpose of classifying liabilities as current or non-current.

Amendments to IFRS 16 - Leases: lease liability in a sale and leaseback transaction. The amendment requires a vendor-lessee to designate "lease payments" or "modified lease payments" so that the vendor-lessee would not recognise a gain or loss relating to a right-of-use right retained by the vendor-lessee.

The adoption of these new standards and amendments of existing standards and interpretations will not have any material impact on the Group's financial statements.

New standards and amendments to existing standards issued by the IASB and yet to be adopted by the EU

Currently, IFRS standards as adopted by the EU do not differ significantly from standards adopted by IASB with the exception of the following new Standards and amendments to the existing Standards which will become effective for the reporting periods beginning on 1 January 2024 or 1 January 2025 and which have not yet been adopted by the EU:

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (amendments). On 25 May 2023, the IASB issued "Supplier Finance Arrangements", which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (amendments). These amendments were prompted by a request received by the International Financial Reporting Interpretations Committee (IFRIC) (Committee) regarding the presentation requirements for liabilities and related cash flows that arise from supply chain financing arrangements and associated disclosures. In December 2020, the Committee published an agenda decision on Supply Chain Financing Arrangements – Reverse Factoring, which explains the requirements in IFRS Accounting Standards that apply to such arrangements. During the process, stakeholder feedback on the draft agenda decision suggested that the information an entity is required to provide about this form of financing falls short of meeting user information needs to understand the effects of financing arrangements with suppliers on an entity's financial statements and for enabling comparisons between entities. In response to this feedback, the IASB undertook a narrow scope standard revision exercise that resulted in the current amendments. The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.

The Group expects that the introduction of these new standards, and the amendments to the existing standards should not have any material impact on the Group's financial statement in the transition period.

3.4.2.6 Amendments to accounting policies

There were no changes to accounting policies in 2023; however, due to the provisions of IAS 1, which came into effect on 1 January 2023, there were changes in the presentation of information about accounting policies in the financial statements. The man-

3.4.2.7 Currency reporting

a) Functional and presentation currency

All financial information in the financial statements of SSH is presented in Euros (EUR), which is the functional and presentation currency of SSH. All accounting information, with the exception of the earnings of the members of the Management Board, Supervisory Board and the Supervisory Board Committees, presented in the Euro, has been rounded to the nearest thousand. The rounding may result in some insignificant differences in totals and tables.

agement reviewed the accounting policies and, in some cases, adjusted the disclosure of information about accounting policies in accordance with the amendments.

b) Transactions and balances

Transactions expressed in foreign currencies are converted into the Euro at the European Central Bank's reference exchange rate at the transaction date. The gains or losses incurred in these transactions and in the reconversion of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

3.5 MATERIAL ACCOUNTING POLICY INFORMATION OF SSH GROUP

Operating income

Revenue from contracts with customers is recognized based on the contract concluded with a customer. Revenue from contracts with customers is recognised when the Group transfers control of goods and services to the customer in the amount which reflects the consideration the Group expects to be entitled to in exchange for transferring those goods and services. Each promised product or service sold is treated as a separate performance obligation if it is distinct. Distinct means that the customer can benefit from the product or service on its own. A performance obligation is a promise to provide products or services to the customer. The Group has identified services and goods as independent performance obligations.

Revenue is recognized at the moment when the Group fulfils the performance obligation, which is when control over the product or service is transferred to the customer. Discounts granted at the time of contract signing are allocated to all performance obligations and are recognized over the contract duration. Any subsequently approved discounts are recognized as a reduction of income in the period they are approved for.

The Group has established a loyalty program (points). For the unused portion of the points, a contractual obligation is recognised (deferred income).

Income is recognized when the service is provided. In cases where the income from a tourist package relates to two accounting periods, they are allocated based on the number of days in each accounting period.

Significant types of income are as follows:

- compensation for managing capital assets owned by the Republic of Slovenia – recognized when the service is provided;
- rental income from real estate – recognized evenly over the duration of the lease;
- income from the sale of real estate inventory – recognized upon the sale of the inventory;
- revenue from tourism activities – recognized when the service is provided.

Other operating income mainly relates to income associated with denationalisation and is recognised when SSH Group is eligible to receive a fee.

Financial income and expense

Financial income relates to the following: income from a share in profits, interest income, income from the sale of debt financial instruments measured at fair value through other comprehensive income (FVTOCI) or through profit or loss (FVTPL) and to changes in fair value of financial assets through profit and loss (FVTPL). Income from shares in profits is recognised as income from financing activities when the AGMs of these companies pass a resolution on the profit distribution and its distribution. Interest income is recognised as it accrues unless there is a doubt concerning its collection.

Any potential profits or losses upon the disposal of subsidiaries are recognized as financial income or expenses. SSH's share in the profit or loss of associates is recognised in the Consolidated Income Statement as financial income or expenses. Similarly, upon the disposal of an investment in an associated company, SSH's corresponding share of the company's reserves created through other comprehensive income and subsequently transferred to profit or loss is also recognised in the Consolidated Income Statement as financial income or expenses

Financial income also includes the recognition of gain on negotiated purchase in a business combination, which occurs when the fair value of the consideration transferred is lower than the fair value of the acquired net assets.

Financial expenses comprise borrowing costs, changes in the fair value of financial assets at fair value through profit or loss (FVTPL), and losses arising on the impairment of financial assets. Borrowing costs are recognised using the effective interest rate method.

Investments in subsidiaries

A subsidiary is a company in which the controlling company has a controlling interest or exercises a controlling influence by other means, effectively controlling the company.

Investments in subsidiaries which are not consolidated in accordance with ZSDH-1 and investments in subsidiaries which

are not consolidated due to their immateriality are valued at their original cost, reduced by any potential impairments. In accordance with IAS 36, at each reporting date, the company assesses whether there is an indication that investments in subsidiaries may be impaired. If such indications exist, an impairment test is performed, and the recoverable amount of these investments is determined. The recoverable amount is the fair value less costs to sell or value in use, whichever is lower. When the determined recoverable amount is lower than the carrying amount, an impairment is recognized. The impairment loss is disclosed in the Income Statement.

Investments in associates

Associates are companies in which SSH holds from 20% to 50% of voting rights, or it has a significant influence over their operation but does not control them.

Investments in associates are measured using the equity method in the consolidated financial statements.

Intangible assets

Intangible assets include investments in computer software and other intangible assets. When computer software forms an

integral part of the related computer hardware, it is considered a tangible fixed asset.

Intangible assets are thus recognised at cost less accumulated amortisation and impairment losses.

The amortisation of intangible assets is calculated using the straight-line method taking into account the useful life of the assets. Estimated useful life ranges from 3 to 10 years.

Tangible fixed assets

Recognition and Measurement

Property, plant and equipment are recognised at cost less any accumulated depreciation and any accumulated impairment loss.

Depreciation and amortisation

Depreciation is calculated and recognised in the Income Statement using the straight-line method over the useful economic life of property, plant, and equipment. Land is not depreciated. The group reviews the suitability of the depreciation method and useful lives on the reporting date.

THE FOLLOWING DEPRECIATIONS RATES ARE APPLIED (IN %):

	2023	2022
Construction facilities, parts of buildings	from 1.4 to 10.0	from 1.4 to 10.0
Production equipment	from 10.0 to 20.0	from 10.0 to 20.0
Computer equipment	from 16.6 to 25.0	from 16.6 to 25.0
Other equipment	from 5.0 to 50.0	from 5.0 to 50.0
Operating leases	The rate is based on each valid contract.	The rate is based on each valid contract.

Leases

A lessee recognises an item of property, plant and equipment at the commencement of the lease term. It represents the right-of use and a lease liability. An item of property, plant and equipment acquired under a lease is an integral part of the lessee's property, plant and equipment. At the commencement of the lease term, the lessee shall measure the lease liability at the present value of the lease payments outstanding at that date. In calculating the present value of the lease, the discount rate associated with the lease is the interest rate, or alternatively the assumed borrowing rate payable by the lessee. At the time of concluding a contract, the Company assesses whether the contract is a lease. The contract is a lease contract if the right to control the use of an identified asset for a specified period is transferred with it in exchange for consideration as well as the right to obtain all significant economic benefits from the use

of the identified asset. In doing so, an organisation accounts for each lease component in the contract as a lease separately from the non-lease components of the contract, unless it decides for practical reasons, to account for all components as a single lease component. Leased property, plant and equipment is recorded separately from other property, plant and equipment of the same type.

Exemptions apply only for short-term leases and leases of low-value assets for which it is not necessary to recognize the right-of use asset. A lease with a lease term of up to 1 year is considered a short-term lease. A low-value lease is a lease with a value of up to EUR 5, 000, based on the value of the new asset being leased.

Investment property

Investment property is stated using at cost model.

In cases where it is necessary to determine whether an asset is an investment property or property, the asset is classified as an investment property if more than 20 percent of its total value is used for rental purposes.

Depreciation is calculated using the straight-line method for the useful life of each investment property. Land is not depreciated.

The useful lives of investment property are the same as those for similar property, plant, and equipment.

Financial assets (excluding investments in subsidiaries and associates)

Financial assets include cash and cash equivalents, receivables, loans and deposits, as well as financial investments (excluding investments in subsidiaries and associates).

When a financial asset is first recognised, it is classified in accordance with the business model used for managing financial assets and in line with the characteristics of the contractual cash flows generated by the assets. Financial assets are classified into one of the groups below:

- financial assets measured at amortised cost;
- financial investments measured at fair value through other comprehensive income (FVTOCI);
- financial assets measured at fair value through profit or loss (FVTPL).

Cash and cash equivalents are initially recognized in the amount stated in relevant records. In the Cash Flow Statement, cash and cash equivalents comprise cash in hand, cash at bank, deposits and certificates of deposit held with banks (with a maturity of no more than 90 days from the transaction execution date) and other investments in money market instruments. When a bank account overdraft contract has been signed, overdrawn amounts are recognised as current financial liabilities in the Statement of Financial Position.

Financial assets measured at amortised cost are financial assets held by SSH Group as part of its business model of collecting contractual cash flows and where the cash flows comprise solely payments of principal and interest on the amount of principal outstanding. This group includes trade receivables and deposits with a maturity of more than 90 days. Initially, they are recognised at fair value increased by direct transaction costs and subsequently they are measured at amortised cost using the effective interest rate method and are written down in the event of impairment losses. Trade receivables arising from

financial, legal and other relations are guaranteed rights to the payment of a debt due from an entity, the supply of goods or the provision of services. Trade receivables includes receivables arising from financial investments and are associated with financial income, as well as receivables from tourism activities, receivables for management fees of state-owned capital assets, receivables from loans/equity investments/properties sold, receivables for advances given for property purchases, receivables arising from deposits paid for auction participations, receivables for rents charged, other receivables due by the state, and other lesser receivables.

Financial assets measured at amortised cost are derecognised if the contractual rights attaching to them are no longer controlled by the Company, for example, they are not controlled if the rights to the benefits specified in the contract are exhausted, extinguished or have been surrendered.

The Group acquired an additional segment of loans measured at fair value through profit or loss (FVTPL) with the merger of BAMC in 2022. These are loans which BAMC took over from four systemic banks in 2013 and 2014 and from the merger with Factor bank and Probanka in 2016. Loans are valued at least once a year based on the valuation policy adopted, which is presented in the section “Loan Valuation Methodology measured at fair value through profit or loss”. The effects of valuation are recognized in the Income Statement as revaluation gains/losses. The fair value of the loans is calculated using the Binomial Option Pricing Model (BOPM), except for loans with a gross exposure lower than 0.3 million EUR.

Loans can also be recovered through the acquisition of ownership of the collateralised assets. Loans can be converted into equity investments, properties, or equipment. The asset subject to conversion is measured at the amount of the converted loan based on the final plan for the distribution of the debtor’s bankruptcy estate. Any difference between the conversion value and the carrying amount of the converted loan is recognized in the Income Statement as gains/losses from loans and/or gains/losses from properties.

Financial assets measured at fair value through other comprehensive income (FVTOCI) represent investments in equity instruments, i.e. shares of other companies. Upon initial recognition of investments as equity instruments not held for trading, SSH Group makes an irrevocable election to measure these investments at fair value through other comprehensive income (FVTOCI). This election is made for each investment separately. The fair value of listed investments is measured using the closing quote on the reporting date. The fair value of non-listed investments is measured by using the estimate model. Gains and losses arising from the changed fair value are recognized in

the Statement of Comprehensive Income and are presented in equity as fair value reserves in the net amount, after the associated deferred tax assets or liabilities are calculated. Amounts presented in other comprehensive income must not be subsequently transferred to the profit or loss, however, they may be transferred to retained earnings or loss.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value. Transaction costs related to these instruments are recognized in profit or loss when incurred. After initial recognition, derivative financial instruments are measured at fair value and the resulting changes are treated in two ways:

- When a derivative financial instrument is designated as a cash flow hedge for exposures to variable cash flows attributable to a specific risk associated with recognised asset or liability or a highly likely (planned) transaction that could affect the profit or loss, the effective part of the hedge movement in the fair value of the derivative financial instrument is recognized in other comprehensive income for the period. The ineffective part of the hedge movement in the fair value of the derivative financial instrument is recognised directly in profit or loss. The Group discontinues hedge accounting when the hedging instrument is no longer considered effective, is sold, expired, or exercised.
- The effects of other derivative financial instruments not designated as cash flow hedges are recognized in the Income Statement.

Impairment of financial assets

The Group does not hold any debt financial instruments measured through the Statement of Comprehensive Income. Impairment requirements for financial assets apply to financial assets measured at amortized cost, primarily trade receivables.

Trade receivables are initially recognized at amounts derived from relevant documents, assuming they will be paid. Based on historical data and forward-looking information, SSH evaluates whether there are expected credit losses relating to the potential default of receivables within the next 12 months. The impairment amount is the difference between the carrying amount and the present value of the estimated future cash flows. The impairment is recognized in profit or loss as a revaluation expense. For the purpose of carrying out impairment tests, each trade receivable is evaluated individually, taking account of the identity and circumstances of the debtor.

Impairment of non-financial assets

At each reporting date, the carrying amount of assets is reviewed with the aim of determining whether there are any indications of the impairment of assets with indefinite useful eco-

omic lives which are not amortised or depreciated are tested for impairment on an annual basis. Assets subject to amortisation or depreciation are checked for impairment whenever the events or circumstances present indicators of impairment. The amount of the impairment loss recognized is the excess of the carrying amount of an asset over its recoverable value. The recoverable value is the estimated value which is expected to be recovered during the future use of an asset; it also includes its value on disposal. The recoverable value is the higher of the fair value of the asset less selling costs and its value in use.

For the purpose of assessing an impairment, assets are divided into smaller units which can be identified as generating cash flows independently of other units (cash-generating units).

Inventories

Inventories largely consist of properties acquired through the merger with BAMC; they had been acquired by BAMC through various insolvency proceedings with the purpose of recovering the non-performing loans transferred to BAMC or optimizing the profitability of existing properties.

Inventory is presented at lower of cost or net realizable value. The net realizable value is calculated as the fair value reduced by the costs of selling the inventory.

The Company tests the criteria used to value the inventory at least once a year to determine whether there are objective circumstances which would require a write-down of the inventory to its net realizable value.

The amount of the write-down is recognized as an inventory loss in the period when it occurs. Any subsequent increase in the net realizable value of the inventory is recognized as a reversal of write-down in inventory. The amount of the write-down reversal is limited to the original amount, so that the new carrying amount is equal to lower of cost or adjusted net realizable value.

When the inventory is sold, its carrying value is recognized as an expense in the same period as the revenue from the sale of inventory.

Financial and operating liabilities

Financial liabilities include loans and operating liabilities.

Operating liabilities are amounts due to suppliers for assets acquired or services rendered, and liabilities due to employees, government, the owners.

Financial liabilities are recognised when incurred at fair value, including any associated transaction costs. In subsequent pe-

riods, financial liabilities are measured at amortised cost using the effective interest rate method. Interest received is calculated in accordance with contracts and are recorded as financial interest expense. The portion of non-current liabilities which are overdue or which are due within twelve months after the reporting date is recognised as current liabilities.

Provisions

Provisions are recognised, if, as a result of past events, SSH Group has a present legal obligation that can be reliably estimated and it is highly probable that it will have to be settled in the future, and at the same time if it is possible to reliably estimate this liability. Amounts recognised as provisions are the best possible estimate of the expenditure that will have to be incurred necessary as at the Statement of Financial Position date in order to meet the present obligations. Provisions may not be created in order to offset future operating losses.

Significant provisions include:

- provisions for claims from the beneficiaries of denationalization;
- provisions for unsettled legal disputes;
- provisions for retirement benefits and jubilee awards;
- provisions for warranties to remedy defects in apartments sold;
- provisions for bank guarantees issued;
- provisions for warranties and collateral given.

When estimating which claims arising from denationalisation proceedings are to be included among provisions and which are to be included among contingent liabilities, decisions of administrative bodies and courts and existing case law for similar cases were taken into account, together with SSH's own assessment. Contingent liabilities include some claims referring to various legal issues. It is difficult to make a reliable assessment in respect of these cases, however, it can be expected that the Company will not will liable to pay compensation. In cases when, by examining all facts, it is considered that there is a small likelihood that companies within its Group will be deemed as a party liable to pay compensation, such claims are classified as contingent liabilities.

Provisions for lawsuits are recognized at the commencement of the legal proceedings. The amount of provisions for lawsuits is determined based on the assessment of the likely outcome of each individual legal claim.

Provisions for retirement benefits and jubilee awards are established in accordance with statutory regulations, collective agreements, and internal policies and regulations documents. The Company has no other pension-related liabilities. The

calculation includes the costs of retirement benefit upon retirement and the cost of all expected jubilee awards until retirement. The projected unit credit method was used by the authorised actuary in the calculation. Actuarial gains or losses from jubilee awards for the current financial year are recognized in the Income Statement, while actuarial gains or losses from retirement benefits are recognized in equity.

The Company reviews the probability of a cash outflow and estimates the most likely amount needed to settle the liability at least once a year.

Government grants

Funds received in the form of government grants are recognized in the financial statements as deferred revenue when they are received and when there is reasonable likelihood that the conditions attached to the grants will be met. Government grants are consistently recognized as revenue in the periods in which the costs, which the funds received are intended to cover, are incurred. State subsidies relating to specific assets are recognized in the Income Statement as other operating income over the useful life of the asset in question.

Deferred tax

Deferred taxes are recognised in full using the liability method on the basis of the temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are calculated using applicable statutory tax rates for the period when a deferred tax asset is expected to be realized and a deferred tax liability is settled.

A deferred tax asset is recognised when it is probable that sufficient taxable income will be generated in the future to enable the utilization of deferred tax asset. Tax assets and tax liabilities are recognised net (mutually offset) in the Statement of Financial Position since deferred taxes (both assets and liabilities) relate to the same tax authority. Deferred tax assets arising from tax losses have not been recognized.

Deferred tax liabilities primarily arise from temporary taxable differences due to the fair value revaluation of financial assets, while deferred tax assets arise from provisions, tax losses, and investments.

Equity

Total equity comprises of called-up capital, capital surplus, revenue reserves, fair value reserves, retained earnings, the undistributed net profit for the current year as well as the capital attributable to minority interest.

The fair value reserves relate to changes in fair value of financial investments measured at equity method and actuarial

gains/losses or losses arising from provisions for retirement benefits.

The controlling company's profit remaining after covering losses and creating statutory reserves is allocated to other reserves in accordance with ZSOS, ZSDH-1, the SSH Articles of Association, and ZGD-1, except as stated in Note 3.11.

Fair value measurement

In accordance with SSH Group's accounting policies, there is a requirement to determine the fair value of financial instruments in a number of cases. For this purpose, financial instruments are categorised into two groups:

- financial instruments which are measured at fair value in the Statement of Financial Position, which include investments in associates, loans, and equity instruments other than investments in subsidiaries which are measured at cost in accordance with IFRS 28, and
- financial instruments for which a fair value disclosure is required even though they are not measured at fair value in the Statement of Financial Position, and which include trade receivables, financial and operating liabilities.

In addition to the above, in the case of a business combination (that is not a combination of entities under common control), the Group recognizes the acquired net assets at their fair value at the date of the business combination.

The fair value is the amount that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date.

Fair value measurement of financial instruments

When measuring the fair value of financial instruments, the following three-level fair value hierarchy is used:

- the first level includes quoted prices (unadjusted) in active markets for identical assets or liabilities; this level includes listed shares and bonds;
- the second level includes the values which are not equal to quoted prices but can be also acquired directly or indirectly from the market (for example, values which have been derived from quoted prices in an active market); for example, UCITS units of mutual funds;
- the third level includes input data for an asset or liability not based on market data; this level represents non-marketable shares, bonds and receivables. Valuations are based on the yield-based method and partially on the asset-based method. The methods used by SSH are the discounted cash flow method, the comparable company anal-

ysis, the comparable purchases-and-sales method and the adjusted book values method.

Quoted prices are used as a basis for determining fair value of financial instruments; if financial instrument is not listed on the regulated market, inputs from the second and third levels are used by SSH to evaluate the fair value of a financial instrument.

Methodology for the valuation of loans measured at fair value through profit or loss (FVTPL)

The valuation of loans with a gross exposure exceeding EUR 300,000 is performed at individual debtor level, while smaller exposures are valued using group valuations at debtor level. The valuations follow the methodology stipulated in Level 3 of the fair value hierarchy and involve unobservable inputs, which represent the best available information in the given circumstances. This includes SSH's own proprietary data (formerly that of BAMC), such as information on market participant assumptions that are available and reasonably reliable.

Individual loan valuations at debtor level

Loan valuations are based on the Binomial Model for Valuation of Real Options (BMVRO). Two scenarios, or rather strategies (restructuring scenario and recovery of collateral scenario) are considered for each individual debtor, along with the forecast of future expected cash flows.

The key unobservable input in the loan assessment process is the estimation of the probability of successfully implementing each of the two strategies. In cases where it is assessed by the Company that the probability of realizing the collateral recovery strategy is higher, only the future cash flows of that strategy are considered to have 100% probability. In cases where it is assessed by the Company that there is a higher probability of implementing the restructuring strategy, the DPS model (Default Probability Scorecard) is used to determine the probability of implementing the restructuring scenario. The probabilities of implementing the restructuring scenario calculated using the DPS tool can be overruled by the claims manager with appropriate justification (based on an explanation of various risk factors and presentation of realistic options). The loan valuation methodology described is in line with the requirements of IFRS and International Valuation Standards (IVS) as it ensures the following:

- applicability and theoretical consistency;
- repeatability of the valuation process;
- comparability of the valuation process irrespective of who the valuer is;
- identification of key specific risks relating to the feasibility of the scenario, not covered in the discount rate.

The DPS model defines 13 different elements of business risk on a 7-point scale, which reflects different levels of risk. The risk elements are defined based on specific knowledge of the debtor. If a high level of risk is identified for an individual element of business risk, the probability of implementing the restructuring strategy is reduced. Once all the levels of risk for individual elements are determined, the average risk profile (avgP) of the restructuring strategy is calculated.

The probability of implementing the collateral recovery strategy is determined as “1 - probability of implementing the restructuring strategy” in restructuring cases.

After determining the probabilities of implementing each individual strategy, and the future cash flows are determined for each strategy, the loan value is calculated. If a restructuring strategy is adopted, the BMVRO model is used. This model is a discrete model based on probability distribution and assumes that SSH (formerly BAMC) can also opt for a modified scenario - changing the strategy from restructuring to collateral recovery if the restructuring fails. The main input data for the BMVRO model are as follows:

- the probability of implementing the restructuring strategy (which is determined by using the DPS model);
- the probability of implementing the collateral realisation strategy (which is determined by using the DPS model);
- the period of transition from the restructuring strategy to the collateral recovery strategy. According to the principle of conservatism, SSH (formerly BAMC) assumes that such a strategy change is possible with immediate effect. The model considers the probability of restructuring failure, thus eliminating the possibility of deferring this failure to later periods. Additionally, SSH (formerly BAMC) estimates that due to the early stage and uncertain nature of restructuring, it is reasonable to assume that if the restructuring fails, it does so within a very short period.
- The future cash flows for each strategy (restructuring and collateral recovery). Under the restructuring strategy, future cash flows are derived from the debtor's ability to service the debt and from cash flow forecasts. Under the collateral recovery strategy, future cash flows are based on the valuation of the collaterals.
- The risk-free rate of return is not treated as a separate input within the BMVRO model as it is already factored into the calculation of the discount rate and included in the present value for both strategies.

At 31 December 2023, the discount rate used in the individual loan valuations was 7.96% (31 December 2022: 7.87%).

In general, the SSH (former BAMC) calculated the probability-weighted average of the present values of forecasted cash flows in both scenarios. This subsequently reduces the present value of the loan from a higher value under restructuring scenario to a lower value under collateral recovery scenario, taking into account the probability of restructuring success and the value of collaterals considered in the recovery scenario. This reflects the assumption of the BMVRO that the collateral recovery strategy is a real option to the restructuring strategy.

Valuation and Control Process

Individual loan valuations at the debtor level are carried out once a year, specifically on 31 December.

The individual manager of each case is responsible for preparing a cash flow forecast and determining the probabilities of both scenarios, which are further confirmed by business analysts. In the collateral recovery scenario, the basis for valuing the collaterals consists of estimates of asset values which have been provided by real estate experts and/or business analysts from the Controlling, Risks and Valuations Department. The valuation report is prepared in accordance with international valuation standards.

Among other things, the process includes a review of assumptions, such as:

- under the restructuring scenario:
 - defining the reasons for specifying individual factors which determine the probability of restructuring success via DPS;
 - the sustainability of forecasted cash flows;
 - any adjustments to inflows and their justifications;
 - the recognition of appropriate sources of cash flows (from operations, divestments, refinancing, etc.).
- Under the collateral recovery scenario:
 - using appropriate valuation estimates as a basis for valuing the collaterals and providing appropriate justifications for value adjustments;
 - assumptions regarding the conversion of loans into assets (real estate) and assumptions about the timing of sales;
 - recognition of relevant costs related to individual assets.

Group loan valuation at the debtor level:

Group loan valuation is conducted for smaller credit exposures (whose total exposure does not exceed EUR 300,000). The valu-

ation is affected by the estimated probability of default and the value of the potential reserve scenario in the event of default. The latter value represents the value of the assets pledged to secure loans of each debtor. Further, SSH makes a 100% write-down for the loans where the repayment is overdue by more than five years, regardless of the status and value of their collateral. Debtors which are valued as a group are presented in the category of Group Valued Exposures.

Valuation and Control Process

Group loan valuations at the debtor level are carried out once a year at 31 December.

Among other things, the process includes a review of assumptions, such as:

- proper classification of debtors into groups based on the number of days overdue;
- the use of correct bases for recognizing the value of collaterals.

The valuations are presented to and confirmed by the Management Board.

Real estate valuation methodology

The internal methodology for valuing real estate pertains to the inventory of properties and properties received as collateral. The valuations follow Level 3 of the fair value hierarchy and use unobservable inputs, which represent the best available information in the given circumstances. This includes SSH's own proprietary data, such as information on market participant assumptions that are available and reasonably reliable.

The key unobservable inputs in the valuation process are adjusted market rent, adjusted market property price, investment costs, and illiquidity discount (time of sale).

Notwithstanding the methodology outlined above, the company uses transaction values/prices as fair value when the outcome of a sales transaction is highly probable (e.g., signed contract, receipt of deposit/advance).

The market comparison method is the most common approach for calculating value because it provides the most realistic assessment of the market value. It is used when there are quality data on transactions (Trgoskop, proprietary database) or offers (e.g. Nepremičnine.net) available.

When using the market comparison method, the adjusted market value of real estate is calculated by the adjusting market prices of several properties within a sample for factors such as condition, size, age, and location of the subject property. Based

on the data, the average of adjusted market values is calculated, which is used as the value of the appraised real estate.

The assessment always includes the property and its functional land and is compared with other properties. Functional land refers to the land which is required for the property's intended use. In some cases, a building may have more land than necessary, but if it cannot be sold independently, adjustments are made to consider its impact on the property's value. Before the valuation process begins, data is verified to ensure that firstly, the sales transactions are carried out between unrelated parties, secondly, whether the data includes taxes, and thirdly, the consistency of areas with data from the Surveying and Mapping Authority of the republic of Slovenia (GURS).

In **the income-based approach**, two methods can be used. If a constant annual income is expected to continue until the end of the property's useful life, the capitalization of stabilized annual income method is applied. If a limited number of years of income is expected, the discounted cash flow (DCF) method is used. Before commencing the valuation, data on market-adjusted rents is obtained. Adjustments are made to compare either gross or net rents and comparable cost structures. After calculating the effective income, which is the product of market rent and selling area, adjustments are made for vacancy rates, and the following costs are added up: indirect investment costs (studies, estimates, technical documentation), investor's profit, financing costs, time to complete the project, and the assumption of the time required for sale.

The simplified approach is used for properties whose estimated value is lower than EUR 0.1 million.

Similar to the market comparison method, relevant transaction data from the past year is sought. If there are insufficient transactions, the period is extended and adjusted with an index of price growth for the specific property type.

Based on a certain sample of transactions, the valuer calculates the median price, age and size. The property in question is adjusted to the median age and size, and the calculated value is taken as the market value. For determining fair value under special conditions, a discount for the estimated time to sale is applied, and additional adjustments are made for any corrections for higher physical, functional, or economic obsolescence.

Valuation and Control Process

The Company performs property revaluations once a year at 31 December. Comprehensive valuations of properties are typically carried out every three years, with annual revaluations taking into account changes in market conditions. Comprehensive valuations are carried out by authorised valuers, employed by the Company, or by external valuers.

During the interim period of up to 3 years, property values are adjusted annually as follows:

- Consideration of market conditions: revaluation using statistical indices for individual property types and areas in Slovenia published by GURS every six months (for properties in Slovenia).

Fair value of assets in business combinations:

Tangible fixed assets

The fair value of tangible fixed assets acquired in business combinations is their market value. The market value of real estate is determined as the estimated value at which the property could be exchanged on the valuation date in a transaction between a well-informed and willing buyer and a well-informed and willing seller, acting prudently, knowledgeably, and independently (an arm's length transaction). The market value of machinery, equipment, and tools is based on the market prices of similar items.

Investment property

The fair value of investment property is based on the market value, which is the estimated value at which the property could be exchanged on the valuation date through a well-informed and willing buyer and seller, acting prudently, knowledgeably, and independently (an arm's length transaction).

If current prices on an active market are not available, the value of investment property is assessed using the aggregate value of expected rental income from the property. The calculation of property value includes a return reflecting specific risks, based on discounted net cash flows on an annual basis.

Where necessary, the valuation also considers factors such as the type of tenants currently occupying the investment property or those likely to become tenants if the property were to be leased and their creditworthiness, the allocation of maintenance and insurance costs between the Group and tenants, and the remaining useful life of the investment property. For rental agreements that expect subsequent rental increases due to the return to the original state upon review or renewal, it is

deemed that all notifications and if necessary, reverse notifications were provided in a valid form and in a timely manner.

Inventories

The fair value of inventory in business combinations is determined based on its expected selling price in the regular course of business, reduced by the estimated completion and selling costs and an appropriate markup for the amount of work invested in completing the sale of inventory.

Investments in Equity and Debt Securities:

The fair value of financial assets traded on the stock exchange is equal to the published unit price of those shares on the balance sheet date. The fair value of shares and interests not traded on the stock exchange is assessed using one of the valuation methods prescribed by IFRS 13.

Trade and other payables

The fair value of trade and other receivables, except for construction contracts with a maturity longer than one year, is calculated as the present value of future cash flows, discounted at the market interest rate on the reporting date. No discounting is applied for current trade receivables.

3.6 BUSINESS COMBINATIONS

Two business combinations took place in 2022: the merger of BAMC with SSH, and the acquisition of a majority stake in Sava, d. d., as described in detail below. This disclosure is included

for the purpose of comparison; there were no business combinations in 2023.

3.6.1 MERGER WITH BAMC

Regulation on the legal succession of Bank Asset Management Company (BAMC):

In accordance with the provisions of the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks (ZUKBS) which states that the assets, rights, and obligations of BAMC will be transferred to the Slovenian Compensation Fund or its legal successor, with the legal succession further regulated by the Government of the Republic of Slovenia by means of secondary legislation, the Government issued the Decree on the legal succession of the Bank Asset Management Company, d. d., on 27 October 2022, through which SSH, by way of a merger, became the legal successor of BAMC.

The legal basis for the establishment of BAMC was provided by ZUKSB which came into force at the end of 2012. BAMC was established with a limited life until the end of 2017, and with the amendment to ZUKSB at the end of 2015, the lifespan of BAMC was extended until the end of 2022. ZUKBS already in its first issuance stipulated that, upon the termination of BAMC, the assets, rights, and obligations of BAMC will be transferred to the Slovenian Compensation Fund., or its legal successor. The Government of the Republic of Slovenia established the Bank Asset Management Company (BAMC), as a key institution to contribute to the strengthening of the stability of the Slovenian financial system and thereby to restore confidence in it. It was one of the government's measures to enhance the financial capacity and sustainability of the banking system, which was expected to contribute to increased economic growth. The primary task of BAMC was to relieve systemic banks by taking over non-performing assets, primarily receivables, and subsequently manage the acquired assets. These were mainly loans which banks had granted in the past, but they were not being repaid by companies and organizations that had taken out these loans due to the effects of the economic crisis or for other reasons. Banks were impairing their receivables because of expected losses, which undermined their capital base. Based on the decision of the Government of the Republic of Slovenia acting as the General Meeting of BAMC, BAMC acquired bad as-

sets from four banks (NLB, NKBM, Abanka, Banka Celje) at the end of 2013 and in 2014 with the aim of maximizing the value of the assets acquired and selling the assets at the best possible price. In 2016, Probanka and Factor banka and their subsidiaries were also merged with BAMC. ZUKSB stipulated that DUTB must dispose of at least 10% of the estimated transfer value of assets transferred to BAMC each year.

The merger date was set as 30 June 2022. The merger was recorded in the Business Register of Companies on 30 December 2022, and as of this date BAMC ceased to exist and SSH became its legal successor. In the period from 1 July 2022 until 31 December 2022, income of EUR 9,754 thousand and the profit of EUR 2,153 thousand was recognised by BAMC.

In accordance with accounting policy, the merger was treated as a transaction under common control, which means that on the merger date, the assets and liabilities were transferred to the financial statements of SSH at their carrying amounts on that date.

The table below shows the recognized amounts of assets acquired and liabilities taken over from BAMC on the merger date, 30 June 2022, in the separate financial statements of SSH:

in EUR '000

	30 June 2022
ASSETS	544,785
Intangible assets	327
Property, plant and equipment	250
Deposits with commercial banks	3,522
Financial assets measured at fair value through profit or loss (FVTPL)	401,444
- Loans	277,714
- Equity investments	123,730
Inventories of real estate and equipment	100,304
Trade and other payables	7,076
Assets from contracts with customers	786
Deferred tax assets	625
Other assets	676
Cash and cash equivalents	29,775
LIABILITIES	181,321
Provisions and non-current deferred revenues	6,231
Financial liabilities	162,730
Operating liabilities	8,857
Contractual liabilities from contracts with customers	434
Tax liabilities	480
Other liabilities	2,589
NET ASSETS ACQUIRED	363,464

3.6.2 ACQUISITION OF SUBSIDIARY - SAVA, d. d.

In 2022, SSH exercised its pre-emptive right to purchase 12,571,257 Sava shares (43.226% ownership stake), increasing its existing ownership to 61.91%. The transfer of ownership in the Central Securities Clearing Corporation (KDD) records was executed on 15 September 2022. The acquisition date was set at 30 September 2022. The investment in the subsidiary Sava is valued at its cost in the separate financial statements, amounting to EUR 43,659 thousand.

In the period from 1 October 2022 until 31 December 2022, Sava d. d. recognised income of EUR 459 thousand and a loss of EUR 1,206 thousand, while in the period from 1 January 2022 until 30 September 2022, income of EUR 614 thousand and the loss of EUR 1,241 thousand was recognised by Sava, d. d. In the period from 1 October 2022 until 31 December 2022, its subsidiary, Sava Turizem, d. d., recognised income of EUR 22,439 thousand and losses of EUR 2,586 thousand, while in the period from 1 January 2022 until 30 September 2022, income of EUR 84,234 thousand and a profit of EUR 14,758 thousand was recognised by Sava Turizem.

The acquisition was treated in accordance with IFRS 3 Business Combinations.

The table below shows the recognized amounts of assets acquired and liabilities assumed from Sava, d. d., and Sava Turizem, d. d., on the acquisition date, 30 September 2022, at fair value:

in EUR '000

	30 Sept 2022
ASSETS	324,066
Non-current assets	266,589
Intangible assets	859
Property, plant and equipment	257,659
Investment property	5,455
Investments in subsidiaries	11
Investments in associates	1
Financial investments measured at fair value through other comprehensive income (FVTOCI)	2,086
Trade receivables	26
Deferred tax assets	492
Current assets - total	57,477
Inventories	821
Non-current assets held for sale	1,160
Other financial investments- Loans	14,000
Trade receivables	5,586
Other current assets	1,212
Cash and cash equivalents	34,698
LIABILITIES	167,916
Non-current liabilities	71,403
Provisions and non-current deferred revenues	12,824
Financial liabilities	50,632
Operating liabilities	8
Deferred tax liabilities	7,939
Current liabilities	96,513
Financial liabilities	56,911
Operating liabilities	25,125
Other liabilities	14,477
Fair value of net assets acquired	156,150

The consideration was paid in full in cash. At the time of the settlement of acquisitions, a gain arose from the negotiated acquisition, which is recognized as financial income in the consolidated financial statements.

Fair value of the consideration for the controlling interest	32,010
Minority interest	69,058
The fair value of the previously existing stake	11,649
Total	112,717
minus: fair value of net assets acquired	-156,150
Gain on negotiated purchase	43,433

3.7 NOTES TO INDIVIDUAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

3.7.1 TANGIBLE FIXED ASSETS

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT IN 2023

in EUR '000

	Land	Buildings	Investments in Progress	Equipment and spare parts	Total
Cost					
Cost value as at 1 Jan 2023	55,906	189,329	1,302	14,343	260,880
Additions – new purchases	59	3,270	4,083	3,128	10,540
Disposals	-625	-1,131	0	-1,169	-2,925
Impairment	0	-56	0	-87	-143
Cost as at 31 Dec 2023	55,340	191,412	5,385	16,215	268,352
Impairment					
Accumulated depreciation and impairments as at 1 Jan 2023	0	2,033	0	498	2,531
Depreciation for current year	0	8,505	0	3,566	12,071
Impairment	-74	-7	0	-448	-529
Disposals	0	0	0	-19	-19
Transfers	0	1,276	0	1,603	2,879
Accumulated depreciation and impairments as at 31 Dec 2023	-74	11,807	0	5,200	16,933
Carrying amount as at 1 Jan 2023	55,906	187,296	1,302	13,845	258,349
Carrying amount as at 31 Dec 2023	55,414	179,605	5,385	11,015	251,419*

*Right-to-use assets amounting to EUR 2,359 thousand (31 Dec.2022: EUR 3,021 thousand are included in property, plant, and equipment and represent long-term leases of business premises and parking spaces, land leases and vehicle leases.

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT IN 2022

in EUR '000

	Land	Buildings	Investments in Progress	Equipment and spare parts	Small tools	Total
Cost						
Cost value as at 1 Jan 2022	140	1,999	0	757	21	2,917
Additions – new purchases	0	1,888		1,376	4	3,268
Acquisitions arising from the merger of BAMC	0	130	0	119	0	249
Acquisitions with the acquisition of the subsidiary	55,766	187,161	1,673	13,059	0	257,659
Disposals	0	-1,849	-371	-990	-3	-3,213
Cost as at 31 Dec 2022	55,906	189,329	1,302	14,321	22	260,880
Impairment						
Accumulated depreciation and impairments as at 1 Jan 2022	0	1,155	0	454	18	1,627
Depreciation for current year	0	2,718	0	920	2	3,640
Disposals	0	-1,840	0	-893	-3	-2,736
Accumulated depreciation and impairments as at 31 Dec 2022	0	2,033	0	481	17	2,531
Current value as at 1 Jan 2022	140	844	0	303	3	1,290
Current value as at 31 Dec 2022	55,906	187,296	1,302	13,839	6	258,349*

*Right-to-use assets amounting 3,021 thousand are included in property, plant, and equipment and represent long-term leases of business premises and parking spaces at Dunajska cesta 152 in Ljubljana, a long-term land lease from the municipality of Moravske Toplice, long-term land lease at the Lucija campsite, and long-term vehicle leases. These right-to-use assets all belong to the subsidiary - Sava Turizem which was acquired on 30 September 2022.

A mortgage is registered on the Group's properties, with a carrying amount of EUR 132 million as at 31 December 2023 (31 December 2022: EUR 136 million), for liabilities amounting to EUR 46 million as at 31 December 2023 (31 December 2022: EUR 52 million). It has been assessed that there are no grounds requiring the impairment of any tangible fixed assets.

3.7.2 FINANCIAL ASSETS (EXCLUDING TRADE RECEIVABLES AND CASH AND CASH EQUIVALENTS), INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

in EUR '000

	1 Jan 2023	Acquisitions	Transfers	Disposals	Revaluations	31 Dec 2023
Investments in subsidiaries (not included in consolidation)	85,867	0	0	-258	-4,277	81,332
Investments in associates	280,414	0	0	-36	15,514	295,892
Financial assets measured at fair value through other comprehensive income (FVTOCI)	519,319	0	0	-1	103,406	622,724
Financial assets measured at fair value through profit or loss (FVTPL)	225,177	4,392	-2,631	-52,103	28,633	203,468
Deposits measured at amortised cost	38,374	81,953	0	-14,327	0	106,000
Total	1,149,151	86,345	-2,631	-66,725	143,276	1,309,416

in EUR '000

	1 Jan 2022	Merger with BAMC 30 Jun 2022	Acquisition of SAVA d. d. 30 Sept 2022	Acquisitions - other	Transfers	Disposals	Revaluations	31 Dec 2022
Investments in subsidiaries (not included in consolidation)	3,692	83,889	11	5	0	0	-1,730	85,867
Investments in associates	20,111	39,836	1	0	241,718	0	-21,252	280,414
Financial assets measured at fair value through other comprehensive income (FVTOCI)	42,408	4,056	2,086	61	516,101	0	-45,393	519,319
Financial assets to be distributed to owner	861,877	0	0	0	-757,819	0	-104,058	0
Financial assets measured at fair value through profit or loss (FVTPL)	22,427	277,714	0	0	0	-83,561	8,597	225,177
Deposits measured at amortised cost	17,000	3,522	14,000	77,852	0	-74,000	0	38,374
Total	967,515	409,017	16,098	77,918	0	-157,561	-163,836	1,149,151

3.7.2.1 Financial investments in subsidiaries

in EUR '000

	31 Dec 2023	31 Dec 2022
Investments in subsidiaries	81,332	85,867

The table below shows financial investments in subsidiaries which are not consolidated, as explained in more detail in note 3.4.2.2. b

in EUR '000

Company	Interests in %	31 Dec 2023		31 Dec 2022	
		Equity	Net profit or loss	Equity	Net profit or loss
Argolina, d. o. o.	100.00	-3,986	-488	-3,498	-596
Autotehna Croatia, d. o. o. - in liquidation*	100.00	-	-	13	39
Avtotehna Beograd, d. o. o. - in liquidation*	100.00	-	-	0	0
Avtotehna Zagreb, d. o. o.	100.00	n.a.	n.a.	82	-27
BR89, d.o.o.	100.00	n.a.	n.a.	-908	3,158
DS Projekt, d. o. o. Ljubljana	74.00	1,930	-49	1,979	-35
DUP, d. o. o., Sarajevo	100.00	561	-3,285	563	-3,599
DUTB Crna Gora, d. o. o.	100.00	-247	8	256	-32
Elektrooptika, d. d.	100.00	-106	-2	-109	-3
Factor projekt, d. o. o. Hrvaška	100.00	n.a.	n.a.	585	-93
Farme Ihan - KPM, d. o. o.	100.00	6,272	903	5,369	-600
Fundus, d. o. o. Beograd - in liquidation	100.00	n.a.	n.a.	417	-17
Hyundai auto Beograd, d. o. o.	100.00	n.a.	n.a.	-6,219	-15
Illuria Holdings Ltd - in liquidation	100.00	n.a.	n.a.	n.a.	n.a.
Istrabenz turizem, d. d.	100.00	41,682	1,776	39,906	1,990
Istrabenz, d. o. o.	100.00	n.a.	n.a.	-514	-111
MK Založba, d. d.	83.47	32,724	282	32,600	601
MLM, d. d.	100.00	916	-4,386	5,640	-3,693
Poslovni sistem Domina, d. o. o, Beograd	55.52	n.a.	n.a.	-3,714	-22
PROLeasing Rijeka, d. o. o. - in liquidation	100.00	n.a.	n.a.	-4,624	-351
PS ZA AVTO, d. o. o.	100.00	5,674	165	5,303	145
PY&CA, d. o. o. Beograd - in liquidation*	100.00	-	-	560	-269
STNA, d. o. o.	100.00	6	0	0	7
Thermana, d. d.	100.00	26,141	929	25,473	2,121

*Liquidations were finalized in 2023, and by 31 December 2023, they were no longer included in the SSH portfolio.

In every subsidiary company, the percentage of ownership corresponds exactly to the percentage of voting rights. All investments in subsidiaries are classified as long-term investments.

in EUR '000

As at	PS ZA AVTO, d. o. o.		Elektrooptika, d. d.	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Current assets	3,125	2,659	1	1
Non-current assets	3,851	3,901	0	0
Current liabilities	109	64	107	110
Non-current liabilities	1,193	1,193	0	0
Equity	5,674	5,303	-106	-109
Year	2023	2022	2023	2022
Sales revenue	369	311	0	0
Net profit or loss	165	145	-3	-3
Other comprehensive income	0	-230	0	0
Total comprehensive income	165	-85	-3	-3
SSH ownership interest (in %)	90.00	90.00	70.48	70.48

3.7.2.2 Financial investments in associates

in EUR '000

	31 Dec 2023	31 Dec 2022
Investments in associates	295,892	280,414

The ownership percentage is equal to the percentage of voting power in all associates.

DATA FROM THE STATEMENTS OF FINANCIAL POSITION AND INCOME STATEMENTS OF ASSOCIATES FOR 2023 AND 2022

in EUR '000

As at	Casino Bled, d. d.		HIT Group		Unior Group	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Current assets	117	269	45,749	41,907	151,323	170,085
Non-current assets	210	241	98,234	95,725	239,486	211,026
Current liabilities	222	190	38,247	38,887	78,810	32,951
Non-current liabilities	0	0	36,423	39,458	125,526	163,515
Equity	105	320	69,313	59,287	186,473	184,645
Year	2023	2022	2023	2022	2023	2022
Sales revenue	1,144	1,206	171,135	153,203	294,237	287,653
Net profit or loss	-216	98	10,664	11,157	4,937	10,232
Other comprehensive income	0	0	-626	2,790	-1,804	-912
Total comprehensive income	-216	98	10,038	13,947	3,132	9,320
SSH ownership interest (in %)	33.75	33.75	20.00	20.00	39.43	39.43

in EUR '000

As at	Zavarovalnica Triglav Group		Cinkarna Celje		Salomon	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Current assets	138,888	373,882	144,697	142,388	13,403	17,183
Non-current assets	3,960,140	3,754,943	114,387	108,560	32,915	33,420
Current liabilities	102,832	206,644	25,929	23,106	28,700	13,285
Non-current liabilities	3,105,096	3,169,382	19,271	18,832	5,050	22,577
Equity	891,100	752,799	213,884	209,010	12,568	14,741
Year	2023	2022	2023	2022	2023	2022
Sales revenue	1,382,793	1,189,906	176,464	227,153	55,410	66,340
Net profit or loss	16,265	110,217	5,489	43,396	-750	-4,338
Other comprehensive income	34,672	-208,117	-458	370	-984	120
Total comprehensive income	50,937	-97,900	5,031	43,766	-1,734	-4,218
SSH ownership interest (in %)	28.09	28.09	24.44	24.44	30.59	30.59

Note: The audited data are presented for Zavarovalnica Triglav Group, Hit Group, Unior and Cinkarna Celje, while the data for Salomon, and Casino Bled are not audited.

The impact of each associate on the Group's financial position and financial performance is detailed in Note 3.7.16.

3.7.2.3 Financial assets measured at fair value through other comprehensive income (FVTOCI)

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INCLUDE:

in EUR '000

	31 Dec 2023	31 Dec 2022
Other equity investments	622,724	519,319
Total	622,724	519,319

Other investments include in order of decreasing value: Krka, d. d. - EUR 324.48 million (31 December 2022: EUR 271.39 million); Petrol, d. d.- EUR 123.47 million (31 December 2022: EUR 105.98 million); Sava RE - EUR 85.23 million (31 December 2022: EUR 68.18 million); Loterija Slovenije, d. d. - EUR 7.81 million (31 December 2022: EUR 7.77 million); Terme Olimia, d. d. - EUR 3.86 million (31 December 2022: EUR 3.10 million).

3.7.2.4 Valuation of capital assets

VARIABLES USED IN THE VALUATION OF FINANCIAL INVESTMENTS

Variables used	31 Dec 2023	31 Dec 2022
Discount rate (WACC)	8.70 % - 13.23 %	9.2 % - 14.3 %
Long-term growth rate (g)	2 % - 2.02 %	2 % - 2.6 %
Discount for the lack of control	0 % - 27.34 %	0 % - 20 %
Discount for the lack of lack of marketability	3.29 % - 24.00 %	0 % - 20 %

The variables employed relate to equity investments in subsidiary and associate entities, as well as other equity investments.

Valuing some important investments for which market prices were not available as at 31 December 2023

An impairment assessment was conducted for non-market investments (for subsidiaries), and all estimates of the value of investments were made by accredited, certified value valuers for the financial reporting purposes. The estimates were made on the basis of the fair value as defined in IFRS 13, which matches the market value under the International Valuation Standards (IVS). Valuation reports were made in accordance with the Hierarchy of Valuation Rules (Official Gazette RS, No. 106/10). The use of different valuation methodologies or different valuation assumptions may result in different fair values SSH is aware of this fact, but at the same time considers the values as appropriate.

The fair value of SSH's 15% shareholding in **Loterija Slovenije, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption, with the dividend discount model used as a verification approach. Following an analysis of the company's historical performance, its management's plan for 2023-2025, and the long-term strategy up to 2027, the valuer prepared their projections of the company's future performance from the perspective of the majority owner, applying discounts for the lack of control.

The fair value of SSH's 11.74% shareholding in **Adria, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption, and the method of comparable transactions as a verification approach (also taking into account the discount for lack of control). Based on an analysis of the company's past performance, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner.

The fair value of SSH's 4.42% shareholding in **KOTO, d. o. o.** was appraised utilising the comparable companies method. The valuer applied the average EV/EBITDA multiple to the EBITDA of KOTO for the year 2023 based on the analysis.

The fair value of SSH's 100.00% shareholding in **Farne Ihan - KPM, d. o. o.** the discounted cash flow (DCF method) method was employed under the assumption of a going concern. The valuation was conducted based on the management's plan for the business year 2024, the forecast for the period 2025-2026, an analysis of past performance, an analysis of the industry and operations of other companies in the same sector, and other explanations and data provided by the management.

The fair value of SSH's 100.00% shareholding in **Thermana, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption, with the comparable companies method used as a verification approach. The valuation was conducted based on the management's plan, an analysis of past performance, an analysis of the industry and operations of other companies in the same sector, and other explanations and data provided by the management.

Valuing important investments for which market prices were not available as at 31 December 2022

The fair value of SSH's 15% shareholding in **Loterija Slovenije, d. d.**, was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the past performance of Loterija Slovenije and of the company's management plan for 2023 and 2024 as well as an analysis of the company's capacities, risks and market and development opportunities, the valuer prepared their own projections of the company's future performance from the perspective of the majority owner for 2025 and onwards. The discount rate (WACC) used in the calculation was 12.10%, taking into account a long-term growth rate (g) of 2.6%. A discount for lack of control of 10% and a discount for lack of marketability of 13% were applied.

The fair value of SSH's 11.74% shareholding in **Adria, d. o. o.** the discounted cash flow (DCF method) method (DFC method) was employed under the assumption of a going concern. Based on an analysis of the company's past performance, a review of the management's plan for 2023- 2025 and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner. The discount rate (WACC) used in the calculation was 10.80%, taking into account a long-term growth rate (g) of 2.6%. A discount for lack of control of 15% and a discount for lack of marketability of 15% were applied.

The fair value of SSH's 4.42 % shareholding in **KOTO, d. o. o.** (6.25% taking into account own shares held by KOTO itself) was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the company's past performance, a review of the company's management plan for 2023, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner for 2024 and onwards. The discount rate (WACC) used in the calculation was 11.08%, taking into account a long-term growth rate (g) of 2.6%. A discount for lack of control of 15% and a discount for lack of marketability of 24% were applied.

The fair value of SSH's 100% shareholding in **Mariborska livarna, Maribor, d. d.**, was appraised using the discounted cash flow method (DCF-method) on a going concern assumption and the net asset value method. Based on an analysis of the company's past performance, a review of the company's management plan, and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the company's future performance from the perspective of the majority owner. For the purpose of making the calculation using the DCF method, the discount rate (WACC) was determined to be 11.92%, and the long-term growth rate (g) considered was 2%. However, both of these factors are not particularly relevant in this case since the projected cash flows are negative, and therefore, no liquidity discount was applied. Additionally, due to the nature of the majority of the company's assets, the net asset value method also indicated a negative value.

The fair value of SSH's 8.08% shareholding in **Terme Olimia, d. d.** was appraised utilising the discounted cash flow method (DCF-method) on a going concern assumption. Based on an analysis of the past performance of Terme Olimia Group, a review of the company's management plan for 2023 - 2027, of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of Terme Olimia Group from the perspective of the majority owner for 2028 and onwards. The discount rate (WACC) used in the calculation was 9.2%, taking into account a long-term growth rate (g) of 2%. A discount for lack of control of 20% and a discount for lack of marketability of 15% were applied.

The fair value of SSH's 20% shareholding in **Hit, d. d.**, (i.e., the ordinary Hit shares which represent 33,33 % of the voting rights) was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. Based on an

analysis of the company's past performance, a review of the company's management plan for 2023 - 2025 and taking into account an analysis of the company's capacities, risks and market and development opportunities, the valuer made their own projection of the future performance of HIT Group from the perspective of the majority owner for 2026 and onwards. The discount rate (WACC) used in the calculation was 11.3%, taking into account a long-term growth rate (g) of 2%. A discount for lack of control of 5% and a discount for lack of marketability of 20% were applied. In addition, the valuer also carried out a valuation of the preferred shares of HIT, d. d., which are owned by SSH but which do not carry voting rights and represent an 8.54% stake in the company. Due to the specific characteristics of the preference shares, the valuer used the dividend discount model in this case. The required rate of return used was 12.1% based on the planned management scenario, which assumes a 50% profit payout. The long-term growth rate used was 2%, and consistent with the long-term growth rate of ordinary shares.

The fair value of SSH's 5.21% shareholding in **Talum, d. o. o.** was appraised using the discounted cash flow method (DCF-method) on a going concern assumption. The internal assessment was made based on the management's plan for the period 2023-2025. Taking into account an analysis of the company's capacities, risks and market and development opportunities, a separate projection of the future performance of Talum Group was prepared from the perspective of the majority owner for 2026 and onwards. In accordance with the internal methodology, the discount rate (WACC) was determined to be 14.3 % during the forecast period and 12.8% in the residual period (two-stage WACC). The long-term growth rate (g) of 2% was used. A discount for lack of control of 15% and a discount for lack of marketability of 10% were applied.

3.7.2.5 Financial assets measured at fair value through profit or loss (FVTPL) - loans

This group includes loans which were acquired through the merger of BAMC with SSH in 2022 and the outstanding amount of the receivable purchased/loan to Sava, which was obtained by SSH during the Sava's financial restructuring process in 2016. All loans acquired are classified as current.

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Loans valued in accordance with the restructuring strategy	84,302	105,539
Loans valued in accordance with the collateral recovery strategy	118,014	117,510
Other loans	1,153	2,127
Total	203,468	225,177

CLASSIFICATION OF LOANS IS BASED ON THE SELECTED STRATEGY

in EUR '000

	31 Dec 2023		31 Dec 2022	
	Fair value	Number of debtors	Fair value	Number of debtors
Loans valued in accordance with the restructuring strategy	84,302	10	105,539	18
Loans valued in accordance with the collateral recovery strategy	118,014	351	117,511	390
Other loans	1,153	160	2,127	192
Total	203,468	521	225,177	600

FAIR VALUE OF LOANS BY MATURITY

in EUR '000

	31 Dec 2023	31 Dec 2022
Restructuring strategy	84,302	105,539
Non-overdue loans	26,242	33,970
Overdue loans	58,060	71,570
Overdue by up to 90 days	0	0
Overdue between 90 days and one year	0	14,467
Overdue between one and three years	0	0
Overdue by more than three years	58,060	57,102
Collateral recovery strategy	118,014	117,510
Non-overdue loans	12,514	7,718
Overdue loans	105,499	109,792
Overdue by up to 90 days	0	7,603
Overdue between 90 days and one year	633	464
Overdue between one and three years	14,187	12,111
Overdue by more than three years	91,063	89,614
Group valued exposure	1,153	2,127
Non-overdue loans	607	1,359
Overdue loans	546	768
Overdue by up to 90 days	263	108
Overdue between 90 days and one year	104	366
Overdue between one and three years	16	64
Overdue by more than three years	162	231
Total	203,468	225,177

FAIR VALUE OF LOANS BY INDUSTRY SECTOR WOF DEBTOR

in EUR '000

	31 Dec 2023	31 Dec 2022
Companies	198,288	218,649
Construction industry	39,834	46,922
Manufacturing	41,087	50,352
Wholesale and Retail Trade	1,883	5,979
Tourism	8,694	6,816
Professional Services	6,882	10,702
Financial Services	15,240	17,638
Real Estate Activities	5,227	6,387
Other Activities	73,653	67,569
Companies with Foreign Registered Offices	5,787	6,283
Natural persons	5,078	5,298
Republic of Slovenia	101	1,230
Total	203,468	225,177

FAIR VALUE OF LOANS BY THE LOCATION OF THE REGISTERED OFFICE AND THE TYPE OF DEBTORS

in EUR '000

	31 Dec 2023	31 Dec 2022
Companies	198,288	218,649
Slovenia	190,412	210,488
EU Member States	2,102	3,831
Other European countries	5,774	4,330
Natural persons	5,078	5,298
Republic of Slovenia	101	1,230
Total	203,468	225,177

The value of collateral in the loan portfolio

Loans can be secured with one or more types of collateral or may be entirely unsecured. The majority of loans were transferred to BAMC together with collateral, or BAMC acquired the collateral without having an influence on the selection of loans or collateral transferred. SSH's active role in obtaining new or additional collateral is evident during the financial restructuring when the debtors' contractual obligations are redefined.

The fair value of individually valued loans is calculated as the discounted value of future cash flows from the restructuring scenario and the collateral recovery scenario (weighted by the probability of each scenario occurring). The collateral recovery scenario includes only expected cash flows from collateral recovery.

The expected collateral value used as input for the collateral recovery scenario assessment is an estimate based on a formal internal appraisal and additional knowledge of the circumstances surrounding the recovery of the collateral.

The tables below present the value as expected from the recovery of collateral. The value from the recovery of the collateral represents the expected cash flows of each debtor (separately for each scenario) discounted at the weighted average cost of capital.

THE VALUE OF RESTRUCTURING AND COLLATERAL RECOVERY SCENARIOS AS AT 31 DECEMBER 2023

31 December 2023				
Unweighted by scenario, unlimited in terms of total exposure	Fair value	Value of the restructuring scenarioa	Value of the collateral recovery scenario	Share of collateral recovery scenario value in fair value
Restructuring strategy	84,302	88,437	86,418	102%
Collateral recovery strategy	118,014	29,539	120,562	102%
Group valued exposure	1,153	-	11,571	1004%
Total	203,468	117,975	218,551	107%

THE VALUE OF RESTRUCTURING AND COLLATERAL RECOVERY SCENARIOS AS AT 31 DECEMBER 2022

31 Dec 2022				
Unweighted by scenario, unlimited in terms of total exposure	Fair value	Value of the restructuring scenario	Value of the collateral recovery scenario	Share of collateral recovery scenario value in fair value
Restructuring strategy	105,539	110,140	92,902	88%
Collateral recovery strategy	117,510	10,303	128,621	109%
Group valued exposure	2,127	-	13,612	640%
Total	225,177	120,443	235,134	104%

Movement of loans and receivables

The changes in the tables below mostly relate to the portfolio of debtors in the collateral recovery strategy.

MOVEMENT OF LOANS AND RECEIVABLES FOR 2023

31 Dec 2023	
Opening balance as of 01/01/2023	225,177
Increases in loan portfolio	4,392
Purchases of receivables	0
New loans granted	4,388
Realization of guarantees	0
Other increases	4
Decreases	-54,735
Cash repayments	-49,115
Transfers to real estate and equipment	-2,631
Transfers to operating receivables	0
Loans sold	-2,989
Debt equity conversion	0
Increases/decreases due to revaluation	22,136
Increases/decreases due to realized profits/losses	5,892
Other changes	606
Closing balance as at 31 Dec 2023	203,468

MOVEMENT OF LOANS AND RECEIVABLES FOR 2022

1. July - 31 Dec 2022	
Opening balance	277,714
Increases in loan portfolio	624
Purchases of receivables	0
New loans granted	602
Realization of guarantees	0
Other increases	22
Decreases	-61,134
Cash repayments	-28,113
Transfers to real estate and equipment	-64
Transfers to operating receivables	-1
Loans sold	-32,908
Debt equity conversion	-48
Increases/decreases due to revaluation	4,963
Increases/decreases due to realized profits/losses	1,938
Other changes	1,072
Closing balance	225,177

3.7.2.6 Fair value levels of financial instruments

CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2023

	1 level	2 level	3 level
Investments in associates	0	0	300,683
Other non-current financial assets	604,829	0	17,895
Investments in listed shares	604,829	0	0
Non-listed shares and stakes	0	0	17,895
Other current financial assets	67,072	0	319,118
Bad loan receivables	0	0	203,468
Purchased receivables	0	0	0
Cash and cash equivalents and deposits to commercial banks	67,072	0	106,000
Current operating receivables	0	0	9,650
Finance lease payables	0	0	2,443
Financial liabilities	0	0	74,861
Current operating liabilities	0	0	76,537

Fair values are equal to carrying amounts in all cases, except for associates, where the carrying amount under the equity method is EUR 295,852 thousand (31 December 2022: EUR 280,414 thousand), but the fair value is EUR 300,683 thousand (31 December 2022: EUR 299,337 thousand).

CLASSIFICATION OF FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2022

in EUR '000

	1 level	2 level	3 level
Investments in associates	260,844	0	19,570
Other non-current financial assets	502,088	0	17,231
Investments in listed shares	502,088	0	0
Non-listed shares and stakes	0	0	17,231
Other current financial assets	0	0	327,160
Bad loan receivables	0	0	225,185
Cash and cash equivalents and deposits to commercial banks	0	0	89,328
Current operating receivables	0	0	12,680
Finance lease payables	0	0	3,086
Financial liabilities	0	0	111,191
Current operating liabilities	0	0	64,250

3.7.2.7 Other financial investments measured at amortised cost

in EUR '000

	31 Dec 2023	31 Dec 2022
Financial assets measured at amortised cost	106,000	38,374
Total	106,000	38,374

Financial assets measured at amortised cost consist of short-term deposits with commercial banks, with maturities of more than 90 days.

3.7.3 INVENTORIES

in EUR '000

	31 Dec 2023	31 Dec 2022
Real estate	91,969	103,008
Advance payments and deposits for real estate inventory	603	1,244
Equipment	1,704	1,925
Material and merchandise	1,169	750
Total	95,445	106,927

The majority of real estate and equipment inventory was acquired through loan transfers or purchases at auctions.

Out of the total real estate inventory amounting to EUR 91,969 thousand (31 December 2022: EUR 103,008 thousand), EUR 76,749 thousand (31.12 2022: EUR 73,086 thousand) of inventory is valued at cost, and EUR 15,220 thousand (31 December 2022: EUR 29,922 thousand) at net realizable value.

The main components of the inventory are offices and land. As at 31 December 2023, none of the real estate inventory was pledged.

The revaluation effect consists of an increase in value amounting to EUR 3,483 thousand (reversal of previous impairments up to the acquisition cost or lower net realisable value) and a decrease due to impairments amounting to EUR 956 thousand.

The total effect of the change in accounting estimate (as detailed in point 3.4.2.4) is a one-off and is estimated at EUR 2,475 thousand.

MOVEMENT IN REAL ESTATE AND EQUIPMENT INVENTORY FROM 1 JULY TO 31 DECEMBER 2023

in EUR '000

	Real estate	Equipment	Total
Balance as at 1 Jan 2023	103,008	1,925	104,933
Transfers from loans	2,631	0	2,631
Acquisitions	2,131	0	2,131
Disposals	-18,357	-193	-18,550
Revaluations	2,556	-28	2,528
Closing balance as at 31 Dec 2023	91,969	1,704	93,673

In 2023, in accordance with a Decision of the Government of the Republic of Slovenia, the Company transferred a property with a carrying amount of EUR 5,250 thousand at the date of trans-

fer, to the ownership of the Republic of Slovenia. The effect of the transfer is presented as a return of capital to the owner, as evidenced in the Statement of Changes in Equity.

MOVEMENT IN REAL ESTATE AND EQUIPMENT INVENTORY FROM 1 JULY TO 31 DECEMBER 2022

in EUR '000

	Real estate	Equipment	Total
Balance as at 1 Jan 2022	0	0	0
Merger with BAMC - 1 July 2022	95,075	1,893	96,968
Transfers from loans	2,852	0	2,852
Acquisitions	6,817	111	6,928
Disposals	-3,221	-3	-3,224
Revaluations	1,485	-76	1,409
Closing balance as at 31 Dec 2022	103,008	1,925	104,933

The real estate acquired by BAMC as a creditor with a right to a separate satisfaction through auctions is recorded as an acquisition.

3.7.4 CURRENT OPERATING RECEIVABLES

in EUR '000

	31 Dec 2023	31 Dec 2022
Receivables due from customers	6,875	7,224
Impairment of receivables due from customers	-989	-355
Interest receivable	409	36
Impairment of interest receivable	0	-16
Receivables due from the Republic of Slovenia in accordance with ZSPOZ, ZIOOZP, ZVVJTO	0	670
Receivables due from state institutions	1,588	281
Other receivables	15,042	16,799
Adjustments of other receivables	-13,275	-14,806
Total	9,650	9,833

Other receivables primarily relate to the acquisition of shares in Hotel Tuzla, d. d., in previous years, which have been im-

paired. The disclosed value of current operating receivables reflects the best estimate of their fair value.

MOVEMENTS IN BAD DEBT PROVISION

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Adjustment balance as at 1 Jan	15,177	2,015
Increase due to merger with BAMC	0	13,264
Collected receivables for which adjustment was made	0	16
Written-off receivables for the year	515	174
Adjustments made for the year	674	88
Reversal of provision (write-off) due to completed bankruptcy proceeding	1,072	0
Bad debt provision as at 31 Dec	14,264	15,177

3.7.5 CASH AND CASH EQUIVALENTS

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Cash at bank	23,798	27,137
Deposits	42,936	23,817
Cash in hand	338	0
Total	67,072	50,954

3.7.6 EQUITY

On a basis of the decision of the Government of the Republic of Slovenia, the share capital increased by EUR 41,599,065.26 (24,922 shares) in March 2022, so that it amounted to EUR 301,765,982.30 and is divided into 180,788 registered shares. The capital increase was additionally affected by the merger with BAMC in 2022. SSH covered the uncovered loss with the retained earnings of the merged company in 2022. In accordance with SSH's Articles of Association, after any loss carried for-

ward has been recovered and the statutory reserves have been established in accordance with the applicable regulations, the balance of the net profit for the financial year is allocated to other reserves, except as explained in Note 3.11.

As explained in Note 3.6.2., as a result of the acquisition of the subsidiary - Sava, d. d., the capital also reports the portion of the capital which belongs to minority interests.

BOOK VALUE OF SSH GROUP SHARE.

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Value of equity attributable to the owners of the controlling company	1,394,115,000	1,213,870,000
Number of shares	180,788	180,788
Book value per share	7,711	6,714

3.7.7 PROVISIONS AND NON-CURRENT ACCRUED COSTS AND DEFERRED REVENUES

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Provisions for denationalisation	40,511	42,024
Provisions for guarantees on apartments sold	199	157
Provisions for warranties given	88	445
Provisions for collateral given	0	2,257
Provisions for jubilee premiums	118	102
Provisions for severance payments	3,799	3,694
Provisions for legal disputes	8,429	7,558
Non-current deferred revenues	5,084	6,147
Total	58,228	62,384

The applicable legislation, past experience and above all the case law are taken into account when assessing whether conditions have been met in order to create non-current provisions for denationalisation claims lodged under ZDen. Provisions were assessed by examining each denationalisation claim. The current practice shows that the amount of such claims usually significantly exceeds the amount of approved compensation which is taken into account when forming the estimation. Provisions are reviewed at least once a year. The denationalisation claims are in different phases; the closer the claim is to its conclusion, the more reliable the estimates tend to be.

- The following phases can be distinguished: potential final decisions with the compensation amount having already been determined - SSH agrees with the claim, however, legal remedies lodged by claimants are considered possible;
- claims where decisions have been given but legal remedies have been lodged and the procedure has been renewed;
- claims where a decision has not been given and the proceedings are still ongoing.

Provisions for guarantees for the elimination of defects in apartments sold have been formed based on the provisions of the Protection of Buyers of Apartments and Single Occupancy Buildings Act, which stipulate that the seller is liable for the so-called hidden defects of the property which were not discoverable on the property's takeover, if these hidden defects appear within two years of the takeover of the property. The provision amount has been estimated based on past experiences, specifically for the number of apartments for which the company's liability as a seller has not yet expired.

Provisions for legal disputes have been formed by the Company based on assessments and assumptions derived from knowledge of individual legal cases, past judicial practices, and other factors. Despite the best knowledge of events and ongoing activities, the actual results may differ from estimates. The Company adjusts the estimates and assumptions on an ongoing basis and recognizes their effects during the period of change.

Individual cases have been assessed by the Company's management together with the legal department. According to the Company's management assessment, there is a likelihood of certain legal disputes being lost. For cases where the likelihood of losing a lawsuit is greater than 50%, the provisions for legal disputes have been formed in the entire value of the currently known liability. Provisions for lawsuits and other claims have been formed based on consultation with the lawyers who have provided estimates of the outcomes of lawsuits and other claims filed.

Provisions have been formed for jubilee premiums (long-service awards) and retirement benefits paid to employees. Retirement benefits and jubilee awards have been considered in accordance with the provisions of collective and individual contracts. A 3.5% annual wage growth is forecast in the Company, as well as for the amounts of severance pay and jubilee awards. Employee turnover is taken into account, and an annual discount of rate 3.0% applied.

MOVEMENTS IN PROVISIONS OF THE GROUP

in EUR '000

	Balance as at 1 Jan 2023	Newly formed provisions	Use	Transfer from current provisions	Transfer to current provisions	Reversal	Balance as at 31 Dec 2023
Provisions for denationalisation	42,024	4,781	-3,809	8,468	-10,953	0	40,511
Provisions for guarantees on apartments sold	157	79	-37	0	0	0	199
Provisions for warranties given	445	0	-323	0	0	-34	88
Provisions for collateral given	2,257	0	0	0	0	-2,257	0
Provisions for jubilee premiums	102	26	-10	0	0	0	118
Provisions for severance payments	3,694	683	-249	0	0	-329	3,799
Provisions for legal disputes	7,558	2,067	-49	0	0	-1,147	8,429
Non-current deferred revenues	6,147	125	-8	0	0	-1,180	5,084
Total	62,384	7,761	-4,485	8,468	-10,953	-4,947	58,228

in EUR '000

	Balance as at 1 Jan 2022	Acquisitions due to the merger with BAMC	Acquisitions due to the acquisition of Sava d. d.	Newly formed provisions	Use	Transfer from current provisions	Transfer to current provisions	Reversal	Balance as at 31 Dec 2022
Provisions for denationalisation	38,669	0	0	0	-679	13,431	-8,468	-929	42,024
Provisions for guarantees on apartments sold	0	170	0	7	-9	0	0	-11	157
Provisions for warranties given	0	496	0	0	-51	0	0	0	445
Provisions for collateral given	0	1,667	0	590	0	0	0	0	2,257
Provisions for jubilee premiums	56	39	0	26	-6	0	0	-13	102
Provisions for severance payments	318	168	3,402	96	-40	0	0	-250	3,694
Provisions for legal disputes	36	3,691	4,115	0	0	0	0	-284	7,558
Non-current deferred revenues	320	0	308	622	0	0	0	0	1,250
Deferred government grants	0	0	4,999	0	-102	0	0	0	4,897
Total	39,399	6,231	12,824	1,341	-887	13,431	-8,468	-1,487	62,384

3.7.8 FINANCIAL LIABILITIES

in EUR '000

	31 Dec 2023	31 Dec 2022
Loans granted by banks	45,657	81,700
Loans granted by others	29,204	32,575
Total	74,861	114,275
Long-term portion	41,118	64,285
Short-term portion	33,743	49,992
Total	74,861	114,277

The loans were primarily obtained for the purchase and renovation of tangible fixed assets and to finance ongoing operations. They are secured with mortgages on the Group's properties and pledges of shares and equity interests. The carrying amount of the mortgaged properties is EUR 204,674 thousand (31 Dec-

ember 2022: EUR 136,746 thousand). The carrying amount of the pledged shares and equity interests is EUR 92,153 thousand (Sava Turizem shares in the value of EUR 91,655 thousand, and shares of Pokojninska družba A in the value EUR 498 thousand).

3.7.9 CURRENT OPERATING LIABILITIES

in EUR '000

	31 Dec 2023	31 Dec 2022
Trade payables	13,344	10,792
Liabilities due to denationalisation beneficiaries	17,125	17,373
Liabilities due to employees	3,501	3,250
Liabilities due to state institutions	3,414	1,814
Other operating liabilities	11,479	5,802
Total	48,863	39,031

All liabilities relating to compensation to denationalisation beneficiaries on the basis of SOS2E bonds (not fully paid yet) and on the basis of final decisions are reported under current operating liabilities. The amount of the matured and outstand-

ing debt has no significant value for SSH. The reason for the non-payment lies with beneficiaries who fail to submit the necessary payment data.

3.7.10 OTHER LIABILITIES

in EUR '000

	31 Dec 2023	31 Dec 2022
Current provisions for denationalisation	10,953	8,468
Accrued expense	1,962	1,025
Current deferred revenue	2,205	2,205
Other liabilities	1,947	3,085
Labour costs charged	3,708	5,602
Accrued lease costs for resorts under management	100	1,421
Total	20,875	21,806

3.7.11 OPERATING INCOME

REVENUE FROM CONTRACTS WITH CUSTOMERS

in EUR '000

	2023	2022
Income from management of capital assets	4,501	5,337
Income from sale of real estate	13,988	5,872
Income from tourism activities	122,607	22,398
Rental income	3,850	928
Total revenue from contracts with customers	144,946	34,535

Revenue from contracts with customers includes fees for the management of capital assets owned by RS, and in accordance with contracts, the reimbursement of costs incurred in the sale of state-owned assets, and fees for the implementation of three

laws (i.e., ZSPOZ, ZIOOZP and ZVJTO). Income from tourism activities refer to the revenues of the subsidiary company - Sava Turizem, d. d., mainly relating to vacations, events, conferences, thermal parks, camping, and other related sources.

Assets and liabilities from contracts with customers

Uninvoiced income for goods and services delivered to customers in 2023 is included under assets from contracts with customers, amounting to EUR 1,240 thousand (2022: EUR 25 thousand).

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Liabilities from contracts with customers	1,570	1,422
Refund liabilities	447	629
Advances received from customers	2,608	203
Loyalty program	1,516	1,159
Other	508	0
Total	6,649	3,413

Liabilities from contracts with customers pertain to usage fees, gift vouchers and the redemption of gift vouchers from other providers. Refund liabilities are short-term deposits received.

The loyalty programme relates to discounts granted under the reward points scheme.

OTHER OPERATING INCOME

	in EUR '000	
	2023	2022
Income from reversal of non-current provisions - denationalisation	2,796	929
Income from reversal of other non-current provisions	3,698	71
Income connected with denationalisation	3,362	2,424
Revalued operating income	4,513	3,150
Other operating income	2,552	832
Government grants received	1,792	216
Other operating income	18,713	7,622

Material income allocated for denationalisation includes:

- proceeds from the sale and management of agricultural land and forests, paid by the Farmland and Forest Fund of the Republic of Slovenia;
- proceeds from the restructuring of companies' ownership – paid in cash or by means of shares or equity holdings, transferred to SSH partly from D.S.U. d. o. o., and partly from the budget of the Republic of Slovenia.

Government grants received relate to measures taken by the state in response to the COVID-19 epidemic. Other operating income primarily pertains to the utilisation of deferred income from EU funds, the use of incentives for employing persons with disabilities and scholarships, and gains on the sale of tangible fixed assets and investment properties.

3.7.12 COSTS OF GOODS, MATERIALS AND SERVICES

	in EUR '000	
	2023	2022
Cost of goods sold	40,695	3,277
Cost of material	204	4,859
Cost of services	44,144	12,050
Total	85,043	20,186

The contractual amount for auditing the consolidated financial statements of SSH and for auditing the financial statements of its subsidiaries included in the consolidation for 2023 amounted to EUR 157,800, excluding VAT, and EUR 151,540 for 2022. The contractual amount for other audit services (including assurance engagements and agreed-upon procedures, review of

compliance with financial covenants to banks, review of the accuracy of the resort's performance calculation, and review of the consolidation package) for 2023 amounts to EUR 20,000, compared to EUR 10,800 for 2022. No other services were carried out for SSH Group by the auditor and its affiliated companies in 2023 and 2022.

3.7.13 LABOUR COSTS

Labour costs include wages and salaries paid to employees, wage compensation attributable to employees for the time of their absence from work, in accordance with the law, collective agreement or an employment agreement, and bonuses and rewards paid to employees, as well as taxes charged on the aforementioned items. They also include reimbursement for travel

expenses paid to employees and costs of meals, holiday allowances, any severance payments paid upon the termination of the employment relationship and the cost of provisions for jubilee premiums and retirement benefits, as well as provisions for employment related lawsuits.

	in EUR '000	
	2023	2022
Salaries and wages	35,294	11,932
Retirement insurance costs	3,570	1,253
Social security contributions	2,619	889
Other labour cost	6,019	1,910
Total	47,502	15,984

Other labour costs include holiday allowances, reimbursements of employees' expenses, other employee benefits as well as provisions for jubilee premiums and severance payments.

3.7.14 DEPRECIATION AND AMORTISATION

in EUR '000

	2023	2022
Amortisation of intangible assets	342	210
Depreciation of buildings	8,505	2,718
Depreciation of equipment and spare parts	4,239	922
Depreciation and amortisation of investment property	15	0
Total	13,101	3,850

3.7.15 WRITE-OFFS AND IMPAIRMENTS

in EUR '000

	2023	2022
Write-offs and impairments of fixed assets	209	98
Write-offs and impairments of real estate inventories	928	1,082
Write-offs and impairments of current assets, excluding financial investments	758	106
Total	1,895	1,286

3.7.16 NET PROFIT OR LOSS

in EUR '000

	2023	2022
Financial income	81,636	102,992
Proportion of profit/loss from investments measured at equity method	9,949	45,129
Financial expenses	-50,930	-18,514
Net profit or loss	40,655	129,607

FINANCIAL INCOME

in EUR '000

	2023	2022
Dividends and income similar to dividends - enterprises	32,375	31,778
Dividends - insurance companies	4,871	4,566
Capital gains and equity interests in the Group	609	60
Profit on negotiated purchase (Note 3.6.2)	0	43,433
Income from the realization of loans	7,460	7,453
Income from valuation of financial investments at fair value	33,903	13,441
Income from purchased receivables	0	1,981
Proceeds from reversal of impairments of other investments, including interest	0	117
Other interest, other financial income	2,418	163
Total	81,636	102,992
Proportion of profit/loss from investments measured at equity method	9,949	45,129

FINANCIAL EXPENSES

in EUR '000

	2023	2022
Financial expenses for interest on deposits with banks	2,651	924
Interest on loans granted by banks	0	1,799
Impairments of capital asset	4,277	1,725
Impairments of other financial investments	28,126	8,983
Impairments of loans	11,766	0
Loss on realization of loans (BAMC)	515	5,075
Interest from leases	12	8
Other/negative exchange rate differences	3,583	0
Total	50,930	18,514

IMPACT BY ASSOCIATES ON FINANCIAL POSITION OF SSH GROUP IN 2023

in EUR '000

	ZT Group	Unior Group	HIT Group	Casino Bled d. d.	Cinkarna Celje	Salomon	Terra M. Croatia	Total
Value of investment as at 31 Dec 2022	204,127	11,303	15,949	61	45,414	3,512	48	280,414
Allocation of share of profit or loss	4,511	1,021	3,027	48	1,342	0	0	9,949
Dividends received	-15,967	0	0	0	0	0	0	-15,967
Corresponding participation in changes of fair value reserve	9,761	-349	-179	0	-151	0	0	9,082
Reversal of previous impairment	0	0	0	0	0	0	0	0
Impairments to fair value	-21,254	-672	0	-73	-6,127	0	0	-28,126
Disposals in the current year	0	0	0	0	0	0	-48	-48
Effect of transition to IFRS 17	40,439	0	0	0	0	0	0	40,439
Value of investment under equity method as at 31 Dec 2023	221,765	11,303	18,797	36	40,478	3,512	0	295,892
Fair value	221,765	11,303	23,713	61	40,478	3,512	0	300,683

IMPACT BY ASSOCIATES ON FINANCIAL POSITION OF SSH GROUP IN 2022

in EUR '000

	ZT Group	Unior Group	HIT Group	Casino Bled d. d.	Cinkarna Celje	Salomon	Terra M. Croatia	Total
Value of investment as at 31 Dec 2021	235,029	11,862	8,243	6	0	0	0	255,140
Allocation of share of profit or loss	31,022	3,308	2,528	100	10,605	0	0	47,563
Dividends received	-23,631	0	0	0	0	0	0	-23,631
Corresponding participation in changes of fair value reserve	-58,294	-42	778	3	91	0	0	-57,464
Reversal of previous impairment	20,001	0	822	0	0	0	0	20,823
Impairments to fair value	0	-3,825	0	-48	-19,384	0	0	-23,257
Acquisitions in the current year	0	0	3,578	0	54,102	3,512	48	61,240
Value of investment under equity method as at 31 Dec 2022	204,127	11,303	15,949	61	45,414	3,512	48	280,414
Fair value	220,339	11,303	18,660	61	45,414	3,512	48	299,337

IMPACT BY ASSOCIATES ON THE FINANCIAL RESULT OF SSH GROUP

in EUR '000

	2023	2022
Share of profit of associates	9,949	47,563
Reversal of impairment	0	20,823
Share of losses of associates	0	0
Impairment	-28,126	-23,257
Net profit or loss	-18,177	45,129

3.7.17 TAXES

in EUR '000

	2023	2022
Income taxes	3,322	1,143
Deferred tax expense	-612	-760
Total tax expense	2,710	383

CALCULATION OF THE EFFECTIVE TAX RATE

in EUR '000

	2023	2022
Profit before tax	45,103	128,775
Calculated tax (applicable rate = 19%)	8,570	24,467
Effect of non-taxable income - gain on negotiated purchase	0	-8,252
Effect of non-taxable income/expense -equity method	6,487	-4,085
Effect of non-taxable income- other	-9,821	-11,425
Effects non-deductible income	261	-180
Tax relief	-361	-1,325
Effects of loss-making companies	1,149	2,305
Other adjustments in taxable profit	-144	398
Utilization of losses	-2,820	0
Increases/ Reversal of deferred tax assets due to changes in taxable profits	-611	-760
Income tax	2,710	1,143
Effective tax rate	6.01%	0.89%

DEFERRED TAX ASSETS AND TAX LIABILITIES

in EUR '000

	31 Dec 2023	31 Dec 2022
Deferred tax assets	1,656	2,318
Deferred tax liabilities arising from fair value valuations	68,431	57,221
Deferred tax liabilities arising from business combination	6,501	7,939
Deferred tax liabilities	74,932	65,160
Net deferred tax assets/tax liabilities	-73,276	-62,842

The deferred tax liabilities related to the effects of fair value valuation of financial investments (Notes 3.7.2.3).

The deferred tax assets are a result of impairment of financial investments, of provisions for retirement benefits and jubilee premiums, investment reliefs and unutilised tax losses. Estimated future tax liabilities for corporate income tax were

used to determine the expected amount of the utilisation of deferred tax assets.

The deferred tax liabilities related to business combinations are associated with the revaluation of the assets of Sava Group to fair value at the acquisition date (Note 3.6.2).

UNRECOGNISED DEFERRED TAX ASSETS

in EUR '000

	31 Dec 2023	31 Dec 2022
Unutilised tax losses	295,105	180,950
Impairment of receivables	508	423
Impairment of financial investments in subsidiaries	0	207
Total unrecognised deferred tax assets	295,613	181,580

3.7.18 NOTE TO THE CASH FLOW STATEMENT

The cash flow statement shows changes in the cash balances in a given financial year using the direct method. The data were obtained from the books of account of SSH and from other accounting records such as original documents on receipts and expenditure and account balance slips provided by commercial banks. The data for the preceding year were prepared using the same method.

The amounts paid for SOS2E bond interest and principal were disclosed in the first part of the Cash Flow Statement (cash flows from operating activities), since SSH's core business includes the settling of denationalisation liabilities. Proceeds, with the exception of proceeds from financial investments sold in order to cover these outflows were recognised as operating

proceeds. Similarly, the first part of the Statement of Cash Flows includes cash flows arising from the payment of liability due by the Republic of Slovenia which are executed on its behalf by SSH (ZSPOZ, ZIOOZP and ZVJTO).

Compared to the previous year, in the current year (as a result of the merger with BAMC), the cash flows also include inflows from property rentals, inflows from property sales, inflows from recovered bad loans acquired from banks, as well as receipts from tourism activities.

3.8 FINANCIAL RISK MANAGEMENT OF SSH GROUP

The financial risks are continuously monitored and assessed by SSH Group with the aim to provide for a long-term liquidity and to avoid excessive exposure to individual risks. SSH Group is exposed to and monitors the following risks: credit risk, in-

terest rate risk, and particularly market and liquidity risk. All financial instruments are denominated in Euros, currency risk is negligible for SSH.

3.8.1 CREDIT RISK

TOTAL MAXIMUM EXPOSURE TO CREDIT RISK

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Operating receivables	9,650	9,833
Deposits measured at amortised cost	106,000	38,374
Cash and cash equivalents	67,072	50,954
Financial assets measured at fair value through profit or loss (FVTPL) - loans	203,468	225,177
Total	386,190	324,338

The Group is exposed to credit risk primarily in the case of trade receivables. The exposure to this type of risk increases with the tightening of economic conditions. The Group reduces its exposure by continuously monitoring the creditworthiness of customers and suppliers, conducting business on the basis of prepayments, monitoring bad payers, pursuing timely recovery, investing in enforcement proceedings, and using security instruments and compensations.

Deposits measured at amortized cost represent deposits with commercial banks in Slovenia for which we assessed minimal credit risk. The same applies to cash and cash equivalents.

Financial assets measured at fair value through profit or loss (FVTPL) as at 31 December 2023 and 2022 represent loans resulting from the merger with BAMC. Credit risk is considered to be low in these cases, as the significant risk lies in the change in fair value, as described in note 3.7.2.5. These are typically non-performing loans measured at fair value.

IMPAIRMENT OF TRADE RECEIVABLES

	in EUR '000	
	31 Dec 2023	31 Dec 2022
Trade receivables - balance	23,914	25,010
Impairment of trade receivables	-14,264	-15,177
Net receivables	9,650	9,833

3.8.2 INTEREST RATE RISK

Interest rate risk is the risk that the value of interest-sensitive assets will change due to a change in market interest rates, as well as the risk that financially sensitive assets and financially sensitive liabilities will mature on different dates and in different amounts. A fixed interest rate was usually agreed upon when investing assets.

The companies of the SSH Group have their financial liabilities tied to the fluctuation of the EURIBOR interest rate, which remained elevated throughout 2023.

In February 2022, Sava Turizem, d. d., used an interest rate cap to hedge against the interest rate risk on a portion of its Liabil-

ities valued at EUR 8.2 million. The interest rate cap guarantees a fixed rate of 0% until the year 2029.

The interest rate burden is high and thus the company is exposed to a high interest rate risk.

Sensitivity analysis for interest rate changes

If the interest rates for loan liabilities of companies in the SSH Group change by 100 basis points, the annual interest expense would increase by EUR 955 thousand (2022: EUR 1,704 thousand).

3.8.3 LIQUIDITY RISKS

The Group has taken long-term loans from commercial banks, with the final maturity at the end of 2036. The Group is repaying its liabilities according to the amortization schedules. The value of the assets of the Group which have been provided as collateral for financial liabilities significantly exceeds the amount of

its financial liabilities. Insolvency risk – the risk of not being able to settle liabilities as they fall due – is effectively managed in the Group.

MATURITY OF LIABILITIES ACCORDING TO CONTRACTUAL CASH FLOWS AS AT 31 DECEMBER 2023

	in EUR '000					
	Contractual cash flows					
	Book value of liabilities	Liability	up to 6 months	from 6 to 12 months	from 1 to 5 years	more than 5 years
Finance lease payables	19	19	5	5	9	0
Financial liabilities	74,861	85,772	30,312	6,472	30,309	18,679
Operating liabilities	48,863	48,713	31,862	17,001	0	0
Other liabilities	20,875	20,875	20,875	0	0	0
Total liabilities	144,618	155,379	83,054	23,478	30,318	18,679

MATURITY OF LIABILITIES ACCORDING TO CONTRACTUAL CASH FLOWS AS AT 31 DECEMBER 2022

	in EUR '000					
	Pogodbeni denarni tokovi					
	Book value of liabilities	Liability	up to 6 months	from 6 to 12 months	from 1 to 5 years	more than 5 years
Finance lease payables	3,086	3,086	312	312	312	2,150
Financial liabilities	111,191	111,191	24,821	24,559	45,860	15,952
Operating liabilities	41,285	41,285	41,285	0	0	0
Other liabilities	20,760	20,760	10,894	9,866	0	0
Total liabilities	176,322	176,322	77,312	34,737	46,172	18,102

3.8.4 MARKET RISK

DOMESTIC QUOTED SHARES AND SENSITIVITY ANALYSIS OF CHANGES IN MARKET PRICES

in EUR '000

	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2023	15%	20%	-15%	-20%
Krka, d. d.	324,486	48,673	64,897	-48,673	-64,897
Petrol, d. d.	123,472	18,521	24,694	-18,521	-24,694
Sava Re, d. d.	86,229	12,934	17,246	-12,934	-17,246
Luka Koper, d. d.	50,319	7,548	10,064	-7,548	-10,064
Other quoted domestic shares	31,625	4,744	6,325	-4,744	-6,325
Total	616,131	92,420	123,226	-92,420	-123,226

in EUR '000

	Value	Change in market prices	Change in market prices	Change in market prices	Change in market prices
	31 Dec 2022	15%	20%	-15%	-20%
Krka, d. d.	271,389	40,708	54,278	-40,708	-54,278
Petrol, d. d.	105,984	15,898	21,197	-15,898	-21,197
Sava Re, d. d.	68,183	10,227	13,637	-10,227	-13,637
Luka Koper, d. d.	38,635	5,795	7,727	-5,795	-7,727
Other quoted domestic shares	35,128	5,269	7,026	-5,269	-7,026
Total	519,319	77,898	103,864	-77,898	-103,864

Changes in market prices affecting other comprehensive income.

LIQUIDITY OF THE MOST IMPORTANT INVESTMENTS OF THE GROUP IN QUOTED SHARES

in EUR '000

Turnover ratio*	in 2023	in 2022
Krka, d. d.	3.13%	5.16%
Luka Koper, d. d.	3.06%	3.33%
Petrol, d. d.	1.88%	4.11%
Pozavarovalnica Sava, d. d.	3.69%	4.14%
Prime market	3.45%	4.78%
Standard market	1.14%	1.87%

Source: Monthly and Annual Statistics Ljubljana Stock Exchange (LJSE), 2023 and 2022

3.8.5 RISKS IN THE LOAN PORTFOLIO

Risk of change in the probability of the restructuring scenario

The restructuring strategy is defined based on the DPS model (Default Probability Scorecard), which classifies various elements of business risk on a seven-level scale from least to most risky. If a particular element of business risk poses a higher risk, the probability of a successful restructuring strategy will be lower. Based on the risk classes assigned, an average risk profile is determined for the restructuring scenario, which

is then linearly distributed on the probability scale for the restructuring strategy.

Although the DPS model measures the business risk of individual companies, any change in the model has a direct impact on the fair value of loans and consequently also on credit risk exposure. The tables below present the loan exposure based on the probability classes of the realization of the restructuring scenario (DPS probability). All cases with the collateral recovery strategy have a probability of 0% for the restructuring scenario, and DPS is not defined for group-valued exposures.

PROBABILITY CLASSES BASED ON RESTRUCTURING STRATEGY PROBABILITY

in EUR '000

	Fair Value 2023	Share in total fair value 2023	Fair Value 2022	Fair Value 2022
Restructuring strategy	84,302	42%	105,539	47%
P (Restructuring Scenario Probability) 100 %	9,418	5%	31,100	14%
P (Restructuring Scenario Probability) 90– 99 %	-	-	-	-
P (Restructuring Scenario Probability) 80– 89 %	-	-	-	-
P (Restructuring Scenario Probability) 70– 79 %	-	-	-	-
P (Restructuring Scenario Probability) 60– 69 %	8,429	4%	8,451	4%
P (Restructuring Scenario Probability) 50– 59 %	66,455	33%	65,988	29%
Collateral recovery strategy	118,014	58%	117,510	52%
Group valued exposure	1,153	1%	2,127	1%
Total	203,468	100%	225,177	100%

Sensitivity Analysis on Changes in Restructuring Scenario Probability

The change in the probability of realizing the restructuring scenario (DPS probability) directly affects the credit risk exposure. Therefore, the following sensitivity analysis is presented for a 10 percentage point (pp) and 5 pp change in the DPS probability.

Impact of Parallel Changes in DPS Probability on Restructuring Scenario Realization

The tables below show the fair value of loans based on the parallel change in DPS probability for restructuring scenario realization, assuming all other assumptions remain unchanged. The group-valued exposure does not reflect the risk of changes in DPS probability for restructuring scenario realization since DPS probability is not one of the input data for calculating revaluations for group-valued exposure. Similarly, debtors catego-

rized in the strategy of collateral recovery do not reflect the risk of changes in DPS probability, as these cases do not include values from the restructuring scenario (SSH typically recovers debts through legal proceedings in such cases).

A parallel decrease in DPS probability would significantly impact the fair value of loans. As at 31 December 2023, the largest proportion, approximately 33%, of the fair value of the restructuring strategy is assigned to the DPS class between 50% and 59%. A large proportion of such debtors would be reclassified into the collateral recovery category (according to the rule that all debtors with DPS below 50% are automatically classified as collateral recovery cases), while increasing the DPS probability has no impact on the debtor portfolio with the collateral recovery strategy. The impact of a parallel change in DPS probability for restructuring scenario realization is therefore non-linear.

SENSITIVITY ANALYSIS OF DPS PROBABILITY FOR RESTRUCTURING SCENARIO REALIZATION AS AT 31 DECEMBER 2023

in EUR '000

	Fair value	Impact of a parallel change in DPS probability by 10 pp on the fair value of loans		Impact of a parallel change in DPS probability by 5 pp on the fair value of loans	
		Increase	Decrease	Increase	Decrease
Restructuring strategy	84,302	983	-66,497	491	-60,395
Collateral recovery strategy	118,014	0	61,704	0	55,622
Group valued exposure	1,153	-	-	-	-
Total	203,468	983	-4,794	491	-4,772

SENSITIVITY ANALYSIS OF DPS PROBABILITY FOR RESTRUCTURING SCENARIO REALIZATION AS AT 31 DECEMBER 2022

in EUR '000

	Fair value	Impact of a parallel change in DPS probability by 10 pp on the fair value of loans		Impact of a parallel change in DPS probability by 5 pp on the fair value of loans	
		Increase	Decrease	Increase	Decrease
Restructuring strategy	105,539	960	-66,985	480	-60,115
Collateral recovery strategy	117,510	0	60,716	0	54,345
Group valued exposure	2,127	-	-	-	-
Total	225,177	960	-6,269	480	-5,771

The change in fair value of loans due to a change in DPS probability for the realization of the restructuring scenario would also impact the income statement. Changes in the fair value of loans would result in variations in profit or loss, as indicated in the table above.

Risk of the failure of the restructuring strategy

The risk of the failure of the restructuring strategy applies to all borrowers for whom SSH pursues the restructuring strategy at once (within one year). As a consequence, all such borrowers would be reclassified into the collateral recovery strategy, and SSH would lose cash inflows from regular business operations. Consequently, SSH could only expect inflows from collateral recovery, which could be lower than the cumulative inflows from regular repayments.

The tables below show the difference in fair values if the entire portfolio of individually valued borrowers were classified under the collateral recovery strategy (if all cases with the restructuring strategy were to fail). The risk of the failure of the restructuring strategy does not technically impact the fair value of the group-valued exposure.

If all borrowers with the restructuring strategy were to fail, the fair value of individually valued loans would decrease by EUR 4,488 thousand (2022: EUR 16,145 thousand).

in EUR '000

2023	Fair value of loans	Fair value of loans, if all cases with restructuring strategy were to fail	Difference
Restructuring strategy	84,302	0	-84,302
Collateral recovery strategy	118,014	197,827	79,813
Group valued exposure	1,153	1,153	0
Total	203,468	198,979	-4,488

in EUR '000

2022	Fair value of loans	Fair value of loans, if all cases with restructuring strategy were to fail	Difference
Restructuring strategy	105,539	0	-105,539
Collateral recovery strategy	117,510	206,905	89,394
Group valued exposure	2,127	2,127	0
Total	225,177	209,032	-16,145

Sensitivity analysis for changes in the discount rate as at 31 December 2023

The fair value of SSH loans represents expected future cash flows discounted at a discount rate of 7.96% as at 31 December 2023. A change in the discount rate directly impacts the fair value of loans, assuming all other assumptions remain unchanged, it affects the amount of loan impairments, and consequently, directly impacts the Income Statement.

The sensitivity analysis for changes in the discount rate was prepared considering a change of half and one percentage point (referred to as 0.5 pp. and 1 pp.). The upper limit of Weighted Average Cost of Capital (WACC) is capped at 8.00%.

in EUR '000

2023	Fair value of loans	Impact of the increase in WACC by 0.5 pp on the fair value of loans	Impact of the increase in WACC by 1 pp on the fair value of loans	Impact of the increase in WACC by 8%
Restructuring strategy	84,302	675	1,363	-54
Collateral recovery strategy	118,014	1,052	2,118	-84
Group valued exposure	1,153	0	0	0
Total	203,468	1,727	3,482	-137

MATURITY OF ANTICIPATED CASH FLOWS

in EUR '000

	31 Dec 2023	31 Dec 2022
Short-term loans	32,215	48,130
Long-term loans	214,128	224,558
Total	246,344	272,688

Sensitivity analysis for changes in the discount rate as at 31 December 2022

Risk of changes in the discount rate

The fair value of SSH loans represents expected future cash flows, discounted at a discount rate of 7.87% as at 31 December 2022. A change in the discount rate directly impacts the fair value of loans, assuming all other assumptions remain un-

changed, it affects the amount of loan impairments, and consequently, directly impacts the Income Statement.

The sensitivity analysis for changes in the discount rate was prepared considering a change of half and one percentage point (referred to as 0.5 pp. and 1 pp). The upper limit of Weighted Average Cost of Capital (WACC) is capped at 8.00%.

in EUR '000

	Fair value of loans	Impact of the increase in WACC by 0.5 pp on the fair value of loans	Impact of the increase in WACC by 1 pp on the fair value of loans	Impact of the increase in WACC by 8%
Restructuring strategy	105,539	899	1,812	-249
Collateral recovery strategy	117,510	702	1,521	-326
Group valued exposure	2,127	0	0	0
Total	225,177	1,601	3,333	-575

3.8.6 MANAGING CAPITAL ADEQUACY

In 2023 and in 2022, there were no changes to equity management. The main purpose of equity management is to ensuring the capital adequacy and the financial stability of the Group with the primary objective of providing a high return on equity. In accordance with the dividend policy of the sole shareholder, no dividends are paid out.

The Group uses to financial leverage ratio to manage its capital structure, that is net debt vs. equity. Net debt includes current liabilities without deferred tax liabilities and provisions and non-current financial liabilities reduced by cash and cash equivalents.

in EUR '000

	31 Dec 2023	31 Dec 2022
Current liabilities	110,801	114,242
Non-current financial liabilities	42,889	64,285
Cash and cash equivalents	67,072	50,954
Net indebtedness	86,618	127,573
Equity	1,394,115	1,213,870
Financial leverage ratio in %	6.21	10.51

3.9 TRANSACTIONS WITH RELATED PARTIES

In addition to the Republic of Slovenia, considered as 100% owner, the following entities are considered to be related parties according to IAS 24:

- subsidiaries and associates;
- management personnel and members of Supervisory Board and Audit Committee;
- companies related to the state.

In 2023, no transactions were concluded by SSH which might result in harmful consequences for the operations of related parties

3.9.1 SUBSIDIARIES AND ASSOCIATES

As at 31 December 2023, SSH held a 20% or higher ownership interest in several companies which are listed in Notes 3.7.2.1. and 3.7.2.2. The majority of the above-mentioned shares and shareholdings were obtained pursuant to the Ownership Transformation of Companies Act and other laws passed with the aim of settling denationalisation compensation to beneficiaries and compensation to victims of war- and post-war violence, and pursuant to ZSDH-1 (the merger with BAMC). There were no significant business transactions taking place between SSH and the above-mentioned companies.

Transactions between the controlling company and the subsidiary Sava, d. d., (with its subsidiary Sava Turizem, d. d.) are excluded from the consolidated financial statements; therefore, they are not disclosed at this point.

SSH hereby declares that the controlling company has not used its influence to induce related companies to engage in harmful legal transactions or act to their detriment. In addition to capital-related connections, business cooperation with associates mainly relates to a small-scale insurance transactions.

3.9.2 MANAGEMENT PERSONNEL AND MEMBERS OF SUPERVISORY BOARD AND AUDIT COMMITTEE

EARNINGS OF SSH MANAGEMENT BOARD MEMBERS IN 2023

in EUR

	Žiga Debeljak	Janez Tomšič
	1 Jan.-31 Dec	1 Jan.-31 Dec
Fixed earning (gross)	151,584	136,399
Variable income (gross)	26,246	77,001
Fringe benefits	1,511	8,039
Annual leave allowance	2,000	2,000
Reimbursement of costs (meals, transportation cost)	2,111	1,688
Reimbursement of business travel costs	850	88
Voluntary suppl. pension insurance	2,904	2,904

EARNINGS OF SSH MANAGEMENT BOARD MEMBERS IN 2022

in EUR

	Žiga Debeljak	Janez Tomšič	Peter Drobež	Janez Žlak
	1 Sep.-1 Dec	1. Jan.-31 Dec	1. Apr.- 31 Aug	1. Jan.-31 Aug
Fixed earning (gross)	36,368	126,857	53,194	104,251
Variable income (gross)	0	20,428	0	32,925
Severance payment	0	0	65,463	72,737
Fringe benefits	23	8,945	567	7,428
Annual leave allowance	633	1,900	792	1,267
Reimbursement of costs (meals, transportation cost)	589	1,443	2,744	918
Reimbursement of business travel costs	0	30	1,180	21
Voluntary suppl. pension insurance	726	2,882	1,210	2,157

EARNINGS OF EXECUTIVE MEMBERS OF BAMC BOARD OF DIRECTORS FROM 1 JULY 2022 TO 31 DECEMBER 2022

in EUR

	Matej Pirc	Žiga Pfeifer	Mitja Križaj
	1 July-31 Dec	1. July- 31 Dec	1. July- 31 Dec
Fixed earning (gross)	79,200	66,000	66,000
Variable income (gross)	0	0	0
Severance payment	0	0	0
Fringe benefits	0	2,045	0
Annual leave allowance	0	0	950
Reimbursement of costs (meals, transportation cost)	1,540	2,061	859
Reimbursement of business travel costs	1,076	431	618
Voluntary suppl. pension insurance	1,452	1,210	1,210

In 2023 and in 2022, no loans were granted either to the management, members of the Supervisory Board or to members of its committees or employees.

In 2023, alongside the Management Board members, two other individuals were employed under individual contracts (Executive Directors for the Management of Claims and Real Estate).

ZSDH-1 stipulates that provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities ("ZPPOGD", by way of which SSH is considered a large company) do not apply to salaries paid to the members of Management Board.

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	18,720	3,300	1,099	0	23,119
Ivan Simič	14,400	3,300	1,099	0	18,799
Franjo Bobinac	15,430	2,750	1,099	149	19,427
Miro Medvešek	13,858	2,530	1,099	0	17,487
Suzana Bolčič Agostini	14,400	3,300	1,099	1,854	20,653
Total	76,808	15,180	5,494	2,003	99,484

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	17,092	5,555	361	0	23,008
Leon Cizelj	8,080	3,520	0	133	11,733
Božo Emeršič	8,691	3,520	0	314	12,525
Ivan Simič	16,225	5,555	361	0	22,141
Janez Vipotnik	15,608	6,050	361	6,129	28,148
Franjo Bobinac	560	495	0	149	1,204
Suzana Bolčič Agostini	560	495	0	265	1,320
Total	66,816	25,190	1,083	6,989	100,079

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	1,026	440	0	0	1,466
Ivan Simič	3,600	880	0	0	4,480
Suzana Bolčič Agostini	2,574	440	0	530	3,544
Darinka Virant	7,200	880	0	120	8,200
Total	14,400	2,640	0	650	17,690

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	1,584	0	0	5,184
Ivan Simič	3,600	1,584	0	0	5,184
Darinka Virant	6,648	1,584	0	56	8,288
Total	13,848	4,752	0	56	18,656

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S NOMINATION COMMITTEE IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	440	0	0	4,040
Ivan Simič	3,600	440	0	0	4,040
Franjo Bobinac	3,600	440	0	0	4,040
Miro Medvešek	3,465	440	0	0	3,905
Suzana Bolčič Agostini	3,600	440	0	530	4,570
Total	17,865	2,200	0	530	20,594

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S NOMINATION COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	3,600	2,904	0	0	6,504
Leon Cizelj	2,020	2,112	0	0	4,132
Božo Emeršič	2,020	2,112	0	0	4,132
Ivan Simič	3,600	3,080	0	0	6,680
Janez Vipotnik	3,735	2,640	0	0	6,375
Franjo Bobinac	140	0	0	0	140
Suzana Bolčič Agostini	140	0	0	0	140
Total	15,255	12,848	0	0	28,103

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S RISK COMMITTEE IN 2023

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	1,026	0	0	0	1,026
Miro Medvešek	2,574	220	0	0	2,794
Darinka Virant	4,800	220	0	15	5,035
Bobinac Franc	2,574	220	0	0	2,794
Total	10,974	660	0	15	11,650

EARNINGS OF MEMBERS OF THE SUPERVISORY BOARD'S RISK COMMITTEE IN 2022

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Karmen Dietner	1,530	220	0	0	1,750
Božo Emeršič	2,020	440	0	0	2,460
Janez Vipotnik	3,735	660	0	0	4,395
Darinka Virant	4,432	660	0	13	5,105
Total	11,718	1,980	0	13	13,711

REMUNERATION OF MEMBERS OF THE NOMINATION COMMITTEE IN 2023:

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Vlasta Lenardič	25,200	0	0	0	25,200
Urška Podpečan	25,200	0	0	0	25,200
Samo Roš	25,200	0	0	390	25,590
Total	75,600	0	0	390	75,990

REMUNERATION OF MEMBERS OF THE NOMINATION COMMITTEE IN 2022:

in EUR

	Compensation for the performance of the function (gross)	Attendance fee - gross	Fringe benefit	Travel expenses (gross)	Total
Vlasta Lenardič	18,000	0	0	0	18,000
Urška Podpečan	18,000	0	0	0	18,000
Samo Roš	18,000	0	0	0	18,000
Total	54,000	0	0	0	54,000

OTHER COSTS ASSOCIATED WITH THE SUPERVISORY BOARD AND ITS COMMITTEES

in EUR

	2023	2022
Legal opinion	0	2,102
Costs in connection with the selection of a Management Board Member (advertisement, HR agency)	0	17,828
Costs for supplementary training	0	775
Other (insurance premiums)	1,173	1,181
Total	1,173	21,886

3.9.3 TRANSACTIONS WITH THE GOVERNMENT OF THE REPUBLIC OF SLOVENIA, STATE AUTHORITIES AND ENTERPRISES CONTROLLED BY THE GOVERNMENT OR IN WHICH ITS SIGNIFICANT INFLUENCE IS EXERCISED

Companies that are related to the state include all companies in which the Republic of Slovenia exercises a significant influence.

in EUR '000

	Claims		Liabilities		Income		Expenses	
	2023	2022	2023	2022	2023	2022	2023	2022
Ministry of Finance	72	1,762	0	0	4,452	5,240	0	696
Farmland and Forest Fund of RS	158	176	0	0	1,382	1,876	0	0
D. S. U.	1,207	41	0	0	1,976	402	42	0
Pension Fund Management (KAD)	0	0	38,394	35,037	1	0	3,358	735
Transactions with companies related to owners*	262	211	108,373	28,989	1,707	137	15,045	1,416
Total	1,699	2,190	146,767	64,026	9,518	7,655	18,445	2,847

*Companies related to the owners are those which own more than 20% of the company that owns Sava, d. d., and companies in which the companies that own Sava, d. d., hold more than 20% ownership stake.

SSH also transacts with other companies, authorities, bodies and agencies in which the Republic of Slovenia is a majority or a minority shareholder. All transactions with the above-men-

tioned entities are concluded at arm's length, just like with other entities. Since no significant amounts are involved, these pieces of data are not disclosed.

3.10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent assets are more difficult to measure but represent claims which the company asserts through legal proceedings, the outcome of which is uncertain and arise from the merger with BAMC in 2022.

In addition to future liabilities for which provisions have been recognized due to the fact that conditions have been met for their recognition, SSH has also formed contingent liabilities arising from denationalisation in the amount of EUR 33.3 mil-

lion (31 December 2022: EUR 37.4 million) and contingent liabilities amounting to EUR 114 million (31 December 2022: EUR 114.2 million) arising from the merger with BAMC, as presented below. Administrative units and ministries are known to have additional requests for compensation according to ZDen that have not yet been communicated to SSH. The value of these liabilities has therefore been determined by means of an assessment. Total contingent liabilities amount to EUR 147.4 million (2022: EUR 151.6 million).

in EUR '000

	31 Dec 2023	31 Dec 2022
Contingent liabilities for legal disputes which have not been settled	113,134	108,991
Contingent liabilities arising from bank guarantees issued	140	491
Contingent liabilities for collateral granted	828	4,751
Total	114,102	114,233

a) Contingent liabilities for legal disputes which have not been settled

Contingent liabilities for legal disputes which have not been settled represent the total value of all litigation claims, including an estimate of legal costs and associated default interest.

Ninety-two per cent (92%) of the total value of all claims are represented by two lawsuits against SSH, one from 2015 and the other from 2020. One lawsuit was filed due to alleged unfair negotiations, while the other was filed for compensation due to an unjustified application for initiating the debtor's bankruptcy proceedings.

b) Contingent liabilities arising from bank guarantees issued

in EUR '000

	31 Dec 2023	31 Dec 2022
Arising from the merger of Factor banka	94	639
Arising from the merger of Probanka	46	298
Total	140	937
Less amount included in balance sheet in provisions for bank guarantees issued	0	-446
Contingent liabilities	140	491

The table shows contingent liabilities, which are the amounts of approved, yet uncashed, and still valid bank guarantees as at

31 December 2023. The entire amount was taken over as a result of the merger of Factor banka and Probanka.

c) contingent liabilities for collateral and warranties granted

in EUR '000

	31 Dec 2023	31 Dec 2022
Collateral in the form of pledged deposits	0	4,374
Collateral from issued promissory notes	828	2,634
Total	828	7,008
Stated on the balance sheet among other provisions	0	2,257
Contingent liabilities	828	4,751

3.11 EVENTS AFTER THE BALANCE SHEET DATE

Following the reporting date, there were no developments that might affect the Group's financial statements SSH for the year that ended on 31 December 2023. Other significant events are presented below.

- On 7 March 2024, the Government of the Republic of Slovenia, acting as the Company's General Meeting, adopted a decision regarding the amendment and supplementation of the Company's Articles of Association. The amendment pertains to the use of accumulated profit and stipulates that the Company's net profit for the financial years 2024, 2025, 2026, 2027, and 2028, which remains each year after covering any accumulated losses and creating statutory reserves, may be used to finance measures under Article 1, Paragraph 1 of the Reconstruction, Development, and Provision of Financial Resources Act.
- The Reconstruction, Development, and Provision of Financial Resources Act, adopted in December 2023, introduces a temporary increase in the corporate income tax rate from 19% to 22% for the years of 2024, 2025, 2026, 2027, and 2028.
- In December 2023, the Company signed a Share Sale Agreement for the divestment of its stake in the associate company Salomon; the transaction was concluded in March 2024.
- In order to maximise the repayment of its receivables/loans (financial assets measured at fair value through profit or loss (FVTPL)), SSH filed bankruptcy petitions for T-2, d. o. o., Gratel, d. o. o and Lokainvest, d. o. o., in March 2024.

Ljubljana, 27 May 2024



Janez Tomšič, Member of the Management Board



Žiga Debeljak, MSc, President of the Management Board

LIST OF ACRONYMS AND GLOSSARY OF TERMS

ASI 2021 – Call for proposals to support companies in developing strategies to effectively manage and empower older workers and strengthen their competences, 2021

ATX index – Austrian Traded Index - the most important index of Wiener Börse

GDP – gross domestic product

BOE – Bank of England

CPOEF – Center poslovne odličnosti Ekonomske fakultete - Centre of business Excellence of the Faculty of Economic, University of Ljubljana

DARS – Motorway Company of Republic of Slovenia

d. d. (PLC) – public limited company

d.o.o. (Ltd.) – Limited liability company

VAT – value added tax

BAMC – Bad Asset Management Company

DZ – National Assembly

ECB – European Central Bank

ESG – Environmental, social and governance factors of sustainable business

ECESA – Expert Committee for Economic and Social Affairs

EU – European Union

EUR – Euro currency

FED – Federal Reserve System

GEN – GEN energija Group, d. o. o.

HICP - Harmonised Index of Consumer Prices

HSE – Holding Slovenske elektrarne, d. o. o.

ICT – Information and communication technology

KAD – Kapitalska družba pokojninskega in invalidskega zavarovanja d. d. (Pension Fund Management)

KDD – Centralna klirinško depotna družba, d. o. o. (Central Securities Clearing Corporation)

CA – capital asset

Code – Corporate Governance Code for SOEs

CPC – Commission for the Prevention of Corruption

AAMP - Annual Asset Management Plan for capital assets of RS and SSH

mio - million

BUPF – Blue umbrella pension fund managed by Modra zavarovalnica

billion – bn

MSCI All Country World Index – The global equity index which measures the performance of stocks in developed and emerging markets

NLB – Nova Ljubljanska banka, d. d.

SB – Supervisory Board

SSH SB – Supervisory Board of Slovenian Sovereign Holding

NUSZ – a charge for the use of building land

OU – organisational unit

OECD – Organisation for Economic Cooperation and Development

ORZUKSB33 – Correction of the Authentic Interpretation of Article 33, Paragraph 3 of the Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks

Policy – Asset Management Policy of SSH

NC Portal – the Portal of the SSH Nomination Committee

Preclusion period – it determines a period of time - time bar - during which a procedural action must take place; when this period expires and the action has not taken place, then the issue preclusion occurs after which a party cannot perform this action any more as the right to do so has been lost

ROE – return on equity

RS – Republic of Slovenia

RS21 – symbol of a bond issued by the Republic of Slovenia for the payment of compensation for confiscated property pursuant to the abrogation of the penalty of confiscation of property

SBITOP – Slovenian Blue Chip Index, a benchmark index, which tracks the performance of the most liquid shares on the Ljubljana Stock Exchange

SSH – Slovenian Sovereign Holding

SSH Group – Slovenian Sovereign Holding Group

SOD – Slovenska odškodninska družba, d. d. (Slovene Compensation Fund)

SOS2E – the symbol of a bond issued by Slovenian Sovereign Holding for the settlement of liabilities due to beneficiaries in denationalisation proceedings

CCI – Compliance and corporate integrity system

SURS – Statistical Office of the Republic of Slovenia

UKC Ljubljana – Ljubljana University Medical Centre

Zden – Denationalisation Act

ZDIJZ – Public Information Access Act

ZDIJZ-C – Act Amending the Public Information Access Act

ZGD-1 – Companies Act

ZVKSES – Protection of Buyers of Apartments and Single Occupancy Buildings Act

ZVJTO – Reimbursement of Investments in Public Telecommunications Network Act

ZIOOZP – Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property

ZIPRS2122 - Act Amending Implementation of the Republic of Slovenia's Budget (2021 and 2022) Act

ZN-3 – Public Procurement Act

ZNS – Slovenian Directors' Association

ZPIZ – Zavod za pokojninsko in invalidsko zavarovanje or, in English, Pension and Disability Insurance Institute of Slovenia.

Zpkri – Redressing of Injustices Act

ZPre-1 – Takeovers Act

ZSDH-1 – Slovenian Sovereign Holding Act

ZS-K – Act Amending the Courts Act

ZSOS – Slovenian Compensation Fund Act

ZSPOZ – Act on Payment of Compensation to Victims of War and Post-War Violence

ZUKS-B – Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks

ZSPOZ – Act on Payment of Compensation to Victims of War and Post-War Violence

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