



SLOVENIAN SOVEREIGN HOLDING

COMPANY AND GROUP

SLOVENIAN SOVEREIGN HOLDING

NON-CONSOLIDATED and CONSOLIDATED ANNUAL REPORT

FOR YEAR ENDING 31 DECEMBER 2015

Important abbreviations used in the document

Institutions:

SSH, the Company	-	Slovenian Sovereign Holding
SSH Group	-	Slovenian Sovereign Holding Group
SOD	-	Slovenska odškodninska družba, d. d.
RS	-	Republic of Slovenia

Acts:

ZSDH, ZSDH-1	-	Slovenian Sovereign Holding Act
Zden	-	Denationalisation Act
ZSPOZ	-	Act on Payment of Compensation to Victims of War and Post-War Violence
ZIOOZP	-	Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property
ZVVJTO	-	Reimbursement of Investments in Public Telecommunications Network Act

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LETTER BY THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Sirs,

As regards the management of state assets, 2015 was very active since all key documents enabling the performance of active state ownership function were adopted: the State Assets Management Strategy, Annual Asset Management Plan 2016, Criteria for Measuring Performance of SOEs, Corporate Governance Code for SOEs, SSH Asset Management Policy. The corporate governance system for SOEs has thus been established and, in the future, it will be focused on the supervision over the implementation of corporate governance systems at the level of companies.

The operation of the SSH Management Board is focused on achieving targeted returns from RS and SSH asset portfolio.

The long-term vision of SSH is generating value from capital assets for the owner. The key activities will therefore be focused on achieving the returns on equity (ROEs) targeted for the RS and SSH capital assets portfolios as laid down in the State Assets Management Strategy. The goal of attaining 8 % return on equity (ROE) for the RS and SSH portfolios by 2020 is achievable by having in place a suitable portfolio structure and by providing for serious sectoral restructuring. The key tasks for 2016 will be to re-define the sectoral strategies together with line ministries and to restructure the portfolio of assets under management in order to attain the goals set. Slovenian Sovereign Holding will provide for the professional asset management by setting high standards and applying the best practices in the management of enterprises and by implementing constant activities for increasing the corporate governance culture in SSH and at the level of companies managed by/owned by SSH.

Sale-related activities and dividend received by SSH and RS

In 2015, SSH closed and implemented five Sale and Purchase Agreements in regard to capital assets owned by SSH with the total contractual value amounting to EUR 9 million and closed one Sale and Purchase Agreement in regard to the sale of capital assets owned by RS (Nova KBM, d.d.) with the value amounting to EUR 250 million which is expected to be completed in April 2016, after the satisfaction of conditions precedent referred to in the Agreement.

An important source income for SSH is dividend income. The growth trend in dividend pay-outs received by the Republic of Slovenia and SSH for their equity participation continued in 2015. The amount of dividends paid out to SSH (for FY 2014) increased by 22 %, rising to EUR 42.4 million, while the amount of dividends paid out to RS increased by 16 %, rising to EUR 130.8 million.

Settlement of liabilities due to denationalisation beneficiaries and reduction of indebtedness

Slovenian Sovereign Holding continues to actively participate in denationalisation proceedings and in procedures for the determination of compensation for beneficiaries in which property has been resituated to denationalisation beneficiaries in kind. Only the most complex denationalisation cases are still being handled. On behalf of and for the account of the Republic of Slovenia, SSH also settles liabilities under the following laws: ZPOZ, ZIOOZP and ZVVJTO.

Slovenian Sovereign Holding provided cash for the coverage of its liabilities mainly by means of matured deposits and other debt financial investments. An important source of funds to cover SSH liabilities in 2015, in addition to dividend income, were revenues from the sale of capital assets and the sale of UCITS units of mutual funds, and income generated from long-term liabilities due from RS according to laws mentioned above.

In 2015, SSH re-financed all of its financial liabilities in an efficient and timely manner. At the same time, the major part of its financial debt due in 2016 was substituted by sources with longer maturity. Slovenian Sovereign Holding thus repaid EUR 120 million of loans (by issuing unguaranteed 5-year SOS3 bond in the

amount of EUR 100 million, and by obtaining EUR 5 million long-term unguaranteed loan maturing in 2020 and by repaying EUR 15 million of loans). Slovenian Sovereign Holding will continue to gradually decrease its indebtedness in the coming years.

Analysis of SSH operations

Slovenian Sovereign Holding was successful in 2015 and the operating profit and loss before taxes amounted to EUR 58.3 million; after the deduction of deferred taxes, net profit and loss for the reported period amounted to EUR 54.7 million. There was a EUR 88 million income generated, of which approximately 70% amounted for financial income. Dividend income received was again the most significant revenue. Operating expenses amounted to EUR 10,2 million, while interest expenses stood at EUR 19 million (interest expenses are decreasing year-on-year since liabilities arising from SOS2E bonds are decreasing and interest for loans from commercial banks are decreasing).

Risk management

As regards risk management, 2015 saw the update of the SSH Risk Register and implementation of a series of measures which had substantially reduced SSH exposure with the most important operational risk. An important milestone is the adoption of key documents regarding capital assets management by way of which strategic risks related to the absence of a strategy and lack of clearly set operational goals were minimised.

Importance of SSH regulatory compliance and operational integrity is increasing

A transparent asset management system with a clear distinction of competences and responsibilities is required from SSH by way of all tasks and duties defined anew by ZSDH-1. Measures have been established in SSH for the strengthening of integrity and responsibility and accountability and limiting risks regarding corruption, conflicts of interest and internal information abuse in management of assets; at the beginning of 2015, a Compliance Manager was employed by SSH for this purpose.

Future outlook

Slovenian Sovereign Holding actively continues to pursue all sale processes which have been initiated in accordance with the adopted Annual Asset Management Plan 2016. In 2016, a lot of energy and resources will be allocated to activities in connection with the process of sale of the largest Slovenian systemic bank, NLB, d.d., in which regard, one of the goals of SSH is to fulfil all of the processes for sale in due time, as required by the Republic of Slovenia's commitments to the European Commission. Slovenian Sovereign Holding will continue to conduct all processes of the sale of capital assets in accordance with the international practice in this field, in a professional and transparent manner taking into consideration legislation, the internal SSH rules and the European privatisation guidelines and EU rules on state-aid.

The last coupon of the SOS2E bond matures on 1 June 2016 which will end the 20-year period of settling liabilities in regard to the one of the most tradable bond in the Slovenian bond market. Slovenian Sovereign Holding will dedicate all the necessary attention to effective asset and liability management. SSH will continue to implement all statutory and contractual obligations in a regular and timely manner.

The main challenges faced with by SSH in the future are to improve the current profitability ratios of portfolio companies for which even more active and more efficient management of all assets is required, posing a requirement to carry out a thorough sectoral restructuring.

Marko Jazbec
President of the Management Board



The SSH Management Board: Nada Drobne Popovič, MSc, Marko Jazbec, and Anja Strojín Štampar, MSc

CORPORATE GOVERNANCE

In accordance with the provision of Article 70, Paragraph 5 of ZGD-1, Slovenian Sovereign Holding hereby provides the Corporate Governance Statement which forms an integral part of this Business Report; the said Statement is also available on the Company's web site: www.sdh.si. The Corporate Governance Statement refers to the period from 1 January 2015 to 31 December 2015. All significant events taking place after the balance sheet date are described in Chapter 9.7 of this Annual Report, Post-Balance Sheet Events.

I. Corporate Governance Codes - Statement of Compliance with Governance Codes

The Corporate Governance Code for Joint Stock Companies applied for SSH as public limited company in 2015 (authors: the Ljubljana Stock Exchange, the Slovenian Director's Association and the Managers' Association of Slovenia – December 2009; accessible on the Ljubljana Stock Exchange's web site: <http://www.ljse.si/>), in addition to the Corporate Governance code for SOEs which was adopted by SSH Management Board on 1 December 2015, upon the consent granted by the SSH Supervisory Board and pursuant to Article 32 of ZSDH-1 (*accessible on SSH web site: <http://www.sdh.si/>*). In regard to the specific nature of operations, Slovenian Sovereign Holding observed the recommendations of both Codes, except in cases when provisions of the Code failed to refer to the Company due to its specific position.

The Corporate Governance Code for SOEs, which is the legal document used by the manager of state-owned enterprises, recommends good practice in corporate governance and sets expectations from SOEs and is one of the most important legal documents regarding the system of capital asset management with which SSH aims to increase the general level of corporate governance of companies owned by the Republic of Slovenia. The purpose of the Corporate Governance Code for SOEs is as follows:

- to determine in advance more exact rules of conduct by SSH in the management of capital assets of the Republic of Slovenia,
- to establish expectations from enterprises owned/ under management with the goal to optimise the return on investment invested by the State, SSH and ZPIZ,
- to contribute to the efficiency of carrying out services of general economic interest and to the accessibility to infrastructure,
- to contribute to the development and to the growth of national economy, and
- to provide for economically effective privatisation while taking into account other privatization objectives determined upon the sale of individual asset.

In the formulation of Corporate Governance Code for Companies with Capital Assets of the State, SSH consistently took into consideration international guidelines regarding good practice in corporate governance, in particular EU guidelines and recommendations, OECD Guidelines on Corporate Governance of State-Owned Enterprises and OECD Principles of Corporate Governance. An important source was also the Slovenian recommendations regarding good practice, in particular the Corporate Governance Code for Joint Stock Companies. In addition to principles, procedures and criteria regarding the conduct pursued, the Corporate Governance Code for SOEs also includes expectations to be delivered by state-owned enterprises. Some segments of corporate governance are regulated in detail by other Company's legal documents, such as, for example, the Slovenian Sovereign Holding Recommendations and Expectations, and the Slovenian Sovereign Holding Asset Policy.

The Corporate Governance Code for SOEs, the Slovenian Sovereign Holding Recommendations and Expectations, and the Slovenian Sovereign Holding Asset Policy are accessible on the SSH's web site.

During its operation, SSH observes the Corporate Governance Code for Joint Stock Companies and the Corporate Governance Code for SOEs, (reference Codes), in addition to SSH Recommendations and Expectations and SSH Asset Management Policy.

In 2015, SSH deviated from the following recommendations referred to in the reference Codes:

1. Recommendations regarding remuneration for Supervisory Board members and members of Supervisory Board Committees for their services and attendance fees were not fully taken into account due to specific regime applied by ZSDH-1 (*deviation from the Corporate Governance Code for SOEs.*)
2. Contrary to the recommendation regarding the evaluation procedure in regard to the efficiency of work carried out by the Supervisory Board, the SSH Supervisory Board failed to evaluate its work performed in 2015. The deviation from this recommendation is a result of a fully changed Supervisory Board membership structure deployed in 2015. In accordance with the Supervisory Board Assessment Manual (Slovenian Directors' Association, 2011), the assessment takes place once a year, pertaining either to a calendar or a financial year. Since in 2015, the SSH Supervisory Board met in two configurations, the self-assessment procedure was not carried out. This will be done in 2016, after having met with the same membership structure for a longer period of time which is after all more appropriate for conducting a self-assessment (*a deviation from both reference Codes*).
3. The recommendation regarding the preparation of the remuneration policy by the SSH Supervisory Board was not fully taken into account due to specific regime applied by ZSDH-1. The remuneration policy will be adopted and submitted to the General Meeting for its adoption in 2016 (*a deviation from the Corporate Governance Code for SOEs*).
4. The recommendation regarding the conclusion of a fixed term employment contract with a member of the Management Board (for the time period of the tenure) was not taken into account due to the following reasons: higher exposure of the tenure due to the nature of activities carried out by SSH, greater loyalty to the Company, providing for the highest integrity standards, equal treatment of all members of the Management Board (those members who were employed in the Company prior to taking up the position and those who entered into employment relationship with the Company upon their appointment to the function) and the existing practice (former Management Board members used to have fixed-term employment contracts). This recommendation is deleted from the amended version of the Corporate Governance Code for SOEs (*a deviation from the Corporate Governance Code for SOEs*).
5. The mandate of Supervisory Board's Committee (these Committees are composed of Supervisory Board members and independent external experts) by passing a resolution was not determined by the Supervisory Board. In accordance with the Rules of Procedure of the Audit Committee of the SSH Supervisory Board and the Rules of Procedure of the Risk Committee of the SSH Supervisory Board, the engagement of members for both committees is in line with the engagement term of Supervisory Board members. Similarly, the mandate of an independent external expert is linked to the mandate of a Supervisory Board member who has appointed the independent external expert (*a deviation from the Corporate Governance Code for Joint-Stock Companies*).
6. Only gross income and not net income is disclosed by SSH for every individual member of the Management Board and the Supervisory Board, in accordance with statutory requirements, since net income is a result of personal circumstances pertaining to a Management Board member (*a deviation from the Corporate Governance Code for Joint-Stock Companies*).

In its operation, SSH constantly strives to improve corporate governance practices which also includes pro-active corporate communication with various stakeholders. The Company pursues various communication methods as defined in the SSH Asset Policy which is publicly accessible on the SSH's web site.

With the aim of implementing cases of good practice, SSH will improve and upgrade the recommendations referred to in the Corporate Governance Code for SOEs, in the SSH Asset Management Policy, and in the SSH Recommendations and Specifications.

II. Main characteristics of internal control systems and risk management in SSH in connection with financial reporting:

In SSH, risk management and internal control processes are carried out at all levels. The risk management systems ensures the identification and assessment of important risks, the definition of measures for risk mitigation and risk reporting. The internal control system provides for a suitable assurance regarding the attainment of goals and management of main risks. The establishment of the internal control system falls under the responsibility of the SSH Management Control and the necessary controls are incorporated into business processes and systems. The goal of internal controls is to provide for the compliance of operation with legislation and other regulations, with standards, contracts and internal corporate documents, to provide reliable and sound financial information, to safeguard assets, to attain efficient and effective performance and to achieve strategic goals set. The supervision over the functioning of internal controls is carried out by performing management supervision, by deploying internal audit reviews, by performing external audit of financial statements and by employing other independent assessment reviews. The risk management and control mechanisms introduced are presented in more detail in Chapters 1.2.5, 4.7 and 9.2 of this Business Report.

III. Data in respect of Article 70, Paragraph 6 of ZGD-1

In accordance with the provision of Article 70, Paragraph 6 of ZGD-1, Slovenian Sovereign Holding hereby provides data as at the last day of the financial year and all necessary explanatory notes:

1. The structure of the Company'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 a non-certified form.
2. Restrictions regarding transfer of shares:
All shares are freely transferable.
3. Qualified holding as stipulated by Takeovers Act:
As of 31 December 2016, the holder of the qualified holding as stipulated by Takeovers Act was the Republic of Slovenia, holding 36,046 shares, that is 100% of the share capital.
4. Explanatory notes regarding the holder of securities with special controlling rights:
Slovenian Sovereign Holding has issued 36,046 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. Agreements which could result in a restriction of the transfer of securities or voting rights:

There are no such agreements concluded.

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

The Management Board of SSH consists of three members of which one holds the function of the President of the Management Board. The Management Board is appointed by the Supervisory Board upon an international invitation to apply for the position or in cooperation with an international HR agency. 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 violation of duties pursuant to ZSDH-1 or any management-related documents is a severe violation of duties assumed by a Management Board Member. The provisions of ZGD-1 apply for the dismissal of a Management Board Member.

The SSH Supervisory Board consists of five members who are all elected by the National Assembly of the Republic of Slovenia upon the proposal given by the Government of the Republic of Slovenia. The National Assembly of the Republic of Slovenia grants its consent to the proposal given by the Government of the Republic of Slovenia which cannot be modified. The provisions of the act regulating employee participation in management do not apply to the SSH Supervisory Board. Detailed criteria regarding a SSH Supervisory Board Member are laid down in ZGD-1 and ZSDH-1. A SSH Supervisory Board Member 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 applied by SSH in regard to amendments to Articles of Association. Any potential amendments are pursued in accordance with ZGD-1 and the Articles of Association.

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

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

9. Major agreements to take effect, to be amended or cancelled following a change in control over the Company as a result of a public take-over bid:

There are no such agreements concluded.

10. Agreements between SSH and its management or supervision bodies or its employees subject to which a compensation is envisaged, if, due to a bid as determined by the act governing mergers and acquisitions, these persons are dismissed without cause or their employment is terminated:

There are no such agreements concluded.

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

In accordance with the provisions of ZSDH-1, the Government of the Republic of Slovenia is the body that carries out the powers and duties held by the SSH General Meeting. The General Meeting decides on key issues pertaining to SSH which are defined in ZGD-1 and ZSDH-1, in

addition to making decisions on the issue of new shares and on putting them into circulation, and adopting measures for measuring performance of SOEs.

A shareholder exercises rights at the General Meeting. The General Meeting is convened and organised in accordance with applicable regulations. A holder of shares has the right to manage a company, a right to a dividend and a right to receive the corresponding value of assets remaining after the liquidation of a company. The Republic of Slovenia has withheld from its right to receive dividends, as long as the Republic of Slovenia is the sole shareholder of SSH.

V. Data on composition and functioning of supervision and management bodies and their committees:

In accordance with the Companies Act, a two-tier management system has been introduced in SSH, comprising the Management and Supervisory Boards. The Management Board runs the Company and organizes the work and operation of the Company, while the Supervisory Board oversees the running of business. The management of SSH is based on statutory provisions, on the Articles of Association which is the fundamental legal document, internal legal documents and on the established and generally accepted good business practice. Formally speaking, SSH does not pursue the diversity policy to be applied in connection with the presence in management and supervisory bodies as regards gender, age and education, however, regardless of the above stated, management and supervisory bodies are organized in a manner that the complementarity in knowledge, skills and experience of the board members is achieved, while also providing for the board's heterogeneous composition.

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. According to the Articles of Association, the Management Board is composed of the President of the Management Board and Members of Management Board. In 2015, the Management Board was first functioning in a two member-configuration and then with a three-member configuration. The Management Board carried out its work within the scope of Management Board sessions, and in addition to formal board sessions it exercised its powers and duties which are necessary for the daily operation of SSH, together with powers and responsibilities held in respect of the General Meeting, as laid down in ZGD-1 and ZSDH-1. Activities in respect of the Supervisory Board were carried out by the Management Board in accordance with the provisions of 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 the Members of the SSH Management Board represent the Company jointly with the President. Regardless of the ZGD-1 provisions, the Supervisory Board cannot issue a resolution stipulating the obligation to obtain a Management Board's consent for certain transactions, unless so stipulated in ZSDH-1 or in the SSH Articles of Association. The Management Board is obliged to obtain the Supervisory Board's consent for the following transactions:

- for legal transactions for approving short-term loans to entities which do not have the authorisation of the Bank of Slovenia for pursuing banking activities – regardless of the nominal amount of an individual transaction;

- for legal transactions for issuing guarantees to third persons – regardless of the nominal amount of an individual transaction;
- for legal transactions for obtaining or granting loans maturing within more than 365 calendar days – regardless of the nominal amount of an individual transaction;
- for acquiring and disposing of investments which exceed the book value of EUR 5 million as recorded in the share register;
- the adoption of the Criteria for Measuring the Performance of State-Owned Enterprises,
- the adoption of the Annual Asset Management Plan;
- the adoption of the Asset Management Policy;
- the adoption of the Corporate Governance Code for SOEs
- 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 in processes for the disposition of capital assets, the value of which exceeds EUR 5000 per contractor.

The membership of the SSH Management Board in 2015;

- the Management Board until 26 October 2015:
 Mr Matej Pirc, President of the Management Board
 Mr Matej Runjak, Member of the Management Board
- the Management Board from 27 October 2015:
 Mr Marko Jazbec, President of the Management Board
 Nada Drobne Popovič, MSc, Member of the Management Board
 Nada Anja Strojini Štampar, MSc, MBA, Member of the Management Board (*from 1 December 2015*).

Management Board's Consultation Bodies

The Nomination Committee is a consultation body of the SSH Management Board, which, pursuant to ZSDH-1 and SSH Asset Management Policy, carries out duties that relate to the implementation of procedures for recruiting candidates for members of Supervisory Bodies of SOEs, their evaluation and their accreditation. The Nomination Committee is composed of three members which are appointed by the SSH Management Board for the 4 year tenure after having been selected from the list of experts in corporate governance, in HR management and from among the experts with knowledge of the functioning of bodies of supervision.

In, SSH Nomination Committee carried out its work in two configurations;

- Members of Nomination Committee: Dr Andrej Baričič, President
 until 31 March 2015: Mr Anton Travner, MSc, Deputy President,
 Mr Janušek Šefman, Member.
- Members of Nomination Committee: Mr Luka Gaberščik, President
 from 1 April 2015: Mrs Maja Fesel Kamenik, Deputy President
 Mrs Jagoda Vitez, Member.

The Expert Committee for Economic and Social Affairs (ECESA) is the SSH Management Board's consultation body composed of even members that provide opinions and initiatives related to the economic and social affairs. ECESA adopts opinions and initiatives that are related to affairs which result or may result in issues concerning the labour law, the company's Articles of Association or have or may have social impacts for SSH employees of for companies managed by SSH. Its members are appointed by the Slovenia's representative

trade unions and confederations who are members of the Economic and Social Council. Their appointment is approved by the SSH Management Board.

The members of the Expert Committee for Economic and Social Affairs are:

Mrs Lidia Jerkič, President,
Mr Zdenko Lorber, Vice President,
Mr Miroslav Garb,
Branimir Štrukelj, MSc
Mr Franc Zupanc,
Mrs Irena Valenti,
Dr Janez Posedi (*until 21 September 2015*),
Mr Jakob Počivavšek (*from 21 September 2015*).

Supervisory Board

Until 17 July 2015, the Supervisory Board carried out its duties with members which had hold the office prior to the transformation of the company in 2014; after that, a five-member Supervisory Board was appointed, in accordance with ZSDH-1. There are two committees operating within the SSH Supervisory Board in 2015: the Audit Committee and the Risk Committee. Owing to the appointment of the new Management Board, in accordance with the provisions of ZSDH-1, the Nomination Committee of the Supervisory board was operational in the period from 26 August 2015 to 26 October 2015 (members of this Committee were all members of the Supervisory Board; the Committee was presided over by Dr Barbara Smolnikar) and its assignment were completed when the new SSH Management Board was appointed.

Members of Supervisory Board :

- until 17 July 2015:

Mr Samo Lozej, President of the Supervisory Board
Mr Stane Seničar, Vice President,
Mrs Nives Cesar, Member,
Mr Roman Dobnikar, Member
Mr Pavle Gorišek, Member,
Mrs Simona Razvornik Škofič, Member,
Mr Miran Škof, Member.

- from 17 July 2015:

Mr. Damjan Belič, President of the Supervisory Board
Mr Drago Ferfolja, Vice President,
Mrs Lidia Glavina, Member,
Mr Duško Kos, Member,
Dr Barbara Smolnikar, Member.

Members of Audit Committee:

- until 17 July 2015:

Mrs Nives Cesar, Member,
Mr Miran Škof, Member,
Mrs Andreja Bajuk Mušič, External Member.

- from 23 July 2015:

Mrs Lidia Glavina, President
Mr Duško Kos, Member,
Mr Aldo Gabrijel, External Member (*from 16 September 2015*).

Members of Risk Committee:

- until 17 July 2015: Mr Stane Seničar, President,
Mrs Nives Cesar, Member,
Mrs Petra Mlakar, External Member

- from 23 July 2015: Dr Barbara Smolnikar, President,
Dr Drago Ferfolja, Member,
Mrs Darinka Virant, External Member (*from 16 September 2015*).

VI. Compliance and corporate integrity system

A strong integrity of SSH is important for implementing the SSH mission, particularly in regard to the management of capital assets and their disposition. SSH also strives to achieve strong integrity by implementing statutory provisions and codes and rules of conduct which have been adopted by the Management Board with the aim to ensure the transparency of operations in SSH to make SSH a role model in the field of corporate governance of companies. This efforts mainly include the commitment to operate in an ethical manner, in accordance with the highest expectations and standards, all of this pursued with the aim to introduce good practices in corporate governance and to maximise assets managed by SSH.

In January 2015, the Compliance Manager was appointed to establish and to implement the regulatory compliance and operation integrity system ("Compliance Manager"). The Compliance Manager regularly reports to the SSH Supervisory Board (i.e., every three months) on activities carried out and in regard to the compliance. In 2015, there was no illegal influence exercised in regard to his work and the Compliance Manager was granted the necessary independence in carrying out the duties. The Compliance Manager had the necessary support provided by the Supervisory Board and the Management Board and the heads of departments which, together with the awareness on the importance of the function, is important for successful work.

Amidst the statutorily stipulated documents, the Compliance Manager designed a draft Integrity Plan which was approved by the SSH Supervisory Board after a positive opinion was granted to it by the Committee for the Prevention of Corruption. The integrity plan is a tool for internal supervision which identifies and limits corruption risks, conflict of interest, unauthorised disclosure of inside information and protected data and restricts trading with confidential data and other illegal and unethical conduct in SSH and in regard to companies in which SSH has majority or controlling influence, and in relation to external stakeholders. The Integrity Plan is published on the SSH web site. In addition to regulatory documents, additional organisational and technical measures for the protection of confidential data and for the prevention of misuse of inside information were adopted; for example, monthly reporting to the Securities Market Agency on the list of SOEs in regard to which SSH had obtained confidential data or inside information, secondly, reporting on all transactions involving investments classified on the aforementioned list, thirdly keeping the gift register and the register of unofficial contacts, and providing for the traceability of communication between SSH, state authorities and other persons of public law. The Compliance Manager records procedures for the disclosure of conflict of interest, recusal from processes and from making decisions about recusal.

The efficient, uniform and transparent management and coordination of the procedure for the handling of information on alleged irregularities in SOEs, a three-member Committee was appointed in 2015 which directs the work of every individual asset manager. The handling of individual reports on alleged irregularities is pursued on a risk-based approach. The Compliance Manager regularly reports to the SSH Management Board specifically, every three months. In 2015, the whistle-blowing system was introduced in SSH in order to protect

employees who, in good faith, report alleged irregularities or information of unethical conduct pursued by superiors, in addition to other alleged irregularities.

Ljubljana, 19 April 2016

Nada Drobne Popovič, MSc.
Management Board Member

Anja Strojin Štampar, MSc
Management Board Member

Marko Jazbec
Management Board President



SLOVENIAN SOVEREIGN HOLDING

SLOVENIAN SOVEREIGN HOLDING - COMPANY AND GROUP

BUSSINESS REPORT

FOR YEAR ENDING 31 December 2015

1. COMPANY DETAILS

Corporate name:	Slovenian Sovereign Holding
Registered office:	Mala ulica 5, 1000 Ljubljana, Slovenia
Activity code:	64.990
VAT ID:	SI 46130373
Registration No.:	5727847
No. of employees as of 31 December 2015:	71
Registered legal form:	public limited company registered with Ljubljana District Court, under the Reg. Entry No. 1/21883/00
Date of incorporation:	19 February 1993
Date of company transformation from SOD into SSH:	11 June 2014
Share capital:	EUR 60,166,917.04

1.1. SSH in figures

EUR 913.5 million	in assets as of 31 December 2015
85.74 %	of the Company's total assets placed as equity investments
EUR 68.4 million	in value of receivables due from the Republic of Slovenia under ZSPOZ, ZIOOZP and ZVVJTO
EUR 325.1 million	of the total capital of the Slovenian Sovereign Holding as of 31 December 2015
29	active capital investments in Slovenia in the ownership of SSH as of 31 December 2015
68	active capital investments in Slovenia in the ownership of the Republic of Slovenia as of 31 December 2015) under the management by SSH (<i>excluding mutual funds</i>)
5	concluded Sale and Purchase Agreements in regard to capital stake owned by SSH in 2015
1	concluded Sale and Purchase Agreement in regard to capital stake owned by RS in 2015
5	implemented Sale and Purchase Agreements owned by SSH in 2015
EUR 9 million	in the inflows from capital investments in 2015
17,252,443,	SOS2E bonds delivered by 31 December 2015
EUR 141.0 million	of settled liabilities arising from denationalisation in 2015
EUR 16.9 million	in the outflows arising from compensation settled on behalf and for the account of the Republic of Slovenia in 2015
EUR 54.7 million	net profit or loss of the Company in 2015

1.2. SSH PROFILE

1.2.1. Main Areas of Operation

Asset Management

The management of capital assets in direct or indirect ownership of the Republic of Slovenia includes the acquisition and disposition of capital assets and the exercise of rights of a shareholder. The Slovenian Sovereign Holding manages its capital assets in a responsible manner and in line with good practice in corporate governance. On its own behalf and for the account of RS, and on its own behalf and for its own account, the Company enforces corporation rights arising from individual equity investments held by the Republic of Slovenia.

When managing capital assets, and by taking into account the specific characteristics of operations regarding individual companies, SSH will advocate the increasing of the profitability of individual companies and of the portfolio as a whole – while simultaneously taking into account risks which are usually an intrinsic part of higher profitability levels.

This also include the management of SSH asset portfolio intended for the provision of the Company's recurrent liquidity.

Denationalisation

The Slovenian Sovereign Holding was established for settling liabilities due to beneficiaries under ZDen and other regulations governing the denationalisation of property. For implementing these duties, SSH

- participates in denationalisation proceedings and in procedures for the determination of compensation for liable entities in which property has been resituated to denationalisation beneficiaries in kind. In these procedures, the compensation amount attributable to beneficiaries on the basis of the above mentioned laws is consistently and accurately determined;
- regularly enforces final decisions issued in proceedings regulating denationalisation of property by issuing SOS2E bonds.

Settlement of liabilities arising from compensation

On behalf of and for the account of RS, the Company performs duties stipulated by special laws also regulating the method for the financing of these duties The Slovenian Sovereign Holding implements three laws, i.e.:

- it implements final decisions on the determination of the compensation amounts arising from compensation owing to the abrogation of the penalty concerning the confiscation of property (ZIOOZP);
- it issues and implements decisions on the compensation amount for beneficiaries on the basis of compensation to victims of war and post-war aggression (ZSPOZ);
- implements written settlements and final decisions for beneficiaries on the basis of reimbursements of investments into the public telecommunication network (ZVVJTO).

1.2.2. Vision, mission, strategic policies and values

Vision:

Generating value for the owner from capital assets

Mission:

Since the State is an important owner of companies in Slovenia, the main duty of SSH is a responsible, professional and active management of state-owned enterprises. Among other matters, active ownership means focusing on creating value for owners, that is, the Republic of Slovenia and SSH. The ultimate objective of state-owned companies being managed by SSH is effective, profitable, economical operation, creation of value, and in many cases, efficient management of duties of specific public interest. The SSH mission in regard to the disposition of capital assets is to manage all processes in a transparent, effective and internationally comparable manner that provides for equal treatment of all investors and to strive for maximising the economic impact of the sales of shares of SOEs.

SSH also takes part in denationalisation proceedings and provides for a reliable and full settlement of all statutory liabilities due to beneficiaries.

SSH Strategic Policies

Strategic policies are directions selected for approaching the SSH vision in the next long-term period, and they form the basis for defining the operation of SSH as an integrated organisation.

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:

- the restructuring of the portfolio of assets under management for achieving objectives laid down in the State Assets Management Strategy,
- providing for the professional competence and expertise of the management by setting high standards and applying the best practices in the management of enterprises and implementing constant activities for increasing the culture of corporate governance in SSH and companies managed by SSH.

The focus is the second direction which will ensure that sources and energies will be focused on such factors that will return the highest value for the owners of capital assets. The main factors included in the second direction comprise:

- stabilising the capital asset portfolio;
- increasing and taking advantage of synergies within the capital assets portfolio and by means of the environment in which SSH operates.

Creating value is the most important direction for achieving the SSH vision and the main principle in the operation of SSH. The main factors included in the said second direction comprise:

- increasing the capital efficiency by an active and efficient management of enterprises and stakeholders in the environment in which the companies operate;
- increasing the capital of SSH with the goal to increase the profitability of the entire portfolio; and
- implementing activities aiming at the development and improvement of the environment in which SSH operates with the goal of pursuing sustainable operation in social, economic and environmental aspects.

SSH Values

The values which from the foundation of SSH operations are inter-related, giving the basis for activities pursued and for decisions made by SSH;

- Excellency in all aspects of operation within SSH and in the environment in which SSH operates;
- Integrity among all SSH stakeholders;
- Meritocracy-based operation in which measured performance and demonstrated achievements count,
- Respect to all SSH internal and external stakeholders and in regard to all aspects of economic operation;
- Confidence and trust in people;
- Professional competence and expertise as the main criteria for managing and implementing the Strategy.

1.2.3. Objectives and future development of SSH

The main directions in the operation of Slovenian Sovereign Holding are:

- to improve the image of Slovenian Sovereign Holding as a professional state assets manager by constantly and consistently observing and implementing the statutory asset management principles and the State Assets Management Strategy;
- to increase the quality and analytical value of information platforms needed for the management of capital assets and to play an active role in the financial and business restructuring of assets, together with corporate restructuring with the aim of increasing the value of assets, providing for comparable rates of returns and achieving other legitimate strategic goals;
- to continue the privatisation processes and to increase the efficiency of the disposition of assets and prudent acquisition of new assets;
- to improve the quality or risk management systems and internal controls;
- to conduct professional and traceable communication activities and to exchange viewpoints with representatives of all the most stakeholders of SSH, in accordance with ZSDH-1-

The objectives pursued by SSH in state asset management are: the increasing of the value of assets, the provision of the highest possible returns to the owners and the attainment of other potential strategic objectives regarding the assets which are defined as strategic by way of governance documents. For attaining its objectives, SSH will advocate the improvement of corporate governance in SOEs, it will follow the long-term interests of companies which may be exclusively economic, national and strategic goals, a combination of both goals while being simultaneously oriented towards the sustainable development of companies; in addition, SSH will support the establishment of such ownership structure which will ensure for SSH efficient management, competitiveness and successful development in the long term.

A very important part of activities pursued by SSH is oriented towards establishing suitable expectations from SOEs, and a system for verifying whether expectations set have been achieved by these enterprises. The lowest expected level of corporate governance is the level envisaged by the law and the Corporate Governance Code for SOEs. Some individual expectations are being communicated to SOEs by means of SSH Recommendations and Expectations.

The objective of SSH is also to finish denationalisation proceedings and to provide for a reliable settlement of all statutory obligations due to beneficiaries.

1.2.4. Organisational Structure of Slovenian Sovereign Holding and its employees

Business processes in SSH are organised by functions into departments and services.

Organisational Structure and Employees of the Slovenian Sovereign Holding as of 31 December 2015



In 2015, some personnel-related changes were implemented in SSH. On 1 January 2015, the Compliance Manager was employed by SSH, as stipulated by ZSDH-1. By merging with PDP, d.d., on the basis of universal legal succession, four employees were taken over by SSH on 1 July 2015. On 26 October 2015, the SSH Supervisory Board appointed new Management Board in accordance with ZSDH-1, and as a consequence, two Management Board Members were employed anew. In 2015, two employees retired, and the employment of six employees was terminated on various grounds. With the aim of optimizing business processes, some internal changes in staff were deployed. At the end of 2015, there were 71 employees employed at SSH.

Educational structure of SOD's employees as of 31 December 2015

Education level:	No. of employees as of 31 December 2015	Average no. of employees in 2015?*
Secondary education (V)	5	5.00
Higher education first-tier diploma (VI/1)	5	5.58
University education (VII)	5	5.00
University education/Bologna Master's Degree (VII)	48	48.33
Master of Science (VIII)	8	6.91
Total	71	70.82

Note: * the average number is calculated using monthly data for the number of employees at the end of the month

The Company strives to design the optimum HR and educational structure of its employee, dedicating special attention to regular training of its employees. In 2015, employees from all organisational units took part in individual training programmes relating to various areas of the

Company's operation which in total comprised approximately 500 hours of training. Employees also took part in specialized training sessions intended for employees in charge of corporate governance and in other areas of work which were dealt with at the sessions. These sessions were also open to external participants - members of Supervisory Boards of companies under management, and other representatives of companies dealing with corporate governance.

1.2.5. Internal control system and risk management

The internal control system is established within the Company; the said system is regularly monitored and upgraded.

The Internal Audit Service was established to carry out supervision of all processes and situations within the Company with the aim to determine whether the information and reports on the operation of individual areas of work as well as regarding the Company are accurate and reliable and whether the operation is run in an efficient and effective manner, in accordance with regulations and defined business goals. The Internal Audit Service assessed the suitability and efficiency of the established internal controls. In 2015, the Internal Audit Service carried out independent audits and, in regard to the audit areas, provided its assurance that the internal control system in the audited areas is established, operational and effective. Several recommendations were proposed and their implementation was regularly verified. The Internal Audit Service regularly informed the SSH Management Board and the Supervisory Board's Audit Commission of its findings and recommendations.

The external audit review which is carried out for the purpose of auditing the SSH Annual Report verifies and submits proposals in connection with internal controls and risk management.

Risk management is an important feature of the Company's management and governance system in SSH with an important impact on business decisions. Risk management is a logical, planned and deliberate process which, among other matters, includes the determination of the Risk Management Policy, the types of risks and the measurement of risk protection which enables SSH to experience the least volume of losses and the highest volume of opportunities. The efficient risk management ensures the following: a clear understanding of risks which SSH is exposed to; the forecasting of changes in the business environment; an efficient selection of suitable measures, procedures and strategies for managing risks; a conscious consideration of uncertainty in the processes of planning, operation and supervision; the existence and operation of internal control and processes built into the organisational structure which function as tools for managing and monitoring risks so that measures, procedures, controls and strategies reducing risks during the attainment of goals are actually realised.

Aiming at efficient risk management, the Risk Management Rules have been adopted to determine the following:

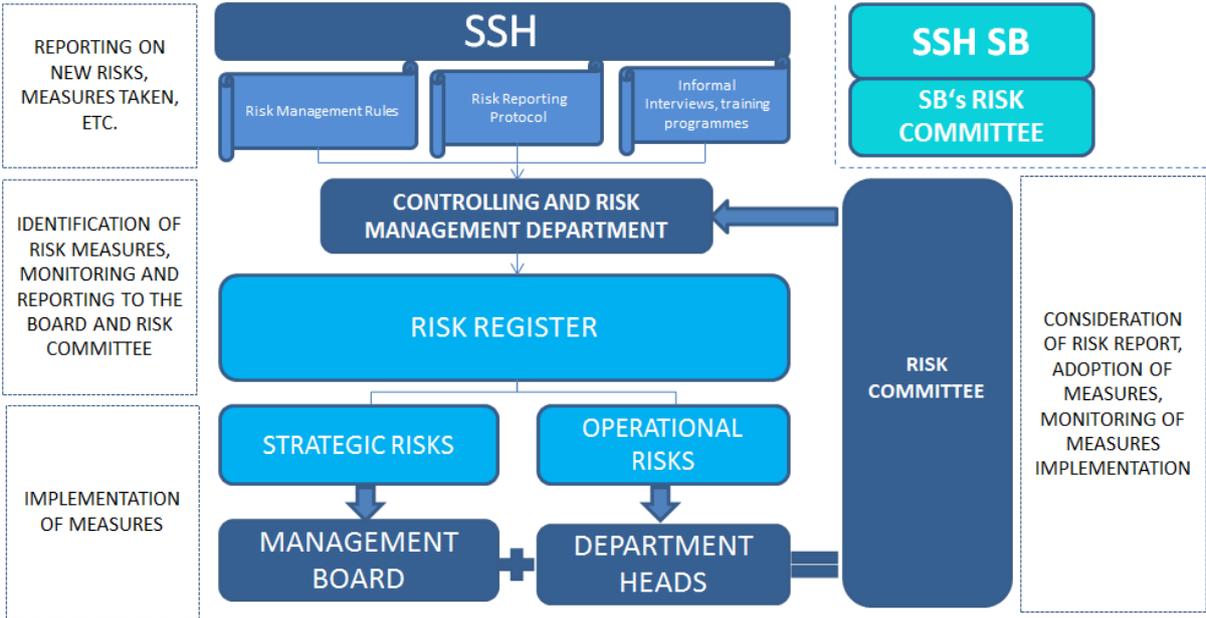
- the organisation of the risk management process,
- the Risk Management Policy,
- the definition and identification of risks,
- the evaluation and classification of risks and the measurement relating to risk exposure,
- the persons responsible for the implementation of measures for minimising/eliminating risks,
- time periods for the implementation of measures for minimising/eliminating risks,
- the measurement system for monitoring the successfulness of risk protection,
- reporting on management/control of risks.

In 2015, the SSH Risk Register was supplemented with definitions in regard to the risk levels that are acceptable for SSH with potential individual threats, and the price range of financial consequences resulting from the realisation of individual threat was given, together with costs for taking action to mitigate individual risks.

The Risk Committee was established in SSH tasked with the assignment to examine risk reports, to assess the suitability of risk estimation, to provide proposals for measures and persons responsible for implementing these measures, and to monitor the implementation of measures. Strategic and other key risks are also monitored by the Risk Committee functioning within the SSH Supervisory Board.

In SSH, risks are divided into three main groups: strategic risks, risks related to non-compliance and operational risks. The fundamental strategic risks are connected with the attainment of objectives determined in strategic documents and with the provision of liquidity and solvency of SSH. Risks related to non-compliance include the provision of independent operation of SSH, the misuse of internal information and unauthorised disclosure of confidential data and regulatory risk. Key operational risks are connected with the performance of SSH core business, i.e., management and disposal of capital assets owned by SSH and/or RS and risks connected with information technology. SSH has adopted relevant measures to manage each of risks mentioned; these measures are verified and supplemented, taking into consideration potential consequences of the realisation of threats and costs for implementing measures.

The risk management process flow chart



Presentation of Company's solvency situation as of 31 December 2015

Throughout 2015, the Company regularly monitored its solvency situation. On the basis of the examination of the situation and established facts, SSH concluded the following

- the value of the Company's assets as of 31 December 2015 exceeds its total liabilities;
- the uncovered loss exceeds one half of its share capital but, at the same time, SSH has at its disposal a relatively high surplus amount arising from the revaluation of

financial assets which is expected to be converted into other capital categories during the process of the sale of assets in the years to come;

- 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;
- several long-term loans obtained by SSH in 2009 and 2010 for the purpose of supplying its own funds allocated for the payment of compensation under ZVVJTO, and for maintaining its current liquidity, are secured by way of guarantees issued by the Republic of Slovenia;
- by way of the Constitutional Court Judgement No. U-I-140/94 of 14 December 1995, it was determined that the Republic of Slovenia is obliged to provide additional funds to the Company when the Company's sources of funds do not suffice for the regular settlement of the Company's liabilities in accordance with the Denationalisation Act, the Cooperatives Act and other regulations governing the restitution of property.

On the basis of the above-stated findings, it is determined that:

- Slovenian Sovereign Holding settles all its liabilities in due time;
- the Company does not default on the payment of salaries and on settlement of the salary-related taxes and benefits,
- all loans by commercial banks (*i.e.*, EUR 335 million of EUR 340 million) have been secured by guarantees granted by the Republic of Slovenia;
- the above mentioned Constitutional Court Judgement binds the Republic of Slovenia, when SSH funds do not suffice for the regular settlement of the Company's liabilities, to provide for additional funds for this purpose.

It is clear from the above stated that the Company's short-term and long-term solvency is provided for.

1.3. REPORTING ON SUSTAINABLE DEVELOPMENT

The sustainable development of SSH forms an integral part of business processes in SSH and, to the greatest possible extent, the principles of sustainable development are included in cooperation and communication with companies owned and managed by SSH and with investors.

Public relations

Media are considered to be of key importance in conveying messages between SSH and its public groups. This is why, as regards SSH relations with the media, it is vital to ensure honest and fair communication with journalists and other public groups with the aim to improve the level of information, to contribute to better understanding of SSH operation and to provide support in the attainment of the Company's goals. These goals were realised by providing answers to questions raised by journalists, by issuing press releases, by responding to media reporting when this was necessary in order to ensure full information to the public, by organising occasional press conferences, by providing broader explanatory notes to the media, by publishing the Company's voting positions for all General Meetings of companies, by giving occasional interviews, by having the management take part at public round tables and conferences and by publishing other publicly accessible documents. SSH replies to numerous questions raised by journalists and received on a daily basis in a fast, comprehensive and thorough manner.

The SSH web site - www.sdh.si - is the tool for implementing transparency in regard to various stakeholders and the general public

The screenshot shows the website interface for Slovenian Sovereign Holding (SSH). At the top, there is a search bar and navigation links for Home, For the media, Contacts, Sitemap, and SLO. The main navigation menu includes News, Asset management, Privatization, and About SSH. The central banner features a photograph of modern architecture and the text 'SSH - central ownership entity of Slovenia' with a 'More about SSH' button. Below the banner, there are several news items dated 20.10.2016, 19.10.2016, 14.10.2016, and 13.10.2016, covering topics like job vacancies, annual reports, and capital management. A 'CALENDAR OF AGMS' section is also visible, showing a grid of dates for shareholder meetings.

Slovenian Sovereign Holding dedicates special attention to the transparency of state assets management and in regard to all other activities conducted by SSH. For this purpose, a modern, transparent and informational on-line presentation has been prepared. The areas in regard to asset management, sale processes and other company's activities are presented in an integrated manner. All reports from General Meetings of Shareholders held by portfolio companies are regularly published, all significant pieces of information in regard to sale processes managed by SSH are revealed, press releases are put out and the accreditation and nomination systems for candidates for SOEs' Supervisory Board members are presented. Similarly, Slovenian Sovereign Holding regularly publishes announcements of training sessions for

SOEs' Supervisory Board members and all other important notifications and legal documents which affect all SOEs. All annual and quarterly reports on SOEs management which are prepared by SSH in accordance with ZSDH-1 are available for the general public. Annual and interim reports on SSH performance are published.

Investor relations

Slovenian Sovereign Holding provides for the transparency of its operation which is ensured by publishing information which are important for bond investors. Two bonds issued by SSH are listed on the Ljubljana Stock Exchange, specifically: SOS2E and SOS3.

Bond investors may follow all important announcements issued by SSH through SEOnet and via notifications published on the Company's web site: www.sdh.si.

Relations with companies

The efficient supervision of operation of state-owned enterprises is one of the most important pillars of effective asset management. Slovenian Sovereign Holding monitors performance of SOEs through quarterly financial reports and quarterly meetings prepared on the basis of such reports which are organised with Supervisory Boards and/or Management Boards of SOEs. At these meetings SSH presents its viewpoints and expectations in regard to performance of an individual company. Periodic meetings are intended to verify the current performance results and the business planning process of a company with the aim to ensure successful performance and to reach for long-term development of an enterprise. "Ad hoc" meetings are organised several times, particularly in the event of unpredicted yet particularly important developments which may have an impact on the attainment of the goals which have been set and which may affect the value of a company.

In 2015, the Company continued with the organisation of several training sessions dedicated to the members of supervisory boards and to representatives of companies dealing with

corporate governance with the aim to improve professional expertise and to promote cases of good practice.

Relations with state authorities and other entities of public law

The activities carried out by SSH are closely connected with decisions made by state authorities and other state bodies operating in sectors in which an individual company from the SSH/RS portfolios operates. The Article 7 of ZSDH-1 stipulates that communication between SSH, state bodies and other entities of public law must be traceable. This is why SSH has prepared Instructions on Traceability of Communication between SSH and State Bodies and other Entities of Public Law. These instructions thus regulate the method of ensuring traceability as stipulated by ZSDH-1.

Relations with employees

At the end of 2015, there were 71 employees employed at SSH, and of this number, the majority of employees held long-term employment contract. Part-time employment is an exception in SSH. As regards the employment structure by gender, as of the end of 2015, women held 69% of all employees, and men 31%. The fluctuation of staff is relatively low.

Considering the reorganisation which was launched at the end of 2015 and which entered into force in the first months of 2016 (specifically, on 1 April 2016), the Staff Development Plan is planned to be prepared in 2016; the plan is expected to deliver the HR Development Strategy in order to improve the efficiency, effectiveness and consequently the satisfaction of employees which, as expected, will be reflected in business results, in the attainment of strategic goals and in the provision of long-term successful performance of SSH.

Sustainable relations with employees are reflected in the constant improvement of organisational culture in SSH which was also contributed to firstly, by the Code of Ethics adopted in 2015 and in which the fundamental values of employees are stated, and secondly, by Rules on Prevention of Mobbing and other Forms of Harassment at Work Place.

In 2015, Slovenian Sovereign Holding made a step forward by obtaining the Family Friendly Company Certificate as the Company has thus committed itself to facilitate better the coordination between the business and private family life and to show a better degree of tolerance in exceptional family situations. Employees were informed several times about fifteen measures to be pursued within the scope of a family friendly project, and details on the use and implementation of measures are available at all times in printed and electronic versions of the Family Friendly Company Protocol.

Throughout the year, the Company sends its employees from various areas of work to different training programmes. In this regard, the requirement for new know-how or the improvement of the existing knowledge is taken into account. Training sessions organised by SSH for employees in SOEs contribute greatly to the improvement of knowledge. These training programmes are regularly attended by SSH employees.

A practical training on safety at work and fire safety was organised anew in 2015. The new plan for the promotion of health at work is being prepared which is expected to be upgraded during the first months of the following year. The promotion related to the health at work will be carried out together with some other measures connected with the family friendly company criteria, for which a great interest has been expressed by employees.

The internal communication function plays an important role in achieving good relations with employees. Open and regular communication between employees and the management of the Company is of vital importance. The Intranet Project will be launched in 2016 with the aim

to improve the flow of information among employees in the Company. One of the goals is also to improve the identification of employees with the vision, strategic policies, mission and objectives of SSH.

In SSH, the Works Council which connects the employees with the Management Board. Most of activities carried out by the Works Council are usually pursued during the Company's reorganisation.

1.4. SLOVENSKA ODŠKODNINSKA DRUŽBA BONDS

Slovenian Sovereign Holding has issued two bonds, i.e., SOS2E and SOS3.

The SOS2E bonds are handed over by SSH on the basis of final decisions adopted in denationalisation proceedings. The last coupon of this bond matures on 1 June 2016.

About SOS2E bond

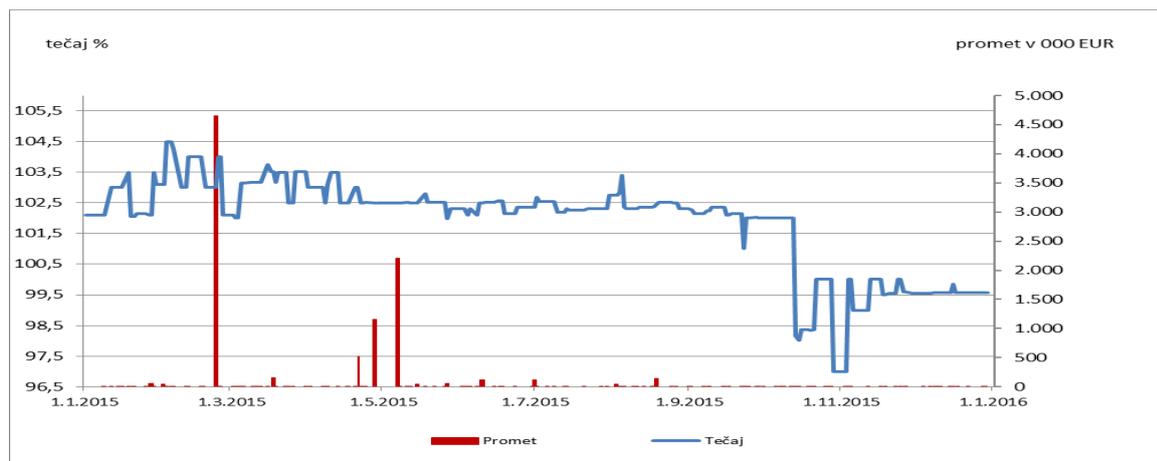
Bond symbol	SOS2E
Commencement of interest calculation	1. July 1996
Maturity date	1. June 2016
Annual interest rate	EUR + 6 %
Coupon pay-out	Semi-annual: 1 June and 1 December
Denomination composition	EUR 51.13
Unpaid balance of denomination value as of reporting date	EUR 3.73

Trading data for SOS2E bonds for 2015

Trading data	
Value as of 31 December 2015 (in %)	99.57
Maximum value in 2015:	104.5
Minimum value in 2015:	97
Turnover in thousands of EUR	9,731
Market capitalisation in thousands of EUR	64,075
Number of trades	226

SOS2E bonds are listed on the Ljubljana Stock Exchange under the bond market segment. The SOS2E bond was the most tradable bond in the regulated bond market in 2015, reaching a turnover of EUR 9.7 million which represents 17.41 % of total bond turnover.

Movement of SOS2E and its turnover at the Ljubljana Stock Exchange in 2015



At the end of June 2015, the issue of EUR 100 million of SOS3 bond was successfully carried out by SSH. It was mainly insurance and re-insurance firms, pension funds and other funds, as well as banks and other investors that have subscribed to this bond. By issuing this bond, SSH has accomplished several goals and has diversified its financial sources, extended the maturity of financing and re-financed financial liabilities arising from loans which mature in 2016.

About SOS3 bond

Bond symbol	SOS3.
Issue amount	EUR 100,000,000
Insurance	ordinary, unguaranteed
Commencement of interest calculation	24 June 2015
Maturity date	24 June 2020
Annual interest rate	2.5 % fixed
Interest pay-out	annually
Denomination composition	EUR 1,000
Trading	LJSE

Bonds were listed on Ljubljana Stock Exchange on 11 August 2015.

2. SLOVENIAN SOVEREIGN HOLDING - COMPANY AND GROUP

2.1. ORGANISATION OF THE GROUP

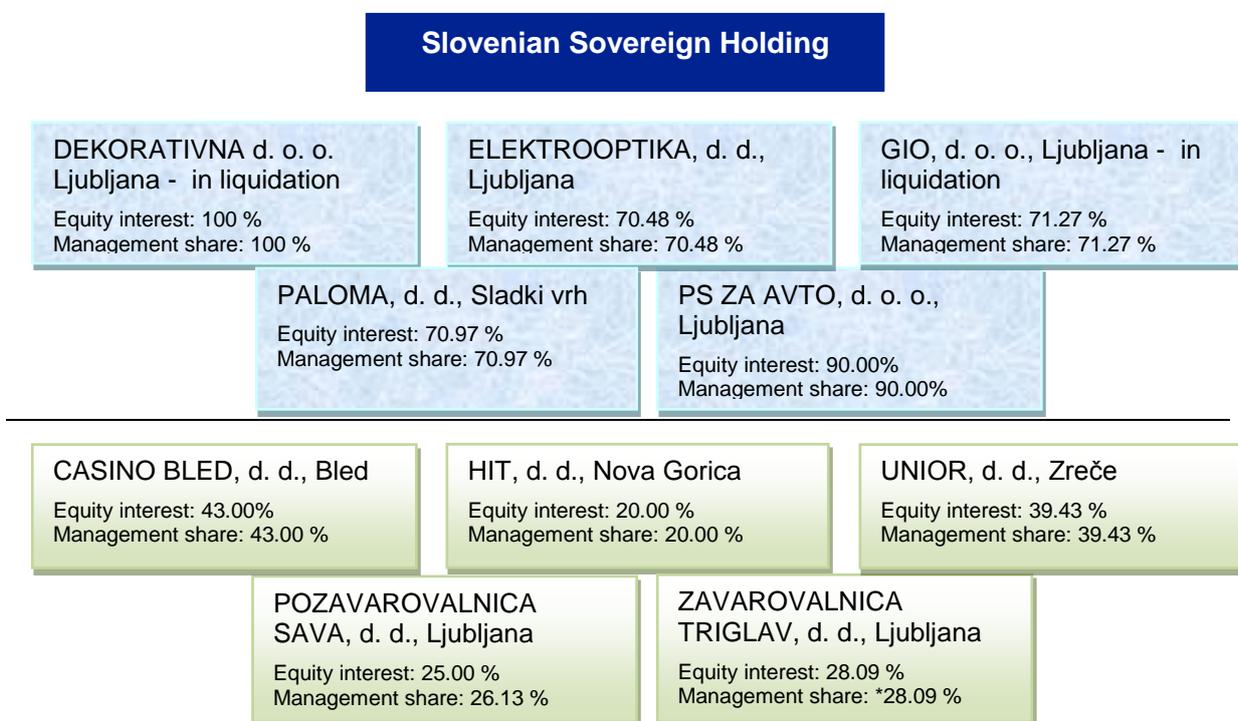
As of 31 December 2015, SSH is the controlling company drawing up the consolidated annual report for the broadest circle of companies within its Group.

As of 31 December 2015, SSH

- controlled the following subsidiaries:
 - DEKORATIVNA d. o. o. Ljubljana - in liquidation, Dunajska 160, Ljubljana,
 - ELEKTROOPTIKA, d. d., Stegne 7, Ljubljana,
 - GIO, d. o. o., Ljubljana - in liquidation, Dunajska cesta 160, Ljubljana,
 - PALOMA, d. d., Sladki vrh 1, Sladki vrh,
 - PS ZA AVTO, d. o. o., Tržaška cesta 133, Ljubljana.

- exercised a significant influence in the following companies regarded as its associate companies:
 - CASINO BLED, d. d., Cesta svobode 15, Bled,
 - HIT, d. d., Delpinova ulica 5, Nova Gorica,
 - POZAVAROVALNICA SAVA, d. d., Dunajska cesta 56, Ljubljana,
 - UNIOR, d. d., Kovaška cesta 10, Zreče,
 - ZAVAROVALNICA TRIGLAV, d. d., Miklošičeva cesta 19, Ljubljana.

2.1.1. Equity interest of the controlling company in associates as of 31 December 2015



Legend: Subsidiaries: 
 Associates: 

Note:

In accordance with Article 85 of ZSDH-1, the management of capital asset held by ZPIZ (equity interest: 34.47%) in Zavarovalnica Triglav, d.d., was transferred to SSH.

2.2. BASIC INFORMATION ON SUBSIDIARIES WITHIN THE GROUP

DEKORATIVNA d. o. o. Ljubljana - in liquidation

Registered office: Dunajska cesta 160, 1000 Ljubljana
Liquidator: D.S.U., družba za svetovanje in upravljanje, d. o. o., Ljubljana
Ownership structure: SSH 100%
Core business: the Company is subject to liquidation proceedings

In 2015, the company generated net profit in the amount of EUR 18,000 according to non-audited data. At the end of 2015, there were no employees employed in the company.

Dekorativna d. o. o. Ljubljana – in liquidation, is not a significant company for the Group therefore it has not been included in the consolidated financial statements of SSH Group.

ELEKTROOPTIKA, d. d., Ljubljana

Registered office: Stegne 7, 1000 Ljubljana
Director: Rebeka Lea Kovačič
Ownership structure: SSH 70.48 %, G:I. Dakota investments limited 11.80 %, Iskra d. o. o., 10.40 %, and other minority shareholders.
Core business: Consulting services

The company does not render any services. In 2015, Elektrooptika, d. d., generated loss in the amount of EUR 30,000, according to non-audited data. At the end of 2015, there were no employees employed in the company.

Elektrooptika, d. d., is not a significant company for the Group therefore it has not been included in the consolidated financial statements of SSH Group.

GIO, d. o. o., Ljubljana - in liquidation

Registered office: Dunajska cesta 160, 1000 Ljubljana
Liquidator: Law firm Fašun, Melihen, Milač, Strojani, d. o. o.
Ownership structure: important owners: SSH - 71.27 %, Kapitalska družba, d. d. (hereinafter referred to as: "KAD") - 28.68 %
Core business: the Company is subject to liquidation proceedings

In 2015, the company generated net loss in the amount of EUR 72,000 according to non-audited data. At the end of 2015, there were no employees employed in the company.

GIO, d. o. o., Ljubljana – in liquidation, is not a significant company for the Group therefore it has not been included in the consolidated financial statements of SSH Group.

PALOMA, d. d., Sladki vrh

Registered office: Sladki vrh 1, 2214 Sladki vrh
Director: Tadej Gosak
Ownership structure: SSH – 70.97 %, Clearstream Banking SA 8.60 %, Avtotehna, d. d., - 4.10 % and other minority shareholders
Core business: manufacture of paper

Paloma is a public limited company with a more than 140-year tradition in the manufacture and marketing of hygienic paper products in Europe. The markets its products under the Paloma brand, which is well known in the region. The company's annual capacity is 70,000 tonnes of hygienic paper, which is processed into toilet paper, kitchen towels, napkins, tissues, universal towels, industrial towels, medical towels, folded toilet paper packs and toilet paper packaged in maxi rolls. The product range also includes parent reels and paper dispensers. In addition to the Paloma brand, the company develops and manufactures products under the brands of leading retail chains throughout Europe.

In 2015, the company generated net profit in the amount of EUR 705,000 according to non-audited data. At the end of 2015, there were 675 employees employed in the company.

PS ZA AVTO, d. o. o., Ljubljana

Registered office: Tržaška cesta 133, 1000 Ljubljana
Director: Brane Obal
Ownership structure: 90% of the company's share capital is owned by SSH and 10% by Kapitalska družba, d. d.
Core Business: property rental activities, asset management

The main activities of PS ZA AVTO, d. o. o., are oriented towards the disposal of property, to the settlement of denationalisation disputes and other law suits and to the provision of the diligent management of company assets. Only one person with indefinite time employment contract is employed in the company, together with the director on a part-time employment contract.

In 2015, the company generated net profit in the amount of EUR 71,000 according to non-audited data. As of 31 December equity disclosed by PS ZA AVTO, d. o. o., amounted to EUR 4.9 million. As regards assets, the most significant items included long-term financial investment in the amount of EUR 0.3 million and short-term financial investment in the amount of EUR 3.3 million. At the end of 2015, there were 2 employees employed in the company.

PS za avto, d. o. o., is not a significant company for the Group therefore it has not been included in the consolidated financial statements of SSH Group.

2.3. BASIC INFORMATION ON SUBSIDIARIES WITHIN THE GROUP

CASINO BLED, d. d., Bled

Registered office: Cesta svobode 15, 4260 Bled
President of the Management Board: Boris Kitek
Ownership structure: The SSH equity interest which is divided into ordinary and preference shares in the 50:40 ratio amounted to 43 %. SSH holds 86% of ordinary shares, while KAD and Bled Municipality each hold 7% of the remaining ordinary shares. The holders of all preference shares are Gold Club, d. o. o and GC Investicije, d. d. Sežana.
Core business: gambling

In 2015, the company generated net profit in the amount of EUR 267,000 according to non-audited data.

HIT, d. d., Nova Gorica

Registered office: Delpinova 7a, 5000 Nova Gorica

President of the Management Board: Dimitrij Piciga

Ownership structure: The SSH equity interest which is divided into ordinary and preference shares in the 60:40 ratio amounted to 20%. SSH holds 33.3% ordinary shares. Considering the fact that no dividends were paid out to the holders of preference shares, these shares acquired a voting right; the share of SSH voting rights thus amounts to 20%. The two other significant holders of ordinary shares are: KAD with 33.3% and Nova Gorica Municipality with 22.1%. The ownership of preference shares is dispersed.

Core business: gambling

In 2015, the company generated net profit in the amount of EUR 5,818,000 according to non-audited data.

POZAVAROVALNICA SAVA, d. d., Ljubljana

Registered office: Dunajska cesta 56, 1000 Ljubljana

President of the Management Board: M.Sc. Zvonko Ivanušič

Ownership structure: SSH is the largest individual shareholder of Pozavarovalnica Sava, d.d., holding 25.00% of the company's equity interest. Other company's major shareholders are: Societe generale – Splitska banka (9.85 %), European Bank for reconstruction (6.22 %) Raiffeisen bank Austria (4.45 %).

Core business: reinsurance activities

In 2015, the company generated net profit in the amount of EUR 16,192 according to non-audited data.

UNIOR, d. d., Zreče

Registered office: Kovaška cesta 10, 3214 Zreče

President of the Management Board: Darko Hrastnik

Ownership structure: SSH 39.43 %, Štore steel 12.20 %, Alpen.si 6,48 % and other minor shareholders

Core business: forging

In 2015, the company generated net profit in the amount of EUR 3,612,000 according to non-audited data.

ZAVAROVALNICA TRIGLAV, d. d., Ljubljana

Registered office: Miklošičeva cesta 19, 1000 Ljubljana

President of the Management Board: Andrej Slapar

Ownership structure: SSH's equity interest in the company amounts to 28.09%, and including shares owned by its subsidiary PS Za Avto, d.d., to 28.12%. The major shareholder of Zavarovalnica Triglav, d.d., is Zavod za pokojninsko in invalidsko zavarovanje Slovenije, holding 34.47% of equity interest. In accordance with ZSDH-1, this shareholding is managed by SSH. Another major shareholders is: Hypo Alpe Adria Bank AG (6.49 %).

Core business: insurance activities

In 2015, the company generated net profit in the amount of EUR 58,506,000 according to non-audited data.

3. MACROECONOMIC ENVIRONMENT IN 2015

Economic indicators around the world

In 2015, as compared to 2014, the Euro area economy accelerated its growth, and, for each quarter, it recorded GDP growth that was higher than 1.0%. The low inflation rate was again recorded, as a matter of fact, 2015 saw the threat of deflation. In 2015, the deflation threat was also present in the USA.

GDP movements in % on a yearly basis

State and region	2015/I	2015/II	2015/III	2015/IV	2015
USA	2.90	2.70	2.10	1.80	2.40
Euro area	1.30	1.60	1.60	1.60	1.50
Slovenia	3.00	2.60	2.10	3.30	2.90

Source: Bloomberg, Eurostat, Statistical Office of the Republic of Slovenia

Overview of inflation movements in GDP on a yearly basis in %

Inflation	2015/I	2015/II	2015/III	2015/IV	2015
USA	-0.10	0.00	0.10	0.50	0.10
Euro area	-0.30	0.20	0.10	0.10	0.00
Slovenia	-0.20	0.80	-0.80	-0.30	-0.50

Source: Bloomberg, Statistical Office of the Republic of Slovenia

Slovenia experienced economic growth with a significant drop in the required sovereign debt yields

In 2015, Slovenia recorded similar economic growth trends as achieved in 2014, attaining higher growth rates and thus again surpassing the economic growth trends of the entire EURO area. Slovenia benefited from positive trends in the Euro area economy due to its export orientation. The effects of improvements in economic conditions in Slovenia were noticed on the labour market, and, as a result, the number of registered unemployment decreased, amounting to 9% as of 31 December 2015.

Until the middle of 2015, the process of the falling required sovereign debt yields continued in the majority of Euro area Member States which was the result of market expectations in regard to the effects of the quantitative easing (QE) programme within the scope of the monetary policy pursued by the European Central Bank (ECB). The bond markets were negatively affected by the Greek and China crisis which is why the required yield rates for sovereigns were highly volatile during the year, however, the record low levels from the mid-April were not reached again. The triggered volatility affected Slovenian sovereign bonds but in spite of that, the required yield rates for Slovenia 10-year bond were lower at the end of the year as compared to the beginning of 2015. The required yield rates for Slovenia 10-year bond did not experience such a significant falling trend as in 2014, and the investor's trust in the Republic of Slovenia was increased in 2015 which was reflected in the lower required yield rates: the yield rate for the 10-year RS70 bond thus fell from 2.22% recorded at the beginning of 2015 to 1.68% recorded at the end of 2015. In 2015, the Republic of Slovenia was assigned positive outlook on the rating by credit rating agencies S&P and Fitch, and Moody's upgraded Slovenia's credit rating from Ba1 to Baa3 with stable outlook. The assignment of the Baa3 credit rating by Moody's thus gave the Republic of Slovenia the credit rating that is considered investment grade by all three of the most important credit agencies.

Measures taken by central banks, governments and institutions

In 2015, the attention of capital markets was placed on the expected measures to be taken in regard to the monetary policy pursued by ECB and the Federal Reserve System (FED). In December 2015, the FED increased its key interest rate by 25 basis points, thus ending the 9-year zero-rate era in the USA. The interest rate rise by the FED was carried out in spite of the fact that the data on the actual inflation did not support such a decision: namely, the inflation rate was too low. By rising the key interest rate in the USA, the divergence between the monetary policies by the FED and the ECB occurred.

In 2015, the ECB additionally eased its monetary policy on account of too low inflation and poor economic situation. With the Quantitative Easing Programme, which started in March 2015 and was originally planned to last until September 2016, the ECB committed itself to purchase EUR 60 billion of securities a month. During 2015, clear signals were given, including the criticism by the members of the ECB that the QE programme of buying asset-backed securities was not so successful as initially desired and the changes were needed in regard to the quota of purchases. In 2015, the European Central Bank did not intervene with the key interest rate, however, within the scope of the QE it did decrease the deposit interest rate from -0.20 % to -0.30 % in December 2015 and extended the QE programme for at least six months. These two measures were aimed at raising the inflation rate to levels closer to 2% and for anchoring the mid-term inflation expectations.

Several times during 2015, the ECB Governor urged European governments to carry out the urgent structural reforms which are dictated by high unemployment rates, low economic growth and cyclic recovery. In fact, the ECB was not satisfied with the work performed by European governments in regard to structural reforms as it believes that not enough had been done to improve the business environment.

The discussions about the European Deposit Insurance Scheme were present in 2015, which, however, was strongly opposed to by Germany which believed that no safety was provided for by the proposed scheme. The European Commission, on the other hand, strived hard to establish the European Deposit Insurance Scheme. In 2015, Germany strongly opposed the regulation of banks by the ECB, trying to set its own rules for the recovery of distressed banks by virtue of amending its Banking Act.

In addition to the ECB's asset purchase programme, the **Euro area** in 2015 was marked the most by the Greek crisis. In February 2015, the ECB suspended the Greek banks from the ordinary financial operations, thus pushing the Greek banks into the emergency liquidity assistance programme (ELA) provided by the Central Bank. The ECB did not wish to make any more concessions to Greece since its bonds, due to their low rating, according to the internal rules, were not eligible to be used as collateral for loans. By 30 June 2015, Greece failed to repay the EUR 1.6 billion debt owed to the International Monetary Fund as no financial assistance was received by Greece due to failed negotiations. In August 2015, following difficult negotiations, finance ministers approved the third economic adjustment programme for Greece amounting to EUR 86 billion to be disbursed through the European Stability Mechanism (ESM) programme.

In the **Republic of Slovenia**, within the asset-backed securities purchase programme, the Bank of Slovenia purchased several bonds - certain sovereign bonds with relevant yield-to-maturity were eligible for these purchases, subsequently bonds issued by SID banka, d. d., and DARS were added to the programme.

In 2015, the proportion of non-performing loans in Slovenian banks decreased. In the same year, the Bank of Slovenia warned that weak growth in lending was recorded in Slovenia which was not the result of the lack of liquidity in banks or inappropriate capital adequacy but it was

affected by bad loans in the banks' portfolios. According to the expectations by the Bank of Slovenia, banks were not to accelerate their lending activities until the proportion of NPLs was decreased. The Bank of Slovenia also assessed that the Slovenian economy was recovering in all areas and that the banks were properly capitalised.

Stock markets

In 2015, stock markets around the world awarded investors with positive returns and the MSCI World index (*a stock market index comprising companies from developed stock markets in the world*) gained 8.34 % in value in 2015, calculated in the Euro. Some differences were noted among individual regions and investors in American stock market (S&P 500 Index) recorded negative return of -0.73 % calculated in the US Dollars whereas investors in European stock markets recorded positive return of 6.49 % (Stoxx Europe 600 Index). In 2015, investors in emerging markets similarly recorded negative returns as the MSCI Emerging markets Index lost 16.96% of its value, calculated in the US Dollars.

Bond markets

The bond market recorded a 8.37 % return in 2015 in the Euro currency (calculated according to the JPM Global Bond Index). The bond growth was recorded in the Euro area in Q1 2015 as a result of the announcement on the initiation of the ECB's quantitative easing but the growth was set back due to the Greek crisis. The resolution of the Greek crisis contributed to the recovery of bond trading and, in 2015, the aggregate yield of IBOXX EUR Sovereigns Index stood at 1,63 %, while the aggregate yield of IBOXX EUR Corporates was -0,66 %. In emerging markets, investors in bonds issued in local currencies lost 10.71% of the investment value according to IBOXX Index, while according to the Bloomberg Index, which records the movement of prices of bonds issued in the US dollars in the emerging markets, the loss stood at 0.32% .

Currency markets

In 2015, the Euro lost 10.20% of its value in regard to the US Dollar, and stood at 1.0866 US Dollar to 1 EUR as of 31 December 2015. The Euro drop against the Dollar is a result of the ECB monetary policy and of expectations related to interest rate hikes in the future. The situation was quite dynamic also in regard to other currency pairs, and the raising of the Swiss Franc and the falling of the value of the Russian Rouble particularly need to be pointed out

Money market

Review of EURIBOR interest rate movements in %

Value/Type:	31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
3M EURIBOR	0.078	0.019	-0.014	-0.040	-0.131
6M EURIBOR	0.171	0.087	0.050	0.029	-0.040
12M EURIBOR	0.325	0.198	0.164	0.142	0.060

Source: Bloomberg

4. OPERATIONS OF SSH, d.d., AND THE GROUP BY AREA

The Group is composed of the controlling company Slovenian Sovereign Holding and subsidiaries - Dekorativna, d. o. o., Ljubljana - in liquidation, Elektrooptika, d. d., GIO, d. o. o., Ljubljana –in liquidation, Paloma, d. d., and PS ZA AVTO, d. o. o.

The main areas of operation of the controlling company are:

- the management of capital assets owned by SSH and/or the Republic of Slovenia,
- the participation in denationalisation proceedings and settlement of liabilities arising from denationalisation
- the settlement of liabilities arising from compensation for confiscated property pursuant to the abrogation of the property confiscation penalty,
- implementing public powers for carrying out procedures for the issue of decisions on the compensation amount allocated to the victims of war and post-war aggression and the settlement of liabilities under ZSPOZ;
- the settlement of liabilities under the Return of Investments in the Public Telecommunications Network Act.
- the management of deposit investments owned by SSH (liquidity management),

The two companies undergoing liquidation proceedings (GIO, d. o. o., and Dekorativna, d. o. o.) do not carry out any activities, and the aim of the liquidation proceedings is to distribute the liquidation estate of both companies and delete them from the Business Register of Companies. Similarly, in Elektrooptika, d.d, no activities are being carried out. The core business of the Company's subsidiary, PS ZA AVTO, d. o. o., is the rendering of property rental services, and the core business of Paloma, is the manufacture of toilet paper. Activities are presented in detail under item 2.2.

4.1. MANAGEMENT OF CAPITAL ASSETS

One of the most important activities pursued by SSH is the management of capital assets held in the ownership of SSH and/or the Republic of Slovenia. The activity includes the acquisition and disposition of capital assets and the exercise of rights of a shareholder.

In 2015, the Slovenian Sovereign Holding continued to exercise corporation rights and carried out other duties in accordance with ZSDH-1 and legal documents on asset management. These duties mainly included the following:

- the participation at General Meetings and voting on behalf of RS and/or SSH,
- providing for the exercise of other rights of a shareholder such as the convocation of General Meetings, extensions of agenda, requested for an extraordinary audit and lodging of compensation claims and similar.
- providing for the legal protection of its rights as a shareholder and representing the Republic of Slovenia and SSH as a shareholder in administrative procedures, judiciary proceedings and other procedures,
- in terms of the content, providing for a suitable evaluation of individual resolution proposals and the observance of provisions of the Corporate Governance Code in the corporate governance procedures;
- developing a suitably designed and transparent procedure regarding the accreditation, nomination and selection of candidates for members of Supervisory Boards,
- ensuring that the remuneration systems regarding the Supervisory Board members of state-owned enterprises had satisfied the long-term interests of the company and attracted and promoted qualified experts;
- promotes and within the scope of its rights, ensures good corporate governance systems in and an individual SOE;

- disposing of individual capital assets, within the scope and in a manner as prescribed by the ZSDH-1 and the Decision of the National Assembly of the Republic of Slovenia on Granting the Consent for the Disposal of Capital Assets of the Republic of Slovenia, Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. (Pension Fund Management), Slovenska odškodninska družba d.d., Modra zavarovalnica d.d., D.S.U., družba za svetovanje in upravljanje, d.o.o. and Posebna družba za podjetniško svetovanje d.d.. of 21 June 2013.

The most important goal of SSH operations in 2015 in regard to the management of capital assets was to achieve a level of corporate governance which would contribute to the attainment of better performance results of companies in which SSH and the Republic of Slovenia held capital assets. Consequently, this would lead to the increase in their assets both in terms of income and dividends as well as the value of capital assets and the realisation of other non-economic and non-financial goals of companies.

The Slovenian Sovereign Holding managed its capital assets in accordance with the legal documents adopted and in line with good practice in corporate governance. With the aim of creating long-term value in capital asset management, SSH worked hard to achieve good relationships between companies and their owners, took into consideration as far as possible the principle of equal treatment of shareholders and strove for transparent operations in companies fully owned by SSH and/or RS. It also provided for the formation of professional, heterogeneous and independent supervisory boards.

The efficient supervision of operation of state-owned enterprises is one of the most important pillars of effective management. In accordance with its statutorily defined mission, SSH continued with periodical meetings. These meetings are an important element of supervision in exercising the rights of a shareholder or a member. Questions raised at such meetings may refer to the assessment regarding financial movements, the provision of expectations by SSH in regard to ROE and dividend yields, reports on strategic issues regarding companies and handling of problematic issues. At these meetings, SSH verified the companies' performance results, the attainment of the set plans, performed business performance assessment and carried out other activities which were important for companies. The goal of these meetings is to improve the companies' performance by regularly monitoring their operations, developing ambitious business plans and tackling current issues. For this purpose, SSH has developed a standardised reporting model to be used by companies holding the Republic of Slovenia's ownership stake for their reporting on their operation and adopted business plans, in accordance with the established reporting time schedule.

In the processes for corporate restructuring SSH wishes to ensure a company becomes profitable in the long-term and to make it capable of achieving other strategic goals, while also taking into account the maximisation of value for owners.

Given the nature of work and the intensity of restructuring processes, a very intense cooperation with company's bodies is typical; this includes participation in the preparation of the Grace Period Agreement, the Restructuring Agreement, the Financial and Business Restructuring Plan and similar instruments, and cooperation with other stakeholders, the identification of key problems and reasons for the current situation and the preparation of proposals and measures for their elimination. This area of work also included monitoring over the implementation of agreements reached and the supervision of such agreements.

In 2015, SSH played an active role in dealing with capital assets of companies in which corporate restructuring is in place. These include:

- HSE, d. o. o. management activities were focused on the relevant integrated business and financial restructuring of the company and HSE Group in order to provide for long-term stability and economically viable operation of the company.

- Nafta Lendava, d.o.o.: Negotiations with financial creditors of Nafta Lendava continued and closed successfully at the end of the first medium-term of 2015. Additional liquidity assets were acquired which had laid down new foundations for the restructuring of the entire Nafta Lendava Group, including its subsidiaries, EKO-Nafta and Nafta varovanje in požarna varnost. In 2015, the restructuring measures were carried out in both subsidiaries, however, the restructuring is not yet completed and the conclusion of key agreements is planned to take place in the first mid-term of 2016.
- Peko, d.d.: the activities pursued by SSH in regard to Peko were focused on finding potential solutions, in cooperation with the company, on the coordination between creditors and Peko and on the preparation of the Financial and Business Restructuring Plan which would ensure long-term stability and sources of financing for the company. In the beginning of 2016, after the failure of backing the planned restructuring plan by creditors, the bankruptcy proceedings were initiated against the company.
- Lipica Turizem, d. o. o.: On 2 February 2015, in accordance with ZSDH-1, SSH took over the management of Lipica Turizem, d.o.o., and immediately started the restructuring process. Considering the fact that decisions on the development of the Lipica destination as a whole must be made with the view of finding an integrated solution, measures for improving the operations were implemented in 2015, and numerous coordination activities were carried out with the responsible ministry and other ministries involved. The final implementation of the integrated solution is expected to be realised by the end of 2016.
- Polzela, d. d.: Slovenian Sovereign Holding took over the management of capital assets held by RS in Polzela in the beginning of 2015. In spite of the compulsory composition having been carried out, Polzela failed to achieve the goals set due to the lack of liquidity. In 2015, the company was marked by the crisis in management and supervision which was reflected in numerous changes in the membership of the company's bodies. In the second medium-term of 2015, after stabilising the situation in regard to the leadership of the management and supervisory bodies, the concept of an integrated long-term recovery of Polzela was set.
- Sava, d. d.: The company has undergone compulsory composition proceedings since the middle of September 2015. Considering the applicable Ordinance on State Assets Management Strategy, according to which assets in Sava are classified as important assets, SSH actively monitored activities pursued by Sava for its business and financial restructuring; this included the drafting of the framework for the Business and Financial Restructuring Plan in accordance with ZFPPIPP.
- Javno podjetje Uradni list RS, d. o. o.: In light of changes in the operation of this company which derive mainly from changes in the functioning of the market, SSH, together with the company, in an active manner, approached the projects for implementing the necessary restructuring measures which mainly include business restructuring measures. The first significant effects of these measures were noticed in 2015 and they will continue in 2016.
- RTH, Rudnik Trbovlje-Hrastnik, d. o. o.: Considering the Financial Liabilities Restructuring Agreement concluded with banks in September 2015, 2015 saw an intensive implementation of planned activities and measures which were focused on providing for the necessary liquidity assets and the timely sale of company's assets.

4.1.1. Work performed by Nomination Committee

The Nomination Committee is a consultative body of the SSH Management Board carrying out duties that relate to the implementation of procedures for recruiting candidates for members of Supervisory Bodies of SOEs, their evaluation and their accreditation. In 2015, the Committee performed its work in two configurations.

Until 30 March 2015, the Nomination Committee was composed of the following members : Dr Andrej Baričič, Anton Travner and Janušek Šefman; the Committee carried out interviews and nominated candidates for the Supervisory Boards of eight companies (Geoenergo, d. o. o., Banka Celje, d. d., DTK Meta Ingenium, d. o. o., Peko, d. d., (for the holder of procuration), Nafta Lendava, d. o. o, Energetika Črnomelj, d. o. o., SIJ, d. d., and DSU, d. o. o.).

On 1 April 2015, a new Nomination Committee was appointed, composed of the following members: Luka Gaberščik, Maja Fesel Kamenik and Jagoda Vitez. The members of this Nomination Committee met at a total of 35 regular sessions at which the requests for nominations for supervisory boards of 33 companies were dealt with (HIT, d. d., Nova Gorica, Banka Celje, d. d., Sava Kranj, d. d., Peko, d. d., Polzela, d. d., Loterija Slovenije, d. d., DTK Meta Ingenium, d. o. o., DTK Prvi sklad, d. o. o., DTK Murka, d. o. o., Geoplin, d. d., EKOEN, d. o. o., Krka, d. d., Nova Ljubljanska banka, d. d., Cinkarna Celje, d. d., EGS-RI, d. o. o. (for a director), RTH, d. o. o., VGP Novo Mesto, d. o. o., Elan, d. d., Toplotna oskrba, d. o. o., Studentenheim Korotan GmbH (for a director)), Paloma, d. d., Slovenske železnice, d. o. o., DARS, d. d., Elektro Ljubljana, d. d., Cimos, d. d., Abanka, d. d., Lipica Turizem, d. d. (for a director), Adria Airways, d. d., JP Uradni list RS, d. d., Intertrade ITA, d. d., Varnost Sistemi, d. d., and DTK STH Ventures, d. o. o.).

In addition to the above mentioned interviews, at its sessions, the Nomination Committee also handled proposals for the SSH Management Board to improve the work of the Committee, it was briefed on SSH internal legal documents and provided comments on the amendments of the SSH Asset Management Policy.

4.1.2. Training programme for members of Supervisory Boards and other representatives of SOEs

The aim of organising training sessions in corporate governance is to improve the expertise of Supervisory Board members of SOEs in partial or majority ownership of RS and SSH since responsible, efficient and professional Supervisory Boards are highly important for successful performance of companies and for introducing good business practices in regular practice.

In 2015, 13 training sessions were organised by SSH. The average participation at a training session was 40 participants. The following topics were discussed at these training sessions:

- supervision over company's financial information,
- change management,
- communication as a strategic function of a company,
- effectiveness of business models,
- risk management, including the risks of frauds,
- internal audit and audits of corporate governance,
- provision of independent internal audit,
- self-assessment of Supervisory Boards,
- guidelines for the selection and recommendations for the work of Presidents of Supervisory Boards,
- traps in financial reports and how Supervisory Boards should avoid them,
- preparation of Annual Report,
- the Auditor's Report and
- responsibilities of the management staff for efficient corporate integrity of SOEs.

Lecturers were top experts coming from various sectors of economy, corporate governance, had financial and auditing areas of expertise, and were active in communication industry.

Knowledge and competences of Supervisory Board Members are one of the most important assumptions for the efficiency of the work carried out by the Supervisory Board as a company's body and the company as a whole. Knowledge must constantly be improved and upgraded which is why SSH, as a case of good practice, holds free-of-charge training sessions for Supervisory Board Members of SOEs and for other decision-makers in SOEs.

4.1.3. Management of capital assets owned by SSH/SSH Group

The report on management activities below refers to SSH and its active subsidiary, PS ZA AVTO, d. o. o., Paloma, d. d., and Elektrootika, d. d. The subsidiary, PS ZA AVTO, d. o. o., is a holder of three capital assets held in companies of which in two of them, the owner of shares is also SSH (Krka, d. d., and Zavarovalnica Triglav, d. d.), and the subsidiary, Paloma, d. d., holds capital assets in Paloma PIS, d. o. o.. The controlling company had no management leverage in associates to provide for an active policy of capital asset management, due to the low level of ownership stake.

On 2 December 2015, the Securities Market Agency decided to withdraw the suspension for voting rights in the target company, Zavarovalnica Triglav.

Acquisition and disposition of capital assets owned by the Republic of Slovenia in 2015

In January 2015, by acquiring 66.04% shareholding, Slovenian Sovereign Holding became a 100 % owner of PDP, d.d., with which it merged in July 2015 pursuant to provisions of ZSDH-1. SSH has thus become the owner of the following companies: Adria Airways, d. d., Adria Airways Tehnika, d. d. (the asset was sold in November 2015), Aero, d.d. – in bankruptcy, Elan, d. o. o. (the asset was sold in the same month), Elektrootika, d. d., Novoles, d. d. – in bankruptcy, Paloma, d. d., Unior, d. d., Rimske terme, d.d. – in bankruptcy, Vegrad, d. d. – in bankruptcy. On the basis of the contract concluded by and between D. S. U., d. o. o., and SSH, on 24 October 2014, in February 2015, SSH acquired against payment 50 KDD shares. In addition to the above mentioned, in May 2015, SSH sold its assets in ČZP Večer, d.d. (10 % equity interest). In September 2015, on the basis of final decision by the Court, the shares of Casino Ljubljana, d.d., were deleted from the Court Register; SSH used to have 3,29 % shareholding in the said company. In October 2015, the 12.25 % equity interest held by SSH in Žito, d.d., was sold, and the 6.9% ownership stake in Cimos, d. d., was deleted as a result of the finally approved compulsory settlement. In November 2015, on account of the completed bankruptcy proceedings, the 100% ownership stake in ZLIT, d. o. o., – in bankruptcy, was deleted from the Register and the SSH Portfolio.

In 2015, SSH received from D.S.U., d.o.o., free of charge shares held in Gradis Skupina G, d.d. (1.36% shareholding) which had been planned to be transferred to SSH on the basis of regulations on the completion of ownership transformation and denationalisation.

Assets as of 31 December 2015

As of 31 December 2015, SSH was a shareholder in 29 companies headquartered in the Republic of Slovenia. The capital assets referred to are active assets for which the company implements all ownership entitlements. These are assets in companies, banks and insurance companies acquired by the Company free of charge in ownership transformation procedures and based on other legal bases. Some of these assets were also acquired by purchases and swaps. The remaining assets, 14 in number, are inactive - these are capital assets of companies in bankruptcy proceedings or in liquidation.

Situation in regard to capital assets held by SSH

Type of capital asset	Situation as of 31 December 2014	Situation as of 31 December 2015
Active capital assets	30	29
Inactive assets (companies in bankruptcy, liquidation)	12	14
TOTAL	42	43

Capital Assets Portfolio of SSH/SSH Group as of 31 December 2015

Company name:	Industry	% SSH
Adria Airways, d. d.	Traffic, transport and infrastructure	2.08
Adria, turistično podjetje, d. o. o.	Tourism	12.24
Banka Koper, d. d. *	Banking	0.00
Casino Bled, d. d.	Gaming industry	43.00
Casino Portorož, d. d.	Gaming industry	9.46
Cetis, d. d.	General economic sector	7.47
Cinkarna Celje, d. d.	Manufacturing	11.41
Elektro Gorenjska, d. d.	Energy sector	0.31
Elektro Ljubljana d. d.	Energy sector	0.30
Elektrooptika, d. d.	General economic sector	70.48
Geoplina, d. o. o.	Energy sector	0.05
Gradis skupina G, d. d.	Manufacturing	1.36
Hit, d. d.	Gaming industry	20.00
Intereuropa, d. d.	Traffic, transport and infrastructure	1.73
Intertrade ITA, d. d.	General economic sector	7.69
KDD	Financial holding companies	19.23
Krka, d. d. **	Manufacturing	16.20
Loterija Slovenije, d. d.	Gaming industry	15.00
Luka Koper, d. d.	Traffic, transport and infrastructure	11.13
Paloma, d. d.,	Manufacturing	70.97
Paloma PIS, d. o. o. *	Manufacturing	53.89
Petrol, d. d.	Energy sector	19.75
Pomurske mlekarnice d. d.	Food and beverages	3.34
Pozavarovalnica Sava, d. d.	Insurance business	25.00
PS za avto, d. o. o.	General economic sector	90.00
Sava, d. d.	Financial holding companies	11.06
Telekom Slovenije, d. d.	Postal services, Telecommunications	4.25
Terme Olimia, d. d.	Tourism	4.01
Unior, d. d.	Manufacturing	39.43
Varnost Sistemi, d. o. o.	General economic sector	9.74
Zavarovalnica Triglav, d. d., **	Insurance business	28.11

Companies in bankruptcy, liquidation or being wound-up	Industry	% SSH
ABC trgovina, d. d., - in bankruptcy	General economic sector	2.37
Aero, d. d. - in bankruptcy	Manufacturing	1.44
Casino Maribor, d. d. - in bankruptcy	Gaming industry	20.00
Dekorativna, d. o. o. - in liquidation	Manufacturing	100.00
GIO, d. o. o. - in liquidation	General economic sector	71.27
Gradbinec Kranj, d. d. - in bankruptcy	Manufacturing	2.68
Ipoz Trbovlje, d. o. o. - in liquidation	Manufacturing	1.20
Kli Logatec, d. d. - in liquidation	Manufacturing	0.59
Mura, d. d. - in bankruptcy	Manufacturing	12.23
Novoles, d. d. - in bankruptcy	Manufacturing	16.69
Rimske terme, d. o.o. - in bankruptcy	Tourism	13.55
Svea, d. d. - in bankruptcy	Manufacturing	15.57
Univerzale, d. d. - in bankruptcy	Manufacturing	8.53
Vegrad, d. d. - in bankruptcy	Manufacturing	29.00

Note: * Capital asset held by a subsidiary.

** Capital asset in which the shareholding is held both, by SSH and its subsidiary, PS ZA AVTO, d. o. o.: **in case of Krka, SSH shareholding is 16.20% and the subsidiary's shareholding 0.01% , and in case of Zavarovalnica Triglav, d.d. ,the SSH equity stake amounts to 28.09%, while the subsidiary holds a 0.02% equity stake.

4.1.4. Management of capital assets owned by the Republic of Slovenia

Acquisition and disposition of capital assets owned by the Republic of Slovenia in 2015

On the basis of a court decision, in February 2015, the Republic of Slovenia entered into the ownership structure of Lipica Turizem, d.o.o. (100 % equity interest). Due to the swap of the Republic of Slovenia's debt into equity and on the basis of the Decision of the Government of the Republic of Slovenia, SSH was given the management of 30.42% stake in Polzela, d. d., and, pursuant to ZSDH-1, the 100% ownership stake of the Republic of Slovenia in Slovenska tiskovna agencija, d. o. o. In the period from April to August 2015, arising from succession or due to the completion of bankruptcy proceedings in regard to a legal entity, the RS shareholdings managed by SSH slightly increased in the following enterprises: Elektro Maribor, d. d., Snežnik, d. d., Telemach Rotovž, d. d., Družba za spodbujanje razvoja TNP, d. d., Žito, d. d. and Perutnina Ptuj, d. d. In August 2015, SSH obtained the management of 24.26% stake in Cimos, d.d., which was acquired by the Republic of Slovenia in the debt/equity swap process, and in September 2015, the 3.34% stake held by the Republic of Slovenia in Savaprojekt, d.d., transferred into the SSH management from the Institute for Water of the Republic of Slovenia. Due to the minority shareholder squeeze out in ČZP Večer, d. d. (2 shares), this RS asset was deleted from the RS Capital Assets Portfolio in September 2015. In October 2015, the 100 % equity interest held by RS in Banka Celje, d.d., was deleted from the portfolio on account of the merger of Banka Celje with Abanka. By swapping debt into equity, SSH took over the management of a 32.73 % stake in Mariborska livarna Maribor, d. d.. In November and December 2015, the RS stakes managed by SSH and held in Gorenjska banka, d. d., (transfer of shares from Družba za spodbujanje razvoja TNP, d. d.) and in Zavarovalnica Triglav, d. d., (transfer from DSO Kamnik and on the account of a personal bankruptcy) slightly increased. Near the end of 2015, SSH took over the management of a 2.77 % ownership interest in Pozavarovalnica Sava, d. d., which was acquired by the Republic of Slovenia from NKBM, d. d., and Poštna banka Slovenije, d. d.

A transfer of assets from the category of active assets into inactive assets also took place in 2015 as a result of the initiation of bankruptcy proceedings against companies; this transfer included assets held in Družba za spodbujanje razvoja TNP, d. d., and in NFD Holding, d. d.; Vodnogospodarsko podjetje Mura, d. d., changed its corporate name to read: Pomgrad – vodnogospodarsko podjetje, d. d.

State of capital assets held by the Republic of Slovenia and managed by SSH as of 31 December 2015

The total number of capital assets held by the Republic of Slovenia and managed by SSH as of 31 December 2015 increased by five capital assets as compared to the situation at the end of 2014. As of 31 December 2015, out of the total of 83 capital assets, there were 71 active (including investments in 3 mutual funds) and 12 inactive capital assets (in bankruptcy proceedings or in liquidation).

Situation regarding the number of capital assets held in direct ownership by the Republic of Slovenia and managed by SSH

Type of capital asset	Situation as of 31 December 2014	Situation as of 31 December 2015
Active assets (including mutual funds)	66	71
Inactive assets (companies in bankruptcy, liquidation)	12	12
TOTAL	78	83

Capital Assets Portfolio in direct ownership of the Republic of Slovenia and managed by SSH as of 31 December 2015

Company name:	Industry	% RS
Abanka, d. d.	Banking	100.00
A-cosmos, d. d.	General economic sector	0.81
Adria Airways, d. d.	Traffic, transport and infrastructure	69.87
Bodočnost Maribor, d. o. o.	Sheltered workshops	75.83
Cimos, d. d.	Manufacturing	24.26
CSS, d. o. o.	Sheltered workshops	96.65
D.S.U., d. o. o.	Financial holding companies	100.00
Dom upokojeincev Idrija, d. o. o.	Service of General Economic Interest	18.91
Dri upravljanje investicij, družba za razvoj infra., d. o. o.	Traffic, transport and infrastructure	100.00
Motorway Company of the Republic of Slovenia	Traffic, transport and infrastructure	100.00
DTK Murka, družba tveganega kapitala, d. o. o.	Venture capital companies	49.00
Ekoen, d. o. o.	Energy sector	49.07
Elektro Celje, d. d.	Energy sector	79.50
Elektro Gorenjska, d. d.	Energy sector	79.42
Elektro Ljubljana d. d.	Energy sector	79.50
Elektro Maribor, d. d.	Energy sector	79.50
Elektro Primorska, d. d.	Energy sector	79.50
Elektrogospodarstvo Slovenije - razvoj in inž., d. o. o.	Energy sector	100.00
Elektrooptika, d. d.	General economic sector	0.00
Energetika Črnomelj, d. o. o.	Energy sector	49.30
Gen energija, d. o. o.	Energy sector	100.00
Geoplin, d. o. o.	Energy sector	39.57
Gorenjska banka, d. d.	Banking	0.16
Holding Slovenske elektrarne, d. o. o.	Energy sector	100.00
Infra, izvajanje investicijske dejavnosti, d. o. o.	Traffic, transport and infrastructure	100.00
Inkos, d. o. o.	Manufacturing	2.54
Javno podjetje Uradni list RS, d. o. o.	Service of General Economic Interest	100.00
Pension Fund Management (KAD)	Manufacturing	100.00
Kontrola zračnega prometa, d. o. o.	Traffic, transport and infrastructure	100.00

Krka, d. d.	Manufacturing	0.01
Lipica turizem, d. o. o.	Tourism	100.00
Luka Koper, d. d.	Traffic, transport and infrastructure	51.00
Mariborska livarna Maribor, d. d.	Manufacturing	32.73
Meta Ingenium, družba tveganega kapitala, d. o. o.	Venture capital companies	49.00
Murka, trgovina in storitve, d. d.	General economic sector	0.17
Nafta Lendava, proizvodnja naftnih derivatov, d. o. o.	Manufacturing	100.00
NKBM, d. d.	Banking	100.00
NLB, d. d.	Banking	100.00
Paloma, d. d.,	Manufacturing	0.01
Peko, d. d.	Manufacturing	61.16
Perutnina, d. d.	Food and beverages	0.00
Počitniška skupnost Krško, d. o. o.	Tourism	1.46
Polzela, d. d.	Manufacturing	30.42
Pomgrad - vodnogospodarsko podjetje, d. d.	Service of General Economic Interest	25.01
Pomurske mlekarne d. d.	Food and beverages	0.00
Pošta Slovenije, d. o. o.	Postal services, Telecommunications	100.00
Pozavarovalnica Sava, d. d.	Insurance business	2.77
Prvi sklad, družba tveganega kapitala, d. o. o.	Venture capital companies	48.90
RRA, regionalna razvojna agencija Celje, d. o. o.	RRA (to be transferred to SRRP)	5.10
RTH, rudnik Trbovlje-Hrastnik, d. o. o.	Manufacturing	100.00
RŽV, javno podjetje za zapiranje rudnika urana, d. o. o.	Manufacturing	100.00
Sava, d. d.	Financial holding companies	0.03
Savaprojekt, d. d.	General economic sector	3.34
SID - Slovenska izvozna in razvojna banka, d. d.	Banking	99.41
SIJ - Slovenska industrija jekla, d. d.	Manufacturing	25.00
Slovenske železnice, d. o. o.	Traffic, transport and infrastructure	100.00
Snežnik, podjetje za proizvodnjo in storitve, d. d.	Manufacturing	70.04
STA, d. o. o.	Service of General Economic Interest	100.00
STH Ventures, d. o. o.	Venture capital companies	49.00
Studentenheim Korotan GmbH	Tourism	100.00
Telekom Slovenije, d. d.	Postal services, Telecommunications	62.54
Telemach Rotovž, d. d.	Postal services, Telecommunications	1.10
Telemach Tabor, širokopasovne komunikacije, d. d.	Postal services, Telecommunications	0.03
Toplotna oskrba, d. o. o.	Energy sector	49.17
Vodnogospodarsko podjetje Drava, d. d.	Service of General Economic Interest	25.00
Vodnogospodarsko podjetje Novo Mesto, d. d.	Service of General Economic Interest	25.00
Vodnogospodarsko podjetje, d. d.	Service of General Economic Interest	25.00
Zavarovalnica Triglav, d. d., *	Insurance business	34.48

Companies in bankruptcy, liquidation or being wound-up	Industry	% RS
Družba za spodbujanje razvoja TNP, d. d. - in bankruptcy	Tourism	51.04
Glin IPP, d. o. o. - in bankruptcy	Sheltered workshops	16.06
Maksima Holding, d. d. - in bankruptcy	Financial holding companies	0.01
Maksima Invest, d. d. - in bankruptcy	Financial holding companies	0.00
NFD Holding, d. d. - in bankruptcy	Financial holding companies	0.00
Podjetje za urejanje hudournikov, d. d. - in bankruptcy	General economic sector	40.00
Rimske terme, d. o. o. - in bankruptcy	Tourism	3.83
Rudnik Kanižarica v zapiranju, d. o. o. - in liquidation	Manufacturing	100.00
Rudnik Senovo v zapiranju, d. o. o. - in bankruptcy	Manufacturing	100.00

Rudnik Zagorje v zapiranju, d. o. o. - in liquidation	Manufacturing	100.00
Rudnik živega srebra Idrija v zapiranju, d. o. o. - in liquidation	Manufacturing	100.00
TAM Maribor d. d. - in bankruptcy	Manufacturing	10.85

Note: *34.47% equity interest in Zavarovalnica Triglav is owned by the Pension and Disability Insurance Institute of Slovenia. Shareholdings are rounded up to two decimal places. When the shareholding of 0.00% is referred to, this means that the Republic of Slovenia and/or SSH hold an ownership stake in the company but it has been rounded up to two decimal points and it does not exceed 0.00%.

UCITS units of mutual funds owned by the Republic of Slovenia and managed by SSH as of 31 December 2015

Mutual Fund	No. of UCITS units
KBM Infond, Infond dynamic, equity VS	380
KBM Infond, Infond global, VS flexible	624
VS NLB Funds- Equity Global	822

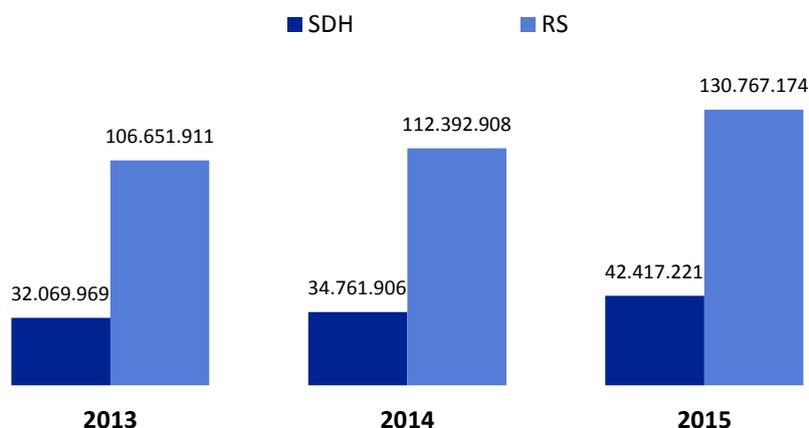
Capital increases carried out by Company in the capacity of the founder

On the basis of the process managed by SSH, the Republic of Slovenia implemented a capital increase in Slovenske železnice, d.o.o., in the amount of EUR 110 million.

4.1.5. Dividends paid out to Slovenian Sovereign Holding and/or to Republic of Slovenia

The recent growth trend in dividend pay-outs received by the Republic of Slovenia and SSH for their equity participation continued in 2015 (dividends paid out for FY 2014). As compared to 2014, the amount of dividends paid out to the Republic of Slovenia increased by 16 %, rising to EUR 130.8 million, while the amount of dividends paid out to SSH increased by 22 %, rising to EUR 42.4 million.

The amount of dividends paid out to RS and SSH between 2013 and 2015 (for the financial years of 2012 to 2014) – in EUR



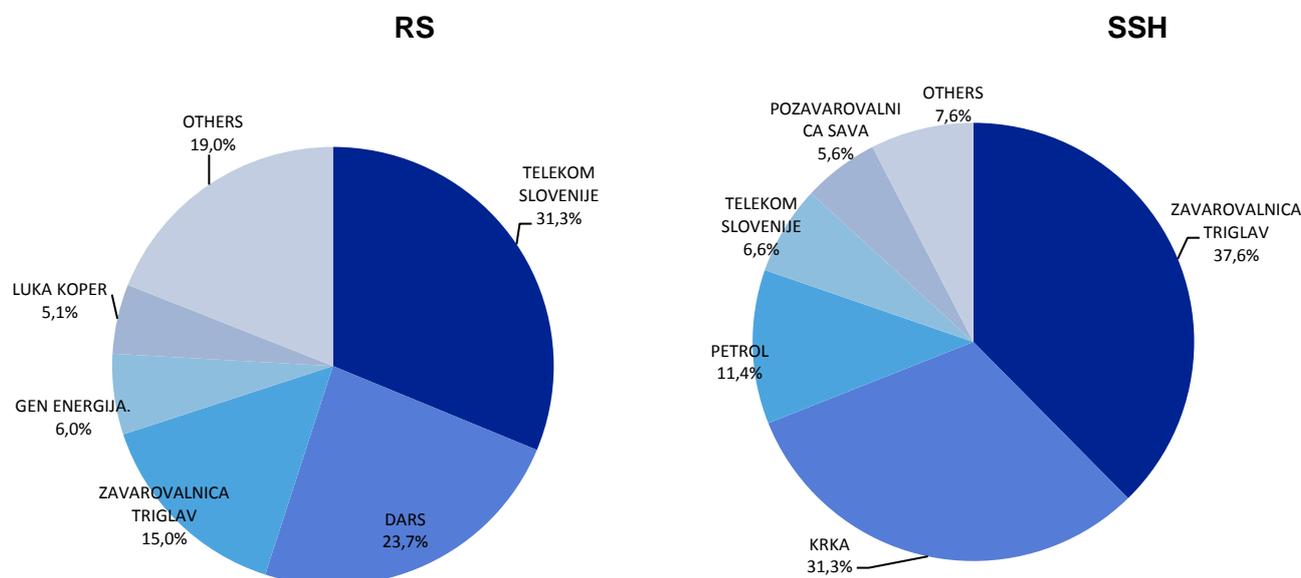
Note: All dividend amounts paid out to the Republic of Slovenia include dividends paid out by Zavarovalnica Triglav which 34.47 per cent shareholding that is managed by SSH for RS, is owned by the Pension and Disability Insurance Institute of Slovenia (ZPIZ).

Dividend-to-equity ratio of the portfolio of assets held by the Republic of Slovenia and SSH in 2013 and 2014 (for FYs 2013 and 2014)

	RS		SDH	
	2014	2015	2014	2015
Sum of book-value of equity stakes (EUR)	10,589,017,397	10,896,903,999	658,734,782	706,001,273
Dividend amount (EUR)	112,392,908	130,767,174	34,761,906	42,417,221
Dividend-to-equity ratio	1.06%	1.20%	5.28%	6.01%

In both cases, as regards the Republic of Slovenia and SSH, the major part of the total amount of dividends received is generated by a small number of companies. More than 50% of all dividends to RS were paid out by two companies and the three largest companies contributed to 70% of the dividend pay-out (*Telekom Slovenije, DARS and Zavarovalnica Triglav*). In the case of SSH, the concentration is slightly higher – dividend pay-out of the two largest companies amounted to 69% of dividends paid, and, in regard to amounts paid, the three largest companies (*Zavarovalnica Triglav, d. d., Krka, d. d., in Petrol, d. d.*) contributed to more than 80% of all dividends.

The shares of companies in the sum of dividends received by SSH and the Republic of Slovenia in 2015 (for FY 2014)



4.1.6. Activities in connection with the Sale of Capital Assets owned by SSH and/or RS

The disposal of capital assets held in the ownership of SSH and the Republic of Slovenia, including the sale and swaps of capital assets, represents one of the main activities related to the management of capital assets performed by SSH.

The Slovenia Sovereign Holding strives for the sale processes to run in an efficient, transparent and competitive manner following the principle of equal treatment of participants and in line with international market practice. For this purpose and with the aim of increasing its credibility with investors, SSH leads the sales processes regarding the largest capital assets in

cooperation with renowned international financial and legal advisors specialised in financial advisory services.

The fundamental objective pursued by SSH in the sales of shareholdings is the attainment of the highest proceeds from the sale. As regards the sale of the most important shareholdings owned by the Republic of Slovenia, within the scope of statutory limitations, SSH strives to pursue other goals important from the aspect of providing a stable economic growth; these are: the rise in the quality and capacity of public services, further development of companies, new investment opportunities, entering new markets, ensuring competitiveness and similar objectives.

In 2015, SSH continued the activities pursued in regard to the sale of capital assets held in the ownership of the Republic of Slovenia and SSH, which were initiated in 2013 on the basis of the decision adopted by the National Assembly. In addition to these activities, SSH also managed other activities related to the sale of other capital assets held in the ownership of SSH and the Republic of Slovenia, for which the consent of the National Assembly of the Republic of Slovenia is required.

On 21 June 2013, pursuant to ZSDH, the National Assembly of the Republic of Slovenia granted its consent to SSH for the disposal of capital assets of the Republic of Slovenia managed by SSH. In addition to SSH, the consent was also granted to KAD d.d. (Pension Fund Management), Modra zavarovalnica d. d., (hereinafter referred to as: the "MZ"), D.S.U., d. o .o. and PDP d .d., specifically, for the disposal of their capital assets in the total of 15 companies.

The list of capital assets referred to in the consent granted by the National Assembly and ownership stakes of the Republic of Slovenia and of the state assets management companies in these companies

No.	Company name	RS (%)	SDH (%)	KAD (%)	DSU (%)	PDP ¹ (%)	MZ (%)	Skupaj (%)
1	Adria Airways Tehnika, d. d.	0	0	0	0	52.30	0	52.30
2	Adria Airways, d. d.	69.90	0	0	0	2.10	0	72.00
3	Aero, d. d. – v stečaju*	0	0	0	0	1.40	0	1.40
4	Aerodrom Ljubljana, d. d.	50.70	6.80	7.40	0	0	0	64.90
5	Cinkarna Celje, d. d.	0	11.40	0	0	0	20.00	31.40
6	Elan, d. o. o.*	0	0	0	17.30	49.00	8.60	74.90
7	Fotona, d. d.	0	0	0	0	70.50	0	70.50
8	Gospodarsko razstavišče, d. o. o.	0	0	29.50	1.20	0	0	30.70
9	Helios, d. d.	0	9.50	0	0	0	8.30	17.80
10	Nova KBM, d. d.*	100.00	0	0	0	0	0	100.00
11	Paloma, d. d.	0	0	0	0.04	71.00	0	71.00
12	Telekom Slovenije, d. d.	62.50	4.30	5.60	0	0	0	72.40
13	Terme Olimia Bazeni, d. d.**	0	0	49.70	0	0	0	49.70
14	Unior, d. d.	0	2.30	5.60	0	37.10	0	45.00
15	Žito, d. d.	0	12.30	0	0.01	0	15.00	27.30

Note:

Successfully closed sale process Executed Sale and Purchase Agreement

¹ PDP, d. d., merged with SSH on 1 July 2015 by way of which all assets held by PDP were transferred to SSH.

* Since the adoption of the National Assembly's Decision, ownership stakes have already been modified – the ownership structure prior to the sale/bankruptcy is being taken into account;

*** Terme Olimia Bazeni, d. d., ceased to exist from 30 September 2014, due to its merger with Terme Olimia, d.d.; the State Assets Management Strategy has defined these assets as important which is why is not subject to sale.

As shown in the table above, by the end of 2015, assets in six companies were sold; of this number, assets in three companies were sold in 2015: Adria Airways Tehnika, d. d., Elan, d. d., and Žito, d. d.; at the time of the closure of the sale process, all of these assets were owned by SSH. In addition, in 2015, the Sale and Purchase Agreement was concluded for the sale of Nova KBM shares which is planned to be completed in the first half of 2016 following the satisfaction of conditions precedent.

On 13 July 2015, the National Assembly of the Republic of Slovenia adopted the Ordinance On State-Owned Capital Assets Management Strategy (hereinafter referred to as: the "Strategy"), which, among other matters, in accordance with certain criteria has grouped and classified state-owned capital assets into one of three classes determined by ZSDH-1 (portfolio, important and strategic assets). On the basis of the adopted Strategy, the Annual Assets Management Plan 2016 was developed by SSH to which the consent of the Government of the Republic of Slovenia was granted. In December 2015, thus providing for the basis for further disposition of capital assets owned by RS and SSH. In regard to certain capital assets in which case circumstances had required sale activities to be launched immediately, prior separate annual asset management plans were prepared by SSH which were also approved by the Government of the Republic of Slovenia; for example, this was the case of the following companies: Cimos, d. d., Goriške Opekarne, d. d., Mariborska livarna Maribor, d. d., ..).

In cases where there is a large number of owners of companies, sale processes related to the disposition of capital assets held in co-ownership by the Republic of Slovenia and SSH are conducted on the basis of Agreements on Joint Sale of Shares and Letters of Intent concluded by and between SSH and other shareholders and lienors. In 2015, the Agreements on Joint Sale of Shares were concluded for the following companies: Adria Airways, d. d., Cimos, d. d., Goriške Opekarne, d. d., and Mariborska livarna Maribor, d. d. It is envisaged by these agreements that signatory parties will jointly implement sale processes. In case of sales of large capital assets, sale processes are conducted in cooperation with relevant advisors. In 2015, advisors rendering financial advisory service and legal advisory services were selected in the sale processes related to the sale of shares in Adria Airways, d. d., and in Paloma, d. d., and in the process of the sale of Cimos, d.d., SSH acceded to the execution of agreement with financial advisor that was previously selected by the Consortium of Sellers. Similarly, SSH acceded to Advisory Services Agreements which had been concluded by and between individual advisors and PDP, d.d., prior to PDP's merger with SSH; these agreements referred to the process of sale in Adria Airways Tehnika, d. d..

An effective implementation of sale process requires an active cooperation of the company which is the subject to the sale. With the aim of defining in detail the method of cooperation with the individual company subject to the sale process (submission of data, enabling due diligence reviews, payments of some costs related to the procedure, communication activities, etc.), the sellers worked to conclude a special agreement on mutual relations in the sale process. In 2015, such contracts were concluded by and between SSH and Adria Airways, d.d..

In 2015, the invitations to submit an expression of interest were published for the potential sale of shareholdings in the following companies: Adria Airways, d. d., Cimos, d. d., Goriške Opekarne, d. d., and for several small capital assets held by RS, SSH, MZ and KAD. For all large companies in which regard the sale process took place in cooperation with the selected advisors, the sell-side documentation was produced: the teaser and the Information Memorandum which were received by investors who had demonstrated their interest in the sale and concluded the Non-Disclosure Agreement (NDA). In accordance with internal rules, Financial and Legal Due Diligence Reports had to be obtained by SSH for certain companies, and in some cases, other types of due diligence reports were produced (Environmental, Technical Due Diligence Reports, etc.). Prior to the conclusion of the Purchase and Sale

Agreements, SSH also obtained the appraisals of the company value produced by independent certified appraiser of company value; in case of small SOEs subject to sale, the internal value assessment is produced.

In 2015, following the approval of the Annual Asset Management Plan, SSH signed the Agreement on Transformation of Legal form of Geoplin, d. d..

2015 also saw the share capital increase process that was conducted in Paloma, d.d., and run by the management of Paloma, in cooperation with a financial and legal advisor. In 2015, SSH concluded the Agreement on the basis of which it committed itself to vote at the General Meeting of Paloma, under the terms and conditions stipulated in the Agreement, for the intended share capital increase in Paloma to be conducted by a selected investor if no counter-proposal were submitted prior to or at the relevant General Meeting in regard to the share capital increase in Paloma, under more favourable conditions as offered by the selected investor. In addition, in the said Agreement, SSH bound itself to sell to the selected investor the shares held in Paloma, under the conditions stipulated in the Agreement, in the merger and acquisition procedure to follow the issue of new shares in the capital increase process, if no competitive take-over bid were submitted by a third party, offering more favourable conditions than offered by the selected investor. In the beginning of January 2016, the General Meeting of Shareholders was convened at which the resolution on the share capital increase by the selected investor was approved. Subsequently, a challenging action was filed by minority shareholders against the above mentioned resolution by the General Meeting and the motion for interim injunction was submitted, preventing the management of Paloma to carry out any actions envisaged in the General Meeting Resolution. By the time of the publication of this Report, no decision has yet been made in regard to the case in question.

Sales of capital assets owned by SSH and/or RS realised in 2015

In 2015, SSH concluded and realised contracts on the purchase and sale of the capital assets held by SSH in the following companies: Žito, d. d., Elan, d. o. o., Adria Airways Tehnika, d. d., Večer, d. d., and Goriške opekarne, d. d. The total contractual value of the sale of shares in the above mentioned companies amounted to EUR 9.0 million payable to SSH; of this amount, the largest sum, i.e., EUR 7.86, was generated by the sale of Žito, d.d.. After the receipt of the proceeds from sale, SSH transferred all shares of the mentioned companies held in its ownership to the buyers of shares.

In the reporting period, SSH also concluded one Sale and Purchase Agreement for the sale of shares owned by RS (Nova KBM shares) which is planned to be completed in the first half of 2016, following the satisfaction of conditions precedent.

The sale process that failed to close successfully in 2015 was the process of the sale of Telekom shares since in August 2015, the only bidder notified SSH about its desire not to continue negotiations for the closure of the sale process. Similarly, the sale of shares of Cinkarna Celje also failed to close successfully.

Concluded Agreements on Purchase and Sale of Shares in the ownership of SSH and/or RS in 2015

Asset	Buyer	Date of signing the agreement	SSH ownership stake (%)	RS ownership stake (%)
Žito, d. d.	Podravka, d. d.	21/04/2015	12.30	0
Elan, d. d.	Merrill Lynch International and Wiltan Enterprises Limited	30/07/2015	49.00	0
Adria Airways Tehnika, d. d.	Linetech Holding S.A.	24/11/2015	52.30	0
Večer, d. d.	DOBER VEČER, holdinška družba, d. o. o.	20/04/2015	10.00	0
Goriške opekarne, d. d.	Jožef Stibilj and Vianej Višnjevci	30/11/2015	12.30	0
NKBM, d. d.	Apollo and EBRD	30/06/2015	0	100

In connection with the Contract on Regulation of Mutual Relations in regard to Casino Portorož, d. d., which was concluded in 2012 by and between SOD, KAD, Casino Riviere, d. d. and Eurotas, d. d., and included an option for the sale of shares held in Casino Portorož, d. d., the court settlement was concluded in the first half of 2014 on the basis of which SSH and KAD were recognised as having an unconditional right for the monies which had already been received in 2013. These monies were obtained by SH and KAD by cashing in the bank guarantee in accordance with the Contract on Regulation of Mutual Relations. It represents the compensation for the loss of proceeds and the reduction in the majority shareholding in the company. On the basis of the court settlement concluded, in case of modifications to the Gambling Act, in the next three years, SSH and KAD will sell the shares in Casino Portorož, d. d., to two companies, Casino Riviera, d.d., and Eurotras, d. d., under terms and conditions stated in the court settlement mentioned.

As of 31 December SSH also held the agreement which had been concluded for the sale of shares of Casino Bled but was not yet realised. The Purchase and Sale Agreement was concluded by and between SSH, together with KAD, and the respective buyer in 2011, but the issue of the consent for the acquisition of ordinary shares required in accordance with the Gambling Act was refused to the buyer by the Ministry of Finance for several times. Considering the above stated, SSH is still the holder of these shares.

4.2. SETTLEMENT OF LIABILITIES ARISING FROM DENATIONALISATION

In 2015, in addition to duties stipulated by ZSDH-1, SSH exercised all powers, responsibilities, rights and obligations imposed on the company prior to its transformation; this also included the settlement of liabilities to beneficiaries under the Denationalisation Act (hereinafter referred to as: "ZDen"), the Cooperatives Act, the Act on Reestablishment of Agricultural Communities and Restitution of their Property and Rights (hereinafter referred to as: "ZPVAS") and other regulations governing the denationalisation of property, considering the fact that the denationalisation process has not yet been concluded. According to the data provided by the Ministry of Justice monitoring the implementation of the denationalisation, as of 31 December 2015, 99.5 % of cases before administrative bodies were concluded with a final decision issued. The total number of unsettled cases amounts to 192 cases, according to the above mentioned data. Local courts settled as many as 98.6% of cases, with the data referring to cases handled under Article 5 of Zden; there are 14 cases still to be settled by local courts. The published data do not include any data on claims lodged and outstanding pursuant to the

provision of Article 73 of ZDen and on claims made by re-established agricultural communities for compensation in bonds which are lodged before courts under the provisions of ZPVAS (all of the above mentioned claims may still be lodged). As of 31 December 2015, a total of approximately 297 claims registered were still outstanding.

In accordance with the provisions of Article 51 of ZDen, SSH is a party liable to pay compensation in bonds and in shares, held at the disposal of the Republic of Slovenia, and pursuant to the provisions of Article 60 of the same Act, SSH holds the status of a party to proceedings. In 2015, similarly as in previous years, SSH took part in two types of procedures, specifically, in denationalisation proceedings, and in the procedures for the determination of compensation value owed to claimants in which property was restored to denationalisation beneficiaries in kind (the provision of Article 73 of ZDen). In accordance with ZDen and other regulations, in denationalisation proceedings, any compensation in bonds is determined when the restitution of nationalised property in kind is not possible, and when obstacles are present for their restitution in kind as well as in extraordinary circumstances when a beneficiary holds a right to select the form of restitution. However, in procedures for the determination of compensation to claimants from whom property was restored to beneficiaries in kind, a compensation in bonds is explicitly envisaged under condition that all stipulated criteria for such a condition are met. As before, in 2015, such procedures and proceedings were conducted before administrative bodies (administrative units and ministries) and before courts (district and local courts). In 2015, the Company also took part in the mediation procedure for claims handled by courts.

In 2015, SSH received 18 applications; of this number, 8 were new claims and 10 follow-on claims while amended claims have not been taken into account. The Company followed its established practice for the settlement of claims, diligently examining all claims received upon their legal basis, their scope and amount and strove to consistently determine the appropriate compensation in bonds attributable to a beneficiary in accordance with regulations, while considering claims set. SSH assessed the claims on the basis of documentation submitted by the authority running the procedure and, when necessary, obtained evidence and documents by itself directly from various archives and other sources. In handling cases in the event when incomplete documentation was submitted, the Company verified data by also accessing the electronic land register, examining ortho photo images and checking data bases of surveying and mapping authorities, etc. SSH regularly replied to the submitted claims within the set time periods and in its first reply made its stand regarding all facts having an impact on the decision, when sufficient documentation was available SSH actively settled claims also by taking part in the scheduled oral proceedings and hearings (in 2015, it took part at 81 hearings out of 84 scheduled). When necessary, meetings with applicants and other parties to proceedings were organised at the Company's headquarters.

In 2015, SSH received 50 appraisals and value calculations of the nationalised property which had been submitted by authorities running the procedures. These appraisals and value calculations usually represent the compensation amount claimed by beneficiaries. Following the established practice, the construction and mechanical engineering appraisals were examined by the Company's experts as well as by appraisers or experts of relevant disciplines (construction and mechanical engineering) who cooperated with the Company on a contractual basis in 2015, similarly as in previous years. In one case, an expert in art was also engaged. The value calculations of the nationalised property (agricultural and building plots of land, valuation of movable property, purchase prices, compensation granted upon nationalisation, and similar) were reviewed, as before, by the Company's employees during the handling of the case.

Slovenian Sovereign Holding also settles claims by entering into composition agreements when all conditions are met as stipulated in Rules on Concluding Composition Agreements of Slovenska odškodninska družba in procedures governed by regulations on denationalisation.

In 2015, 2 composition agreements were concluded whereas one proposal for concluding settlement agreement was rejected. Since its establishment in 2007 until 31 December 2015, the Settlement Commission met at 106 sessions and concluded 73 composition agreements.

Denationalisation procedures before administrative bodies at the first instance are conducted in the following manner: after the completed fact-finding procedure and prior to issuing a decision determining the compensation amount, the authority running the denationalisation procedure or a relevant commission, draws a report on the established actual and legal state of affairs regarding the case handled. The report therefore represents a kind of conclusion of the procedure from which it is clear how the administrative body intends to decide in the decision which follows the report. In 2015, SSH received 62 such reports and amendments to reports.

Denationalisation - report on procedures

	Total by 31 December 2013	Total by 31 December 2014	Total by 31 December 2015	2015
Claims received	22,405	22,455	22,473	18
Appraisals and calculations received	20,245	20,312	20,362	50
Reports on the established actual and legal state of affairs regarding the case	22,333	22,405	22,461	56

In 2015, SSH received 53 first-instance decisions setting the compensation amount in SOS2E bonds (administrative and judicial), and 22 first-instance decisions rejecting claims (administrative and judicial). The preclusion period for filing the appeals were determined in 55 decisions received in 2015 in which the compensation amount was determined. Slovenian Sovereign Holding filed 14 appeals against those decisions (including 4 motions to correct the rulings of decisions). Furthermore, in 2015, the Company received 22 second-instance decisions (administrative and judicial decisions issued by ministries acting as appeal bodies and decisions issued by higher courts) in which a decision regarding its appeals against first-instance decisions on the determination of compensation in bonds was made. Of these second-instance decisions, half of the rulings were in the Company's favour. At the same time SSH received 20 second-instance decisions approving the first-instance rulings on the rejection of claims which was also contributed to by SSH activities pursued during the proceedings. In 2015, SSH lodged 14 applications for administrative disputes before the Administrative Court of the Republic of Slovenia, appealing against decisions on the compensation in bonds. In 2015, SSH received 13 decisions of the same court in which its appeals against the second-instance decisions regarding the compensation in bonds were ruled upon. Of the decisions mentioned, 3 rulings were made in the Company's favour. In addition, SSH received 26 decisions approving prior rejection of claims which was also contributed to by SSH activities pursued during the proceedings. In 2015, SSH lodged 3 appeals for judicial review of two higher-court judgements and for one judgement by the Administrative Court of the Republic of Slovenia, which referred to the compensation. In 2015, SSH received one decision by the Supreme Court of the Republic of Slovenia issued on the basis of its application for judicial review (administrative) against the decision on compensation amount which was not ruled in the Company's favour. It also received 28 judgements issued by the same court (administrative and civil panels) in which the rejections of claims were confirmed (refused or rejected applications for judicial reviews lodged by claimants).

In 2015, SSH lodged applications for legal remedies against decisions on compensation amounts only when justified reasons were given, specifically, either due to an incorrectly determined statement of affairs, or due to mistaken application of the substantive law. Reasons for appeal mainly referred to the questionable legal foundation of the claim and the eligibility for denationalisation, the timely lodging of claims, and an incorrectly determined compensation amount.

Denationalisation - decisions

	Total by 31 December 2013	Total by 31 December 2014	Total by 31 December 2015	2015
Firs-instance decisions received determining compensation in bonds	20,211	20,273	20,326	53
Appeals lodged in regard to decisions with time of preclusion	5,004	5,026	5,040	14
% of appeals against decisions determining compensation in bonds	24.75	24.79	24.79	25.45
Initiated legal actions and revisions	873	884	901	17

In 2015, as it is generally known, only the most complex denationalisation cases continued to be dealt with. These include cases which are either highly complex or include a claim for a high compensation amount and which refer to complex legal issues. Thus, claims handled by SSH had been lodged by individuals, cooperatives, the church and claimants by way of which property had been resituated to denationalisation beneficiaries in kind (which included companies, public institutions, banks and similar institutions). Several cases referring to the denationalisation of companies and capital assets, as well as claims for the denationalisation of real property and movable property continued to be the subject of denationalisation procedures in 2015. In addition, claims were handled that referred to the denationalisation of property that used to belong to owners - members of agricultural communities, and which are dealt with in accordance with ZPVAS and in accordance with Agricultural Communities Act which was adopted in 2015 (agricultural communities with a registered seat in another country).

The most important development in 2015 in regard to denationalisation was the receipt of the decision by the Supreme Court of the Republic of Slovenia ruling that former owners who had been granted the right to compensation from the Republic of Austria pursuant to the Financial and Compensation Treaty (hereinafter referred to as: the "FCT") concluded by and between the Federal Republic of Germany and the Republic of Austria in 1961, were not eligible to denationalisation, in accordance with the provision of Article 10, Paragraph 2 of ZDen. In 2015, SSH received as many as 21 judgements by the Supreme Court of the Republic of Slovenia ruling on the appeals for judicial review lodged by claimants against judgements passed by the Administrative Court of the Republic of Slovenia by way of which claims with these issues were finally rejected, and appeals for judicial reviews rejected or refused. Slovenian Sovereign Holding was a party in all of the above mentioned proceedings and these judgements have (up until now) relieved SSH from the payment of compensation; however, constitutional complaints to the Constitutional Court of the Republic of Slovenia by claimants are expected to be lodged (some have already been filed). The issue regarding the eligibility for denationalisation and therefore the eligibility to receive compensation in bonds, in connection with FCT, was questioned by SSH in denationalisation proceedings for the first time in 2010 (specifically, in 74 cases). In this regard, the Supreme Court of the Republic of Slovenia fully accepted the argumentation provided by SSH in relation to certain issues in connection with the FCT. Another highly significant event taking place in 2015 was the receipt of the first judgement by the Supreme Court of the Republic of Slovenia which dealt with the issue regarding the bearing of interest of SOS2E bonds in connection with compensations determined under the provision of Article 73 of ZDen. The said Court confirmed the regularity of positions taken by SSH that in these cases interest on bonds is remunerated from the moment of the restoration of property in kind and not from 1 July 1996 as it is otherwise applied in the remuneration of interest carried by SOS2E bonds.

Slovenian Sovereign Holding received some other important judgements by the Supreme Court of the Republic of Slovenia passed in 2015 which dealt with the issue regarding the issue of eligibility for compensation under the provision of Article 73 of ZDen. These included the decision made by the Court that an individual company is not a beneficiary for the restitution of agricultural land since this land, under the Ownership Transformation of Companies Act,

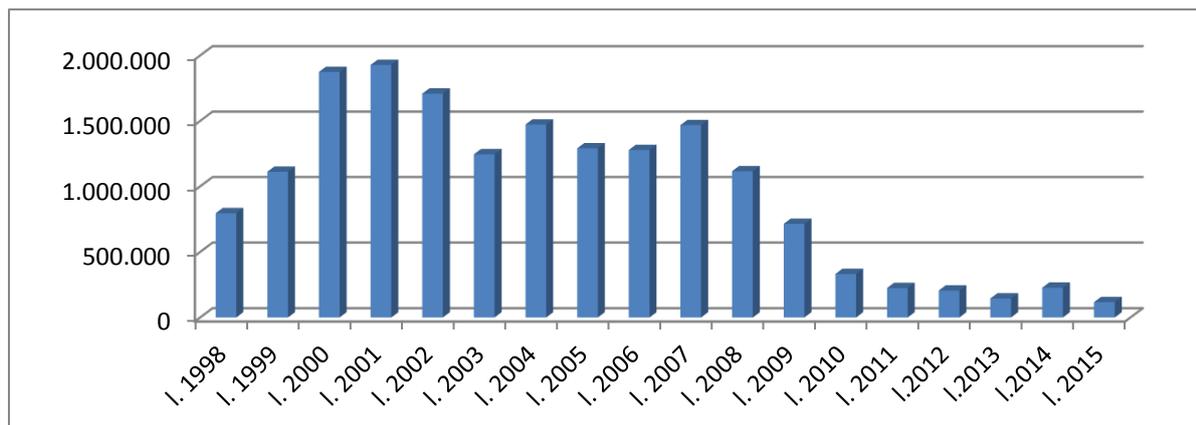
had *ex lege* become the property of the Republic of Slovenia which is why, a company is not eligible to receive the compensation in bond pursuant to the provisions of Article 73 of ZDen (this was the position taken by SSH from the very beginning of the initiation of proceedings). Further on, this provision of ZDen is also connected with the decision of the Supreme Court of the Republic of Slovenia, that the claim incurred under Article 73 of ZDen falls under the statute of limitation when not claimed for in a certain period of time. In 2015, the Supreme Court of the Republic of Slovenia confirmed the position that there were no grounds to amend the basic value of agricultural land, which under Article 4 of the Ordinance on the Method for Determining the Value of Agricultural Land, Forest and Land for Construction Applied in the Denationalisation Procedure; this is important for SSH as it affects the future liabilities carried by SSH not only in regard to the compensation for agricultural land but also for construction land.

In 2015, the Company received some other decisions adopted by the highest decision-making bodies which are important in terms of their content as they have reinforced the case law (for example, in regard to the issue of the timely lodging of complaints for the reduced value of pieces of real estate). In 2015, 84 decisions in connection with the compensation in SOS2E bonds became final (these are decisions with a determined compensation amount and opt-out decisions). The total compensation amount under these decisions was EUR 4.6 million.

Slovenian Sovereign Holding is liable to pay compensation in bonds when assets cannot be resituated in kind or when a beneficiary decides for this type of compensation upon the existence of special statutory conditions. For performing tasks referred to in Article 2 of the Slovene Compensation Fund Act, SSH issues bonds and other securities and manages and disposes of securities and other assets obtained in accordance with the law. For settling liabilities due to beneficiaries under ZDen, Cooperatives Act and other regulations governing the denationalisation of property, Slovenian Sovereign Holding floated eight bond issues, issuing 18.7 million of SOS2E bonds, in bearer bond form; their total value amounted to EUR 956 million. Bonds are denominated in EUR 51.13. As of 31 December 2015, SSH held 1,447,557 SOS2E bonds.

SSH implements denationalisation decisions pursuant to the provision of the first indent of Article 59 of the ZDen. It also implements decisions issued by the Ministry of the Environment and Spatial Planning in relation to the decision-making under the provisions of Article 125 of the Housing Act (hereinafter referred to as: "SZ"), and the provisions of Article 173, Paragraph 3 of the Housing Act (hereinafter referred to as: "SZ-1"). Decisions issued on the basis of the above stated regulations are implemented by transferring bonds from the temporary account at the Klirinško depotna družba, d. d. (Central Securities Clearing Corporation) to the account of a beneficiary, who may be a heir or a trustee for special cases. The Decree on Bond Issue and Decision Implementation regarding decisions on compensation liable to be paid by Slovene Compensation Fund (hereinafter referred to as: "the Decree") stipulates that SSH hands out bonds on the basis of a full application for the enforcement of a decision which must contain data stated in Article 15, Paragraph 1 of this Decree. The enforcement of decisions is completed with the transfer of the relevant number of bonds and with the payment of all matured coupons.

The number of transferred SOS2E bonds



Until 31 December 2015, SSH transferred 17,252,433 bonds, for the purpose of fulfilling its duties.

Slovenian Sovereign Holding transferred 117,244 SOS2E bonds to 162 bond holders in 2015 alone. The number of beneficiaries is decreasing since the denationalisation procedures are in final phase. The pending cases include complex cases the number of which has significantly dropped; as a result, the number of decisions being enforced has also dropped. Otherwise, denationalisation decisions which have recently been received to be enforced by SSH include decisions with lower compensation amounts or which, due to the initiated and completed probate proceedings, are enforced on a partial basis only, since beneficiaries fail to decide on a coordinated timing to enforce these decisions. Considering the stated fact, one part of a decision will not be enforced due to objective circumstances.

Pursuant to Article 173 of SZ-1, according to which a tenant enforcing a right to purchase a second apartment holds the right to claim compensation from SSH in bonds in the amount of 25% of the value of the apartment and 36% in cash, SSH transferred 973 SOS2E bonds and paid out EUR 71,700 in cash.

In addition to individuals, a beneficiary of the compensation under ZDen can also be a company: in 2015, individuals received 50,864 bonds, and companies 66,380 bonds. The sum of bonds attributable to companies was higher in 2015 due to the more complex denationalisation cases relating to the denationalisation of property owned by companies.

4.3. SETTLEMENT OF LIABILITIES ARISING FROM COMPENSATION FOR CONFISCATED PROPERTY DUE TO ABROGATION OF THE CONFISCATION OF PROPERTY PENALTY

As a result of the adoption of the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to Abrogation of the Penalty of Confiscation of Property ("ZIOOZP"), SSH duties which originally related to the settlement of liabilities under regulations governing denationalisation expanded to the issue, servicing and payment and calculation of interests for bonds issued on 1 February 2001 by the Republic of Slovenia for the payment of compensation under the above mentioned law. Two million registered bonds were issued with the symbol RS21, amounting to the total value of EUR 83 million, and denominated in EUR 41.73.

The enforcement of a decision may be requested by a beneficiary or his/her legal successor demonstrating such status by way of a final decree of distribution or any other valid legal title. Slovenian Sovereign Holding enforces final decisions on compensation for the confiscated

property by paying out the relevant compensation amount and no longer by transferring bonds since RS21 bond matured on 1 March 2013. Since pursuant to ZIOOZP, the compensation for the confiscated property is still determined in bonds, considering the interpretation of Article 3, Paragraph 5 of ZIOOZP, the interest is calculated from the day when the decision on the abrogation of the confiscation of property penalty and the determination of compensation for the confiscated property becomes final until the issue/hand-over of bonds.

Since the beginning of the process for enforcing these decisions until 31 December 2015, SSH paid out the equivalent of 1,740,563 RS21 bonds.

In 2015, 11 decisions made by responsible courts were implemented and on their basis 18 beneficiaries or their legal successors were paid out the compensation in the value equivalent of 77 879 RS21 bonds.

Since the last coupon of the RS21 bond matured on 1 March 2015, the Ministry of Finance has been developing new legal basis for the payment of compensation under ZIOOZP. It is expected that by the time all proceedings are completed, the available number of bonds for settling liabilities under the above mentioned act will not suffice, and compensation to beneficiaries will have to be paid in cash.

4.4. SETTLEMENT OF LIABILITIES FOR COMPENSATION TO VICTIMS OF WAR AND POST-WAR VIOLENCE

With the entry into force of Payment of Compensation to the Victims of War and Post-war Aggression Act ("ZSPOZ"), SSH was granted public powers to run procedures for issuing decisions on compensation amounts and for performing administrative and technical activities in relation to their implementation. The Victims of War Violence Act ("ZZVN") and Redressing of Injustices Act ("ZPkri"), providing the legal basis for the recognition of a beneficiary status eligible to receive compensation under ZSPOZ, do not stipulate any time period for the lodging of an application which is why SSH still decides on the composition amount for statuses recognised and granted under the above mentioned regulations.

On 1 January 2002, the Republic of Slovenia issued 30 million bonds in the value of EUR 125.1 million for the payment of compensation to victims of war and post-war violence, and on 7 April 2009, the second issue comprised 2.5 million bonds in the value of EUR 10.4 million. The RS39 bonds are registered bonds issued in denominations of EUR 4.17. The compensation is paid out in two instalments, specifically, up to the value of EUR 1,251.88 is paid in cash, and the residual balance is paid in bonds. Considering the fact that the decision-making on the granting of rights to compensation was extended over the RS39 maturity date, that is, after 1 September 2008, any beneficiaries having been issued with a decision after 7 April 2009 are paid compensation only in cash, in accordance with the provisions of Article 13 of this Act. A beneficiary may receive compensation either under ZZVN or under ZPkri or under the combination of both sectoral laws, but the total sum to be received by an individual beneficiary under ZSPOZ should not exceed the sum of EUR 8,345.85.

Slovenian Sovereign Holding calculates the compensation amount on the basis of legal documents used in decision-making procedures run by relevant authorities when deciding about beneficiaries and their rights under ZPkri, ZZVN and Act Governing Specific Rights of Victims of the 1991 War for Slovenia and criteria laid down by ZSPOZ. A decision on the compensation amount is then issued by SSH. The decisions issued on the basis of ZSPOZ are implemented by transferring monies to the beneficiary's account.

Since the beginning of the process for enforcing these decisions until 31 December 2015, SSH transferred 31,750,312 RS39 bonds, and in 2015, it issued 578 decisions on compensation amounts. On this basis, the sum of EUR 2,725,817 was paid in cash. Slovenian Sovereign Holding paid out the equivalent of 33,417 RS21 bonds. In regard to decisions, decisions issued under ZPkri still prevailed while decisions issued under ZZVN are less significant in terms of number and compensation amount. The compensation was not determined for a great number of beneficiaries since they had received the highest possible compensation ruled in previous decisions.

4.5. SETTLEMENT OF LIABILITIES UNDER THE REIMBURSEMENT OF INVESTMENTS IN PUBLIC TELECOMMUNICATIONS NETWORK ACT

Pursuant to Article 3 of the Reimbursement of Investments in Public Telecommunications Network Act ("ZVVJTO"), Slovenian Sovereign Holding reimburses payments for investments into the public telecommunication network. The above mentioned obligation is carried out on behalf of the Republic of Slovenia and for its account - the Republic of Slovenia is the party liable to carry out the payment. Slovenian Sovereign Holding fulfilled its obligations arising from these enforceable instruments in six months following the entry into force of amendments to ZVVJTO. The settlement of liabilities pursuant to the enforceable instruments which are submitted directly by the State-Attorneys of the Republic of Slovenia, is carried out by the Company within 60 days following their receipt.

Until 31 December 2015, the total sum of EUR 190.15 million was paid for liabilities arising under ZVVJTO; of this figure, EUR 129,204 were paid in 2015. In 2015, SSH received 4 compensation agreements and decisions by responsible courts.

4.6. INVESTMENT PORTFOLIO AND LIQUIDITY MANAGEMENT

The main policy of the SSH investment policy

The Slovenian Sovereign Holding implemented the adopted business and investment policy within the scope of the adopted 2015 Financial Plan and Rules on Free Cash Investment. In regard to financial investments, and in accordance with the basic premises of its investment policy, both the security and liquidity of assets as well as the balance of maturity in regard to investments and liabilities were taken into account. Significantly, in 2015, SSH settled all of its statutory and contractual obligations on a regular and timely basis. It maintained its current liquidity by planning cash flows and keeping a permanent liquidity reserve.

Cash flows and financial debt

Slovenian Sovereign Holding provided cash for the coverage of its liabilities mainly with matured deposits and other debt financial investments as well as other inflows. An important source of funds to cover the SSH liabilities in 2015 was a record-hitting pay-out of dividends by companies owned by SSH, revenue from the sale of capital assets and the sale of UCITS units of mutual funds. Other important source for ensuring the Company's liquidity included the inflows from matured long-term receivables due from the Republic of Slovenia (pursuant to ZVVJTO, ZSPOZ, and ZIOOZP).

Cash outflows for the settlement of SSH statutory obligations were higher by 1 % than outflows in 2014, and by 8% lower than planned. More than 89 % of all statutorily stipulated cash flows represent outflows in accordance with the Denationalisation Act.

The surplus of its cash was mainly invested in call deposits and short-term deposits and, within a limited extent, also in some other liquid investments.

As of 31 December 2015, the total SSH debt arising from loans amounted to EUR 340 million; of this amount, EUR 34 million is due in 2016; Euribor plus the average weighted mark-up amounts to 0.8 %. Loans in the amount of EUR 300 million will mature in 2017; in regard to these loans, Euribor plus the average weighted mark-up amounts to 1.1%. Interest rate for these loans is hedged against interest rate risk, and all loans have been secured by guarantees granted by the Republic of Slovenia. In 2015, SSH re-financed all of its financial liabilities in an efficient and timely manner. At the same time, the major part of its financial debt due in 2016 was substituted by sources with longer maturity. Slovenian Sovereign Holding thus repaid EUR 120 million of loans by issuing unguaranteed 5-year SOS3 bond in the amount of EUR 100 million, and by obtaining EUR 5 million long-term unguaranteed loan maturing in 2020. The interest rate for SOS3 is fixed and it amounts to 2.5 % while the interest rate for loans is floating, Euribor plus mark-up amounts to 1.55%.

The total SSH indebtedness in 2015 was thus reduced by EUR 15 million and as of 31 December 2015 amounted to EUR 440 million. Slovenian Sovereign Holding will continue to gradually decrease its indebtedness in the coming years.

The investment portfolio volume and structure

As of 31 December 2015, the value of the SSH investment portfolio, amounted to EUR 85,3 million, calculated at market prices, and it was reduced by 35.1 % in comparison to the value at the end of 2014, mainly as a result of payments of liabilities arising from denationalisation and smaller inflows from the sale of shares.

As of 31 December 2015, only foreign securities were disclosed among shares in the SSH investment portfolio. The entire SSH investment portfolio is highly liquid as it mainly serves to balance the SSH liquidity and to provide for the diversification of investments.

SSH investment portfolio structure by investment type

Investment type	Balance as of 31 December 2014		Balance as of 31 December 2015	
	in EUR 000	%	in EUR 000	%
Total debt investment	103,288	78	54,862	64
<i>Deposits</i>	92,455	70	35,435	41
<i>Bonds</i>	10,833	8	2,427	3
<i>Certificate of deposits</i>	0	0	17,000	20
Equity investments	28,164	22	30,440	36
<i>Mutual Funds</i>	23,499	18	23,651	28
<i>Shares and EFT (foreign, listed)</i>	4,665	4	6,789	8
Total investment portfolio	131,452	100	85,302	100

The value of debt investments as of 31 December 2015 amounted to EUR 54.9 million. Debt investments mainly include deposits. Deposit maturity varies although all deposits are short-term deposits intended for the settling of statutory and other liabilities in 2016. One part of the bond portfolio included various domestic bonds.

At the end of 2015, SSH held only 8 % of assets of the investment portfolio distributed in the foreign shares investment class and ETF. As regards this investment class, SSH diversifies its investments by investing in liquid securities issued by various global issuers.

As of 31 December 2015, SSH held assets invested in various, mainly equity investment mutual funds of UCITS' management companies (domestic and foreign). This method ensures the dispersion of the SSH invested assets and provides for a low level non-systematic risk. These assets are highly liquid. Assets held in mutual funds represent a small part of the investment portfolio since the primary goal of the SSH investment portfolio management is the provision of liquidity, while the taking advantage of market potentials and the generation of portfolio yield represent only a secondary goal.

The investment portfolio's performance

In 2015, the returns generated by all segments of investment portfolio were positive. A relatively low return was generated deposits, mainly as a result of a negative impact due to the falling interest rates on deposits. The trend of falling interest rates on deposits is expected to continue in 2016. The weighted rate of return of the SSH portfolio amounted to 1.44 % in 2015. The growth in the portfolio profitability was mostly contributed by the segment comprising bonds, mutual funds and foreign shares and EFTs. A higher volatility is expected in 2016; as a result, SSH will be particularly cautious in regard to investments and will continue to pursue a conservative investment policy.

The SSH investment portfolio performance by investment type (in %)

Investment type	2013	2014	2015
Deposits	3.59	1.99	0.82
Certificate of deposits	3.04	3.00	0.63
Euro-commercial papers	0.94	-	-
Bonds	0.78	10.14	11.71
Mutual Funds	4.52	10.09	1.76
Shares and EFT (foreign, listed)	14.09	10.52	10.47
The investment portfolio's performance	3.51	4.41	1.44

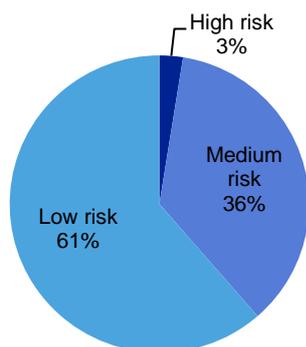
Source: Ad Treasury programme, SSH

4.7. RISK MANAGEMENT

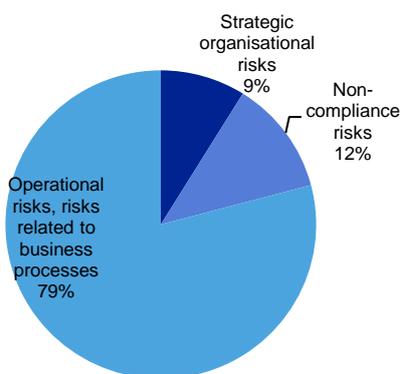
As regards risk management, in 2015, Slovenian Sovereign Holding implemented a series of measures which had substantially reduced the total number of risks and substantially reduced SSH's risk exposure. An important milestone in this regard was the adoption of the Ordinance On State-Owned Capital Assets Management Strategy (OdSUKND) by the National Assembly on 13 July 2015, and, on this basis, the adoption of two important documents, i.e., the Asset Management Annual Plan and Criteria for Measuring the Effectiveness of SOEs, that took place in November 2015. By the adoption of these documents, strategic risks related to the absence of a strategy and the lack of clearly set operational goals were minimised.

In 2015, SSH took up the task of quantifying the Risk Register by assessing the value of consequences in the likelihood a risk is realised (potential damage incurred in EUR), by assessing the costs for introducing measures to mitigate individual risks, and by adding an assessment in regard to the acceptable risk levels.

Risk structure by risk level assessments (December 2015)



Risk structure by main risk groups (December 2015)



STRATEGIC RISKS

Insolvency

In addition to managing capital assets held by SSH and the Republic of Slovenia, SSH is also obliged to settle liabilities due to bond holders, in accordance with ZDen and other regulations. Several measures are used by SSH to manage the insolvency risk, such as: regular monitoring and valuations of capital assets, preparation of short-term and long-term liquidity plans, precise cash flows planning.

Independent and professional operation of SSH

Owing to the nature of its work, SSH is subject to pressures on decision-making by the SSH bodies, non-registered lobbying contacts, unethical and illegal conduct and inducing the employees to such conduct. Slovenian Sovereign Holding is aware of these risks; as a result, several internal legal documents were adopted in connection with the independent and professional conduct by SSH, the same operation by the internal controls while also organising training for employees and raising their awareness in regard to the above mentioned risks. On 1 January 2014, the Compliance Manager was employed by the SSH, and regular cooperation is established with the Commission for the Prevention of Corruption and other responsible institutes.

Internal and external frauds

This set of risks refers to risks connected with illegal actions by employees against SSH (internal frauds) and illegal actions by third parties against SSH (external frauds), They include, for example, unauthorised disclosure of confidential and protected information about SSH and individual state-owned enterprise, the abuse of internal information, conflict of interest, disclosing trade secrets, possibilities for corruption, frauds in the settlement of denationalisation cases, and similar. In addition to effects caused by the employment of the Compliance Manager, SSH manages the enumerated risks by means of several measures.

These include well defined jobs, limitation of powers granted to employees and having in place efficient disciplinary measures. The access to confidential data is limited, together with the number of persons submitting information to the public; further, suitable internal legal documents were adopted and training sessions were organised raising the awareness of employees on potential risks and proper conduct. Slovenian Sovereign Holding has in place internal controls for controlling the implementation of work tasks.

OPERATIONAL RISKS

Legal area of work

In regard to the legal area of work, risks identified by SSH mainly relate to the modifications to legislation and consequences posed by them to the performance of SSH duties. It also includes the risk for potential lawsuits filed against SSH. A system is in place in SSH enabling a regular follow-up of the content published in the Official Gazette and the Official Journal. A regular communication between employees in the legal department is provided for, together with the provision of information at department meetings. Legal procedures are regularly monitored and active participation in them is ensured; relevant organisational levels are then duly informed about them (SSH Management Board, heads of organisational units).

Management and disposal of capital assets

The most important risks in regard to the management of capital assets are the following: late application to the General Meeting of the company under management, the adoption of inadequate Resolution by the SSH Management Board as the General Meeting body of the company under management, the conflict of interest of the role of the asset manager and the supervisory body in the same entity, risks related to the accreditation of members of supervisory bodies in companies with capital assets of the State, the withdrawal of the voting rights as a result of violations of the Takeover Act, the initiation of bankruptcy proceedings or the initiation of other recovery procedures against the company managed by SSH and the lack of information for the management of those capital assets in companies without the majority shareholding and without significant influence. The measures taken for managing the above mentioned risks are: the SSH employees and a specifically appointed person regularly verify the announcements of the convocation of AGMs; employees participate in training programmes thus minimising the risk of adopting an unsuitable General Meeting Resolution, and the work carried out by employees is suitably organised and is regularly checked. For the prevention of the conflict of interest, the management function is separated from the supervisory function in the same company under management. The criteria for the evaluation of candidates for members of supervisory bodies were publicly published by SSH. The SSH Management Board has the obligation to verify and warn Nomination Committees of the professional and transparent implementation of the nomination procedure. The list of persons, acting in concert with the Republic of Slovenia or SSH under ZPre-1, is regularly updated (on a monthly basis). The status of individual capital assets are regularly verified by SSH (the publicly published records, internal analysis, and similar). With the aim of providing a better insight into the operation of an individual company and having as updated information as possible on the companies' performance, in the SSH Recommendations and Expectations, Recommendation 1 and Recommendation 2 were adopted by SSH. These two recommendations stipulate in detail time periods and methods of informing SSH on business results. SSH regularly and timely informs and warns companies of the relevant deadlines. Informational meetings are organised by SSH and held with the management and supervisory bodies of individual companies, while statutory restrictions are duly taken into account.

In regard to the disposal of capital assets, the most important risks are connected with the unauthorised access to confidential data handled during the sale processes in the sale of shares, conflicts of interest in rendering advisory services in the sale processes, violations of European regulations in regard to state aid, non-fulfilment of non-financial commitments by the

buyer of shares and non-fulfilment of suspensive conditions set in purchase and sale agreements. The suitable system of work has been established by SSH for minimising and managing these risks, enabling the verification of the risks related to the legal feasibility of individual transaction prior to the selection of an individual buyer. In addition, the system for the follow-up of the implementation of non-financial commitments was set up, including the possibility for lodging legal remedies in case of violations identified. A mandatory element in the process of the sale of shares in SOEs is the signing of the NDA and Confidentiality Agreement on the part of external business partners and employees participating in sale groups. In addition, suitable internal legal documents were adopted by SSH in this regard. For limiting the possibilities for the conflict of interest to occur in rendering advisory services during the sale processes, the system for verifying the potential providers of these services has been put in place by SSH. The selected advisors have to sign the required statement in writing and bind themselves by means of a contract to observe the mentioned statement during the provision of the services.

Information technology

The core risks related to information technology relate to the protection of information and personal data, to the functioning of software and hardware, archiving of documentation and other matters. Several measures have been taken by SSH in this regard and some additional measures are in progress which are to be carried out by the end of 2016.

FINANCIAL RISKS

Liquidity risks

Slovenian Sovereign Holding is exposed to liquidity risk mainly due to the mismatch between the maturity of assets and maturity of liabilities since the major part of SSH assets is still held in long-term capital investments. The Slovenian Sovereign Holding minimises this risk by having a sufficient volume of available liquid assets and liquid portfolio investments which may be immediately cashed in at the current market values. During poor financial conditions and consequently issues encountered in the sale of more significant shareholding, SSH managed the liquidity risk by timely obtaining and extending loans.

The Slovenian Sovereign Holding will continue to efficiently manage the liquidity risk in the future. It is estimated that the existing volume of the financial debt suffice for the coverage of all liabilities planned in line with the long-term cash flows projections. In fact, the volume of debt is expected to decrease in time since inflows from the sale of shares will mainly be allocated for the reduction of the exiting volume of debt.

In 2016, the major part of sources of funds, maturing in 2017, will be re-financed and partially restructured by SSH. Considering very favourable conditions in financial market, SSH plans to obtain new long-term loans secured by RS guarantee. The debt structure and debt maturity will be adapted in regard to the yields required by investors and in regard to long-term cash flow projections. Given the volume of financial sources on offer, and the interest expressed by various investors, it is estimated more favourable conditions will be obtained for financing SSH activities. Slovenian Sovereign Holding has at its disposal enough liquid funds to repay all loans maturing in 2016, and by the end of 2016, its debt will be reduced by at least EUR 35 million.

Slovenian Sovereign Holding effectively plans and implements sales of shareholdings in companies from the first privatisation package (the Decision of the National Assembly of the Republic of Slovenia of 21 June 2013). Inflows from the sales of capital assets held in the ownership of SSH will continue to be allocated particularly for the reduction of the existing debt.

An important source of financing SSH liabilities is also dividend income. Considering the structure of dividends received from companies and the operation of companies paying dividends, it is highly likely to assume that, in the future, dividends will suffice for all costs related to financing activities and current operating activities, while one part will be allocated for the reduction of the existing debt. The liquidity situation of SSH is improved by regular semi-annual inflows under the contracts signed with the Republic of Slovenia and by liquid and dispersed portfolio investments, which represents an important liquidity reserve.

The market value of long-term and short-term investments significantly exceeds the fair value of all liabilities. Considering experience from previous years and according to the planned development of operations, it is estimated that the long-term financial position of SSH is improving. In addition to all factors stated above, the financial position of SSH was significantly improved by arranging contractual relations with the Republic of Slovenia as regards remaining liabilities which had burdened the liquidity and financial position of SSH although, in fact, in terms of the content, these liabilities were due from the Republic of Slovenia and not from SSH (RS21 and RS39 bonds and liabilities under ZVVJTO).

Market risk

Market risk is present due to the changes in the value of financial instruments, which is the result of changes in their market prices in the capital market. The Slovenian Sovereign Holding cannot directly control the risk related to the changes in market prices of capital assets acquired in the process of companies' ownership restructuring. This particularly applies to strategic and important assets. These capital assets comprise the major part of SSH assets. Slovenian Sovereign Holding manages the market risk associated with the investment portfolio, representing a small part of SSH assets, by dispersing investments according to issuers, sectors and regions.

Currency risks

The currency risk is negligent because the major part of investments and assets is denominated in the EUR currency.

Interest rate risk

Slovenian Sovereign Holding manages interest rate risk. The interest rate on statutory liabilities is predominantly calculated at fixed interest rates. All long-term loans have been obtained at variable interest rates, taking into account the reference interest rates, however, considering the maturity of loans, interest risk is assessed as very low. The interest rate for long-term loans which mature in 2020 is fixed.

Credit risk

The credit risk is minimised by dispersing investments and keeping an internal exposure limit. Considering the existing maturity regarding the investments, this risk is assessed as low.

4.8. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Significant events after balance sheet date are described in detail under item 9.7 of this Annual Report.

Ljubljana, 19 April 2016

Nada Drobne Popovič, MSc
Member of Management Board

Anja Strojín Štampar, MSc
Member of Management Board

Marko Jazbec
President of Management Board



SLOVENIAN SOVEREIGN HOLDING

SLOVENIAN SOVEREIGN HOLDING - COMPANY AND GROUP

ACCOUNTING REPORT

FOR YEAR ENDING 31 DECEMBER 2015

5. STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for the preparation of the Annual Report so that it provides a true and accurate account of the financial position and performance of Slovenian Sovereign Holding in 2015.

The Management confirms that applicable accounting policies have been consistently used and that accounting estimates have been prepared in compliance with the principles of prudence and due diligence. The Management Board further confirms that financial statements have been prepared under the assumption of the going concern and are in line with applicable legislation and the International Financial Reporting Standards as adopted by the EU.

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 frauds and other irregularities and illegalities.

At any time, tax authorities may verify the operation of SSH within five years from the tax calculation date which may consequently result in additional tax liability, default interest and penalty being imposed pursuant to the Corporate Income Tax Act, or to the charging of any other taxes and levies. The Management is not familiar with any circumstances that may give rise to any potential significant liability arising thereunder.

The Company has in place the internal control and risk management systems necessary for the accounting reporting procedure.

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

Ljubljana, 19 April 2016

Nada Drobne Popovič, MSc
Member of
Management Board

Anja Strojín Štampar, MSc
Member of
Management Board

Marko Jazbec
President of
Management Board

6. INDEPENDENT AUDITOR'S REPORT

6.1. OPINION ABOUT SLOVENIAN SOVEREIGN HOLDING



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INDEPENDENT AUDITOR'S REPORT to the owners of the company SLOVENSKI DRŽAVNI HOLDING, d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company SLOVENSKI DRŽAVNI HOLDING, d.d., which comprise the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of SLOVENSKI DRŽAVNI HOLDING, d.d., as of 31.12.2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na www.deloitte.com/si/nasa-druzba.

Member of Deloitte Touche Tohmatsu Limited

Report on Other Legal and Regulatory Requirements

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik

Certified Auditor

Deloitte.

DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

For signature please refer to the original Slovenian version.

Ljubljana, 19 April 2016

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba.
Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na www.deloitte.com/si/nasa-druzba.

Member of Deloitte Touche Tohmatsu Limited

6.2. OPINION ABOUT SLOVENIAN SOVEREIGN HOLDING GROUP



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INDEPENDENT AUDITOR'S REPORT to the owners of the company SLOVENSKI DRŽAVNI HOLDING, d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the company SLOVENSKI DRŽAVNI HOLDING, d.d., (hereinafter: the Group) which comprise the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SLOVENSKI DRŽAVNI HOLDING, d.d., as of 31.12.2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na www.deloitte.com/si/nasa-druzba.

Member of Deloitte Touche Tohmatsu Limited

Report on Other Legal and Regulatory Requirements

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DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified Auditor

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija

For signature please refer to the original Slovenian version.

Ljubljana, 19 April 2016

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Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba.
Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na www.deloitte.com/si/nasa-druzba.

Member of Deloitte Touche Tohmatsu Limited

7. FINANCIAL STATEMENTS OF SLOVENIAN SOVEREIGN HOLDING COMPANY AND GROUP

7.1. STATEMENT OF FINANCIAL POSITION /BALANCE SHEET as of 31 DECEMBER 2015

in 000 EUR	Note	Company		Group	
		31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
ASSETS - TOTAL		913,470	1,035,406	952,908	1,042,795
LONG-TERM ASSETS		780,943	804,640	785,509	812,029
Intangible assets and long term deferred costs and accrued revenues	9.1.1.	69	43	69	43
Tangible fixed assets	9.1.2.	595	679	595	679
Long-term financial investments	9.1.3.	780,279	735,666	784,845	743,055
Long-term operating receivables	9.1.4.	0	68,252	0	68,252
SHORT-TERM ASSETS – TOTAL		132,527	230,766	167,399	230,766
Short-term assets without deferred costs and accrued revenues		132,288	229,725	167,160	229,725
Non-current assets held for sale	9.1.5.	4,988	62,455	39,860	62,455
Short-term financial investments	9.1.6.	38,420	87,691	38,420	87,691
Short-term operating receivables	9.1.7.	74,225	70,279	74,225	70,279
Cash	9.1.8.	14,655	9,300	14,655	9,300
Short-term deferred costs and accrued revenues	9.1.9.	239	1,041	239	1,041
EQUITY AND LIABILITIES - TOTAL		913,470	1,035,406	952,908	1,042,795
EQUITY	9.1.10.	325,108	287,383	331,714	294,772
Share capital		60,167	60,167	60,167	60,167
Share premium		0	0	0	0
Revaluation surplus		501,982	518,949	322,450	336,624
Retained net profit or loss		-237,041	-291,733	-53,148	-102,019
Equity - minority owners		0	0	2,245	0
NON CURRENT LIABILITIES - TOTAL		453,366	294,692	453,366	294,692
Provisions and long-term deferred costs and accrued revenues	9.1.11.	48,754	76,448	48,754	76,448
Long-term liabilities		404,612	218,244	404,612	218,244
Long-term financial liabilities	9.1.12.	404,612	218,244	404,612	218,244
SHORT-TERM LIABILITIES - TOTAL		134,996	453,331	167,828	453,331
Short-term liabilities		134,786	453,153	167,618	453,153
Liabilities classified into disposal group		0	0	32,832	0
Short-term financial liabilities	9.1.13.	114,528	433,164	114,528	433,164
Short-term operating liabilities	9.1.14.	20,258	19,989	20,258	19,989
Short-term deferred costs and accrued revenues	9.1.15.	210	178	210	178

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

7.2. STATEMENT OF COMPREHENSIVE INCOME for the year ending 31 December 2015

in EUR 000	Note	Company		Group	
		1.1.-31.12.2015	1.1.-31.12.2014	1.1.-31.12.2015	1.1.-31.12.2014
Net sales revenues	9.1.16.	5,082	4,259	5,082	4,259
Other operating income (with revaluated operating revenues)	9.1.16.	20,890	2,591	20,890	2,591
Operating income		25,972	6,850	25,972	6,850
Costs of goods, material and services	9.1.17.	-4,620	-4,419	-4,620	-4,419
Labour costs	9.1.18.	-4,406	-3,617	-4,406	-3,617
Amortisation and depreciation	9.1.19.	-142	-278	-142	-278
Long-term provisions	9.1.20.	0	-4,880	0	-4,880
Write-offs	9.1.21.	-786	-1,135	-786	-1,135
Other operating expenses	9.1.22.	-281	-43	-281	-43
Operating profit or loss		15,737	-7,522	15,737	-7,522
Financial income	9.1.23.	62,035	83,077	61,967	83,077
Financial expenses	9.1.23.	-19,480	-27,270	-19,480	-27,157
Profit/loss share from investments evaluated according to the equity	9.1.24.	0	0	-2,888	39,280
Other income	9.1.25.	0	48	0	48
Other expenses	9.1.25.	-25	0	-25	0
Profit or loss before tax		58,267	48,333	55,311	87,726
Income tax expenses	9.1.26.	0	0	0	0
Deferred taxes	9.1.26.	-3,575	10,034	-3,575	10,034
Net profit or loss for the reporting period from discontinued operation		54,692	58,367	51,736	97,760
Profit/loss from discontinued operation	9.1.27.	0	0	-5,096	0
Net profit / loss for the financial year		54,692	58,367	46,640	97,760
Net profit or loss for the reporting period - majority owner		0	0	48,373	97,760
Net profit or loss for the reporting period - minority owner		0	0	-1,733	0
Profit/loss recognised in revaluation surplus		-20,553	109,866	-17,760	63,790
Income tax expense from other comprehensive income		3,575	-10,034	3,575	-10,034
Net other comprehensive income to be recognised in the Income Statement in the future		-16,978	99,832	-14,185	53,756
Post-employment benefits calculation		11	-1	11	-1
Net other comprehensive income not to be recognised in the Income Statement in the future		11	-1	11	-1
Other comprehensive income after tax		-16,967	99,831	-14,174	53,755
Total comprehensive income for the financial year after tax		37,725	158,198	32,466	151,515

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

7.3. CASH FLOW STATEMENT for the year ending 31 December 2015

in EUR 000	Company		Group	
	1. 1. - 31. 12. 2015	1. 1. - 31. 12. 2014	1. 1. - 31. 12. 2015	1. 1. - 31. 12. 2014
Cash flows from operating activities				
<i>Proceeds from operating activities</i>	91,344	87,168	91,344	87,168
Proceeds from operating activities	9,303	6,497	9,303	6,497
Proceeds from Republic of Slovenia (commission business)	82,041	80,671	82,041	80,671
<i>Expenses from operating activities</i>	-163,457	-161,760	-163,457	-161,760
Expenses for materials and services	-5,111	-4,145	-5,111	-4,145
Labour costs	-4,005	-3,546	-4,005	-3,546
Expenses for various levies and charges	-897	-195	-897	-195
Payments pursuant to ZDen and SZ (inc. SOS2E)	-136,251	-141,696	-136,251	-141,696
Expenses for the account of the Republic of Slovenia (commission business)	-16,800	-11,666	-16,800	-11,666
Other expenses for operating activities	-393	-512	-393	-512
Net cash flow from operating activities	-72,113	-74,592	-72,113	-74,592
Cash flows from investing activities				
<i>Proceeds from investing activities</i>	404,577	354,847	404,577	354,847
Interest and dividends received	43,892	37,456	43,892	37,456
Proceeds from sale of property, plant and equipment	4	3,352	4	3,352
Proceeds from sale of long-term financial investments	21,800	59,753	21,800	59,753
Proceeds from sale of short-term financial investments	338,881	254,286	338,881	254,286
<i>Expenses from investing activities</i>	-303,004	-257,692	-303,004	-257,692
Acquisition of intangible assets	-57	-8	-57	-8
Acquisition of tangible assets	-80	-49	-80	-49
Acquisition of long-term financial investments	-17,004	-44,695	-17,004	-44,695
Acquisition of short-term financial investments	-285,863	-212,940	-285,863	-212,940
Net cash flow from investment activities	101,573	97,155	101,573	97,155
Cash flows from financing activities				
<i>Proceeds from financing activities</i>	105,000	0	105,000	0
Receipts from increase in long-term financial liabilities	105,000	0	105,000	0
<i>Expenses from financing activities</i>	-129,105	-26,471	-129,105	-26,471
Interest expenses related to financing activities	-9,105	-11,471	-9,105	-11,471
Repayment of long-term financial liabilities	-120,000	-15,000	-120,000	-15,000
Net cash flow from financing activities	-24,105	-26,471	-24,105	-26,471
Closing cash balance	14,655	9,300	14,655	9,300
<i>Net increase/decrease in cash for the financial year</i>	5,355	-3,908	5,355	-3,908
<i>Opening cash balance</i>	9,300	13,208	9,300	13,208

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

7.4. STATEMENT OF CHANGES IN EQUITY

7.4.1. Statement of Changes in Equity of Slovenian Sovereign Holding, for the year ending 31 December 2015

in EUR 000						
	Share capital	Statutory reserves	Retained profit/loss	Net profit/loss	Net amount of revaluated financial investmentst held for sale	Total
Balance as of 1 January 2014	60,167	0	-301,679	-48,421	419,118	129,185
Total comprehensive income for the reporting period	0	0	0	58,367	99,831	158,198
Input of net profit/loss for the reporting period	0	0	0	58,367	0	58,367
Change in surplus from revaluated financial investments	0	0	0	0	99,832	99,832
Surplus/deficit changes from actuarial calculations	0	0	0	0	-1	-1
Changes in equity	0	0	9,946	-9,946	0	0
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	0	9,946	-9,946	0	0
Closing balance as of 31 December 2014	60,167	0	-291,733	0	518,949	287,383
Total comprehensive income for reporting period	0	0	0	54,692	-16,967	37,725
Input of net operating profit/loss for the reporting period	0	0	0	54,692	0	54,692
Change in surplus from revaluated financial investments	0	0	0	0	-16,978	-16,978
Surplus/deficit changes from actuarial calculations	0	0	0	0	11	11
Changes in equity	0	0	54,692	-54,692	0	0
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	0	54,692	-54,692	0	0
Closing balance as of 31 December 2015	60,167	0	-237,041	0	501,982	325,108

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

7.4.2. Determination of accumulated profit/loss for of Slovenian Sovereign Holding

in EUR 000	
Net profit or loss for 2015	54,692
Retained net profit or loss	-291,733
Accumulated loss for 2015	-237,041

The accumulated loss has been disclosed in accordance with Article 66 of ZGD-1.

7.4.3. Statement of Changes in Equity for Slovenian Sovereign Holding Group for year ending 31 December 2015

in EUR 000	Share capital	Retained profit/loss	Net profit/loss	Net amount of revaluated financial investment held for sale	Actuarial gains/losses	Total
Balance as of 1 January 2014	60,167	-177,847	-22,113	282,869	0	143,076
Total comprehensive income for the reporting period	0	0	97,760	53,755	0	151,515
Input of net profit/loss for the reporting period	0	0	97,760	0	0	97,760
Other comprehensive income	0	0	0	53,756	0	53,756
Surplus/deficit changes from actuarial calculations	0	0	0	-1	0	-1
Changes in equity	0	75,647	-75,647	0	0	0
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	75,647	-75,647	0	0	0
Movements from equity	0	181	0	0	0	181
Other changes in equity	0	181	0	0	0	181
Closing balance as of 31 December 2014	60,167	-102,019	0	336,624	0	294,772
Total comprehensive income for the reporting period	0	0	48,373	-14,174	744	34,943
Changes due to merger with PDP	0	0	0	0	2,477	2,477
Input of net profit/loss for the reporting period	0	0	48,373	0	-1,733	46,640
Other comprehensive income	0	0	0	-14,185	0	-14,185
Surplus/deficit changes from actuarial calculations	0	0	0	11	0	11
Changes in equity	0	48,373	-48,373	0	0	0
Appropriation of residual net profit of the benchmark reporting period to other equity components	0	48,373	-48,373	0	0	0
Movements from equity	0	498	0	0	1,501	1,999
Other changes in equity	0	498	0	0	1,501	1,999
Closing balance as of 31 December 2015	60,167	-53,148	0	322,450	2,245	331,714

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

8. SIGNIFICANT ACCOUNTING POLICIES

8.1. REPORTING COMPANY

The reporting company – Slovenian Sovereign Holding, is a joint stock company registered before the Ljubljana District Court by way of a Decision Srg. No. 199304616, holding the Registration Entry No. 1/21883/00. Considering the provisions of Articles 55 and 56 of ZGD-1, the Company is classified as a large company obliged to undergo a regular annual audit.

In line with the Standard Classification of Activities, the Company's activity is categorised in the following class: K 64.990 - Other financial service activities, except insurance and pension funding n.e.c.. The Company's activity is presented in detail in the Business Report, Chapter 4.

The Company is a controlling company of Slovenian Sovereign Holding Group, with the registered seat in the Republic of Slovenia, at the address: Mala ulica 5, Ljubljana.

The subsidiary companies as of 31 December 2015:

- Dekorativna d. o. o. Ljubljana - in liquidation, Dunajska 160, Ljubljana, the Company's shareholding amounts to 100,00 %,
- Elektrooptika, d. d., Ljubljana, Stegne 7; the Company's shareholding amounts to 70.48 %,
- GIO, d. o. o., Ljubljana - in liquidation, Dunajska cesta 160, the Company's shareholding amounts to 71.27%,
- Paloma, d. d., Sladki Vrh, Sladki Vrh 1; the Company's shareholding amounts to 70.97 %,
- PS ZA AVTO, d. o. o., Tržaška cesta 133, Ljubljana; the Company's shareholding amounts to 90.00%.

The associated companies as of 31 December 2015:

- Casino Bled, d. d., Bled, Cesta svobode 15; the Company's shareholding amounts to 43.00 %,
- Hit, d. d., Nova Gorica, Delpinova ulica 5; the Company's shareholding amounts to 20.00 %,
- Pozavarovalnica Sava, d. d., Ljubljana, Dunajska cesta 56; the Company's shareholding amounts to 25.00 %,
- Unior, d. d., Zreče, Kovaška cesta 10; the Company's shareholding amounts to 39.43 %,
- Zavarovalnica Triglav, d. d., Ljubljana, Miklošičeva cesta 19, the Company's shareholding amounts to 28.09 %.

The Company produced the consolidated financial statements, reporting the situation as of 31 December 2015, in which the associated companies had been included using the equity method. The subsidiary, Paloma, d. d., has been classified into non-current assets held for sales and it is disclosed as such in the Financial Statements.

The inclusion of a subsidiary, PS ZA AVTO, d. o. o., into the consolidated financial statements is insignificant from the aspect of presenting fair and true financial statements for the Group; therefore the company was not included in the consolidation. The companies Dekorativna, d. o. o. Ljubljana - in liquidation, Elektrooptika, d. d., Ljubljana and GIO, d. o. o., Ljubljana – in liquidation, are non-going concerns. The inclusion of these companies is insignificant from the

aspect of presenting fair and true financial statements for the Group; therefore they were not included in the consolidation.

The Annual Report of the Company and the Group is available for inspection at the Company's head office and on its web site.

In 2015, the average number of employees employed with the Company was 67.18, calculated from the number of hours worked. As of 31 December 2015, there were 71 employees employed.

The Company's share capital in the amount of EUR 60,166,917.04 is divided into non-par value shares not listed on the regulated stock exchange market.

The 2015 Financial Statements were approved by the Management Board on 19 April 2016.

8.2. SIGNIFICANT ACCOUNTING POLICIES

8.2.1. Statement of compliance

The Accounting Report presents in parallel accounting data for Slovenian Sovereign Holding and for Slovenian Sovereign Holding Group. For the purpose of providing clear and unambiguous data, the term "the Company" is used for Slovenian Sovereign Holding in the remainder of the text while data in regard to Slovenian Sovereign Holding Group are disclosed under the term "the Group".

For the year ending on 31 December 2015, the consolidated statements have been prepared, in addition to individual financial statements. The consolidated financial statements for the controlling company and the financial statements for the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as: "IFRSs"). The Slovenian legislation (ZGD-1) and the Company's internal legal documents have been taken into account in the development of the financial statements.

8.2.2. Merger with PDP

Upon the entry into force of ZSDH-1, Slovenian Sovereign Holding held a 20.49% of ownership stake in PDP which was increased by acquiring a 13.47% stake from D:S.U. in August 2014, rising it to 33.96% and became a 100 % owner of PDP, d. d., by acquiring a 66.04% stake from KAD in n January 2015.

Pursuant to provisions of ZSDH-1 and ZGD-1, SSH and PDP concluded the Merger Agreement on the basis of which the acquired PDP was merged with the acquiring company. The acquired company was wound up prior to its liquidation, specifically on the date of entry of the merger into the Court/Business Register, i.e., on 1 July 2015. In accordance with the Agreement all assets and liabilities were transferred to the acquiring company as of the date of merger, together with assets and liabilities acquired following the merger, i.e., on 31 January 2015. In the capacity of a legal successor, the acquiring company assumed all legal relations the subject of which was the acquired company.

By merging with PDP, SSH acquired ownership stake in the following companies: Adria Airways, d. d., (2.08 %), Adria Airways tehnika, d. d., (52.33 %), Aero, d. d., in bankruptcy (1.44 %), Elan, d. o. o., (66.37 %), Elektrooptika, d. d., (70.48 %), Novoles, d. d., in bankruptcy

(16.69 %), Paloma, d. d., (70.97 %), Rimske terme, d. d., in bankruptcy (13.55 %), Unior, d. d. (37.11 %) and Vegrad, d. d., in bankruptcy (29 %). For reporting purposes it is considered that the acquiring company controlled these companies by acquiring a 100% stake in PDP. In addition to investments mentioned above, liabilities arising from short-term loans granted to commercial banks and to Adria Airways tehnika must be mentioned in regard to assets acquired by SSH on the basis of merger. By the end of the financial year, both borrowers had been transferring funds to the SSH's transaction account.

8.2.3. Basis of preparation

The IFRS are applied in the presentation and valuation of individual items. The historical cost basis was used as the basis for measurement in these financial statements.

However, available-for-sale financial assets were measured at fair value. Impairment of all assets is regularly reviewed and recorded, when necessary.

The book value of assets as of the day of the transition to IFRS was applied for property, plant and equipment. In the past, the book value of assets was reported at historical cost value and its increases made by 2001 were due to applying annual consumer price indices. Impairment of the above mentioned assets is regularly reviewed and recorded, when necessary.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and other factors reasonable in the circumstances and are the basis for determining the carrying amount of assets and liabilities that do not result directly from other sources. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if only this period is affected, or in current and any future periods affected. The financial statements should give a true and fair view of the financial position, financial performance and cash flows of the Company/Group. The precautionary principle and the principle of fair value as required by IFRS must also be taken into account.

The general valuation rules are observed in the preparation of financial statements of the Company/Group. These are: going concern, consistency concept, and, particularly, accrual concept. The Company/Group expects to continue to function as such and remain viable in the future. Changes in economic categories are considered alongside accruals. Each comparison between revenue and expenditure must present only relevant expenditures being posted against revenues, regardless of income and costs. The accounting handling of economic categories cannot change as a result of any current business interests of the Company/Group. Financial statements must provide for consistent presentation and classification of items being continued from one period to another period. In case of any discrepancies in various periods, the reasons for such changes and their consequences must be presented.

Financial statements include all items that are significant enough to affect estimates and decisions. Reliable information is free of any significant errors and biased viewpoints. Uncertainty is associated with several business events which is why accounting policies must be selected with due caution. The assets and liabilities items must not be offset; the same applies to revenues and expenditures except when explicitly allowed so by any of IFRS. Business events are handled in accordance with their contents and not only according to their legal form. When explaining a document, its content is given a priority over its form. The accounting information must be appropriate, understandable, reliable, complete, timely and accurate.

Accounting policies mentioned in the remainder of the report were consistently applied in all periods presented in these financial statements.

a) Standards and interpretations valid in the current period

The following standards, amendments to existing standards and notes issued by the International Accounting Standards Board (IASB) and adopted by the EU apply for the current period;

- **Amendments to various standards "Annual Improvements cycle 2011-2013"**, resulting from the Annual Improvements process of IFRS (IFRS 3, IFRS 13, and IAS 40) with the aim to eliminate inconsistencies and interpretations adopted by the EU on 18 December 2014, (amendments effective for annual periods beginning on or after 1 February 2015),
- **IFRIC 21 "Levies"** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The above mentioned standards, amendments and interpretations will be observed by the Company after their coming into force. It is assessed by the Company that their application should not have any significant impact on the Company's financial statement in the transition period.

b) Amendments to existing standards issued by the IASB and adopted by the EU not yet effective

As of the day of approval given to these financial statements, the following standards, amendments to existing standards and notes, issued by IASB and adopted by the EU but not yet being effective, are:

- **Amendments to IFRS 11 – Joint arrangements** – “Accounting for Acquisitions of Interests in Joint Operations» adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 - Presentation of Financial Statements** – “Disclosure Initiative” adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets** – Clarification “Acceptable Methods of Depreciation and Amortisation” adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture– “Agriculture: Bearer Plants”** as adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016)
- **Amendments to IAS 19 "Employee Benefits"** - Certain benefits programmes: Employee Benefits adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 –Separate Financial Statements** – “Equity Method in Separate Financial Statements” adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Annual Improvements cycle 2010-2012"**, resulting from the Annual Improvements process of IFRS (IFRS 2, IFRS 3, IFRS 13, IAS 16, IAS 24 and IAS 38) with the aim to eliminate inconsistencies and interpretations adopted by the EU on 17 December 2014, (amendments effective for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Annual Improvements cycle 2012-2014"**, resulting from the Annual Improvements process of IFRS (IFRS 5, IFRS 7, IAS 9 and IAS 34) with the aim to eliminate inconsistencies and interpretations adopted by the EU on 15

December 2015, (amendments effective for annual periods beginning on or after 1 January 2016).

The above mentioned standards, amendments and interpretations will be observed by the Company/Group after their coming into force. It is assessed by the Group/Company, that amendments to the said standard will not have any significant impact to its financial statements.

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

Currently, IFRS as adopted by the EU do not significantly differ from standards adopted by IASB with the exception of the following new standards and amendments to the existing standards which, as of 19 April 2016, have not yet been adopted for their application in the EU (the dates mentioned below in regard to the effective date apply for the entire IFRS):

- **IFRS 9 - "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 – "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission (EC) has concluded not to initiate the process for endorsement of the interim standard and to wait for its final version.
- **IFRS 15 – "Revenue from Contracts with Customers"** and subsequent amendments - (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 - "Leases"** (effective for annual periods beginning on or after 1 January 2019).
- **Amendments to IFRS 10 - "Consolidated Financial Statements", IFRS 12 - "Disclosure of Interests in Other Entities", and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 - "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sales or contributions of assets between an investor and its associate/joint venture and subsequent amendments (the effective date of the amendments made has been deferred for indefinite period of time until the research project in regard to the equity method is completed).
- **Amendments to IAS 12 -"Income Tax"** – Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017).

It is expected by the Company/Group that the adoption of IFRS 9 will have an impact on the Company's classification and measurement of financial assets, while no changes are expected in the classification and measurement of financial liabilities. In regard to other standards, it has been assessed by the Company/Group that their application should not have any significant impact on the Company's financial statement in the transition period.

At the same time, hedge accounting in relation to financial assets and the liabilities portfolio, the principles of which have not yet been adopted by the EU, is still not regulated.

It has been assessed by the Company/Group that the application of hedge accounting in relation to financial assets and liabilities in conformity with the requirements of **IAS 39 - Financial instruments: "Recognition and Measurement"** should not have a significant impact on the Company's financial statement when applied at the balance sheet cut-off date.

8.2.4. **Currency reporting**

a) Functional and presentation currency

All financial information in financial statements of the Company/Group is presented in the Euro (EUR) which is the functional and presentation currency of the Company/Group. All accounting information, with the exception of earnings for the members of the Management Board, Supervisory Board and Audit Committee, presented in the Euro has been rounded to the nearest thousand. The rounding of the value information may result in some insignificant differences in sums and tables.

b) Transactions and balances

Transactions presented in foreign currencies are converted into the Euro at the European Central Bank's reference exchange rate at the transaction date. The gain 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.

Exchange rate differences arising from debt securities and other monetary assets recognised at fair value are included in gains or losses incurred in transactions in foreign currencies. Foreign exchange differences in non-monetary items, such as assets held for sale, are directly recognised in the equity, in the revaluation surplus.

8.2.5. **Value estimates of individual items**

The estimates made by the Company's management, actuarial appraisers and other valuation experts have served as a basis for making value estimations of the following items: financial investments, provisions, amortisation and depreciation. Considering the fact that this is an estimate, there is a degree of uncertainty present in regard to individual assumptions used by appraisers.

8.2.6. **Significant policies for Company and Group**

Revenue recognition

Revenue from the sale of services is recognised when those services have been rendered.

Other revenue is recognised by applying the following principles

- dividend income - it is recognised on the date when the shareholder's right to receive payment is established
- revenue from the sale of financial investments is recognised on the date of their settlement and or on the date of transfer of risks and benefits to a buyer. A receipt of an irrevocable guarantee issued by a top-rating bank, or any other full guarantee is also deemed to be a settlement;
- interest income - it is recognised as it accrues unless there is a doubt about its collection when the interest income amount is written off and the replacement cost is applied

Investments in subsidiaries

A consolidated subsidiary is a company in which the controlling company has a controlling interest or a controlling influence for other reasons as a result of which such company is actually controlled, and which joins the Group for which the consolidated financial statements are prepared. When the value of a subsidiary is irrelevant for the true and fair presentation of

the Group's financial statement, such a subsidiary is not included in the consolidated financial statements.

Investments in subsidiaries are valued at the historical acquisition value. Income from profit participation is recognised as income from financing activities when a resolution on the distribution and payment of profits is adopted by the AGMs of these companies. Investments are impaired when the recoverable value of the investment is less than its book value. A loss due to impairment is immediately recognised as financial expenses in the Statement of Comprehensive Income.

Investments in associates

Associates are companies in which the Companies holds from 20% to 50% of the voting power and in which the Company has a significant influence, but not control over their operations. In the Company's financial statements, financial investments in associates are valued at fair value. Only when the fair value cannot be measured with certainty, is it shown at cost.

In accordance with IAS 28, financial investments in associates are recognised using the equity method from the date when the investment becomes an associate company. In the Statement of Financial Position, by using the equity method, the investment is recognised initially at cost increased by changes - upon the acquisition - in the capital of the associate and reduced by any impairment. The amount obtained from the distribution of net profit of a company in which the controlling company has a significant influence reduces the book value of the financial investment.

On the acquisition of a financial investment, each difference between the acquisition value of the financial investment and the investor's interest in the net fair value of the identifiable assets, debts and contingent liabilities of the associate is recognised in accordance with IFRS 3 - Business Combinations.

Each surplus of the investor's interest in the net fair value of the identifiable assets, debts and contingent liabilities of the associate over the amount paid for the acquisition of the financial investment is excluded from the book value of the financial investment and is recognised as income for the period when the investment is acquired.

Intangible assets and long-term deferred costs and accrued revenues

Intangible assets include investments in computer software and other intangible assets. When computer software forms an integral part of the suitable computer hardware, it is considered a tangible fixed asset. Intangible assets are recognised as such only when it is likely that future economic benefits will be generated for the Company/Group and when its cost can be reliably measured.

The cost model is applied which is why intangible assets are recognised at cost less accumulated amortisation and impairment losses.

The estimated useful life is reviewed at least at the end of each financial year. When the estimated useful life of an intangible asset significantly differs from the previous estimation, the depreciation period is modified accordingly.

The depreciation of intangible assets is calculated at the straight line method by taking into account the useful life of the assets. The depreciation rates used range from 10.0% to 33.3%.

Long-term deferred costs and accrued revenues are recorded in the profit and loss account during the useful life of the assets.

Tangible fixed assets

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

The depreciation of intangible assets is calculated at the straight line method by taking into account the useful life of the assets. The following depreciation rates are used :

- property and land	3.0 – 5.0 %,
- parts of buildings	6.0 %
- computer equipment	33.3 – 50.0 %
- motor vehicles	12.5 %
- other equipment	20.0 – 33.3 %,
- other equipment	25.0 – 100.0 %,

Land is not depreciated since it is presumed to have an unlimited useful life. Likewise, assets in course of construction are not depreciated until they are ready to be used. Since the book value of assets exceeds their estimated recoverable value, they must be revalued to the estimated recoverable value, i.e. impaired pursuant to IAS 36. Profits and losses incurred upon the disposal of land, buildings and equipment are determined according to their book value and affect the Company's operating results. Subsequent costs associated with tangible fixed assets increase their acquisition cost when future economic benefits are expected from these assets. Costs of all other repairs and maintenance services are included in the Statement of Comprehensive Income for the period in which they are incurred. Tangible fixed assets with useful life exceeding one year and individual acquisition cost being less than EUR 500 are allocated to costs, except for printers, facsimile machines, desktop calculators, and similar equipment.

The residual value and estimated useful life of assets are reviewed and, when necessary, also amended during the preparation of financial statements.

Financial assets

The Company/Group classifies its investments into the following categories: financial assets measured at fair value through profit or loss, loans and receivables, financial assets held until their maturity, and assets available for sale. The classification depends on the purpose for which an individual asset was acquired.

a) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss when held for trading purposes or when measured as such on recognition. Investments acquired for the purpose of generating profit from short-term price fluctuations are classified into the group of financial assets intended for trading. These assets are measured at fair value, and any gains/losses due to the fluctuations in prices are included in the Statement of Comprehensive Income in the period in which they were generated.

As of 31 December 2015, the Company/Group did not have any financial assets measured at fair value through profit or loss.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted on a regulated market. They are classified either as short-term assets or long-term assets with a maturity of more than twelve months following the balance sheet date. In the Statement of Financial Position, loans are recognised at the amortised cost using the effective interest rate method. Subsequent impairments are recognized in profit or loss. Impairment loss is eliminated when the subsequent increase in the recoverable value of the asset may be associated in an objective manner with the event occurring after the impairment recognition.

c) Financial assets held to maturity

Fixed maturity investments which the Company/Group intends to hold and is able to hold until their maturity are classified as investments held-until-maturity and form a part of long-term assets. In the balance sheet, these financial investments are valued at amortised cost. The portion of the investment to mature within twelve months of the balance sheet date is recognised as a short-term asset. Subsequent impairments are recognized in profit or loss. Impairment loss is eliminated when the subsequent increase in the recoverable value of the asset may be associated in an objective manner with the event occurring after the impairment recognition.

As of 31 December 2015, the Company/Group did not have any financial assets held-to-maturity.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either classified into this group or are not classified into any of the aforementioned groups. Assets in this group are measured at fair value or at cost when fair value cannot be measured in a reliable manner.

Fair values of financial instruments determined by a valuation model include:

- a comparison to prices obtained upon the last transactions performed,
- the use of the discounted cash flow model;
- valuation using the price model.

These valuation models reflect market conditions as of the measurement date which can differ from market conditions existing before or after this date.

Gains and losses arising from the changed fair value of the available-for-sale financial assets are recognized directly in the comprehensive income except for impairment losses, until recognition of the financial assets is eliminated. In this case, the accumulated gains and losses presented in the capital are recognized in the Profit and Loss Statement.

Interests from debt securities are recognized directly in the Profit and Loss Statement.

On each balance sheet cut-off date, the Company/Group makes an assessment whether there is objective evidence that the value of financial assets or a group of financial assets has been impaired. In case of available-for-sale financial assets, a typical and long lasting reduction in fair value getting below the acquisition cost is considered as an indicator of impairment of investments. In cases when there is such evidence (a 20% drop below the acquisition cost in a particular year, or a drop during a period of not more than nine months), the cumulative losses (determined as the difference between the acquisition cost and the current fair value less impairment losses recognised in equity) are recognised in financial expenses and are simultaneously eliminated from equity. Impairments of equity instruments, recognized in profit or loss, cannot be reversed.

It is annually reviewed whether there are any signs of impairments associated with financial investments being classified in the group of available-for-sale assets and not listed on the regulated market. In such cases, fair value is determined by using internal models based on market data or the discounted cash flow method. When it is established that there are no operating market assumptions associated with certain investment, the fair value is determined by also applying the valuation model.

Derived financial instruments

Derived financial instruments are initially recognized at fair value; costs associated with the transaction are recognized in profit or loss when they are incurred. After their initial recognition, derived financial instruments are measured at fair value and the related amendments are handled in two manners:

- When a derived financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or highly probable expected transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in the comprehensive income for the period. Any ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.
- Effects of other derivatives not designated as the hedging instrument in a hedge of the variability in cash flows are recognised in profit or loss.

In the 2012 - 2015 period, the Company/Group hedge its interest rate risk exposure associated with loans by means of interest rate swaps. At the end of the reporting period, the fair value of interest rate swaps is valued by discounting future cash flows arising from the flexible interest rate (swap interest rate received) and fixed interest rate (swap interest rate paid). Gains and losses are recognised in profit or loss.

Assets held for sale or distribution

Assets or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution, are classified as held for sale or distribution. When this criterion is met, financial investments in subsidiaries and associates are also classified into the category of assets/disposal group held for sale. Immediately before the classification as held for sale or distribution, the assets or disposal group is remeasured. Accordingly, the long-term asset or disposal group is recognized at book value or fair value less transaction costs, whichever is lower. Financial investments reclassified into the category of assets/disposal group held for sale are not measured under the provisions of IFRS 5 but under the provisions of IAS 39. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are not amortised or depreciated. After their classification as held for sale or distribution, any equity-accounted investment is no longer equity accounted for.

Impairment of non-financial assets

At each reporting date, book value of assets is reviewed with the aim to assess any indication of impairment. Indefinite-lived assets that 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 indicate impairment. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable value. The recoverable value is the higher of the fair value of the asset, less the costs to sell and its value in use.

For the purpose of identifying impairment, assets are divided into smaller units identified as generating cash flows independently of other units (cash-generating units).

Operating receivables

Receivables arising from financial, legal and other relations are guaranteed rights to claim from an entity the payment of debt, the supply of goods or the provision of services. Operating receivables are not considered to include long-term financial investments or short-term financial investments but only those associated with financial revenues derived thereunder.

In books of account and the balance sheet, receivables are recognised as an asset when it is probable that the future economic benefits embodied within the asset will flow to the company and its cost can be reliably measured. Recognised receivables are de-recognised as assets in books of account and balance sheet when its contractual obligations are no longer controlled, have already been exercised, have expired or have been assigned.

Receivables are initially recognised in amounts stated in relevant documents with an assumption that they will be paid. Receivables are measured at amortised cost using the effective interest rate method less impairment. Impairment of operating receivables occurs when it is expected that the full amount of outstanding receivables will not be collected. The impairment amount is the difference between the carrying amount and the current value of the expected estimated cash flows being discounted at the effective interest rate. Impairments are recognized in profit or loss.

Significant operating receivables of the Company/Group are:

- a long-term receivable due from the Republic of Slovenia arising from ZVVJTO - the Company reimburses investments in the public telecommunications network on behalf of the Republic of Slovenia;
- a long-term receivable due from the Republic of Slovenia arising from ZSPOZ - the Company settles compensation amounts to victims of war and post-war violence;
- a long-term receivable due from the Republic of Slovenia arising from ZIOOZP - the Company settles compensation amounts to beneficiaries for confiscated property pursuant to the abrogation of the penalty of confiscation of property-

Last instalments under the aforementioned receivables will mature in 2016.

Cash and cash equivalents

Cash and cash equivalents are initially recognized in the amount stated in relevant documents. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand, cash at bank, deposits and certificates of deposit held with banks (maturing within 90 days from the transaction execution date) and other investments in money market instruments. When a bank account overdraft contract has been signed, bank overdrafts are recognised as short-term financial liabilities in the Balance Sheet.

Provisions

Provisions are recognised, if, as a result of past events, the Company/Group has a present legal obligation that can be reliably estimated and it is highly probable that it will have to be settled. Amounts recognised as provisions are the best possible estimation of an expenditure necessary to be settled on the balance sheet date in order to meet the present obligations. Provisions may not be created in order to offset future operating losses.

Provisions for retirement benefits and jubilee premiums

In accordance with the statutory requirements and internal legal documents, the Company/Group is liable to pay jubilee premiums and retirement benefits to its employees. For these, provisions are created. This liability is calculated by the actuary who takes into account the following factors: the probability of death, probability of retirement, probability of staff turnover, and probability of disability. The calculation is discounted to the present value. The actuarial calculation is based on assumptions and estimates valid at the time of calculation development and are likely to be modified in the future. The actuarial calculation is usually prepared every second year, and earlier in case of any significant changes in regard to employees.

Deferred taxes

Deferred taxes are directly associated with the basic accounting principle of comparing revenues and expenses in the Profit and Loss Statement. 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 the amounts reported in the financial statements. Deferred taxes are calculated using statutory tax rates for the period in which it is expected to be applied when the tax receivable is realized and tax liability is settled.

Tax receivable is recognised when it is probable that tax income is to be generated in the future to allow for making use of temporary differences. Tax liability is recognised in accordance with IAS 12. Tax receivables and liabilities are recognised in the offset amount in the Balance Sheet.

Liabilities

Operating liabilities are liabilities due to suppliers for assets acquired or services rendered, and liabilities due to employees, government, owners, etc. In books of account, liabilities are recognized when it is probable that their settlement will decrease factors enabling economic benefits, and when the settlement amount can be reliably measured.

Financial liabilities are recognised when incurred at fair value without any transaction costs arising thereunder. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Any difference between proceeds (without transaction costs) and liabilities is recognised in profit and loss throughout the period of existence of the financial liability. Interest received is calculated in accordance with contracts; as a result, financial interest expenses are increased. A portion of long-term liabilities to mature within twelve months after the reporting date is recognised as short-term liabilities.

Equity

The entire SSH's equity is its liability due to its sole owner, the Republic of Slovenia, and falls due for payment on the dissolution of SSH, d.d. The entire capital consists of called-up capital, capital reserves, profit reserves, revaluation, retained earnings or losses from previous periods

and the provisionally undistributed net profit for the current year or the uncovered losses for the current year.

Any revaluation surplus refers to the change of fair value of financial investment in equity of other companies measured at fair value through equity. In line with the amendments to IAS 19, revaluation surplus also includes actuarial gains/losses created as a result of the change in current value of the termination benefits.

The profit remaining after covering losses and creating statutory reserves is allocated to other reserves in accordance with ZSOS, ZSDH-1, the Company's Articles of Association, and ZGD-1.

Fair value measurement

In accordance with the Company/Group's accounting policies, the fair value of the financial and non-financial assets is required to be determined in numerous cases. The fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring fair value of financial instruments, the following 3-level fair value hierarchy is taken into account:

- the first level includes quoted prices (unadjusted) in the operating markets for identical assets or liabilities;
- 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 derived from quoted prices in an active market);
- the third level includes input data for an asset or liability not based on market data.

Quoted prices are used as a basis for determining fair value of financial instruments; if they were not listed on the regulated market or the market is evaluated as inoperative, inputs from the second and third levels are used by the Company/Group to evaluate the fair value of a financial instrument

In case when additional explanations about assumptions in regard to fair value measurement are required, these are stated in the notes to individual items of assets or liabilities.

The fair value of financial assets at fair value through profit or loss and of available-for-sale assets is determined in accordance with the above mentioned 3-level fair value hierarchy. When the fair value cannot be reliably measured, the financial asset is measured at cost and indications of its impairment are measured at least once a year. The fair value of investments in associates is measured by the Company/Group in accordance with the above mentioned 3-level fair value hierarchy. The fair value of receivables and loans is calculated as a current value of future cash flows, discounted at market interest rate at the end of the reporting period.

Own shares

When an interest in a controlled company is acquired by the controlling company or its subsidiary, the amount paid, including the transaction costs less tax, are deducted from the total capital as own (treasury) shares until such shares are withdrawn, reissued or sold. When own shares are sold or reissued at a later date, all the payments received less transaction costs and related tax effects are included in the equity capital.

Neither the controlling company nor its subsidiary holds its own shares or interests, nor does it intend to acquire them.

Consolidation

Subsidiaries in which the Group holds a direct or indirect equity interest exceeding one half of the voting power or having an influence over their operations in any another manner are subject to consolidation. They are included in the Group's financial statements from the date of the acquisition of a controlling interest by the Group. The consolidation no longer applies when the Group loses its controlling interest. All transactions, receivables and liabilities between the Group companies are eliminated for the purpose of the preparation of consolidated financial statements. Any impairment of the subsidiaries recognised in the individual financial statements of the controlling company should also be eliminated. In order to provide accurate information for the purposes of consolidation and financial reporting of the Group, the accounting policies of the subsidiaries should be aligned with those of the controlling company. No major discrepancies between the accounting policies were identified.

Takeovers of companies within the Group are accounted for using the acquisition method. The acquisition value of takeovers is measured at fair value of the assets given, the equity instruments and liabilities assumed as of the transaction date, including costs directly attributable to the takeover. The assumed assets, liabilities and contingent liabilities are initially recorded at fair value as of the takeover date notwithstanding the size of the minority shareholding. The excess of the acquisition value over the fair value of the Group's share of the net assets of the acquired company is recognised as goodwill. If the acquisition value is lower than the fair value of the acquired company's net assets, the difference is recognized as financial income in the Statement of the Comprehensive Income

After loss of control, assets and liabilities of the respective subsidiary are de-recognised and gains or losses are recognised in the Profit and Loss Statement of the Group. When the Group retains any interest in the former subsidiary, this interest is measured at fair value on a date of the loss of control. Subsequently, the interest is accounted for as investment in associate (using the equity method) or available-for-sale financial asset, depending on the level of control retained. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

Transactions with minority owners are treated in the same way as transactions with outside partners. The profits and losses of the minority owners are shown in the Group's Statement of the Comprehensive Return.

Structure of the Group of associated companies

Slovenian Sovereign Holding is 100% owned by the Republic of Slovenia. A subsidiary is a company in which the controlling company has a controlling interest or a controlling influence due to other reasons, and which joins the Group for which the consolidated financial statements are prepared. When the value of a subsidiary is irrelevant for the true and fair presentation of the Group's financial statement, such a subsidiary is not included in the consolidated financial statements. Moreover, consolidation does not apply to companies for which bankruptcy proceedings are instituted; in such cases, the owners lose their management rights.

9. NOTES AND DISCLOSURES

9.1. NOTES TO FINANCIAL STATEMENTS

9.1.1. Intangible assets and long-term deferred costs and accrued revenues of the Company and Group

in 000 EUR	Long-term property rights	Other long-term deferred costs and accrued revenues	Total
Purchase value			
<i>Purchase value as of 1 January 2015</i>	511	0	511
New purchases	60	0	60
Disposals	-1	0	-1
<i>Purchase value as of 31 December 2015</i>	570	0	570
Value adjustment			
<i>Value adjustment as of 1 January 2015</i>	468	0	468
Depreciation for the current year	34	0	34
Disposals	-1	0	-1
<i>Value adjustment as of 31 December 2015</i>	501	0	501
Present value as of 1 January 2015	43	0	43
Present value as of 31 December 2015	69	0	69

in 000 EUR	Long-term property rights	Other long-term deferred costs and accrued revenues	Total
Purchase value			
<i>Purchase value as of 1 January 2014</i>	508	75	583
New purchases	8	0	8
Disposals	-5	0	-5
<i>Purchase value as of 31 December 2014</i>	511	75	586
Value adjustment			
<i>Value adjustment as of 1 January 2014</i>	446	71	517
Depreciation for the current year	27	0	27
Transfer to profit or loss	0	4	4
Disposals	-5	0	-5
<i>Value adjustment as of 31 December 2014</i>	468	75	543
Present value as of 1 January 2014	62	4	66
Present value as of 31 December 2014	43	0	43

The useful life of computer software is 3 to 10 years.

In accordance with the Accounting Rules, a significant asset is an asset with an individual value exceeding 10% of the value of all intangible assets and is greater than EUR 25,000

9.1.2. Tangible fixed assets of the Company/Group

Tangible fixed assets are not encumbered with any mortgages, pledges or any other encumbrances. Disposals of fixed assets represent sales and distributions of assets.

Items of tangible assets that are significant for the Company are buildings and parts of equipment with the purchase value higher than 10% of all tangible assets.

in EUR 000	Land	Buildings	Equipment and spare parts	Office equipment	Total
Purchase value					
<i>Purchase value as of 1 January 2015</i>	140	1,940	593	19	2,692
New purchases	0	0	78	0	78
Acquired by merger with PDP	0	0	23	0	23
Disposals	0	0	-119	0	-119
<i>Purchase value as of 31 December 2015</i>	140	1,940	575	19	2,674
Value adjustment					
<i>Value adjustment as of 1 January 2015</i>	0	1,542	452	19	2,013
Acquired by merger with PDP	0	0	23	0	23
Depreciation for the current year	0	47	61	0	108
Disposals	0	0	-65	0	-65
<i>Value adjustment as of 31 December 2015</i>	0	1,589	471	19	2,079
Present value as of 1 January 2015	140	398	141	0	679
Present value as of 31 December 2015	140	351	104	0	595

in EUR 000	Land	Buildings	Equipment and spare parts	Office equipment	Total
Purchase value					
<i>Purchase value as of 1 January 2014</i>	140	1,940	587	19	2,686
New purchases	0	0	56	0	56
Disposals	0	0	-50	0	-50
<i>Purchase value as of 31 December 2014</i>	140	1,940	593	19	2,692
Value adjustment					
<i>Value adjustment as of 1 January 2014</i>	0	1,487	420	18	1,925
Depreciation for the current year	0	55	69	1	125
Disposals	0	0	-37	0	-37
<i>Value adjustment as of 31 December 2014</i>	0	1,542	452	19	2,013
Present value as of 1 January 2014	140	453	167	1	761
Present value as of 31 December 2014	140	398	141	0	679

It has been assessed that there are no factors giving grounds for any impairments of tangible fixed assets to be carried out.

9.1.3. Long-term financial investments

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Long-term fin. investments in subsidiaries**	7,269	7,269	7,269	7,269
Long-term fin. Investments in associates	220,906	225,048	225,472	232,437
Other financial investments available for sale	552,104	503,349	552,104	503,349
Total	780,279	735,666	784,845	743,055

Note: ** Subsidiaries- PS ZA AVTO, d. o. o., GIO, d. o. o., Ljubljana – in liquidation, Elektrooptika, d. d., and Dekorativna d. o. o. Ljubljana -, d. o. o. Ljubljana - in liquidation, are not included in the consolidation.

The Company is not liable without limitation for any liabilities in any company in which it holds an equity interest.

Investments in shares and holdings of companies in which the Company/Group holds at least a 20% ownership shareholding

Company name	Registered office		Activity/notes
Casino Bled, d. d.	Cesta svobode 15	4 260 Bled	gaming
Dekorativna d. o. o. Ljubljana - v likvidaciji	Dunajska 160	1 000 Ljubljana	in liquidation
Elektrooptika, d. d.,	Stegne 7	1 000 Ljubljana	business and other management consultancy services
GIO, d. o. o., Ljubljana - v likvidaciji	Dunajska 160	1 000 Ljubljana	in liquidation
Hit, d. d.	Delpinova 7A	5 000 Nova Gorica	gaming
Paloma, d. d.	Sladki Vrh 1	2 214 Sladki Vrh	manufacture of paper
Pozavarovalnica Sava, d. d.	Dunajska cesta 56	1 000 Ljubljana	reinsurance services
PS za avto, d. o. o.	Tržaška cesta 133	1 000 Ljubljana	rental activities
Unior, d. d.	Kovaška cesta 10	3 214 Zreče	forging
Zavarovalnica Triglav, d. d.	Miklošičeva 19	1 000 Ljubljana	insurance service

The Company held a higher than 20% shareholding in the following companies for which the bankruptcy proceedings have been initiated: Casino Maribor, d. d., (20%) and Vegrad, d. d. (29%) while the bankruptcy proceedings against Zlit, d. o. o. in which the Company used to have 100% shareholding, were completed in 2015.

Equity value and profit or loss generated in associates and subsidiaries

Company name	No. of shares / holdings	31/12/2015 % ownership	Total equity of company in EUR 000	Profit / loss in EUR 000	Data refer to
Casino Bled, d. d.	707,620	43.00	210	267	2015
Dekorativna d. o. o. Ljubljana - v likvidaciji*	-	100.00	1,293	18	likv.bil.2015
Elektrooptika, d. d., Ljubljana	463,570	70.48	-88	-30	2015
GIO, d. o. o., Ljubljana - v likvidaciji*	-	71.27	8,579	-73	likv.bil.2015
Hit, d. d.	1,357,727	20.00	46,153	5,818	2015
Paloma, d. d.	2,410,007	70.97	9,850	705	2015
Pozavarovalnica Sava, d. d.	4,304,917	25.00	263,679	16,192	2015
PS za avto, d. o. o.	1,752,969	90.00	4,876	71	2015
Unior, d. d.	1,119,079	39.43	108,204	3,612	2015
Zavarovalnica Triglav, d. d.	6,386,644	28.09	530,560	58,506	2015

Note: Data in regard to Zavarovalnica Triglav, d. d., Pozavarovalnica Sava, d. d., and PDP, d. d., are taken from audited annual financial statements

* The column regarding equity presents the liability due to owners from the initial liquidation balance sheet increased and/or decreased by profits/losses during liquidation proceedings.

Non-current investments in subsidiaries

	Voting rights	Ownership	Company		Group	
	31/12/2015	31/12/2015	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	in %	in v %	in EUR 000	in EUR 000	in EUR 000	in EUR 000
Dekorativna d. o. o. Lj. v likvid.	100.00	100.00	309	309	309	309
Elektrooptika, d. d.	70.48	70.48	0	0	0	0
GIO, d. o. o., Lj, - v likvidaciji	71.27	71.27	3,203	3,203	3,203	3,203
PS za avto, d. o. o.	90.00	90.00	3,757	3,757	3,757	3,757
Total			7,269	7,269	7,269	7,269

The investment is measured at cost. The impairment test is carried out every year. The inclusion of the mentioned subsidiaries into the consolidated financial statements is insignificant from the aspect of presenting fair and true financial statements for the Group; therefore the company was not included in the consolidation.

Non-current investments in associates

Investments in associates listed in the regulated market, are measured at fair value through equity, while other investments are measured at cost. The Company regularly monitors business results and major events related to each investment in order to determine whether any indications of impairment have arisen and whether any adjustment chargeable to financial expenses must be made.

In the consolidated financial statements, investments in associates are measured by using equity method. When the value of the financial investment obtained in this manner exceeds the fair value of the same financial investment, the impairment must be made, being charged to financial expenses.

Overview of investment value in associates in the financial statements of the Company/Group

	Voting rights	Ownership	Company		Group	
	31/12/2015	31/12/2015	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	in %	in v %	in EUR 000	in EUR 000	in EUR 000	in EUR 000
Casino Bled, d. d.	43.00	43.00	0	0	90	0
Hit, d. d.	20.00	20.00	2,593	2,593	9,275	10,896
PDP, d. d., *	0.00	0.00	-	2,937	-	2,934
Pozavarovalnica Sava, d. d.	26.13	25.00	55,749	68,793	55,749	67,882
Unior, d. d. *	39.43	39.43	12,478	-	10,272	-
Zavarovalnica Triglav, d. d.	28.09	28.09	150,086	150,725	150,086	150,725
Total			220,906	225,048	225,472	232,437

* PDP, .d. d., merged with SSH in 2015

Other available-for-sale financial investments

Other available-for-sale financial investments listed on the regulated market are measured at fair value through equity, whereas non-listed investments are measured at cost while also any indications of impairment have been tested. The fair value of listed investments is determined on the basis of a market (quoted) price on the reporting date. The Company/Group regularly monitors business results and major events related to each company holding its financial

investment in order to determine whether any indications of impairment have arisen and whether any adjustment chargeable to financial expenses must be made.

Overview of other available-for-sale investments (without subsidiaries and associates)

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
<i>A) At fair value</i>				
Investments in domestic companies	515,984	470,518	515,984	470,518
Investments in mutual funds	23,651	23,500	23,651	23,500
Investments in foreign shares.	6,789	4,664	6,789	4,664
Bond investments	2,021	2,308	2,021	2,308
<i>Total at fair value</i>	<i>548,445</i>	<i>500,990</i>	<i>548,445</i>	<i>500,990</i>
<i>B) At cost with verification for impairment signs</i>				
Investments in domestic companies	3,659	2,359	3,659	2,359
Bond investments	0	0	0	0
<i>Total at purchase value with verification for impairment signs</i>	<i>3,659</i>	<i>2,359</i>	<i>3,659</i>	<i>2,359</i>
Total	552,104	503,349	552,104	503,349

The ten major investments in domestic companies (including associates), at the value presented in the Company's financial statements as of 31. December 2015 are:

- Krka, d. d. EUR 346.4 million,
- Zavarovalnica Triglav, d. d., EUR 150.1 million,
- Petrol, d. d. EUR 105.4 million,
- Pozavarovalnica Sava, d. d. EUR 55.7 million,
- Luka Koper, d. d. EUR 35.8 million,
- Telekom Slovenije, d. d. EUR 20.3 million,
- Unior, d. d., EUR 12.5 million.
- Cinkarna Celje, d. d. EUR 7.1 million,
- Paloma, d. d., EUR 5.0 million,
- PS za avto, d. o. o. EUR 3.8 million.

As of 31 December 2014, the Company/Group held financial investments in 55 mutual funds, their market value totalling EUR 23.7 million. Fair value of seven funds, individually, exceeded EUR 1 million in the case of the following funds:

- fund: Triglav Global, management company: Triglav DZU,
- fund: Infond Beta, management company: KBM Infond DZU,
- fund: NLB Funds - Global Equity Fund, management company NLB Skladi.

At the end of the reporting period, the Company/Group held in its portfolio 35 foreign shares; the highest fair value of each single share did not exceed EUR 1 million. The market value of investments in foreign shares amounted to EUR 6.8 million.

There are two long-term bonds in the portfolio of the Company/Group maturing in 2020; their total value amounted to EUR 2.0 million.

The movements in bond interest rates in 2015:

- bonds with a nominal interest rate moved from 3.875% to 6.0%,
- bonds with a flexible interest rate: 3-month Euribor increased by a mark-up of 1.9%.

All bonds which form the part of SSH financial investments will mature within five years.

Fair value levels of financial instruments

Financial instruments measured at fair value according to fair value hierarchy levels as of 31 December 2015

in EUR 000	Company			Group		
	Level1	Level 2	Level 3	Level1	Level 2	Level 3
Investments in subsidiaries	0	0	7,269	0	0	7,269
Investments in associates	218,313	0	2,593	216,107	0	9,365
Long-term financial investments - available-for-sale financial assets	524,793	23,651	3,659	0	23,651	3,659
Listed shares	522,772	0	0	0	0	0
Mutual funds	0	23,651	0	0	23,651	0
Listed bonds	2,021	0	0	0	0	0
Non-listed shareholdings and shares	0	0	3,659	0	0	3,659
Long-term operating receivables	0	0	0	0	0	0
Non-current assets held for sale	0	0	4,989	0	0	4,989
Short-term financial investments - available-for-sale financial assets -	406	0	0	0	0	0
Other short-term financial investment	0	0	38,420	0	0	38,420
Short-term operating receivables	0	0	74,225	0	0	74,225
Long-term financial liabilities	0	0	404,612	0	0	404,612
Short-term financial liabilities	0	0	114,528	0	0	114,528
Short-term operating liabilities	0	0	20,258	0	0	20,258

Financial instruments measured at fair value according to fair value hierarchy levels as of 31 December 2014

in EUR 000	Company			Group		
	Level1	Level 2	Level 3	Level1	Level 2	Level 3
Investments in subsidiaries	0	0	7,269	0	0	7,269
Investments in associates	219,517	0	5,531	218,607	0	13,830
Long-term financial investments - available-for-sale financial assets	477,490	0	2,359	477,490	0	2,359
Listed shares	475,182	0	0	475,182	0	0
Mutual funds	0	23,500	0	0	23,500	0
Listed bonds	2,308	0	0	2,308	0	0
Non-listed shareholdings and shares	0	0	2,359	0	0	2,359
Long-term operating receivables	0	0	68,252	0	0	68,252
Non-current assets held for sale	62,455	0	0	62,455	0	0
available-for-sale financial assets - bonds	2,891	0	0	2,891	0	0
Other short-term financial investment	0	0	84,800	0	0	84,800
Short-term operating receivables	0	0	70,279	0	0	70,279
Long-term financial liabilities	0	0	218,244	0	0	218,244
Short-term financial liabilities	0	0	433,164	0	0	433,164
Short-term operating liabilities	0	0	19,989	0	0	19,989

The fair value hierarchy as laid down by the IFRS 7 includes input data and assumptions used in measuring the financial instruments at the fair value. Market input data come from independent sources whereas non-market input data are assumed by the Company or Group.

The fair value hierarchy consists of the following levels:

- level 1 – market prices (unadjusted) from the operating market; this level includes shares, bonds;
- level 2 – valuation model, which is directly or indirectly based on the market data; the source of the market data, such as the yield curve and counterparties bonuses, is the Bloomberg system, for example, UCITS units of the investment/mutual funds;
- level 3 – valuation model which is not based on the market data; this level represents non-market shares and non-market bonds. Valuations are based on the yield-based method and partially on the asset-based method. Methods used by SSH are the discounted method, the method including comparable listed companies, the comparable purchases-and-sales method and the adjusted book values method.

Movement in long-term financial investments of the Company

in EUR 000	1/ 1/ 2015	Acquisitions	Disposals	Revaluations	31/ 12/ 2015
Long-term investments in subsidiaries	7,269	5,469	-5,469	0	7,269
Long-term investments in associates	225,048	13,605	-8,642	-9,105	220,906
Other available for sale finan. Investments	503,349	53,263	-11,138	6,630	552,104
Total	735,666	72,337	-25,249	-2,475	780,279

in EUR 000	1/ 1/ 2014	Acquisitions	Disposals	Revaluations	31. 12. 2014
Long-term investments in subsidiaries	3,757	5,410	-1,783	-115	7,269
Long-term investments in associates	162,923	1,276	-2,138	62,987	225,048
Other available for sale finan. Investments	515,622	6,147	-85,533	67,113	503,349
Loans	0	34,000	-34,000	0	0
Total	682,302	46,833	-123,454	129,985	735,666

The acquisitions of financial investments in subsidiaries include acquisitions of investments arising from the merger with PDP, specifically, investments in Adria Airways Tehnika, d. d., in Paloma, d. d., and in Elan, d. o. o. The disposal of subsidiaries includes the sale of Adria Airways Tehnika, d. d., and Elan, d. o. o, together with the transfer of investment into Paloma shares (EUR 5.0 million) into non-current assets held for sale.

Acquisitions of investments in associates includes the acquisition of a 66.04% shareholding in PDP which became a subsidiary but, on 31 January 2015, PDP merged with the parent company, and on the basis of the merger, the acquisition of shareholding in Unior, d.d., is also included. The winding-up of PDP on account of the merger is recognized in disposals of investments in associates.

The revaluation of investments in associates refers to:

- the decrease in market value of shares of Pozavarovalnica Sava, d. d. EUR 13.0 million,
- the decrease in market value of shares of Zavarovalnica Triglav, d. d. EUR 0.6 million,
- the increase in market value of shares of Unior, d.d. EUR 4.1 million.

The acquisitions of other available-for-sale investments include: purchases/exchanges in mutual funds (EUR 10.9 million) and foreign share purchases (EUR 2.0 million), purchase of a 9.61% stake in KDD, d. d., pursuant to provisions of ZSDH-1 (EUR 1.3 million) and the transfer of shares of Cinkarna Celje, d. d., and Telekom, d. d., to non-current assets held for sale (at market value as of 30 June 2015), due to the fact that the sale process closed without the transfer of a title. Significant amounts in regard to dispositions include the sale of mutual

fund (EUR 10.5 million) and the transfer of bonds maturing in 2016 to current investments (EUR 0.4 million).

The revaluation of other available-for-sale investments refers to.

- the increase in market value of shares of Krka, d. d. EUR 29.7 million,
- the decrease in market value of shares of Petrol, d. d. EUR 11.6 million,
- the decrease in market value of shares of Cinkarna Celje, d. d. from 1 July EUR 7.0 million,
- the decrease in market value of shares of Telekom d. d. from 1 July EUR 4.7 million.

In 2015, the sales of shares of the following companies were realised: Žito, d. d., Večer, d. d., Elan, d. d., Adria Airways tehnika, d. d., and Goriške opekarne, d. d. The proceeds from sale amounted to EUR 9.0 million; of this amount, the largest sum, i.e., EUR 7.86 million, was generated by the sale of Žito, d. d.

In relation to mutual funds, some restructuring was carried out, together with selling off less profitable funds and placing investments in mutual funds units which were assessed to have better growth prospects, considering the composition of investment.

Movement in long-term financial investments of the Group

in EUR 000	1/ 1/ 2015	Acquisitions	Disposals	Revaluations	31/ 12/ 2015
Long-term investments in subsidiaries	7,269	0	0	0	7,269
Long-term investments in associates	232,437	14,098	-8,639	-12,424	225,472
Other available for sale finan. Investments	503,349	53,263	-11,138	6,630	552,104
Total	743,055	67,361	-19,777	-5,794	784,845

in EUR 000	1/ 1/ 2014	Acquisitions	Disposals	Revaluations	31/ 12/ 2014
Long-term investments in subsidiaries	3,757	5,410	-1,783	-115	7,269
Long-term investments in associates	176,814	1,276	-2,505	56,852	232,437
Other available for sale finan. Investments	515,622	6,147	-85,533	67,113	503,349
Loans	0	34,000	-34,000	0	0
Total	696,193	46,833	-123,821	123,850	743,055

9.1.4. Long-term operating receivables

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Long-term receivable due from the Republic of Slovenia pursuant to ZSPOZ	0	24,138	0	24,138
Long-term receivable due from the Republic of Slovenia pursuant to ZIOOZP	0	11,624	0	11,624
Long-term receivable due from the Republic of Slovenia pursuant to ZVVJTO	0	32,490	0	32,490
Skupaj	0	68,252	0	68,252

The total long-term receivable due from the Republic of Slovenia will mature in 2016.

Receivables due from the Republic of Slovenia pursuant to ZSPOZ

On 2 February 2011, the National Assembly of the Republic of Slovenia adopted the Act Amending the Payment of Compensation to the Victims of War and Post-war Aggression Act (ZSPOZ-D) which stipulates that SOD, d.d./SSH shall pay such compensation amounts on behalf of and for the account of the Republic of Slovenia. Amendments to the act stipulate that assets for the implementation of this Act should be provided by the budget, and that allocated assets which have not yet been cashed out should remain in the ownership of SSH; these amendments also define the reimbursement of funds paid by SOD, d. d., acting as the SSH legal predecessor, to beneficiaries from its own funds. Amendments have also regulated future financing of the liability regarding compensation to victims of war and post-war violence as well as the payment for the administrative and technical services carried out by SOD, d. d., on behalf of the Government of the Republic of Slovenia pursuant to this Act. On 25 March 2011, a protocol establishing the liability amount due from the Republic of Slovenia to SOD, d. d., as of 31 December 2010 was signed by and between SOD, d. d., and the Ministry of Finance. On the basis of the contract signed with the Ministry of Finance on 11 April 2011, by way of which, among other matters, a progressive repayment of the funds paid in advance in the form of ten half-year instalments by 2016 had been regulated, a claim against the Government of the Republic of Slovenia pursuant to ZSPOZ was established in the SOD's books of account for 2011. Based on legislative provisions, the six-month Euribor interest rate was applied to the above mentioned receivable.

Receivables due from the Republic of Slovenia pursuant to ZIOOZP

On 19 May 2011, the National Assembly of the Republic of Slovenia adopted the Act Amending the Act Regulating the Issuing of Bonds in Compensation for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (ZSPOZ-A), imposing on SOD, d. d./SSH, to perform tasks in regard to the issuing, delivery and payment of bonds and calculation of interest, on behalf of and for the account of the Republic of Slovenia. Amendments to the act stipulate that assets for the implementation of this act should be provided in the budget. Amendments have also regulated the future financing of the liability regarding compensation to beneficiaries under ZIOOZP, as well as the payment for the administrative and technical services carried out by SOD, d. d., on behalf of the Government of the Republic of Slovenia pursuant to this act. On 21 June 2011, a protocol establishing the liability amount due from the Republic of Slovenia to SOD, d. d., as of 31 December 2010 was signed by and between SOD, d. d., and the Ministry of Finance. On the basis of the contract signed with the Ministry of Finance on 14 July 2011, by way of which, among other matters, a progressive repayment of the funds paid in advance in the form of ten half-year instalments by 2016 had been regulated, a claim against the Government of the Republic of Slovenia pursuant to ZIOOZP was established in the SOD's books of account for 2011. Based on legislative provisions, the six-month Euribor interest rate was applied to the above mentioned receivable.

Receivables due from the Republic of Slovenia pursuant to ZVVJTO

Pursuant to ZVVJTO, investments in the public telecommunications network are being reimbursed by the Company, first starting with transferring monies to beneficiaries in 2007. For this purpose, the 10% shareholding held by the Republic of Slovenia in Telekom Slovenije, d. d., was transferred to SOD. As stipulated in the contract concluded by and between Republic of Slovenia and SOD, d. d., additional funds from the central government budget would be transferred to SOD when the proceeds from the sale of these shares were lower than the amount refunded to beneficiaries, and *vice versa*, when the proceeds from the sale of shares were higher than the refunded amount, the surplus amount would have to be transferred into the budget. In 2009, a new contract was concluded by and between SOD and the Ministry of Finance, by way of which it was agreed that the monies that had been paid in advance by SOD would be regularly refunded to the Company by the Ministry of Finance; it was also agreed that

the agreement would apply to payments to be carried out after 1 January 2009. On the basis of the amendments to ZVVJTO, which were adopted by the National Assembly of the Republic of Slovenia on 19 May 2011, a 10% shareholding in Telekom, d. d., was transferred back by SOD to the Government of the Republic of Slovenia and on 14 July 2011, a contract was signed between the two parties establishing the amount of the receivable held by SOD, d. d., as of 31 December 2010 and due from the Republic of Slovenia as a result of the implementation of ZVVJTO. The maturity date and payment method were also determined. The above mentioned receivable bore an interest rate of the six-month Euribor. It was also established that the Republic of Slovenia's liability would be paid in ten equal half-year instalments in the period between 2012 and 2016. In addition to the interest, costs held by SOD for the implementation of ZVVJTO were also recognised. An agreement between SOD/SSH and the Republic of Slovenia was also reached that receivables due from the Republic of Slovenia as a result of the current implementation of ZVVJTO would be paid on a monthly basis, by way of a claim made each time.

9.1.5. Non-current assets held for sale

It is expected by the Company that sale processes for the sale of the title for 2,410,007 shares in Paloma, d. d., will be completed in 2016. As a result, they have been classified as non-current assets held for sale. No profits or losses were realised with the re-classification of financial investments held for sale. Although fair value of shares exceeds book-value of shares, in accordance with applicable standards, such assets are measured at fair value, decreased by the costs of sale or at carrying value, whatever is the lowest.

in EUR 000	Company		Group	
	31/ 12/2015	31/ 12/2014	31/ 12/2015	31/ 12/2014
Non-current assets held for sale	4,988	62,455	39,860	62,455
Total	4,988	62,455	39,860	62,455

In 2015, the Company/Group disposed of 43,636 shares in Žito, d. d., and investments in Cinkarna Celje, d. d., and Telekom, d. d., were reclassified back into available-for-sale investments.

9.1.6. Short-term financial investments

General notes and guidelines applied in the development of financial statements are equal to those explained in regard to long-term financial investments.

In addition to investments in financial liabilities which are treated as short-term financial investments upon their occurrence, long-term investments in financial liabilities maturing one year after the date of the preparation of the financial statements are presented in this section.

in EUR 000	Company		Group	
	31/ 12/2015	31/ 12/2014	31/ 12/2015	31/ 12/2014
Short-term finan.investments held for sale	406	2,891	406	2,891
Deposits given and commercial bank deposits	38,000	84,800	38,000	84,800
Loans given to related parties	14	0	14	0
Total	38,420	87,691	38,420	87,691

The value of the recognised short-term financial investments reflects their fair value.

Interest rates ranged from:

- for deposits from 0.15% to 2.2%,
- for call deposits from 0.03% to 0.55 %,
- for bonds - see Note 9.1.3.,
- for in payments from 0.60% to 0.63%.

The BCE15 bond matures in 2016; as of the balance sheet date, its market value amounts to EUR 0.4 million.

In 2014, no loans were granted neither to the management, members of the Supervisory Board nor to members of its Commission or employees. No collateral instruments were received by the Company/Group for loans given. Risk exposure is described in section 9.2.

Movement in short-term financial investments of the Company/Group

in EUR 000	1/ 1/ 2015	Acquisitions	Disposals	Revaluations	31/ 12/ 2015
Other available for sale finan. Investments	2,891	406	-2,891	0	406
Loans granted to related persons	0	1,793	-1,779	0	14
Loans	84,800	288,163	-334,963	0	38,000
Total	87,691	290,362	-339,633	0	38,420

in EUR 000	1/ 1/ 2014	Acquisitions	Disposals	Revaluations	31/ 12/ 2014
Other available for sale finan. Investments	9,669	2,891	-9,669	0	2,891
Loans	87,015	246,708	-248,923	0	84,800
Total	96,684	249,599	-258,592	0	87,691

The acquisitions/disposals also include turnover generated in DPD from the cut-off date to the entry of the merger into the Court Register.

9.1.7. Short-term operating receivables

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Receivables due from domestic customers	1,183	6	1,183	6
Adjustment of receivables due from customers	-767	0	-767	0
Interest receivables	196	288	196	288
Dividends receivable	34	34	34	34
Receivables due from RS pursuant to ZSPOZ	24,516	24,718	24,516	24,718
Receivables due from RS pursuant to ZIOOZP	15,410	11,751	15,410	11,751
Receivables due from RS pursuant to ZVVJTO	32,587	32,632	32,587	32,632
Other receivables due from state institutions	1,045	604	1,045	604
Receivables arising from the ownership of housing units	794	793	794	793
Adjustments of receivables for ownership of housing units	-789	-791	-789	-791
Other receivables (cashed-in guarantees, etc.)	1,237	4,332	1,237	4,332
Value adjustment of other receivables	-1,221	-4,088	-1,221	-4,088
Total	74,225	70,279	74,225	70,279

In regard to receivable that is challenged by the buyer, the relevant adjustment has been made (EUR 767,000); otherwise there are no outstanding items among receivables due from customers. Interest receivables refer to interest from bonds, deposits granted and other loans granted. The highest receivable from among the receivables from state institutions is the

receivable due from the Farmland and Forest Fund of the Republic of Slovenia for revenue arising from the agricultural land and forest management and proceeds from the sale of farmland in the total amount of EUR 756,000.

A source of funds to cover liabilities arising from denationalisation also included proceeds from the sale of nationalised apartments and 10% of proceeds from the sale of socially-owned flats. Persons liable for payment in the first case are buyers of apartments, while these are sellers of housing units in the second case. The receivable is adjusted on a monthly basis, taking into account the provisions of the contract on the sale of apartments.

Receivables for which it is assumed that they will not be paid in full are considered dubious. Two criteria are used by the Company/Group for value adjustment of a receivable:

- based on past experience and expectations, a – 50% value adjustment is applied for receivables outstanding for the period from 90 to 150 days; a 75% value adjustment is applied for receivables outstanding for the period from 151 to 210 days, and a 100% value adjustment is applied for receivables outstanding for more than 210 days;
- a debtor's rating – a value adjustment is also applied to other individual receivables when a justified suspicion is given as to the likelihood of their settlement.

There are no receivables due from related entities, except for receivables due from the Republic of Slovenia which is considered a related party in accordance with IAS 24.

The value of the recognised short-term financial investments reflects their fair value.

Movements in value adjustment of receivables

in EUR 000	Company		Group	
	31/ 12/2015	31/ 12/2014	31/ 12/2015	31/ 12/2014
Balance of value adjustment of receivables as of 1 January	4,879	4,900	4,879	4,900
Collected receivables for which adjustment was formed	1	9	1	9
Written-off receivables for the year	2,868	14	2,868	14
Formation of adjustment for the year	767	2	767	2
Total adjustments as of 31 December	2,777	4,879	2,777	4,879

9.1.8. Cash and cash in bank

in EUR 000	Company		Group	
	31/ 12/2015	31/ 12/2014	31/ 12/2015	31/ 12/2014
Cash in hand	1	0	1	0
Credit balances with commercial banks	219	47	219	47
Cash equivalents	14,435	9,253	14,435	9,253
Total	14,655	9,300	14,655	9,300

Cash equivalents include call deposits held with BKS Bank, AG, which amounted to EUR 14.4 million.

9.1.9. Short-term deferred costs and accrued revenues

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Deferred costs and accrued revenues	23	28	23	28
Short-term non-calculated income	216	1,013	216	1,013
Total	239	1,041	239	1,041

In addition to deferred costs of insurance premiums, newspaper subscriptions, tuition fees and financial information data bases access fee, income related to the sale of capital assets of the Republic of Slovenia which, at the balance sheet date, has not yet been calculated, in accordance with the provisions of the Contract signed by and between the Ministry of Finance, is also recognised under this item in the reporting period.

9.1.10. Equity

Equity of the Company

The equity of the Company includes the called-up capital, financial investments revaluation surplus, retained losses and, provisionally, unsettled loss for the financial year. The sole shareholder is the Republic of Slovenia. The share capital of the Company amounts to EUR 60,166,917.04 and is divided into 36,046 (thirty-six thousand and forty-six) non-par value shares.

Revaluation surplus

in EUR 000	Company	
	31/ 12/ 2015	31/ 12/ 2014
Increases of investements in shares of companies	404,902	410,915
Increases of investements in foreign shares	2,057	1,625
Increases in mutual funds	2,903	4,240
Increases of investements in shares of insurance companies	141,803	155,486
Actuarial surplus/deficit	10	-1
Increases/impairments of investments in bonds	277	229
Deferred tax liability	-49,970	-53,545
Total	501,982	518,949

Significant increases in the balance as of 31 December 2015:

- Krka, d. d.	EUR 304.9 million,
- Zavarovalnica Triglav, d. d.,	EUR 110.8 million,
- Petrol, d. d.	EUR 59.4 million,
- Pozavarovalnica Sava, d. d.	EUR 31.0 million,
- Luka Koper, d. d.	EUR 24.8 million,
- Unior, d. d.	EUR 8.6 million,
- Cinkarna Celje, d. d.	EUR 3.6 million,
- Telekom Slovenije, d. d.	EUR 3.3 million,

Movements in revaluation surplus

in EUR 000	Balance 1/1/2015	Transfer to profit or loss	Added during the year	Balance 31/12/2015
Surplus from domestic companies	410,915	3,468	-2,545	404,902
Surplus from foreign companies (shares)	1,625	79	511	2,057
Surplus from mutual funds	4,240	1,269	-68	2,903
Surplus from investments in insurance companies	155,486	0	-13,683	141,803
Bond surplus	229	71	119	277
Actuarial surplus/deficit	-1	0	11	10
Total by surplus type	572,494	4,887	-15,655	551,952
Deferred tax liability	-53,545	-535	3,040	-49,970
Total	518,949	4,352	-12,615	501,982

The book value per Company's share is calculated as a ratio between the total capital and the number of the Company's shares:

- as of 31 December 2015 $325,107,693/36,046 = \text{EUR } 9,019.24$
- as of 31 December 2014 $287,382,781/36,046 = \text{EUR } 7,972.67$

Equity of the Group

The equity of the Group includes the equity of the controlling company amounting to EUR 325.4 million, and the proportional value of the equity of associates measured in compliance with the equity method. In line with the equity method, the consolidation included the following companies: Zavarovalnica Triglav Group, Pozavarovalnica Sava Group, Hit Group, Unior Group, and Casino Bled, d. d.. The effect of an individual associate on the equity of the Group is explained in section: 9.1.23.

The book value per Company's share is calculated as a ratio between the total capital and the number of the Company's shares:

- as of 31 December 2015 $331,714,357/36,046 = \text{EUR } 9,202.53$
- as of 31 December 2014 $294,771,433/36,046 = \text{EUR } 8,177.65$

9.1.11. Long-term provisions and long-term accrued costs and deferred revenues

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Provisions for denationalisation	47,928	75,870	47,928	75,870
Provisions for onerous contracts	181	211	181	211
Provisions for jubilee premiums	36	41	36	41
Provisions for retirement benefits	181	173	181	173
Other provisions	428	153	428	153
Accrued costs and deferred revenues	0	0	0	0
Total	48,754	76,448	48,754	76,448

Provisions with the value exceeding 10% of the value of the total long-term provisions are considered significant by the Company/Group, provided that the amount of total provisions created attains at least 0.5% of the value of assets as of the balance sheet date.

The applicable legislation, past experience and, particularly, the legal practice are taken into account when it is assessed whether conditions have been met to form long-term provisions for denationalisation claims received under ZDen. The sum of provisions was assessed by examining each denationalisation claim. The current practice shows that the sum on such claims usually significantly exceed compensation amount endorsed which is taken into account when forming the estimation. The amount of the provision is reviewed once a year. Denationalisation claims undergo various phases of the procedures; coming closer to the procedure's final phase makes the estimation more reliable:

- potential final decisions with the compensation amount determined - the Company agrees with the claim, however, legal remedies lodged by claimants are considered possible;
- claims with issued decisions but legal remedies have been lodged and the procedure has been renewed;
- claims undergoing the process and waiting for a decision.

The amount for the provision is the sum of estimated compensation amounts and the accrued interest calculated using the SOS2E bond amortisation plan by the end of the reporting period (compensation is converted into the number of SOS2E bonds, for the purpose of calculating the interest).

When assessing which claims to be included among provisions and which are to be included among contingent liabilities, decisions of administrative bodies and current case law in similar cases were taken into account, together with own assessment. Contingent claims, for example, include claims by persons who were granted or obtained the right to claim compensation from Austria on the basis of a treaty between the Federal Republic of Germany and the Republic of Austria on the settlement of damages to deportees, resettled and displaced persons, settlement of other financial issues and issues relating to the social area or to the Financial and Compensation Treaty, including the Bad Kreuznach Abkommen agreement of 27 November 1961. Contingent liabilities also include some claims referring to various legal issues. In regard to all these cases it is difficult to make a reliable assessment but it can be expected that the Company will not be classified as an entity liable to pay compensation. In cases when, by examining the facts, it was assessed, that there is a small probability for the Company/Group to be classified as a party liable to pay compensation, such claims were classified as contingent liabilities.

Provisions have been formed for jubilee premiums and retirement benefits paid to employees; amounts are presented in the table above. The following assumptions have been taken into account in the last calculation made (as of 31 December 2015):

- upon their retirement, employees are entitled to a severance grant in the amount of his/her two average salaries, or in the amount of two average salaries at the state level, whichever is more favourable for employees;
- retirement takes place in accordance with the model pursuant to Pension and Disability Insurance Act (ZPIZ-2);
- mortality probability (SLO2007x, SLO2007y);
- disability probability;
- jubilee premiums are granted to employees for the total length of their service;
- staff turnover ranging from 0 to 3%, depending on the age of employees
- the 2.5% wage growth in Slovenia;
- the 3% wage growth in the company
- discount rate of 2.005%
- the 1% growth of sums referred to in Decree on tax treatment of reimbursement of costs and of other income arising from employment.

Based on court decisions in relation to labour disputes, it was assessed that additional provisions must be formed to meet any potential liabilities arising from such disputes. In 2015,

certain judicial proceedings concluded favourably for the Company/Group which is why related provisions were reversed.

Movements in provisions of the Company/Group

in EUR 000	Balance as of 1/1/2015	New created provisions	Disbursement of provisions	Reversed provisions	Balance as of 31/12/2015
Provisions for denationalisation	75,870	0	11,826	16,116	47,928
Provisions for onerous contracts	211	0	0	30	181
Provisions for jubilee premiums	41	4	9	0	36
Provisions for retirement benefits	173	15	7	0	181
Other provisions	153	275	0	0	428
Total	76,448	294	11,842	16,146	48,754

in EUR 000	Balance as of 1/1/2014	New created provisions	Disbursement of provisions	Reversed provisions	Balance as of 31/12/2014
Provisions for denationalisation	75,313	4,876	4,319	0	75,870
Provisions for onerous contracts	252	1	0	42	211
Provisions for jubilee premiums	25	21	5	0	41
Provisions for retirement benefits	147	26	0	0	173
Other provisions	149	4	0	0	153
Accrued costs and deferred revenues	4	0	4	0	0
Total	75,890	4,928	4,328	42	76,448

9.1.12. Long-term financial and operating liabilities

Long-term debt is a recognised liability associated with the financing of own assets which must be settled in a period longer than a year. The liability must be settled in cash.

The Company's/Group's long-term financial liabilities include long-term debt securities issued and loans granted. The SOS3 bonds was issued by the Company in 2015, with a single repayment due after five years at 2.5% interest rate.

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Loans obtained from banks	304,954	154,979	304,954	154,979
Principial for SOS2E bond	0	63,265	0	63,265
Principial for SOS3 bond	99,658	0	99,658	0
Total	404,612	218,244	404,612	218,244

The lending banks as of 31 December 2015:

- Abanka Vipava, d. d. EUR 85 million,
- SKB banka, d. d. EUR 70 million,
- NLB, d. d., EUR 50 million,
- Unicredit banka Slovenija, d. d. EUR 40 million,
- Banka Koper, d. d. EUR 40 million,
- Hypo Alpe Adria Bank, d. d. EUR 20 million.

The interest rate for loans received from banks ranged between 3.505% and 0.79% annually. Effective interest rates (including short-term loans) at the end of the year were:

- for EUR 30 million – 1M EURIBOR increased by an average mark-up of 79 basis points;
- for EUR 300 million – 3M EURIBOR increased by an average mark-up of 106 basis points;
- for EUR 10 million – 6M EURIBOR increased by an average mark-up of 123 basis points.

Loans obtained from banks are secured by a guarantee issued by the Government of the Republic of Slovenia, which is regulated by way of two acts: the Act on Guarantee of the Republic of Slovenia for Liabilities Assumed by Slovenska odškodninska družba, d. d., for Loans Obtained for the Financing of Slovenska odškodninska družba, d. d., in 2009 (ZPSOD09), and the Act on the Guarantee of the Republic of Slovenia for Liabilities Assumed by Slovenska odškodninska družba, d. d. totalling EUR 300 million for Loans and Bonds Issued for the Financing of Slovenska odškodninska družba, d. d., in 2010 (ZPSOD10) and blank bills of exchange. As security for the guarantee under ZPSOD09, 3,282,381 Krka shares were pledged for the benefit of the Republic of Slovenia. In order to secure the guarantee under ZPSOD10, in accordance with the Contract and Annex to the Contract, the following shares were pledged: Zavarovalnica Triglav shares (6,378,919), Krka shares (1,101,691), Hit shares (1,357,727), Loterija shares (11,142) and Luka Koper shares (1,557,857).

No liability falls due within a period of five years after the reporting date.

The value of the recognised long-term financial investments reflects their fair value.

Movement in long-term financial and operating liabilities of the Company/Group

in 000 EUR	Balance 1/1/2015	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2015
Loans obtained from banks	154,979	4,889	120,000	265,086	304,954
SOS2E bond	63,265	6,144	3,643	-65,766	0
SOS3 bond	0	99,658	0	0	99,658
Total	218,244	110,691	123,643	199,320	404,612

in 000 EUR	Balance 1/1/2014	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2014
Loans obtained from banks	319,926	53	0	-165,000	154,979
Interest rate swap fair value	3,868	-2,180	0	-1,688	0
SOS2E bond	182,191	2,339	8,854	-112,411	63,265
Total	505,985	212	8,854	-279,099	218,244

9.1.13. Short term financial liabilities

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Loans obtained from banks	34,925	299,933	34,925	299,933
Principial for SOS2E bond	79,603	131,543	79,603	131,543
Interest rate swap fair value	0	1,688	0	1,688
Total	114,528	433,164	114,528	433,164

Short-term debt includes those liabilities which must be settled not later than within a year. Financial debt includes short-term loans given pursuant to loan agreements as well as short-term securities. The matured long-term debt and the portion of long-term debt maturing within a year following the reporting date are also included in short-term debt. In accordance with applicable agreements, loans received by the following banks will mature in 2016:

- Abanka Vipava, d. d. EUR 5 million,
- Banka Koper, d. d. EUR 30 million.

Interest rates for loans given by banks are disclosed in the section reporting on long-term loans, item 9.1.12.

The Company hands over SOS2E bonds for the settlement of denationalisation compensations. The last coupon matures in 2016, which is why all liabilities arising from SOS2E that have already been handed over and those bonds to be handed over on the basis of final court decisions are disclosed in short-term liabilities. The amount of the matured and outstanding debt has no significant value for the Company. The reason for the non-payment lies with beneficiaries who fail to submit the necessary data.

The Company is authorised by the Ministry of Finance to repurchase SOS2E bonds. These own bonds were recorded by the Company as a deductible item in the liability accounts. In 2015, the Company disposed against payment of all own shares.

The interest rate for SOS3 amounts to 6 % and the interest is calculated applying conformal calculation method.

Movement in short-term financial investments of the Company/Group

in 000 EUR	Balance 1/1/2015	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2015
Loans obtained from banks	299,933	78	0	-265,086	34,925
Interest rate swap fair value	1,688	-1,688	0	0	0
SOS2E bond	131,543		117,706	65,766	79,603
Total	433,164	-1,610	117,706	-199,320	114,528

in 000 EUR	Balance 1/1/2014	Acquisitions	Repayments	Transfer to/from short term liab.	Balance 31/12/2014
Loans obtained from banks	150,000	0	5,000	154,933	299,933
Interest rate swap fair value	0	0	0	1,688	1,688
SOS2E bond	126,001	0	106,869	112,411	131,543
Total	276,001	0	111,869	269,032	433,164

9.1.14. Short term operating liabilities

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Accounts payable	4,267	4,405	4,267	4,405
Advances received	8	4	8	4
Interest on loans obtained from banks	608	1,085	608	1,085
Interest for SOS2E bond	13,331	13,654	13,331	13,654
Interest for SOS3 bond	1,308	0	1,308	0
Employee payables	237	178	237	178
Payables related to state institutions	486	660	486	660
Other payables	13	3	13	3
Total	20,258	19,989	20,258	19,989

Short-term operating debt includes loans granted to suppliers, employee payables, payables relating to interest settlement, payables to the Republic of Slovenia relating to taxes and payables to buyers relating to advances and collaterals received. The matured long-term debt and the portion of long-term debt maturing within a year following the reporting date are also included in short-term debt.

At the end of the reporting period, except for wages and salaries payables, there are no payables outstanding associated with related undertakings.

The liability for the purchase of a part of office building in the amount of EUR 4,1 M sold by GIO, d. o. o., Ljubljana – in liquidation, to mature upon the fulfilment of special contractual provisions (the Seller must submit certified copies of the Land Register Entry Deletion Permit, a deletion of writ of execution and the release of other easements) represents a major sum included in trade payables. The above mentioned co-ownership share of the office building was transferred against payment to D.S.U., d. o. o., in autumn 2014.

There are no matured and outstanding liabilities.

9.1.15. Short-term accrued costs and deferred revenues

The accrued costs and deferred revenues include the liability of the Company/Group for the unused portion of the paid holiday leave and not yet charged costs.

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Accrued expenses	210	178	210	178
Total	210	178	210	178

9.1.16. Operating income

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Income from the sale of products and services	5,082	4,014	5,082	4,014
Rental income	0	245	0	245
<i>Total net sales revenue</i>	<i>5,082</i>	<i>4,259</i>	<i>5,082</i>	<i>4,259</i>
Income from the use and reversal of long-term provisions denationalisation	16,117	0	16,117	0
Income from the use and reversal of other long-term provisions	30	41	30	41
Income for denationalisation purposes	3,846	2,531	3,846	2,531
Revaluation operating income	897	19	897	19
<i>Other operating income</i>	<i>20,890</i>	<i>2,591</i>	<i>20,890</i>	<i>2,591</i>
Total	25,972	6,850	25,972	6,850

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 sale of socially-owned housing units – 10% of the purchase money belongs to the Company/Group; persons liable for payment are the former owners of the socially-owned housing units;
- proceeds from sale of nationalised housing units – 100% of the purchase money belongs to the Company/Group, the payment is directly transferred to the Company;
- proceeds resulting from the companies ownership transformation procedures – paid in cash or by means of shares or equity holdings, transferred to the Company/Group partly from D.S.U., d. o. o., and partly from the budget of the Republic of Slovenia.

In 2015, the operating income amounted to 29.5% of all income that was generated by the Company. All sales revenues are generated in the domestic market.

9.1.17. Costs of goods, materials and services

Costs of intellectual services include the costs of attorneys-at-law, notaries, auditors, appraisers of enterprises, appraisers specialised in denationalisation issues, and similar. The highest share of costs is connected with the sale of capital assets of the Republic of Slovenia

Maintenance costs include the maintenance of software and business premises.

The contractual amount for the auditing of the financial statements of the Company and Group for 2015 amounted to EUR 15,000, excluding VAT, and the amount of EUR 28.m573.62 (VAT inclusive) was transferred to Deloitte d.o.o., in connection with its auditing firm.

The item "Costs of services rendered by individuals not in the capacity of sole traders" includes meeting fees, remuneration for members of Supervisory Boards, Audit Committee and Accreditation/Nomination Committee. The above mentioned costs are increased for mandatory contributions,

Costs of other services include costs of municipal utility services, road traffic tax, reception costs, legal fees, publications of advertisements and costs related to archiving

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Costs of energy	38	38	38	38
Office equipment write-off	3	4	3	4
Costs of office equipment	25	15	25	15
Other costs of material	18	31	18	31
Total	84	88	84	88
Costs of telecommunication services, etc	76	79	76	79
Maintenance costs	147	135	147	135
Rents	88	81	88	81
Reimbursement of employee-related costs	61	62	61	62
Costs of payment transactions, banking services, and insurance premiums	131	132	131	132
Costs of intellectual and personal services	3,504	3,284	3,504	3,284
Costs of trade fairs, advertising and representation expenses	6	4	6	4
Costs of services rendered by individuals not in the capacity of sole traders	241	202	241	202
Costs of other services	282	352	282	352
Total	4,536	4,331	4,536	4,331
Skupaj	4,620	4,419	4,620	4,419

9.1.18. Labour costs

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Salaries and wages	3,208	2,837	3,208	2,837
Costs of pension insurance	285	248	285	248
Costs of voluntary supplementary pension insurance	97	89	97	89
Costs of social insurance	238	207	238	207
Annual leave allowance, reimbursements and other earnings	553	195	553	195
Provisions for jubilee premiums	3	21	3	21
Provisions for retirement benefit	22	20	22	20
Total	4,406	3,617	4,406	3,617

Labour costs include wages and salaries paid to employees, wage compensation attributable to employees for a period off work in accordance with the law, collective agreement or an employment agreement, bonuses and rewards paid to employees, as well as taxes charged on the aforementioned items. This 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 potential labour-law related lawsuits.

As of 31 December 2015, there are no outstanding payables related to labour costs.

9.1.19. Depreciation

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Depreciation of intangible fixed assets	34	27	34	27
Depreciation of buildings	47	55	47	55
Depreciation of investment property	0	126	0	126
Depreciation of equipment and spare parts	61	69	61	69
Depreciation of office equipment	0	1	0	1
Total	142	278	142	278

The depreciable amount of an individual fixed asset is consistently allocated to an individual accounting period during its entire useful life.

9.1.20. Costs of long-term provision formation

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Provisions for denationalisation	0	4,875	0	4,875
Provisions for litigation costs	0	5	0	5
Total	0	4,880	0	4,880

9.1.21. Amounts written-off

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Revaluation of operating expenses related to intangible and tangible fixed assets	19	1,133	19	1,133
Revaluation of operating expenses related to short-term assets, excluding fin. investments	767	2	767	2
Total	786	1,135	786	1,135

A negative difference between the selling price achieved in the disposal of fixed assets and their book value was recognised in the revaluation operating expenses related to intangible and tangible fixed assets. The revaluation operating expenses were also increased by the book value of asset with an expired useful life.

Revaluation of operating expenses related to short-term assets represents impairments of operating receivables.

9.1.22. Other operating expense

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Denationalisation expenses	255	15	255	15
Charge for the use of construction land	20	22	20	22
Contribution for the employment of people with disabilities	6	6	6	6
Total	281	43	281	43

Denationalisation expenses include compensation amounts that have been recognized and are payable to beneficiaries pursuant to the Housing Act.

9.1.23. Net profit or loss

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Financial income from shareholdings and bonds	59,186	75,459	59,186	75,459
Financial income from loans given	2,849	7,618	2,781	7,618
Total financial income	62,035	83,077	61,967	83,077
Financial expenses for the write-offs and impairments of financial investments	407	498	407	385
Financial expenses for financial liabilities	19,073	26,772	19,073	26,772
Total financial expenses	19,480	27,270	19,480	27,157
Net profit or loss	42,555	55,807	42,487	55,920

Financial income from shareholdings and bonds

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Dividend income paid by companies	24,262	22,862	24,262	22,862
Dividend income paid by banks and insurance companies	18,334	11,967	18,334	11,967
Dividend income paid by mutual funds	165	137	165	137
Profit from the sale of mutual funds	1,800	688	1,800	688
Profit from the sale of shares in companies	12,927	38,086	12,927	38,086
Proceeds for the reversal of bond impairment	0	790	0	790
Proceeds from the sale of bonds	1,457	445	1,457	445
Interest income from bonds	241	484	241	484
Total	59,186	75,459	59,186	75,459

Finance income from loans given

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Income from loans given – interest	1,040	2,664	972	2,664
Profit obtained with derivatives	1,688	2,180	1,688	2,180
Other financial income	121	2,774	121	2,774
Total	2,849	7,618	2,781	7,618

Financial expenses for the write-offs and impairments of financial investments

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Expenses for impairment of available for sale financial investments	306	279	306	166
Expenses related to sale of bonds	0	106	0	106
Expenses related to sale of mutual funds	100	106	100	106
Expenses related to sale of other fin.instruments	1	7	1	7
Total	407	498	407	385

Financial expenses for financial liabilities

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
SOS2E bond interest expense	8,980	15,280	8,980	15,280
SOS3 bond interest expense	1,346	0	1,346	0
Interest expense for loans received	8,742	11,486	8,742	11,486
Loss of derivatives	5	6	5	6
Total	19,073	26,772	19,073	26,772

Review of financial income and expenses generated for the Company by subsidiaries and associates

in EUR 000	Company	
	1 - 12 / 2015	1 - 12 / 2014
Financial income in connection with subsidiaries	819	4,492
Financial income in relation with associates	18,334	11,967
Financial income in connection with associates	0	-115
Financial expenses in relation with associates	-4	-113
Net financial profit or loss	19,149	16,231

Financial income and expenses in relation to subsidiaries and associates are separately disclosed in this section. All sums stated in the above table are included in tables where financial income and expenses are disclosed.

9.1.24. Participation in profit/loss in associates

in EUR 000	Group	
	1 - 12 / 2015	1 - 12 / 2014
Financial income in relation with associates	47,731	61,970
Financial expenses in relation with associates	-50,619	-22,690
Net financial profit or loss	-2,888	39,280

As of 31 December 2015, the SSH Group held in its ownership 6,386,644 of shares in **Zavarovalnica Triglav**, which amounted to the 28.09% ownership stake. In 2015, Zavarovalnica Triglav Group generated profit in the amount of EUR 88,861K and distributed dividends in the amount of EUR 56,755K, so that SSH Group recorded net financial income which, proportionally, amounted to EUR 8,996K. On the basis of other changes in equity of Zavarovalnica Triglav Group, the revaluation surplus was decreased by EUR 4,880K and the retained profit or loss by EUR 1,335K. Due to fact that the fair (market) value of the investment in Zavarovalnica Triglav shares is lower than the value for which equity method is applied, the Group recorded a financial expense in the amount of EUR 5,106K.

As of 31 December 2015, SSH Group held in its ownership 4,304,917 shares of **Pozavarovalnica Sava**, representing a 25% ownership stake in the said company. In 2015, Pozavarovalnica Sava generated profit in the amount of EUR 33,365K and distributed dividends in the amount of EUR 9,066K. On this basis, Group recorded net financial income which, proportionally, amounted to EUR 5,974K. On the basis of other changes in equity, the revaluation surplus was decreased by EUR 1,411K, and the retained profit or loss was decreased by EUR 814K. Due to fact that the fair (market) value of the investment in Pozavarovalnica Sava shares is lower than the value the value for which equity method is applied, the Group recorded a financial expense in the amount of EUR 15,852K.

As of 31 December 2014, SSH Group held a 33.96 % ownership stake in **PDP, d. d.**. Pursuant to the provisions of ZSDH-1, in January 2015, SSH acquired 66.04% stake held by KAD in PDP, thus becoming a 100% owner of PDP. Thus, conditions were satisfied to execute the merger between SSH and PDP. In terms of the balance sheet, the cut-off date for the merger was 31 January 2015, when the merger was implemented and on 1 July 2015 it was registered in the Court/Business Register. Due to the exclusion of PDP from the group of associates, financial expense in the amount of EUR 2.934K was recorded.

As of 31 December 2015, SSH Group held in its ownership 1,357,727 shares of **Hit, d. d.**, representing a 20 % ownership stake in the company. In 2015, Hit Group generated profit in the amount of EUR 2,080K, so that, on this basis, SSH Group recorded net financial income which, proportionally, amounted to EUR 416K. On the basis of other changes in equity, the revaluation surplus was decreased by EUR 39K, and the retained profit or loss was decreased by EUR 1,998K.

On the basis of the merger with PDP, d. d., SSH has become the holder of additional shares in Unior, d. d., and as of 31 December 2015, its ownership stake amounted to 39.43 %. As of the date of acquisition, the fair value (market value) amounted to EUR 8,393. In 2015, Unior Group, d. d., generated profit in the amount of EUR 6,674K. On this basis, SSH Group recorded net financial income which, proportionally, amounted to EUR 2,631K. On the basis of other changes in equity, the revaluation surplus was decreased by EUR 445K, and the retained profit or loss was decreased by EUR 308K.

The compulsory settlement of **Casino Bled, d. d.**, carried out in 2015 was successful, as a result of which the capital reserves were increased by EUR 110K and profit was generated in the amount of EUR 267. As of 31 December 2015, SSH Group held in its ownership 35,381 shares of Casino Bled, d. d., representing a 43 % ownership stake in the company. Since in 2014, owing to negative capital, not the total loss was recognised, the difference was calculated in the consolidated Profit and Loss Statement 2015, specifically, financial income in the amount of EUR 41K was recognised thereunder. On the basis of other changes in equity, the revaluation surplus was increased by EUR 49K.

9.1.25. Other income and expense

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Compensation and penalties received	0	48	0	48
Other expenses	25	0	25	0
Total	-25	48	-25	48

Other expense was created as a result of the decrease in the deductible VAT.

9.1.26. Taxes

Current and deferred taxes

in EUR 000	Company		Group	
	1 - 12 / 2015	1 - 12 / 2014	1 - 12 / 2015	1 - 12 / 2014
Current income tax	0	0	0	0
Deferred tax	-3,575	10,034	-3,575	10,034
Total	-3,575	10,034	-3,575	10,034

Calculation of the effective tax rate

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Profit before tax	58,267	48,333	58,267	48,333
Anticipated income tax expense 17%	9,905	8,217	9,905	8,217
Adjustment of income	-52,660	-44,576	-52,660	-44,576
Adjustment of expenses	-20,661	-6,389	-20,661	-6,389
Tax relief	0	0	0	0
Other adjustments	2,279	2,188	2,279	2,188
Income tax	0	0	0	0
Effective tax rate	0	0	0	0

Movement in tax losses

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Opening balance of unused tax losses	856,186	855,742	856,186	855,742
Increases during the year	12,775	444	12,775	444
Disbursement during the year	1,037	0	1,037	0
Closing balance of unused tax losses	869,998	856,186	869,998	856,186

Long-term deferred tax assets and liabilities are recognised by applying the liability method in regard to the statement of financial positions in which regard temporary differences between the carrying value of assets and liabilities for the purpose of financial reporting and the values for the purpose of tax reporting. The 17% tax rate is applied. Deferred tax assets are recognised in the value of potential future taxable profit against which the deferred tax will be applied in the future.

Balance of long-term deferred tax assets and liabilities

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Long-term deferred tax assets	49,970	53,545	49,970	53,545
Long-term deferred tax liabilities	49,970	53,545	49,970	53,545
Net long-term deferred tax liabilities	0	0	0	0

Deferred tax assets are a result of impairment of financial investments and revaluation of receivables, provisions formed for litigation costs and unused tax losses.

The Company/Group holds the following deferred tax assets:

- impairment of financial investments and receivables EUR 13.26 million.
- provisions not being fully recognised for tax purposes upon their formation EUR 0.02 million.
- unused tax losses EUR 147.9 million.

As it is shown in the tables above and notes to the preceding paragraph, deferred tax assets are not fully recognised in the financial statements of the Company/Group.

Movement in long-term deferred tax liabilities

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Deferred tax liabilities as of 1 January	53,545	43,511	53,545	43,511
Transfer to profit or loss	-535	-2,270	-535	-2,270
Change due to changes in taxable base	-3,040	12,304	-3,040	12,304
Balance as of 31 December	49,970	53,545	49,970	53,545

Long-term deferred tax liabilities include the revaluation of financial investments to fair value through equity. When forming long-term deferred tax liabilities or deferred tax assets, the provisions 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.

Movement in long-term deferred tax assets for the Company and Group

in EUR 000	Revaluation of financial investments	Impairment of short-term operating receivables	Provisions	Unused tax losses	Total
Balance of deferred tax assets as of 1 January 2015	9,426	916	18	43,185	53,545
Used in 2015	-1,956	-487	0	0	-2,443
Newly created in 2015	6,609	0	0	1,036	7,645
Exclusions in 2015	-1,248	0	-3	0	-1,251
Adjustment with tax liability	0	0	0	-7,526	-7,526
<i>Total changes in profit and loss statement</i>	<i>3,405</i>	<i>-487</i>	<i>-3</i>	<i>-6,490</i>	<i>-3,575</i>
<i>Total changes in statement of financial position</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Balance as of 31 Dec 2015	12,831	429	15	36,695	49,970

9.1.27. Performance result of discontinued operations

The performance result of discontinued operations was determined by taking into account the performance of three companies, specifically, for the period of controlling:

in EUR 000	AAT, d. d.	Group Elan	Group Paloma
	1 - 11 / 2015	1 - 6 / 2015	1 - 12 / 2015
Operating income	21,971	22,843	85,196
Operating expense	-21,202	-28,870	-84,261
Net profit or loss	-519	-71	-550
Profit or loss before tax	254	-6,120	705
Taxes	0	2	0
Net profit or loss for the reporting period	254	-6,122	705
Part for minority owners	121	-2,059	205
Interest expense generated in SSH Group	-68	-	-
% of SSH ownership (prior to the sale)	52.33%	66.37%	70.97%

9.1.28. Net earnings per share

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Profit/loss of majority owners	54,692	58,367	48,373	97,760
Number of issued shares	36,046	36,046	36,046	36,046
Weighted number of shares	36,046	36,046	36,046	36,046
Net loss / profit per share	1.517	1.619	1.342	2.712

9.1.29. Dividends per share

In compliance with its rules and regulations, the controlling company does not pay out any dividends.

9.1.30. Note to the Cash Flow Statement

The cash flow statement shows changes in the balance of monies in a particular financial year, using direct method. The data were obtained from the books of account of the Company/Group 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 by 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 the Company/Group's core business is the settling of denationalisation liabilities. Proceeds, with the exception of proceeds from financial investments sold for covering these outflows, were recognised as operating proceeds. Similarly, the first part of the Cash Flow Statement includes cash flows arising from the payment of liability due by the Republic of Slovenia which are executed on its behalf by the Company (ZSPOZ, ZIOOZP and ZVVJTO).

Cash flows in 2015 based on the execution of the following acts: ZSPOZ, ZIOOZP and ZVVJTO

in EUR 000	ZSPOZ	ZIOOZP	ZVVJTO	Total
Payments to beneficiaries	2,948	13,853	129	16,930
Receipts from the Republic of Slovenia - Current payments	3,149	10,194	174	13,517
Received from the Republic of Slovenia - Contract debt	24,235	11,670	32,619	68,524
Net financial effect	24,436	8,011	32,664	65,111

9.2. FINANCIAL RISK MANAGEMENT OF THE COMPANY/GROUP

The financial risks are continuously monitored and assessed by the Company/Group with the aim to provide for a long-term liquidity and avoid excessive exposure to individual risks. The following risks are faced and managed by the Company/Group: credit risk, interest rate risk, currency risk, and particularly market and liquidity risk.

9.2.1. Credit risk

Financial investments in banks or other issuers of securities create risks that might arise due to the borrowers' default in settling their liabilities, which means that upon maturity, funds invested are not repaid in full or in part. For the purpose of managing credit risks, the financial position of issuers and their capacity to generate sufficient funds for repayment are assessed. In regard to investments in debt securities, restrictions and limits have been set by the Company/Group in relation to individual issuers and banks, which, by taking into account their balance sheet data, are renewed on an annual basis. Ratings of internationally renowned credit agencies are used in the analysis of individual securities,

The highest risk exposure experienced by the Company/Group relates to financial institutions and banks in which it holds its deposits, and any defaults would result in decreasing the liquidity of the Company/Group. It is however assessed, that there are no risks associated with a failure of fulfilling contractual obligations

There are risks related to other issuers of debt securities since the deep financial and economic crisis has resulted in deferred payment or non-payment of a regular coupon on the part of some issuers. The following measures are taken by the Company/Group to minimize these risks:

- verification of the credit ratings of the issuers of securities;
- dispersion of deposits between various banks by using their size as a criterion.

9.2.2. Interest rate volatility 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. The Group/Company is exposed to interest rate risk particularly with its liabilities. When depositing assets, a fixed interest rate is usually applied and only a minor part of debt securities is subject to a variable interest rate. Almost 65% of financial liabilities (as of 31 December 2015) bear an interest rate that is linked to Euribor. A fixed interest rate is applied to other liabilities. Changes in the market interest rates do not affect the Company/Group's liabilities in relation to bonds issued. Liabilities arising in relation to SOS2E bond which represent approximately 15% of the Company/Group's financial liabilities are subject to an agreed fixed interest rate of 6% (compounded interest rate calculation), while SOS3 bond (19% of all financial liabilities) bears 2.5% interest rate p.a. (linear interest calculation).

It has been assessed that a change in interest rate for loans bearing a floating interest rate (1/3/6-month Euribor + a fixed mark-up) will have a moderate impact on the financial statements of the Company/Group. The calculation shows that with an increase in the interest rate:

- by 0.5%, the interest expense will increase by EUR 1.7 million per year;
- by 1.0 %, the interest expense will increase by EUR 3.4 million per year;
- by 1.5 %, the interest expense will increase by EUR 5.1 million per year.

In 2015, the key Central Bank interest rates were exceptionally low and a gradual increase is expected in the long-term which will consequently lead to an increase in the reference interest rates (for example, Euribor). A derivative – interest rate swap – is used by the Company/Group for hedging against the change in the interest rate, having loans in the value of EUR 300 million being hedged by using this derivative. All contracts will terminate in June 2015.

Effect of interest rate swaps

in EUR 000	Company		Group	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
Unrealized loss/gain of interest raze swaps	1,688	2,179	1,688	2,179
Realized loss of interest rate swaps	-1,733	-2,979	-1,733	-2,979
Total interest rate swap effect	-45	-800	-45	-800

9.2.3. Currency risks

The introduction of the Euro as a national currency significantly reduced the currency risk. Considering the fact that the majority of financial instruments is linked to the Euro, the currency risk was negligible for the Company/Group in 2014. Only EUR 3.4 million of the investments of the Company/Group are denominated in foreign currencies which represents only 0.4% of all assets.

9.2.4. Liquidity risks

Owing to the situation in the financial markets, special attention was dedicated to managing liquidity risk. As before, all liabilities were regularly settled. Greater attention was dedicated to the preparation of cash flows plans. 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 the Company/Group, it was assessed that the Company/Group is solvent and not threatened by insolvency. Detailed findings are presented in section 1.2.5. in the Business Report.

Liquidity ratios

A key ratio for measuring an entity's liquidity is a liquidity ratio (=liquid assets/short-term liabilities *100) providing an answer as to whether a company holds enough liquid assets to settle all its short-term liabilities. It is stated in the expert literature that the value of this coefficient should always be greater than 100%. However, this rule applies only in the case when all short-term liabilities immediately fall due for payment. Usually, not all liabilities need to be settled immediately which is why a coefficient in the value of 30% is acceptable.

In addition to the liquidity ratio, another two ratios are used in practice:

- quick ratio = (current assets + inventories)/current liabilities * 100, and
- current ratio = current assets / current liabilities *100.

	in EUR 000		in %	
	31/ 12/ 2015	31/ 12/ 2014	31/ 12/ 2015	31/ 12/ 2014
<i>direct coverage of short-term liabilities</i>				
liquid assets	53,075	96,991	39.38	21.40
short-term liabilities	134,786	453,153		
<i>quick coverage of short-term liabilities</i>				
liquid assets + short-term receivables	132,527	230,766	98.17	50.90
short-term liabilities	134,996	453,331		

Since the Company/Group does not have any inventories, the value of the last two ratios is equal.

All liquid financial investments are considered as liquid assets by the Company/Group as these are mainly deposits with a maturity date matching the maturity date of liabilities that have been planned. In spite of the fact, that cash flows are planned as thoroughly as possible, there is a small degree of probability that an unpredictable liability may arise. An option of selling individual investments accounted for as long-term financial investments (domestic shares, foreign shares, mutual funds, bonds) is envisaged by the Company for the occurrence of any unforeseen events. In an extreme case, if the Company/Group runs out of funds, it was determined in the Decision of the Constitutional Court No. U-I-140/94 of 14 December 1995, it was determined that the Republic of Slovenia is obliged to provide additional funds to the Company when the Company's sources of funds do not suffice for the regular settlement of the Company's liabilities in accordance with the Denationalisation Act, the Cooperatives Act and other regulations governing the denationalisation of property.

Maturity of assets and liabilities

in EUR 000	Call deposits and highly liquid assets	Maturing in 1-6 month period	Maturing in 6-12 month period	Maturing in 1-3 year period	Maturing in a period after 3 years
Assets	45,095	83,443	34,191	0	749,839
Deposits and cash	14,655	38,000	0	0	0
Bonds	0	406	14	0	2,021
Mutual funds	23,651	0	0	0	0
Foreign shares	6,789	0	0	0	0
Shares and shareholdings in dome	0	4,989	0	0	747,818
Operating receivables	0	40,048	34,177	0	0
Liabilities	1,067	111,388	18,479	343,871	112,665
Vračilo posojil	0	30,000	5,000	299,958	4,996
SOS2E bond + interest	0	79,706	9,374	43,913	8,011
SOS3 bond + interest	0	1,308	0	0	99,658
Short-term operating receivables	1,067	374	4,105	0	0
Difference	44,028	-27,945	15,712	-343,871	637,174
Cumulative surplus/deficit	44,028	16,083	31,795	-312,076	325,098

The Company intends to restructure its debt in 2016, particularly extend the maturity date of all loans maturing in 2017. The coverage of deficit is explained in item 4.7.3.

9.2.5. Market risk

Liquidity of the most important investments of the Company/Group in shares quoted

	Turnover ratio * in 2015
Krka, d. d.	5.92%
Luka Koper, d. d.	7.68%
Petrol, d. d.	5.38%
Pozavarovalnica Sava, d. d.	3.62%
Telekom, d. d.	3.80%
Zavarovalnica Triglav, d. d.	6.64%
Prime market	5.33%
Standard market	8.73%

Note: *Note:* A ratio between the yearly turnover and an average market capitalisation base on values as of 31 December, before 6 and before 12 months)

Source: Source: Monthly and Annual Statistics LJSE, 2015

Domestic marketable shares of the Company/Group as of 31 December 2015

Vrsta lastniške naložbe	Vrednost v 000 EUR	Struktura v %
Krka, d. d.	346.347	47,17
Zavarovalnica Triglav, d. d.	150.086	20,44
Petrol, d. d.	105.392	14,35
Pozavarovalnica Sava, d. d.	55.749	7,59
Ostale naložbe	76.722	10,45
Skupaj	734.296	100,00

Changes in market share prices represent a significant risk which is being increased by low liquidity levels in regard to main investments.

It has been assessed that the risk exposure related to changes in market prices of shares is extremely high. The average duration of liabilities held on the passive side of the balance sheet is 24 months, whereas 82% of the assets on the active side include shares in domestic companies. The largest three individual investments of the Company/Group represent approximately 77% of all long-term financial investments (shares of Paloma d.d. are not included in this group since they are recorded in the disposal group recorded among current assets). The fact is that this risk is high also due to a low dispersion of investments since the majority of investments are exposed to risks of changes in market prices in the domestic capital market.

Sensitivity of equity financial investments against changes in market prices

Type of equity investment in EUR 000	Value 31/ 12/ 2015	Change in market prices 15 %	Change in market prices 20 %	Change in market prices -15 %	Change in market prices -20 %
Krka, d. d.	346,347	51,952	69,269	-51,952	-69,269
Zavarovalnica Triglav, d. d.	150,086	22,513	30,017	-22,513	-30,017
Petrol, d. d.	105,392	15,809	21,078	-15,809	-21,078
Pozavarovalnica Sava, d. d.	55,749	8,362	11,150	-8,362	-11,150
Other marketable domestic shares	76,722	11,508	15,344	-11,508	-15,344
Non-mark.shares and domestic sharehold.	18,510	2,777	3,702	-2,777	-3,702
Foreign shares	6,789	1,018	1,358	-1,018	-1,358
Mutual funds	23,651	3,548	4,730	-3,548	-4,730
Total	783,246	117,487	156,649	-117,487	-156,649

9.3. TRANSACTIONS WITH RELATED ENTITIES

In addition to the Republic of Slovenia, and in accordance with IAS 24, entities considered as 100% owners are:

- subsidiaries and associates;
- management personnel and members of Supervisory Board and Audit Committee;
- companies related to the state.

In 2015, no transactions were concluded by the Company which might result in harmful consequences for the operation of related parties

9.3.1. Subsidiaries and associates

The Company holds a 20% or higher shareholding in the following companies: Casino Bled, d. d., Dekorativna d. o. o. Ljubljana - n liquidation, GIO n liquidation, d. o. o., Hit Nova Gorica, d. d., Paloma, d. d., Pozavarovalnica Sava, d. d., PS za avto, d. o. o., Unior, d. d., Zavarovalnica Triglav, d. d. 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 ZSDH-1. There were no significant business transactions taking place between the Company and the above mentioned companies.

In 2015, no mandatory instruction in the capacity of a controlling company was given by the Management Board of the Company. Neither was there any legal transaction concluded by and between the controlling company and related parties, as a result of any mandatory instruction.

The Company hereby declares that the controlling company has not used its influence by forcing its related entities to carry out any legal transaction which is a detriment to them or to do anything which is to their detriment. In addition to capital-related connections, business cooperation with associates mainly refers to insurance transactions.

9.3.2. Management and members of Supervisory Board and Audit Committee

All payments received by the management personnel and members of Supervisory Board and its committees refer to the reporting period.

Payments to the leadership in the period from 1 January 2015 until 26 October 2015

in EUR	Pirc Matej	Runjak Matej
Fixed earnings (brutto)	107,753	96,978
Variable earnings (brutto)	21,950	19,755
Other earnings (bonuses, company car)	6,186	4,817
Other bonuses (liability insurance, collective acciden.insurance)	118	117
Holiday pay	791	791
Reimbursement of costs (meals, transportation)	1,120	991
Severance pay**	1,136	6,682
Voluntary suppl.pension insurance	2,311	2,311

** Most reimbursements of travel costs and daily allowances refer to the participation at investment conferences.

Payments to Management Board in the period from 27 October 2015 until 31 December 2015

in EUR	Jazbec Marko	Drobne Popovič Nada	Strojin Štampar Anja
Fixed earnings (brutto)	21,950	21,551	9,877
Variable earnings (brutto)	0	0	0
Other earnings (bonuses, company car)	622	133	116
Other bonuses (liability insurance, collective acciden.insurance)	0	17	0
Holiday pay	41	0	0
Reimbursement of costs (meals, transportation)	245	263	153
Voluntary suppl.pension insurance	0	501	235

Note: Anja Strojin Štampar, has been employed since 1 December 2015

Labour costs in 2014 per employee who are not members of the Management board but are employed on the basis of individual employment contract:

- wages and salaries EUR 358,440
- holiday pay EUR 3,163
- reimbursement of costs (meals, transportation cost): EUR 6,949
- bonuses EUR 3,139, and
- voluntary supplementary pension insurance EUR 9,007.

Salaries paid to the members of Management Board are paid in accordance with 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 the Company is considered a large company. Members of the Management Board using company cars for private purposes do not receive any payments reimbursing their travel costs.

Members of the Management Board represented the interest of capital contributors by participating in Supervisory Boards of the following non/related entities:

- Mr. Matej Pirc in Gen Energija, d. o. o,
- Mr. Matej Pirc in Krka, d.d., (from 20 August 2015 onward).
- Mr. Matej Pirc in Zavarovalnica Triglav, d. d.,
- Mr. Matej Runjak in Cinkarna Celje, d. d., (from 18 June 2015 onward)
- Nada Drobne Popovič, MSc, in Hit, d. d., and
- Anja Strojin Štampar, MSc, in Krka, d. d., (from 20 August 2015 onward)

In line with the Resolution of the 2nd session of the General Meeting of Shareholders held on 11 July 2013, members of the Supervisory Board were entitled to receive meeting fees amounting to EUR 275 gross per an individual member of the Company's Supervisory Board. Members of Committees of the Supervisory Board were entitled to receive meeting fees amounting to 80% of the meeting fee attributable to a member of Supervisory Board for his/her participation at a Supervisory Board's session. A meeting fee for a correspondence session amounted to 80% of a meeting fee for a usual session. The total amount of meeting fees attributable to an individual member of the Supervisory Board in a year should not exceed 50% of payments received for performing the function on an annual basis. In addition to meeting fees, members of the Supervisory Board also receive a payment for the execution of their function, specifically, the President in the amount of EUR 15,450 gross per year, the Vice President in the amount of EUR 11,330 gross per year, and members, in the amount of EUR 10,300 gross per year. A supplement for the execution of the function is paid to the President of the Supervisory Board's Commission in the amount of 50% of the payment for the execution of the function, while this supplement paid to the members of the Supervisory Board's Commission amounts to 25% of the payment for the execution of the function. A basic payment and a supplement for the execution of the function in a proportional monthly payments is paid to the Members of the Supervisory Board and members of Supervisory Board's Commission to which they are entitled during their holding of the function. The monthly payments amount to one twelfth of the above mentioned annual sums. In no case must the supplements paid for the execution of the function exceed 50% of the payment for carrying out a function of a member of the Supervisory Board, even though an individual is a member or a President in several commissions.

On 4 December 2014, the Government of the Republic of Slovenia, acting as the General Meeting of SSH, decided on the type and amount of income paid to SSH Supervisory Board Members appointed in procedure under Article 40 of ZSDH-1 (from 23 July 2015 onward). On the basis of the above mentioned Resolution, Supervisory Board Members are eligible to receive a meeting fee in the gross amount of EUR 275 for their attendance of the session, and the session fee for the attendance at sessions held by Supervisory Board Committees amounts to EUR 220 gross. The meeting fee for a correspondence session amounts to 80 % of the meeting fee.

In addition to meeting fees, members of the Supervisory Board also receive a payment for the execution of their function, in the gross amount of EUR 1,300 per month for an individual member. The President of the Supervisory Board is eligible to receive the extra monies in the amount of 30% of the basic payment for the performance of the function, while for the Vice President this extra payment amounts to 10% of the basic payment. Members of the Supervisory Board Committees receive extra payment for the performance of their function in the sum of 25% of the basic payment for each individual member. In addition, upon a proposal by the Minister of Finance, the Government of the Republic of Slovenia acting as the General Meeting of the Company may determine additional payment for a Member of Supervisory Board who has special knowledge and experience that have been obtained from carrying out such functions abroad and who has a proven record of successful business performance.

The Government of the Republic of Slovenia acting as the General Meeting of the Company has decided that in case SOEs owned and managed by SSH reach the return on equity planned, Members of Supervisory Board are entitled to receive a bonus in the range from 10% to 40% of the annual payment for the performance of the function, subject to the level of the ROE achieved. The bonus is paid to the Members of the Supervisory Board following the approval of the Annual Report, as laid down in ZGD.

Members of the Supervisory Board and its commissions are also entitled to receive reimbursement of costs (applicable for both resolutions) associated with their execution of the Supervisory Board member function, specifically, in the form of daily allowances, travel

expenses and accommodation costs. Daily allowances and travel expenses are paid in accordance with regulations regulating this topic in the business sector.

Earnings of Members of the Supervisory Board in 2015:

in EUR	Payment for the execution of the function	Gross meeting fee	Bonuses	Travel expenses	Total
Belič Damjan	8,485	4,730	1,676	0	14,891
Cesar Nives	5,621	2,860	0	0	8,481
Dobnikar Roman	5,621	2,310	0	136	8,066
Ferfolja Drago	7,216	4,730	90	1,258	13,294
Glavina Lidija	6,581	4,510	90	1,159	12,340
Gorišek Pavel	5,621	2,365	0	0	7,986
Kos Duško	6,581	4,730	90	104	11,505
Lozej Samo	8,431	2,860	0	0	11,291
Razvornik Škofič Simona	5,621	2,585	0	0	8,206
Seničar Stanislav	6,183	2,860	0	639	9,682
Smolnikar Barbara	6,581	4,180	17	0	10,778
Škof Miran	5,621	2,860	0	0	8,481
Total	78,162	41,580	1,963	3,296	125,001

Earnings of Members of the Supervisory Board Nomination Committee in 2015:

in EUR	Payment for the execution of the function	Gross meeting fee	Bonuses	Travel expenses	Total
Belič Damjan	610	1,276	0	0	1,886
Ferfolja Drago	610	1,276	0	629	2,515
Glavina Lidia	610	1,276	0	691	2,577
Kos Duško	610	1,276	0	64	1,950
Smolnikar Barbara	610	1,276	0	0	1,886
Total	3,050	6,380	0	1,383	10,813

Earnings of Members of the Supervisory Board Audit Committee in 2015:

in EUR	Payment for the execution of the function	Gross meeting fee	Bonuses	Travel expenses	Total
Bajuk Mušič Andreja	1,405	220	0	0	1,625
Cesar Nives	2,810	440	0	0	3,250
Gabrijel Aldo	1,050	660	0	314	2,024
Glavina Lidia	1,587	660	0	98	2,345
Kos Duško	1,587	660	0	9	2,256
Škof Miran	1,405	220	0	0	1,625
Total	9,844	2,860	0	421	13,126

Earnings of Members of the Supervisory Board Risk Committee in 2015:

in EUR	Payment for the execution of the function	Gross meeting fee	Bonuses	Travel expenses	Total
Cesar Nives	0	220	0	0	220
Ferfolja Drago	1,587	220	0	105	1,912
Makar Petra	1,405	220	0	0	1,625
Seničar Stanislav	2,810	220	0	80	3,110
Smolnikar Barbara	1,587	220	0	0	1,807
Virant Darinka	1,050	220	0	13	1,283
Total	8,439	1,320	0	198	9,957

9.3.3. 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	Receivables 31/ 12/ 2015	Income 1 - 12 / 2015
Ministry of Finance	72,876	5,295
Farmland and forest Fund of RS	756	3,350
D.S.U.	5	306
Total	73,637	8,951

As of 31 December 2015, the highest share of receivables (EUR 68.4 million) refers to long-term claims in connection with advance money paid under ZIOOZP, ZSPOZ and ZVVJTO, and the remaining share included claims from current compensations under the above mentioned acts and claims for services rendered. Notes to the content of income is given in item 9.1.16.

The Company also carries business 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. Since no significant amounts are involved, these pieces of data are not disclosed.

9.4. DISCLOSURE UNDER ARTICLE 69 ITEMS 12 AND 13 OF ZGD-1

There are no operations which have not been disclosed in the Statement of Financial Position neither are there any risks or benefits resulting from such transactions and having a significant impact to the assessment of the financial position of the Company/Group.

There were no transactions with related parties that might have been significant or not carried out at arm's length.

9.5. OPERATING SEGMENTS

The SSH Group carries out various tasks which usually do not entail the generation of significant revenues. The main activity leading to the Company's establishment was the determination and the payment of compensation arising from denationalisation (ZDen). For this purpose, the Company had received a portion of a previously socially-owned property, in the form of shares and shareholding registered as revenues upon its receipt. These assets are sold subject to the financial needs and depending on the situation in capital markets. Upon their disposal, the financial income is a difference between the acquisition value and the selling price of an individual financial investment.

The Company carries out the following tasks on behalf of and for the account of the Republic of Slovenia: the payment of compensation to beneficiaries for confiscated property pursuant to the abrogation of the penalty of confiscation of property (ZIOOZP), the payment of compensations to war and post-war violence victims (ZSPOZ), and reimburses investments made into in the public telecommunications network (ZVVJTO).

Upon the abolition of the Capital Assets Management Agency of the Republic of Slovenia, the Company/Group has taken over its duties as well as employees. One portion of costs incurred with the management of capital assets are reimbursed to the Company/SSH Group by the Ministry of Finance. In accordance with the agreement, SSH should be reimbursed for all costs incurred in the processes for the sale of capital assets of the Republic of Slovenia.

It has been assessed that requirements for reporting on operating segments as laid down by IFRS 8 have not been met. As a result, the Segment Reporting was not developed. The Company/Group does not sell its services/goods/material to outside customers, the subsidiaries are not consolidated by the Company/Group since they are irrelevant for the presentation

9.6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In addition to future liabilities for which provisions have been recognized by the Company/Group due to the fact that conditions had been met for their recognition, the Company/Group also has formed contingent liabilities arising from denationalisation in the amount of EUR 71,915,000. Administrative units and ministries are known to have additional requests for compensation according to ZDen that have not yet been communicated to the Group. The value of these liabilities has therefore been determined by means of an assessment.

Blank bills of exchange (the total amount of EUR 230 million) were submitted by the Company/Group to the majority of banks as a security for the repayment of long-term loans secured by the guarantee issued by the Republic of Slovenia.

The liens registered are listed in Notes 9.1.12.

The Company holds the following contingent assets:

- receivables due from buyers of socially-owned and nationalised housing units (EUR 24k), and
- insurance of a receivable – a lien established to the benefit of the Company (EUR 875k).

9.7. EVENTS AFTER THE BALANCE SHEET DATE

- On 5 January 2016, the General Meeting of Shareholders of Paloma d.d. was convened at which the resolution on the share capital increase by the selected investor was approved by the shareholders. At the end of January 2016, a challenging action was filed by minority shareholders against the above mentioned resolution by the General Meeting and the motion for interim injunction was submitted, preventing the management of Paloma to carry out any actions envisaged in the General Meeting Resolution. By the time of the publication of this Report, no decision has yet been made in regard to the case in question.
- On 14 January 2016, Irena Valenti's function of a member of Economic Social Expert Committee terminated. Mrs Nevija Pečar was appointed by the SSH Management Board of the said Committee.
- On 4 February 2016, the Securities Market Agency issued a declaratory decision to withdraw the suspension for voting rights in the target company, Telekom Slovenije.
- The sale of shares of Sale of Adria Airways Successfully was realised on 15 March 2016, by way of the receipt of the purchase price and the transfer of 6,343,743 shares by the Sellers (SSH, RS and BAMC) to the Buyer, i.e., the investment fund: 4K with a registered seat in Luxembourg (through a subsidiary that is in 100% ownership of AA International Aviation Holding GmbH) pursuant to the Sale and Purchase Agreement of 18 January 2016.
- On 1 April 2016, the Compliance Manager, Mr Urh Bahovec, submitted a resignation notice. On 9 April 2016, the public invitation to apply for the above mentioned function was published by the SSH Management Board. At the time of publishing this Report, the selection procedure is still in progress.
- On 5 April 2016, the SSH Management Board appointed Mrs Brigita Vončina as a member of the SSH Nomination Committee, to substitute Mrs Maja Fesel Kamenik whose tenure expired on 31 March 2016 (following the resignation notice submitted on 1 March 2016).
- In the period up to the adoption of this Annual Report, SSH sold for EUR 5.2 million foreign shares, or 76% of foreign shares (*at the balance sheet values as of 31 December 2015*), and for EUR 6.3 million or 27% (*likewise, at the balance sheet values as of 31 December 2015*) of UCITS points.

Ljubljana, 19 April 2016

Nada Drobne Popovič, MSc
Member of Management Board

Anja Strojín Štampar, MSc
Member of Management Board

Marko Jazbec
President of Management Board