



SLOVENIAN SOVEREIGN HOLDING

ANNUAL ASSET MANAGEMENT PLAN FOR 2025

The Republic of Slovenia is an important owner of enterprises in Slovenia.

SSH has a significant responsibility to actively and professionally manage capital assets in state-owned enterprises (SOEs).

The primary objective of these companies is to operate successfully, profitably, and efficiently, creating long-term value while, in many cases, also fulfilling strategic objectives, particularly within the scope of individual services of general economic interest.

This must be achieved in a sustainable manner, with a responsible approach to society and the environment, while upholding the highest ethical standards and ensuring compliance and integrity in all business operations.

TABLE OF CONTENTS

INTRODUCTION	8
I. GENERAL SECTION	12
1. KEY ASSET-MANAGEMENT RELATED DOCUMENTS	14
2. MACROECONOMIC OUTLOOK	16
2.1. SIGNIFICANT DEVELOPMENTS IN ENERGY SECTOR IN 2024 AND OUTLOOK FOR 2025	19
2.2. SIGNIFICANT DEVELOPMENTS IN TRANSPORT SECTOR IN 2024 AND OUTLOOK FOR 2025	21
2.3. SIGNIFICANT DEVELOPMENTS IN FINANCIAL SECTOR IN 2024 AND OUTLOOK FOR 2025	23
2.4. SIGNIFICANT DEVELOPMENTS IN TOURISM IN 2024 AND OUTLOOK FOR 2025	26
2.5. SIGNIFICANT DEVELOPMENTS IN ECONOMY SECTOR IN 2024 AND OUTLOOK FOR 2025	26
3. MANAGEMENT OF CAPITAL ASSETS	31
3.1. PORTFOLIO OF CAPITAL ASSETS	31
3.1.1. LIST OF CAPITAL ASSETS UNDER SSH'S MANAGEMENT	31
3.1.2. STRUCTURE OF CAPITAL ASSET PORTFOLIO	35
3.2. OBJECTIVES OF CAPITAL ASSETS MANAGEMENT	38
3.2.1. FUNDAMENTAL OBJECTIVES OF STATE CAPITAL ASSETS MANAGEMENT	38
3.2.2. GENERAL OBJECTIVES AND GUIDELINES FOR CAPITAL ASSET MANAGEMENT	39
3.2.3. PLANNED ROE FOR THE CAPITAL ASSETS PORTFOLIO	40
3.2.4. PLANNED VALUE ADDED PER EMPLOYEE BY MANAGEMENT PILLARS AND CLASSIFICATION CRITERIA	41
3.2.5. FORECAST CASH FLOWS ARISING FROM DIVIDEND PAYOUTS BY COMPANIES WITH CAPITAL ASSETS UNDER SSH MANAGEMENT	42
3.2.6. KEY PROJECTS, MANAGEMENT OBJECTIVES, AND DEVELOPMENT ACTIVITY FOR 2025	43
4. MANAGEMENT OF CLAIMS	51
5. MANAGEMENT OF TANGIBLE ASSET	53

ABBREVIATIONS AND DEFINITIONS

AGENRS: is the Energy Agency.

ISA: is the Insurance Supervision Agency.

AKOS: is the Agency for Communication Networks and Services of the Republic of Slovenia the Republic of Slovenia

GDP: is gross domestic product

BoS: is the Bank of Slovenia.

Borzen: is Borzen, operater trga z elektriko, d. o. o., or in English, the Power Market Operator.

CAGR: is Compound Annual Growth Rate.

CSRD: is the Corporate Sustainability Reporting Directive.

CS3D: is the Corporate Sustainability Due Diligence Directive.

State-owned enterprise or a company with capital assets of the State: is a company in which capital assets are directly held by SSH or the Republic of Slovenia, and which is managed by SSH

DRSI: is the Slovenian Infrastructure Agency.

DSU: is D. S. U., družba za svetovanje in upravljanje, d. o. o.

DTK: is venture capital companies.

National Assembly of RS: is the National Assembly of the Republic of Slovenia.

EBRD: is the European Bank for Reconstruction and Development.

ECB: is the European Central Bank.

EDC: is the electricity distribution company.

EE: is electricity.

EPS: is the Electric Power System.

ELES: is ELES, sistemski operater prenosnega elektroenergetskega omrežja, d. o. o., the Electricity Transmission System Operator.

EIB: is the European Investment Bank.

EC: Is the European Commission.

ESG: is Environmental, Social, and Governance factors, or sustainability factors.

ESRS: refers to European Sustainability Reporting Standards.

EU: is the European Union.

FED: is the Federal Reserve Board – American central bank.

GJS : is a service of general economic interest.

IMF: is the International Monetary Fund.

KAD: is the Pension Fund Management.

Capital asset of the State: is the capital asset owned by RS, KAD and/or SSH.

SSH Code or CGCSOE: is the Corporate Governance Code for SOEs, most recently revised in December 2023.

AAMP: is the Annual Asset Management Plan developed every year by SSH in accordance with Article 30 of ZSDH-1.

SSH Criteria: is the Criteria for Measuring Performance of SOEs, the SSH's legal document which, as a rule, is updated every year simultaneously with AAMP. This document defines the criteria and the indicators for measuring the performance of SOEs.

MLFSAEO: is the Ministry of Labour, Family, Social Affairs and Equal Opportunities of the Republic of Slovenia.

MF: is the Ministry of Finance of the Republic of Slovenia.

METS: is the Ministry of the Economy, Tourism and Sport of the Republic of Slovenia.

MPA: is the Ministry of Public Administration of the Republic of Slovenia.

MC: is the Ministry of Culture of the Republic of Slovenia.

MAFF: is the Ministry of Agriculture, Forestry and Food of the Republic of Slovenia.

MNRSP: is the Ministry of Natural Resources and Spatial Planning of the Republic of Slovenia.

MORS: is the Ministry of Defence of the Republic of Slovenia.

SME: small and medium-sized enterprises.

IFRS: refers to the International Financial Reporting Standards.

MHESI: is the Ministry of Higher Education, Science and Innovation of the Republic of Slovenia.

MFEA is the Ministry of Foreign and European Affairs of the Republic of Slovenia.

Mol: is the Ministry of Infrastructure of the Republic of Slovenia.

Assets: The concept covers capital assets, claims and tangible assets.

NECP: is the National Energy Climate Plan.

RES: refers to the Renewable Sources of Energy.

SSH Asset Management Policy: is the SSH Assets Management Policy as adopted in June 2023.

Important assets: are assets whose development function should be kept within the Republic of Slovenia.

Portfolio of capital assets or capital assets portfolio: the term includes all capital assets held by SSH and RS and managed by SSH as well as including the investment in Zavarovalnica Triglav, d. d., owned by ZPIZ, which is also managed by SSH.

Portfolio assets: are assets by means of which the Republic of Slovenia strives to attain solely economic goals.

SSH Recommendations and Expectations: refers to the SSH Recommendations and Expectations adopted in December 2024.

RS: is the Republic of Slovenia.

State Asset Management Strategy: is the State Asset Management Strategy adopted on 10. July 2024 by the Parliament in the form of the Ordinance On State-Owned Capital Asset Management Strategy.

Strategic assets: are assets with which the Republic of Slovenia attains strategic goals.

SSH: is Slovenian Sovereign Holding (SSH).

SURS: is the Statistical Office of Republic of Slovenia.

TEU: is the twenty-foot equivalent unit, a unit for marking the capacity of container ships and container terminals.

IMAD: is the Institute of Macroeconomic Analysis and Development.

USD: is American Dollar.

RS Government: is the Government of the Republic of Slovenia.

ZD: is the inheritance Act (Official Gazette SRS, No. 15/76, et seq.).

USA: refers to the United States of America.

ZFPPIPP: is the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (Official Gazette of the Republic of Slovenia, No. 13/14, et seq.).

ZGD-1: is the Companies Act (Official Gazette of the Republic of Slovenia, No. 42/06, et seq.).

ZOPNI: is the Confiscation of Assets of Illicit Origin Act (Official Gazette of the Republic of Slovenia, No. 91/11, et seq.).

ZPIZ: is Zavod za pokojninsko in invalidsko zavarovanje or, in English, Pension and Disability Insurance Institute of Slovenia.

ZPFPPIP: is the Act on Transitional Financing for an Accelerated and Just Coal Exit (Official Gazette of the Republic of Slovenia, No.109/2024).

ZPPDFT-2: is the Prevention of Money Laundering and Terrorist Financing Act (Official Gazette of the Republic of Slovenia, No. 48/22, et. seq.).

ZSDH-1: is the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/14, et seq.).

ZTFI: is the Financial Instruments Market Act (Official Gazette of the Republic of Slovenia, No. 77/18, et seq.).

INTRODUCTION

INTRODUCTION

The Annual Asset Management Plan (“AAMP”) is composed of the **General Section** and the **Special Section**. The Special Section mainly includes sensitive business data which is why the whole section has been classified as “CONFIDENTIAL”, and as such it is not disclosed publicly.

In the **General Section of the AAMP**, the fundamental documents on asset management are briefly introduced, together with the presentation of legal limitations on asset management, macroeconomic outlook, and industry-specific forecasts. The management of assets is outlined, specifically covering of the management of (i) capital assets, (ii) claims, and (iii) tangible assets. The chapter on asset management includes (i) the definition of the capital assets portfolio managed by SSH and (ii) a list of capital assets held in companies which are not included in the Special Section of the AAMP. The General Section also outlines (i) fundamental and general objectives for managing capital assets, (ii) a review of achieved and planned return on equity (ROE) of the capital assets managed by SSH, (iii) planned cash flows from dividends of capital assets under SSH’s management, and (iv) key projects, objectives in asset management, as well as development activities for 2025. As regards the management of claims and tangible assets, fundamental objectives, directions, and asset management activities are presented.

In the **Special Section of the AAMP**, objectives in asset management for 2025 and forecasts for 2026 are defined for selected companies with capital assets. Key criteria for measuring business performance and SSH’s expectations of companies/groups are identified. For all large companies, descriptions of key risks to achieving goals set and their management, as well as the ESG objectives are also included. For certain companies, SSH is expected to undertake additional governance activities that fall outside the scope of regular management, such as those related to specific projects. The Special Section of the AAMP also contains information about planned cash flows from (i) managing capital assets, (ii) managing claims, and (iii) managing tangible assets.

Given the specific nature of the industries in which the companies operate, performance criteria for some companies are highly complex; therefore, the use of the Criteria for Measuring Performance of SOEs in conjunction with this AAMP is recommended for easier understanding.

LIMITATION OF LIABILITY

This Document has been prepared in accordance with the principle of the diligence of a conscientious and fair businessperson (in Slovene: *“s skrbnostjo vestnega in poštenega gospodarstvenika”*), and by applying the necessary professional knowledge and expertise. Forecasts included in this document are based on estimates and assumptions made by SSH about the operations of companies. Inside information of listed companies was not available to SSH when preparing this document.

I. GENERAL SECTION

1. KEY ASSET-MANAGEMENT RELATED DOCUMENTS

The Slovenian Sovereign Holding Act (ZSDH-1) defines four key governance documents for the management of assets owned by SSH and for assets of RS which are managed by SSH. They are: (i) the State Assets Management Strategy; (ii) Annual Asset Management Plan; (iii) SSH Asset Management Policy and (iv) Code of Corporate Governance of SOEs (CGCSOE). In addition to these instruments of governance, the following documents are also considered integral parts of asset management as they are closely related in their content: (v) Criteria for Measuring Performance of SOEs (“the SSH Criteria”) and (vi) SSH Recommendations and Expectations.

The **State Assets Management Strategy**, which was adopted by the National Assembly of the Republic of Slovenia on 10 July 2024 in accordance with Article 28 of ZSDH-1, establishes the following key elements: (i) the definition and classification of assets into specific categories based on management objectives, (ii) the definition of development directions of RS in its capacity as a shareholder or a company member in companies, (iii) the formulation of sectoral strategies (encompassing the energy, transport, finance, economy, and tourism sectors), and (iv) the delineation of specific strategic goals that the Republic of Slovenia aims to achieve through each asset designated as strategic. The Article 10 of ZSDH-1 specifies that all assets held by SSH and RS be categorised into one of three categories of assets: strategic, significant, or portfolio assets. When individual asset listed in the State Assets Management Strategy is not explicitly classified under any of the above mentioned categories, the asset is considered a portfolio asset. An exception, as outlined in Section 3.1 of the State Assets Management Strategy, applies to assets that are subsequently acquired or established. These may be classified as strategic based on the identification of aligned strategic objectives within the Annual Asset Management Plan.

In accordance with Article 30 of ZSDH-1, the **Annual Asset Management Plan (AAMP)** is adopted by the SSH Management Board on the basis of the State Assets Management Strategy. The AAMP becomes effective upon the approval by the SSH Supervisory Board (to be issued not later than by the end of November, for the following calendar year). The AAMP must then be approved by the Government of RS, upon the proposal given by the Ministry of Finance (MoF). The AAMP 2025 will mark the first asset management plan prepared under the newly adopted State Assets Management Strategy.

Another critical governance document within SSH, which is connected in terms of the content with AAMP, is **the Criteria for Measuring Performance of SOEs**. The said document defines a set of indicators used by SSH to monitor the performance of companies with state capital assets. These criteria are not quantified which is why they have to be applied in conjunction with each respective AAMP. As a matter of fact, in the AAMP, the performance criteria are selected and quantified as goals for individual companies and represent SSH's expectations from SOEs as regards their future business performance. Retrospectively, they serve as a quantified basis for measuring and evaluating past performance of companies against expectations set by SSH.

The SSH Asset Management Policy presents in detail principles, procedures and criteria which are applied by SSH in carrying out its duties and activities. The framework meticulously defines the procedures for the acquisition and disposal of assets, as well as the relevant processes for identifying and selecting suitable candidates for Supervisory Board Members of companies with state capital assets. These procedures are formalised in a government instrument adopted by the SSH Management Board, subject to approval by the SSH Supervisory Board. The SSH Asset Management Policy is continuously refined, improved, and adapted to evolving circumstances.

The SSH Code or the CGCSOE outlines principles and best practice recommendations for corporate governance in companies with state capital assets (SOEs). The primary objective of CGCSOE is to enhance the quality of corporate governance within these companies and within SSH itself, thereby fostering long-term improvements in their performance for the benefit of all stakeholders.

Through the **SSH Recommendations and Expectations**, specific guidelines and expectations are communicated to SOEs. These are clearly defined in advance and publicly disclosed, covering areas such as: (i) business planning, (ii) periodic reporting, (iii) procure-

ment processes, (iv) sponsorship and donation policies, (v) cost optimisation, (vi) respect for human rights in business operations, (vii) sustainable business, (viii) compliance and integrity, (ix) remuneration policies, including recommended levels of compensation and other benefits for members of management and supervisory bodies, among others.

STATUTORY LIMITATIONS IN ASSET MANAGEMENT

SSH manages assets in accordance with applicable laws and regulations and governance documents on asset management. Certain rules and statutory solutions may be viewed as limitations in managing assets, however, they also have their purpose, usually of a protective nature. In this regard, the following limitations apply to asset management:

- Independence of Company Bodies: The provision of Article 20, Paragraph 3 of ZSDH-1 stipulates that SSH must not interfere with the independence of the corporate bodies, and especially, it must not intervene with individual business and governance decisions.
- Shareholder Information Rights: Limitations in managing assets held in public limited companies are governed by provisions of ZGD-1 which limit the right of a shareholder to access information. Compliance with Public Company Regulations: In the case of publicly listed companies, SSH must adhere to the provisions of the Financial Instruments Market Act (ZTFI).
- Takeover Legislation Compliance: SSH is required to comply with takeover legislation, which obliges shareholders of public companies limited by shares and large public companies to publish a takeover bid for all remaining shares of the target company once they reach the takeover threshold or any additional takeover threshold. In other words, this means that SSH is prohibited from increasing the state's shareholding in a target company beyond the takeover threshold or additional takeover threshold unless there is a commitment to potentially acquire all remaining shares of the target company and such an action is explicitly provided for in the Asset Management Annual Plan (AAMP).
- Competition Law Compliance: SSH must adhere to the provisions of legislation governing the prevention of anti-competitive practices. Any concentration that meets both the legal and economic conditions must be notified to the relevant competition authority (or the European Commission), and its implementation must be suspended until a decision on its compliance with competition rules has been issued. Where SSH considers a concentration to be contentious under competition law, it must either refrain from proceeding with the transaction, propose corrective measures to the relevant regulatory authority, or adopt binding commitments.
- State Aid Regulations: SSH must comply with state aid regulations in relation to certain asset-management-related measures. These regulations must also be observed in the processes for the sale of state assets which generally means that, as a rule, a prospective buyer cannot be contractually obliged to satisfy non-financial commitments (only best-effort obligations are generally acceptable). SSH is required to adhere to state aid regulations when acquiring capital assets and engaging in other asset-management-related activities that could potentially constitute a breach of state aid rules, such as in the increases of share capital or in case of lending.
- Strategic Asset Management Compliance: SSH must act in accordance with the Asset Management Strategy, which defines specific management measures in each AAMP.
- Customer Due Diligence and Beneficial Ownership Verification: In accordance with the provisions of the Prevention of Money Laundering and Terrorism Financing Act (“ZPPDFT-2”), SSH is required to conduct due diligence in respect of certain transactions and to establish the ultimate beneficial owner. This may impose restrictions on transactions with certain counterparties.
- Related Party Transactions: Article 60 of ZSDH-1 sets out limitations on transactions with related parties. The SSH Supervisory Board may authorise such transactions under specific conditions.

2. MACROECONOMIC OUTLOOK

TABLE 1: OVERVIEW OF PAST DATA AND FORECASTS FOR SLOVENIA, THE WORLD, RS, THE EURO AREA AND THE UNITED STATES

Indicator (in %)	2020	2021	2022	2023	Outlook 2024	Outlook 2025	Outlook 2026
Real GDP growth; Slovenia (Analysts)	-4.1	8.4	2.7	2.1	2.2	2.5	2.4
IMAD					1.5	2.4	2.5
BoS					2.5	2.6	2.8
EBRD					1.5	2.6	/
EC					2.3	2.6	/
Average CPI inflation; Slovenia (Analysts)	-0.1	1.9	8.8	7.4	2.7	2.7	2.4
IMAD					2.1	3.3	2.3
BoS (HICP methodology)				7.2	2.4	3.0	2.3
EBRD					/	/	/
EC					2.8	2.4	/
Real GDP growth; World (Analysts)	-2.7	6.5	3.5	3.2	3.0	3.0	3.1
Real GDP growth; the Euro area (Analysts)	-6.1	6.2	3.3	0.4	0.7	1.3	1.4
Real GDP growth; USA (Analysts)	-2.2	6.1	2.5	2.9	2.6	1.8	2.0

Sources: BoS, Bloomberg, EBRD, EC, IMAD, SURS.

SLOVENIA: ECONOMIC OUTLOOK

Macroeconomic forecasts¹ for Slovenia's economic outlook in 2024 and 2025 present significant challenges. By mid-2024, the economic landscape was further complicated by an escalation of the crisis in the Middle East and notably weak business performance reports from key European trading partners. The assessment of future economic trends is further clouded by discrepancies in GDP growth estimates for 2024. While the Bank of Slovenia (BoS) projected a 2.5% growth rate in June 2024, IMAD's September 2024 estimate was markedly lower at 1.5%. This divergence underscores the heightened uncertainty surrounding economic projections. The anticipated subdued GDP growth in 2024 can be attributed to several factors: a decline in investment momentum, only modest growth in private consumption, and a substantial negative contribution from the foreign trade balance. Challenges in the export sector, while not unexpected given the broader difficulties within the EU, are particularly concerning. Export growth is expected to lag behind foreign demand growth in 2024, exacerbated by rising unit labour costs. In contrast, government consumption is projected to experience robust growth in 2024, partly driven by post-flood reconstruction efforts. Looking ahead to 2025 and 2026, IMAD and BoS offer more aligned GDP growth forecasts. IMAD anticipates that higher export growth, increased private consumption, and greater gross fixed capital formation will contribute to a stronger GDP growth rate in 2025, compared to the modest 1.5% growth projected for 2024. IMAD further expects that stronger foreign demand in 2025 and 2026 will bolster export growth and value-added in the manufacturing sector. This, coupled with anticipated improvements in the economic conditions of Slovenia's key trading partners, is likely to have a positive impact on investment decisions. High levels of government investment are expected to support the construction sector, while wage growth and lower inflation are projected to drive private consumption. Government consumption, which is estimated to grow by 8.5% in 2024, is expected to moderate to 1.7% growth in 2025 before rising again to 4.1% in 2026, also due to the implementation of the Long-Term Care Act. However, UMAR cautions that a significant labour shortage in 2025 and 2026 will constrain further employment growth. Following a moderation of inflation in 2024, IMAD predicts an uptick in the inflation rate in 2025, driven by base effects and the expiration of measures to mitigate high energy prices. These forecasts are based on IMAD's baseline scenario, which assumes stable economic conditions. However, IMAD highlights several risks that could lead to a negative alternative

¹ Source: IMAD: Autumn Forecast of Economic Trends, September 2024; BoS: Economic Developments and Projections, June 2024

scenario, including a deterioration in the competitiveness of the export sector, insufficient capacity to sustain planned high levels of government investment, and uncertainties surrounding the implementation of key reforms. Moreover, higher inflation and reduced competitiveness within the European economy could further undermine the assumptions underpinning IMAD's baseline projections. In this context, IMAD identifies potential drivers for an alternative favourable scenario, such as more effective labour market policies, improved utilisation of EU funds, and the successful implementation of structural reforms.

GLOBAL ECONOMIC OUTLOOK

In its baseline scenario, the IMF² forecasts that the global economy will expand by 3.2% in 2024 and 3.3% in 2025. For advanced economies, growth is expected to remain subdued, reaching only 1.7% in 2024 and 1.8% in 2025. By contrast, the IMF presents a more favourable outlook for emerging economies, where GDP growth is projected at 4.3% in both 2024 and 2025. From a regional perspective, the Euro area remains a key concern, with growth forecasts of just 0.9% in 2024 and 1.5% in 2025. This weak performance further diminishes its global economic standing in comparison to the United States (2.6% in 2024 and 1.9% in 2025) and China (5.0% in 2024 and 4.5% in 2025). Although the IMF's baseline projections indicate steady global growth, significant risks persist, increasing the likelihood of a negative alternative scenario. However, the IMF estimates that there is a 10% probability of global GDP growth falling below 2% in 2024 and 2025. The primary risks underpinning this negative alternative scenario include persistent inflationary pressures in the service sector, as well as price volatility linked to the resumption of global trade and ongoing geopolitical tensions. Such inflationary pressures could, in turn, generate fiscal and financial risks across global economies. A continued appreciation of the US dollar could further disrupt capital flows and hinder the anticipated easing of monetary policies. Conversely, the IMF has also outlined a positive alternative scenario, estimating a 20% probability that global GDP growth could exceed 3.8% in 2024. The IMF attributes the potential for stronger global growth to enhanced multilateral cooperation, which would stimulate global supply and productivity, creating positive spillover effects across economies worldwide.

EURO AREA: ECONOMIC OUTLOOK

In its baseline scenario³, the European Central Bank (ECB) forecasts GDP growth of 0.8% in 2024, 1.3% in 2025, and 1.5% in 2026 for the Euro area. Following the publication of weak interim economic data in the EU in mid-2024, the ECB has revised its projections downwards for the second half of the year, now anticipating growth of just 0.2% in both the third and fourth quarters. This revision primarily reflects continued weaknesses in the manufacturing sector. In 2024 and 2025, the ECB also identifies real estate investment as an area of concern, with projections indicating a contraction, while a recovery at an annual level is expected only in 2026. Despite the tight fiscal stance of governments, the ECB anticipates that government consumption and state investment will continue to support GDP growth in the coming years. For 2025 and 2026, the ECB expects moderate yet still subdued GDP growth, supported by service sector activity, real income developments, rising external demand, and more accommodative monetary policies. While corporate investment is projected to increase, the ECB anticipates that growth in this area will remain moderate over the 2024–2026 period. The labour market is expected to remain strong, though employment growth is forecast to slow compared to 2023, standing at 0.8% in 2024, and 0.4% in both 2025 and 2026. Productivity growth is projected at 0.9% in 2025 and 1.1% in 2026. For the Euro area's government debt, the ECB forecasts a ratio of 88.5% of GDP in 2024, 89.9% in 2025, and 89.8% in 2026. In terms of inflation, the ECB projects Harmonised Index of Consumer Prices (HICP) inflation⁴ at 2.5% in 2024, 2.2% in 2025, and 1.9% in 2026. Given the geopolitical uncertainties stemming from the Middle East and Ukraine, the ECB has also prepared an alternative macroeconomic scenario, accounting for various potential developments. If consumer confidence were to decline below the level assumed in the baseline scenario, GDP growth would remain unchanged in 2024, but would be 0.3 percentage points lower in 2025 and 0.6 percentage points lower in 2026. Conversely, in the event of stronger consumer confidence, GDP growth would remain in line with baseline projections in 2024, but would be 0.3 percentage points higher in 2025 and 0.5 percentage points higher in 2026. Variations in consumer confidence are not expected to significantly impact inflation, with any deviation remaining within a ± 0.1 percentage point range by 2026. Should energy prices diverge from the baseline forecast, the primary impact would be on inflation. In the first quarter of 2025, a lower energy price trajectory (Alternative Scenario 1) would result in inflation being 0.6 percentage points lower than projected in the baseline forecast, while in the third quarter (Alternative Scenario 2), inflation would be 0.8 percentage points higher. The ECB's

² Source: IMF, World Economic Outlook, April 2024 and World Economic Outlook Update, July 2024.

³ Source: ECB, ECB staff macroeconomic projections for the euro area, September 2024.

⁴ HICP: Harmonised Index of Consumer Prices.

projections suggest that alternative energy price movements would have a negligible impact on GDP growth, with any deviation from the baseline scenario limited to ± 0.1 percentage points.

A key structural challenge for the European economy is highlighted in a report by Mario Draghi, which presents recommendations aimed at enhancing Europe's future competitiveness. In this report, Draghi calls for increased investment to drive European productivity, with additional benefits expected in sustainability and competitiveness. However, the report delivers a stark assessment, warning that the EU is unlikely to narrow the gap with its global competitors. Draghi's concerns regarding Europe's deteriorating competitiveness are significant, underscoring the urgent need to address deficiencies in innovation. The EU lags behind in new business creation and investment levels, particularly in comparison with the United States and China. The report identifies several critical areas requiring attention: (i) aligning decarbonisation efforts with competitiveness goals, particularly in light of high energy costs in the EU, (ii) strengthening economic security by reducing strategic dependencies, particularly in critical raw materials, and establishing strategic partnerships. According to the report, the EU must implement a coordinated industrial policy, accelerate decision-making processes, and significantly increase investment levels to remain competitive with the United States and China. However, inconsistent and restrictive regulation continues to hinder business operations and innovation across the EU.

The EU economy faces additional risks, including: (i) high energy costs, (ii) concerns over European security, (iii) inefficiencies and (iv) a fragmented external economic policy. To finance the necessary investments, Draghi has proposed new regulatory frameworks for banking and institutional investors. His report advocates for an additional EUR 800 billion in annual investment, comprising EUR 450 billion for the energy transition and EUR 350 billion for digitalisation, defence, and innovation. These investments must be directed towards high-value-added sectors to close the competitiveness gap. The EU's lag behind the United States and China is particularly pronounced in high-tech industries and innovation, where European economies have failed to adapt to rapid technological advancements. The report warns that Europe remains overly reliant on traditional industries, rather than embracing new technological frontiers. For instance, the European automotive sector is falling behind in electric vehicle development, while attempting to delay the phase-out of internal combustion engines. A continued focus on medium-tech industries and defensive strategies against Chinese competition poses a serious risk to the long-term success of the European economy. Proposals for joint EU borrowing to finance these investments have faced resistance from certain Member States. The lack of strategic focus in EU economic governance is a significant challenge. While objectives have been defined, they are not backed by clear priorities or coordinated actions. The inefficient allocation of common resources and fragmentation in economic policy, spanning fiscal, trade, and external policy, remain key weaknesses.

UNITED STATES OF AMERICA: ECONOMIC OUTLOOK

For the United States, analysts and institutions forecast higher economic growth for the period 2024–2026 compared to the Euro area.

The US central bank (the Federal Reserve, or Fed) anticipates⁵ that GDP will grow by 2.0% in 2024, 2025, and 2026. Following the reduction of the benchmark interest rate in September 2024, it has become clear that the Fed is also closely monitoring the labour market, and further cuts to the benchmark interest rate can be expected. While Fed policy-makers share a relatively unified view on GDP growth in 2025, with a central tendency range of 1.8% to 2.2%, there is a notable divergence between the most pessimistic (projecting only 1.3% GDP growth) and the most optimistic (projecting 2.5% GDP growth) views among decision-makers. Significant differences also exist in the estimates of the benchmark interest rate, with Fed policymakers' views ranging between 4.1% and 4.9% for 2024, 2.9% and 4.1% for 2025, and 2.4% and 3.9% for 2026. The unemployment rate (which stood at 3.6% in 2023) is projected to be 4.4% in 2024, 4.4% in 2025 (with a range of estimates from 4.2% to 4.7%), and 4.3% in 2026 (with a range of estimates from 3.9% to 4.5%). Analysts therefore expect that the Fed will implement further interest rate cuts in the future, aiming to support GDP growth, stabilise the slowing labour market, and extend the current expansion cycle. The pessimistic and optimistic alternative scenarios for the US economy, as seen through the eyes of Fed decision-makers, are reflected in the range of estimates for the aforementioned categories.

⁵ These projections were published in September 2024.

2.1. SIGNIFICANT DEVELOPMENTS IN ENERGY SECTOR IN 2024 AND OUTLOOK FOR 2025⁶

INTRODUCTORY PRESENTATION OF EVENTS SIGNIFICANT FOR SLOVENIAN ENERGY COMPANIES

The shifts in the European energy sector in 2024 have been substantial. Energy prices have stabilised at significantly lower levels compared to those witnessed in 2023, and the production of electricity from renewable energy sources (RES) has increased markedly. An encouraging statistical data is that RES contributed to half of Europe's electricity production in the first half of 2024, with photovoltaics achieving record levels. When combined with the 24% share from the European nuclear power plants, this means that 74% of electricity was generated from low-carbon or renewable sources (compared to 68% in 2023). When examining trends in European energy policy, it is important to highlight that Germany continued its process of decommissioning thermal power plants from the grid in 2024, in line with its goal of phasing out coal by 2030. The situation regarding nuclear power plants (operation, investment plans, etc.) varies across EU Member States. Notably, in 2023, nuclear reactors were operational in 12 EU27 Member States. In 2024, the construction of new nuclear power plants is underway in France and Slovakia, while conceptual projects for future nuclear power plants are being considered in several other EU Member States (including Slovenia's JEK 2 project, as well as in the Czech Republic, Poland, Hungary, Sweden, the Netherlands, Romania, and Bulgaria).

European energy policy continues to be shaped by ambitious green transition goals, as outlined in the European Green Deal and the REPowerEU plan. However, it is important to note the decline in electricity demand. In the first half of 2024, electricity demand remained 4.8% lower than in the first half of 2022, marking a shift from stagnation to a period of decline. This trend could potentially hinder investments in RES. The European Commission has set several strategic goals, including ensuring energy security (through the construction of power plants and investments in grid infrastructure). Investments in grid infrastructure need to be accelerated, with estimated annual investments of EUR 67 billion required between 2025 and 2050. In Slovenia, a new Energy Act (EZ-2) was adopted in 2024, defining the country's energy policy at both national and local levels. The law addresses incentives for RES, energy efficiency, and the utilisation of EU funds for the restructuring of coal regions. The draft update of the National Energy and Climate Plan (NEPN) presented more ambitious targets, policies, and measures for reducing greenhouse gas emissions and energy consumption by 2030. The total reduction in greenhouse gas emissions is expected to reach at least 55% by 2033, compared to 2005 levels. On 1 October 2024, a new system for calculating electricity grid tariffs was introduced. The aim is for grid tariffs to reflect actual costs, which will continue to rise as more RES are integrated into the system. According to recent estimates, investment requirements for Slovenia's distribution and transmission systems are projected to reach EUR 4.5 billion by 2034. From the perspective of Slovenia's energy sector, a key priority is the construction of new electricity generation capacities. It is desirable to leverage the country's natural potential (hydropower, solar, and wind energy) as well as new technologies to achieve this goal.

COMMODITY MARKET OVERVIEW

NATURAL GAS: In the years 2022, 2023, and 2024, the EU has been implementing policies to reduce its dependence on Russian gas, leading to the establishment of new geostrategic partnerships among EU Member States. Following the initial shock in 2022, when gas prices exceeded EUR 300/MWh, prices stabilised in 2024 at levels close to those seen before 2021. The average gas price at the Dutch TTF hub in the first half of 2024 was EUR 29.70/MWh, compared to EUR 44.34/MWh during the same period in 2023. Assuming stable market conditions, analysts estimate that gas prices in 2025 will remain around EUR 30/MWh.

OIL: In the first half of 2024, the average price of Brent crude oil was USD 83.42 per barrel, compared to USD 79.97 per barrel during the same period in 2023. For 2025, analysts forecast a Brent crude price of USD 78 per barrel. Final retail prices of motor fuels, in addition to oil prices and refinery margins, also depend on taxes, excise duties, and other national regulations.

COAL: The situation in the European coal market is diametrically opposed to that of gas and oil. Coal consumption in the EU fell by 22% in 2023, with a further decline of 19% expected in 2024, driven by increased use of renewable energy sources (RES) and the clo-

⁶ Source: Bloomberg.

sure of thermal power plants. The average price of coal delivered to ARA (Amsterdam-Rotterdam-Antwerp) ports was approximately USD 127 per tonne in 2023 and around USD 108 per tonne in the half of 2024. Analysts predict that coal prices will average USD 101 per tonne in 2025. Globally, however, coal demand grew by 2.6% in 2023, reaching a record high. Increased demand in China and India offset the decline in coal demand in Europe and the US (-17%). For 2024 and 2025, analysts expect global coal demand to remain at levels similar to those seen in 2023.

CARBON AND ELECTRICITY MARKET OVERVIEW

The carbon market in the European energy sector functions as a market mechanism aimed at incentivising companies to transition towards cleaner energy. The price of emission allowances, combined with financial leverage, encourages companies to abandon technologies that generate a carbon footprint. In the first half of 2024, a further easing of the energy crisis was observed in European energy markets, with declines in the prices of certain energy commodities. Notably, electricity prices also fell during this period. While the price of emission allowances also declined in the first half of 2024, the current price relationships between electricity, emission allowances, and raw materials (e.g., coal) do not support the economic viability of electricity production in thermal power plants. Analysts predict that future increases in emission allowance prices will be driven by the tightening of EU legislation and the inclusion of new sectors in the EU Emissions Trading System (EU ETS). In the first half of 2024, the average price of emission allowances was EUR 65.68 per tonne (compared to EUR 93.53 per tonne in the first half of 2023). However, these price levels still result in unprofitable electricity production. Analysts' forecasts for the coming years indicate a continued decline in electricity prices and a rise in emission allowance prices.

The German electricity market is considered a key reference point for studying electricity prices in Europe, as it is one of the most significant markets in the EU. Forward contracts for 2025 indicate an electricity price of around EUR 90/MWh, while prices for 2026 are projected at approximately EUR 85/MWh (baseload electricity).

PIPELINE INFRASTRUCTURE, NATURAL GAS AND RENEWABLE GASES

The EU, with an interconnected natural gas transmission network spanning approximately 220,000 km, committed to reducing its dependence on Russian gas supplies following the outbreak of the war in Ukraine. This shift away from Russian fossil fuels is formalised in the REPowerEU plan, which, in addition to promoting energy savings and clean energy production, emphasises the diversification of energy supply sources. Following the onset of the war in Ukraine, the EU took immediate steps to secure alternative supply routes, expanding imports from Africa, the Middle East, and the United States. These efforts were also implemented in Slovenia. In the first three quarters of 2024, pipeline gas imports from Russia accounted for 11% of total EU gas imports, a marked reduction from the 40% share recorded prior to the crisis. Meanwhile, LNG supply volumes have fluctuated significantly due to complex market conditions. The EU has been unable to reach a political consensus on a full ban on Russian gas imports, largely due to the continued reliance of certain Member States. However, following amendments to EU gas market regulations in 2023, individual European countries are now permitted to impose national bans on Russian gas imports. One example is Austria, which remains highly dependent on Russian gas but has made a non-binding commitment to phase out Russian gas imports by 2027.

From Slovenia's perspective, assuming natural gas remains a transitional energy source, it is essential that new gas pipeline routes are both economically viable—taking into account the long-term potential of gas and alternative gases in comparison to other technological solutions—and technically prepared for the integration of alternative gases. In this context, it is noteworthy that in 2024, the Government of the Republic of Slovenia incorporated the North Adriatic Hydrogen Valley project into the 2024–2027 Development Programmes Plan. Given the evolving gas supply landscape, it is critical for Slovenia to maintain a diversified gas supply and ensure adequate cross-border transmission capacity. The transition from natural gas to renewable gases and hydrogen, along with the development of hydrogen transmission infrastructure, is a key priority of the revised National Energy and Climate Plan (NEPN). A strong gas transmission infrastructure is essential for this transition, as it will form the foundation of a new European hydrogen transmission network. Existing gas pipelines will be repurposed, with additional hydrogen pipelines constructed to support the shift towards cleaner energy sources. This strategy will create the necessary conditions in Slovenia for the development of the hydrogen sector, facilitating the gradual replacement of fossil gas while enabling the domestic production and use of renewable gases to support Slovenia's energy supply.

2.2. SIGNIFICANT DEVELOPMENTS IN TRANSPORT SECTOR IN 2024 AND OUTLOOK FOR 2025⁷

Transport infrastructure plays a vital role in economic and social development, facilitating both domestic connectivity and international integration. It is fundamental to a nation's development, the enhancement of quality of life, and the competitiveness of its economy in the global market. When investing in infrastructure, it is important to address the discrepancy between estimated investment values and the actual prices submitted by construction service providers during public procurement processes. The pace of infrastructure investment is influenced by the cost of construction materials and services, the efficiency of permit acquisition, spatial planning conditions, and the preparation of national spatial plans. The transport sector functions within both competitive commercial markets and as a provider of services of general economic interest. On 13 June 2024, the European Parliament and the Council adopted a Regulation on Union Guidelines for the Development of the Trans-European Transport Network, amending EU Regulations No. 2021/1153 and No. 913/2010, and repealing Regulation No. 1315/2013. The objective of this regulation is to establish a reliable, seamless, and high-quality transport network, ensuring sustainable connectivity across Europe, with 2030 set as the deadline for the completion of the core network. In the field of motorway infrastructure, the most significant projects include the construction of the Third Development Axis and the second tube of the Karavanke Tunnel. Currently, work is primarily focused on the northern section of the Third Development Axis, scheduled for completion in June 2028, while the new tube of the Karavanke Tunnel is expected to be completed by autumn 2025. In rail transport, all planned tunnels along the Second Track project were completed in 2024. The entire Second Track route is scheduled for completion in 2025, with construction of the left track planned to commence in 2026. The Second Track is expected to be fully operational as a double-track railway by 2030. In maritime transport, the trend towards the construction of increasingly larger container vessels (Megamax class ships) continues, as shipping companies seek to optimise economies of scale by phasing out Neo-Panamax vessels. However, the growing size of Megamax vessels poses significant challenges for ports, particularly in relation to sufficient sea depth and the capacity of quays and cranes to handle larger volumes of containers. Additionally, the integration of alternative propulsion energy sources is becoming an increasingly important factor in port infrastructure modernisation. In aviation, the programme to enhance Slovenia's air connectivity for the period 2023–2025 remains a priority. In 2024, efforts continued to attract new operators to establish air routes connecting Slovenia's three airports, with subsidies available. In 2024, the integration of Italian airspace into the SECSI FRA project (of which Slovenia is also a member) led to the establishment of one of the largest free-route airspaces in Europe. In the postal and logistics sector, the volume of letter mail continues to decline, having fallen by approximately 30% across Europe over the past six years. According to DHL's Global Connectedness Index, Slovenia ranks 19th out of 181 countries in terms of logistics connectivity.

RAIL TRANSPORT AND INFRASTRUCTURE⁸

Numerous construction projects are currently underway on Slovenia's railway infrastructure, encompassing both new builds and renovations. For the future success of rail transport, the infrastructure must be adapted to enhance the competitiveness of rail services for both passenger and freight traffic. This would alleviate pressure on road infrastructure in terms of traffic flow and sustainability, while also boosting the competitiveness of the Port of Koper. Greater competitiveness of public rail transport compared to car travel will be achieved when train travel times are reduced, as they are currently not competitive with car travel on certain routes. In the area of passenger transport, certain improvements have already been made, enabling a partially more comfortable rail experience. However, it will be necessary to better coordinate train and bus timetables, as well as to modernise railway stations and tracks. With these improvements, the railway infrastructure has the potential to attract a higher number of daily passengers after 2026 (currently, trains are used by 60,000 passengers daily). Upgrades aimed at enhancing the competitiveness of rail freight transport must also address areas such as marshalling yard stations, track lengths (which determine the maximum possible train length on Slovenian railways), storage areas in the hinterland, and direct connections between rail lines.

⁷ Source: Annual and Interim Reports of companies in the SSH portfolio.

⁸ Source: Annual and Interim Reports of SŽ, d. o. o.

MOTORWAY INFRASTRUCTURE⁹

Motorway traffic in Slovenia is facing growing pressure due to increasing traffic volumes, which are disrupting the smooth flow of vehicles on certain sections of the motorway network. In the first half of 2024, traffic levels rose across all major motorway sections compared to the same period in the previous year. While congestion on the motorway network arises from various factors, current traffic management measures are insufficient to ensure smooth traffic flow, particularly if the prevailing commuting patterns persist (daily work commuters primarily using private vehicles with a single occupant). Expansion projects are already in progress on certain sections, while others require further investment. For instance, the failure to construct a third lane on the Ljubljana ring road, which experiences daily congestion, would, according to EU methodology, lead to EUR 1.9 billion in lost time costs and EUR 136 million in additional external costs (accidents, noise, and emissions) by 2040.

At present, major construction works are underway on the Third Development Axis project and the second tube of the Karavanke Tunnel, with additional shorter sections scheduled for future construction. Beyond the challenges associated with motorway construction, such as obtaining permits, conducting public procurement procedures, and ensuring successful project implementation, it is also necessary to highlight the role of local communities, which significantly influence the feasibility of originally planned motorway routes. In 2025, average speed enforcement will be introduced on four sections of the Slovenian motorway network, contributing to enhanced road safety. The motorway operator can partially improve traffic flow through various soft measures, including efficient obstacle removal, dynamic speed management, and public information dissemination, as well as by advising policy-makers on potential improvements. However, given the continued increase in traffic volumes, further capacity expansion of motorway infrastructure will be essential to ensure traffic efficiency. Moreover, compliance with the requirements of the Trans-European Transport Network (TEN-T) must be ensured, particularly in relation to investments in secure parking areas for truck drivers.

POSTAL, PARCEL AND LOGISTICS SERVICES¹⁰

The services provided by national postal operators are at different stages of their life cycle, with a discernible shift in business models. In response to changing consumer habits, postal service providers are restructuring their letter mail operations while increasingly focusing on parcel distribution and logistics on one hand, and banking and insurance services on the other. In the context of domestic postal traffic in Slovenia, the provision of the universal postal service must be maintained within the framework of prescribed quality standards, ensuring sufficient accessibility to postal or alternative contact points, alongside a pricing policy that enables the sustainable operation of postal activities. Pošta Slovenije provides the universal postal service under a decision issued by AKOS, covering the period 2023–2028. The Slovenian Sovereign Holding (SSH) considers the current legal framework for financing the universal postal service to be unsustainable in the long term and supports legislative amendments in this area. From an international perspective, it is essential to establish an appropriate position within the global postal logistics chain, taking into account the size and market influence of the postal group. Given the challenges in the B2B market (fluctuations in transport volumes amid economic uncertainty) and the B2C market (lower margins due to intense competition among multiple providers), it is advisable to explore new business areas, such as reverse logistics and pharmaceutical logistics. Future developments in logistics operations will also be shaped by geopolitical conditions, which have a significant impact on global logistics costs. For postal logistics groups, business performance in 2025 will depend not only on cost efficiency but also on the scope for price adjustments in specific segments, the introduction of additional service charges, and productivity gains driven by technological advancements. The market is also witnessing the emergence of new non-traditional competitors, including e-commerce retailers with in-house delivery services and last-mile delivery providers.

AIR TRANSPORT¹¹

Slovenia is grappling with diminished air connectivity following the collapse of its national carrier. By September 2024, five public tenders have been issued to enhance Slovenia's air connectivity, resulting in four co-financed air routes. The Slovenian government is also preparing to launch a sixth tender, expected to conclude before the commencement of the 2024/25 winter flight season. Air connectivity across the expanded EU area—which includes Iceland, the United Kingdom, Norway, Switzerland, and Monaco—was 14% lower in June 2024 compared to June 2019. This metric encompasses both direct and indirect routes. Slovenia experienced a more

significant decline, with air connectivity dropping by 29%. In the overall air connectivity rankings for June 2024, Slovenia ranked 30th among the countries in the expanded EU area. It is worth noting the ongoing shifts in the European aviation sector. Low-cost carriers, whose market share continues to grow, are increasingly concentrating their operations on medium and large airports, rather than smaller or very large ones. Ljubljana Airport, classified as a smaller facility, is therefore at a disadvantage. To address this, collaboration with the tourism sector will be crucial, as it has the potential to attract international visitors who rely on air travel. In terms of air traffic control operations within Slovenian airspace, the first half of 2024 saw an increase in activity, primarily driven by overflights rather than landings. Projections indicate that the volume of air traffic control operations in 2025 will remain stable or slightly exceed 2024 levels.

MARITIME TRANSPORT¹²

Slovenia's integration into global trade flows is facilitated by the Port of Koper, which handles the transshipment of various types of cargo and accommodates passenger vessels. In 2024, the port welcomed the arrival of its thousandth cruise passenger ship, marking a significant milestone since the opening of its passenger terminal in 2005. In cargo transport, it is essential to differentiate between vessel types based on the nature of the cargo. Container shipping rates experienced a sharp increase in the first half of 2024, driven by disruptions in the Red Sea and port congestion. The future cost of shipping a container on the Asia-Europe route will be influenced by the ongoing crisis in the Red Sea and the availability of new container vessels. As of September 2024, the freight rate for a 40-foot container on the Shanghai-Rotterdam route stood at approximately USD 5,000, significantly above the cost-based price for carriers. For the Port of Koper, the automotive shipping segment is particularly critical. Its success hinges on establishing strong partnerships within the automotive industry. While the European automotive sector faces challenges, the Chinese automotive industry is aggressively pursuing export opportunities for its electric vehicles. Transshipment volumes are also affected by the competitiveness of neighbouring ports, sector-specific demand (such as for coal and vehicles), and the broader economic climate in the EU. Should an optimistic economic growth scenario materialise in key markets, port capacities and hinterland infrastructure will need to be expanded to accommodate rising international trade volumes. The introduction of Megamax-class vessels presents both operational and logistical challenges for ports, including managing weekly container demand and scaling operations accordingly. A significant challenge lies in meeting the International Maritime Organisation's (IMO) decarbonisation targets. While the IMO aims to reduce greenhouse gas emissions by at least 20% by 2030 (compared to 2008 levels) and achieve net-zero emissions by 2050, not all countries—including China—fully support these goals. Regional emission standards further complicate ship ownership and management, impacting decisions related to new vessel orders, sailing speeds, and emissions. Within the EU, shipping companies are required to submit emission allowances for 40% of their reported 2024 emissions by September 2025, and for 70% of their reported 2025 emissions by 2026. Some shipping companies have adopted more ambitious targets, such as a 50% reduction in emissions by 2030, which exceed the IMO's goals. These commitments are likely to influence future investments in port infrastructure to support greener shipping operations.

2.3. SIGNIFICANT DEVELOPMENTS IN FINANCIAL SECTOR IN 2024 AND OUTLOOK FOR 2025

Introduction to the Field of Finance: A Review of Macroeconomic Conditions, Monetary Policy, Capital Markets, and Capital Assets Managed by SSH

When assessing financial conditions, particularly in relation to monetary policy and capital markets, it is essential to consider analysts' projections. These indicate that the European Central Bank (ECB) is likely to adopt a more accommodative stance as inflation moderates and economic growth slows. The forecast for economic growth in 2025 remains below trend levels, with the ECB expected to implement a neutral interest rate policy by that time, stabilising the benchmark rate at approximately 2%. As of October 2024, analysts projected that the 3-month EURIBOR would average 2.95% in 2024, 2.25% in 2025, and 2.20% in 2026. Similarly, the yield on

⁹ Source: Annual and Interim Reports of DARS, d. d.

¹⁰ Source: Annual and Interim Reports of Pošta Slovenije, d. o. o.

¹¹ Source: Annual report of Slovenia Control (KZPS), Forecast of traffic volume by Eurocontrol.

¹² Source: Annual and Interim Report of the Port of Koper.

benchmark German government bonds was forecast at 2.15% in 2024, 2.00% in 2025, and 2.22% in 2026 for 2-year bonds, while 10-year bonds were expected to yield 2.20% in 2024, 2.23% in 2025, and 2.30% in 2026. Investors typically require a slight premium on Slovenian 10-year government bonds relative to German government bonds. These projections, sourced from Bloomberg, remain subject to change based on macroeconomic developments and central bank policies. Debt financing plays a crucial role for SSH, both in terms of restructuring processes in connection with individual capital assets and as a potential funding source for future projects. In equity markets, analysts in October 2024 provided a consensus forecast (based on five projections) indicating that the S&P 500 index would reach 5,548 points by the end of 2024 and 6,100 points by the end of 2025. In contrast, fewer forecasts were available for European equity markets at the time of the report. Only two investment banks provided estimates for the Stoxx 600 index, projecting an average value of 537.5 points by December 2025.

The Slovenian stock exchange remains less liquid and lacks the market depth observed in larger European exchanges. A notable challenge is the absence of initial public offerings (IPOs) and new share issuances for capital increases, which significantly restricts domestic companies' access to funding. As of November 2024, the Ljubljana Stock Exchange listed bonds from DARS and SIJ, but there were no commercial papers available for trading. Historically, some capital assets on the Ljubljana Stock Exchange have included commercial papers. In 2024, GEN-I, d. o. o. issued a green bond worth of EUR 50 million, maintaining its position as the only non-financial institution in Slovenia to engage in green financing through capital markets. Among the capital assets managed by SSH, NLB, d. d. is noteworthy for issuing two bonds in 2024, following a previous green bond issuance. Similarly, SIJ has also issued green bonds in the past. However, there is growing dissatisfaction among Slovenian companies seeking additional funding, with many looking to foreign exchanges to raise capital.

In the Slovenian financial landscape, SID Banka, d. d. plays a key role in financing investment programmes, particularly in promoting competitiveness, export-driven growth, and sustainable development within the Slovenian economy.

Financing investments is crucial for future business growth, with increasing emphasis on sustainability criteria in recent years. These criteria are essential not only for debt financing through banks but also for securities issuance processes.

BANKING SECTOR¹³

In the EU, banks operated in a highly favourable environment until mid-2024, as the European Central Bank (ECB) only initiated its first interest rate cut in June 2024, reducing the benchmark rate from 4.50% to 4.25%. This environment, characterised by low deposit rates and higher lending rates, allowed banks to achieve substantial interest margins, which translated into strong profitability. However, with deteriorating macroeconomic prospects across Europe, the ECB further reduced the benchmark rate by 60 basis points in September 2024, bringing it down to 3.65%. Analysts anticipate that the benchmark interest rate will average 3.40% in 2024 and 2.40% in 2025, signalling a shift in the banking landscape. This change could pose challenges to the sector, as narrowing interest margins, potential increases in risk-related costs, weak economic growth prospects, tax and regulatory pressures, real estate market conditions, and geopolitical factors may threaten the trend of rising profitability. Historically, higher long-term interest rates have been a key driver of bank revenue growth. Banks that have not yet adjusted their revenue forecasts in light of the new economic conditions are relying on the hypothesis of persistent inflation, which they believe could slow the pace of ECB rate cuts. However, in the coming period of lower interest margins, banks will need to focus more on non-interest income and the integration of distribution channels to serve their clients effectively. Analysts estimate that the average annual revenue growth for a selected group of large European banks between 2023 and 2026 will be a modest 1%. A 100-basis-point decline in interest rates could lead to a reduction of up to 5% in net interest income for the banks under review. In 2025, banks are expected to find greater growth potential in asset management, as lower interest rates may encourage the reallocation of deposits into asset management services. In the second quarter of 2024, the loan-to-deposit ratio stood at 86%. Analysts project that assets under management in the selected group of large European banks will grow by 5% to 9% annually between 2023 and 2025, while deposits and loans are expected to grow by 1% to 2% annually. The quality of assets held in bank portfolios remained adequate in 2024. However, there is a risk of deterioration in credit portfolios in 2025 if adverse economic conditions begin to negatively impact borrowers' repayment capacities. Thanks to strong capital positions during the growth period up to 2024, banks distributed high dividends. In 2025, however, they are expected to focus on enhancing resilience to the effects of declining interest rates through cost-cutting measures and digitalisation initiatives.

13 Source: BoS (Report on bank performance with commentary); public disclosures by Slovenian banks; and Bloomberg.

When analysing the EU banking system, it is important to note that while uniform regulations apply across the bloc, there are significant differences between individual banking groups. These differences arise from the specific characteristics of markets in which each group operates, as well as the geographic distribution of their branch networks. Across Europe, significant disparities exist in the growth rates of national GDPs among individual countries. In some regions, the presence of national currencies allows banking units in those countries to achieve more profitable operations. In Slovenia, for instance, relatively higher GDP growth rates compared to the eurozone, coupled with the banking sector's resilience to systemic risks and improved financial stability, suggest that no significant changes in the profitability of the banking system are expected in the coming months. When analysing demand for banking products, certain shifts are observable, particularly in financing for non-financial corporations and households. However, strong performance in specific segments of banking operations, as well as the activities of banking units abroad, continue to provide promising prospects for individual banks.

In 2024, the EU introduced new regulations aimed at enhancing banks' preparedness for economic crises and improving their ability to address challenges related to the green and digital transitions. Key changes include updates to the Capital Requirements Regulation (CRR 3¹⁴) and the Capital Requirements Directive (CRD 6¹⁵), which incorporate the international Basel III standards into EU legislation. These updates focus on more advanced methods for measuring risks, particularly those associated with banks' activities in capital markets. The CRD 6 Directive, part of these changes, must be transposed into national legislation by January 2026. Meanwhile, the CRR 3 rules are set to take effect in EU member states from 1 January 2025, with certain amendments applicable as of 9 July 2024.

It is important to note that on 24 July 2024, the European Commission adopted a delegated act postponing the implementation of CRR 3 market risk requirements by one year. As a result, these new rules are now expected to take effect on 1 January 2026.

Additionally, the European Banking Authority (EBA¹⁶) has announced that the 2025 bank stress tests will incorporate the new CRR 3 rules. The European Central Bank (ECB) has also signalled its intention to penalise banks that fail to adequately address environmental and climate-related risks.

INSURANCE SECTOR¹⁷

In 2024, insurance companies published their annual reports for the first time in compliance with the two new international financial reporting standards, IFRS 17 and IFRS 9. These standards had a modest impact on the profitability of non-life insurance, a smaller effect on life insurance profits, and no significant influence on other areas, such as asset management. For certain insurers, a major challenge remains the sale of an adequate volume of new insurance policies while accurately accounting for future expected profits, taking into account discount rates for contractual obligations. To reduce the dependence of balance sheets on interest rate fluctuations and equity market volatility, insurers are increasingly relying on alternative investment classes, such as real estate. The new international standards are expected to lead to more predictable and less volatile earnings from life insurance policies. However, during the initial period of their implementation, comparing performance across different insurers has proven challenging for investors. The volatility of capital markets, heightened political risks, and weaker economic growth forecasts are constraining new business volumes and increasing the risk of asset revaluations. In 2024, the Slovenian insurance market was also affected by the abolition of supplementary health insurance and the impact of multiple natural disasters in 2023. Throughout 2024, European insurers increased dividend payouts, raised their forecasts for future dividends, and announced share buyback programmes. Up to 75% of total profits are expected to be allocated to dividends and share repurchases. In recent years, the Solvency II capital adequacy ratio for some insurers has exceeded 200%. Moving forward, expected future profits will have a significant impact on its valuation, particularly following the adoption of IFRS 17 accounting standards. According to Slovenian Insurance Association, the transition to IFRS 17, following the implementation of Solvency II Directive, represents one of the most complex regulatory changes for the insurance sector. Swiss Re forecasts that real premium growth in 2024 will reach 3.2%, driven by a 3.3% increase in non-life insurance premiums and a 2.9% rise in life insurance premiums. This growth is supported by labour market improvements, leading to higher disposable income, and favourable conditions in fixed-income financial markets, which are particularly relevant for life insurance products. In 2025, real premium growth is projected at 2.6%, with non-life insurance premiums increasing by 2.6% and life insurance premiums by 2.7%.

14 The Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amends Regulation (EU) No 575/2013 concerning requirements for credit risk, credit valuation adjustment risk, operational risk, market risk, and the output floor.

15 The Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social, and governance risks (Official Journal L 2024/1619 of 19 June 2024) – CRD 6.

16 European Banking Authority.

17 Source: Slovenian Insurance Association, SURS, Swiss RE Institute SIGMA 3/2024 publication, public disclosures by Slovenian insurance companies.

2.4. SIGNIFICANT DEVELOPMENTS IN TOURISM IN 2024 AND OUTLOOK FOR 2025

TOURISM

According to the latest available data on the performance of tourism enterprises in 2024 (provisional data for January–June), Asia and the Pacific remain the regions furthest behind 2019 tourism levels (the last pre-pandemic year serving as a benchmark for statistical analysis), with a 24% decline in visitor numbers. In contrast, Europe has almost fully recovered, with arrivals just 1% below 2019 levels. However, significant regional variations exist within Europe. During the observed period, Southern/Mediterranean Europe recorded a 9% increase in tourist arrivals compared to 2019, whereas Central and Eastern Europe experienced a substantial decline of 24%.

In 2025, the tourism industry will continue to face key challenges, including: (i) geopolitical instability affecting key markets; (ii) changing climate conditions influencing seasonal tourism patterns; (iii) economic uncertainty impacting consumer spending; and (iv) labour shortages, which may compromise service quality and guest satisfaction. Despite these challenges, 2025 also presents significant opportunities for tourism enterprises which are willing to embrace innovation and strategic adaptation. The key development priorities for Slovenian tourism companies will focus on: (i) developing comprehensive tourism products and integrated offerings to ensure balanced year-round occupancy and deliver holistic guest experiences; (ii) renovating existing infrastructure to enhance service quality, sustainability, and guest comfort; (iii) implementing a targeted digital transformation strategy, enabling to companies data-driven decision-making, greater personalisation of guest experiences, stronger integration with local ecosystems, and enhanced management of the spatial and cultural landscape. Expanding off-season offerings is particularly important in coastal and alpine tourism, where mild winters and climate change necessitate the diversification of tourism activities beyond traditional winter sports. It is anticipated that companies will continue to undertake significant investments, as maintenance-level investment alone will not be sufficient to achieve sustainable growth and long-term operational improvements. A key national objective for tourism development in Slovenia is, firstly, to increase the average length of guest stays, and secondly, to enhance average visitor spending. Achieving these goals will require consistent investment in improving guest satisfaction and the overall quality of the tourism offering. Tourism growth projections indicate a positive trajectory for the industry in the coming years. Tourist arrivals in Europe are expected to increase by 10.2% in 2024 and by a further 9.4% in 2025. On a global scale, international visitor numbers are forecast to rise by 16.1% in 2024, followed by a 13.0% increase in 2025.

2.5. SIGNIFICANT DEVELOPMENTS IN ECONOMY SECTOR IN 2024 AND OUTLOOK FOR 2025

AUTOMOTIVE INDUSTRY

The European automotive industry has been facing significant challenges for several years, and publicly available data from 2024 has further heightened uncertainty regarding its future. Concerns persist over the outlook for both European car manufacturers and automotive parts suppliers in 2025 and beyond. Analysts are currently evaluating whether the reported figures on production levels, inventory, and new car sales indicate the beginning of widespread plant closures or whether they serve primarily as leverage to pressure EU governments into introducing subsidies for electric vehicle (EV) purchases. European manufacturers continue to lag behind their Chinese and US competitors in the development of EV technology. Moreover, the weak sales performance of new EVs in the EU is partly attributable to the withdrawal of purchase subsidies. Additionally, the launch of the next generation of EVs by

certain European manufacturers has been delayed, and there are signs of waning consumer interest in purchasing new EVs. The European Commission is currently negotiating import tariffs on Chinese EVs, further increasing uncertainty for automotive parts suppliers, whose sales volumes and pricing strategies could be adversely affected. Automotive manufacturers are also expected to implement stringent cost-control measures, placing greater pressure on suppliers by transferring the burden of developing new components onto them. However, in-vehicle technology supply is emerging as a promising segment that could provide improved business opportunities for automotive parts suppliers in 2025. Early cost optimisation will also be a key competitive advantage. To mitigate risks, customer diversification will be essential for automotive parts manufacturers. Expanding sales beyond traditional automotive manufacturers and into non-automotive industries, leveraging existing technological expertise, could help stabilise revenue streams. In the first half of 2024, downward revisions of financial forecasts for automotive parts suppliers were already evident across Europe. According to ING Financial Group's August 2024 forecast, global car sales are expected to reach 91.4 million units in 2024, representing only a 1.8% increase compared to 2023. In 2025, new car sales are projected to rise to 93.7 million units, an estimated 2.5% increase. However, this remains below the 2018 sales level of 94.3 million units.

GAMING INDUSTRY AND GAMBLING

The gaming industry operates under distinct regulatory frameworks and market dynamics across different continents, shaping the types of games available and the permissible business models. In Asia, major gaming and hospitality hubs saw a partial recovery in 2024, regaining a significant share of mass visitor numbers. In the United States, however, pressure on operating margins has been evident, reflected in revised employment contracts, construction delays, and the impact of adverse weather conditions. Despite these challenges, analysts anticipate a gradual improvement in performance, driven by a more balanced betting structure, increased customer retention rates, and enhanced promotional efficiency within the sector. In Austria, Italy, and Bosnia, the gaming industry is experiencing a downturn, largely due to tighter regulations, restrictions on the number of gaming machines, evolving ESG requirements, and broader structural changes in the market. In response, operators are seeking new avenues for business expansion, including non-gaming activities, online gaming, and other complementary offerings. In Slovenia, opportunities exist to enhance gaming operations by leveraging market-specific advantages. Integrated gaming and hospitality resorts can improve their competitiveness by diversifying their customer base. Given Slovenia's proximity to Italy and Venice, domestic casinos have the potential to attract high-value international visitors, particularly Chinese guests, who are known for their strong engagement with gaming. To maintain a competitive edge, gaming establishments must adapt their offerings to align with the evolving portfolio of gambling services, which now includes traditional casino games alongside more complex sports betting structures. A key challenge will be attracting younger audiences while building a loyal customer base that is not easily influenced by the intensifying competition in Slovenia's gaming market. The closure of a casino near the Italian border in 2024 underscores the increasing pressures within the industry. In the European online gaming and betting sector, which may serve as both a competitor and a complementary business segment, revenue is projected to grow at a compound annual growth rate (CAGR) of approximately 4% between 2024 and 2029. Ensuring the long-term sustainability of the gaming industry requires a commitment to transparency, regulatory compliance, and responsible business practices. Maintaining concession licences will depend on strict adherence to legal requirements and industry standards. From a customer protection perspective, it is essential to implement robust systems capable of detecting both money laundering activities and gambling addiction risks, in alignment with the principles of responsible gaming. Additionally, strong emphasis must be placed on maintaining positive relationships with local communities. In October 2023, the Ministry of Finance (MoF) announced the launch of a revised gaming industry development strategy for Slovenia.

PHARMACEUTICAL INDUSTRY

The pharmaceutical industry comprises several market segments, where appropriate specialisation and an optimised product mix can enable companies to achieve high sales growth rates and strong profit margins. Original drug manufacturers focus on developing highly complex medicines for the treatment of severe diseases, while generic pharmaceutical companies structure their strategies around offering lower-cost alternatives, which are particularly appealing to public procurement systems. However, government pressures to reduce drug prices are negatively affecting the sales performance of all pharmaceutical companies, although the extent of the impact varies across different industry segments. It is therefore essential for pharmaceutical companies to maintain a well-balanced product lifecycle structure, allowing them to mitigate adverse market conditions, such as pricing pressures from competitors and public healthcare systems. A particularly promising segment is medications for chronic diseases, as their long-term usage ensures a stable and predictable revenue stream for pharmaceutical companies. In the generic pharmaceutical sector, the

global market value is projected to increase from USD 381 billion in 2023 to USD 403 billion in 2024. Growth is expected to continue, with forecasts indicating a market valuation of USD 515 billion by 2028, representing a compound annual growth rate (CAGR) of 6.3%. The expansion of the global generic pharmaceutical market will be primarily driven by: (i) a rise in chronic disease prevalence, (ii) regulatory support for generic medications, (iii) advancements in pharmaceutical research, (iv) an ageing global population, and (v) patent expirations for original drugs. Between 2024 and 2030, a significant number of pharmaceutical patents in Europe and the United States are set to expire, potentially causing a revenue shift of up to USD 140 billion per year from major pharmaceutical corporations to the generic pharmaceutical sector. The biopharmaceutical segment (biologics) is expected to claim the largest share of this transition, while the revenues of major original pharmaceutical companies will be most vulnerable in the small-molecule drug category, as these medicines are more easily replicated. Analysts tracking Bloomberg's index of major pharmaceutical groups predict that the combined revenues of these companies will increase by 32% between 2023 (actual revenue) and 2028 (forecast), with a projected CAGR of 4.2%. The pharmaceutical industry successfully strengthened operating margins during the COVID-19 crisis, and analysts expect continued profitability growth. Operating margins are projected to increase from 29.5% in 2023 to 31.2% in 2024, 34.8% in 2025, and 36.7% by 2028.

TELECOMMUNICATIONS

Despite the high level of technological advancement required for the provision of ICT services, the telecommunications sector is generally not regarded as an attractive industry by investors. The relatively low valuations of certain European telecom companies can be attributed to high capital expenditure requirements, intense competition, and the impact of European price regulations. Industry leaders are well aware of these challenges and are actively managing CAPEX spending to balance financial performance. However, potential future profitability growth in the sector is expected to stem from the implementation of artificial intelligence (AI) services, the decommissioning of obsolete technology and networks, and a reduced impact of inflation on operations. The application of AI is anticipated to yield positive effects on sales, particularly through predictive, personalised marketing strategies and the enhanced capabilities of smart billing systems. Additionally, AI is expected to contribute to cost control by optimising network planning, security, and management, improving post-purchase customer services, and enhancing collaborative processes in software development. A key challenge for telecom operators remains commercially leveraging the full potential of 5G technology to achieve higher profitability. In several national telecommunications markets across Europe, market saturation is evident, with four or more providers competing in individual markets. In Slovenia, Telemach has announced its acquisition of T-2, further shaping the competitive landscape. The intensity of competition in the telecom sector is also influenced by operator size, particularly in relation to the ability to offer more competitively priced service packages. Larger providers benefit from economies of scale, which enable them to maintain cost advantages. This trend is also present in the Slovenian market, where certain providers benefit from their affiliation with significantly larger parent companies. From a regulatory perspective, new European Union rules will take effect on 1 January 2025, introducing lower maximum tariffs for telecommunications services in the roaming and wholesale markets, with newly defined price caps on certain services. According to Bloomberg's analysis of European telecom providers, the average weighted EBITDA margin is forecast to be 33.77% in 2024, increasing to 34.13% in 2025. Revenue growth is expected to remain modest, with a projected average weighted increase of 0.7% in 2024, followed by an improvement to 3.0% in 2025.

STEEL AND ALUMINUM INDUSTRY

According to Bloomberg's August 2024 forecast, a significant increase in demand for European steel and aluminium producers is unlikely in 2024. However, a single-digit growth rate may be achievable in the first half of 2025. For this scenario to materialise, analysts anticipate that the European Central Bank (ECB) will continue lowering interest rates, while China's economy is expected to accelerate growth in the coming months. When assessing market conditions in the European steel industry, it is important to note that while falling raw material prices have had a positive impact on steel production, higher import volumes have prevented a price recovery, leaving steel prices at low levels in the first half of 2024. Bloomberg analysts forecast that the price of hot-rolled coil steel in Europe will reach USD 655/t in 2024 and USD 659/t in 2025, compared to USD 705/t in 2023. The future profitability of European steelmakers will be determined by market conditions for steel, iron ore, and energy, which are all essential to the production process. In response to market pressures, the EU has extended protective measures against steel imports from third countries until June 2026. Should steel stock replenishment take place across the economy—given that inventories are currently low—and if import pressures from third countries are effectively managed, European steel demand growth in 2025 could exceed the projected single-digit rates. A key milestone for the European steel and aluminium industry is 31 December 2025, when the transitional phase of the

Carbon Border Adjustment Mechanism (CBAM) concludes, marking the end of the reporting-only period for carbon emissions. This mechanism, which currently requires only emissions reporting, is the EU's tool for establishing a fair carbon price for the production of carbon-intensive goods. Bloomberg analysts predict that the global aluminium market, which currently remains in surplus—with supply expected to exceed demand in 2024—may shift into deficit in 2025. This transition will result from limited additions of new production capacity alongside rising aluminium demand in key markets, particularly China and the United States. Global aluminium demand is projected to grow by 3.3% in 2025, with the forecast primarily based on the expected impact of China's economic stimulus measures. China alone accounts for approximately 60% of global aluminium consumption. In contrast, aluminium demand in Europe may remain subdued, reflecting persistent challenges in the construction, automotive, and manufacturing industries. Bloomberg analysts forecast that aluminium prices will rise to USD 2,426/t in 2024 and further to USD 2,537/t in 2025, driven by expectations of a supply deficit in the global aluminium market. Despite the anticipated entry of new market players, which could lead to a decline in input costs for bauxite and alumina, global aluminium producers are expected to benefit from improved profit margins. However, future aluminium prices may face downward pressure from growing demand for recycled aluminium. Notably, in July 2024, China drafted a proposal to increase import allowances for recycled aluminium, aiming to meet rising domestic demand while reducing carbon emissions.

TIMBER INDUSTRY

The prices of roundwood assortments were under significant pressure in the first half of 2024. According to forecasts from major roundwood processors, market conditions in 2025 will remain influenced by subdued economic activity in the European construction sector, the resulting crisis in the furniture industry, and ongoing geopolitical conflicts. In Slovenia, the two dominant categories of roundwood sold are coniferous sawlogs and broadleaf industrial wood (lower-quality hardwood). In the case of state-owned forests, these categories account for approximately 75% of total sales volume. The demand for and pricing of coniferous sawlogs are directly affected by trends in the construction industry and international market conditions. According to Euroconstruct's 2024 forecast, building construction is projected to grow by only 1.3% in 2025 and 1.8% in 2026. In 2024, lower-quality hardwood prices plummeted compared to the previous year. Sales figures from SiDG indicate price declines of 25–30% in Slovenia, 20–30% in Italy, and 17% in Austria. The greatest price pressure is observed in the MDF/HDF board industry, which has led to the steepest price drops in Italy, a major consumer of lower-quality Slovenian hardwood. The somewhat smaller decline in Austria is attributed to greater utilisation of this wood in the pulp and paper industry.

PIG FARMING AND MEAS PROCESSING INDUSTRY

In the first eight months of 2024, the average pork price in Europe stood at EUR 213.86 per 100 kg, representing an 8.2% decline compared to the same period in 2023. Trade in pork occurs both within and outside the EU, with imports and exports dependent on self-sufficiency levels. Slovenia is not self-sufficient in pork production, and domestic pork output in 2023 declined by as much as 23% compared to 2019, further exacerbating the long-term self-sufficiency issue in the Republic of Slovenia. Certain Slovenian pig farming and meat processing companies face high debt levels and weak investment activity, which are reflected in poor productivity indicators. Future business performance of these companies will largely depend on adequate investment capacity and the ability to implement strategic investments. To achieve long-term success, Slovenian pig farming and meat processing companies must enhance productivity and develop sustainable competitive advantages. The import of lower-cost foreign pork and pork products exerts significant pressure on profitability, particularly for businesses operating within these industries. Beyond pricing dynamics, consumer awareness of healthy eating habits and animal welfare also plays a key role in shaping demand for pork products. While current market conditions still allow for profitability in pig farming, this is contingent upon various stakeholders across the value chain (including slaughterhouses, meat processors, retailers, and importers), as the direct sale of live pigs accounts for less than 1% of transactions. Producers closely monitor domestic and neighbouring market prices, adjusting feeding durations and slaughter weights to optimise sales timing in line with peak market prices. Looking ahead to 2025 and beyond, pig farming will face several challenges, including: (i) increasing vertical integration, (ii) adapting production processes to new animal welfare regulations, (iii) mitigating animal health risks, (iv) adjusting production volumes to counterbalance declining pork exports from Europe to Asian markets (following the sharp drop in 2023). Targeted marketing campaigns and collaboration with value chain stakeholders, combined with a well-structured product mix, will be essential in enhancing overall business profitability for companies engaged in animal breeding and meat processing.

WATER MANAGEMENT INDUSTRY

Water management companies provide services of general economic interest under an awarded concession. In Slovenia, water management is structured and organised in the following manner: the Ministry of Natural Resources and Spatial Planning (MNVP) grants concessions to eligible companies through a public tender process, based on predefined criteria. The concession is divided into two parts: the first relates to the provision of services of general economic interest, while the second covers additional works. The scope of work under the concession agreement includes maintenance, protection, cleaning, mowing, felling, rehabilitation of dams, embankments, and thresholds, as well as the construction of stone-concrete barriers, retaining walls, and riverbed thresholds. It also involves cleaning and maintaining sinkholes and sedimentation barriers, as well as the removal of sandbanks and sediment deposits. Water management companies generate part of their revenue through the execution of concession obligations, while the remainder comes from market-based activities, including the construction of municipal infrastructure, environmental protection structures, agricultural works, geotechnical services, and related projects.

3. MANAGEMENT OF CAPITAL ASSETS

3.1. PORTFOLIO OF CAPITAL ASSETS

3.1.1. LIST OF CAPITAL ASSETS UNDER SSH'S MANAGEMENT

SSH manages capital assets which are owned by SSH as well as those under SSH's management but owned by the Republic of Slovenia (RS), along with the capital assets in Zavarovalnica Triglav, d. d., which is owned by Pension and Disability Insurance of Slovenia (ZPIZ).

As at 31 December 2024, SSH managed assets held in 82 companies, of which capital assets held in 40 companies were solely owned by RS, while in the remaining 17 companies, assets were jointly owned by RS and SSH.

Within the capital assets portfolio, as at 31 December 2024, there were five companies with capital assets acquired by the Republic of Slovenia under the law governing inheritance (ZD) and one under the Confiscation of Assets of Illicit Origin Act (ZOPNI). Additionally, assets were held in eight companies undergoing the process of liquidation.

TABLE 2: LIST OF COMPANIES WITH CAPITAL ASSETS MANAGED BY SSH AS AT 31 DECEMBER 2024

Lfd. No.	Company	Asset type	RS ownership stake (in %)	SSH ownership stake (in %)
ENERGY SECTOR				
1	ELEKTRO CELJE, D. D.	STRATEGIC	79.50	0.41
2	ELEKTRO GORENJSKA D. D.	STRATEGIC	79.48	1.51
3	ELEKTRO LJUBLJANA, D. D.	STRATEGIC	79.50	0.77
4	ELEKTRO MARIBOR D. D.	STRATEGIC	79.86	
5	ELEKTRO PRIMORSKA, D. D.	STRATEGIC	79.68	0.36
6	EGS- RI, d. o. o. O.	PORTFOLIO	100.00	
7	GEN ENERGIJA, D. O. O.	STRATEGIC	100.00	
8	HSE, D. O. O.	STRATEGIC	100.00	
9	INFRA, D. O. O.	STRATEGIC	100.00	
10	PETROL, D. D.	IMPORTANT	10.82	12.70
11	PLINHOLD D. O. O.	STRATEGIC	77.08	0.05
12	PREMOGOVNIK VELENJE, D. O. O.	PORTFOLIO	100.00	
13	RTH, D. O. O. TRBOVLJE - IN LIQUIDATION	PORTFOLIO	100.00	
14	RUDNIK KANIŽARICA V ZAPIRANJU, D. O. O., ČRNOMELJ - IN LIQUIDATION	PORTFOLIO	100.00	
15	RŽV, D. O. O.	STRATEGIC	100.00	
16	TEŠ, D. O. O.	PORTFOLIO	100.00	

Lfd. No.	Company	Asset type	RS ownership stake (in %)	SSH ownership stake (in %)
FINANCIAL SECTOR				
17	DBS, D. D.	PORTFOLIO	0.03	
18	DSU, D. O. O.	STRATEGIC	50.40	49.60
19	KB 1909, D. D.	PORTFOLIO	0.03	
20	KOMPAS RAC, D. D., LJUBLJANA –IN LIQUIDATION	PORTFOLIO	0.01	0.02
21	LP INVEST, D. D.	PORTFOLIO	0.01	
22	NLB, D. D.	IMPORTANT	25.00	
23	PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D. O. O. – IN LIQUIDATION	PORTFOLIO	48.90	
24	SAVA RE, d. d.	IMPORTANT	13.89	17.68
25	SID BANKA, D. D.	STRATEGIC	99.41	
26	STH VENTURES, DRUŽBA TVEGANEGA KAPITALA – IN LIQUIDATION	PORTFOLIO	49.00	
27	ZAVAROVALNICA TRIGLAV, D. D.**	STRATEGIC	34.48*	28.09
ECONOMY				
28	A.L.P. PECA, D. O. O.	PORTFOLIO	9.09	
29	ADRIAFIN, D. O. O.	PORTFOLIO		50.00
30	BODOČNOST MARIBOR, D. O. O.	PORTFOLIO	77.52	
31	CETIS, D. D., CELJE	PORTFOLIO		7.47
32	CINKARNA CELJE, D. D., CELJE	PORTFOLIO		24.44
33	CSS, D. O. O.	PORTFOLIO	97.96	
34	ELEKTROOPTIKA, D. D.	PORTFOLIO	0.01	70.48
35	FARME IHAN – KPM, D. O. O.	PORTFOLIO		100.00
36	ILLURIA HOLDINGS LIMITED – IN LIQUIDATION	PORTFOLIO		100.00
37	KOTO, D. O. O.	STRATEGIC	66.23	4.42
38	KRKA, D. D.	IMPORTANT	7.22	9.00
39	LOTERIJA SLOVENIJE D. D., LJUBLJANA	STRATEGIC		15.00
40	MEJA ŠENTJUR, D. D.	PORTFOLIO		100.00
41	MK ZALOŽBA, D. D.	IMPORTANT		83.47
42	POMGRAD– VGP D. D.	PORTFOLIO	25.01	
43	PS ZA AVTO, D. O. O., LJUBLJANA	PORTFOLIO		90.00
44	SAVAPROJEKT, D. D.	PORTFOLIO	3.47	
45	SIDG, D. O. O.	STRATEGIC		100.00
46	SIJ, D. D.	PORTFOLIO	25.00	
47	STNA, D. O. O.	PORTFOLIO		100.00
48	STUDENTENHEIM KOROTAN GMBH	STRATEGIC	100.00	
49	TALUM, D. D., KIDRIČEVO	PORTFOLIO	86.25	5.21
50	TELEKOM SLOVENIJE, D. D.	IMPORTANT	62.54	4.25
51	UNIOR, D. D.	PORTFOLIO		39.43
52	URADNI LIST REPUBLIKE SLOVENIJE, D. O. O.	STRATEGIC	100.00	
53	VGP, D. D.	PORTFOLIO	25.00	
54	VGP DRAVA PTUJ, D. O. O.	PORTFOLIO	25.00	
55	VGP NOVO MESTO, D. D.	PORTFOLIO	25.00	
TOURISM				
56	ADRIA, D. O. O.	PORTFOLIO		11.74
57	CASINO BLEDE D. D., BLEDE	PORTFOLIO		33.75
58	CASINO PORTOROŽ D. D., PORTOROŽ	PORTFOLIO		9.46
59	HIT, D. D., NOVA GORICA	PORTFOLIO		28.54
60	ISTRABENZ TURIZEM, D. D.	IMPORTANT		100.00
61	SAVA, D. D.	IMPORTANT		64.13
62	TERME OLIMIA, D. D.	PORTFOLIO	67.13	8.01
63	THERMANA, D. D.	PORTFOLIO		100.00

Lfd. No.	Company	Asset type	RS ownership stake (in %)	SSH ownership stake (in %)
TRANSPORT				
64	DARS, D. D.	STRATEGIC	100.00	
65	DRI UPRAVLJANJE INVESTICIJ D. O. O.	STRATEGIC	100.00	
66	KOPP, D. O. O.	STRATEGIC	100.00	
67	KZPS, D. O. O.	STRATEGIC	100.00	
68	LUKA KOPER, D. D.	STRATEGIC	51.00	11.13
69	POŠTA SLOVENIJE, D. O. O.	STRATEGIC	100.00	
70	SŽ, D. O. O.	STRATEGIC	100.00	
CLAIMS				
71	AVTOTEHNA ZAGREB, D. O. O.	PORTFOLIO		100.00
72	BATRIS, D. O. O., UKRAINE	PORTFOLIO		18.00
73	CONSTANT LEADER XXI, UKRAINE	PORTFOLIO		18.00
74	DS PROJEKT, D. O. O.	PORTFOLIO		74.00
75	HYUNDAI AUTO BEOGRAD, D. O. O., SERBIA	PORTFOLIO		100.00
76	POSLOVNI SISTEM DOMINA, D. O. O., BEOGRAD	PORTFOLIO		55.52

* The ownership stake in Zavarovalnica Triglav is not directly owned by the Republic of Slovenia (RS) but by ZPIZ.

TABLE 3: LIST OF COMPANIES WITH CAPITAL ASSET OWNED BY RS AND ACQUIRED UNDER ZD AND ZOPNI, AS AT 31 DECEMBER 2024

Lfd. No.	Company	RS's ownership stake (in %)
1	BIO PRIMA, D. O. O.	100.00
2	ELBEKO, D. O. O., SEŽANA	100.00
3	IBI KRANJ, D. D. – IN LIQUIDATION*	0.00
4	IBT TRBOVLJE, D. D.	0.04
5	NTV24.SI, D. D.	0.01
6	LUBRIO D. O. O. – IN LIQUIDATION	100.00

* When a holding of 0.00% is indicated, it means that there is an ownership stake in the company, but it has been rounded up to 0.005%.

CAPITAL ASSETS NOT COVERED BY THIS AAMP OR ITS SPECIAL SECTION

The classification of state capital assets in the State Asset Management Strategy also apply to capital assets which are not managed by SSH and not covered by this AAMP. They include the following companies with capital assets owned by RS:

- **for which SSH does not have general management authority** (for example, KAD, STA, Kobilarna Lipica), preventing SSH from exercising shareholder's entitlements;
- **for which special legislation stipulates that they remain under the direct management of RS** (for example, ELES, Borzen, 2TDK). Among the capital assets managed by SSH, the Special Section of AAMP includes all capital assets, except those for which preparing a dedicated Special Section of AAMP is not considered justified due to specific circumstances. These include:
 - **capital assets in companies undergoing liquidation (so-called inactive capital assets):** The primary objective of management in companies undergoing liquidation is the successful completion of the liquidation process;
 - **capital assets in companies for which SSH has already signed a sale and purchase agreement for the full stake held by SSH and/or RS, or another binding agreement,** which has not yet been fully executed. The management activities undertaken in these companies are minimal. SSH's objective in managing these companies is to successfully complete all activities required between the contract signing and transaction closure, ensuring a successful sale completion.

- **capital assets in companies where RS and/or SSH hold only a minor equity holding;** given the equity holding is small, SSH has a very limited influence over the corporate governance of these companies. Considering the principle of efficiency and its voting influence SSH will strive to act in the best interest of the RS and/or SSH in managing these assets. The primary goal pursued by SSH in the management of these assets is to ensure appropriate conditions for the sale of these assets, in accordance with ZSDH-1.
- **capital assets in companies acquired under ZD and ZOPNI;**
- **capital assets in companies for which SSH does not set economic-financial and strategic objectives,** for reasons such as: the funding structures, varied management competencies, inactive business operations, a sole objective of divestment, a primary focus on claims management, or the majority of assets being tangible property. These conditions apply to most companies in the claims management sector.

TABLE 4: LIST OF CAPITAL ASSETS MANAGED BY SSH IN COMPANIES NOT COVERED BY SPECIAL SECTION OF AAMP, AS AT 31 DECEMBER 2024

Lfd. No.	Company	Asset type	Ownership stake* (%)	SSHS ownership stake* (%)	TOTAL ownership stake (in %)
1	A.L.P. PECA , D. O. O.	PORTFOLIO	9.09		9.09
2	AVTOTEHNA ZAGREB, D. O. O.	PORTFOLIO		100.00	100.00
3	BATRIS, LLC, UKRAINE	PORTFOLIO		18.00	18.00
4	BIO PRIMA D. O. O.	PORTFOLIO	100.00		100.00
5	CASINO BLEĐ D. D., BLEĐ	PORTFOLIO		33.75	33.75
6	CASINO PORTOROŽ D. D., PORTOROŽ	PORTFOLIO		9.46	9.46
7	CONSTANT LEADER XXI, LLC, UKRAINE	PORTFOLIO		18.00	18.00
8	DBS, D. D.	PORTFOLIO		0.03	0.03
9	DS PROJEKT, D. O. O.	PORTFOLIO		74.00	74.00
10	ELBEKO, D. O. O., SEŽEANA	PORTFOLIO	100.00		100.00
11	ELEKTROOPTIKA, D. D.	PORTFOLIO	0.01	70.48	70.49
12	HYUNDAI AUTO BEOGRAD, D. O. O.	PORTFOLIO		100.00	100.00
13	IBT KRANJ, D. D. - IN LIQUIDATION	PORTFOLIO	0.00		0.00
14	IBT TRBOVLJE, D. D.	PORTFOLIO	0.04		0.04
15	ILLURIA HOLDINGS LIMITED – IN LIQUIDATION	PORTFOLIO		100.00	100.00
16	KB 1909, D. D.	PORTFOLIO		0.03	0.03
17	KOMPAS RAC, D. D., LJUBLJANA –IN LIQUIDATION	PORTFOLIO	0.01		0.01
18	LUBRIO D. O. O. - IN LIQUIDATION	PORTFOLIO	100.00		100.00
19	LP INVEST D.D.	PORTFOLIO	0.01		0.01
20	POSLOVNI SISTEM DOMINA, D. O. O., BEOGRAD	PORTFOLIO		55.52	55.52
21	RTH D. O. O. TRBOVLJE - IN LIQUIDATION	PORTFOLIO	100.00		100.00
22	RUDNIK KANIŽARICA V ZAPIRANJU, D. O. O., ČRNOMELJ – IN LIQUIDATION	PORTFOLIO	100.00		100.00
23	STNA, D. O. O.	PORTFOLIO		100.00	100.00
24	SAVAPROJEKT, D. D.	PORTFOLIO	3.47		3.47

* When a holding of 0.00% is indicated, it means that there is an ownership stake in the company, but it has been rounded up to 0.005%.

3.1.2. STRUCTURE OF CAPITAL ASSET PORTFOLIO

Over time, the capital assets portfolio managed by SSH has been gradually concentrated. Currently, the two largest asset management pillars by book value of equity, Energy and Transport, account for a solid 70% of the capital asset portfolio. The four largest companies, which are included in these two pillars, i.e., DARS, GEN, SŽ and HSE, together represent just under 52% of the portfolio, as measured by the book value of ownership stakes under management.

FIGURE 1: SHARES OF MANAGEMENT PILLARS IN THE CAPITAL ASSETS PORTFOLIO BY BOOK VALUE OF EQUITY, IN THE PERIOD FROM 2019 TO 2024

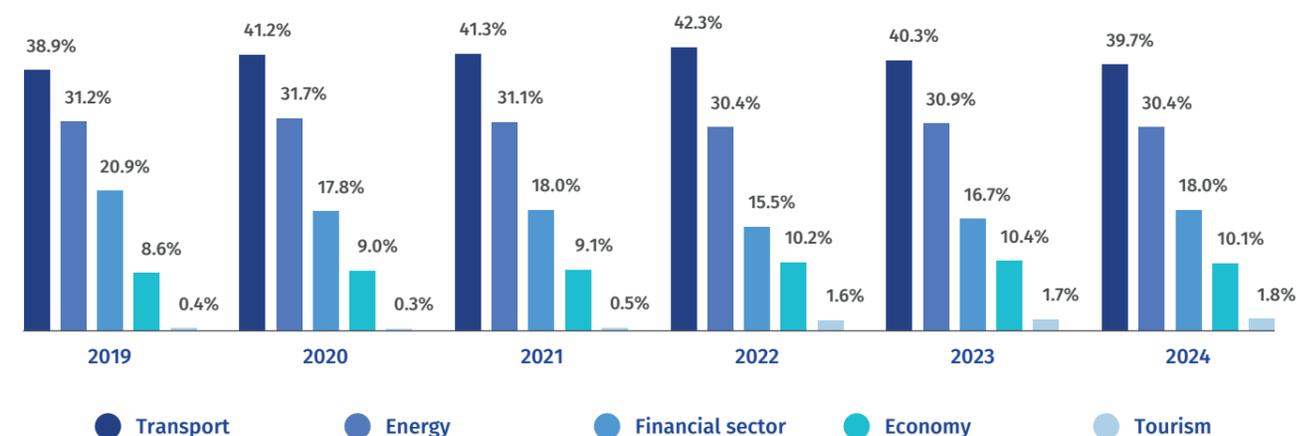
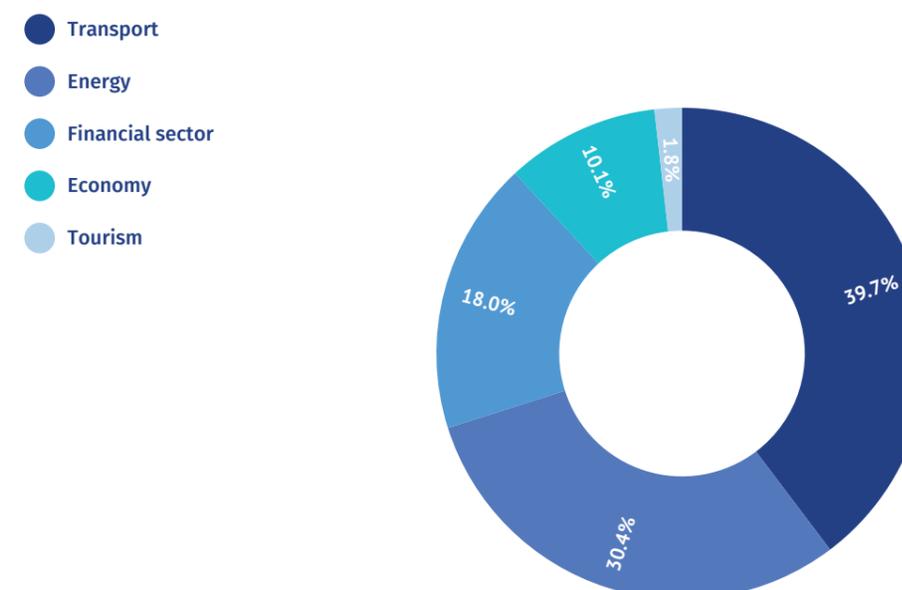


FIGURE 2: SHARE OF MANAGEMENT PILLARS IN THE CAPITAL ASSETS PORTFOLIO BY BOOK-VALUE OF EQUITY, ESTIMATED AS AT 31 DECEMBER 2024



Due to past divestment of portfolio assets, the capital assets portfolio has become increasingly homogeneous, also in terms of the classification of capital assets. Strategic assets now account for nearly 79% of the managed portfolio. The TOP 10 portfolio companies, which in total represent 76.0% of the portfolio, include seven companies with strategic assets, holding a share of 63.1%. In 2024, the adoption of the new State Asset Management Strategy also influenced the structure of assets in terms of their classification. Without this impact: the share of strategic assets would have been 0.6 percentage points higher, reaching 77.9%; the share of important assets would have been 1.5 percentage points lower, amounting to 16.3%; and the share of portfolio assets would have been 0.9 percentage points higher, reaching 5.8%.

FIGURE 3: SHARE OF CLASSIFICATION GROUPS IN THE CAPITAL ASSETS PORTFOLIO BY BOOK VALUE OF EQUITY, IN THE PERIOD FROM 2019 TO 2024

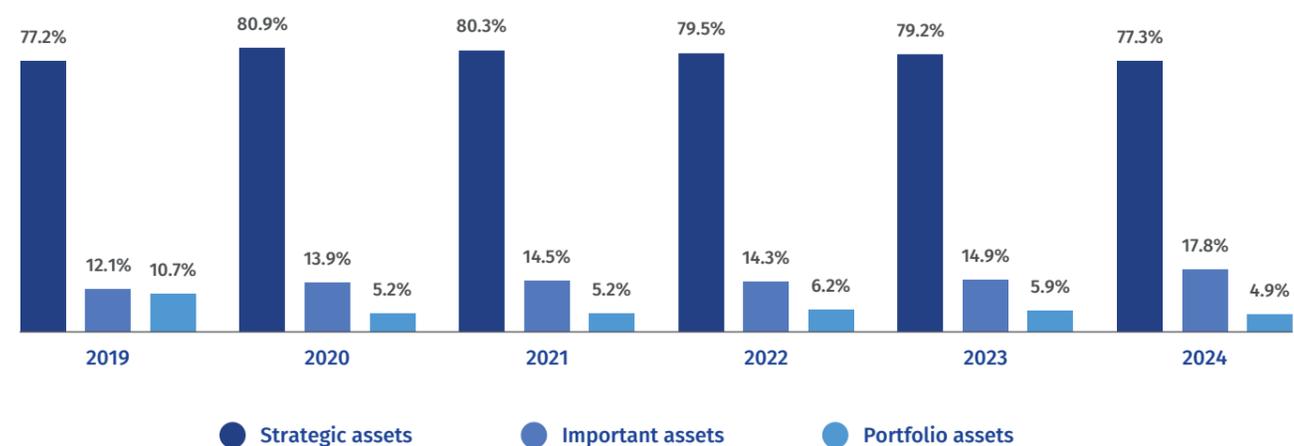
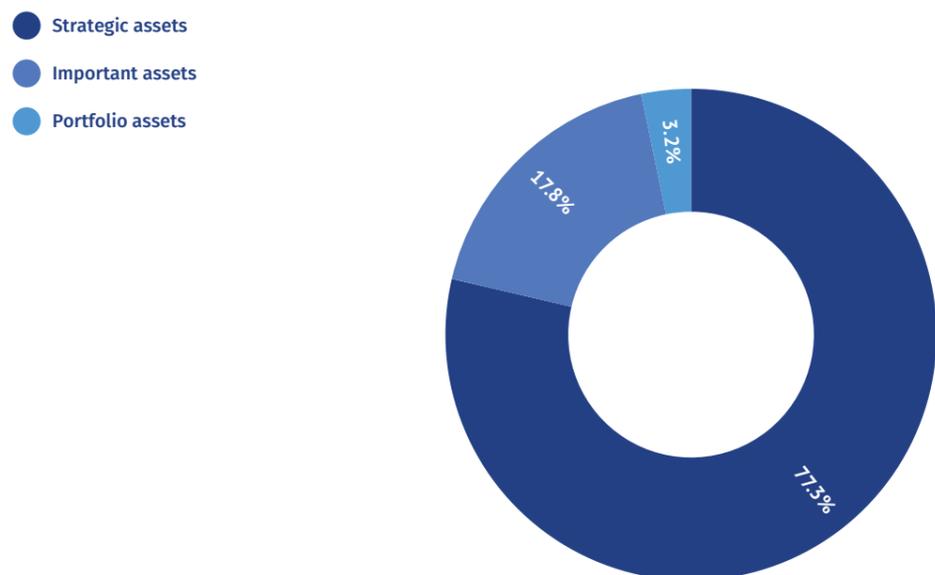


FIGURE 4: SHARE OF CLASSIFICATION GROUPS IN THE CAPITAL ASSETS PORTFOLIO BY BOOK VALUE OF EQUITY, AS AT 31 DECEMBER 2024



The table below present the largest companies with state capital assets by pillars in relation to the share in total portfolio

TABLE 5: THE SHARE OF FIVE LARGEST COMPANIES WITH STATE CAPITAL ASSETS IN EACH MANAGEMENT PILLAR (BASED ON THE CRITERION OF BALANCE SHEET BOOK VALUE) IN THE CAPITAL ASSETS PORTFOLIO, ESTIMATE AS AT DECEMBER 2024

TRANSPORT	
DARS, D. D.	26.7%
SŽ GROUP	7.2%
POŠTA SLOVENIJE GROUP	2.8%
LUKA KOPER GROUP	2.8%
DRI, D. O. O.	0.2%
TOTAL	39.7%
ENERGY SECTOR	
HSE GROUP	9.1%
GEN GROUP	8.8%
ELEKTRO LJUBLJANA, D. D.	2.2%
ELEKTRO MARIBOR D. D.	2.0%
PETROL GROUP	1.8%
TOTAL	23.9%
FINANCIAL SECTOR	
NLB GROUP	6.4%
ZAVAROVALNICA TRIGLAV GROUP	4.7%
SID BANKA, D. D. (Ljubljana)	3.9%
SAVA INSURANCE GROUP	1.5%
D.S.U., D. O. O.	1.5%
TOTAL	18.0%
ECONOMY	
TELEKOM SLOVENIJE GROUP	3.4%
KRKA GROUP	2.9%
TALUM GROUP	0.9%
SIJ GROUP	0.8%
UNIOR GROUP	0.5%
TOTAL	8.5%
TOURISM	
SAVA GROUP	0.8%
ISTRABENZ TURIZEM, D. D.	0.3%
TERME OLIMIA GROUP	0.3%
THERMANA, D. D.	0.2%
HIT GROUP	0.2%
TOTAL	1.8%
TOTAL TOP 5 ALL PILLARS	91.9%

3.2. OBJECTIVES OF CAPITAL ASSETS MANAGEMENT

3.2.1. FUNDAMENTAL OBJECTIVES OF STATE CAPITAL ASSETS MANAGEMENT

The fundamental objectives of managing state capital assets serve as the basis for categorising state investments into three groups, in accordance with the provisions of the Slovenian Sovereign Holding Act (ZSDH-1). They are divided into three groups:

- the first group – **STRATEGIC OBJECTIVES**: ownership and management of capital assets aim to achieve significant public interest goals, such as ensuring the appropriate infrastructure and access to it, delivering public services, fulfilling security and development objectives, and supporting other significant societal interest;
- the second group – **THE OBJECTIVE OF PRESERVING KEY DEVELOPMENT FACTORS**: the ownership and management of capital assets aim to sustain and enhance critical drivers of growth within the country;
- the third group – **ECONOMIC OBJECTIVES**: asset management in this category aims to maximise investment value and deliver the highest possible returns for owners.

Based on these fundamental objectives, the State Asset Management Strategy classifies capital assets into three categories:

- Strategic assets, where the primary objective is achieving strategic goals, alongside economic objectives.
- Important assets, which serve the goal of preserving key development factors while also pursuing economic objectives.
- **Portfolio assets**, which are managed to exclusively to pursue **economic objectives**.

For all assets classified as strategic and important, the State Asset Management Strategy specifies in detail their strategic objectives and the objectives of preserving key development factors, providing a clear rationale for the inclusion of each asset in its respective group.

Below is a schematic representation of the fundamental objectives of capital asset management, as outlined in the ZSDH- 1.



3.2.2. GENERAL OBJECTIVES AND GUIDELINES FOR CAPITAL ASSET MANAGEMENT

The general principles and objectives governing the management of companies with state capital assets derive from the United Nations resolution "Transforming Our World: The 2030 Agenda for Sustainable Development" (hereinafter: UN Agenda) and the Slovenian Development Strategy 2030, adopted by the Government of the Republic of Slovenia on 7 December 2017. These are further aligned with national and international legislative and policy frameworks. On this basis, the State Asset Management Strategy defines the following general objectives and guidelines for asset management: respect for human rights and corporate social responsibility, ensuring gender diversity, infrastructure development, sustainable management, risk management, increasing productivity and further strengthening the corporate governance system.

Slovenian Sovereign Holding ensures that capital assets are managed diligently, transparently, efficiently, and responsibly, in full compliance with ZSDH-1. This approach ensures that state-owned companies meet the objectives set out in the State Asset Management Strategy, as well as the goals and expectations outlined in each Annual Asset Management Plan (AAMP).

The AAMP 2025 addresses the guidelines of the new State Asset Management Strategy, both in terms of management objectives and development activities for all companies, as outlined in the General Section of the document, and in terms of specific objectives and expectations for individual capital assets, presented in the dedicated section.

Through its management activities, SSH promotes and contributes to: improving corporate governance system in the companies it manages, ensuring regulatory compliance and strengthening integrity, enhancing operational efficiency and productivity, leading to an increase in enterprise value and return on equity (ROE).

SSH also encourages companies to adapt to business and societal trends and effectively manage change.

The management objectives for individual assets presented in each AAMP must align with the current State Asset Management Strategy, which, in addition to general objectives and guidelines, also establishes sector-specific asset categories and objectives for managing individual assets. The specific asset management objectives for 2025 are outlined in the Special Section of this document.

When defining the asset management objectives, activities, and expectations in the Annual Asset Management Plan, SSH considers the following key factors:

- legislation, company statutes, and founding acts of individual companies,
- State Asset Management Strategy,
- Sectoral strategies defined by the State,
- macroeconomic forecasts and industry-specific projections,
- market conditions, business trends, opportunities, and key risks, along with appropriate risk mitigation measures,
- performance benchmarking, where possible, against comparable competitive enterprises.
- strategic and business plans of the companies under management, as approved by SSH or those requiring SSH's consent as a founder and shareholder.

3.2.3. PLANNED ROE FOR THE CAPITAL ASSETS PORTFOLIO

ROE OF THE CAPITAL ASSETS PORTFOLIO BY MANAGEMENT PILLARS

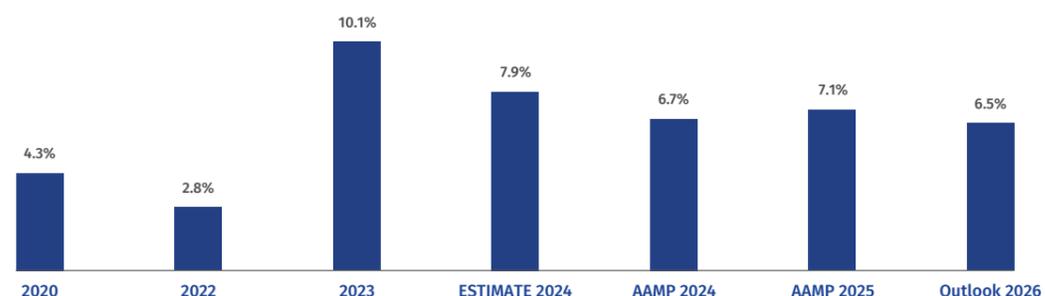
TABLE 6: ROE OF THE MANAGEMENT PILLARS OF THE CAPITAL ASSETS PORTFOLIO, BY YEAR, IN %

Pillar	2020	2021	2022	2023	ESTIMATE 2024	AAMP 2024	AAMP 2025	Outlook 2026
TRANSPORT	2.0	4.1	5.1	4.9	4.3	4.0	4.1	4.1
ENERGY SECTOR	5.4	5.1	-7.8	18.4	12.8	8.6	8.9	6.9
FINANCIAL SECTOR	6.9	10.2	9.7	9.9	10.5	9.0	9.4	9.5
ECONOMY	5.5	10.1	12.8	7.7	7.7	8.8	8.8	9.7
TOURISM	-11.4	4.5	7.2	5.8	5.7	5.9	6.4	6.7
PORTFOLIO RS+SSH	4.3	6.1	2.8	10.1	8.3	6.7	7.1	6.5

TABLE 7: THE BOOK VALUE OF THE CAPITAL ASSETS PORTFOLIO BY MANAGEMENT PILLARS IN EUR MILLION, ESTIMATED AS AT 31 DECEMBER 2024

Pillar	Book value of Shareholdings RS+ SSH in EUR million	Portfolio Share (in %)
TRANSPORT	5,114	39.7
ENERGY SECTOR	3,906	30.4
FINANCIAL SECTOR	2,213	18.0
ECONOMY	1,297	10.1
TOURISM	237	1.8
PORTFOLIO RS+SSH	12,867	100

FIGURE 5: ROE OF THE PORTFOLIO OF CAPITAL ASSET,%



ROE OF THE CAPITAL ASSETS PORTFOLIO BY CLASSIFICATION CRITERIA OF ASSETS UNDER MANAGEMENT

TABLE 8: ROE OF THE CAPITAL ASSETS PORTFOLIO UNDER SSH'S MANAGEMENT, BY CLASSIFICATION CRITERIA, BY YEAR, IN %

Classification	2020	2021	2022	2023	ESTIMATE 2024	AMAP 2024	AAMP 2025	Outlook 2026
STRATEGIC	3.7	4.9	0.9	9.6	7.1	5.8	6.2	5.4
IMPORTANT	8.5	12.7	11.3	14.5	12.9	12.0	12.0	12.1
PORTFOLIO	3.1	6.6	7.1	5.6	-1.0	6.3	1.9	3.0
PORTFOLIO RS+SSH	4.3	6.1	2.8	10.1	7.9	6.7	7.1	6.5

The negative ROE of the portfolio-classified assets in 2024 is largely a result of the new asset classification introduced in the revised State Asset Management Strategy. For other classification groups, the new classification did not have a significant impact. Under the previous asset classification, the estimated ROE of strategic assets for 2024 would have remained the same at 7.1%, while the ROE of important-classified assets would have been 12.8%, and that of portfolio assets, 4.7%.

TABLE 9: BOOK VALUE OF THE CAPITAL ASSETS PORTFOLIO IN EUR MILLION, BY ASSET CLASSIFICATION CRITERIA, ESTIMATED AS AT 31 DECEMBER 2024

Classification	Book value of shares RS+ SSH in EUR million	Portfolio Share (in %)
STRATEGIC ASSETS	9,945	77.3
IMPORTANT	2,292	17.8
PORTFOLIO	630	4.9
PORTFOLIO RS+SSH	12,867	100.0

3.2.4. PLANNED VALUE ADDED PER EMPLOYEE BY MANAGEMENT PILLARS AND CLASSIFICATION CRITERIA

For the first time in the LNU for 2025, SSH is setting portfolio-level productivity targets, in line with the general objectives and guidelines of the State Asset Management Strategy. The following section presents value-added per employee targets by management pillars and classification groups. Until now, these targets were set only at the individual company level.

Although portfolio-level targets are being introduced for the first time, the table also includes historical data from recent years and the 2024 estimate. The figures reflect the new asset classification criteria set out in the revised State Asset Management Strategy.

For 2025, the targets across all management pillars are higher than the 2024 estimates. In 2026, they are expected to increase further, except in the Energy pillar, where the 2025 and 2026 targets are lower than the actual 2024 results. Performance in this pillar is highly sensitive to energy market volatility, and the projected decline in value-added per employee is mainly due to anticipated lower electricity market prices compared to 2024 realised levels and a forecasted drop in production (as hydrology in 2024 was well above the long-term average). This impacts energy companies, particularly HSE and GEN, leading to lower projections for 2025 strategic assets, which include most companies in the Energy pillar, and for the overall portfolio. In 2026, the portfolio-wide value-added per employee is expected to increase compared to 2025 across all classification groups and pillars, except for the Energy pillar, where a slight decline is projected.

Due to the poor performance of certain energy companies, value-added per employee in the Energy pillar was relatively low in 2022, which also resulted in lower figures for strategic assets and the overall SSH portfolio. In contrast, 2023 was an exceptionally strong

year for energy companies, leading to high value-added per employee in the Energy pillar, as well as in strategic assets and the overall portfolio. In the Finance pillar, where insurance companies and banks are excluded from the value-added per employee calculation, a clear difference can be observed between pre-2023 figures and later years, primarily due to the change in DSU's business model following the acquisition of SSH's real estate portfolio in 2024.

TABLE 10: VALUE ADDED PER EMPLOYEE BY MANAGEMENT PILLARS, BY YEAR, IN THOUSAND EUR

Pillar	2022	2023	ESTIMATE 2024	AAMP 2025	Outlook 2026
TRANSPORT	75.9	79.1	78.6	79.6	82.3
ENERGY SECTOR	47.9	143.7	128.0	115.0	111.3
FINANCIAL SECTOR	402.8	459.5	203.3	241.6	269.1
ECONOMY	78.5	77.2	77.9	79.6	81.6
TOURISM	49.3	55.3	55.7	56.7	59.0
PORTFOLIO RS+SSH	69.1	91.2	87.7	86.0	87.0

Note: All non-financial companies are included in the calculations, while both insurance companies and banks under SSH's management are excluded.

TABLE 11: VALUE ADDED PER EMPLOYEE BY ASSETS CLASSIFIED BY CLASSIFICATION CRITERIA, BY YEAR, IN THOUSAND EUR

Classification	2022	2023	ESTIMATE 2024	AAMP 2025	Outlook 2026
STRATEGIC	71.4	115.8	106.8	100.4	100.9
IMPORTANT	69.4	83.5	84.8	85.6	86.5
PORTFOLIO	65.1	61.3	59.5	61.5	63.7
PORTFOLIO RS+SSH	69.1	91.2	87.7	86.0	87.0

Note: All non-financial companies are included in the calculations, while both insurance companies and banks under SSH's management are excluded.

3.2.5. FORECAST CASH FLOWS ARISING FROM DIVIDEND PAYOUTS BY COMPANIES WITH CAPITAL ASSETS UNDER SSH MANAGEMENT

In accordance with ZSDH-1, SSH also assumes all authorisations, responsibilities, rights, and obligations previously held by SOD before its transformation into SSH. In this context, SSH is obligated to: (i) on behalf of and for the account of SSH, ensure funds which are necessary for settling liabilities due to beneficiaries under regulations which regulate the denationalisation of property, and (ii) on behalf of and for the account of Republic of Slovenia, ensure funds which are necessary for settling liabilities due to beneficiaries under the following three Acts: firstly, the Reimbursement of Investments in Public Telecommunications Network Act (ZVVJTO), secondly, the Act regulating the Issuing of Bonds in Compensations for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (ZIOOZP), and thirdly, the Act on Payment of Compensation to Victims of War and Post-War Violence (ZSPOZ).

Below are the expected cash flows of the RS and SSH arising from dividends paid out by companies with capital asset managed by SSH, while the expected cash flows arising from the management of (i) capital assets, (ii) claims, and (iii) tangible assets are presented separately in the Special Section of AAMP (in the Chapter "Forecast Cash Flows Arising from Asset Management").

FORECAST CASH FLOWS ARISING FROM DIVIDENDS PAID OUT BY COMPANIES WITH CAPITAL ASSETS UNDER SSH MANAGEMENT

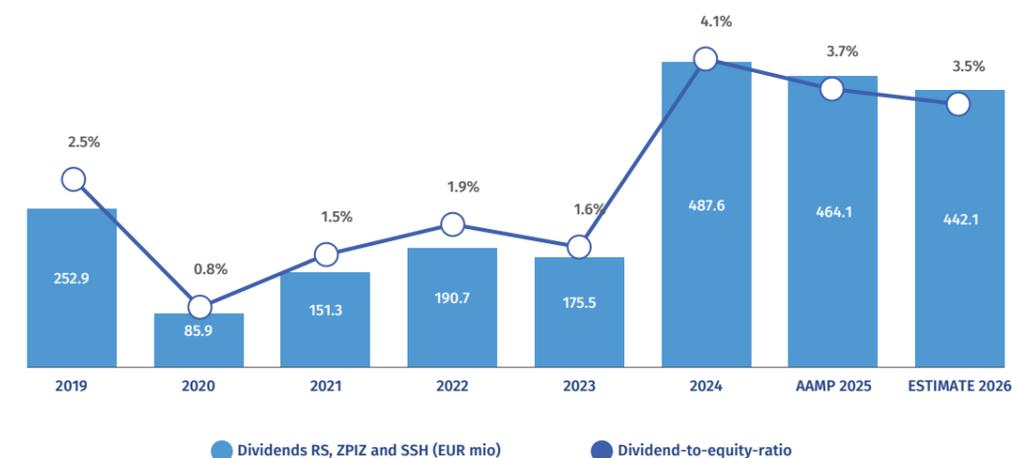
SSH estimates that in 2025, RS will receive EUR 377.5 million in dividends from capital assets owned by RS and managed by SSH, SSH will receive EUR 66.2 million from capital assets in its ownership, and ZPIZ will receive EUR 20.4 million in dividends, totalling EUR 464.1 million. In 2026, RS is expected to receive EUR 354.2 million in dividends, SSH EUR 67.5 million in dividend, and ZPIZ EUR 20.4 million, totalling EUR 442.1 million.

TABLE 12: DIVIDEND INFLOWS TO RS, ZPIZ AND SSH PAID OUT BY SSH PORTFOLIO S COMPANIES, IN THE PERIOD FROM 2019– 2026, IN EUR MILLION

Year	2019	2020	2021	2022	2023	2024	AAMP 2025	ESTIMATE 2026
RS	193.2	62.7	98.2	101.7	102.7	408.5	377.5	354.2
ZPIZ	19.6	0	13.3	29.0	19.6	13.7	20.4	20.4
Total RS and ZPIZ*	212.8	62.7	111.5	130.7	122.3	422.2	397.9	374.6
SSH	40.1	23.2	39.8	59.9	53.2	65.4	66.2	67.5
TOTAL Dividends RS, SSH and ZPIZ(EUR mio)	252.9	85.9	151.3	190.7	175.5	487.6	464.1	442.1

Note: Dividends received from the management of capital assets owned by RS flow into the RS budget, while dividends received from the management of ZPIZ's stake in Zavarovalnica Triglav flow into ZPIZ

FIGURE 6: DIVIDEND INFLOWS TO RS, ZPIZ AND SSH, BY YEARS, IN EUR MIO



3.2.6. KEY PROJECTS, MANAGEMENT OBJECTIVES, AND DEVELOPMENT ACTIVITY FOR 2025

In 2025, SSH's key project activities in the management of capital assets will focus on the following priority projects: in 2025, SSH's key Projects activities in managing capital assets will be focused on the energy, real estate, and tourism sectors.

- In the tourism sector, SSH's management activities will align with the State Asset Management Strategy, which envisages the separation of ownership of selected tourism real estate from the function of tourism operations. The goal is to gradually organise the tourism sector into two pillars of important capital assets: (i) the Sava Group pillar, and (ii) the Istrabenz Turizem pillar. For companies in the tourism sector, SSH plans to gradually implement additional management activities, including potential corporate restructuring, asset acquisitions and disposals, share and equity transfers, and other measures, taking into account expert legal, economic, and feasibility assessments.

- The restructuring of the Farne Ihan Group aims to ensure stable and long-term sustainable operations, enabling it to maintain a leading position in pig farming in Slovenia while preserving the vertical agri-food chain, thereby enhancing Slovenia's food security.

In the management of claims, SSH will aim for the fastest possible repayment, sale, or restructuring of claims, seeking to maximise value while minimising portfolio management costs.

As part of **its regular management activities**, SSH will pay particular attention to: (i) implementing strategies and strategic projects in companies 100% owned by RS and/or SSH; (ii) monitoring changes in the international business environment, which could significantly increase risks, affect competitiveness, or impact business performance; (iii) overseeing the development and implementation of diversity policies in companies; and (iv) ensuring appropriate dividend policies for companies under SSH's management. For specific companies within the portfolio, SSH will implement financial and business restructuring measures, where necessary and justified, to enable the establishment of a long-term sustainable business model.

SSH is empowered to freely allocate and manage capital assets, which are defined in the State Asset Management Strategy as **portfolio** assets and by way of which solely economic objectives are pursued. For all capital assets classified as portfolio assets, **divestment** in 2025 is considered one of the possible management measures. However, any decision will be made based on a thorough assessment of all relevant circumstances, including company performance, market conditions, opportunities, and potential strategic partnerships.

In line with the State Asset Management Strategy, one of the key economic objectives is increasing productivity at the company level. According to the State Asset Management Strategy, approved by the National Assembly of the Republic of Slovenia on 10 July 2024, companies within SSH's portfolio must, in accordance with their specificities and market position, strive to: (i) invest in their core business; (ii) allocate resources to R&D and foster innovation; (iii) accelerate digital transformation; (iv) develop internal talent and workforce skills aligned with market needs; (v) invest in knowledge enhancement; and (vi) adapt swiftly to a low-carbon and circular economy that is resilient to climate change. To support the complex objective of productivity growth, SSH: (i) monitors various productivity indicators and sets specific target values; (ii) implements educational activities; and (iii) defines concrete expectations for individual companies in the AAMP, outlined in its Special Section.

For 2025, SSH will focus on the development-oriented management activities listed below, which are crucial for creating long-term value, enhancing productivity, and improving corporate profitability. SSH will monitor and support these focus areas through:

- company reporting (annual and interim reports);
- regular discussions with company leadership in periodic meetings and other direct engagements;
- enforcing the SSH Code and SSH Recommendations and Expectations; and
- organising training sessions on these topics for supervisory board members and company management.

SSH expects that:

- Supervisory boards of SSH-managed companies regularly review and assess how company management addresses the development-oriented management activities highlighted in this document and other governance frameworks (including the SSH Code and Recommendations).
- Supervisory board members, appointed or supported by SSH at General Meetings, actively engage in continuous learning and enhance their competencies across all key areas of corporate governance, sustainable business practices, and other business fields relevant for effective oversight. The ESRS standards also require reporting on the level of expertise within management and supervisory bodies in sustainability-related matters.
- Supervisory boards integrate sustainability performance criteria into executive remuneration systems and assess the short-term, medium-term, and long-term adequacy of sustainability management. Supervisory Boards oversee the progress of companies in disclosure and reporting, ensuring compliance with European Sustainability Reporting Standards (ESRS).

I. Development of New Technologies and Innovations with a Focus on Integrating Generative AI Solutions into Business Models

Technological advancements are bringing about profound changes in both the economy and society. New technologies and digital-driven innovations enable various technologies to perform an increasing number of tasks in a more reliable and efficient manner. There is a need to upskill and reskill the existing workforce develop new competencies within the workforce to be capable of keeping pace with emerging technological advancements, innovations, and new working methods.

The Government of the Republic of Slovenia has adopted a comprehensive strategy for the digital transformation of the country known as the Digital Slovenia 2030. This strategy is designed to strategically plan and promote the digital transformation of Slovenia during the development period up to 2030. It outlines directions and specific goals with indicators to address the most significant developmental gaps for accelerating digital transformation across all areas, from gigabit infrastructure and digitalization of the economy to the path towards Smart Society 5.0, cyber security, digital competencies, inclusivity, and related subjects such as supportive environments and the green transition. From an economic perspective, the emphasis is placed on the introducing advanced digital technologies, particularly in conjunction with **the necessary expertise and digital competencies required to facilitate the rapid and effective implementation of these technologies into business processes**. Through balanced promotion of all three components of sustainable development (society, environment, governance), the Slovenian Industrial Strategy will ensure the competitiveness of the economy and create conditions for the restructuring of industry by **enhancing knowledge, creativity, and innovation for new and higher-quality jobs with greater added value. This strategy aims for a transition to a green, creative, and smart economy.**

Key takeaways from these strategic documents emphasize that, for accelerated productivity growth, companies must not only expedite the adoption of individual (more demanding) technologies but also embark on comprehensive and ambitious digital and business transformations. This pertains to digitalization, sustainability, and strengthening organizational factors, with a heightened emphasis on insight, creativity, and innovation.

In addition to the adaptation of business processes and the strengthening of technological capabilities, two crucial elements are required to achieve an effective digital transformation of companies. These are: **the enhancement of digital competencies among employees** for the use of advanced technologies and adapting to the new demands they bring, as well as establishing **connections with companies driving digital innovation.**

Technological changes offer opportunities for increased value creation, but they also bring risks that companies must address adequately, such as cybersecurity, data security, and other risks. On the other hand, the green transition also presents numerous opportunities for developing **new technologies for the transition of companies and the economy into a circular, green, and digital future.**

Generative Artificial Intelligence (GAI) is a groundbreaking technology that enables businesses to create new content, automate complex tasks, and enhance decision-making. In the realm of business models, it facilitates the development of innovative products and services, helping companies adapt to market changes and seize new opportunities. It drives innovation by enabling faster and more efficient research and development, leading to quicker market deployment of new solutions. Additionally, GAI optimizes business processes, reduces costs, and increases productivity. Its ability to analyse vast amounts of data and generate actionable insights supports businesses in making more informed decisions, contributing to greater operational success. In the future, GAI will be a key digital technology for ensuring competitiveness and success in rapidly evolving global markets.

SSH anticipates that companies will increasingly focus on integrating new technologies such as artificial intelligence (AI), advanced robotics, the Internet of Things (IoT), and data management (big data). Where appropriate and feasible, these technologies will be leveraged to enhance productivity, efficiency, and the green transition. At the same time, companies will also prioritize fostering a strong corporate culture, employee development, data protection, and robust cybersecurity, which remains a critical priority in this field and for overall management.

II. Talent Development and Retention

Access to skilled personnel is a critical factor for a company's success. To address the skills gap, companies must invest in continuous training, education, and reskilling of their employees to leverage the opportunities brought by evolving job roles and work methods, particularly with the adoption of new tools and technologies, including generative AI (GAI).

Companies that build their corporate culture on strong values and foster a diverse and inclusive work environment are better positioned to increase employee engagement and productivity, as well as to attract and retain highly skilled personnel. Businesses should aim to equip their workforce with the skills necessary for innovation and value creation, while also ensuring the implementation of appropriate incentive systems.

Key personnel management systems are essential for the long-term success of businesses, as they enable companies to identify, develop, and retain talent crucial for achieving strategic objectives. Effective key personnel management includes succession planning, leadership development, and creating a supportive work environment, which enhances employee motivation and engagement. This approach helps companies to mitigate the risk of losing key personnel, enhance their competitiveness, and ensure sustainable growth. Additionally, key personnel management systems allow for better adaptation to market changes and challenges, which is crucial for maintaining a competitive edge in a dynamic business environment. SSH will continue monitoring the risks identified by companies in this area to support and encourage best practices in talent management and workforce development.

III. Effective Design and Implementation of Investment Projects

SSH believes that best practices in investment governance lead to results that serve the long-term interests of shareholders, stakeholders, and the entire community. Investment governance ensures that investments create value for the company and that investment decisions are prudent and efficiently managed.

Investment governance is part of the broader framework of corporate governance within the company and provides methods for reviewing, assessing, and approving investment activities. It is crucial to consider governance best practices, which include systems, structures, policies, processes, and resources used to address the investment responsibilities of the company and ensure alignment between the company's strategy, objectives, and the investments themselves. Investment governance bodies should be structured to identify and manage the risks of not achieving the desired investment outcomes while also mitigating the impact of potential investment failures when necessary.

SSH expects that the components of quality governance of significant investments include as follows: (i) **policies and relevant standards to ensure compliance with business integrity and compliance:** principles, investment governance policy, project management policy, public procurement process, risk management framework, etc.; (ii) **roles and responsibilities:** clearly defined roles and responsibilities, including accountability for investment outcomes; (iii) **systems and processes:** investment management process, including controls, regular monitoring, and reporting; (iv) **business case** for individual investments and projects, which includes options for achieving results, identified risks and opportunities, constraints, required resources, budget, and schedule. In preparing the business case, it is essential to clearly define needs, conduct an options analysis (e.g., technical studies, economic assessments, risk analysis), cost assessment, and appropriate financial-economic evaluation as a basis for investment decisions.

- **Effective Procurement and Management of Corruption Risk**

SSH recognises that effective procurement directly contributes to the operational success of individual companies and the mitigation of operational and strategic risks. In companies, while ensuring efficiency, transparency, competitiveness, and legality in procurement procedures, circumstances that could lead to corruption and other risks must also be prevented. This applies to both public procurement and other procurements not covered by the Public Procurement Act (ZJN-3). In this regard, SSH expects companies, among other things, to: (i) act in accordance with applicable legislation, legally permissible objectives, and ethical codes throughout all procurement phases; (ii) formulate and award contracts in a manner that maximizes competition among qualified suppliers while enabling the contracting entity to achieve the best market conditions; (iii) ensure transparency in procurement procedures and treat all potential suppliers equally; (iv) establish effective and traceable mechanisms for preventing, detecting, and addressing conflicts of interest throughout all procurement phases; (v) engage individuals with no conflicts of interest in all stages of procurement preparation, award, and execution processes.

Companies should establish and regularly enhance appropriate mechanisms for detecting procurement-related risks and for effectively managing or eliminating identified risks. The Supervisory Boards of companies should be informed about the company's procurement processes, as well as measures and mechanisms for preventing unlawful and unethical practices, at least once a year.

IV. Strengthening Internal Control Functions and Risk Management Systems in SOEs

SSH is committed to further strengthening compliance, integrity, risk management, and internal audit functions in companies with state-owned capital assets through the following measures: (i) applying SSH's Code and general SSH Recommendations and Expectations and conducting compliance assessments to ensure adherence to established guidelines; (ii) organising training events for supervisory board members and key decision-makers; (iii) providing training and workshops for compliance and integrity officers in companies with state ownership or significant state influence; (iv) discussing key topics and measures in regular meetings with company representatives; (v) advising companies on best governance and risk management practices; (vi) offering guidance from SSH's Compliance and Integrity Officer to executive and supervisory bodies, internal audit functions, or external auditors in companies where SSH holds a majority stake or significant influence, particularly in areas of integrity reinforcement, regulatory and code compliance, corruption risk mitigation, conflict of interest management, and prevention of unethical or unlawful conduct.

SSH expects that all internal control mechanisms, embedded within the enterprise risk management system, ensure: (i) effective, careful, and successful operations; (ii) identification, measurement, and reduction of all key risks; (iii) reliability of non-financial and financial information for external and internal reporting; (iv) compliance with laws, regulations, and internal company policies, and the (v) highest level of integrity for the company, its officials, and employees. Functions (and their respective officers) in the fields of internal compliance and integrity management, risk management, and internal audit should have appropriate powers, an appropriate hierarchical level in the organizational structure, and sufficient human and other resources to perform their tasks.

The supervisory boards of SOEs, in their roles of supervision and monitoring, should: (i) oversee and monitor decisions made by the management board in these three areas, and company actions, ensuring effective oversight over the operation of all internal controls, including monitoring and reviewing the implementation of the company's strategy and objectives in this area; (ii) regularly evaluate the effectiveness of the company's internal controls and take appropriate measures to address identified deficiencies; (iii) monitor and comprehensively control the management of all key business, financial, and other strategic risks, as well as the development of companies' resilience during economic downturns; (iv) monitor and control compliance and integrity risks and measures to manage these risks; (v) verify that heads of internal control functions can act independently, have access to necessary information for their work, and receive adequate support from the executive management for the development of this field of work; (vi) monitor the implementation of the internal audit plan, compliance and integrity management plan, and risk management plan.

RISK AND OPPORTUNITY MANAGEMENT WITH A FOCUS ON

- **Corporate Security, Cyber Risks, and Organisational Resilience**

The business environment is becoming increasingly unpredictable, with emerging risks such as pandemics, armed conflicts, and extreme climate events having global repercussions. At the same time, the competitive landscape is intensifying, while advancements in communication infrastructure and digital connectivity are introducing new vulnerabilities for businesses. It is therefore crucial for companies to prioritise the design and implementation of corporate security frameworks, which include identifying and enforcing systemic measures to manage security risks effectively. In general, corporate security encompasses several critical dimensions, including: (i) information security; (ii) physical security; (iii) occupational health and safety; and (iv) business continuity management. Corporate security plays a pivotal role in business success, as it ensures uninterrupted operations, mitigates risks, and enhances organisational resilience against various threats. By implementing robust security measures, companies strengthen their competitive position, maintain customer trust, and ensure regulatory compliance, all of which are essential for long-term sustainability.

The threat of cyberattack has escalated significantly in recent years, posing severe risks to business operations. Companies lacking adequate security mechanisms and comprehensive recovery strategies are particularly vulnerable. SSH expects companies to familiarise themselves with the NIS 2 Directive and its implementation into Slovenian regulation. Entities identified as essential or important must comply with the following regulatory requirements: (i) self-registration with the competent supervisory authority (PNO); (ii) cyber risk management training for executive management; (iii) development of prescribed security documentation; (iv)

implementation of security measures to mitigate cyber risks; (v) timely reporting of cyber incidents to relevant authorities, and (vi) adoption of European and international cybersecurity standards and technical specifications.

For banks and financial institutions, compliance with the Digital Operational Resilience Act (DORA) is equally critical. DORA establishes comprehensive requirements for digital resilience, encompassing robust cyber risk management and the assurance of continuous operational resilience. The institutions must ensure the implementation of robust security mechanisms, regular testing of digital resilience, effective risk management for third-party ICT service providers, and timely incident reporting to maintain compliance and operational resilience. DORA also mandates the adoption of European and international security standards and the enhancement of supervisory oversight of operational risks in digital environments.

It is important to emphasise that executives, including board members and company directors, cannot delegate responsibility for cybersecurity and digital resilience to other employees or external service providers. They are solely accountable for ensuring compliance with the NIS 2 Directive and DORA, implementing effective risk management, and establishing the necessary security measures. The legal framework clearly places direct accountability for cybersecurity on those specified above. Failure to meet mandatory obligations can lead to both civil and criminal liability for corporate leaders.

- **Managing Climate Risks and Leveraging Opportunities**

SSH expects companies to manage climate-related risks and opportunities in a manner aligned with their business model and specific operational circumstances. The explicit integration of economic, environmental, and social risks and opportunities into corporate governance and decision-making processes is essential for setting priorities, addressing these challenges over time, and creating long-term value. Climate change and its associated environmental impacts have a direct influence on long-term value creation for many businesses. To maintain competitiveness, companies must carefully assess and manage both climate risks and opportunities.

Physical and transition climate risks present financial risks which can have an impact on individual companies and institutions, potentially leading to systemic risks which pose a threat to the financial stability of industries and national economies. At the same time, climate opportunities offer a broad range of economic, technological, and social benefits, emerging from climate adaptation strategies and the transition to a sustainable, low-carbon economy.

SSH expects companies to incorporate climate risks into their existing risk management frameworks and align them with their business and sustainability strategies. In its risk monitoring efforts, SSH will focus on material physical and transition climate risks, along with measures to mitigate their impact, as well as opportunities arising from the transition to a low-carbon economy. Transparent and accurate disclosures will be a critical component of this monitoring process.

- **Corporate Compliance and Integrity**

Guidelines for SOEs regarding compliance and integrity are set out in the following two documents: SSH Code and the SSH Recommendations and Expectations. These guidelines apply to companies where SSH holds a majority stake or a controlling influence. ZSDH-1 designates SSH's Chief Compliance and Integrity Officer as a key figure in supporting the executive and supervisory bodies of companies where SSH holds a majority stake or significant influence, with responsibilities including strengthening corporate integrity, ensuring compliance with legal and ethical standards, mitigating corruption risks, preventing conflicts of interest, and addressing unethical or unlawful conduct. With the enactment of the Reporting persons Protection Act, SSH has been designated as one of 25 authorities responsible for handling external reports of suspected irregularities in SOEs.

SSH expects companies to place special emphasis on commitments in the areas of corporate compliance and integrity, transparent operations, and a zero-tolerance approach to corruption, as well as unlawful and unethical conduct by employees, management, and members of corporate oversight bodies, as part of their comprehensive risk management systems. Considering industry-specific requirements, companies should adhere not only to SSH recommendations but also to other recognised guidelines and best practices in the field of corporate compliance and integrity. Special emphasis should be placed on operating in accordance with the highest ethical standards.

SSH expects companies to: (i) appoint Compliance and Integrity Officers; (ii) properly integrate these roles into their organisational structures; (iii) establish dedicated compliance and integrity units if necessary; and (iv) implement all recommendations outlined in the SSH Code and SSH Recommendations and Expectations.

As part of its oversight activities, SSH will closely monitor the implementation of these recommendations. For advisory support, companies may consult SSH's office Corporate Compliance or the SSH Chief Compliance and Integrity Officer.

V. Sustainable Business

In 2024, listed and other liable companies focused heavily on adapting to the new sustainability reporting requirements under the CSRD directive and the ESRS standards. In 2025, the first reports under the CSRD Directive and ESRS reporting standards will be published, and SSH will carefully review them as part of its ongoing monitoring of company performance.

As regards the strategic topic of sustainability business, SSH will, indirectly through its management rights, continue to encourage SOEs to have the following elements put in place:

- an appropriate governance structure,
- a clear strategy integrating sustainability and climate action,
- a framework to manage both risks and opportunities,
- metrics and targets to address the impact of climate change on individual the company, and
- comprehensive disclosures and reporting in line with ESRS standards, other legal requirements, and best practices.

One of the key regulations at the European level in the area of sustainable business practices is the Delegated Regulation on Taxonomy, which directly applies to many portfolio companies. Even companies not legally required to comply with the taxonomy should adopt **measures to reduce or prevent negative environmental impacts**, including investments in climate adaptation and resilience. All SOEs must significantly contribute to **reducing greenhouse gas emissions** and align their activities with the goals of the Paris Climate Agreement. Additionally, companies should develop and implement transition plans to support the shift to a low-carbon economy. Given the increasing pressure to cut emissions and expand renewable energy use, portfolio companies should pursue decarbonisation goals while ensuring their competitiveness is not compromised. This requires investments in clean technologies and energy efficiency, particularly in light of rising energy costs. The growing geopolitical risks and reliance on imported raw materials and technologies pose significant vulnerabilities for businesses. To address these risks, companies must enhance supply chain security and reduce dependency on high-risk markets.

State-owned companies should also uphold **high standards of transparency and disclosure**, including the preparation of high-quality financial and sustainability reports. Reporting by SOEs must be timely, accurate, consistent, concise, and transparent in content and form, and must comply with the law, the CGCSOE, SSH Recommendations and Expectations, and the company's adopted internal policies and regulations. Companies subject to the CSRD Directive must prepare in advance for compliance according to the directive's timeline, which will be incorporated into national law through the ZGD-1M amendment. Companies not required to report under CSRD and ESRS standards are encouraged to use ESRS standards when selecting reporting metrics and ESG content.

Taking into account the specific characteristics of individual companies and their activities, SSH will focus its monitoring of sustainable business objectives primarily on the following aspects:

- **Environmental aspect (E):**

- **Calculation of carbon footprint under scopes 1, 2, and 3 of the GHG protocol, decarbonisation targets for 2025 and 2030, and comprehensive decarbonisation plans.**

- It is essential for SSH that decarbonisation plans are credible, feasible, and transparent, supported by a clear strategy with realistic and time-bound emission reduction targets. It is equally important that these plans include specific and actionable measures, rather than general commitments without evidence of feasibility, and that they comply with European regulatory frameworks, such as ESRS standards and the Paris Climate Agreement.

- **Social aspect (S)** encompasses investment in education and employee development, with a focus on future skills, alongside the development and management of key talent, ensuring employee safety, addressing absenteeism and staff turnover, and promoting corporate social responsibility initiatives.
- **Governance aspect (G)** covers corporate governance quality, enhancing diversity within executive and supervisory bodies, ensuring gender pay equity, and integrating sustainability indicators into executive remuneration frameworks.

VI. Corporate Culture, Diversity, Human Rights

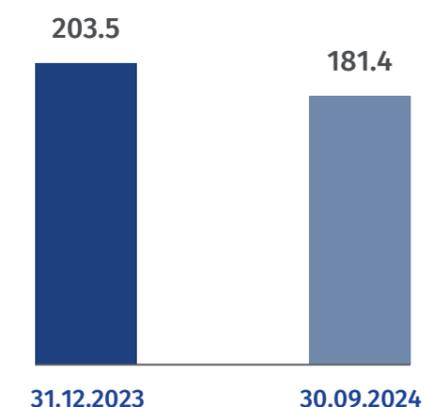
All three topics—**corporate culture, diversity, and human rights**—are interconnected and can strongly influence a company's business results, each in its own way. Companies that effectively manage these areas of business are more likely to achieve their business goals, meet stakeholder expectations, and uphold their broader social responsibilities.

SSH Recommendations and Expectations include guidelines on the governance of corporate culture as well as **diversity, equity, and inclusion (DEI)**, and the existing recommendation on **responsible business conduct and respect for human rights in business operations** has also been updated. In 2024, the CS3D Directive was adopted, with the primary objective of establishing a standard for human rights and environmental protection, which, once implemented into national law, will become binding for the most significant portfolio companies.

4. MANAGEMENT OF CLAIMS

As at 30 September 2024, SSH held 528 claims with smaller exposures to debtors and 58 claims with significant exposures to debtors both in Slovenia and abroad. Claims are managed individually at the level of each debtor or, where appropriate, at the level of a business group as a whole.

FIGURE 7: BOOK VALUE OF CLAIMS UNDER MANAGEMENT (IN EUR MILLION)



The primary objective in the management of claims is to maximise the value to SSH, whereby, in case when SSH is both a creditor and an owner of the debtor (has an ownership interest in the debtor), the aim is to maximise the combined value of claims held by the debtor and the creditor. The claims management also includes the management of selected capital assets for which the primary objective is to repay the SSH's claims.

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

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

A restructuring strategy is implemented when it is reasonably expected that a debtor will be able to repay more claims than the creditor would be able to recover through the recovery (realisation) of the collateral. As a general rule, the restructuring strategies provide for a higher claim recovery rate than the collateral realisation or sale strategies. Therefore, where economically viable, SSH will strive for the restructuring of as many companies/business groups as possible, as, in addition to higher repayment, this also has a positive impact on the broader socio-economic environment. Not only does this result in a higher recovery rate, but it also preserves or even increases the number of jobs, it can preserve and even strengthen Slovenian brands, and it allows for the further development of the environment in which the debtor/company operates. Certainly, the decision on restructuring must take into account the EU rules on state aid.

The objective to restructure a company is to ensure the long-term efficiency of the debtor's operations, its liquidity and competitiveness and to maximise the repayment of debts through cash flows from operations and the divestment of unnecessary assets. Fi-

financial restructuring measures are often carried out in cooperation with other financial creditors. Financial restructuring measures allow debtors to extend the repayment period, reduce the interest rate, partially deleverage (mainly through the identification and sale of unnecessary assets of the company), improving the capital structure and providing additional liquidity. Claims may also be converted into equity and other claims may be taken over or purchased.

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

The following policies will be observed in the management of claims:

- maximising the value of claims through restructuring, where this strategy is assessed to be economically viable;
- providing liquidity to debtors or companies undergoing restructuring process that are not yet in a position to restructure themselves in the market, where this is economically and commercially viable and does not mean unlawful state aid;
- The repayment in full or in part of a debtor's claim where the restructuring, recovery or sale of the claim will not result in the highest economic value;
- the pursuit of a strategy to realise the collateral in companies where restructuring is not possible due to the debtor's non-cooperation or inability to cooperate;
- initiating insolvency proceedings against the debtor if the debtor cannot survive as a going concern on the market and if there is no commercially viable offer to purchase or (partially) repay the claims of SSH;
- the sale of a claim or a block of claims in such a way that they are offered for purchase to commercial banks and other interested investors in a competitive and transparent sales procedure;
- taking over the collateral securing the claims (real estate, movable property, receivables, equity investments, rights, etc.), if this is deemed economically viable;
- active management by SSH of collateral for securing claims in the insolvency proceedings of debtors with the aim of ensuring their protection and increasing the value of this collateral (in particular real estate given as collateral for claims);
- charging above-market interest rates in a way that encourages debtors to refinance at least part of their debt with cheaper funding on the banking market.

SSH has an effective claims management system in place. Claims management is the task entrusted to qualified professional managers who have in place well-established processes for effective management and possess the necessary competences in debt restructuring, both financially and operationally. Their responsibility is to skilfully manage complex cases and achieve successful resolutions. The already established claims management processes can be upgraded and effectively supported, partly by internal and partly by external solutions.

claims management will be implemented on the basis of credit decisions relating to debtors' receivables. The basis for each credit decision is the claim management plan prepared by the claim manager. Such plan shall set out the strategies for maximising the value of each claim, as well as present the details of the debtor, the amount of exposure to the debtor and the reasons that led to the debtor's potential illiquidity or insolvency, and a clear rationale for the proposal to take a credit decision.

SSH's projected cash flows arising from claims management in 2025 are shown in the Special Section of the AAMP (in the Chapter entitled Cash Flow from Claims Management).

5. MANAGEMENT OF TANGIBLE ASSET

As of 31 December 2023, SSH's real estate operations, along with its employees, were transferred to DSU. Consequently, in 2024, SSH will manage physical assets owned by SSH or held as collateral for claims in collaboration with DSU, in accordance with the service agreement signed between the two entities. SSH retains ownership of certain properties, such as office spaces used for SSH's operations, parking spaces in PH Metelkova, and other assets including artworks, aircraft, and trademarks, as well as assets acquired in 2024 as collateral for outstanding claims. As part of its claims recovery process, SSH will continue to take over specific real estate properties in 2025, either through bankruptcy proceedings or direct acquisitions from debtors. However, due to the complexity of insolvency proceedings, it is difficult to predict which physical assets will be acquired during this period.

The management of SSH's tangible assets will continue to include the disposal of real estate and movable assets owned by SSH, as well as other forms of tangible asset management. As at 30 September 2024, SSH held under ownership nine sets of real estate units¹⁸ with a total book value of EUR 1,9 million. The majority of this value comes from parking spaces in GH Metelkova, followed by residential and commercial buildings and land plots.

ALLOCATION OF TANGIBLE ASSET

The fundamental goal in managing real estate is to achieve maximum value for SSH. To achieve this objective, SSH defines measures to enhance value and ensure effective marketing for each individual property or real estate portfolio within its asset management plan. The majority of tangible assets are intended for sale, while a portion is also designated for (long-term) leasing or lending, such as artworks.

ACTIVITIES PURSUED IN MANAGEMENT OF TANGIBLE ASSETS

SSH will carry out all necessary management activities, handling cases in a comprehensive manner, to maintain and increase the value of real estate.

As part of management activities, SSH will ensure that tangible assets are adequately protected (against damage and unauthorized use by third parties) and insured and that its value is preserved and increased. Regular management activities also include addressing legal and technical deficiencies and errors (obtaining missing documentation and permits, legalization procedures, resolving disputes with neighbours and former contractors, subcontractors, etc.). SSH may also manage real estate, as needed, which has been provided as collateral for claims by debtors.

Tangible assets intended for sale will be sold through appropriate advertising in transparent sales processes. In cases of significant interest in purchasing, sales will typically be conducted through electronic auctions.

In 2025, SSH will not manage its real estate assets with its own staff; instead, DSU will oversee the management on SSH's behalf. In the asset management process, DSU will primarily engage third-party service providers for various tasks, including property administration, asset security, maintenance, spatial planning development, construction, trade, and installation work, as well as tax, technical, and legal advisory services, and brokerage for sales transactions.

SSH's projected cash flows arising from the management of tangible assets in 2025 are shown in the Special Section of the AAMP (in the Chapter entitled Cash Flow from Claims Management).

¹⁸ A set of real estate units represents a cohesive collection of multiple real estate assets (such as multiple land parcels at the same location, several individual parts of a building within the same structure, etc.).



SLOVENIAN SOVEREIGN HOLDING