



KAPITALSKA DRUŽBA

# Planning growth

Annual Report of Kapitalska družba, d. d.

2020

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2020

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# List of abbreviations used

<b>SMA</b>	Securities Market Agency
<b>ISA</b>	Insurance Supervision Agency
<b>GDP</b>	Gross Domestic Product
<b>BOE</b>	Bank of England
<b>BOJ</b>	Bank of Japan
<b>BVAL</b>	Bloomberg Valuation Service
<b>CBBT</b>	Composite Bloomberg Bond Trader
<b>ECB</b>	European Central Bank
<b>EU</b>	European Union
<b>EUR</b>	Euro – currency of the European Union
<b>FED</b>	US Federal Reserve
<b>FARS</b>	Financial Administration of the Republic of Slovenia
<b>IMF</b>	International Monetary Fund
<b>KDD</b>	Central Securities Clearing Corporation
<b>MLFSAEO</b>	Ministry of Labour, Family, Social Affairs and Equal Opportunities
<b>MKPS</b>	Modri Umbrella Pension Fund
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards
<b>OdSUKND</b>	Decree on the Strategy for Managing State Capital Investments (Official Gazette of the Republic of Slovenia No. 53/2015)
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>IASB</b>	International Accounting Standards Board
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>OTC</b>	Over-the-counter market
<b>PDPZ</b>	Voluntary supplementary pension insurance
<b>RS</b>	Republic of Slovenia
<b>SBITOP</b>	Central Slovenian stock market index
<b>SDH</b>	Slovenski državni holding, d. d. (or Slovenski državni holding)
<b>SODPZ</b>	Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia
<b>USD</b>	US dollar – legal tender of the United States of America
<b>VaR</b>	Value At Risk
<b>ZDDPO-2</b>	Corporate Income Tax Act (Official Gazette of the Republic of Slovenia, Nos. 117/2006, 90/2007, 76/2008, 56/2008, 92/2008, 5/2009, 96/2009, 110/2009 – ZDavP-2B, 43/2010, 59/2011, 30/2012, 24/2012, 94/2012, 81/2013, 50/2014, 23/2015, 82/2015, 68/2016, 69/2017, 79/2018 and 66/2019)
<b>ZFPPIPP</b>	Financial Operations, Insolvency and Compulsory Dissolution Act (Official Gazette of the Republic of Slovenia, Nos. 126/2007, 40/2009, 59/2009, 52/2010, 106/2010 – ORZFPPIPP21, 26/2011, 47/2011 – ORZFPPIPP21-1, 87/2011 – ZPUOOD, 23/2012 – Constitutional Court ruling, 48/2012 – Constitutional Court ruling, 47/2013, 100/2013, 10/2015 – amended, 27/2016, 31/2016 – Constitutional Court ruling, 38/2016 – Constitutional Court ruling, 63/2016 – ZD-C, 30/2018 – ZPPDID, 54/2018 – Constitutional Court ruling, 69/2019 – Constitutional Court ruling, 49/2020 – ZIUZEOP, 61/2020 – ZZUSUDJZ-A, 61/2020 – ZIUZEOP-A, 74/2020 – Constitutional Court ruling, 85/2020 – Constitutional Court ruling, 203/2020 – ZIUOPDVE and 43/2021)

<b>ZGD-1</b>	Companies Act (Official Gazette of the Republic of Slovenia, Nos. 42/2006, 60/2006 – amended, 26/2007 – ZSDU-B, 33/2007 – ZSReg-B, 67/2007 – ZTFI, 10/2008, 68/2008, 42/2009, 33/2011, 91/2011, 100/2011 – Constitutional Court ruling, 32/2012, 57/2012, 44/2013 – Constitutional Court ruling, 82/2013, 55/2015, 15/2017, 22/2019 – ZPosS, 158/2020 – ZIntPK-C, 175/2020 – ZIUOPDVE and 18/2021)
<b>ZIPRS2122</b>	Implementation of the Budget of the Republic of Slovenia for 2021 and 2022 Act (Official Gazette of the Republic of Slovenia, Nos. 75/2019, 36/2020 – ZIUJP, 49/2020 – ZIUZEOP, 61/2020 – ZDLGPE, 89/2020, 133/2020, 175/2020 – ZIUOPDVE, 203/2020 – ZIUOPDVE and 174/2020 – ZIPRS2122)
<b>ZIUOPDVE</b>	Act on Emergency Measures to Assist in Mitigating the Consequences of the Second Wave of the COVID-19 Epidemic (Official Gazette of the Republic of Slovenia Nos. 203/2020, 5/2021, 12/2021, 12/2021, 15/2021 – ZDUOP, 38/2021 and 43/2021).
<b>ZIUZEOP</b>	Act Determining Emergency Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Official Gazette of the Republic of Slovenia Nos. 49/2020, 61/2020, 67/2020, 80/2020 – ZIUOOPE, 101/2020 – Constitutional Court ruling, 152/2020 – ZZUOOP, 175/2020 – ZIUOPDVE, 203/2020 – ZIUOPDVE and 15/2021 – ZDUOP)
<b>ZNVP-1</b>	Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, Nos. 75/2015, 74/2016 – ORZNVP48, 5/2017, 15/2018 – Constitutional Court Ruling and 43/2019)
<b>ZODPol</b>	Organisation and Work of the Police Act (Official Gazette of the Republic of Slovenia Nos. 15/2013, 11/2014, 86/2015, 77/2016, 77/2017, 36/2019 and 66/2019 – ZDZ and 200/2020)
<b>ZPIZ</b>	Pension and Disability Insurance Institute
<b>ZPIZ-1</b>	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia Nos. 106/1999, 72/2000, 81/2000 – ZPSV-C, 124/2000, 52/2001, 109/2001, 11/2002, 108/2002, 114/2002, 110/2002 – ZISDU-1, 29/2003, 40/2003 – Constitutional Court ruling, 63/2003 – ZIPRS0304-A, 63/2003 – Constitutional Court ruling, 133/2003, 135/2003, 25/2004, 63/2004 – ZZRZI, 136/2004 – Constitutional Court ruling, 2/2004 – ZDSS-1, 54/2004 – ZDoh-1, 8/2005, 72/2005, 111/2005, 23/2006, 69/2006, 112/2006 – Constitutional Court ruling, 114/2006 – ZUTPG, 17/2007, 5/2008, 10/2008 – ZVarDod, 73/2008, 53/2009, 98/2009 – ZIUZGK, 27/2010 – Constitutional Court ruling, 38/2010 – ZUKN, 56/2010, 79/2010 – ZPKDPIZ, 94/2010 – ZIU, 57/2011, 94/2011 – Constitutional Court ruling, 105/2011 – Constitutional Court ruling, 61/2010 – ZSVarPre, 40/2011 – ZSVarPre-A, 110/2011 – ZDIU12, 40/2012 – ZUJF, 96/2012 – ZPIZ-2, 9/2017 – Constitutional Court ruling)
<b>ZPIZ-2</b>	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 96/2012, 39/2013, 46/2013 – ZIPRS1314-A, 63/2013 – ZIUPTDSV, 99/2013 – ZSVarPre-C, 101/2013 – ZIPRS1415, 111/2013 – ZMEPIZ-1, 44/2014, 85/2014 – ZUJF-B, 95/2014 – ZIUPTDSV-A, 97/2014 – ZMEPIZ-1A, 95/2014 – ZIPRS1415-C, 95/2014 – ZUPPJS15, 95/2014 – ZUJF-C, 31/2015 – ZISDU-3, 90/2015 – ZIUPTD, 90/2015 – ZUPPJS16, 96/2015 – ZIPRS1617, 102/2015, 42/2016 – Constitutional Court ruling, 80/2016 – ZIPRS1718, 88/2016 – ZUPPJS17, 40/2017, 23/2017, 75/2017 – ZIUPTD-A, 65/2017, 71/2017 – ZIPRS1819, 28/2019, 75/2019 – ZIPRS2021, 75/2019 – ZUPPJS2021, 75/2019, 36/2020 – ZIUJP, 49/2020 – ZIUZEOP, 61/2020 – ZIUZEOP-A, 139/2020 – ZUPPJS2021-A, 139/2020, 174/2020 – ZIPRS2122, 189/2020 – ZFRO and 15/2021 – ZDUOP)
<b>ZPIZ-2G</b>	Act Amending the Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 75/2019)
<b>ZPPOGD</b>	Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, Nos. 21/2010, 8/2011 and 23/2014 – ZDIJZ-C)
<b>ZSDH-1</b>	Slovenian Sovereign Holding Company Act (Official Gazette of the Republic of Slovenia, Nos. 25/2014, 96/2015 – ZIPRS1617, 80/2016 – ZIPRS1718, 71/2017 – ZIPRS1819, 51/2018 – ZIUGDT and 174/2020 – ZIPRS2122)
<b>ZUJIK</b>	Act Governing the Promotion of Public Interest in Culture (Official Gazette of the Republic of Slovenia, Nos. 96/2002, 123/2006 – ZFO-1, 7/2007 – Constitutional Court ruling, 53/2007, 65/2007 – Constitutional Court ruling, 56/2008, 4/2010, 20/2011, 100/2011 – Constitutional Court ruling, 111/2013, 68/2016, 61/2017, 21/2018 – ZNOrg and 49/2020 – ZIUZEOP)
<b>ZZavar-1</b>	Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 93/2015, 9/2019, 49/2020 – ZIUZEOP and 102/2020)


# 1

## Highlights from the annual report

- | Excluding taxes and the transfer to the ZPIZ, other comprehensive income would have amounted to EUR 83.8 million, and to EUR 35.2 million following the transfer to the ZPIZ and including deferred taxes.
- | Kapitalska družba achieved a return on financial assets of 7.97%.
- | Kapitalska družba is a capitally sound and stable company, with nearly EUR 1.1 billion in assets as at 31 December 2020.
- | Operating revenue totalled EUR 11.4 million in 2020.
- | Financial revenue totalled EUR 44.5 million in 2020.
- | Operating profit amounted to EUR 5.4 million. Excluding the transfer to the ZPIZ, net profit for 2020 would have amounted to EUR 42.7 million.

- | The net loss following the transfer to the ZPIZ and taking into account deferred taxes amounted to EUR 7.3 million.
- | Kapitalska družba, d. d. transferred EUR 50 million to the budget of the ZPIZ in 2020, bringing total payments between 1999 and 2020 to EUR 914.3 million.
- | The value of assets under management by Kapitalska družba in the SODPZ was EUR 846.6 million at the end of 2020.
- | The actual return on the SODPZ was 2.24% in 2020.
- | A total of 48,570 policyholders held savings in the SODPZ at the end of 2020.



A close-up photograph of a person's hand holding a small, round, light-colored pot containing a young plant with four green leaves. The background is a dark, textured surface of soil or mulch. A semi-transparent blue rectangular overlay covers the right side of the image, containing the title text.

# Introduction to the Annual Report



# 2

## Presentation of Kapitalska družba, d. d.

### 2.1 GENERAL INFORMATION

#### 2.1.1 Company

**Company name:** Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.

**Abbreviated company name:** Kapitalska družba, d. d. (hereinafter: Kapitalska družba)

**Company name in English:** Pension Fund Management

**Registered office:** Dunajska cesta 119, Ljubljana,

**Registration number:** 5986010000

**VAT ID number:** SI59093927

**Entry in companies register:** Ljubljana District Court, reg. no. 1/28739/00

#### 2.1.2 Ownership structure and data regarding capital

The Republic of Slovenia was Kapitalska družba's sole shareholder as at 31 December 2020.

The Company's share capital, amounting to EUR 364,809,523.15, is divided into 874,235 ordinary registered no-par-value shares. Each no-par-value share represents the same stake and corresponding amount in the share capital.

#### 2.1.3 Activities of the Company

Kapitalska družba's principal activity is the provision of supplementary funding for pension and disability insurance through the management of its own assets and the management of the Compulsory Supplementary Pension Insurance Fund (hereinafter: the SODPZ). Kapitalska družba also performs other activities related to asset management and provides asset management support services.

Kapitalska družba's activities are defined by the law and the Company's Articles of Association, according to which Kapitalska družba performs the following activities:

- 58.110 Book publishing
- 58.120 Publishing of directories and mailing lists
- 58.130 Publishing of newspapers
- 58.140 Publication of magazines and other periodicals
- 58.190 Other publishing activities
- 58.290 Other software publishing
- 59.200 Sound recording and music publishing activities
- 62.010 Computer programming activities
- 62.020 Computer consultancy activities
- 62.030 Computer facilities management activities
- 62.090 Other information technology and computer service activities
- 63.110 Data processing, hosting and related activities
- 63.120 Web portals
- 64.200 Activities of holding companies
- 64.300 Trusts, funds and similar financial entities
- 64.990 Other financial service activities, except insurance and pension funding activities n.e.c.
- 65.300 Pension fund activities
- 66.210 Risk and claims assessment
- 66.290 Other auxiliary activities for insurance and pension funding
- 68.100 Buying and selling of own real estate
- 68.200 Renting and operating of own or leased real estate
- 69.200 Accounting, bookkeeping and auditing activities; tax consultancy
- 70.100 Activities of head offices
- 70.220 Business and other management consultancy activities
- 73.200 Market research and public opinion polling
- 85.590 Other education n.e.c.
- 85.600 Educational support activities

## 2.1.4 Company bodies

### 2.1.4.1 Management Board

Kapitalska družba was run by its Management Board in 2020 in the following composition:

- | President of the Management Board Bachtar Djalil who began his term of office on 3 January 2019;
- | Member of the Management Board Goranka Volf who began her new term of office on 25 November 2020;<sup>1</sup> and.
- | Member of the Management Board Gregor Bajraktarević who began his term of office on 7 February 2018.

The President and members of Kapitalska družba's Management Board were appointed by the Supervisory Board in accordance with the Company's Articles of Association and the provisions of the ZSDH-1, on the basis of a public tender procedure.<sup>2</sup>

One of the members of the Management Board is appointed the President thereof. Members of the Management Board serve a four-year term of office and may be re-appointed.

The Management Board of Kapitalska družba has no powers to issue or purchase treasury shares.

### 2.1.4.2 Supervisory Board

The Supervisory Board of Kapitalska družba functioned in the following composition in 2020:

- | Stanislav Seničar, Chairman,
- | Dr Boris Žnidarič, Deputy Chairman,
- | Aleksander Mervar, MSc, member,
- | Ladislav Rožič, MSc, member,
- | Natalija Stošicki, member (until 8 April 2020), and
- | Mirko Miklavčič, member.

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners. One member is appointed on the basis of a proposal by national-level trade union federations or confederations. If an individual interest group does not formulate a proposal for the appointment of members of the Supervisory Board in the manner defined below, the Company's General Meeting appoints missing members at its own discretion. The proposal for candidates to represent SDH is formulated by SDH, which informs the Supervisory Board of its choice. The proposal for candidates to represent pensioners is formulated by national-level federations/organisations of pensioners, which inform the

<sup>1</sup> Ms Volf began her previous four-year term of office on 24 November 2016.

<sup>2</sup> In accordance with Article 33 of the Articles of Association, member of the Management Board Goranka Volf was appointed for a term of office of no more than one year from the day she assumed her function.

Supervisory Board of their choice. The proposal for a candidate to represent trade unions is voted on by representatives (electors) of national-level representative federations/confederations, which inform the Supervisory Board of their choice. Each representative federation/confederation has as many representatives as the number of representative trade unions amalgamated within them. In addition to the representatives referred to in the preceding sentence, a federation/confederation each has one representative for every ten thousand members. Members of the Supervisory Board serve a four-year term of office and may be reappointed.

The four-year term of office of Natalija Stošicki ended on 8 April 2020. A new member has not been appointed to the Supervisory Board since that date. The Supervisory Board has therefore functioned with five members since 9 April 2020.

### 2.1.4.3 General Meeting

The rights of the sole shareholder are exercised by the Slovenian government.

## 2.1.5 Diversity policy

Kapitalska družba does not implement a diversity policy in connection with representation on the Company's management and supervisory bodies in terms of gender, age and education, but is planning to formulate a policy in 2021.

# 3

## Statement of the Management Board

In a year like no other, Kapitalska družba once again achieved its dual mission in 2020: the provision of supplementary funding for the public pension and disability insurance system and the effective provision of occupational insurance.

Although analysts have been forecasting the cooling of the economy and a reverse in the economic cycle for some time, the health and resulting economic crisis in connection with COVID-19 was a major and unexpected shock. Economic activity slowed and came to a complete standstill in certain sectors. With the declaration of the epidemic during the second half of March 2020, economic forecasts published by various institutions at the end of 2019 became useless.

This extraordinary and uncertain time required prompt and effective action. Kapitalska družba adapted quickly: the Company's entire operations shifted to 'remote access' overnight and became virtual during the first wave of the epidemic in the spring. We successfully organised work from home, and continued with the management of the Company's assets and the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (hereinafter: the SODPZ) in new and unfamiliar circumstances. We are proud to say that our employees reacted with great enthusiasm and mastered work from home overnight to ensure business continuity. Even during the period of remote operations, we pursued our core values: security, professionalism, responsibility, honesty, teamwork and a focus on customers.

Following a relatively 'normal' summer, the epidemic was declared for a second time at the end of October. The final quarter of last year was characterised by the re-establishment of work from home and a high degree of uncertainty. Crisis management at the Company was again forced to focus on the most crucial aspects of operations and the protection of our employees' health. All of this required the accelerated adoption of the decision to digitalise operations. Responsible corporate governance and transparency, as constant commitments of Kapitalska družba, became more important than ever before in such demanding circumstances.

The past year proved that no activity is completely resistant to severe and unexpected shocks in the external environment. It also shows that sound information support, in conjunction with digital technology, is crucial for the rapid transformation of operations. We thus pursued our established objectives safely in 2020 and achieved them with the great effort made by all employees.

In accordance with its balanced and cost-effective governance policy, Kapitalska družba generated an operating profit in the amount of EUR 5.4 million in 2020, an increase of 22% relative to the previous year. Comprehensive income totalled EUR 35.2 million, and EUR 85.2 million excluding the transfer to the Pension and Disability Insurance Institute of Slovenia (hereinafter: the ZPIZ). A net operating loss in the amount of EUR 7.3 million was generated during the 2020 financial year. Excluding the transfer to the ZPIZ, net profit for 2020 would have been EUR 50 million higher at EUR 42.7 million, without taking into account tax effects.

In terms of the content of its activities and with regard to its business objectives, Kapitalska družba has functioned as a demographic reserve fund since its establishment, makes regular payments to the public pension system and thus helps cover the pension costs incurred by the ZPIZ. Kapitalska družba transferred EUR 50 million to the ZPIZ in 2020. The total amount of all previous transfers made by Kapitalska družba to the ZPIZ since 1999 surpassed EUR 914 million in 2020. This represented more than 84% of the state budget's liabilities to the ZPIZ last year. Through the sustained fulfilment of our commitments, we contribute to a reliable Slovenian pension system, although those total payments exceed the assets at Kapitalska družba's disposal. In accordance with the strategy for managing state capital investments, a significant portion of those investments are classified as strategic or material, i.e. assets that are difficult to sell.

Because our mission is the permanent and sustainable development of a long-lived Slovenian society, our efforts are not simply for the benefit of the public pension system, but also focus on providing occupational pensions to employees in particularly difficult jobs. Occupational insurance, which is based on the actual savings of policyholders in a given period, is replacing pensions that are financed on the fly, and therefore represents a modern form of pension payment founded on a capital basis. The aforementioned insurance facilitates early retirement for employees who perform especially difficult work and work that is harmful to their health, and work that can no longer be performed successfully after a certain age, and does not use general government and budget sources. These pensions are one of many possible sustainable forms that will become increasingly important due to the unfavourable demographic characteristics of Slovenian society.

The savings of more than 48,000 policyholders in the amount of EUR 844 million are accumulated in the SODPZ, making it the second largest pension fund in Slovenia. The Company achieved a return of 2.24%



in 2020 through the management of policyholders' assets. At the end of 2020, 299 retirees received an occupational pension, while gross occupational pensions paid amounted to EUR 4.2 million during the year. In 2020, a total of 789 policyholders requested a lump-sum payment or the transfer of funds to the supplementary pension insurance system in the combined amount of EUR 19.8 million.

Based on the new tasks imposed on Kapitalska družba by the Act Amending the Pension and Disability Insurance Act (hereinafter: the ZPIZ-2G), tasks in connection with the management of the SODPZ were supplemented in 2020 with control over occupational insurance contributions and payments. Processes in connection with the control and collection of unpaid contributions required the formulation of new rules and requirements, as well as the establishment of technical and substantive cooperation with external institutions, such as the Financial Administration of the Republic of Slovenia (hereinafter: the FARS), the Central Population Register (hereinafter: the CRP) and the ZPIZ. During the process of establishing control, we developed processes for monitoring the status of policyholders and precise procedures for comparing the data of taxpayers and the FARS, all the way to the filing of enforcement motions. For this reason, it was also necessary to amend the occupational insurance pension plan. Kapitalska družba invested a great deal of funds in IT support for internal processes and IT support for the most effective communication with the aforementioned institutions, which will require further upgrading this year. Our aim is to establish sustainable partnerships with liable parties who are gradually adopting stricter control rules, and with external institutions who submit comparable data to the Company.

The Company's business processes in connection with corporate governance and the SODPZ require an effective data-based culture. For this reason, special attention was given in 2020 to the establishment of a data warehouse that will facilitate the use of advanced tools for business analytics. Many opportunities that we will exploit in the near future await us in this area.

Of particular importance in 2020 was comprehensive risk management. The latter is becoming increasingly more demanding, and is being transformed from a more traditional form into a key strategic function. The formulation of a strong internal culture of comprehensive risk management has become a basic component of contemporary corporate governance. We therefore made changes to the organisational culture last year. The aforementioned changes are targeted at improving the efficiency and performance of every employee. They are part of the process of constant improvements and support Kapitalska družba's efforts to achieve business excellence. Empowered and motivated employees who are distinguished by a strong work ethic, knowledge and creativity are a guarantee for the further development of Kapitalska družba and its growing role in the Slovenian pension system.

Through continuous changes, we aim to increase employee productivity, and most importantly reduce the volume of unnecessary work, improve the work environment and make full use of employees' competences. Those efforts include the project of IT support for the document system, which represents the core element of a contemporary document archiving system and the basis for the introduction of paperless operations. With the document system, which we introduced at the beginning of this year, Kapitalska družba continues its efforts to ensure green, environmentally-oriented operations.

With a focus on objectives and a commitment to business excellence, our aim is to actively participate in the formulation of Slovenia's future pension system, remain a professional and successful manager

of the Company's assets and the assets of the pension fund, and to operate as a socially responsible and sustainability-oriented company. In the uncertain circumstances due the persistence of COVID-19, we continue to pursue our mission and vision as an increasingly important pension institution. Our success brings satisfaction to all stakeholders, with whom we strive in the current crisis to improve the pensions of current and future pensioners in Slovenia.



**Gregor BAJRAKTAREVIĆ**  
Member of the  
Management Board



**Goranka VOLF**  
Member of the  
Management Board



**Bachtiar DJALIL**  
President of the  
Management Board

# 4

## Report of the Supervisory Board of Kapitalska družba

### REPORT OF THE SUPERVISORY BOARD OF KAPITALSKA DRUŽBA FOR 2020

Pursuant to Article 282 of the ZGD-1, the Supervisory Board of Kapitalska družba hereby submits the following report to the Company's General Meeting.

#### **a) Report of the Supervisory Board on the method and extent of the verification of the Company's management during the financial year**

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners and one is appointed on the basis of a proposal by national-level trade union federations or confederations. The same conditions and criteria that apply to members of SDH's Supervisory Board apply to the members of Kapitalska družba's Supervisory Board. Members of Kapitalska družba's Supervisory Board serve a four-year term of office and may be reappointed.

In 2020, the Supervisory Board of Kapitalska družba functioned in the following composition up to and including 8 April 2020: Stanislav Seničar (Chairman), Dr Boris Žnidarič (Deputy Chairman), Aleksander Mervar, MSc (member), Natalija Stošicki (member), Mirko Miklavčič (member) and Ladislav Rožič, MSc (member). The four-year term of office of the member of the Supervisory Board Natalija Stošicki ended on 8 April 2020, and a new member has not been appointed to the Supervisory Board since that date. The Supervisory Board has therefore functioned with five members since 9 April 2020.

All members were actively included in the work of the Supervisory Board, in particular through their regular attendance at sessions and through their participation in discussions and the adoption of decisions. In connection with the adoption of decisions by the Supervisory Board, the rules of procedure of Kapitalska družba's Supervisory Board include provisions regarding steps to be taken in the event of a potential conflict of interests.

The Supervisory Board met at 18 sessions during the 2020 financial year as follows: 5 regular sessions and 13 correspondence sessions.

Particular attention in the monitoring of Kapitalska družba's operations in 2020 was given to monitoring the management of the company's assets and to monitoring the management of the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ), which is managed by Kapitalska družba. At the beginning of the year, the Supervisory Board defined its work programme and key priorities for 2020, taking into account the adopted company strategy, which was co-created by the Supervisory Board.

At its 182nd session of 14 May 2020, the Supervisory Board approved the annual report of Kapitalska družba for the 2019 financial year, adopted the report on the verification of the company's annual report for 2019 and approved the proposal on the use of distributable profit. At the same session, the Supervisory Board was also briefed on the audited annual report of the SODPZ for 2019. At its 186th session of 17 June 2020, the Supervisory Board approved the consolidated annual report of the Kapitalska Družba Group for the 2019 financial year, adopted the report on the verification of the

consolidated annual report of the Kapitalska Družba Group for 2019 and approved the convening of a session of the company’s general meeting.

The Supervisory Board was regularly briefed on the operations of the subsidiary Modra zavarovalnica, d. d. Special attention was given to the company’s management activities, in the scope of which individual Slovenian investments of significant value (some of them are defined as strategic or important investments by the national strategy) were presented and discussed in detail by quarters at sessions of the Supervisory Board. For these investments, the Management Board also obtained the Supervisory Board’s consent with regard to the voting positions it formulated, prior to exercising the company’s voting rights at the general meetings of the companies involved. In accordance with the provisions of the company’s articles of association, the members of the Supervisory Board also gave the Management Board their consent to conclude transactions for the purchase and sale of securities and participating interests when the value of a specific transaction exceeded the value set out in the relevant Supervisory Board resolution.

At its 194th session of 17 December 2020, the Supervisory Board gave its consent to Kapitalska družba’s business-financial plan for the 2021 financial year.

At its 189th session of 3 September 2020, the Supervisory Board decided not to open the call for candidates for a member of the Management Board after the expiration of Goranka Volf’s term of office due to the planned transformation of Kapitalska družba. In accordance with the provision of the Articles of Association, it appointed Goranka Volf as member of the Management Board at the same session. Her term of office was to be no more than one year from the day she assumed her function. Goranka Volf began her term of office on 25 November 2020.

The Supervisory Board carried out a self-assessment of the effectiveness of its work. In assessing its effectiveness, the Supervisory Board relied on the self-assessment matrix published in the Manual for Assessing the Effectiveness of Supervisory Boards, adopted by the Slovenian Directors’ Association. Based on the self-assessment, the Supervisory Board adopted a set of measures to improve its work.

An audit committee, accreditation committee and HR committee functioned as advisory bodies to the Supervisory Board in 2020. The Supervisory Board finds that it cooperated with the committees, Management Board and expert departments effectively, properly and professionally at all times.

The earnings of members of the Supervisory Board and the external members of its committees are disclosed in the annual report in Tables 58 and 59.

*Work of the Supervisory Board’s audit committee*

In 2020, the Supervisory Board’s audit committee of Kapitalska družba functioned in the following composition until 8 April 2020: Natalija Stošicki (chair), Aleksander Mervar, MSc, Ladislav Rožič, MSc, and Mirko Miklavčič (members), and Mojca Verbič (external member). The audit committee functioned in the following composition from 14 April 2020 on: Ladislav Rožič, MSc (chair), Aleksander Mervar, MSc, and Mirko Miklavčič (members), and Natalija Stošicki and Mojca Verbič (external members).

The audit committee met at eight sessions in 2020, one of which was a correspondence session. In its work, the audit committee complied with the provisions of the ZGD-1 with respect to its competences and with the provisions of the rules of procedure of the audit committee as adopted by the Supervisory

Board. The audit committee represented a permanent working body of the Supervisory Board; it closely monitored the operations of the company and the work of the Management Board for the needs of the Supervisory Board’s decisions. In addition to its legally prescribed tasks, the audit committee also reviewed the interim reports on the operations of Kapitalska družba, its subsidiary and the SODPZ under Kapitalska družba’s management, and it also performed additional tasks by authorisation of the Supervisory Board. It was briefed on information regarding the performance of individual investments of significant value. It also monitored the work of the internal audit department. The audit committee carried out a self-assessment of its work. The audit committee regularly briefed the Supervisory Board on its work during sessions of the Supervisory Board.

*Work of the Supervisory Board’s accreditation committee*

The Supervisory Board’s accreditation committee functioned in the following composition in 2020: Dr Boris Žnidarič (chair), Aleksander Mervar, MSc, and Ladislav Rožič, MSc (members), and Dr Alenka Stanič, Irena Prijović, MSc, and Gorazd Žmavc (external members).

The accreditation committee met at four sessions in 2020. The accreditation committee’s task was to provide support to the Supervisory Board in the supervision of the management of the company’s transactions as they relate to the governance of companies in which Kapitalska družba holds capital investments. In its work, the accreditation committee complied with the provisions of the rules of procedure of the accreditation committee as adopted by the Supervisory Board.

*Work of the HR committee*

The Supervisory Board’s HR committee functioned in the following composition in 2020 until 8 April 2020: Aleksander Mervar, MSc (chair), and Mirko Miklavčič and Natalija Stošicki (members). It functioned in the following composition from 9 April 2020 on: Aleksander Mervar, MSc (chair), and Mirko Miklavčič (member).

The HR committee met at two sessions in 2020, both of which were correspondence sessions. The committee’s primary task was to support the Supervisory Board in the definition of the variable component of remuneration of the members of the Company’s Management Board and to conduct a preliminary review of the contract concluded with a member of the Management Board.

**Assessment of the work of the Management Board and Supervisory Board**

On the basis of the continuous monitoring and supervision of Kapitalska družba’s operations and management during the financial year, and based on a review of the annual report compiled and submitted by the Management Board, the Supervisory Board assesses that the annual report and disclosures contained therein reflect the actual situation and position of Kapitalska družba. The Supervisory Board also assesses that the Management Board of Kapitalska družba successfully and properly managed the company’s transactions during the 2020 financial year and successfully achieved established business objectives. The Management Board prepared materials in a timely manner, which facilitated quality information and the thorough discussion of the most important operational matters. The Management Board also provided exhaustive responses to the Supervisory Board’s additional questions and initiatives. The Management Board’s reporting to the Supervisory Board enabled the latter to carry out its supervisory role satisfactorily in 2020.



Kapitalska družba, d. d.

In conclusion, the Supervisory Board finds that Kapitalska družba once again in 2020 achieved its dual mission: the effective provision of occupational insurance and the provision of supplementary funding for the public pension and disability insurance system. Due to health crisis and the resulting economic crisis related to the COVID-19 epidemic, 2020 was unpredictable and full of challenges. Kapitalska družba adapted to the new circumstances quickly and efficiently. It successfully organised work from home for its employees and continued with the management of the company's assets and of the SODPZ in unusual circumstances. It remained a capitally sound and stable company which is a reliable and trustworthy partner for all its stakeholders. Praise for the good results and successfully implemented work and tasks is due to the Management Board and the Supervisory Board and to all the company's employees. As one of the more important managers of state assets and funds, Kapitalska družba rightfully represents an example for how investors' assets and funds should be handled. In conclusion, only insufficient substantive cooperation and planning of future development in relation to the company's general meeting should be pointed out, and this remains an important challenge for the future.

**b) Supervisory Board's position on the audit report**

Pursuant to the second paragraph of Article 282 of the ZGD-1, the Supervisory Board reviewed and discussed the audit report relating to the audit of the financial statements of Kapitalska družba for 2020, which was conducted by the audit firm Deloitte revizija, d. o. o., Ljubljana. The Supervisory Board finds that the auditor performed its task in accordance with the law, auditing rules and international auditing standards. The Supervisory Board has no remarks regarding the audit report.

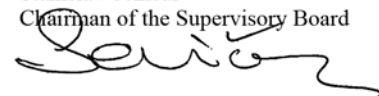
**c) Decision regarding the approval of the annual report for 2020**

Pursuant to the provisions of Article 282 of the ZGD-1, the Supervisory Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., hereby approves the annual report for 2020.

**d) Proposal to the general meeting on the discharge of the Management Board and the Supervisory Board**

Taking into account points a), b) and c) of this report, the Supervisory Board proposes that the general meeting of Kapitalska družba adopt a decision granting discharge to the company's Management Board and Supervisory Board for their work during the 2020 financial year pursuant to the provision of Article 294 of the ZGD-1.

Stanislav Seničar  
Chairman of the Supervisory Board



Ljubljana, 27 May 2021



A close-up photograph of a person's hand holding a small, round, light-colored pot containing a young plant with four green leaves. The background is a dark, textured surface of soil or mulch. A semi-transparent blue rectangular overlay covers the right side of the image, containing the title and a paragraph of text.

# Business Report

A good mosaic comes from a multitude of pieces, delicately assembled into a whole. Each part has its own mission and is a key building block of the final image.



# 5

## Organisational structure of Kapitalska družba

The internal organisational structure that was in place at Kapitalska družba in 2020 was established in October 2018, when a comprehensive reorganisation was carried out taking into account new processes as the result of new financial reporting requirements, the rationalisation of operations and new, legally prescribed competences. That structure ensures the effective implementation of all core business processes in the context of the appropriate number of employees. Also taken into account is Kapitalska družba's role as the parent company of an insurance group, which includes the subsidiaries Modra zavarovalnica, d. d. and Hotelske nepremičnine, d. o. o.<sup>3</sup> The Company provides both of the aforementioned subsidiaries IT services.

The Company has maintained a flexible organisational structure, while at the same time providing the basis for the clearer segregation of competences and responsibilities, and has thus contributed to increased transparency, the shortening of time required for decisions and the resulting improved quality and efficiency of work. An effective decision-making process ensured successful performance in key work areas that are organised into four main organisational units or sectors:

- | Asset Management Sector;
- | Occupational Insurance Sector, comprising:
  - Insurance Services Division, and
  - Contribution Monitoring and Development Division;
- | Operational Support Sector, comprising:
  - Accounting and Controlling Division, and
  - Back-Office Support Division; and
- | Legal and HR Affairs Sector.

Support business processes are carried out in departments that report directly to the Company's Management Board:

- | Internal Audit Department,
- | Risk Management and Analysis Department,
- | IT Support and Business Process Organisation Department, and
- | General Affairs Department.

<sup>3</sup> In accordance with the International Financial Reporting Standards and the Company's accounting policies, Hotelske nepremičnine, d. o. o. is treated as a joint venture.

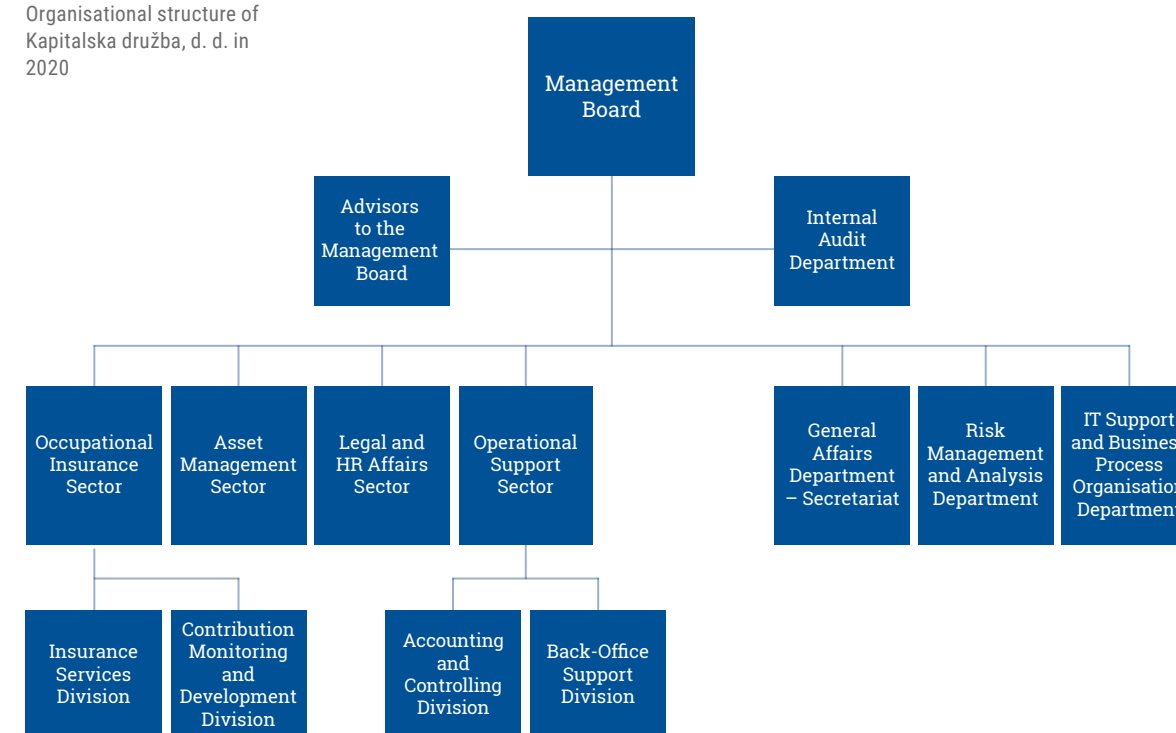
Advisers to the Management Board, who report directly to that body in organisational terms, are also responsible for carrying out support business processes.

The competences of the heads of internal organisational units were defined at two management levels, where a portion of responsibilities and decision-making authority are entrusted to the executive directors of sectors.<sup>4</sup>

The Management Board also appointed a prevention of money laundering officer, a personal data protection officer and an access to public information officer, all of whom report directly to the Management Board in the performance of their tasks.

**Figure 1**

Organisational structure of Kapitalska družba, d. d. in 2020



<sup>4</sup> A minor reorganisation was carried out in the area of operational support on 1 January 2021, when some competences were transferred to the newly created Back-Office Support Sector, which comprises the Controlling and Settlement Division and the Risk Management and Analysis Division, while the accounting function is now performed in the newly created Accounting Department. As a result, the Operational Support Sector and Risk Management and Analysis Department were discontinued.



## 5.1 REPORTING ON EMPLOYEES

The Company had 61 employees as at 31 December 2020. Two of those were temporary employees, one on account of the increased scope of work and the other due to the replacement of an employee on maternity/parental leave. All other employees were full-time. Three persons were hired on a permanent basis in 2020. The employment contracts of two employees expired.

**Table 1:** Number of employees by organisational unit as at 31 December 2020 and 31 December 2019

Organisational unit	31 December 2020	31 December 2019
Management Board	3	3
Advisors to the Management Board	2	2
Asset Management	8	8
Occupational Insurance	14	14
Legal and HR Affairs	7	6
Operational Support	8	7
Internal Audit	2	2
Risk Management and Analysis	4	4
General Affairs	9	9
IT Support and Business Process Organisation	4	5
<b>Total</b>	<b>61</b>	<b>60</b>

As at 31 December 2020, a total of 39% of Kapitalska družba's employees had completed Level 7 education, while 16% had completed Level 8/1 and 2% had completed Level 8/2.

A total of 69% of the Company's employees are women, while 31% are men. The average length of service was 19 years and six months amongst men and 21 years and five months amongst women as at 31 December 2020. The average age of male employees was 46 years, while the average age of female employees was 45 years.

# 6

## Operations of Kapitalska družba

### 6.1 MACROECONOMIC BACKGROUND OF OPERATIONS

#### 6.1.1 Gross domestic product, inflation and unemployment rate

The year 2020 was characterised by the COVID-19 pandemic. According to the World Health Organisation, 82 million confirmed cases of infection and 1.8 million deaths were recorded during the year. The International Monetary Fund (IMF) and Organisation for Economic Cooperation and Development (OECD) envisaged a drop in economic activity in 2020 of 3.5% and 4.2% respectively in their winter forecasts, and the return of economic activity to its pre-pandemic level at the end of 2021. That decline is the largest drop in economic activity since the Great Depression. Amongst major economies, only China recorded positive economic growth in 2020, primarily on the back of infrastructure investments.

Economic activity suffered a major decline in the second quarter of 2020 due to the lockdown. The economy was subject to the simultaneous implementation of very restrictive measures to contain the pandemic and comprehensive fiscal and monetary stimuli. The monetary policies of central banks were the reason for differences between the recovery of the real economy and financial markets. The majority of financial markets ended 2020 at higher levels than at the beginning of the year (V-shaped recovery), while the real economy experienced a selective, K-shaped recovery.

At the outbreak of the pandemic, governments adopted numerous measures to mitigate the negative consequences of the pandemic and to ensure a speedier recovery. Global fiscal stimulus is estimated at more than 20% of global GDP. General government debt was up sharply as a result, with the cost of borrowing reaching a record low. According to figures from the IMF, euro area government debt rose from 84% to 101.1% of GDP in 2020, and from 108.7% to 131.2% of GDP in the US. The recovery that followed the drop in economic activity during the second quarter was strong and better than the expectations of international financial organisations in the majority of cases but was selective, both between countries and between individual economic sectors. An important milestone in Europe's fight against the consequences of COVID-19 was the adoption of a political agreement in the summer regarding a financial package for the recovery of the European economy (in the form of a seven-year budget and the creation of a recovery fund).

However, the recovery was halted in the final quarter of the year, particularly in Europe and the United Kingdom, due to a sharp rise in the number of infections with new strains of COVID-19, logistics problems in the distribution of vaccines and a new lockdown.

Extensive state-aid measures in Europe were intended in part to prevent a sharp rise in unemployment. For this reason, the rise in the unemployment rate was less severe, from 7.6% to 8.0%. The unemployment rate in the US rose from record lows in the two years prior to the pandemic, when it never exceeded 4%, to 8.1%.

Altered supply chains, increased savings and changing consumer habits did not result in a major change in the level of prices. Inflation remains low, but inflation expectations rose considerably in 2020.

Two major political events in 2020 were the election of Joe Biden as US President and the agreement reached just before the end of the year between the European Union and United Kingdom regarding future relations following Brexit.

The IMF and OECD are forecasting economic growth of 5.5% and 4.5% respectively in 2021. According to the forecasts of the IMF and OECD, economic growth in 2021 will be based on expectations regarding the positive effects of vaccines, additional aid measures adopted at the end of 2020 (primarily in the US and Japan) and the expectation that those service activities hit hardest by the pandemic will begin to recover when the pandemic wanes. The recovery will be gradual and differ by individual sector in the context of continuing restrictive measures. The epidemiological conditions, the speed at which vaccines are introduced and the responsiveness of policies with measures to mitigate the effects of the epidemic and kick start the economy will continue to have a crucial effect on the pace of recovery.

GDP fell by 5.5% in Slovenia in 2020, with the decline in value-added in the majority of sectors having contributed to the overall decline in economic activity. The sharpest drop was recorded in accommodation and food service activities, transport and wholesale and retail trade, while a lesser but still notable decline was recorded in manufacturing, and in professional, scientific, technical and other business activities. Positive growth was recorded by financial and insurance activities, and in real estate activities. Having the main negative effect on GDP growth was a decline in private household consumption and gross fixed capital formation, while government consumption, which strengthened slightly, and a positive balance of trade (the drop in imports outstripped the drop in exports) made a positive contribution to GDP. Following the steep decline during the second quarter of 2020, the recovery during the third quarter was better than expected, while the economic consequences of the second wave of the epidemic, and comprehensive protective and restrictive measures during the final quarter of the year primarily affected the services sector. According to the IMAD's winter forecast, economic growth will be 4.3% in 2021 and 4.4% in 2022. The IMAD assesses that a more rapid economic recovery in Slovenia will be possible from the second quarter of 2021 on, while overall economic activity will not reach the pre-pandemic level until 2022.

The table below presents macroeconomic aggregates (GDP, the inflation rate and the unemployment rate) in Slovenia and major global countries and/or regions for 2020.

**Table 2:** Gross domestic product, inflation and unemployment rate (data for 2020)

	Annual inflation rate (in %)	Annual GDP growth (in %)	Unemployment rate (in %)
Slovenia	-1.1	-5.5	5.1
Germany	0.4	-4.9	5.9
Euro area	0.3	-6.6	7.9
US	1.2	-3.5	8.1
China	2.5	2.3	4.2

**Source:** Bloomberg, IMAD, SORS (10 March 2021).

### 6.1.2 Interest rates

Central banks continued to implement stimulative monetary policy in 2020. Their response to the pandemic was similar to their response to the global financial crisis in 2008, but more rapid and intense, all with the aim of stabilising the financial system and ensuring adequate liquidity.

Central banks cut interest rates (depending on available manoeuvring room) and enhanced unconventional measures to loosen monetary policy: they introduced new (or expanded existing) bond purchasing programmes, through which they significantly expanded their balance sheets, increased the scope of loans to commercial banks and relaxed capital requirements for commercial banks.

The US Federal Reserve (FED) and Bank of England (BOE) cut interest rates twice in 2020 (in March) as follows: the FED cut its rate by a total of 150 basis points (from 1.50%–1.75% to 0%–0.25%), while the BOE cut its rate by a total of 65 basis points (from 0.75% to 0.10%). Due to already low interest rates, the European Central Bank (ECB) and Bank of Japan (BOJ) left those rates unchanged, but did enhance other less-conventional monetary policy measures. The ECB enhanced its bond repurchase programme with the introduction of the PEPP,<sup>5</sup> through which it expanded the selection of debt securities eligible for repurchase. For the first time in its history, the FED included in its purchase programme corporate bonds, including lower-rate bonds (sub-investment grade).

**Table 3:** Key interest rates of major central banks

	Level of key interest rate as at 31 December 2020
Euro area	0.00% (key interest rate) -0.50% (deposit interest rate)
US	0.00% to 0.25%
England	0.10%
Japan	-0.10%
Canada	0.25%
China	4.35%

**Source:** Bloomberg (25 January 2021).

<sup>5</sup> Pandemic Emergency Purchase Programme.

### 6.2 DEVELOPMENTS ON THE FINANCIAL MARKETS

The financial markets recorded sharp declines and strong rebounds in 2020. Optimism returned to the financial markets following sharp declines at the beginning of 2020, with the lowest point being reached in mid-March (at its lowest point, the global share index was down 28.7% relative to the beginning of the year, measured in euros, while the European sovereign and corporate bond indices were down by 2.3% and 7.3% respectively). A considerable rebound in shares prices and falling credit spreads on bonds followed the comprehensive measures of central banks and the quick response of countries across the world with record-high fiscal measures in the context of slowing growth in the number of new COVID-19 infections. The response of the financial markets to further news was rather inconsistent after that period. Negative news, such as the deteriorating epidemiological picture, a new, partial lockdown, deteriorating economic activity and events prior to the US elections, resulted in only a minor correction on the share market due to a drop in prices of primarily tech stocks. Positive news, the most notable being the publication of the successful results of vaccine testing, resulted in further growth in the prices of financial assets.

The majority of financial markets ended 2020 with positive returns. The MSCI World Index (MSCI Daily TR Gross World) gained 7.0% expressed in euros, with China and the US recording the highest returns amongst regions, and information technology recording the highest returns amongst sectors. The European sovereign and corporate bond indices gained 5.01% and 2.7% respectively. In terms of debt investments, investors demonstrated the appetite to take up both interest-rate risk and credit risk during the year. The yield curve of risk-free government bonds in Europe weakened somewhat in 2020, while the gap between long-term and short-term interest rates widened significantly in the US. Certain stock exchanges in Europe and the United Kingdom ended the year in the red. The Slovenian index of prime-market shares avoided a negative return on account of high dividends.

Worthy of note in terms of commodities was movement in the prices of gold and oil. The price of gold expressed in euros was up by 14.9% in 2020. Oil prices expressed in euros fell by 27.9%, while the year 2020 will also be remembered for negative oil prices (recorded in April).

Table 4: Returns on major financial markets

Returns in 2020 measured in euros, including dividend yield	
<strong>Share indices</strong>	
SBITOP – Slovenia	1.88%
DAX – Germany	3.55%
Dow Jones – US	0.78%
NIKKEI 225 – Japan	13.76%
MSCI World TR – global	7.01%
<strong>Bond indices</strong>	
IBOXX EUR Sovereigns TR index – euro government bonds	5.01%
IBOXX EUR Corporates TR Index – euro corporate bonds	2.73%
<strong>Exchange rates and commodities</strong>	
EUR/USD	10.0%
Brent crude oil	-27.9%
Gold	14.92%

**Note:** Returns also include dividend yields.

**Source:** Bloomberg (25 January 2021).

Graph 1:

Movement in the Slovenian SBITOP and selected foreign stock indices in 2020 in euros (index: 31 December 2019 = 100)

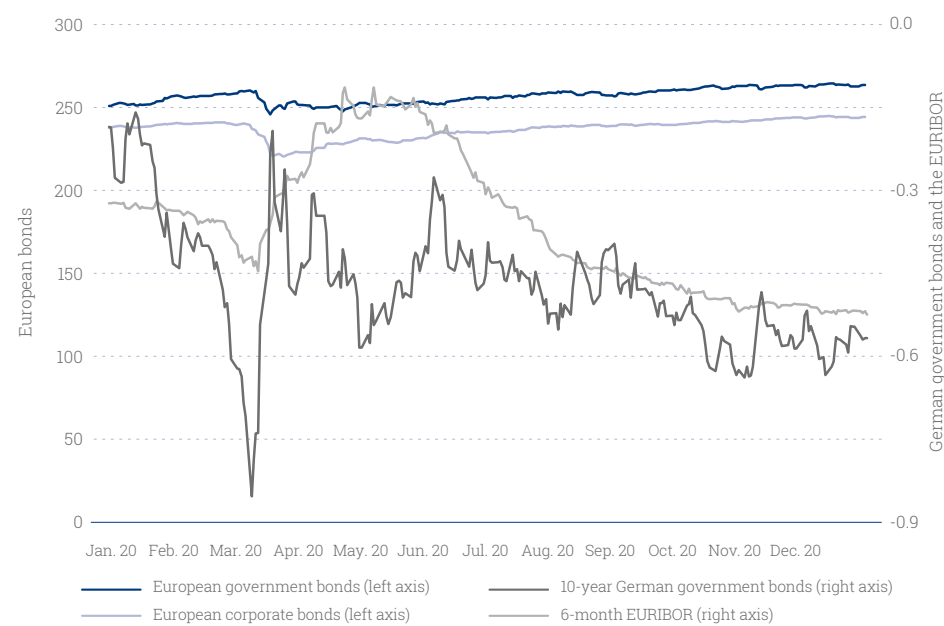


**Source:** Bloomberg (25 January 2021).



**Graph 2:**

Movement in the overall yield on European government bonds (IBOXX EUR Sovereigns TR Index) and the overall yield on European corporate bonds (IBOXX EUR Corporates TR Index), yield to maturity on 10-year German government bonds, and the 6-month EURIBOR in 2020



## 6.3 INVESTMENT MANAGEMENT

Kapitalska družba classifies investments to the following three categories with regard to the method of management:

- I capital investments,
- I waived securities,<sup>6</sup> and
- I portfolio investments.

The table below illustrates the composition of financial assets, while a detailed description of the aforementioned groups follows..

**Table 5:** Composition of Kapitalska družba's financial assets as at 31 December 2020 and 31 December 2019 with regard to the method of management

Type of investment	in 000 EUR			
	Value		Proportion (in %)	
	2020		2019	
<b>Capital investments</b>	<b>631,248</b>	<b>57.7</b>	<b>593,737</b>	<b>56.1</b>
Strategic investments <sup>7</sup>	183,316	16.7	186,348	17.6
Material investments	394,679	36.1	345,536	32.6
Portfolio investments	50,971	4.7	60,429	5.7
Investments in bankruptcy or liquidation	2,284	0.2	1,424	0.2
<b>Waived securities</b>	<b>201</b>	<b>0.0</b>	<b>224</b>	<b>0.0</b>
<b>Portfolio investments</b>	<b>463,295</b>	<b>42.3</b>	<b>464,542</b>	<b>43.9</b>
Equity portfolio investments	336,362	30.7	303,747	28.7
Debt portfolio investments	91,487	8.4	103,629	9.8
Money market <sup>8</sup>	13,019	1.2	34,739	3.3
Investments in financial claims	22,427	2.0	22,427	2.1
<b>Total financial assets</b>	<b>1,094,744</b>	<b>100.0</b>	<b>1,058,503</b>	<b>100.0</b>

### 6.3.1 Capital investment management

#### 6.3.1.1 Composition of capital investments

Kapitalska družba's capital investments comprise domestic equity investments in corporate shares and participating interests that the Company primarily obtained in corporate ownership transformation processes.

The Company held a total of 37 such investments at the end of 2020. Of those investments, Kapitalska družba, d. d. had 33 so-called active investments, including 26 investments in joint stock companies and seven investments in limited liability companies. In addition to active investments, Kapitalska družba also held three investments in companies in bankruptcy proceedings and one investment in a company in liquidation proceedings.

The value of capital investments was EUR 631,248 thousand as at 31 December 2020, an increase of EUR 37,511 thousand relative to the previous year.

<sup>6</sup> Waived securities obtained in accordance with Article 48a of the ZNVP-1.

<sup>7</sup> Strategic, material and portfolio investments are classified in accordance with the Decree on the Strategy for Managing State Capital Investments.

<sup>8</sup> Money market investments also include cash, which totalled EUR 11,562 thousand as at 31 December 2020.

In accordance with the classification of investments set out in the Decree on the Strategy for Managing State Capital Investments (OdSUKND) adopted by the National Assembly of the Republic of Slovenia in July 2015, Kapitalska družba classifies its capital investments as strategic, material and portfolio.

**Table 6:** Breakdown of Kapitalska družba's capital investments as at 31 December 2020 and 31 December 2019 in accordance with the Decree on the Strategy for Managing State Capital Investments

Type of investment	Number of investments	Value	Proportion of capital investment portfolio (in %)	Number of investments	in 000 EUR	
					Value	Proportion of capital investment portfolio (in %)
		2020			2019	
Strategic investments	10	183,316	29	10	186,348	31.4
Material investments	6	394,679	62.5	6	345,536	58.2
Portfolio investments <sup>9</sup>	17	50,971	8.1	17	60,429	10.2
Investments in bankruptcy or liquidation	4	2,284	0.4	5	1,424	0.2
<b>Total capital investments</b>	<b>37</b>	<b>631,248</b>	<b>100.0</b>	<b>38</b>	<b>593,737</b>	<b>100.0</b>

**Table 7:** Ten largest capital investments of Kapitalska družba by value as at 31 December 2020

Seq. no.	Company name	Proportion of company's share capital	in %
1.	Krka, d. d.		10.65
2.	Modra zavarovalnica, d. d.		100.00
3.	Petrol, d. d.		8.27
4.	Telekom Slovenije, d. d.		5.59
5.	Luka Koper, d. d.		4.98
6.	Loterija Slovenije, d. d.		25.00
7.	Sava, d. d.		28.05
8.	Hit, d. d.		20.32
9.	Union hoteli, d. d.		18.75
10.	Terme Olimia, d. d.		24.79

<sup>9</sup> Kapitalska družba holds both preference shares and ordinary shares in one company classified in portfolio investments. Both forms of shares are deemed one investment in the aforementioned company.

Investments in which Kapitalska družba holds a less than 20% ownership stake comprise the majority of capital investments. So-called active investments include 27 such investments, as well as three investments in companies in bankruptcy and liquidation proceedings. A detailed overview of the composition of investments in terms of size of ownership stake is given in the table below.

**Table 8:** Composition of capital investments in terms of size of ownership stake as at 31 December 2020

Ownership stake in share capital	Active investments	Investments in bankruptcy or liquidation
Up to 9.99%	18	1
From 10.00% to 19.99%	9	2
From 20.00% to 49.99% (associate)	7	1
From 50.00% to 100.00% (subsidiary and joint venture)	2	0
<b>Total number of investments</b>	<b>36</b>	<b>4</b>

### 6.3.1.2 Sales and deletion of companies

With the aim of ensuring the transparency of sales procedures and the equal treatment of bidders, the sale of capital investments is carried out via public tender. Kapitalska družba published one public call to submit bids for the purchase of shares and participating interests in 2020, together with Modra zavarovalnica, specifically for the sale of participating interests in TKI Hrastnik, d. d., Elan Inventa, d. o. o. and SM Strojkoplast, d. o. o. Only one bid was received (for TKI Hrastnik, d. d.), but was not accepted by Kapitalska družba because the bid price was too low.

In 2020, SDH also published two public calls on behalf of Kapitalska družba for the submission of bids for the purchase of shares of Cetis, d. d. That sale likewise did not go forward because the bid price was too low.

The Company also published two public calls (in January and October) for the submission of bids for the purchase of shares of companies that were acquired on the basis of Article 48a of the ZNVP-1. We sold shares valued at EUR 1,301 based on the January call, while sales based on the October call were completed in 2021.

There were no open sales procedures as at 31 December 2020.

### 6.3.1.3 Purchases of companies

Kapitalska družba received four bids from sellers for the purchase of shares and participating interests relating to two different capital investments. We did not respond to those bids.

### 6.3.1.4 Dividends of domestic companies

Kapitalska družba recorded EUR 21,883 thousand in domestic corporate dividends in 2020, a decrease of EUR 298 thousand relative to 2019, when dividends totalled EUR 22,181 thousand. The ten largest capital investments in terms of dividends accounted for 99.9% of all dividends from capital investments held by Kapitalska družba.

The payment of dividends in 2020 was approved by the general meetings of 12 companies in which Kapitalska družba held a capital investment, compared with 2019, when the payment of dividends was approved by the general meetings of 21 companies in which Kapitalska družba held a capital investment.

**Table 9:** Ten capital investments that generated the highest dividend income in 2020

Seq. no.	Issuer	Dividends per share in 2020 (in 000 EUR)	Total dividends in 2020 (in 000 EUR)
1.	Krka, d. d.	4.25	14,845
2.	Petrol, d. d.	22.00	3,798
3.	Telekom Slovenije, d. d.	3.50	1,278
4.	Loterija Slovenije, d. d.	52.00	966
5.	Luka Koper, d. d.	1.07	745
6.	Elektro Maribor, d. d.	0.15	79
7.	Elektro Gorenjska, d. d.	0.14	60
8.	Elektro Primorska, d. d.	0.14	53
9.	Elektro Celje, d. d.	0.12	24
10.	Elektro Ljubljana, d. d.	0.11	22

**Table 10:** Ten capital investments that generated the highest dividend income in 2019

Seq. no.	Issuer	Dividends per share in 2020 (in 000 EUR)	Total dividends in 2020 (in 000 EUR)
1.	Krka, d. d.	3.2	11,178
2.	Modra zavarovalnica, d. d.	0.02086	3,175
3.	Petrol, d. d.	18	3,108
4.	Telekom Slovenije, d. d.	4.5	1,643
5.	Loterija Slovenije, d. d.	68	1,263
6.	Luka Koper, d. d.	1.33	926
7.	Terme Olimia, d. d.	1.65	289
8.	Hit, d. d.	0.17	235
9.	Elektro Maribor, d. d.	0.14	76
10.	Elektro Gorenjska, d. d.	0.15	65

### 6.3.1.5 Corporate Governance Code for Companies with Capital Assets of the State and the exercising of voting rights at general meetings

In connection with the management of its capital investments in the period 1 January 2020 to 31 December 2020, Kapitalska družba applied, mutatis mutandis, the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Code), which was adopted by SDH on 19 December 2014. SDH adopted certain amendments to the Code in May 2017, November 2019 and March 2021.

As an active player on the Slovenian capital market, Kapitalska družba strives to introduce in practice a contemporary form of corporate governance, the aim of which is to ensure clear, predefined and publicly known principles, procedures and criteria by which the Company acts in exercising its ownership rights. To that end, the Corporate Governance Code of Kapitalska družba was used from 2009 until December 2014, and defined the policy and procedures for exercising Kapitalska družba's management rights in companies in which it holds an ownership stake. Following the adoption of the Code, Kapitalska družba began to apply that Code mutatis mutandis in December 2014 in order to harmonise its operations with SDH. The currently valid Code is published on SDH's website.

In addition to the Code, Kapitalska družba also applied its own bases for voting at general meetings when managing capital investments in 2020. Kapitalska družba updates the bases for voting at general meetings every year, prior to the convening thereof. These bases, inter alia, define the remuneration policy for supervisory boards, management committees and management boards, the dividend policy, the use of distributable profit, recapitalisations via authorised capital, the acquisition of treasury shares and the introduction of a single-tier governance system. The aforementioned document is published on Kapitalska družba's website.

Kapitalska družba exercised its management rights at all general meetings of companies with a registered office in Slovenia in which the Company has an equity holding that it manages on its own behalf or on behalf of the SODPZ.

In 2020, Kapitalska družba was entitled to participate on its own behalf and on account of the pension fund under management in 44 general meetings of shareholders or partners of companies that are treated as capital investments. Representatives of Kapitalska družba participated in 12 general meetings, at which the Company independently exercised its voting rights. In accordance with Article 53 of the ZSDH-1, SDH exercised the voting rights of Kapitalska družba at 27 general meetings in the name and on account of the latter. Employees of Kapitalska družba were authorised to participate and exercise all shareholder rights, except voting rights. Four general meetings were cancelled prior to the date of the meeting, while Kapitalska družba did not participate in one other.

**Table 11:** Participation at general meetings

Form of participation	Number of general meetings
Participation and voting by employees of Kapitalska družba	12
Participation by employees of Kapitalska družba; voting by SDH	27
Cancelled general meetings	4
No participation	1
<b>Total</b>	<b>44</b>

With respect to the remuneration of supervisory boards and management boards, Kapitalska družba applied, mutatis mutandis, the recommended level of wages for the performance of a particular function and for session fees as set out in the Code, and took into account the Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Gov-



erning Local Communities (ZPPOGD) as regards the earnings and other rights of management boards, executive directors and the management staff of companies.

Kapitalska družba acted in accordance with the Code at all general meetings attended by its representatives in 2020. Disclosures regarding Kapitalska družba's conduct at general meetings are published on the Company's website.

6.3.1.6 Code of Conduct of the Kapitalska Družba Group

In addition to Kapitalska družba, the Kapitalska Družba Group includes the subsidiary Modra zavarovalnica and the joint venture Hotelske nepremičnine, d. o. o.

The Guidelines on the Reporting of Subsidiaries to the Parent Company also represent an integral part of the Group's Code. The aforementioned guidelines set out the content, deadlines and methods of reporting to the parent company by the Group's subsidiaries.

6.3.1.7 Management taking into account the systemic regulation and transformation of Kapitalska družba into a demographic reserve fund

The new Slovenian Sovereign Holding Company Act (ZSDH-1) entered into force at the end of April 2014. The management of investments on behalf and for the account of the Republic of Slovenia remained the responsibility of SDH following the entry into force of the ZSDH-1. In the name of Kapitalska družba, SDH also exercises voting rights and conducts sales in the event of joint investments.

The ZSDH-1 defines Kapitalska družba's maximum annual obligation to provide funding to the ZPIZ: based on the provision of the third paragraph of Article 52 of the ZSDH-1, the Company must transfer funds in the amount of EUR 50 million every year to the ZPIZ by no later than 29 September, primarily for the purpose of adjusting pensions, or a proportionally lower amount if the amount for adjusting pensions is lower. Kapitalska družba transferred EUR 50 million to the ZPIZ in 2020.

SDH will manage investments in accordance with the ZSDH-1, the OdSUKND, the relevant investment management policy and the Corporate Governance Code, and on the basis of the annual investment management plan. The OdSUKND also includes the classification of investments (the definition and classification of capital investments into strategic, material and portfolio investments). The annual investment management plan, which must be adopted by no later than the end of November for the next calendar year, defines SDH's precise objectives in the management of specific investments, as well as measures and guidelines for achieving those objectives.

6.3.2 Waived securities obtained in accordance with Article 48a of the ZNVP-1

As at 31 December 2020, the Company had 118 investments in the waived securities of 115 different issuers with a total value of EUR 201 thousand. Those securities were acquired on the basis of Article 48a of the ZNVP-1.

Kapitalska družba considered 91 general meetings of companies in which it acquired waived securities, and participated in four of those meetings in 2020. It received EUR 2 thousand from the sale or liquidation of waived securities in 2020..

6.3.3 Management of portfolio investments

Kapitalska družba uses active and passive strategies in the management of portfolio investments, where it combines the top-down approach with the bottom-up approach. Decisions regarding the composition of the portfolio by investment category (top-down approach) are made by the investment committee, which meets at least twice a year. The comparable share portfolio index is the globally diversified share portfolio index, while the comparable bond portfolio indices (government and corporate bonds) are the indices of diversified European government and corporate bonds.

The year 2020 was characterised by volatility, as we were witness to very high fluctuations on the share and bond markets. Despite the extraordinary deterioration in the economic situation due to the pandemic, shares recorded solid returns until the end of the year, where returns were entirely the result of rising values, while profits were down globally. Bond indices performed very well during the year. The sharp drop in economic activity and inflation expectations pushed interest rates lower, while the quick reaction by central banks and fiscal authorities stabilised the financial markets and credit spreads. Those factors and the improving epidemiological situation in the spring were enough for one of the quickest rebounds of the financial markets in history.

Despite positive returns, the value of portfolio investments was down by more than one million euros in 2020 due to the transfer to the pension fund. We took advantage of the instability of the markets by increasing the proportion of the portfolio accounted for by equities. The proportion of the portfolio accounted for by debt investments, money market instruments and receivables was down. The proportion of Kapitalska družba's total portfolio investments accounted for by equity investments rose from 28.7% at the beginning of 2020 to 30.5% at the end of 2020. The proportion of debt portfolio investments fell from 9.8% to 8.4%. The five largest investments in the portfolio of equity investments as at 31 December 2020 were as follows: index funds represented by MSCI World global stock indices (SMSWLD GY, XMWO GY, IWDA LN and XDWD GY) and an index fund represented by the US S&P 500 (SPY US). The five largest investments in the portfolio of debt investments as at 31 December 2020 comprised Slovenian government bonds of various maturities, from 2021 to 2026, the XGLE GY index fund, which tracks the European index of government bonds, and German government bonds maturing in 2029.

Table 12: Composition of portfolio-managed financial assets as at 31 December 2020 and 31 December 2019

Type of investment	in 000 EUR			
	Value	Proportion (in %)	Value	Proportion (in %)
	31 December 2020		31 December 2019	
Investment funds	336,361	72.7	303,747	65.4
Bonds	91,489	19.7	103,631	22.3
Commercial paper	1,458	0.3	2,174	0.5
Investments in financial claims	22,427	4.8	22,427	4.8
Deposits	0	0.0	16,960	3.6
Cash and cash equivalents	11,562	2.5	15,605	3.4
Total portfolio managed financial assets	463,297	100.0	464,544	100.0

## 6.4 TRANSFERS TO THE PENSION AND DISABILITY INSURANCE INSTITUTE OF SLOVENIA

In accordance with the third paragraph of Article 52 of the ZSDH-1, Kapitalska družba's annual obligation to the ZPIZ depends on the amount of the adjustment to pensions, which is limited to EUR 50 million. Kapitalska družba transferred EUR 50 million to the ZPIZ in 2020. Kapitalska družba has transferred a total of EUR 914,321 thousand to the budget of the ZPIZ.

## 6.5 INVESTMENT PROPERTY

Kapitalska družba held investment property in the following commercial buildings in 2020:

- l Stekleni dvor, Dunajska cesta 119, Ljubljana;
- l Glavarjeva rezidenca, Pegamova ulica G, Ljubljana;
- l Bežigrajski dvor, Dunajska cesta 56, 58 and Kržičeva ulica 3, Ljubljana;
- l Nebotičnik, Štefanova ulica 1, 3 and 5, Ljubljana; and
- l Smelt, Dunajska cesta 160, Ljubljana.

All business premises and nearly all parking places located at all investment properties were leased out as at 31 December 2020.

On 3 June 2020, Kapitalska družba sold its entire co-ownership interest in the Smelt building.

## 6.6 RISK MANAGEMENT

Risk management is explained in Chapter 15.2 Accounting policies and Chapter 15.3.3 Management of risks associated with financial assets in the financial report section of Kapitalska družba's annual report.

## 6.7 MANAGEMENT OF THE SODPZ

### 6.7.1 Operations of the SODPZ

Pursuant to the Pension and Disability Insurance Act (ZPIZ-1), Kapitalska družba has been the manager of the SODPZ since its establishment in 2001. The SODPZ is a mutual pension fund that provides occupational insurance in accordance with the provisions of the Pension and Disability Insurance Act (ZPIZ-2), the Organisation and Work of the Police Act (ZODPol) and the Act Governing the Promotion of Public Interest in Culture (ZUJIK).

Policyholders who perform especially difficult work and work that is harmful to the health, and policyholders who perform work that can no longer be performed successfully after a certain age are included in occupational insurance, which replaced the insurance period increased by a bonus in 2001. Occupational insurance is an element of compulsory social security insurance.

The SODPZ comprises assets that are financed by funds collected through the payment of occupational insurance contributions (and any default interest on contributions not paid by the prescribed deadline) and gains generated through the management of those funds. The assets of the SODPZ are the property of occupational insurance policyholders and are intended solely for the coverage of liabilities to policyholders and other beneficiaries. Kapitalska družba manages the SODPZ in the name and on behalf of policyholders separately from the Company's own assets.

Occupational insurance is provided on the basis of the occupational insurance pension plan (hereinafter: the pension plan), which is drawn up based on the provisions of the ZPIZ-2. The pension plan was amended twice in 2020. It was first amended due to the extension of the transitional period in which a differentiated contribution rate applies and takes into account the proportion of the net value of SODPZ assets up to which unallocated solidarity reserves are created. The Minister of Labour, Family, Social Affairs and Equal Opportunities issued decision no. 1032-9/2019-5 of 20 May 2020 approving the amended pension plan, which entered into force on 1 July 2020.

A differentiated contribution rate is applied in the transitional period until 31 December 2021. The contribution rate remains 8% for policyholders whose insurance period was increased by a bonus until 31 December 2000. For policyholders whose insurance period was not increased by a bonus until 31 December 2000, a differentiated contribution rate is applied as follows: 8.2% for positions in categories 1 and 2; 8.4% for positions in category 3; and 8.8% for positions in categories 4 and 5. During the transitional period until 31 December 2021, unallocated solidarity reserves are created based on the second paragraph of Article 213b of the ZPIZ-2 until 0.6% of the net value of SODPZ assets is reached or exceeded.

The new pension plan entered into force on 1 October 2020. That plan was harmonised with the provisions of the ZPIZ-2G and approved by the Minister of Labour, Family, Social Affairs and Equal Opportunities under decision no. 1032-16/2020 of 27 July 2020. The new pension plan expanded the basis for the payment of occupational insurance contributions, from which wage compensation from health insurance for a policyholder in an employment relationship is no longer exempted. Changes also include provisions regarding the suspension and termination of occupational insurance, which can only be suspended or terminated with the submission of the requisite evidence, and changes regarding control over the calculation and payment of occupational insurance contributions, where the procedure in connection with a policyholder's calculation and the manager's own calculation, in particular, is defined in detail.

The rules on the management of the SODPZ (hereinafter: the management rules) govern the content of legal relationships between Kapitalska družba and SODPZ policyholders. The management rules were amended in 2020 due to harmonisation with the ZPIZ-2G. The Securities Market Agency issued consent on 27 August 2020 to an amendment to the management rules, which entered into force on 1 October 2020.

The SODPZ had 48,570 policyholders as at 31 December 2020. The actual return on the SODPZ was 2.24% in 2020, compared with the guaranteed return of 0.43% in the same period. The balance of solidarity reserves

was EUR 5,120,693 as at 31 December 2020 broken down as follows: EUR 5,081,719 in unallocated solidarity reserves and EUR 38,974 in allocated solidarity reserves. The net value of SODPZ assets was EUR 838,917 thousand on the final accounting day of 2020 (31 December 2020), and exceeded the guaranteed value of assets (EUR 753,617 thousand) by EUR 85,300 thousand. The SODPZ held a total of 910,180,793 units in circulation at the end of 2020.

Based on the pension plan, Kapitalska družba was entitled in 2020 to the reimbursement of subscription and redemption fees, an annual fee for management of the SODPZ and fees for the payment of occupational pensions. Subscription fees are charged as a percentage of the incoming payments and amounted to 2.0%. Redemption fees are charged as a percentage of the outgoing payments and amounted to 0.5%. Redemption fees are not charged in the event of a transfer to supplementary insurance or due to the buyout of years of service. Fees for the payment of occupational pensions amounted to 0.5% of the monthly occupational pension. Taking into account the net value of SODPZ assets, the maximum annual management fee is equal to 0.88% of the average annual net value of SODPZ assets.

The reason for higher revenue in 2020 relative to the previous year lies in higher revenue from management and subscription fees due to an increase in the number of policyholders, which resulted in higher premiums paid. Redemption fees, which account for a smaller proportion of revenue from management of the SODPZ, were down in 2020, as the number of lump-sum payments for which redemption fees are calculated was down, while the number of transfers to supplementary pension insurance for which redemption fees are not charged was up. Despite the COVID-19 pandemic, Kapitalska družba continued with the successful management of the SODPZ in 2020, which resulted in an increase in the value of fund assets.

**Table 13:** Kapitalska družba's revenue from management of the SODPZ in 2020 and 2019

	in 000 EUR	
Revenue from management activities	2020	2019
Management fees	7,037	6,683
Subscription fees	1,174	1,123
Redemption fees	7	9
Fees for the payment of occupational pensions	21	18
<b>Total</b>	<b>8,239</b>	<b>7,833</b>

### 6.7.2 SODPZ investments

The manager manages fund assets in such a way as to achieve, at a minimum, the guaranteed return in the context of minimal risk, while taking into account liquidity criteria. The manager ensures that the fund's investments are appropriately diversified.

The measure of the fund's performance is the latter's guaranteed return, which is determined on a monthly and annual basis.

The main objective of management in 2020 was to increase the actual value of assets over their guaranteed value, while maximising the amount of the expected surplus in the context of the targeted level of risk.

The manager applied an active management strategy with the aim of achieving its objectives at the fund level, while it applied a combination of active and passive investment strategies at the level of investment categories. The manager used a top-down approach to manage fund assets.

In assessing the success of the management of fund assets, the manager compared the fund's guaranteed return with performance criteria by individual investment category and with the performance of other managers of mutual pension funds with a guaranteed return, adjusted for solidarity reserves created.

The value of SODPZ assets stood at EUR 846,631 thousand as at 31 December 2020, an increase of 6.5% relative to 2019. The overall portfolio comprises a globally diversified portfolio of equity and debt investments, with investments in debt securities (bonds and units of bond investment funds) accounting for the highest proportion of assets in terms of content.



**Table 14:** Composition of SODPZ investments as at 31 December 2020 and 31 December 2019

Class	in 000 EUR			
	Value	Proportion (in %)	Value	Proportion (in %)
	2020		2019	
Shares	6,164	0.7	5,878	0.7
Debt securities	341,323	40.3	320,681	40.3
Deposits and loans	53,805	6.4	121,015	15.3
Investment coupons	395,910	46.8	341,230	42.9
Cash and cash equivalents	49,409	5.8	6,390	0.8
Receivables	20	0.0	32	0.0
<b>Total</b>	<b>846,631</b>	<b>100.0</b>	<b>795,226</b>	<b>100.0</b>

### 6.7.3 Activities in the provision of occupational insurance in 2020

Kapitalska družba addressed changes in the pension plan in 2020, in particular the expert drafting of a new pension plan that required timely harmonisation with amendments to and the new provisions of the ZPIZ-2G. It also prudently and continuously performed the basic business processes of occupational insurance and carried out new activities in connection with the Act Determining Emergency Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (hereinafter: the ZIUZEOP), which entered into force in May 2020.

Based on the provisions and criteria of the ZIUZEOP, Kapitalska družba paid a lump-sum solidarity bonus in May to 51 occupational pensioners in the total amount of EUR 11,170. The total amount earmarked for the payment of the lump-sum solidarity bonus was reimbursed to Kapitalska družba by the Ministry of Labour, Family, Social Affairs and Equal Opportunities (hereinafter: the MLFSAEO).

The ZIUZEOP allowed liable parties to exercise their right to the exemption of the payment of occupational insurance contributions for the period 13 March 2020 to 31 May 2020. Immediately following the entry into force of the aforementioned act, Kapitalska družba drew up the necessary documentation, based on which liable parties were able to exercise their right to the exemption of payment or the reimbursement of occupational insurance contributions. Liable parties were informed accordingly via Kapitalska družba's website and the KaD.Net web portal. Kapitalska družba received 335 complete and timely applications from liable parties who were entitled to the exemption of payment or the reimbursement of occupational insurance contributions in accordance with the ZIUZEOP. Based on complete applications, the Company exercised the right to the exemption of the payment of occupational insurance contributions before the MLFSAEO in the total amount of EUR 2,990 thousand in the name of liable parties and on behalf of occupational insurance policyholders.

During the first quarter of the year, Kapitalska družba regularly controlled and verified the accuracy of the contributions paid by liable parties already included in occupational insurance, including warnings

and reminders that liable parties are obliged to comply with agreements on the financing of occupational insurance in full. Due to the COVID-19 pandemic and the adoption of the ZIUZEOP, the reminder procedure was temporarily halted in April. The new pension plan, which entered into force on 1 October 2020, facilitates more thorough control processes. Kapitalska družba began implementing reminder activities in connection with liable parties again on 1 October 2020. Control processes include verification of the suspension and termination of occupational insurance, verification of whether liable parties have submitted calculations of contributions and verification of the accuracy of those calculations. Due to a change in the basis for the calculation of contributions, Kapitalska družba obtains data from the tax authorities for control purposes. Based on those data, it performs its own calculation, which is used to determine liabilities for contributions if a liable person does not submit a calculation or if there are irregularities in that calculation. Kapitalska družba entered into or supplemented existing agreements with the Financial Administration of the Republic of Slovenia (FARS) and Pension and Disability Insurance Institute (ZPIZ) for the needs of providing occupational insurance. Those agreements will facilitate control and recovery in accordance with the pension plan.

Communication with policyholders and liable parties in 2020 was heavily affected by the measures adopted due to the COVID-19 pandemic and changes to the pension plan based on the ZPIZ-2G. Direct contact with customers in Kapitalska družba's contact centre was limited during the epidemic for the purpose of maintaining health and preventing the spread of infections. Only one presentation of occupational insurance was organised last year, likewise due to adopted measures. Special attention was therefore given to communication via ordinary post and email, and via the Company's toll-free number. In addition to ordinary communication and the exchange of data with parties liable for occupational insurance, communication related primarily to changes in occupational insurance, the establishment and use of the new KaD.Net web portal and to applications for the waiving of the payment of occupational insurance contributions that were submitted to Kapitalska družba based on the ZIUZEOP. All information and changes in connection with occupational insurance were also published in a timely manner on Kapitalska družba's website.

Kapitalska družba also regularly informed the SODPZ Committee, which met four times in 2020, with regard to all activities in the area of occupational insurance.

SODPZ policyholders filed a total of 145 lawsuits against Kapitalska družba in 2018 and 2019 demanding the payment of legally prescribed default interest in connection with the one-time payment of the redemption value of fund units. All proceedings were officially completed by the end of June 2020.

Kapitalska družba did not receive any complaints from SODPZ policyholders in 2020.

## 6.8 INFORMATION TECHNOLOGY

The IT Department's objective is to forge a partnership with management that is based on the Company's business strategy. The link between the Company's business strategy and the functioning of IT must be strong, but sufficiently agile to facilitate rapid changes and adaptations. Kapitalska družba continued to successfully provide IT services for the Kapitalska Družba Group in 2020. The high-quality maintenance and development of the information system ensured a high level of availability and reliability of information solutions. Continuous support and the optimisation and computerisation of work processes continued to contribute significantly to the achievement of the Company's business objectives and to maintaining and improving its competitive position.

In March, following the outbreak of COVID-19, the IT Department required 14 days to ensure all of the necessary conditions for the successful and secure performance of business processes according to a work-from-home regime.

A detailed analysis of the current state of ICT management within the Kapitalska Družba Group was carried out in 2020 with the aim of ensuring maximum synergies between Group companies. That analysis included an assessment of the financial aspect of various ICT management scenarios (IaaS, PaaS, etc.). It indicated that the best solution for the Group in economic terms would be to remain on its own IT infrastructure.

With regard to the provision of software support for Kapitalska družba's business processes, the development of business intelligence continued and will provide useful information for business analysis purposes. The use of new information will allow Kapitalska družba to create new strategic business opportunities. The implementation of a document system also began in 2020. That system will facilitate paperless operations, the optimisation of business processes, the reduction of operating costs and increased security in the area of document management. Also included is the digitalisation of the physical (paper) archive, which will bring additional savings in the search for documents and increased security in document storage.

In addition to ensuring the availability and reliability of the information system, the IT Department is dedicating an increasing amount of attention to information security. In addition to regular communication with employees regarding cybersecurity threats, an internal security review was conducted at the Group level with the aim of eliminating in the shortest time possible potential security vulnerabilities in the IT infrastructure.

## 6.9 SIGNIFICANT BUSINESS EVENTS AFTER THE END OF 2020

Based on an assessment of the impact of the pandemic on transactions in capital investments, we have determined that the impact on individual companies will vary depending on the sector in which companies operate. We assess that companies from the tourism and gaming sector (Sava, d. d., Hit, d. d. and other tourism companies) will be hit hardest, as the easing of measures is slowest in those sectors. Eight emergency laws adopted by the government will mitigate or lessen the negative effects of the epidemic on operating results in 2021.

Adopted at the end of 2020 was the Implementation of the Budget of the Republic of Slovenia for 2021 and 2022 Act (ZIPRS2122), based on which Kapitalska družba must transfer EUR 50 million a year to the ZPIZ in 2021 and 2022, by no later than 29 September of the current year. In accordance with the aforementioned act, an agreement was concluded in January 2021 between Kapitalska družba and the ZPIZ on the coverage of Kapitalska družba's liabilities to the Pension and Disability Insurance Institute in 2021 and 2022.

Based on the Act on Emergency Measures to Assist in Mitigating the Consequences of the Second Wave of the COVID-19 Epidemic (ZIUPOPDVE), Kapitalska družba paid a solidarity bonus in January 2021 to 53 occupational pensioners in the total amount of EUR 11,460. The total amount earmarked for the payment of the solidarity bonus was reimbursed to Kapitalska družba by the MLFSAEO.

The Slovenian government proposed that the National Assembly adopt the draft National Demographic Fund Act. The National Assembly has already completed the first and second readings of the act, while a third reading is pending. The draft act envisages the merger of Kapitalska družba with the National Demographic Fund, resulting in the transfer of all of the authorisations, rights and obligations of Kapitalska družba to the fund.

# 7

## Expected development of Kapitalska družba, d. d. in 2021

The successful pursuit of Kapitalska družba's mission to provide funding to the public pension system and SODPZ policyholders allows us to generate long-term value for the pension system, policyholders and occupational pensioners, which is the core activity of demographic funds. Kapitalska družba represents an important pillar of the stability of the pension system, through the management of its own assets for the purpose of providing resources to the pension insurance fund and through the management of the SODPZ. It also represents the starting point for the National Demographic Fund, while the Kapitalska Družba Group also represents the largest provider of voluntary supplementary pension insurance in Slovenia through its subsidiary Modra zavarovalnica.

In 2021, we will achieve the strategic objectives set out in the Company's strategy. Through the professional, successful and effective management of the Company's own assets and the assets of the SODPZ, and through the effective provision of occupational insurance, our aim is to become a socially responsible and sustainability-oriented company focused on achieving business excellence. By responding agilely to changes in the external environment, we will continue to contribute to the strengthening and modernisation of the Slovenian pension system, by effectively adapting to the latest developments in connection with the establishment of the National Demographic Fund.

We expect operations to return to some form of normalcy by no later than the second half of 2021 following the easing of the COVID-19 epidemic. This will affect operating costs, which will rise due to new obligations in the management of the SODPZ. Nevertheless, we can expect that our operational norm following the epidemic will still include work from home, new forms of communication and the accelerated digitalisation of operations. Comprehensive risk management in connection with cost-efficiency will ensure successful, sustainability-oriented operations again in 2021.

We will introduce in daily operations best practices, innovative approaches and techniques in the area of portfolio management, and actively participate in the continued development of occupational insurance. The business objectives of the SODPZ in 2021 will focus on the optimal management of policyholders' assets, where a great deal of attention will be given to security and liquidity. The core objective is to achieve a higher-than-guaranteed return in the context of an acceptable level of risk. In providing

occupational insurance, the Company is guided by concern for policyholders and their employers, and for occupational pensioners.

We will therefore continue to strive to be one of the most successful pension savings managers in Slovenia, and to ensure that systematic pension solutions are aimed at providing higher-quality and safer forms of insurance. In this way, we will contribute as much as possible to the improved pension stability of policyholders and occupational pensioners. Taking into account the trends of recent years, we expect an increase in the number of payments of redemption values and occupational pensions in 2021.

The biggest challenges in the area of occupational insurance are still tied to amendments to the ZPIZ-2G, which tasks Kapitalska družba with stringent controls over payments, including the collection of unpaid contributions with the help of the FARS. The business process of control over calculations and payments of occupational insurance contributions was established in 2020, but will be implemented in full in 2021 due to a transitional period. Based on the new occupational insurance pension plan, certain key business processes in connection with occupational insurance will cover a broader area in 2021 than in the past.

The new tasks in this area will bring a number of challenges, particularly in terms of defining and obtaining the relevant data from the FARS, the MLFSAEO, the ZPIZ and the CRP. An effective link and the coordination of data from different sources is a precondition for determining the correct payment obligations. The successful performance of legally defined tasks will require considerable investments in information support and the hiring of new staff.

Kapitalska družba's basic objective of asset management is the payment of the Company's legally prescribed obligation, which dictates the definition of a comprehensive investment strategy. Through its planned payment of EUR 50 million to the ZPIZ, Kapitalska družba will reduce the burden on the state budget again in 2021. With that payment, which represents an additional pension source, Kapitalska družba's total payments to the pension fund will reach nearly one billion euros.

The uncertain economic situation and volatile conditions on the financial markets due to COVID-19, the digitalisation of the physical archive, the establishment of a documentation system and stringent control over the payment of contributions are indications that 2021 will once again be a demanding and dynamic year for Kapitalska družba. We are aware of the new macroeconomic and business challenges that were brought about by the outbreak of the epidemic, and have therefore included the risk dimension in everyday decision-making processes. This will allow us to continue pursuing our mission in the Slovenian pension ecosystem in the future.

Established objectives and a prudent business-financial plan will be achieved through teamwork and with the expertise of our employees. We will thus dedicate the appropriate amount of attention in 2021 to the multi-faceted development of employees in terms of professional competences and more effective interpersonal interaction. All of this ensures that Kapitalska družba will remain a capably sound and stable company in 2021, and that it will be a reliable and trustworthy partner for all stakeholders, including the state, the ZPIZ, SODPZ policyholders and liable parties and employees, until the Company's transformation in accordance with the draft National Demographic Fund Act, under which its competences will be transferred to the newly formed fund.



# 8

## Social responsibility

### 8.1 RESPONSIBILITY TO THE WIDER SOCIAL COMMUNITY

Kapitalska družba's mission is the provision of supplementary funding for compulsory pension and disability insurance. Kapitalska družba transfers funds in the amount of EUR 50 million to the ZPIZ every year by no later than 29 September, primarily for the purpose of adjusting pensions, or a proportionally lower amount if the amount for adjusting pensions is lower.

In accordance with the third paragraph of Article 52 of the ZSDH-1, the annual obligation to the ZPIZ depends on the amount of the adjustment of pensions, which is limited to EUR 50 million. Taking into account the annual adjustment of pensions, Kapitalska družba's obligation amounted to EUR 50 million in 2020. Kapitalska družba has transferred the cumulative amount of EUR 914,321 thousand to the budget of the ZPIZ.

### 8.2 RESPONSIBILITY TO EMPLOYEES

#### 8.2.1 Concern for employee training

Existing work areas and the development of new business functions at Kapitalska družba are enhanced using various forms of pre-planned training adapted to the specific job requirements and knowledge required by each employee, and to the Company's developmentally established tasks. Employees thus receive regular additional training, the majority of which in 2020 took the form of online seminars, conferences and workshops due to the epidemic, while only a limited amount of in-person training was organised.

Employees participated in training programmes in the following areas in 2020: finance and accounting, corporate governance, portfolio-based asset management, pension and disability insurance, personal data protection, public procurement, the prevention of money laundering and terrorist financing, quality management systems, legal and HR issues, information security and risk management.

In accordance with its education and training plan, Kapitalska družba also organised internal training programmes in 2020 on the following topics: the prevention of money laundering and terrorist financing,

information security in the workplace and legal issues. We organised a workshop in 2020 on the subject of improved cooperation and understanding according to the Strength Deployment Inventory (SDI) methodology for employees who did not attend the aforementioned training in 2019.

Kapitalska družba promotes continuing education and the acquisition of higher levels of education and various licences in the employer's interest. This improves the quality of the work process and improves qualifications of employees for work in a specific position and thus offers them an opportunity for professional growth.

#### 8.2.2 Concern for a safe and healthy work environment

Kapitalska družba ensures a safe and healthy work environment by respecting all regulations governing occupational health and safety, and thus ensures the appropriate working conditions. Tasks relating to occupational health and safety, fire safety and health care are carried out regularly. Among the most important tasks in this area are regular employee training in the area of occupational health and safety, participation in the assessment of risks in the workplace and work environment, regular periodic preventive medical examinations, the review of declarations of workplace safety, studies of the work environment (measurements of the micro-climate, lighting and noise in the workplace), measurements of electrical installations, inspections of work equipment and examinations of compliance with fire safety measures.

The Company is aware that maintaining and improving health is important, as only healthy and satisfied employees who work in a safe and stimulating work environment are effective and innovative, and are less prone to sick leave. We are therefore implementing systematically targeted activities and measures to maintain and strengthen the physical and mental health of employees. This is achieved by improving the organisation of work and the work environment. Good interpersonal relationships are the most important in this regard, as they have a decisive impact on the health and well-being of employees. We encourage employees to participate in activities to protect and strengthen their health, including the possibility of attending organised recreational activities. We also provide them information regarding a healthy lifestyle and promote their personal development through training.

The declaration of the COVID-19 epidemic in March 2020 required the adaptation of certain measures, while the implementation of some measures was prevented in full.

Collective supplementary pension insurance is another important aspect of ensuring and increasing the future social security of employees. As a responsible company that cares for its employees, Kapitalska družba pays monthly premiums into the Modri Umbrella Pension Fund (MKPS) of the fund manager Modra zavarovalnica. The aforementioned insurance is also considered one of the most valued forms of motivation among employees. Under the agreement on the creation of a pension plan concluded in 2015, all employees are eligible for inclusion in the MKPS under the same conditions.

Kapitalska družba pays the maximum supplementary pension insurance premium for its employees in the amount of 5.844% of an employee's gross wages, or a maximum of EUR 234.92 a month.

The costs of employee premiums for voluntary supplementary pension insurance (MKPS) totalled EUR 124 thousand in 2020.

Effective 1 November 2020, we offered employees the possibility of inclusion in voluntary collective health insurance, with nearly 70% of employees joining that scheme.

#### **A family-friendly company**

Kapitalska družba is aware of the importance and advantages of an active family-friendly policy at the Company that facilitates the balancing of work and family life. The Kapitalska družba team is diverse, with an average employee age of 45, and includes many parents with small and school-age children who benefit from the effects of the Family-Friendly Company certificate to the maximum extent possible. The balancing of career development and family life has become part of our organisational culture, which today is frequently a challenge, as career and private life are becoming increasingly intertwined. Kapitalska družba received the Family-Friendly Company certificate in 2010, which was subsequently upgraded to the full certificate. Following an audit of the three-year period following the receipt of the full certificate, the Company received special recognition for spreading the family-friendly company culture in Slovenia. Through the adoption of measures, the Company aims to ensure short-term and long-term positive effects on the lives of its employees. Kapitalska družba adopted 13 measures in the scope of the Family-Friendly Company certificate: communication with employees, opinion polls among employees, public relations, time account, children's time bonus, additional annual leave, the philosophy and concept of management, a reintegration plan following an extended absence, socialising between employees and the Management Board, the hiring of employees' families for temporary jobs at the Company, the giving of gifts to celebrate new-borns and New Year's gifts for children, and the education of managers in the area of balancing work and family. Among the most frequently employed measures are the time account, the children's time bonus (i.e. a day off for the first day of primary school for the parents of children in grades 1 to 3), socialising between employees and the Management Board, and New Year's gifts and gifts for new-borns.

### **8.2.3 Protective measures for employees and the adaptation of operations due to COVID-19**

Kapitalska družba began actively responding very early (in February 2020) to the outbreak of the new coronavirus in Europe. In response to the outbreak of infections in Slovenia, it began to adapt processes at an accelerated pace and secured the necessary technical equipment. The Company was thus technically and organisationally well-prepared when the epidemic was officially declared. It also appointed a coordination team that was tasked with drawing up and monitoring measures in connection with COVID-19. The coordination team continuously monitored the recommendations of state institutions and proposed preventive measures to the Management Board in a timely manner with the aim of protecting the health of employees and preventing the spread of the new coronavirus. To that end it adopted a document outlining measures to limit and mitigate the risk of exposure to infection with COVID-19. That document was continuously amended and supplemented.

The Company adopted numerous measures to protect employees, customers and other stakeholders, including:

- | the purchase of disinfectants and sensor-operated dispensers for disinfectant, and protective masks;
- | the disinfection of business premises;
- | limitations regarding the provision of contact centre services and the organisation of meetings (the contact centre was closed to physical visits by SODPZ policyholders during the epidemic);
- | the mandatory use of protective masks in common areas;
- | the possibility of performing work with one employee per office (given the assignment of employees to groups A and B);
- | the adaptation of obligatory working hours; and
- | the accelerated digitalisation of processes.

Following the outbreak of the COVID-19 epidemic, Kapitalska družba trained a crisis team for work from home in order to carry out all urgent activities for the Company's operations. Following the first declaration of the epidemic, the Company made work from home possible for all employees using information technology that facilitates remote work, while following strict safety rules. All employees took advantage of the work-from-home regime, except those persons who were unable to work from home due to different circumstances, and those employees who had to perform work at the Company's registered office due to the nature of their tasks. We also facilitated absence from work due to childcare. The work-from-home regime was in place from 16 March to 1 June 2020 for all employees, and until 12 June for vulnerable employees. When the epidemic was rescinded, employees were divided into two separate groups, between which there was no movement, for the purpose of reducing the possibility of infection with COVID-19. Those groups alternated weekly between performing work from home and work at the Company's registered office. We adopted certain preventive measures in the summer, including mandatory work from home for five days following the end of annual leave, while we also maintained work in the two aforementioned groups at all times.

When the epidemic was declared for a second time in October 2020, we re-established the work-from-home regime for all employees, while we allowed parents to take advantage of the childcare measure in the scope of measures adopted by the Slovenian government.

Throughout the period of work from home, we ensured a smooth and undisturbed work flow, and regularly monitored the work of employees via daily work reports, and initially daily meetings and later meetings three times a week between the Management Board and the heads of organisational units via remote work applications. We adapted processes in such a way that they were mainly performed electronically.

## 8.3 ENVIRONMENTAL RESPONSIBILITY

### Electricity from renewable sources

A tender was issued in 2020 for the supply of electricity in accordance with the Decree on Green Public Procurement. Taking into account the provisions of the aforementioned decree, the Company signed an agreement on the supply electricity, 80% of which is produced from renewable sources. Energy that is produced from environmentally friendly, renewable sources does not use fossil fuels, while the production of energy from renewable sources does not drain natural resources. Thus, the burden on the environment from greenhouse gases, harmful emissions and radioactive waste is reduced.

### Purchase of materials

When purchasing sanitary materials in 2020, we ordered environmentally friendly products. We also strive to order the most environmentally friendly paper products. We are making efforts to introduce paperless operations with the aim of reducing paper consumption. We have taken the first step to achieving this objective through the purchase of software support for the document system that was introduced at the beginning of 2021.

# 9

## Report on relations with the subsidiary

Kapitalska družba is the parent company of an insurance group that includes the subsidiaries Modra zavarovalnica, d. d. and Hotelske nepremičnine, d. o. o.<sup>10</sup> The Company holds a 100% participating interest in Modra zavarovalnica. No transactions were executed between the parent company and the aforementioned subsidiary in 2020 under conditions that deviated from market conditions. As the Group's parent company, Kapitalska družba holds a 50% participating interest in Hotelske nepremičnine, d. o. o. No transactions were executed between the parent company and the aforementioned joint venture in 2020 under conditions that deviated from market conditions.

### Lease of business premises

Modra zavarovalnica leases business premises from Kapitalska družba. A new lease agreement was concluded in 2019 and is valid until September 2024. The lessee returned a portion of business premises in August 2020. The total monthly lease payment for business and warehouse premises measuring 1,704.93 m<sup>2</sup>, 39 indoor parking places, two outdoor parking places and 12 parking places at Glavarjeva rezidenca amounts to EUR 27,767. The aforementioned rental fee also includes electricity costs.

### Provision of IT services

Modra zavarovalnica uses the systems infrastructure (servers, communications equipment, printing devices, system software, disk capacities, etc.) owned by Kapitalska družba. Kapitalska družba also provides IT-related services to Modra zavarovalnica. The leasing of the systems infrastructure and the provision of IT services are governed by an agreement on the provision of IT services.

### Agreement on the financing of the pension plan

Kapitalska družba has an agreement with Modra zavarovalnica on the financing of the pension plan for collective supplementary pension insurance, which is implemented by the open Modri Umbrella Pension Fund (MKPS).

<sup>10</sup> In accordance with the International Financial Reporting Standards and the Company's accounting policies, Hotelske nepremičnine, d. o. o. is treated as a joint venture.



# 10

## Indicators

	in 000 EUR			
	Value		Value of indicator	
	2020	2019	2020	2019
<b>1. FINANCING RATIOS</b>				
<b>a) Equity financing ratio</b>				
equity	1,096,063	1,060,720		
total equity and liabilities	1,239,311	1,102,331	<b>0.88</b>	<b>0.96</b>
<b>b) Long-term financing ratio</b>				
equity + long-term liabilities (including provisions) + long-term accruals and deferred income	1,186,280	1,098,450	<b>0.96</b>	<b>1.00</b>
total equity and liabilities	1,239,311	1,102,331		
<b>2. INVESTMENT RATIOS</b>				
<b>a) Operating fixed asset investment ratio</b>				
fixed assets (at carrying amount)	52,980	3,155		
equipment	1,239,311	1,102,331	<b>0.04</b>	<b>0.00</b>
<b>b) Long-term investment ratio</b>				
fixed assets + long-term deferred expenses and accrued revenue (at carrying amount) + investment property + long-term financial assets + long-term operating receivables	1,106,156	1,000,310	<b>0.89</b>	<b>0.91</b>
equipment	1,239,311	1,102,331		
<b>3. HORIZONTAL FINANCIAL STRUCTURE RATIOS</b>				
<b>a) Equity to fixed assets ratio</b>				
equity	1,096,063	1,060,720		
fixed assets (at carrying amount)	52,980	3,155	<b>20.69</b>	<b>336.20</b>

	in 000 EUR			
	Value		Value of indicator	
<b>b) Acid test ratio</b>				
liquid assets	11,561	15,605		
short-term liabilities	53,031	3,881	<b>0.22</b>	<b>4.02</b>
<b>c) Quick ratio</b>				
liquid assets + short-term receivables	65,366	16,910		
short-term liabilities	53,031	3,881	<b>1.23</b>	<b>4.36</b>
<b>d) Current ratio</b>				
short-term assets	113,196	83,469		
short-term liabilities	53,031	3,881	<b>2.13</b>	<b>21.51</b>
<b>4. EFFICIENCY RATIOS</b>				
<b>a) Operating efficiency</b>				
operating revenue	11,432	10,564		
operating expenses	6,049	6,140	<b>1.89</b>	<b>1.72</b>
<b>5. PROFITABILITY RATIOS</b>				
<b>a) Net return on equity</b>				
net profit/loss for the period	-7,262	-16,240		
average equity (excluding net profit/loss for the period)	1,090,142	1,035,989	<b>-0.01</b>	<b>-0.02</b>
<b>b) Dividends to share capital ratio</b>				
dividends for financial year	0	0		
average share capital	364,810	364,810	<b>0.00</b>	<b>0.00</b>

# 11

## Corporate governance statement

In accordance with the provision of the fifth paragraph of Article 70 of the ZGD-1 and point 3.4 of the Corporate Governance Code for Companies with Capital Assets of the State, Kapitalska družba hereby issues its corporate governance statement for the period 1 January 2020 to 31 December 2020.

**I. As a public limited company whose sole shareholder is the Republic of Slovenia, Kapitalska družba voluntarily complies with the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Code), which includes the principles, procedures and criteria for conduct by members of the management and supervisory bodies of companies in which the Republic of Slovenia is a shareholder. Kapitalska družba also complies with the valid Recommendations and Expectations of SDH.**

Kapitalska družba hereby issues its statement of compliance with the Code adopted by SDH and applicable in 2020. The Code includes principles and recommended best practices for the corporate governance of companies with capital assets of the State. The currently valid Code is published on SDH's website at <http://www.sdh.si/sl-si/upravljanje-nalozb/kljucni-dokumenti-upravljanja>.

The Management Board and the Supervisory Board of Kapitalska družba hereby declare that they voluntarily comply with the Code. Deviations from individual recommendations of the Code are cited and explained below:

**Point 3.1 of the Code: The core objective of a company with capital assets of the state shall be to maximise the value of the company and generate the highest possible returns for owners over the long term, unless otherwise stated by the law or articles of association. In addition to the core objective, companies shall pursue other objectives that are defined for a specific company by the law or articles of association of that company. Companies shall ensure that all objectives are clearly defined in their articles of association in order to ensure increased transparency with respect to those objectives. If a company has conflicting objectives, its articles of association or another relevant legal document (e.g. the company's governance policy) shall define the relationships between objectives and the resolution of conflicts between those objectives.**

**Explanation:** Given the specific purpose of its establishment and its planned transformation into an autonomous and independent demographic reserve fund, and taking into account the state capital investment management strategy, Kapitalska družba's primary concerns are the fulfilment of its legal obligation to provide funds to the ZPIZ, and the management of the SODPZ.

**Point 3.2 of the Code: Notwithstanding the ownership structure, the management board of a public limited company with capital assets of the state and the management boards of large and medium-sized public limited companies and limited liability companies in which SDH has a controlling influence shall formulate and adopt a corporate governance policy in conjunction with the supervisory board. That policy shall define the principal guidelines regarding corporate governance and the other content set out in Chapter II of the Slovenian Corporate Governance Code as regards the definition of the concept of 'governance policy'. The governance policy shall be adopted for the future period and shall be updated by the company so that it is in line at all times with regulations, the company's articles of association, the state capital asset management strategy, applying Recommendation no. 3.1.1 of this Code mutatis mutandis, and current corporate governance guidelines. The governance policy shall include the date of the last update and shall be accessible on a company's public website.**

**Explanation:** Given its transformation into an autonomous and independent demographic reserve fund, as envisaged by the law, Kapitalska družba (in which SDH does not exercise a controlling influence) has not yet adopted a corporate governance policy. That policy will be formulated taking into account the provisions of the law governing its transformation, which will define the functioning of the demographic reserve fund and additional permanent sources of financing thereof, and taking into account the state capital investment management strategy.

**Point 3.6 of the Code: The supervisory board of a company subject to auditing in accordance with the ZGD-1 shall formulate and adopt a diversity policy in the form of a special act that is implemented in connection with representation on management and supervisory bodies in terms of gender, age and professional profile. The diversity policy shall include a corporate governance statement and shall be published on the company's publicly accessible website. The corporate governance statement shall also include a report on the implementation and achieved results of the diversity policy during the reporting period.**

**Explanation:** Kapitalska družba is unable to formulate a diversity policy in connection with the establishment of the Supervisory Board and has not yet adopted such a policy in connection with its Management Board, as regards representation on the Company's management and supervisory bodies in terms of gender, age, education and professional experience. It is, however, planning to adopt such a policy in 2021. Nevertheless, it should be noted that the composition of the Supervisory Board is in line with the interests of stakeholders as prescribed by the law, as two of its six members are appointed on the basis of a proposal by a national-level federation/organisation of pensioners and one member is appointed on the basis of a proposal by national-level trade union federations or confederations, which indirectly facilitates the pursuit of certain elements of the diversity policy.

**Point 4.3 of the Code: The management and supervisory bodies of companies with capital assets of the State shall refrain from all communication with representatives of ministries regarding matters that relate to the exercising of membership rights arising from the capital assets of the State at a particular company with such assets.**

**Explanation:** Kapitalska družba does not comply with the aforementioned provision of the Code in full because it is not a company managed by SDH. In accordance with the law, Kapitalska družba is the manager of the SODPZ, which represents an element of compulsory insurance. For this reason, commu-

nication with representatives of the competent ministries regarding the provision of occupational insurance is necessary.

**Point 6.2 of the Code:** In cooperation with senior management, the supervisory board shall draft a succession policy to ensure the smooth transfer of management rights in the event that the terms of office of members of senior management are terminated, and to manage the associated risks. The objective of that policy is to train potential candidates from the ranks of employees who would be qualified to assume managerial functions at a company.

**Explanation:** Given its transformation into an autonomous demographic reserve fund, as envisaged by the law, Kapitalska družba has not yet adopted a succession policy. That policy will be formulated taking into account the provisions of the law governing its transformation, which will define the composition of and conditions for appointing the senior management of the Company.

**Point 6.5 of the Code:** The supervisory board shall be comprised in such a way as to ensure responsible supervision and decision-making for the benefit of a company. Regardless of whether a company has adopted a diversity policy or not, the composition of the supervisory board shall take into account professional knowledge, experience and skills that differ from member to member but are complementary (in terms of knowledge and experience). The continuity and diverse composition of the supervisory board, in terms of characteristics such as age, international composition and gender representation (i.e. the heterogeneity of its composition), shall be ensured to the greatest extent possible.

**Explanation:** Kapitalska družba complies with the aforementioned provision of the Code, mutatis mutandis, taking into account the cogent provisions of Article 51 of the ZSDH-1 and the Company's Articles of Association, which set out a special composition of Kapitalska družba's Supervisory Board.

**Point 6.8 of the Code:** If the general meeting elects members of the supervisory board based on a proposal from that body, the substantiation of proposals for the adoption of resolutions shall include, in addition to the data required by the law, at a minimum information regarding each proposed candidate's membership in other management or supervisory bodies and an assessment of potential conflicts of interests, where that assessment shall also take into account the individual circumstances stated in Appendix 3 to this Code. Moreover, the supervisory board shall disclose all information regarding whether a proposed candidate is independent in terms of the definition set out in this Code and whether procedures defined by this Code have been taken into account by the supervisory board in the selection of that candidate.

Sub-point 6.8.1 of the Code: In the justification of its proposal (subject to voting), the supervisory board shall also provide a description of the competence profile for a member of the supervisory board and information regarding a candidate that allows shareholders to assess whether that candidate meets the characteristics of the profile being sought.

**Explanation:** The Company does not comply with the aforementioned provision of the Code in full due to the cogent provisions of the ZSDH-1 and Kapitalska družba's Articles of Association, which envisage a special procedure for nominating members to Kapitalska družba's Supervisory Board.

**Point 6.9 of the Code:** The selection procedure for supervisory board members and the formulation of a proposal for a general meeting resolution on the appointment of supervisory board members shall be transparent and defined in advance.

Sub-point 6.9.8 of the Code: Immediately following the convening of the general meeting that will vote on new supervisory board members based on a proposal of the supervisory board of a company with capital assets of the state, the chairman of that company's supervisory board shall invite candidates who have been proposed for election by the supervisory board to submit their applications to SDH's human resource committee for accreditation and nomination. Candidates may also be invited by SDH's human resource committee to submit their application for accreditation and nomination. This recommendation shall not apply when the proposal of candidates by SDH is the only recruitment channel

**Explanation:** Kapitalska družba does not comply with the recommendation under sub-point 6.9.8 of the Code in full because the Government of the Republic of Slovenia represents Kapitalska družba's General Meeting. In accordance with the provisions of the ZSDH-1, three members are appointed to the Supervisory Board based on SDH's proposal. Thus, in accordance with the Articles of Association, a proposal for candidates who are representatives of SDH is drafted by the latter's Management Board and the Supervisory Board informed of its selection. Two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners, while one member is appointed on the basis of a proposal by national-level trade union federations or confederations.

**Point 7.4 of the Code:** At a minimum at large companies, a culture for identifying talented individuals and the development of employees' knowledge and skills shall be present not only at the second level, but also deeper within an organisation. The development plan of a specific employee shall define the direction of their career and the critical competences for the current and future success of an organisation. The senior management shall be responsible for motivating employees, strengthening the feeling of responsibility amongst employees and for promoting the desired conduct. The remuneration system shall be based on knowledge, performance and the complexity of work.

**Explanation:** Kapitalska družba does not comply with this provision of the Code in full, as it has not yet adopted development plans for all employees given its transformation into an autonomous demographic reserve fund, as envisaged by the law. It does, however, comply with the essential guidelines of provision in question.

**Point 8.5 of the Code:** Prior to the beginning of the year, large and medium-sized companies shall prepare a financial calendar of the planned dates of their significant announcements (general meetings, date of dividend payment, annual and interim reports, etc.) in the forthcoming financial year. The financial calendar shall be published and publicly accessible on a company's web site.

**Explanation:** The Company cannot comply with the aforementioned provision of the Code due to the specifics set out in the provisions of the ZSDH-1 with regard to Kapitalska družba (in accordance with the second paragraph of Article 52 of the ZSDH-1, the Company's distributable profit may not be allocated to shareholders, while the role of the Company's General Meeting is performed by the general meeting of SDH, i.e. the Government of the Republic of Slovenia in accordance with Article 51 of the ZSDH-1).

**Point 11.2 of the Code:** In addition to valid legislation governing integrity and the prevention of corruption, reference documents aimed at enhancing the importance of corporate integrity, such as the guidelines of the Commission for the Prevention of Corruption, the Slovenian Corporate Integrity Guidelines and anti-corruption principles for state-owned companies, should also be complied with to the greatest extent possible, taking into account the specifics of individual sectors and companies with the aim of strengthening corporate integrity.

**Explanation:** Kapitalska družba complies with the essential elements set out in the Slovenian Corporate Integrity Guidelines, the guidelines of the Commission for the Prevention of Corruption and anti-corruption principles for state-owned companies. It also appointed a corporate integrity officer. Kapitalska družba plans to establish a comprehensive corporate integrity system by the middle of 2021.

## II. Main features of internal control systems and risk management in relation to financial reporting procedures

**Explanation:** Kapitalska družba manages risks and carries out internal controls at all levels. The purpose of internal controls is to ensure the accuracy, reliability and transparency of all processes, and to manage the risks associated with financial reporting.

Internal controls are carried out by the Operational Support Sector,<sup>11</sup> which is responsible for maintaining the books of account and for the compilation of financial statements in accordance with the valid financial reporting, tax and other regulations. Those regulations ensure that:

- I business events are recorded on the basis of credible accounting documents, which in turn ensures that business events are recorded accurately and fairly and provides assurance that the Company disposes of its assets in an honest manner; and
- I business events are recorded and the financial statements compiled in accordance with the applicable laws.

Kapitalska družba's financial statements for every financial year are verified and audited by an external auditor. On the basis of the resolution passed by the General Meeting on 6 September 2019, the Company's financial statements for 2020 were audited by Deloitte revizija, d. o. o., Ljubljana.

The Internal Audit Department is an independent organisational unit that reports directly to the Company's Management Board and is also subordinated in functional terms to the audit committee. This ensures the independence of its work and its segregation from the implementing functions that are subject to auditing. The verification of the Company's internal control systems and the provision of assurances regarding the functioning of those systems represent the core area of internal auditing work. Internal auditors assess the effectiveness of the functioning of internal controls in terms of the management of the risks to which the Company is exposed. In accordance with its annual work plan, which is approved by the Company's Management Board and Supervisory Board, the Internal Audit Department performs audits of individual areas of the Company's operations. The Internal Audit Department contributes to the improved performance of the Company through recommendations for improvements to business processes and procedures.

## III. Significant direct and indirect ownership of a company's securities in terms of achieving a qualifying holding as set out in the act governing takeovers

**Explanation:** Kapitalska družba's sole owner is the Republic of Slovenia, which holds all 874,235 ordinary registered no-par-value shares (100% of share capital).

<sup>11</sup> An amended internal organisational structure entered into force on 1 January 2021. In accordance with that new structure, controls in connection with financial reporting procedures are carried out by the newly created Accounting Department.

## IV. Holders of securities that provide special controlling rights

**Explanation:** The Company does not have securities that would provide special controlling rights.

## V. Restrictions on voting rights

**Explanation:** Kapitalska družba's sole owner is the Republic of Slovenia, which holds all 874,235 ordinary registered no-par-value shares. There are no restrictions on its voting rights.

## VI. Company's rules on the appointment and replacement of members of management and supervisory bodies, and changes to the Articles of Association

**Explanation:** The rules on the appointment and replacement of members of the management and supervisory bodies and on changes in the Articles of Association are defined in the latter.

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners. One member is appointed on the basis of a proposal by national-level trade union federations or confederations. If an individual interest group does not formulate a proposal for the appointment of members of the Supervisory Board in the manner defined below, the General Meeting of the Company appoints missing members at its own discretion. The proposal for candidates to represent SDH is formulated by SDH's Management Board, which informs the Supervisory Board of its choice. The proposal for candidates to represent pensioners is formulated by national-level federations/organisations of pensioners, which inform the Supervisory Board of their choice. The proposal for a candidate to represent trade unions is voted on by representatives (electors) of national-level representative federations/confederations, which inform the Supervisory Board of their choice. Each representative federation/confederation has as many representatives as the number of representative trade unions amalgamated within them. In addition to the representatives referred to in the preceding sentence, a federation/confederation shall each have one representative for every ten thousand members. Members of the Supervisory Board serve a four-year term of office and may be reappointed.

Members of the Management Board are appointed by the Supervisory Board on the basis of a public tender. One of the members of the Management Board is appointed the President thereof. Members of the Management Board serve a four-year term of office and may be re-appointed. The Management Board or its individual members may be recalled prior to the end of their term of office, but only for the reasons set out in the second paragraph of Article 268 of the ZGD-1. A violation of the Articles of Association of Kapitalska družba that is deemed to be a serious violation of obligations may constitute a reason of culpability resulting in recall.

The Articles of Association and amendments thereto are adopted by the General Meeting of Kapitalska družba at the proposal of the Management Board and Supervisory Board.

## VII. Powers of senior management, in particular powers to issue or purchase treasury shares

**Explanation:** The powers of senior management are set out in the Company's Articles of Association. The Management Board of Kapitalska družba has no powers to issue or purchase treasury shares.



## VIII. Information regarding the functioning of the Company's General Meeting of Shareholders and its key competences, and a description of the rights of shareholders and how those rights are exercised

**Explanation:** The Company's sole shareholder exercises its rights arising from the ownership of shares at the General Meeting. The General Meeting is the Company's highest body and functions in accordance with the provisions of the ZGD-1, the ZSDH-1 and the Company's Articles of Association. The General Meeting is convened by the Company's Management Board, as defined by the law and the Articles of Association, and whenever its convening is in the interest of the Company. The General Meeting may also be convened by the Supervisory Board. The General Meeting must also be convened if the shareholder requests that the Management Board do so. The shareholder's written request to convene the General Meeting must include an agenda, a proposed resolution for each proposed item of the agenda to be decided upon by the General Meeting, or an explanation of the agenda item if the General Meeting will not decide on the item in question. The convening of the General Meeting must be published at least 30 days prior to the meeting. The convening of the General Meeting is published on the websites of the AJPES and Kapitalska družba. The publication of the convening of the General Meeting must also include proposed resolutions and details of the place where all materials submitted for decision-making at the General Meeting may be accessed. A shareholder who is registered as such in the central register of book-entry securities at the end of the fourth day prior to the General Meeting is entitled to participate and exercise their voting rights at the General Meeting.

The General Meeting makes decisions on basic matters relating to Kapitalska družba, in particular the adoption of the Company's Articles of Association and amendments thereto. It adopts the annual report, if the Supervisory Board has not confirmed the annual report or if the Management Board and the Supervisory Board defer the decision regarding the adoption of the annual report to the General Meeting. It decides on the use of distributable profit at the proposal of the Management Board and Supervisory Board and on the granting of discharge to members of the Management Board and Supervisory Board. It appoints and recalls members of Kapitalska družba's Supervisory Board and appoints the Company's auditor. It decides on measures to increase or reduce share capital, unless the Articles of Association or the law determine otherwise. It decides on the winding-up of Kapitalska družba and on status changes thereto, and decides on other matters in accordance with the law and the Articles of Association.

## IX. Information regarding the composition and functioning of management and supervisory bodies and their committees

**Explanation:** The governance of Kapitalska družba is based on legal provisions and the provisions of the Company's Articles of Association. The Company has a two-tier governance system under which the Company is managed by its Management Board and the work of the latter is supervised by the Supervisory Board.

### a) Supervisory Board

The responsibilities of the Supervisory Board are set out in the company's Articles of Association, while its work method is governed by the aforementioned body's rules of procedure. A detailed description of the activities and work method of the Supervisory Board in 2020 is given in the report of the Supervisory Board. The Supervisory Board of Kapitalska družba functioned in the following composition in 2020:

- | Stanislav Seničar, Chairman,
- | Dr Boris Žnidarič, Deputy Chairman,
- | Aleksander Mervar, MSc, member,
- | Ladislav Rožič, MSc, member,
- | Natalija Stošicki, member (until 8 April 2020), and
- | Mirko Miklavčič, member.

Three committees functioned within the Supervisory Board in 2020: an audit committee, an accreditation committee and an HR committee. The composition and work of the aforementioned committees are presented in the report of the Supervisory Board.

### b) Management Board

In accordance with the ZSDH-1 and the Company's Articles of Association, the Management Board has a minimum of two and a maximum of three members. The members of the Management Board are appointed to a four-year term of office by the Supervisory Board based on a public tender procedure. Kapitalska družba, d. d. was run by its Management Board in 2020 in the following composition:

- | President of the Management Board Bachtiar Djalil who began his term of office on 3 January 2019;
- | Member of the Management Board Goranka Volf who began her new term of office on 25 November 2020;<sup>12</sup> and
- | Member of the Management Board Gregor Bajraktarevič who began his term of office on 7 February 2018.

The President and members of Kapitalska družba's Management Board were appointed by the Supervisory Board in accordance with the Company's Articles of Association and the provisions of the ZSDH-1, on the basis of a public tender procedure.<sup>13</sup>

The Management Board manages the Company in the interests thereof, independently and at its own risk. The members of the Management Board represent Kapitalska družba independently and without restrictions. The company's Articles of Association set out the transactions and decisions for which the Management Board must obtain the consent of the Supervisory Board. The Management Board of Kapitalska družba is answerable to the Supervisory Board and the General Meeting for its work. In managing the Company's transactions, it must act with the due professional diligence of a good manager, safeguard the business secrets of Kapitalska družba and comply with the prohibition of competition clause.

The Management Board exercised its competences in 2020 in accordance with the rules of procedure of that body, reported regularly to the Supervisory Board and fulfilled its obligations to the shareholder, as set out in the ZGD-1 and ZSDH-1, in accordance with the Articles of Association.

<sup>12</sup> Ms Volf began her previous four-year term of office on 24 November 2016.

<sup>13</sup> In accordance with Article 33 of the Articles of Association, member of the Management Board Goranka Volf was appointed for a term of office of no more than one year from the day she assumed her function.

Table 15: Composition of the Management Board during the 2020 financial year

Name	Function (President, member)	Work area as member of the Management Board	First appointment to function	Completion of function / term of office	Gender	Nationality	Year of birth	Education	Professional profile	Membership in supervisory bodies of unaffiliated companies
Bachtiar Djalić	President	Legal and HR affairs, internal audit, risk management	1 January 2010	3 January 2023	M	Slovene	1975	Bachelor's degree in law (Groningen)	Corporate governance, management of pension and investment funds, economic and financial law	Loterija Slovenije, d. d.
Goranka Volf	Member	Pension fund management, finance and accounting, general affairs	24 November 2016	25 November 2021	F	Slovene	1959	Bachelor's degree in economics	Pension fund management, corporate governance, corporate communications	Terme Čatež, d. d.
Gregor Bajraktarević	Member	Asset management, IT and business processes	6 February 2017	7 February 2022	M	Slovene	1975	Master's of science	Asset management, corporate governance, investment banking and corporate restructuring	Hit, d. d.

Table 16: Composition of the Supervisory Board and its committees during the 2020 financial year


Name	Function (Chairman, Deputy Chairman, member)	First appointment to function	Completion of function / term of office	Shareholder/employee representative	Participation in Supervisory Board sessions with respect to total number (e.g. 5/7)	Gender	Nationality	Year of birth	Education	Professional profile	Independence in accordance with point 6.6 of the Code (YES / NO)	Existence of conflicts of interest during the financial year (YES/NO)	Membership in supervisory bodies of other companies	Membership on committees (e.g. audit, human resource or remuneration)	Chair / member	Participation in committee sessions with respect to total number (e.g. 5/7)
Stanislav Seničar	Chairman	28 August 2013	30 August 2022	Shareholder representative	18/18	M	RS	1942	Bachelor's degree in sociology	Corporate governance	Yes	No	/	/	/	/
Boris Žnidarič	Deputy Chairman	1 February 2015	1 February 2023	Pensioner representative	18/18	M	RS	1948	Doctorate of science	Master's degree in law and other social sciences, qualified university professor	Yes	No	Krka, d. d.	Accreditation	Chair	4/4
Aleksander Mervar	Member	28 August 2013	30 August 2022	Shareholder representative	15/18	M	RS	1962	Master's of science	Finance, accounting, corporate governance, governance systems	Yes	No	Stelkom, d. o. o. (until 27 January 2020), SZ, d. o. o.	HR, audit, accreditation	Chair, member	2/2, 5/8, 3/4
Natalija Stošicki (member until 8 April 2020)	Member	8 April 2016	8 April 2020	Shareholder representative	3/3	F	RS	1966	Bachelor's degree in economics	Financial services expert	Yes	No		audit, HR	Chair, member	1/1 /
Ladislav Rožić	Member	31 January 2011	1 February 2023	Trade union representative	18/18	M	RS	1957	Master's of science	Finance, corporate governance	Yes	No	/	audit, accreditation	Member and chair, member	8/8, 4/4
Mirko Miklavčič	Member	2 February 2019	1 February 2023	Pensioner representative	18/18	M	RS	1947	Bachelor's degree in labour organisation	Finance, corporate governance and insurance	Yes	No	/	Audit, HR	Member, member	7/8, 2/2

Table 17: External members of Supervisory Board committees during the 2020 financial year

Name	Committee	Participation in committee sessions with respect to total number (e.g. 5/7)	Gender	Nationality	Education	Year of birth	Professional profile	Membership in supervisory bodies of unaffiliated companies
Mojca Verbič	Audit	7/8	F	RS	Bachelor's degree in economics	1975	Director of Finance and Business Support Sector	/
Irena Prijović	Accreditation	4/4	F	RS	Master's of science	1968	Corporate governance	Uradni list, d. o. o., Športna loterija, d. d. (since 27 August 2019)
Alenka Stanič	Accreditation	4/4	F	RS	Doctorate of science	1963	Adviser for key personnel	/
Gorazd Zmavc	Accreditation	4/4	M	RS	Lawyer	1947	Legal affairs	/
Natalija Stošicki (member from 14 April 2020)	Audit	7/7	F	RS	Bachelor's degree in economics	1966	Financial services expert	/

**X. Description of the diversity policy that is implemented in connection with representation on the Company's management and supervisory bodies**

Kapitalska družba is unable to formulate a diversity policy in connection with the establishment of the Supervisory Board and has not yet adopted such a policy in connection with its Management Board, as regards representation on the Company's management and supervisory bodies in terms of gender, age, education and professional experience. It is, however, planning to adopt such a policy in 2021. Nevertheless, it should be noted that the composition of the Supervisory Board is in line with the interests of stakeholders as prescribed by the law, as two of its six members are appointed on the basis of a proposal by a national-level federation/organisation of pensioners and one member is appointed on the basis of a proposal by national-level trade union federations or confederations, which indirectly facilitates the pursuit of certain elements of the diversity policy.



**Gregor BAJRAKTAREVIĆ**

Member of the Management Board



**Goranka VOLF**

Member of the Management Board



**Bachtiar DJALIL**

President of the Management Board

Ljubljana, 13 May 2021



A close-up photograph of a person's hand holding a small, young plant seedling. The seedling is in a light-colored, biodegradable pot and has four green leaves. The background is a dark, textured surface of soil. A semi-transparent blue rectangle is overlaid on the right side of the image, containing the title and a paragraph of text.

# Financial Report

A tree that can barely be embraced grew from a seed. A tower nine stories high started on a lump of soil. A journey thousands of kilometres long starts with a step...



# 12

## Statement of the Management's Responsibility

The Management Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., approves the financial statements of the Company for the year ended 31 December 2020, and the accompanying notes and disclosures.

The Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and good management. The Management Board also confirms that the financial statements give true and fair presentation of the Company's financial position and the results of its operation for 2020.

The Management Board is also responsible for the appropriate accounting system and adoption of measures to secure the property and other assets. The Management Board confirms that the financial statements and notes thereof have been compiled under the assumption of a going concern, and in accordance with the applicable legislation and International Financial Reporting Standards (IFRS) as adopted by the European Union.

The tax authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that could give rise to possible material liability in this respect.



**Gregor BAJRAKTAREVIĆ**

Member of the  
Management Board



**Goranka VOLF**

Member of the  
Management Board



**Bachtiar DJALIL**

President of the  
Management Board

Ljubljana, 13 May 2021

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## Auditor's Report

**Deloitte.**

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**INDEPENDENT AUDITOR'S REPORT**  
to the owner of Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d.

**Report on the Audit of the Financial Statements**

### Opinion

We have audited the financial statements of the company Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Deloitte revizija d.o.o. - The company is registered with the Ljubljana District Court, registration no. 1647105 - VAT ID SI62560085 - Nominal capital EUR 74,214.30.

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#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Financial Assets

Key Audit Matter	Audit procedures related to a key audit matter
<p><i>Disclosures related to the financial assets are included in note 15.2.Accounting Policies - Financial Assets and Note 17. Investments excluding loans.</i></p> <p>As at 31 December 2020, financial investments in the company's financial statements amounted to EUR 827,278 thousand (2019: EUR 761,124 thousand), which represents 66.8% of the company's total assets as at 31 December 2020 (69.0% as at 31 December 2019).</p> <p>They comprise investments measured at fair value, investments at amortized cost, cash and cash equivalents. Upon initial recognition, management decides on the classification of financial assets based on the purpose of their acquisition.</p> <p>Due to its materiality in the statement of financial position of the company, financial investments are considered a key audit matter.</p>	<p>As part of our audit procedures, we assessed the adequacy of accounting policies and checked the design and implementation of internal controls related to the recognition of investments and their periodic valuation.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>- For investments in marketable securities, we recalculated the fair value of these investments based on the values arising from the securities market as at 31 December 2020.</li> <li>- For investments in non-marketable securities measured at fair value, we assessed the adequacy of the assumptions used and the methodology used by the company. In particular, we considered the assumptions used to calculate discount rates and expected future cash flows. The auditor's experts were included in the procedures to assess whether the significant assumptions used are adequate for given purposes.</li> <li>- For investments measured at amortized cost, we recalculated the amortized cost on the basis of data on the maturity of the investment as at 31 December 2020 and assessed the adequacy of the considered expected impairment losses.</li> </ul> <p>We have also reviewed the information in the financial statements to assess whether the disclosures meet the requirements of applicable financial reporting standards.</p>

#### Emphasis of matter

We draw attention to Note 15.1. "General Disclosures" to the separate financial statements which states that Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. is the parent company of Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. Group and that consolidated financial statements of Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. prepared in accordance with IFRS have not been prepared yet. Note 15.1. "General Disclosures" states when the consolidated financial statements will be published and the method of accounting and other disclosures relating to non-consolidated subsidiaries. Our opinion is not modified in respect of this matter.

#### Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.

In relation to this and based on our procedures performed, we report that:

- other information are, in all material respects, consistent with the audited financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern

basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process and for approving audited annual report.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

With those charged with governance we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders’ Meeting held on 6 September 2019. Our total uninterrupted engagement has lasted 9 years.

Confirmation to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 13 May 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Nina Kravanja Novak, certified auditor.

DELOITTE REVIZIJA d.o.o.

Nina Kravanja Novak  
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 13 May 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

# Financial Statements for 2020

## 14.1 INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

in 000 EUR			
Item	Note	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
1. Net sales revenue	1		
a) Sales to local companies in the Group		437	451
c) Revenue from sales on the domestic market		10,158	9,707
Total sales revenue		10,595	10,158
4. Other operating revenue (including operating revenues from revaluation)	2	837	406
<b>Total revenue</b>		<b>11,432</b>	<b>10,564</b>
5. Costs of goods, materials and services	3		
a) Cost of goods and materials sold		0	0
b) Costs of materials		-116	-130
c) Costs of services		-1,439	-1,621
Total costs of goods, materials and services		-1,555	-1,751
6. Labour costs	4		
a) Payroll costs		-2,482	-2,437
b) Social security insurance costs		-395	-393
c) Pension insurance costs		-124	-121
d) Other labour costs		-212	-218
Total labour costs		-3,213	-3,169
7. Write-downs in value	5		
a) Depreciation and amortisation		-1,137	-1,160
b) Operating expenses from revaluation of fixed assets		-20	-3
c) Revaluation operating expenses associated with operating current assets		-34	0
Total write-downs		-1,191	-1,163
8. Other operating expenses	6	-90	-57
<b>Total costs</b>		<b>-6,049</b>	<b>-6,140</b>

in 000 EUR

Item	Note	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
<b>Operating profit (loss)</b>		<b>5,383</b>	<b>4,424</b>
9. Financial revenue from participating interests	7		
a) Financial income from shares and interests in Group companies		0	3,175
b) Financial income from shares and interests in associates		966	1,782
c) Financial income from other shares and interests		38,427	32,540
d) Financial income from other investments		5,079	4,790
Total financial income from shares and interests		44,472	42,287
10. Financial income from loans granted	7		
b) Financial income from loans granted to others		55	147
Total financial income from loans granted		55	147
<b>Total financial revenue</b>		<b>44,527</b>	<b>42,434</b>
12. Financial expenses due to write-off and impairment of investments	8		
b) Financial expenses due to impairment and write-off of other investments		-8,539	-2,673
Total financial expenses due to impairment and write-off of investments		-8,539	-2,673
13. Financial expenses for financial liabilities	8		
a) Financial expenses from loans received from Group companies		0	0
b) Financial expenses for bank loans		-19	0
c) Finance expenses for bonds issued		0	0
d) Financial expenses for other financial liabilities		-50,008	-50,000
Total financial expenses for financial liabilities		-50,027	-50,000
<b>Total financial expenses</b>		<b>-58,566</b>	<b>-52,673</b>
<b>Profit (loss) from ordinary activity</b>		<b>-8,656</b>	<b>-5,815</b>
<b>Total profit (loss)</b>		<b>-8,656</b>	<b>-5,815</b>
15. Corporate income tax	9	0	-919
16. Deferred tax	10	1,394	-9,506
<b>17. Net profit or loss for the period</b>	11	<b>-7,262</b>	<b>-16,240</b>

Disclosures and notes on pages 90 to 167 are a constituent part of financial statements.

## 14.2 STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

in 000 EUR		
Item	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
<b>Profit or loss for the period</b>	<b>-7,262</b>	<b>-16,240</b>
<b>Items not to be reclassified subsequently to profit or loss</b>	<b>43,451</b>	<b>114,207</b>
Net change in fair value reserves not to be reclassified subsequently to profit or loss	35,149	76,892
Other changes (profits/losses from derecognition of equity investments measured at fair value through other comprehensive income)	8,302	37,315
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>-977</b>	<b>-1,298</b>
Net change in fair value reserves that may be reclassified subsequently to profit or loss	-977	-1,298
<b>Other comprehensive income for the year</b>	<b>35,212</b>	<b>96,669</b>

Disclosures and notes on pages 90 to 167 are a constituent part of financial statements.

### 14.3 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

in 000 EUR			
Item	Note	31 Dec. 2020	31 Dec. 2019
<b>ASSETS</b>			
A. Non-current assets			
I. Intangible assets and long-term accrued revenue and deferred costs	12		
1 Long-term property rights		357	446
5 Other long-term deferred costs and accrued revenue		50,049	33
<b>Total intangible assets</b>		<b>50,406</b>	<b>479</b>
II. Property, plant and equipment	13		
2 Buildings		2,458	2,444
4 Other plant and equipment		115	232
<b>Total property, plant and equipment</b>		<b>2,573</b>	<b>2,676</b>
<b>III. Investment property</b>	14	<b>17,657</b>	<b>20,649</b>
IV. Long-term investments			
1. Long-term investments, except loans			
a. Shares and interests in Group companies	15	152,200	152,200
b. Shares and interests in associated companies	15	49,911	57,052
c. Joint ventures	15	5,963	5,963
d. Other shares and interests	17	758,864	682,491
e. Other long-term investments	17	68,414	78,633
Total long-term investments, except loans		1,035,352	976,339
<b>Total long-term investments</b>		<b>1,035,352</b>	<b>976,339</b>
V. Long-term operating receivables	19		
3 Long-term operating receivables due from others		168	167
<b>Total long-term operating receivables</b>		<b>168</b>	<b>167</b>
<b>VI. Deferred tax assets</b>	10	<b>19,958</b>	<b>18,552</b>
<b>Total fixed assets</b>		<b>1,126,114</b>	<b>1,018,862</b>
B. Current assets			
<b>I. Assets held for sale</b>	16	<b>870</b>	<b>0</b>
III. Short-term investments			
1 Short-term investments, except loans	17		
d. Other short-term investments		46,960	49,599
Total short-term investments, except loans		46,960	49,599
2 Short-term loans	18		
b. Short-term loans to others		0	16,960
Total short-term loans		0	16,960
<b>Total short-term investments</b>		<b>46,960</b>	<b>66,559</b>

in 000 EUR			
Item	Note	31 Dec. 2020	31 Dec. 2019
IV. Short-term operating receivables	19		
1 Short-term operating receivables due from Group companies		0	50
2 Short-term trade receivables		1,525	836
3 Short-term operating receivables due from others		2,144	333
4 Other short-term operating receivables		50,136	86
<b>Total short-term operating receivables</b>		<b>53,805</b>	<b>1,305</b>
<b>V. Cash</b>	20	<b>11,562</b>	<b>15,605</b>
<b>Total current assets</b>		<b>113,197</b>	<b>83,469</b>
<b>Total assets</b>		<b>1,239,311</b>	<b>1,102,331</b>

in 000 EUR			
Item	Note	31 Dec. 2020	31 Dec. 2019
<b>EQUITY AND LIABILITIES</b>			
A. Equity			
I. Called-up capital	21	364,810	364,810
II. Capital surplus	22	217,625	217,494
III. Revenue reserves	23	0	0
V. Fair value reserves	24	329,750	295,578
VI. Net profit or loss brought forward		191,140	199,078
VII. Net profit or loss for the year		-7,262	-16,240
<b>Total equity</b>		<b>1,096,063</b>	<b>1,060,720</b>
B. Provisions and long-term accrued costs and deferred revenues	25		
I. Provisions for pensions and similar obligations		226	229
II. Other provisions		40	409
<b>Total provisions and long-term accrued costs and deferred revenue</b>		<b>266</b>	<b>638</b>
C. Non-current liabilities			
I. Non-current financial liabilities	27		
4. Other non-current financial liabilities		50,000	0
<b>Total non-current financial liabilities</b>		<b>50,000</b>	<b>0</b>
II. Non-current operating liabilities	26		
4. Non-current operating liabilities from advances		10	15
5. Other non-current operating liabilities		49	33
<b>Total non-current operating liabilities</b>		<b>59</b>	<b>48</b>
<b>III. Deferred tax liabilities</b>	10	<b>39,891</b>	<b>37,044</b>
<b>Total non-current liabilities</b>		<b>89,950</b>	<b>37,092</b>
D. Current liabilities			



Item	Note	in 000 EUR	
		31 Dec. 2020	31 Dec. 2019
III. Current operating liabilities	26		
2. Current trade payables		2,527	2,427
5. Current liabilities to the state		50,036	33
6. Current corporate income tax liabilities		0	919
7. Other current operating liabilities		469	502
<b>Total current operating liabilities</b>		<b>53,032</b>	<b>3,881</b>
<b>Total current liabilities</b>		<b>53,032</b>	<b>3,881</b>
<b>Total equity and liabilities</b>		<b>1,239,311</b>	<b>1,102,331</b>

Disclosures and notes on pages 90 to 167 are a constituent part of financial statements.

#### 14.4 CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

Item	in 000 EUR	
	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
A. Cash flows from operating activities		
a) Net profit or loss and adjustments		
Profit or loss before tax	-8,656	-5,815
Income taxes and other taxes not included in operating expenses	0	-919
Adjustments for amortisation and depreciation	1,137	1,092
Adjustments for financial revenue from financing activities	-44,527	-42,434
Adjustments for financial expenses from financing	57,361	34,232
<b>Total income statement items</b>	<b>5,315</b>	<b>-13,844</b>
b) Changes in net operating current assets – operating items in the balance sheet		
Opening less closing operating receivables	-52,501	51,962
Opening less closing deferred tax assets	-1,406	9,501
Opening less closing assets (disposal groups) held for sale	-870	14,418
Closing less opening operating liabilities	48,779	-50,585
Closing less opening provisions	0	-272
Closing less opening deferred tax liabilities	2,847	8,991
<b>Total items of net current assets – operating items in the balance sheet</b>	<b>-3,151</b>	<b>34,015</b>
c) Net cash from (used in) operating activities	2,164	20,171

Item	in 000 EUR	
	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
B. Cash flows from investing activities		
a) Cash receipts from investing activities		
Receipts from interest and dividends received from investing activities	25,763	27,707
Receipts from disposal of property, plant and equipment	109	38
Cash receipts from disposal of investment property	2,488	0
Receipts from disposal of long-term investments	16,094	132,041
Receipts from disposal of short-term investments	65,870	34,950
<b>Total cash receipts from investing activities</b>	<b>110,324</b>	<b>194,736</b>
b) Cash disbursements for investing activities		
Disbursements to acquire intangible assets	-59	-3
Disbursements to acquire property, plant and equipment	-40	-137
Disbursements to acquire investment property	-282	-295
Disbursements to acquire long-term investments	-23,851	-148,034
Disbursements to acquire short-term investments	-42,430	-19,178
<b>Total cash disbursements for investing activities</b>	<b>-66,662</b>	<b>-167,647</b>
c) Net cash from (used in) investing activities	43,662	27,089
C. Cash flows from financing activities		
a) Cash receipts from financing activities		
Capital increase and effect of free acquisition of investments	131	163
<b>Total cash receipts from financing activities</b>	<b>131</b>	<b>163</b>
b) Cash disbursements for financing activities		
Disbursements for repayment of current financial liabilities	-50,000	-50,000
<b>Total cash disbursements for financing activities</b>	<b>-50,000</b>	<b>-50,000</b>
c) Net cash from (used in) financing activities	-49,869	-49,837
D. Closing balance of cash		
a) Net cash for the period	-4,043	-2,577
b) Opening balance of cash	15,605	18,182
<b>c) Total closing balance of cash</b>	<b>11,562</b>	<b>15,605</b>

Disclosures and notes on pages 90 to 167 are a constituent part of financial statements.

## 14.5 STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

	in 000 EUR					
	Share capital	Capital surplus	Reserves arising from valuation at fair value	Net profit or loss brought forward	Net profit or loss for the year	Total
<b>A. 1. Balance as at 31 Dec. 2019</b>	<b>364,810</b>	<b>217,494</b>	<b>295,578</b>	<b>199,078</b>	<b>-16,240</b>	<b>1,060,720</b>
<b>A. 2. Balance as at 1 Jan. 2020</b>	<b>364,810</b>	<b>217,494</b>	<b>295,578</b>	<b>199,078</b>	<b>-16,240</b>	<b>1,060,720</b>
<b>B. 1. Changes in equity – transactions with owners</b>	<b>0</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>131</b>
d) Additional payments of capital	0	131	0	0	0	131
<b>B. 2. Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>34,172</b>	<b>8,302</b>	<b>-7,262</b>	<b>35,212</b>
a) Net profit or loss for the period	0	0	0	0	-7,262	-7,262
d) Changes in reserves arising from valuation of investments at fair value	0	0	34,172	0	0	34,172
e) Other components of comprehensive income for the period	0	0	0	8,302	0	8,302
<b>B. 3. Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-16,240</b>	<b>16,240</b>	<b>0</b>
a) Allocation of the remaining net profit for the comparative period to other equity components	0	0	0	-16,240	16,240	0
<b>C. Closing balance as at 31 Dec. 2020</b>	<b>364,810</b>	<b>217,625</b>	<b>329,750</b>	<b>191,140</b>	<b>-7,262</b>	<b>1,096,063</b>

Disclosures and notes on pages 90 to 167 are a constituent part of financial statements.

In 2020, the capital surplus increased by EUR 131 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act.

## 14.6 STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

	in 000 EUR					
	Share capital	Capital surplus	Reserves arising from valuation at fair value	Net profit or loss brought forward	Net profit or loss for the year	Total
<b>A. 1. Balance as at 31 Dec. 2018</b>	<b>364,810</b>	<b>217,331</b>	<b>219,984</b>	<b>192,894</b>	<b>-31,131</b>	<b>963,888</b>
<b>A. 2. Balance as at 1 Jan. 2019</b>	<b>364,810</b>	<b>217,331</b>	<b>219,984</b>	<b>192,894</b>	<b>-31,131</b>	<b>963,888</b>
<b>B. 1. Changes in equity – transactions with owners</b>	<b>0</b>	<b>163</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>163</b>
d) Additional payments of capital	0	163	0	0	0	163
<b>B. 2. Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>75,594</b>	<b>37,315</b>	<b>-16,240</b>	<b>96,669</b>
a) Net profit or loss for the period	0	0	0	0	-16,240	-16,240
d) Changes in reserves arising from valuation of investments at fair value	0	0	75,594	0	0	75,594
e) Other components of comprehensive income for the period	0	0	0	37,315	0	37,315
<b>B. 3. Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-31,131</b>	<b>31,131</b>	<b>0</b>
a) Allocation of the remaining net profit for the comparative period to other equity components	0	0	0	-31,131	31,131	0
<b>C. Closing balance as at 31 Dec. 2019</b>	<b>364,810</b>	<b>217,494</b>	<b>295,578</b>	<b>199,078</b>	<b>-16,240</b>	<b>1,060,720</b>

Disclosures and notes on pages 90 to 167 are a constituent part of financial statements.

## 14.7 ACCUMULATED PROFIT FOR 2020

	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
a Net profit or loss for the year	-7,262	-16,240
b + Net profit or loss brought forward	191,140	199,078
<b>e Distributable profit (a+b) distributed by the General Meeting of Shareholders</b>	<b>183,878</b>	<b>182,838</b>

In 2020, Kapitalska družba, d. d. disclosed distributable profit in the amount of EUR 183,878,575.16. In line with Article 52(2) of ZSDH-1 distributable profit of Kapitalska družba cannot be distributed to the shareholders.

# 15

## Disclosures and notes

### 15.1 GENERAL DISCLOSURES

#### Company profile

Kapitalska družba is a public limited company with its registered office at Dunajska cesta 119, Ljubljana, Slovenia. The sole shareholder of Kapitalska družba is the Republic of Slovenia. The share capital of the Company totals EUR 364,809,523.15 and is divided into 874,235 registered no-par value ordinary shares. Each share has the same interest and the attributed amount in the share capital. The rights of the sole shareholder, i.e. the Republic of Slovenia, are exercised by the Government of the Republic of Slovenia.

The activities of Kapitalska družba are defined by law and by the Company's Articles of Association. On the basis of the Standard Classification of Activities, according to the Company's Articles of Association and entry in the Companies Register, Kapitalska družba also performs other activities related to asset management and services related to support to asset management: other financial intermediation, pension funding, activities ancillary to pension funding, trade in own property, lease of own property, software supply and consultancy, data processing, network data services, other computer related activities, accounting and bookkeeping services, tax consultancy, market research and public opinion polling, business and other management consultancy, activities of holding companies, publishing of journals and periodicals, and other educational services.

#### Amendments to the Articles of Association and the Rules on Appointing the Management Board and the Supervisory Board

The Articles of Association and its amendments and supplements are adopted by the Annual General Meeting of Kapitalska družba on the proposal of the Management Board and the Supervisory Board.

Members of the Management Board are appointed by the Supervisory Board on the basis of a public job announcement. One member of the Management Board is appointed President of the Management Board. The term of office of the Management Board members is four years with the possibility of re-appointment. The Management Board or any of its members may be dismissed early only due to the reasons referred to in Article 268(2) of ZGD-1. The breach of the Articles of Association of Kapitalska družba representing a severe dereliction of duties may constitute cause for dismissal.

The Management Board of Kapitalska družba is not authorised to issue or purchase treasury shares.

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting of Shareholders. In compliance with Article 51(6) of ZSDH-1, the Supervisory Board is composed of six members. Three members of the Supervisory Board are appointed on the proposal of Slovenski državni holding, d. d. (Slovenian Sovereign Holding – SDH), two members on the proposal of the pensioners' organisations at the state level and one member on the proposal of trade union associations or confederations which are representative of the country. If stakeholders do not formulate a proposal for the appointment of Supervisory Board members as defined below, the missing members of the Supervisory Board are appointed at the discretion of the General Meeting of Shareholders. The candidates from among the representatives of SDH, d. d. are proposed by the Management Board of the Slovenian Sovereign Holding, which informs the Supervisory Board about the selection. The candidates from among the representatives of the pensioners are proposed by the pensioners' organisations and associations at the state level, which inform the Supervisory Board about the selection. The candidates from among the representatives of the trade unions are elected by the representatives (electors) of the representative government-level trade union associations or confederations, which inform the Supervisory Board about the selection. Any representative association or confederation has the number of representatives equal to the number of the representative trade unions it comprises. In addition to the representatives referred to in the previous sentence, the association or confederation elects another representative for every ten thousand members. The term of office of the Supervisory Board members is four years with the possibility of reappointment.

#### Information about the controlling entity

Kapitalska družba does not have a controlling entity.

#### Information about the subsidiary

As the parent company, Kapitalska družba consolidates Modra zavarovalnica, d. d.

#### Basic information about Modra zavarovalnica, d. d.

**Name:** Modra zavarovalnica, d. d.

**Registered office:** Dunajska cesta 119, Ljubljana

**Company ID number:** 6031226

**Tax number:** SI21026912

As at 31 December 2020, the sole shareholder of Modra zavarovalnica, d. d., was Kapitalska družba. Share capital of the insurance company amounts to EUR 152,200,000. Share capital is divided into 152,200,000 ordinary registered no-par value shares. Each share has the same interest and the corresponding amount in the share capital.

Modra zavarovalnica, d. d. is performing the activities within the group of life insurance products pursuant to the Insurance Act (ZZavar-1) and the decision issued by the Insurance Supervision Agency allowing the company to perform insurance transactions for the following types of insurance:

- | accident insurance – Article 7, paragraph 2, item 1 of ZZavar-1;
- | life insurance – Article 7, paragraph 2, item 19 of ZZavar-1;

The activities of Modra zavarovalnica, d. d. are defined by law and by the company's Articles of Association. Under the Articles of Association, Modra zavarovalnica, d. d. engages in the activities listed below in line with the purpose of its incorporation:

65.110	Life insurance
65.120	Non-life insurance (only the insurance business under the classes of insurance involving accident and health insurance)
65.300	Pension funding
66.210	Risk and damage evaluation
66.220	Activities of insurance agents and brokers
66.290	Other activities auxiliary to insurance and pension funding
66.300	Fund management activities

Kapitalska družba is subject to no restrictions related to the payment of dividend to which it is entitled as the controlling company. Kapitalska družba is also not obligated to provide financial support to the company in the future.

Kapitalska družba is not exposed to any additional risks arising from its interests in the subsidiary.

### Joint venture information

As the parent company, Kapitalska družba consolidates Hotelske nepremičnine, d. o. o.

#### Basic information about Hotelske nepremičnine, d. o. o.

As at 2 October 2018, Kapitalska družba, d. d. and Modra zavarovalnica, d. d. founded Hotelske nepremičnine, d. o. o. The share capital of the latter equals EUR 25,000.00 and each founder holds a 50 % interest. The company was founded for the purchase of property, namely of the San Simon resort.

### Data on consolidation

Kapitalska družba is, as the controlling company, obligated to prepare consolidated financial statements. The consolidated financial statements of the Kapitalska družba Group for 2020 are presented in a special document entitled the Consolidated Annual Report of the Kapitalska družba Group for 2020.

The Annual Report of Kapitalska družba, d. d. for 2020 has to be read in conjunction with the Consolidated Annual Report of the Kapitalska družba Group for 2020, which will be prepared upon the drafting of the Annual Report of Kapitalska družba for 2020 and the annual report of its subsidiary for 2020.

The consolidated Annual Report of the Kapitalska družba Group will be published at [http://www.kapitalska-druzba.si/o\\_kapitalski\\_druzbi/letna\\_porocila](http://www.kapitalska-druzba.si/o_kapitalski_druzbi/letna_porocila) by the end of August 2021.

### Information about employees

At the end of 2020, Kapitalska družba had 61 employees inclusive of the three members of the Management Board. In 2020, the Company had 61 employees on average. The number of employees as at 31 December 2020 and the average number of employees in 2020 according to the level of education are presented in the table below.

**Table 18:** No. of employees as at 31 December 2020 and the average number of employees in 2019 according to the level of education

Level of education	Number of employees as at 31 Dec. 2020	Average number of employees in 2019
Level 8 (8/1, 8/2)	11	11
Level 7	24	25
Level 6 (6/1, 6/2)	17	15
Level 5	8	9
Level 4	1	1
<b>Total</b>	<b>61</b>	<b>61</b>

## 15.2 ACCOUNTING POLICIES

### Basis for preparation

The financial statements for 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, and the Companies Act.

The data in the financial statements are based on book-keeping documents and books of account kept in line with the International Financial Reporting Standards. Financial statements have been compiled by taking into account the fundamental accounting assumptions: going concern, consistency and accrual basis. Accounting policies have been formulated by taking into account qualitative characteristics: understandability, relevance, reliability and comparability.

### Significant accounting estimates and judgements

The preparation of financial statements requires the management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities of the Company as well as the amounts of revenue and expenses.

The adequacy of used assumptions and estimates is checked periodically.

Relevant estimates refer to impairment of assets, and classification and valuation of financial instruments (including determining their fair value) based on the adopted business models and the cash flow test, and the establishment of provisions.



As at the date of statement of financial position, the manager assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. If such evidence exists, the financial investment is revalued for impairment.

The estimates of asset fair value mainly depend on the current and expected macroeconomic situation in the EU and other relevant markets where the Company operates and that affect the future cash flow projection, the interest rates influencing the required return both on debt and equity capital, and the stock prices, which also influence the estimated fair value of the financial instruments.

The assessments and estimates are also applied in determining the (useful) life of fixed assets and investment property, the basis for impairment of financial assets exposed to credit risk and the setting of value of long-term provisions.

We have analysed the impact of Covid-19 on accounting estimates and found effects on valuations of companies, where the impact of Covid-19 on the operations of those companies and valuations themselves was taken into account. There was also an impact on the calculation of expected credit losses, which are higher for individual investments due to increased credit risk, as a result of changes in the estimates of risk parameters, especially the probability of default and loss given default.

## Statement of compliance

The financial statements of Kapitalska družba have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) as well as the Interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) and the European Union (EU).

In its financial statements, Kapitalska družba applied all IFRSs and IFRICs required in 2020. It did not apply any standard or interpretation before its application became obligatory in 2020.

## Amendments to standards and interpretations

### *Initial application of new amendments to the existing standards effective for the current reporting period*

In the current period, the following amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply:

- | Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting; Changes in Accounting Estimates and Errors – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- | Amendments to IFRS 3 – Business Combinations – Definition of a Business, adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- | Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures – Interest Rate Benchmark Reform,

adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);

- | Amendments to IFRS 16 – Leases – Covid-19-Related Rent Concessions, adopted by the EU on 9 October 2020 and effective for annual periods beginning on or after 1 June 2020, for financial years beginning on or after 1 January 2020;
- | Amendments to References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of amendments to the existing standards did not result in any material changes to the Company's financial statements.

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

As at the date of approval of the financial statements, IASB issued amendments to IFRS 4 – Insurance Contracts – extension of the temporary exemption from applying IFRS 9, adopted by the European Union on 16 December 2020 but not yet effective (the date of expiry of the temporary exemption has been extended to annual periods beginning on or after 1 January 2023).

### *New standards and amendments to the existing standards issued by the IASB but not yet adopted by the EU*

At present, the IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU on the day these financial statements were published (the effective dates indicated below apply for entire IFRS issued by the IASB):

- | IFRS 14 – Regulatory Deferral Accounts (effective for annual periods starting on or after 1 January 2016) – European Commission concluded not to start the procedure for endorsement of this interim standard and to wait for its final version to be;
- | IFRS 17 – Insurance Contracts, including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- | Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current and Non-Current (effective for annual periods beginning on or after 1 January 2023);
- | Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- | Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- | Amendments to IFRS 3 – Business Combinations – References to the Conceptual Framework with Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022);
- | Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded);

- Amendments to IFRS 9 – Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement, IFRS 7 – Financial Instruments: Disclosures, IFRS 4 – Insurance Contracts and IFRS 16 – Leases – Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021);
- Amendments to various standards due to Improvements to IFRS Standards 2018–2020, resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily with a view to remove inconsistencies and to clarify wording (Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 refers only to the illustrative example, therefore the effective date is not specified.).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

Foreign currency translation

The financial statements of the Company are presented in the euro (EUR), which is the functional and reporting currency of the Company. Assets and liabilities originally expressed in foreign currencies are retranslated into the domestic currency at the reference exchange rate of the ECB. Foreign currency transactions are initially recognised in the functional currency, translated at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing on the date of the statement of financial position. Any differences arising on the translation of foreign currencies are recognised in the income statement. Non-monetary assets and liabilities, recognised at historical cost in foreign currency, are translated at the exchange rate applicable on the day of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currency are translated at the exchange rate effective on the day when the fair value was established.

Basic policies

The financial statements have been prepared on a going concern basis, which the management has determined to be appropriate even in the event of a reorganisation or merger with Nacionalni demografski sklad.

The items in the separate financial statements are presented in the euro, rounded to the nearest thousand (000 EUR), except where specifically stated otherwise.

Annual report adoption procedure

The Annual Report is compiled by the Management Board of the Company, which submits it for approval to the Supervisory Board. The Management Board and the Supervisory Board also decide on the use of net profits for creation of the Company’s reserves according to the provisions of the Companies Act. Such

use of profit is included in the statements for the current year, while the distribution of distributable profit is decided by the Company’s General Meeting of Shareholders. In line with Article 52(2) of ZSDH-1 distributable profit of Kapitalska družba cannot be distributed to the shareholders.

Intangible assets

Intangible assets, acquired individually, are recognised at cost. Subsequent to initial recognition, the cost model is applied. The useful life of an item of intangible assets is limited. The amortisation of an intangible asset is recognised in the profit or loss. Intangible assets generated within the Company, except from development costs, are not capitalised. Costs represent expenses of the period in which they are incurred.

The carrying amount of an intangible asset is reviewed annually for impairment, if the asset has not been put to use, or more frequently when there are indications of impairment. Disclosed intangible assets are impaired when their carrying amount exceeds their net recoverable amount. In the event of impairment, the carrying amount of the asset is decreased to its net recoverable amount and at the same time an expense arising from impairment is recognised directly in profit or loss.

Asset	Amortisation rate in %
Software	20.00–33.33

The amortisation of intangible assets is accounted for under the straight-line basis over the estimated useful life of the assets: The estimated useful life of software applications is 3 to 5 years.

The Company reviews the value of its assets in order to establish the existence of and the amount of impairment. If the carrying amount of an asset exceeds its estimated recoverable amount, i.e. the value in use, it is written down to the recoverable amount against operating expenses.

Gains and losses from elimination or disposal of an intangible asset are determined as the difference between the sales value on disposal and the asset's carrying amount, and are recognised as revenue or expense in the income statement when the asset is eliminated or disposed of.

Property, plant and equipment

Buildings and equipment are carried at cost, less depreciation and impairment losses. Depreciation is accounted for under the straight-line basis over the estimated useful life of the assets:

Asset	Depreciation rate in %
Buildings	3.00-3.33
Equipment	16.67–33.33
Building parts	6.00

Every year an impairment test is carried out on property, plant and equipment. Impairment is made if the asset's estimated recoverable amount is less than its carrying amount. The Company reduces the carrying amount of such assets to their recoverable amount. The decrease represents a loss due to impairment that the company recognises directly in its income statement.

Land, buildings or equipment are derecognised when the relevant asset is sold or when the Company no longer expects economic benefits from the asset's continuing use. Gains and losses arising from derecognition of the asset are included in the income statement in the year in which the asset is eliminated from the books of account.

The residual value of the assets, their estimated useful lives and/or the amortisation or depreciation method are revised and, if necessary, changed upon the compilation of the financial statements.

An item of property, plant and equipment whose individual value as per supplier's invoice does not exceed EUR 500, may be carried as a group of low value assets. Low value assets whose individual cost does not exceed EUR 500 may be classified as costs of materials.

### Maintenance costs and increase in fixed assets value

Maintenance costs are the costs arising from the conclusion and execution of transactions required to maintain the conditions allowing the use and the achievement of the primary purpose of the building. Maintenance comprises all works according to the regulations on building of facilities and functioning of fire protection systems and other protection and rescue measures.

### Criteria for the deferral of maintenance costs and the increase in fixed assets value

Maintenance costs include the costs of maintaining a fixed asset useful during its useful life. The increase in fixed asset comprises costs required to increase the future benefits of a fixed asset in comparison to past benefits.

### Investment property

Investment property that qualifies for recognition is initially measured at cost. The cost of investment property comprises the purchase price and all costs directly attributable to the acquisition. Such costs include costs of legal services, real estate transfer tax, and other transaction costs.

The Company recognises investment property when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost of the investment property can be measured reliably. Investment property includes the real property that is not used by the Company for its principal activity.

Investment property is measured at cost, reduced by depreciation and impairment losses. The depreciation rate of investment property is between 3.00 and 3.33 percent annually and the estimated useful life is 33.33 or 30 years. The depreciation rate of parts of investment property is 6.00 percent annually and the estimated useful life is 16.67 years.

Every year an impairment test is carried out on investment property. Impairment is made if the investment property's estimated recoverable amount is less than its carrying amount. The Company reduces the carrying amount of such investment property to its recoverable amount. The decrease represents a loss due to impairment that the company recognises directly in its income statement.

Gains or losses arising on elimination or disposal of investment properly are determined as the difference between the net return on disposal and the carrying amount, and are recognised in the profit or loss.

The cash generating unit includes investment property by locations.

### Financial assets

#### Classification and measurement of financial assets

The Company classifies financial assets based on::

- a. the business model for financial asset management:
  - holding financial assets for the purpose of collecting contractual cash flows,
  - holding financial assets for the purpose of collecting contractual cash flows and selling financial assets,
  - holding financial assets for the purpose of selling;
- b. the characteristics of contractual cash flows of the financial asset.

The business model for obtaining contractual cash flows includes bonds and short-term securities intended for reducing the volatility of the entire portfolio that are upon acquisition expected not to be sold prior to the maturity date.

The business model aimed at holding assets with the purpose of obtaining contractual cash flows and selling investments comprises investments that are neither held for trading nor intended to reduce the volatility of the entire portfolio.

The business model intended for holding assets for sale encompasses investments that are at the time of acquisition identified as having been obtained in order to exploit price fluctuations in financial markets and create cash flows through the sale of assets that are upon purchase expected to be sold within 12 months from the date of purchase.

After initial recognition the Company measures financial assets:

- a. at amortised cost (AC);
- b. at fair value through other comprehensive income (FVTOCI); or
- c. at fair value through profit or loss (FVTPL), namely:
  - financial assets held for trading (including derivatives);
  - financial assets mandatorily measured through profit or loss – assets that do not pass the cash flow test (SPPI; solely payments of principal and interest);
  - financial assets designated as measured through profit or loss on the basis of the business model.

Upon initial recognition, a financial asset (except for trade receivables) is measured at fair value; if a financial asset is not measured at fair value through profit or loss, the transaction costs that arise directly from the acquisition or issue of a financial instrument must be added or deducted.

The Company discloses investments in the equity of other companies that are of the same type and of the same issuer using the weighted average price method, separately for each group of investments.

Investments in purchased bonds that comprise investments in financial liabilities of other companies are stated according to the classification of investments as follows:

- | financial assets measured at fair value through profit or loss are recorded using the weighted average price method;
- | financial assets measured at amortised cost are stated at amortised cost;
- | financial assets measured at fair value through other comprehensive income are disclosed using the FIFO method;
- | loans are stated at amortised cost.

Debt instruments have to be measured at amortised cost if both of the following conditions are met:

- | the financial instrument is held in the context of a business model intended for holding financial assets to collect the contractual cash flows; and
- | the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt financial instrument should be measured at fair value through other comprehensive income if it meets the following two conditions:

- | the financial instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- | the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if:

- | it is a debt instrument and is not classified in any of the above measurement categories, provided one of the conditions specified below is fulfilled:
  - i. according to the business model, the financial instrument was upon initial recognition classified into the category at fair value through profit or loss;
  - ii. the financial instrument did not pass the cash flow test;
- | it is an equity instrument and is not classified in the category measured at fair value through other comprehensive income;
- | doing so eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch") that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- | it is a derivative.

The Company may decide to measure certain investments in equity instruments at fair value through other comprehensive income.

## Gains and losses on financial assets

A gain or a loss on a financial asset that is measured at fair value is recognised in profit or loss.

A gain or a loss on a financial asset measured at fair value through other comprehensive income (except for shares and equity interests) is recognised in other comprehensive income, net of gains or losses arising from impairment and exchange rate gains or losses, until the financial asset is derecognised or reclassified. Upon derecognition of a financial asset, cumulative gains or losses that were previously recognised in other comprehensive income are reclassified from equity to profit or loss. If a financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Company accounts for the cumulative gain or loss previously recognised in other comprehensive income according to IFRS 9 5.6.5. and 5.6.7. Interest calculated by using the effective interest method is recognised in profit or loss.

## Investments in equity instruments

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is not held for trading and is also not contingent consideration of an acquirer in a business combination to which IFRS 3 applies. If the Company chooses to do so, it recognises dividends from that investment when the financial asset is derecognised, while the cumulative gain or loss is reclassified from other comprehensive income to other equity items.

## Investments in subsidiary companies

A consolidated subsidiary is an entity in which the controlling company holds a controlling interest or a controlling influence associated with other reasons, and which is a member of the group for which the consolidated financial statements are prepared.

The Company classifies and measures investments in subsidiaries in accordance with IAS 27, states them at cost and impairs them in line with IAS 36.

## Investments in associated companies

An associated company is a company in which the parent company has a significant influence.

The Company classifies and measures investments in associated companies in accordance with IFRS 9 and states them at fair value through other comprehensive income.

## Investments in joint ventures

Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company measures investments in joint ventures at cost according to IAS 27.



## Investments in abandoned securities

Kapitalska družba, d. d., may not exercise the voting rights arising from dematerialised securities acquired in line with Article 48. a of the Book Entry Securities Act (ZNVP-1) that represent the target company's securities as at the day of transfer in line with paragraph 2 of Article 48. b of the said act. Due to the above, investments in these companies are not consolidated.

## Assessment of contractual cash flows

The Company classifies a debt instrument based on its contractual cash flow characteristics:

- a. if the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows;
- b. if the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows as well as selling financial assets.

The Company has to verify if the contractual cash flows from the financial asset are solely payments of principal and interest on the principal amount outstanding. For this purpose, the Company carries out the SPPI test (Solely Payments of Principal and Interest).

If a contractual cash flow characteristic could have an effect on the contractual cash flows that is more than de minimis (in each reporting period or cumulatively) but that cash flow characteristic is not genuine, it does not affect the classification of a financial asset.

A feature of contractual cash flows is non-genuine if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.

## Changes in cash flows and derecognition of a financial asset

The Company derecognises a financial asset only when:

- a. the contractual rights to the cash flows from the financial asset expire; or
- b. it transfers the financial asset as set out in IFRS 9 3.2.4 and 3.2.5 and the transfer qualifies for derecognition.

If a new agreement on the contractual cash flows of a financial asset has been concluded or the contractual cash flows have been modified in any other way, and the renegotiated agreement or the modifications do not lead to derecognition, the Company must recalculate the modification gain/loss in profit or loss calculated as the difference between gross carrying amount before and after the modification.

The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial instrument's original effective interest rate (or at the credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when reasonable, at changed effective interest rate.

The carrying amount of the modified financial asset is adjusted by any costs and fees amortised over the remaining term of the financial asset (IFRS 9 5.4.3).

If the Company cannot establish a system for calculating modification gain/loss without undue costs or effort, it may nevertheless derecognise all financial instruments that are not eligible for derecognition.

## Measurement and classification of exposures into groups for the purpose of assessing credit losses

For the purpose of assessing credit losses subject to impairment requirements, the Company classifies the following as at the reporting date:

- I financial assets measured at amortised cost;
- I debt financial assets measured at fair value through other comprehensive income;
- I off-balance sheet liabilities from credit commitments and financial guarantee contracts:

taking into account

- a. exposures where no significant increase in credit risk has occurred since initial recognition, for which value adjustments or provisions for credit losses are measured on the basis of 12-month expected credit losses (stage 1);
- b. exposures where a significant increase in credit risk has occurred since initial recognition until the reporting date, for which value adjustments or provisions for credit losses are measured on the basis of lifetime expected credit losses (stage 2);
- c. exposures in the position of significantly decreased solvency and default (stage 3).

Phase 3 includes financial assets purchased or originated upon initial recognition defined as unpaid exposures, i.e. purchased or originated credit-impaired financial assets (POCI). In subsequent reporting periods the Company applies an individual approach to the financial assets recognised as POCI with interest recognised only based on payment. If this is not the exposure in question, the Company classifies the exposure in stage 1 at initial recognition.

The Company does not calculate expected credit losses for cash and cash equivalents. In defining the increase in credit risk, the Company classifies operating liabilities into stages based on the number of days in default according to the recommendations of IFRS 9. A receivable is automatically classified in stage 2, when the payment is more than 30 days past due; a receivable is automatically classified in stage 3, when the payment is more than 90 days past due. The Company applies the simplified model to operating receivables and follows these rules in case of credit risk increase: a) when the receivable moves to stage 2, the Company makes an impairment for 50 % of the original amount and b) when the receivable moves to stage 3, the Company makes an impairment for 100 % of the original amount.

Upon subsequent measurement, the Company assesses according to IFRS 9 5.5.9 whether the credit risk of exposure has increased significantly since initial recognition until the reporting date.

If the credit risk has not increased significantly or in the case of low credit risk exposure, the exposure remains classified in stage 1 in accordance with IFRS 9 5.5.5 and 5.5.10.

If the credit risk has increased significantly and the exposure has not yet been designated unpaid, the Company classifies it in stage 2 according to IFRS 9 5.5.3.

In accordance with IFRS 9 5.5.4 the Company assesses significant increase in credit risk considering all reasonable and supportable information at the level of an exposure. Under IFRS 9 B 5.5.16, the Company may assess a significant increase in credit risk also on a group exposure level, but only if reasonable and supportable information (factors or indicators) for a particular exposure cannot be obtained without undue cost or effort or cannot be assessed at the level of a particular exposure.

The assessment of a significant increase in credit risk is based on clearly defined quantitative and qualitative criteria which may vary for individual exposure groups, i.e. relevant portfolios, groups of portfolios, or elements of portfolios.

The basic criterion considered by the Company for classification into stages is the credit rating or internal rating of a particular financial instrument. The internal rating is defined by use of an algorithm in the information system and is based on international credit ratings, or, in the absence of international credit ratings, it is determined internally. The Company uses the Bloomberg Credit Rating as the primary source for determining the internal credit rating.

It regularly checks the international ratings of investment grade financial instruments and financial instruments with non-investment grade rating in the accounting period.

The Company must measure the expected losses on a debt financial instrument by using the approach that reflects the following:

- | an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- | the time value of money; and
- | reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company classifies exposures by group according to the common characteristics of credit risk. Upon initial recognition, financial instruments are classified into the following segments:

- | country;
- | companies; and
- | financial institutions,

If the Company were to obtain new relevant information or if the changed expectations about credit risk indicated that a permanent change was needed, exposures could be segmented differently.

The Company classifies exposures in stages 1, 2 and 3 by employing its own methodology for estimating expected credit losses based on risk parameters:

- | exposure at default (EAD);
- | probability of default (PD); and
- | loss given default (LGD).

The estimates of the risk parameters that the Company takes into account when assessing expected credit losses are based on past events, current conditions and forecasts regarding future economic circumstances.

In the event that the Company does not have sufficient data to provide reliable estimates of the risk parameters for calculating expected credit losses, it can use commercially available data (e.g. data from credit rating agencies) or a combination of own and external data.

In cases where the Company does not have sufficient data about a particular investment or transaction, it may use:

- | the parameters of the controlling company;
- | the parameters of a comparable financial instrument;
- | the parameters of a country, if the financial instrument has been issued by a central/regional/local government, a public sector entity or a central bank.

The Company uses the EAD risk parameters as derived from the amortisation plans (use of contractual cash flows). EAD risk parameters are not corrected for the impact of macroeconomic risk factors.

The EAD risk parameter represents the exposure estimate at the future default date, taking into account expected changes in exposure after the reporting date, including repayment of principal and interest. This is the expected credit exposure at a specific time.

The Company applies its own PD risk parameter for each segment (country, company, financial institutions) and for each credit rating.

It calculates risk parameters based on the PD data from the S&P credit rating agency, separately for countries, companies and financial institutions. Historical PD by individual rating (credit rating) is used for the calculation.

For exposures to central governments and central banks, financial institutions, regional governments or local governments, and to public sector entities, the Company uses Moody's issuer-weighted average recovery rates (LGD – country). For exposures to companies, the Company uses Moody's issuer-weighted average recovery rates (LGD – companies).

In the process of integrating future information in determining significant increases in credit risk and calculating expected credit losses, the Company takes into account the macroeconomic scenarios that already include the impact of the Covid-19 pandemic.

Due to the impact of the pandemic, the Company perceived increased credit risk and a temporary deterioration of the macroeconomic environment, which, in line with the model it uses, increased the probability of default (PD) and loss given default (LGD); which increases expected credit losses.

In order to consider the economic cycles in calculating the probability of default, the Company takes into account forecasts of future economic performance and an adjustment for the economic cycle for the first three years in all classes of investments (government and corporate bonds and bonds of financial institutions).

## Determining fair value of investments

Pursuant to IFRS 13, the Company determines fair value of investments as the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date. The measurement date is the date on which an investment is valued, which is the last day of the month. Fair value measurement of this type of transaction is based on the assumption that the transaction is executed on the principal market or in the absence of the same on the most advantageous market.

Upon investment acquisition, the Company determines one of the following as the principal market for that investment:

- I stock exchange market (for equity and debt instruments and collective investment trusts), or
- I traders' market or OTC<sup>14</sup> (market for debt investments).

At the measurement date, the Company checks again the market that was defined as the principal market of that investment upon acquisition.

At the measurement date, the Company verifies if the relevant market is active.

In case of exchange trading, the assumption of active market is fulfilled if the average amount of individual investment traded in a day over the last 180 days from the date of fair value measurement exceeds EUR 0.5 million by taking into account the number of trading days (in case of Ljubljana Stock Exchange the average daily turnover of EUR 0.1 million is taken into account). In the event of an active exchange, fair value is measured using the last known quoted price. In the event of less liquid exchange markets, fair value is measured using the most recent quoted price of not more than 90 days. If neither of the above applies, fair value of the investment is measured using the valuation technique.

In the event of off-exchange trading, i.e. OTC market, the assumption of active market is fulfilled if the CBBT<sup>15</sup> price is quoted for at least a half of trading days in the last 30 days from the measurement date. In the event of an active OTC market, fair value is measured using the last known CBBT price. If the OTC market is less liquid, the last known CBBT price not older than 90 days is used for fair value measurement. If the CBBT price is not available, fair value may be measured using the BVAL<sup>16</sup> price, if available. If neither of the above applies, fair value of the investment is measured applying the valuation technique.

For bonds, a valuation model is used which includes benchmark against the current fair value of another instrument with similar main characteristics. Amortised cost model is applied when determining fair value of treasury and commercial bills by use of the effective interest rate.

Commercial papers of Slovenian issuers are stated using the amortised cost model, automatically considering the effective interest rate.

<sup>14</sup> OTC (Over-The-Counter) market, transactions involving securities and agreed bilaterally between two parties outside the organised market.

<sup>15</sup> Composite Bloomberg Bond Trader is Bloomberg information on real-time prices of bonds. Bloomberg calculates the price of a bond based on the weighted average price (indicative and binding) drawn from by a larger number of different dealers.

<sup>16</sup> Bloomberg Valuation Service refers to Bloomberg information about the price of an individual bond at the end of trade date. The BVAL price is calculated based on the information about the price of concluded transactions and binding quotations, whereas the majority of BVALs is calculated applying models.

Value of shares can be estimated using the following valuation techniques: market based valuation approach, income approach and, in certain cases, asset approach. Valuation is based on the most recent information on a company's performance, which must not be older than 3 to 6 months from the fair value measurement date to which the value estimate will be applied. Market data and parameters used in the valuation process must include the most recent information and must be compliant with the date the estimated value will be applied to. If 3 to 6 months old information on the company's performance cannot be obtained, or if the information does not suffice for valuation, the value can be exceptionally estimated by using older data, which however must not be older than 12 months. When applying the market approach, comparative companies should be selected taking into account their comparability in the context of industry, size, growth potential, the availability of historical data on operations and other possible elements affecting comparability of individual companies.

In line with IFRS 13.69, the company measures fair value applying unadjusted, quoted prices in active markets.

For valuation, the Company uses as unadjusted, quoted price exclusively the closing quote on stock exchange or closing CBBT or BVAL price.

## Criteria for classification of investments based the level of the fair value hierarchy

Investments at fair value are classified based on the fair value level pursuant to IFRS 13. To increase consistency and comparability in fair value measurements, IFRS 13 defines fair value hierarchy, which categorises the inputs used in valuation techniques into three levels:

- I Level 1 inputs are (unadjusted) quoted prices in active markets for identical investments that the entity can access at the measurement date.
- I Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Pursuant to IFRS 13.82, level 2 inputs include:
  - quoted prices for similar investments in active markets,
  - quoted prices for identical or similar assets in less liquid markets,
  - inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals (implied volatiles, credit spreads, etc.),
  - inputs corroborated by market.
- I Level 3 inputs are unobservable inputs:
  - BVAL price (the Bloomberg Valuation Service).
  - Fair values obtained based on internal or external valuations taking into account Level 3 inputs.

Pursuant to IFRS 13.74, in measuring fair value the Company favours the inputs used in valuation techniques rather than valuation techniques.

In line with IFRS 13.97, the fair value hierarchy includes also the investments that are not measured at fair value in the statement of financial position (normally measured at amortised cost) but for which the fair value is disclosed.

Investments are classified into levels based on the characteristics of the input used to determine fair value of investments and to assess whether the principal market is active.

## Classification of equity investments

**Table 19:** Equity investment classification in case of exchange as the principal market (quoted equity investments)

Level 1	Equity investments with fair value measured on the basis of quoted prices in active markets
Level 2	Equity investments with fair value measured on the basis of quoted prices in less liquid markets
	Equity investments for which quoted prices are not available and for which the fair value is measured using a valuation technique (taking into account level 2 inputs)
Level 3	Equity investments for which quoted prices are not available and their fair value is measured using the valuation technique (taking into account level 3 inputs) or prices provided by third parties Quoted price older than 90 days may be used if the materiality criterion is not fulfilled

**Table 20:** Classification of unquoted equity investments

Level 1	-
Level 2	Equity instruments with fair value measured using a valuation technique (taking into account level 2 inputs)
Level 3	Equity instruments with fair value measured using a valuation technique (taking into account level 3 inputs) or prices provided by third parties

**Table 21:** Classification of collective investment funds

Level 1	Collective investments with fair value measured on the basis of quoted prices in active market
Level 2	Collective investments with fair value measured on the basis of quoted prices in less liquid market
Level 3	Collective investment funds for which quoted prices are not available and their fair value is measured on the basis of quoted value per subfund unit

**Table 22:** Classification of mutual funds coupons

Level 1	Mutual fund units with fair value measured on the basis of quoted value per subfund unit
Level 2	-
Level 3	-

## Classification of debt investments

The fair value hierarchy includes also debt instruments which are not measured at fair value in the statement of financial position otherwise. These normally include bonds at amortised cost measured at fair value for disclosure purposes. For these bonds, the same classification rules apply as for debt securities measured at fair value in the statement of financial position.

**Table 23:** Classification of debt investments if an exchange acts as the principal market

Level 1	Debt investments with fair value measured on the basis of quoted prices in active markets
Level 2	Debt investments with fair value measured on the basis of quoted prices in less liquid markets
	Debt securities measured using the valuation technique (taking into account level 2 inputs)
Level 3	Debt securities measured using a valuation technique (taking into account level 3 inputs) or prices provided by third parties Quoted price older than 90 days may be used if the materiality criterion is not fulfilled

**Table 24:** Classification of debt investments if an OTC market acts as the principal market

Level 1	Debt investments with fair value measured on the basis of CBBT prices in active markets
Level 2	Debt investments with fair value measured on the basis of CBBT prices in less liquid markets
	Debt investments with fair value measured on the basis of transaction prices in less liquid markets
	Debt securities without CBBT price in (in)active markets and fair value measured using the valuation technique (taking into account level 2 inputs)
Level 3	Debt securities without CBBT price in (in)active markets and with fair value measured using the BVAL valuation technique (taking into account level 3 inputs) or prices provided by third parties

For debt securities whose principal is due in the current year and for which market price, CBBT price or BVAL price of less than 90 days are not available, are valued at the last available price and classified as Level 3.

Commercial bills of Slovenian issues are valued at amortised cost and classified as Level 3.

## Classification of loans and deposits

Bank deposits are disclosed at amortised cost in the statement of financial position unless they do not pass the SPPI test. In such case, they are classified in the category at fair value through profit or loss. As there is no market for deposit interest rates with directly observable prices, the Company measures deposits for the fair value disclosure purposes using the initial or contractual interest rate, which is unobservable input, and thus categorises them within Level 3.



### Recoverable amount of non-current (non-financial) assets

As at the reporting date the Company estimates if there exist any factors indicating that non-current (non-financial) assets need to be impaired. If events occur indicating that the asset's book value is higher than the estimated recoverable amount, the value of the asset is impaired to its recoverable amount or that of cash-generating unit. The recoverable amount is the greater of an asset's (or cash generating unit's) net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognised in operating expenses from revaluation.

### Derecognition of financial instruments

A financial asset is derecognised when all the risks and benefits as well as the control over contractual rights related to the financial instrument are transferred. A financial liability is derecognised when it is settled, cancelled or expired.

### Non-current assets (disposal groups) held for sale

Non-current assets (disposal groups) held for sale are those whose carrying amount is justifiably expected to be settled predominantly through selling in the next 12 months, with the sale being highly probable, rather than with their continued use.

When an asset is designated as held for sale or classified as a disposal group held for sale or when the asset is derecognised, depending on the order of the events, the asset is no longer amortised or depreciated. Such non-current asset or disposal group held for sale is measured at the lower of its carrying amount or fair value, less costs to sell.

### Operating receivables

Operating receivables are recognised at the amount of invoices issued, less any allowances. Making allowances of receivables is a process of recognising an adjustment to their carrying amount due to expected credit losses; whereas contractual increases or decreases of their carrying amount are not considered revaluation. It may be performed during or at the end of the financial year. The calculation of credit losses is described in the subchapter "Measurement and classification of exposures into groups for the purpose of assessing credit losses".

### Cash and cash equivalents

Upon initial recognition, cash and cash equivalents are recognised at the amount arising from the underlying document. Cash and cash equivalents comprise bank balances, call deposits and short-term deposits with maturity of up to three months.

### Equity

Kapitalska družba has no treasury shares. Its sole shareholder is the Republic of Slovenia.

The Company's equity is share capital. The share capital of EUR 364,810 thousand is represented by 874,235 ordinary, registered, non-par value shares. Each share has the same interest and the attributed amount in the share capital.

The total equity consists of: called-up capital, capital surplus, revenue reserves, retained net earnings or retained net loss, reserve from valuation at fair value and temporarily undistributed net profit or unsettled loss for the financial year.

Revenue reserves are recognised according to ZGD-1. In line with Article 52(2) of ZSDH-1 distributable profit of Kapitalska družba cannot be distributed to the shareholders.

Ordinary shares are classified as equity. Direct additional costs of new shares issue, less tax effects, are included in the equity.

### Reserves arising from valuation at fair value

Reserves from valuation at fair value arise from the effects of valuation of financial assets at fair value through other comprehensive income and actuarial gains and losses arising from severance pay upon retirement. The amounts of reserves arising from valuation at fair value disclosed in the statement of financial position are adjusted for amounts of deferred tax.

### Provisions

Provisions are recognised for current liabilities (legal or constructive) arising from past events when it is likely that an outflow of assets that generate economic benefits will be required to settle such an obligation, and when the amount of the liability can be reliably estimated. The amount recorded as a provision is the best estimate of expenses required to settle existing liabilities on the date of the statement of financial position. When the value of money over time must be considered, provisions are determined on the basis of a discounted cash-flow using a discount rate (before taxes) which reflects the value of money over time and, where appropriate, includes potential risks associated with an individual liability. If provisions are made on the basis of a discounted cash-flow, an increase in the net present value is recognised over the years as financial expenses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by other parties, the reimbursement is recognised as a special asset, but only when it is virtually certain that reimbursement will be received. In this case the costs of provisions are decreased by expected reimbursement.

The Company establishes long-term provisions:

- l when the guaranteed value of assets exceeds the actual value of assets belonging to an individual insured person/member, namely in the amount of the established deficit, i.e. the sum of differences

between the guaranteed assets of the insured person/member and the actual value of the assets of the insured person/member;

- I if a legal action is filed against Kapitalska družba or if the Company estimates a claim is very probable;
- I for termination benefits and jubilee awards, calculated on the basis of assumption on the expected employee fluctuation, years of service and expected years until retirement, taking into account individual and collective employment contracts as well as the Company's internal regulations.

The recognition of provisions in the books of account and in the statement of financial position is reversed when the possible obligations for which the provisions were made no longer exist or such provisions are no longer needed. Provisions can only be used for items of the type for which they were originally recognised.

### Operating liabilities

Operating liabilities comprise trade payables for acquired assets or services, and liabilities to employees, the state, etc. Liabilities are recognised if it is probable that an outflow of resources embodying economic benefits will result from their settlement and the amount at which the settlement will take place can be measured reliably.

### Revenue

The Company recognises revenue from the transfer of the promised goods or services to the buyer, in an amount that reflects the expected consideration to which the Company will be entitled in exchange for these goods or services. The Company considers the terms of the contract and all relevant facts and circumstances. The buyer is a customer who has concluded a contract with the Company on the acquisition of goods or services that are the result of the Company's ordinary activities, in exchange for consideration.

Revenue is classified into the following categories:

#### 1. Revenue from fees

Kapitalska družba, d. d. is entitled to entry and exit fees, an annual management fee for the management of the pension fund and to the costs of occupational pensions.

##### *a. Entry fees*

The Company charges entry fees for the performance of its activities in accordance with the pension scheme. This means that the assets collected and transferred to an individual pension fund are reduced by the amount of the entry fees and the fund manages the assets attributable to the net premium. The entry fees are charged in the percentage of the premium at the time of the payment.

##### *b. Management fee*

The Company manages a pension fund and charges management fee, thus the monthly value of assets of the fund is reduced by the cost of management fees. The management fee is calculated as a percentage

of the average value of the fund's assets, determined as the arithmetic mean of the net value of the fund's assets on the conversion day of the current year.

##### *c. Exit fees*

In accordance with the pension scheme, the Company is entitled to exit fees, whereby the redemption value is reduced by the exit fees and the net value is paid to the individual who terminated the scheme. Exit fees are calculated in a percentage of the redemption value when the policy is paid.

##### *d. Costs of occupational pensions*

In line with its pension scheme, the Company is entitled to the cost of paying out occupational pensions. These costs are calculated as a percentage of the monthly amount of occupational pensions.

### 2. Revenue from lease payments

The revenue from lease of investment property is recognised over the duration of individual lease contract.

### Financial income

#### 3. Interest

Interest revenue is calculated and recognised at the effective interest rate. Interest on debt securities is disclosed in the Company's statement of financial position together with financial investments.

#### 4. Dividends

Dividends are recognised in the income statement when the Company obtains the right to payment.

#### 5. Revenue from sale of investments

Revenue from the sale of financial assets (gains on the disposal of financial assets) is accounted for and recognised as at the trading day.

### Costs

#### Costs of materials and services

Costs of materials and services are classified by primary types. The Company does not classify costs by functional type, because the entire Company represents a single functional type.

#### Employee benefits

LaLabour costs include gross salaries, gross salary compensations paid by the Company, benefits in kind, gifts and awards to employees, severance pay, as well as the relevant taxes and duties paid by the payer. These costs are recognised as the current expenses of the period. The Company also recognises contingencies based on collective agreements concerning the employees. These expenses are recognised over the entire period of employment of an individual employee to whom the collective agreement refers.

## Expenses

Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured. Expenses should therefore be recognised simultaneously with the recognition of a decrease of assets or of an increase of liabilities (debts).

### Financial expenses

Financial expenses comprise expenses for financing, mostly interest expenses. Financial expenses from revaluation arise in association with the impairment of investments. Expenses from the disposal of investments (losses on the disposal of investments) are accounted for and recognised on the trading day. Financial expenses also include expenses from recognised credit losses from financial assets.

## Taxes

### 1. Current tax

Current tax assets and liabilities in respect of present and past periods are recognised at amounts which the Company expects to pay to the tax authorities or amounts of income tax credits that will be available in future periods. Current tax assets or liabilities are measured using the tax rates enacted at the date of the statement of financial position.

### 2. Deferred tax

Deferred income tax assets and liabilities are accounted for using the liability method in the statement of financial position. Only deferred tax assets and liabilities arising from temporary differences are recognised.

A deferred tax asset is also recognised on account of unused tax losses and unused tax credits carried forward to the next period, if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

On the date of the statement of financial position, deferred tax assets are revised and impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. Tax rates (and tax legislation) enacted at the date of the statement of financial position are used.

Deferred tax assets and liabilities are offset if, and only if, the Company has the legal right to offset current tax assets against current tax liabilities and if deferred tax assets and deferred tax liabilities relate to the income tax levied by the same tax authority.

Deferred tax assets and liabilities arising from transactions recognised directly in equity should be recognised in equity.

## Cash flow statement

The cash flow statement is compiled under the indirect method (Format II) from the data included in the statement of financial position at 31 December 2020 and 31 December 2019, income statement data for the year 2020, and additional data necessary for the adjustment of revenue and expenditure and for the appropriate breakdown of significant items.

## Risk management

Therefore, risk management is crucial in performing activities of Kapitalska družba. Particularly in the economic crisis, risk management proved to be a very important area, since successful and stable operations are conditional on efficient risk management. The use of standard methodologies of risk management ensures the qualitative evaluation of all types of risk, a timely response and the reduction of risk exposure.

Kapitalska družba observes legal regulations in the forefront while also regulating risk management through internal acts such as the Rules on risk management, which include in addition to individual risk description, internal risk management organisation, measures and methods used to mitigate the risks, as well as procedures of control and responses to individual risks. Kapitalska družba has a Risk Management and Analysis Department, which coordinates and monitors the risk management process. On the basis of the risk inventory and updated risk assessments as well as the consequences of loss events, the Company in 2020 updated the register of risks to which the Company is or could be exposed in the course of its business.

In the course of its activity, Kapitalska družba is exposed to financial, operational and strategic risks. Financial risks include the important market risks (the risk of changes in securities prices, interest rate risk and currency risk) as well as credit and liquidity risk.

### *Risk of securities price change*

The risk of securities price change is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the regulated markets in financial instruments. The risk of securities price change is managed by regular monitoring of the financial position of the issuers, the market situation and macroeconomic indicators that affect the movement in the general level of market prices and by maximum possible dispersion of investments to eliminate most of the non-systematic risk. The dispersal of a part of investments abroad decreases the dependence of Kapitalska družba's portfolio of long-term investments on the movement of prices on the Slovenian capital market.

The monitoring and measurement of risk is carried out on a weekly basis through the calculation of value at risk (VaR) applied to the portfolio as a whole as well as separately for equity and debt securities portfolios. The beta indicator is also calculated for equity securities, as a measure of systematic risk.

### *Interest rate risk*

The very nature of investments in debt instruments exposes Kapitalska družba to interest rate risk resulting from the risk that investment values will fluctuate due to changes in market interest rates. The exposure to interest rate risk is regularly measured by the modified duration indicator. The Company's internal committees monitor the fluctuation in interest rates and market forecasts and analysis on a weekly basis, providing investment recommendations on this basis.

Kapitalska družba endeavours to minimise risks arising from interest rates by restructuring the portfolio based on market conditions, by reducing the average maturity of debt portfolios, by classifying investments in the group of investments at amortised cost, by disposing of debt securities with fixed interest rates and by purchasing securities with variable rate of interest, or vice versa, depending on the expected movement in market interest rates.

### *Currency risk*

In managing assets invested in foreign currencies, Kapitalska družba is also exposed to currency risk. Currency risk is monitored and managed on a daily basis. The basis for measuring currency risk is the monitoring and calculation of exposure to individual currencies by taking into account the currency in which the underlying instrument is denominated initially, not the currency of the securities that constitute a specific instrument or investment fund.

### *Credit risk*

Credit risk is related to investments in debt instruments (investments in bonds, treasury bills, commercial papers, deposits, cash assets) and entails the possibility of investments being only partly repaid or not at all. The management of credit risk is implemented by careful selection of business partners, regular monitoring of companies' operations and by establishing and complying with investment limits with regard to permitted exposure of individual investments. Credit risk is managed also by dispersion of investments and regular monitoring of credit margins and credit ratings of investments and issuers or contractual partners. According to internal acts, the business partners' and assets' credit rating is determined by ratings assigned by Standard & Poor's, Fitch and Moody's, and in-house analyses. The maximum permitted exposure, i.e. high yield, is set for debt securities and units/shares of open-end investment funds that invest in these debt securities (in a share of more than 50% of the value of the assets of this fund).

With regards to investments in deposits, debentures and certificates of deposits, Kapitalska družba has developed an internal model for determination of limits of such investments in individual banks. Internal limits set for individual banks are reviewed and updated quarterly to account for changes in credit ratings and the capital amount.

For the purpose of identifying and monitoring credit risk, Kapitalska družba adopted the Methodology of classification, measurement and assessment of credit losses on financial instruments (hereinafter: methodology). According to the methodology, the Company assesses significant increases in credit risk by use of reasonable and supportable information at the level of a particular exposure, but also on a group exposure level, but only if reasonable and supportable information (factors or indicators) for a

particular exposure cannot be obtained without undue cost or effort or cannot be assessed at the level of a particular exposure. The assessment of a significant increase in credit risk is based on clearly predefined quantitative and qualitative criteria which may vary for individual exposure groups, i.e. relevant portfolios, groups of portfolios, or elements of portfolios. The basic criterion considered by an institution for classification into stages is the credit rating or internal rating of a particular financial instrument. The internal rating is defined by use of an algorithm that is based on international credit ratings, or, in the absence of international credit ratings, it is determined internally according to the methodology.

### *Liquidity risk*

Liquidity risk includes the risk related to the liquidity of the capital market or investment and the risk of solvency of Kapitalska družba. Due to the low liquidity of the Slovenian capital market, liquidity risk is encountered in a major portion of investments of Kapitalska družba in association with domestic equity and debt securities, with the highest risk posed by non-listed investments. By dispersing a portion of investments abroad, Kapitalska družba is able to reduce liquidity risk by investing only in highly liquid foreign instruments. Investment liquidity requirements have been adopted and an illiquid investment limit has been set. Moreover, liquidity risk is managed by daily monitoring of the inflows and outflows of the Company and precise matching of maturity of assets and liabilities.

### *Operational risk*

Operational risk is the risk of a loss due to inappropriate internal processes or incorrect action by people or defective functioning of systems within the Company or as a result of external events and actions. Operational risk also includes legal and documentary risk as well as the risks arising from trading procedures, settlement and valuation of assets and liabilities.

The Company manages operational risk through a system of authority, internal controls and by defining business processes and ensuring the suitable employee qualifications. In order to minimise operational risk, Kapitalska družba established a system of recording loss events and regular monitoring of the implementation of measures adopted. The Internal Audit Department conducts regular audits of business processes and by making recommendations contributes to the improved internal controls and risk mitigation.

### *Strategic risk*

Strategic risk is the risk of a loss owing to incorrect business decisions, inappropriate organisation and strategy of the Company and insufficient response to the changes in the business environment. Significant strategic risks include legislative, tax and political risks, resulting from the state's discretionary right to adopt decisions, and may lead to changes in the business and tax environment. These risks also influence the processes involved in the sale of companies where Kapitalska družba holds interests, the amount of liabilities to the pension budget and consequently the management of financial assets.

The Management Board, who is in charge of formulating appropriate organisation and strategy of the Company, must adopt all measures suitable for achieving the strategic goals as well as to preserve and strengthen the Company's reputation. An appropriate supervision system is provided for managing this risk, enabling monitoring of the implementation of business objectives defined in the business strategy.



During work from home, the organisation of business processes was adjusted accordingly. Good communication is ensured with all stakeholders and is carried out in accordance with the contractual provisions. Strategic risks are also managed by regular monitoring and participation in the drafting of legal bases and by outsourcing external consultants (tax consultants, auditors, legal consultants, IT consultants, etc.).

In 2018 and 2019, there were 145 legal actions filed by persons insured under the SODPZ fund (Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia) against Kapitalska družba, d. d. for the payment of legal default interest related to the payment of a one-off redemption value of the units. All proceedings were finalised by the end of June 2020. In 2020, Kapitalska družba handled no complaints by the insured members of the SODPZ fund.

#### *Risks related to investments where Kapitalska družba holds a significant share*

Kapitalska družba devotes special attention to the management of risks, which arise from investments where the Company holds a significant share. Kapitalska družba for the first time adopted the Corporate Governance Code of the Group in March 2012, which includes the Group's governance policies and as such provides the basis for efficient management of subsidiary company. The adopted Corporate Governance Code of the Group, which defines new standards that are complied with and abided by all companies in the Kapitalska družba Group, lays down new guidelines on risk management. Corporate governance of the Kapitalska družba Group is carried out by functional area. Also adopted were the Guidelines on Subsidiary's Reporting to the Parent Company, which specifically define the reporting type and method as well as deadlines. The operations of the companies constituting the Kapitalska družba Group are monitored by the Asset Management Department. Among other, the manager monitors the content and method of reporting as well as reporting deadlines defined in the Guidelines on Subsidiary's Reporting to the Parent Company. The Management Board of the subsidiary company is in charge of reporting. It presents various reports at the Management Board and Supervisory Board meetings of the parent company. The manager may report to the Management Board, at its meeting, or to the Investment Committee about any specificities in the operations and/or major deviations from the planned results and, if needed, propose appropriate measures to the Management Board.

In December 2014, Slovenian Sovereign Holding adopted and in May 2017 and November 2019 supplemented the Corporate Governance Code for Companies with State Capital Investment (current Corporate Governance Code for State-Owned Enterprises), which has been reasonably applied also by Kapitalska družba due to unification. Every year Kapitalska družba adopts at the general meetings of shareholders of companies the Voting Positions of Kapitalska družba. The purpose of these positions is to increase the efficiency and transparency of equity investment management and they form an element of reducing risks arising from equity investments.

## 15.3 DISCLOSURES AND NOTES TO THE FINANCIAL STATEMENTS

### 15.3.1 Notes to the income statement

#### Note no. 1

##### *Net sales revenues*

	in 000 EUR	
	2020	2019
<b>Revenue from fund management</b>	<b>8,239</b>	<b>7,833</b>
• management fee	7,037	6,683
• entry fee	1,174	1,123
• exit fee	7	9
• revenues from pension annuities	21	18
<b>Revenue from lease payments</b>	<b>2,022</b>	<b>2,020</b>
<b>Other sales revenue</b>	<b>334</b>	<b>305</b>
<b>Total</b>	<b>10,595</b>	<b>10,158</b>

All net sales revenue of EUR 10,595 thousand was generated on the domestic market (2019: EUR 10,158 thousand). Revenue from SODPZ management increased in 2020 compared to the previous year, mainly due to an increase in the management fee and entry fees, which raised due to a larger number of insured members, which increased the amount of the premium paid.

The majority of revenue from lease payments represents lease payments for investment property.

Other sales revenue mainly includes revenue from IT services provided to Modra zavarovalnica, d. d. and revenue from considerations received.

#### Note no. 2

##### *Other operating revenue (including operating revenues from revaluation)*

	in 000 EUR	
	2020	2019
Revenue from reversal of long-term provisions	369	320
Revaluation operating revenue	370	31
Other items	98	55
<b>Total</b>	<b>837</b>	<b>406</b>

Revenue from the reversal of long-term provisions for 2020 in the amount of EUR 369 thousand constitutes revenue from the reversal of provisions for onerous contracts or legal disputes. Revaluation operating revenue represents revenue from the sale of fixed assets in the amount of EUR 358 thousand (of which revenue in the amount of EUR 345 thousand was earned from the sale of the Smelt investment property) and refund in the amount of EUR 12 thousand. Other items comprise revenue from compen-

sations in the amount of EUR 85 thousand, revenue from previous periods totalling EUR 3 thousand and other revenue amounting to EUR 10 thousand.

Revenue from reversal of long-term provisions in 2019 in the amount of EUR 320 thousand constitutes reversal of provisions for non-achievement of guaranteed return of the SODPZ fund. Revaluation operating revenue of EUR 31 thousand in 2019 represents gains from the sale of fixed assets. Other items in 2019 comprise revenue from compensations in the amount of EUR 46 thousand and revenue from previous periods totalling EUR 9 thousand.

### Note no. 3

#### Costs of goods, materials and services

	in 000 EUR	
	2020	2019
Costs of materials	116	130
Costs of services	1,439	1,621
<b>Total</b>	<b>1,555</b>	<b>1,751</b>

#### Costs of materials

Costs of materials comprise costs of power supply, write-off of small tools, costs of office stationery and professional literature, and other costs of materials, the bulk of which is accounted for by energy costs in the amount of EUR 64 thousand (2019: EUR 81 thousand).

#### Costs of services

Costs of services include costs of transport, maintenance work on business premises and property, plant and equipment, lease payments, reimbursement of costs to employees associated with labour, costs of payment transactions, banking services and insurance, costs of intellectual and personal services, entertainment costs, costs of services provided by natural persons, and costs of other services, of which the highest amount, i.e. EUR 371 thousand, is due to maintenance of business premises and property, plant and equipment, followed by the costs of intellectual services equalling EUR 436 thousand (2019: EUR 508 thousand) and the costs of other services, such as keeping the KDD register and SMA supervision costs of EUR 268 thousand (2019: EUR 241 thousand).

#### Costs of audit

The cost of the 2020 Annual Report audit amounted to EUR 30 thousand (2019: EUR 22 thousand). In 2020, Kapitalska družba paid no amount to the auditor for tax advisory and other non-audit services (2019: EUR 1 thousand).

### Note no. 4

#### Labour costs

	in 000 EUR	
	2020	2019
Payroll costs	2,420	2,371
Compensations for salaries/wages of employees	62	66
Supplementary pension insurance costs	124	121
Holiday allowance, reimbursements and other receipts of employees	212	218
Other employer's contributions on salaries, wage compensation, bonuses, reimbursements and other receipts of employees	395	393
<b>Total</b>	<b>3,213</b>	<b>3,169</b>

### Note no. 5

#### Write-downs in value

	in 000 EUR	
	2020	2019
<b>Depreciation/amortisation</b>	<b>1,137</b>	<b>1,160</b>
Amortisation of intangible fixed assets	148	142
Depreciation of buildings	155	151
Depreciation of equipment and spare parts	48	58
Depreciation of investment property	786	809
<b>Operating expenses from revaluation of fixed assets</b>	<b>20</b>	<b>3</b>
<b>Revaluation operating expenses associated with current assets</b>	<b>34</b>	<b>0</b>
<b>Total</b>	<b>1,191</b>	<b>1,163</b>

#### Amortisation of intangible fixed assets

All costs amounting to EUR 148 thousand (2019: EUR 142 thousand) relate to the amortisation of software.

### Depreciation of buildings

Depreciation of buildings represents the depreciation of offices owned and used by Kapitalska družba in the "Stekleni dvor" commercial building in the amount of EUR 155 thousand (2019: EUR 151 thousand).

### Depreciation of equipment and spare parts

A major part of the depreciation of equipment and spare parts represents depreciation of computers and electronic equipment in the amount of EUR 40 thousand (2019: EUR 48 thousand), wooden furniture of EUR 4 thousand (2019: EUR 4 thousand) and other equipment of EUR 4 thousand (2019: EUR 6 thousand).

### Depreciation of investment property

Investment property depreciation charge refers to the depreciation of business premises leased out in the amount of EUR 703 thousand (2019: 741 thousand), and EUR 39 thousand of depreciation expense relating to leased out parking spaces (2019: EUR 39 thousand) as well as depreciation of part of investment property totalling EUR 45 thousand (2019: EUR 29 thousand).

### Operating expenses from revaluation of fixed assets

Revaluation operating expenses amounting to EUR 20 thousand (2019: EUR 3 thousand) represent expenses for the disposal of fixed assets.

### Revaluation operating expenses associated with current assets

Revaluation operating expenses amounting to EUR 34 thousand (2019: EUR 0) represent a write-off of a receivable from a company that was in compulsory settlement.

## Note no. 6

### Other operating expenses

	in 000 EUR	
	2020	2019
Provisions	0	52
Costs of a secondary-school student on mandatory practical training	0	1
Other items	90	4
<b>Total</b>	<b>90</b>	<b>57</b>

In 2019, Kapitalska družba created provisions for legal actions filed by the insured members of the SODPZ fund in the amount of EUR 52 thousand. Other items mainly represent payments based on legal actions filed by SODPZ policyholders demanding the payment of statutory default interest in relation to a one-off redemption value, and payment after court settlement.

## Note no. 7

### Financial revenue

	in 000 EUR	
	2020	2019
<b>Financial revenue from participating interests</b>	<b>39,393</b>	<b>37,497</b>
<b>Financial revenue from other investments and from loans</b>	<b>5,134</b>	<b>4,937</b>
Financial revenue from other investments	5,079	4,790
Financial revenue from loans	55	147
<b>Total</b>	<b>44,527</b>	<b>42,434</b>

In 2020, financial revenue from participating interests increased compared to 2019, mainly due to the valuation of investments measured at fair value through profit or loss.

### Financial revenue from participating interests

	in 000 EUR	
	2020	2019
Dividends and shares in profits	23,404	23,833
Revaluation financial revenue	35	209
Exchange rate gains	0	260
Revenue from valuation of investments at fair value through profit or loss	15,880	11,887
Revenue from financial receivable	0	667
Revenue from disposal of investments at fair value through profit or loss	52	624
Revenue from acquisition of abandoned securities	22	17
<b>Total</b>	<b>39,393</b>	<b>37,497</b>

Revaluation financial revenue amounting to EUR 35 thousand (2019: EUR 209 thousand) comprises exchange rate gains on receivables and liabilities.

Revenue amounting to EUR 15,880 thousand (2019: EUR 11,887 thousand) constitutes the valuation of investments measured at fair value through profit or loss.

Revenue from disposal of investments amounting to EUR 52 thousand (2019: EUR 624 thousand) represents revenue from realized investment gains, distributed at fair value through profit or loss.

Revenue from acquisition of abandoned securities amounting to EUR 22 thousand (2019: EUR 17 thousand) is recognised in accordance with Article 48a of ZNVP-1, which stipulates that KDD shall credit all dematerialised securities cancelled by the holders to a special account held by Kapitalska družba.

### Financial revenue from other investments and from loans

	in 000 EUR	
	2020	2019
<b>Interest revenue</b>	<b>4,497</b>	<b>4,119</b>
<b>Exchange rate gains</b>	<b>174</b>	<b>712</b>
<b>Revenue from the valuation of investments at fair value through profit or loss</b>	<b>300</b>	<b>22</b>
<b>Revenue from realised gains</b>	<b>70</b>	<b>0</b>
Revenue from disposals of investments measured through other comprehensive income	70	0
<b>Revenue from decrease in credit losses</b>	<b>93</b>	<b>84</b>
Revenue from decrease in credit losses on assets measured at amortised cost	54	81
Revenue from decrease in credit losses on assets measured through other comprehensive income	39	3
<b>Total</b>	<b>5,134</b>	<b>4,937</b>

### Interest revenue

	in 000 EUR	
	2020	2019
<b>Deposits</b>	<b>15</b>	<b>75</b>
• At amortised cost	15	75
<b>Bonds, commercial papers</b>	<b>3,266</b>	<b>3,698</b>
• Through other comprehensive income	1,943	2,586
• At amortised cost	1,053	1,100
• At fair value through profit or loss	270	12
<b>Other investments</b>	<b>1,216</b>	<b>346</b>
• At fair value through profit or loss	1,216	346
<b>Total</b>	<b>4,497</b>	<b>4,119</b>

### Note no. 8

### Financial expenses

	in 000 EUR	
	2020	2019
<b>Interest expense</b>	<b>39</b>	<b>0</b>
<b>Revaluation financial expenses</b>	<b>7,753</b>	<b>2,525</b>
Expenses from valuation of investments at fair value through profit or loss	2,318	1,453
Exchange rate losses	28	340
<b>Expenses from credit losses</b>	<b>96</b>	<b>83</b>
Expenses from credit losses on assets measured at amortised cost	81	55
Expenses from credit losses on assets measured through other comprehensive income	15	28
<b>Expenses from disposals</b>	<b>678</b>	<b>13</b>
Expenses from disposals of investments measured through profit or loss	644	13
Expenses from disposals of investments measured through other comprehensive income	34	0
<b>Expenses from write-off of financial receivable</b>	<b>0</b>	<b>52</b>
<b>Expenses for the Pension and Disability Insurance Institute</b>	<b>50,000</b>	<b>50,000</b>
<b>Total</b>	<b>58,566</b>	<b>52,673</b>

Kapitalska družba credited EUR 50 million to the Pension and Disability Insurance Institute in 2020. These payments were stated under financial expenses from other financial liabilities in the income statement.

### Exchange rate differences

	in 000 EUR	
	2020	2019
Exchange rate gains	174	972
Exchange rate losses	-5,407	-732
<b>Net exchange rate gains/losses</b>	<b>-5,233</b>	<b>240</b>

In 2020, net exchange loss amounted to EUR 5,233 thousand. In 2019, the Company had net exchange gains of EUR 240 thousand.

Exchange rate losses in 2020 in the amount of EUR 5,407 thousand (2019: EUR 732 thousand) are mainly the result of the depreciation of US dollar against euro.



### Gains/losses on financial assets

	in 000 EUR	
	2020	2019
Exchange rate gains	44,527	42,434
Exchange rate losses	-58,566	-52,673
<b>Net exchange rate gains/losses</b>	<b>-14,039</b>	<b>-10,239</b>

### Note no. 9

### Corporate income tax

	in 000 EUR	
	2020	2019
Profit or loss before tax	-8,656	-5,815
Increases in retained earnings	8,302	38,724
Decreases in retained earnings	0	-1,409
<b>Total</b>	<b>-354</b>	<b>31,500</b>
Non-deductible expenses	1,444	1,450
Provisions creation	-1	-2
Non-taxable revenue	22,265	22,294
Tax allowance	0	492
Tax loss	0	5,327
<b>Total</b>	<b>-21,176</b>	<b>4,835</b>
Tax rate	19%	19%
Corporate income tax	0	919

The largest item of untaxed revenue are the excluded received and paid domestic dividends in 2020.

As at 31 December 2020, Kapitalska družba, d. d. did not report any corporate income tax liabilities (31 December 2019: EUR 919 thousand). Considering the revenue and expenses included in the income statement in accordance with the IFRS and the Corporate Income Tax Act (ZDDPO-2), the Company recognised tax loss of EUR 21,176 thousand.

The Management Board believes that the calculation of the tax liability for 2020 is appropriate, based on the views presented below and in accordance with the opinions of tax advisors. It is however possible that the competent tax authorities would have a different position on certain issues, which could result in a difference between the tax liabilities disclosed in the financial statements and the amount assessed by the tax authorities. Kapitalska družba credited EUR 50 million to the Pension and Disability Insurance Institute in 2020. These payments were recognised in the income statement under other financial expenses and as tax deductible expenses in the calculation of the tax liability.

The effective tax rate (as the ratio between the corporate income tax and profit or loss before tax) was not calculated, because Kapitalska družba disclosed a tax loss in 2020.

### Harmonisation of the actual and the calculated corporate income tax expense taking into account the effective tax rate

	in 000 EUR	
	2020	2019
Profit or loss before tax	-8,656	-5,815
Increases in retained earnings	8,302	38,724
Decreases in retained earnings	0	-1,409
<b>Total</b>	<b>-354</b>	<b>31,500</b>
Tax calculated at the general tax rate	-67	5,985
<b>Change in tax based on:</b>		
<b>January Revenue exempt from the tax base</b>	<b>4,231</b>	<b>4,237</b>
Untaxed dividends received	4,165	4,215
Adjustment of revenue to the level recognised for tax purposes (decrease)	66	22
<b>2. Expenses exempt from the tax base</b>	<b>275</b>	<b>276</b>
Increase in expenses (unrecognised in previous periods)	13	5
Adjustment of expenses to the level recognised for tax purposes (decrease)	262	271
<b>3. Tax reliefs used in current year</b>	<b>0</b>	<b>93</b>
<b>4. Utilisation of tax losses from previous years</b>	<b>0</b>	<b>1,012</b>
<b>Total corporate income tax in the income statement</b>	<b>0</b>	<b>919</b>
<b>Total effective tax</b>	<b>0</b>	<b>2.92</b>

## Note no. 10

### Deferred tax

Deferred income tax liabilities as at 31 December 2020 include:

	Statement of financial position		Income statement	
	31 Dec. 2020	31 Dec. 2019	2020	2019
Deferred income tax liabilities	40,481	37,646	0	0
<b>Total deferred income tax liabilities</b>	<b>40,481</b>	<b>37,646</b>	<b>0</b>	<b>0</b>
<b>Deferred income tax assets</b>	<b>20,548</b>	<b>19,154</b>	<b>1,394</b>	<b>-9,506</b>
Loss brought forward to be used as tax allowance	19,933	18,491	1,442	-9,504
Value adjustment of receivables	0	0	0	-2
Value adjustment of investments	590	602	-12	-5
Provisions	25	61	-36	5
<b>Total deferred income tax assets</b>	<b>20,548</b>	<b>19,154</b>	<b>1,394</b>	<b>-9,506</b>
<b>Netting of assets and liabilities</b>	<b>590</b>	<b>602</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax assets after netting</b>	<b>19,958</b>	<b>18,552</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax liabilities after netting</b>	<b>39,891</b>	<b>37,044</b>	<b>-</b>	<b>-</b>

The increase in deferred income tax in the income statement amounting to EUR 1,394 thousand (2019: a decrease of EUR 9,506 thousand) is due to increased deferred tax from unused tax losses in the amount of EUR 1,442 thousand (2019: a decrease of EUR 9,504 thousand), decreased credit losses amounting to EUR 12 thousand (2019: EUR 5 thousand) and decreased provisions amounting to EUR 36 thousand (2019: an increase of EUR 5 thousand). As at 31 December 2020, unused tax loss totalled EUR 548,017 thousand (2019: EUR 526,840 thousand) and is freely transferable.

### Disclosure of changes in deferred tax recognised directly in equity

	in 000 EUR	
Changes in deferred tax	2020	2019
Balance as at 1 January	37,646	28,660
Changes at 1 January	0	0
Changes during the year	2,835	8,986
<b>Balance as at 31 December</b>	<b>40,481</b>	<b>37,646</b>

The change in deferred tax liabilities of EUR 2,835 thousand in 2020 to EUR 40,481 thousand as at 31 December 2020 arose on revaluation of investments measured at fair value through other comprehensive income.

## Note no. 11

### Net profit or loss for the period

Basic earnings per share are calculated by dividing net profit for the accounting period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the accounting period. The weighted average of ordinary shares in issue during the year is calculated by reference to shares in issue during the period, considering any potential redemptions and sales in that period and the period during which these shares generated profit. Diluted earnings per share depend also on any ordinary shares from convertible bonds, options and forward contracts. When calculated, earnings and the number of shares are adjusted for effects of all adjustable potential ordinary shares that would occur if they were swapped for ordinary shares in the accounting period.

	2020	2019
Net profit or loss attributable to holders of ordinary shares (000 EUR)	-7,262	-16,240
Diluted net profit or loss attributable to holders of ordinary shares (000 EUR)	-7,262	-16,240
Weighted average number of ordinary shares for basic net earnings per share	874,235	874,235
Diluted average number of ordinary shares for diluted net earnings per share	874,235	874,235
Net earnings per share (EUR)	-8.3	-18.6

As at 31 December 2020, Kapitalska družba, d. d. issued no financial instruments that would require adjustment of either the net profit or loss or the weighted average number of ordinary shares.

### 15.3.2 Notes to the statement of financial position

#### Note no. 12

##### *Intangible assets and long-term deferred costs and accrued revenues*

Table 25: Changes in intangible assets and long-term deferred costs and accrued revenue in 2020

	in 000 EUR		
31 December 2020	Software and other intangible assets	Long-term accrued revenue and deferred costs	Total
<b>Cost</b>			
<b>Cost as at 1 January 2020</b>	<b>1,709</b>	<b>33</b>	<b>1,742</b>
Additions	59	50,049	50,108
Disposals	-33	-33	-66
<b>Cost as at 31 December 2020</b>	<b>1,735</b>	<b>50,049</b>	<b>51,784</b>
<b>Value adjustment</b>			
<b>Value adjustment as at 1 January 2020</b>	<b>1,263</b>	<b>0</b>	<b>1,263</b>
Additions, transfers	0	0	0
Disposals, write-offs	-33	0	-33
Depreciation/amortisation	148	0	148
<b>Value adjustment as at 31 December 2020</b>	<b>1,378</b>	<b>0</b>	<b>1,378</b>
<b>Carrying amount</b>			
<b>Carrying amount as at 1 January 2020</b>	<b>446</b>	<b>33</b>	<b>479</b>
<b>Carrying amount as at 31 December 2020</b>	<b>357</b>	<b>50,049</b>	<b>50,406</b>

Intangible assets refer to software applications and licences.

Table 26: Changes in intangible assets and long-term deferred costs and accrued revenue in 2019

	in 000 EUR		
31 Dec. 20219	Software and other intangible assets	Long-term accrued revenue and deferred costs	Total
<b>Cost</b>			
<b>Cost as at 1 January 2019</b>	<b>3,722</b>	<b>0</b>	<b>3,722</b>
Additions	3	33	36
Disposals	-2,016	0	-2,016
<b>Cost as at 31 December 2019</b>	<b>1,709</b>	<b>33</b>	<b>1,742</b>
<b>Value adjustment</b>			
<b>Value adjustment as at 1 January 2019</b>	<b>3,135</b>	<b>0</b>	<b>3,135</b>

in 000 EUR

31 Dec. 20219	Software and other intangible assets	Long-term accrued revenue and deferred costs	Total
Additions, transfers	2	0	2
Disposals, write-offs	-2,016	0	-2,016
Depreciation/amortisation	142	0	142
<b>Value adjustment as at 31 December 2019</b>	<b>1,263</b>	<b>0</b>	<b>1,263</b>
<b>Carrying amount</b>			
<b>Carrying amount as at 1 January 2019</b>	<b>587</b>	<b>0</b>	<b>587</b>
<b>Carrying amount as at 31 December 2019</b>	<b>446</b>	<b>33</b>	<b>479</b>

#### Note no. 13

##### *Property, plant and equipment*

Table 27: Changes in property, plant and equipment in 2020

	in 000 EUR		
31 Dec. 2020	Buildings	Other plant and equipment	Total
<b>Cost</b>			
<b>Cost as at 1 January 2020</b>	<b>4,733</b>	<b>1,606</b>	<b>6,339</b>
New acquisitions, transfers	270	40	310
Disposals, transfers	0	-113	-113
<b>Cost as at 31 December 2020</b>	<b>5,003</b>	<b>1,533</b>	<b>6,536</b>
<b>Value adjustment</b>			
<b>Value adjustment as at 1 January 2020</b>	<b>2,289</b>	<b>1,374</b>	<b>3,663</b>
Additions, transfers	101	0	101
Disposals, write-offs	0	-5	-5
Depreciation/amortisation	155	48	203
<b>Value adjustment as at 31 December 2020</b>	<b>2,545</b>	<b>1,417</b>	<b>3,962</b>
<b>Carrying amount</b>			
<b>Carrying amount as at 1 January 2020</b>	<b>2,444</b>	<b>232</b>	<b>2,676</b>
<b>Carrying amount as at 31 December 2020</b>	<b>2,458</b>	<b>116</b>	<b>2,574</b>

Table 28: Changes in property, plant and equipment in 2019

	in 000 EUR		
31 Dec. 2019	Buildings	Other plant and equipment	Total
<b>Cost</b>			
<b>Cost as at 1 January 2019</b>	<b>5,003</b>	<b>1,855</b>	<b>6,858</b>
New acquisitions, transfers	0	137	137
Disposals, transfers	-270	-386	-656
<b>Cost as at 31 December 2019</b>	<b>4,733</b>	<b>1,606</b>	<b>6,339</b>
<b>Value adjustment</b>			
<b>Value adjustment as at 1 January 2019</b>	<b>2,227</b>	<b>1,701</b>	<b>3,928</b>
Additions, transfers	0	1	1
Disposals, write-offs	-89	-386	-475
Depreciation/amortisation	151	58	209
<b>Value adjustment as at 31 December 2019</b>	<b>2,289</b>	<b>1,374</b>	<b>3,663</b>
<b>Carrying amount</b>			
<b>Carrying amount as at 1 January 2019</b>	<b>2,776</b>	<b>154</b>	<b>2,930</b>
<b>Carrying amount as at 31 December 2019</b>	<b>2,444</b>	<b>232</b>	<b>2,676</b>

## Note no. 14

### Investment property

Table 29: Changes in investment property in 2020

	in 000 EUR		
31 Dec. 2020	Buildings	Buildings in the course of construction or manufacturing	Total
<b>Cost</b>			
<b>Cost as at 1 January 2020</b>	<b>29,403</b>	<b>253</b>	<b>29,656</b>
New acquisitions, transfers	346	0	346
Disposals, transfers, impairment	-3,355	-253	-3,608
<b>Cost as at 31 December 2020</b>	<b>26,394</b>	<b>0</b>	<b>26,394</b>
<b>Value adjustment</b>			<b>0</b>
<b>Value adjustment as at 1 January 2020</b>	<b>9,006</b>	<b>0</b>	<b>9,006</b>
Additions, transfers	0	0	0
Disposals, write-offs	-1,055	0	-1,055
Depreciation/amortisation	786	0	786
<b>Value adjustment as at 31 December 2020</b>	<b>8,737</b>	<b>0</b>	<b>8,737</b>

	in 000 EUR		
31 Dec. 2020	Buildings	Buildings in the course of construction or manufacturing	Total
<b>Carrying amount</b>			<b>0</b>
<b>Carrying amount as at 1 January 2020</b>	<b>20,397</b>	<b>253</b>	<b>20,650</b>
<b>Carrying amount as at 31 December 2020</b>	<b>17,657</b>	<b>0</b>	<b>17,657</b>

In 2020, Kapitalska družba, d. d. impaired no investment property.

Given that the fair value of investment property as at 31 December 2018 was estimated based on an external evaluation amounting to EUR 21,091 thousand and that property prices stagnated in 2019, we estimate that the fair value of investment property as at 31 December 2020 does not significantly deviate from the fair value of investment property as at 31 December 2018

The investment property's fair value does not significantly deviate from its carrying amount as at 31 December 2020, with the exception or the "Nebotičnik" office building, whose fair value greatly exceeds its carrying amount. The fair value of the office building "Nebotičnik" investment property as at 31 December 2018 amounted to EUR 1,653 thousand, while the carrying amount as at 31 December 2020 equalled EUR 122 thousand. As this investment property was acquired many years ago, its carrying amount was significantly reduced due to a long depreciation period, and was relatively low even upon the acquisition.

The valuation of investment property as at 31 October 2018 was prepared by a certified appraiser on 27 November 2018.

The valuation was performed applying the market comparison method, the income approach, the discounted free cash flow method and the direct capitalisation method, which includes the following assumptions: a 8.19% capitalization rate, a 6.67% deduction for vacancy and a 1.33% deduction for irrecoverability.

Table 30: Changes in investment property in 2019

	in 000 EUR		
31 Dec. 2019	Buildings	Buildings in the course of construction or manufacturing	Total
<b>Cost</b>			
<b>Cost as at 1 January 2019</b>	<b>29,091</b>	<b>0</b>	<b>29,091</b>
New acquisitions, transfers	312	253	565
Disposals, transfers, impairment	0	0	0
<b>Cost as at 31 December 2019</b>	<b>29,403</b>	<b>253</b>	<b>29,656</b>
<b>Value adjustment</b>			<b>0</b>
<b>Value adjustment as at 1 January 2019</b>	<b>8,109</b>	<b>0</b>	<b>8,109</b>
Additions, transfers	89	0	89
Disposals, write-offs	0	0	0
Depreciation/amortisation	809	0	809



31 Dec. 2019	Buildings	Buildings in the course of construction or manufacturing	Total
Value adjustment as at 31 December 2019	9,007	0	9,007
Carrying amount			0
Carrying amount as at 1 January 2019	20,982	0	20,982
Carrying amount as at 31 December 2019	20,396	253	20,649

**Table 31:** Rental income from investment property and costs related to investment property

	in 000 EUR	
	2020	2019
Rental income from investment property	2,022	2,020
Costs related to investment property	896	1,044

### Information about encumbrances

The assets owned by Kapitalska družba are free from mortgages, pledges or other encumbrances. Fixed assets are not under finance lease not have they been acquired for the purpose of trading. Fixed assets have not been pledged.

### Note no. 15

#### Investments in subsidiary, associated companies and joint venture

The investment in the subsidiary as at 31 December 2020 includes:

				in 000 EUR	
No.	Subsidiary	Registered office of the company	Equity stake in %	Equity as at 31 Dec. 2020	Net profit/loss for 2020
1.	Modra zavarovalnica, d. d.	Dunajska cesta 119, Ljubljana	100.00	274,213	3,981

	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Shares and interests in Group companies	152,200	152,200
<b>Total</b>	<b>152,200</b>	<b>152,200</b>

The investment in the shares of Modra zavarovalnica, d. d. is stated at cost. An impairment test was carried out, showing that the investment need not be impaired.

Investments in associates as at 31 December 2020 include:

				in 000 EUR	
No.	Associated company	Registered office of the company	Equity stake in %	Equity as at 31 Dec. 2020 <sup>17</sup>	Net profit or loss for 2020 <sup>18</sup>
1.	Casino Maribor, d. d. – in bankruptcy <sup>19</sup>	Glavni trg 1, Maribor	20.00	-	-
2.	Gio, d. o. o. – in bankruptcy	Dunajska cesta 160, Ljubljana	28.68	-	-
3.	Gospodarsko razstavišče, d. o. o.	Dunajska cesta 18, Ljubljana	29.51	18,121	-545
4.	Hit, d. d. <sup>20</sup>	Delpinova ulica 7a, Nova Gorica	20.32	49,943	-8,274
5.	Loterija Slovenije, d. d.	Gerbičeva ulica 99, Ljubljana	25.00	19,434	4,649
6.	Sava, d. d.	Dunajska cesta 152, Ljubljana	28.05	51,648	-3,804
7.	Terme Čatež, d. d.	Čatež ob Savi, Topliška cesta 35, Brežice	23.79	94,567	-4,029
8.	Terme Olimia, d. d.	Zdraviliška cesta 24, Podčetrtek	24.79	35,730	-1,903

	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Shares and interests in associated companies	49,911	57,052
<b>Total</b>	<b>49,911</b>	<b>57,052</b>

**Table 32:** Changes in investments in associated companies in 2020

					in 000 EUR
	31 Dec. 2019	Acquisitions and transfers	Disposals, maturity	Revaluation	31 Dec. 2020
Investments at fair value through other comprehensive income	57,052	0	0	-7,141	49,911
<b>Total</b>	<b>57,052</b>	<b>0</b>	<b>0</b>	<b>-7,141</b>	<b>49,911</b>

<sup>17</sup> The data for associated companies equity as at 31 December 2020 are unaudited.

<sup>18</sup> The 2020 data for associated companies net profit or loss are unaudited.

<sup>19</sup> Pursuant to the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP), the bankruptcy manager deleted these shares from KDD. Prior to the Company's bankruptcy, Kapitalska družba held the stake as presented above. The company was cancelled from the Companies register on 17 March 2021.

<sup>20</sup> The share in Hit, d. d., carries 33.33% of the voting rights. As at 31 December 2020, the preference shares did not carry any voting rights, although no dividends were paid in 2020. In 2019, dividends were paid.

**Table 33:** Changes in investments in associated companies in 2019

	in 000 EUR				
	31 Dec. 2018	Acquisitions and transfers	Disposals, maturity	Revaluation	31 Dec. 2019
Investments at fair value through other comprehensive income	41,979	815	0	14,258	57,052
<b>Total</b>	<b>41,979</b>	<b>815</b>	<b>0</b>	<b>14,258</b>	<b>57,052</b>

The investment in the joint venture as at 31 December 2020 includes::

	in 000 EUR				
No.	Joint venture	Registered office of the company	Equity stake in %	Equity as at 31 Dec. 2020	Net profit/loss for 2020
1.	Hotelske nepremičnine, d. o. o.	Dunajska cesta 119, Ljubljana	50.00	12,822	409

	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Shares and interests in joint ventures	5,963	5,963
<b>Total</b>	<b>5,963</b>	<b>5,963</b>

The investment in Hotelske nepremičnine, d. o. o. is carried at cost. An impairment test was carried out, showing that the investment need not be impaired.

**Table 34:** Change in investment in joint venture in 2020

	in 000 EUR				
	31 Dec. 2019	Acquisitions and transfers	Disposals, maturity	Revaluation	31 Dec. 2020
Investments at cost	5,963	0	0	0	5963
<b>Total</b>	<b>5,963</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,963</b>

**Table 35:** Change in investment in joint venture in 2019

	in 000 EUR				
	31 Dec. 2018	Acquisitions and transfers	Disposals, maturity	Revaluation	31 Dec. 2019
Investments at cost	4,963	1,000	0	0	5,963
<b>Total</b>	<b>4,963</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>5,963</b>

Kapitalska družba is not exposed to any risks arising from ownership stakes in the subsidiary, associated companies or joint venture, such as:

l the risk concerning the provision of funds for the operations/capital adequacy of the subsidiary, associated companies or joint venture;

l the risk related to participation in covering contingent liabilities of the subsidiary, associated companies or joint venture.

At the end of 2020, Kapitalska družba used internal valuation models and external valuations to verify, assess and appraise the companies' value as at 31 December 2020, taking into account the most recent available data on companies' performance in 2020.

## Note no. 16

### Assets held for sale

	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Assets held for sale	870	0
<b>Total</b>	<b>870</b>	<b>0</b>

Non-current assets available for sale as at 31 December 2020 amount to EUR 870 thousand (31 December 2019: EUR 0) and refer to equity investments held for sale.

## Note no. 17

### Investments, excluding loans

	in 000 EUR			
	Long-term		Short-term	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Other shares and interests	758,864	682,491	0	0
Other investments	68,414	78,633	46,960	49,599
<b>Total</b>	<b>827,278</b>	<b>761,124</b>	<b>46,960</b>	<b>49,599</b>

### Carrying amount of financial assets

Kapitalska družba classifies financial assets into one of the following groups according to IFRS 9: financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. In addition, financial assets are classified as non-current and current. Financial assets also include investments in associated companies, which are disclosed in Note no. 15.

	in 000 EUR					
	Non-current		Current		Total	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
<b>At fair value through profit or loss</b>	<b>200,337</b>	<b>147,499</b>	<b>24,292</b>	<b>23,567</b>	<b>224,629</b>	<b>171,066</b>
Set upon initial recognition	200,337	147,499	24,292	23,567	224,629	171,066
Mandatory measurement at fair value through profit or loss	0	0	0	0	0	0
<b>At fair value through other comprehensive income</b>	<b>670,302</b>	<b>654,698</b>	<b>9,562</b>	<b>22,110</b>	<b>679,864</b>	<b>676,808</b>
Debt instruments	37,493	51,173	9,562	22,110	47,055	73,283
Equity instruments	632,809	603,525	0	0	632,809	603,525
<b>At amortised cost</b>	<b>8,456</b>	<b>15,979</b>	<b>12,070</b>	<b>3,922</b>	<b>20,526</b>	<b>19,901</b>
<b>Total</b>	<b>879,095</b>	<b>818,176</b>	<b>45,924</b>	<b>49,599</b>	<b>925,019</b>	<b>867,775</b>

#### Changes in securities investments in 2020

	in 000 EUR				
	31 Dec. 2019	Acquisitions and transfers	Disposals, maturity	Revaluation	31 Dec. 2020
Investments at fair value through profit or loss	171,066	62,799	-17,559	8,323	224,629
Investments at amortised cost	19,901	3,482	-3,844	987	20,526
Investments at fair value through other comprehensive income	676,808	0	-44,267	47,323	679,864
<b>Total</b>	<b>867,775</b>	<b>66,281</b>	<b>-65,670</b>	<b>56,633</b>	<b>925,019</b>

#### Changes in securities investments in 2019

	in 000 EUR				
	31 Dec. 2018	Acquisitions and transfers	Disposals, maturity	Revaluation	31 Dec. 2019
Investments at fair value through profit or loss	39,957	137,203	-16,528	10,434	171,066
Investments at amortised cost	19,709	1,788	-1,872	276	19,901
Investments at fair value through other comprehensive income	674,010	64,287	-182,814	121,325	676,808
<b>Total</b>	<b>733,676</b>	<b>203,278</b>	<b>-201,214</b>	<b>132,035</b>	<b>867,775</b>

#### Investments by type of interest rate as at 31 December

	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
<b>Debt investments</b>	<b>91,489</b>	<b>103,629</b>
Fixed interest rate	91,489	103,629
Variable interest rate	0	0
<b>Loans, deposits</b>	<b>0</b>	<b>16,960</b>
Fixed interest rate	0	16,960
Variable interest rate	0	0
<b>Total</b>	<b>91,489</b>	<b>120,589</b>

#### Investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2020

		EUR	
ISIN code	31 Dec. 2020	ISIN code	31 Dec. 2020
ELAN INVENTA D.O.O.	714,000	SI0021110083	848
		SI0021110323	548
GIO D.O.O.	2,283,633	SI0021110513	15,559
GOSPODARSKO RAZSTAVIŠČE D.O.O.	1,460,000	SI0021111313	2,920
IE0032523478	4,468,017	SI0021111651	5,760
IE00B3DWVS88	14,687,250	SI0021112105	1,888
IE00B3F81R35	873,760	SI0021112212	98
IE00B4L5Y983	9,438,497	SI0021113111	2,556
IE00B60SX394	27,375,285	SI0021113855	38,825
IE00B87RLX93	1,674,600	SI0031100082	86
IE00BC7GZW19	389,355	SI0031100090	835,101
IE00BJ0KDQ92	21,708,656	SI0031100215	374
JE00B1VS3770	1,463,084	SI0031100637	3,476,932
LU0274208692	26,387,471	SI0031100793	376
LU0290355717	5,165,200	SI0031101346	12,817,054
LU1650488494	3,302,960	SI0031101494	128
LU1681044480	1,245,879	SI0031101577	0
LU1681044563	2,015,588	SI0031101619	1,000
LU1923627092	554,822	SI0031101700	0
PLINHOLD D.O.O.	667,490	SI0031101999	9
PS ZA AVTO D.O.O.	312,381	SI0031102005	223
SI0021100134	0	SI0031102120	319,274,824
		SI0031102153	56,108,650
		SI0031102187	65
		SI0031102799	0
		SI0031103151	29
		SI0031103367	774
		SI0031103375	7
		SI0031103706	2,361,555
		SI0031103748	0
		SI0031104290	15,921,674
		SI0031104399	1,523
		SI0031104431	0
		SI0031104514	243
		SI0031104555	0
		SI0031104597	494,014
		SI0031104621	123,690
		SI0031104829	1,095,100
		SI0031104845	0
		SI0031105024	11,754,810
		SI0031105271	0
		SI0031105396	3
		SI0031105461	272
		SI0031105495	2,110

ISIN code	31 Dec. 2020	ISIN code	31 Dec. 2020	ISIN code	31 Dec. 2020
SI0031105529	519,612	SI0031110248	19,218	SI0031116104	2
SI0031105602	0	SI0031110271	0	SI0031116138	53
SI0031105677	1,233,969	SI0031110412	2,217	SI0031116591	434
SI0031106907	0	SI0031110495	32	SI0031116815	0
SI0031107079	29	SI0031110677	0	SI0031117144	3,012
SI0031107293	6,766	SI0031110743	22	SI0031117169	472
SI0031107459	562	SI0031111048	1,299	SI0031117268	8,966
SI0031107582	0	SI0031111279	2,896	SI0031117318	14,355,825
SI0031107673	768,841	SI0031111576	0	SI0031117441	3,850
SI0031107772	14,045	SI0031111816	1,984	SI0031117649	0
SI0031107913	0	SI0031112053	16	SI0031117730	57
SI0031107954	4,917,472	SI0031112772	0	SI0031200239	118,046
SI0031107996	0	SI0031113143	11,662,875	SI0031200304	0
SI0031108184	0	SI0031113184	6,137	SI0031200429	3,191
SI0031108200	94	SI0031113309	0	SI0031200791	0
SI0031108259	53	SI0031113432	0	SI0033200021	0
SI0031108358	100	SI0031113481	6	SM STROJKOPLAST MARIBOR D.O.O.	64,987
SI0031108556	0	SI0031113549	113	US4642864007	984,979
SI0031108564	59	SI0031113770	63	US46434G1031	6,168,104
SI0031108580	1,765,156	SI0031113788	1,556	US46434G8226	7,652,873
SI0031108655	5,416,587	SI0031113879	0	US78462F1030	10,632,317
SI0031108846	2,645	SI0031113929	0	US81369Y6059	2,909,321
SI0031108887	4	SI0031114281	0	US81369Y8030	10,330,821
SI0031108994	1,355,119	SI0031114307	0	US81369Y8600	1,032,684
SI0031109034	10	SI0031114455	6,930	<b>Total</b>	<b>632,809,044</b>
SI0031109109	0	SI0031114596	0		
SI0031109380	0	SI0031114604	2,812		
SI0031109463	66	SI0031114794	19		
SI0031109539	3,469	SI0031114893	890		
SI0031109562	358	SI0031114976	29,442		
SI0031109646	246,576	SI0031114984	7,493		
SI0031109661	0	SI0031115031	3,532		
SI0031109711	0	SI0031115767	0		
SI0031109737	1,717	SI0031115866	3,845		
SI0031109786	0	SI0031115940	0		
SI0031109927	3,432	SI0031116062	1,357		

Due to favourable market conditions and provision of liquidity, Kapitalska družba in 2020 disposed of equity investments in the total value of EUR 17,278 thousand. The cumulative effect of the sale of equity instruments measured at fair value through other comprehensive income is EUR 8,302 thousand and is recognised under profit/loss brought forward. Dividends recognised on investments measured at fair value through other comprehensive income equal EUR 22,451 thousand.

#### Overview of financial assets by carrying amount and fair value as at 31 December 2020

Asset	in 000 EUR	
	Carrying amount	Fair value
Financial assets at fair value through profit or loss	224,629	224,629
Financial assets at amortised cost	20,526	22,760
Financial assets at fair value through other comprehensive income	679,864	679,864
Investments in loans	0	0
Cash and cash equivalents	11,562	11,562
<b>Total</b>	<b>936,581</b>	<b>938,815</b>

#### Overview of financial assets by carrying amount and fair value as at 31 December 2019

Asset	in 000 EUR	
	Carrying amount	Fair value
Financial assets at fair value through profit or loss	171,066	171,066
Financial assets at amortised cost	19,901	22,812
Financial assets at fair value through other comprehensive income	676,808	676,808
Investments in loans	16,960	16,960
Cash and cash equivalents	15,605	15,605
<b>Total</b>	<b>900,340</b>	<b>903,251</b>

In line with its accounting policy, Kapitalska družba measures its financial assets at fair value, which equals the market value of the investment. The difference between the carrying amount and fair value appears on investments measured at amortised cost. The fair value of investments comprising loans and receivables also equals their amortised cost. The assumptions applied in fair value estimates of Level 3 investments are presented in the fair value hierarchy.



*Fair value hierarchy as at 31 December 2020*

	in 000 EUR			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>	<b>735,594</b>	<b>94,200</b>	<b>74,699</b>	<b>904,493</b>
Investments valued at fair value through profit or loss	173,266	27,417	23,946	224,629
Investments at fair value through other comprehensive income	562,328	66,783	50,753	679,864
<b>Financial assets for which the fair value is disclosed</b>	<b>29,824</b>	<b>833</b>	<b>3,665</b>	<b>34,322</b>
Investments at amortised cost	18,262	833	3,665	22,760
Investments in loans	0	0	0	0
Cash and cash equivalents	11,562	0	0	11,562
Investment property	0	1,975	19,116	21,091
<b>Total</b>	<b>765,418</b>	<b>97,008</b>	<b>97,480</b>	<b>959,906</b>

The valuation of certain shares at Level 2 of the fair value hierarchy was made using the method involving a comparison with the comparable listed companies. The valuation of investment property at Level 2 was carried out using the market comparison approach.

The estimated fair value of property, plant and equipment was higher than the carrying amount of property, plant and equipment as at 31 December 2020. The fair value of property, plant and equipment was estimated on the basis of the estimated fair value of investment property as at 31 December 2018.

The fair value valuation of Level 3 investments (shares and equity stakes) was made by applying the income approach, the discounted free cash flow method, and the asset-based approach according to the net asset method (adjusted carrying amount). The valuation of Level 3 investment property was performed applying the income approach and the direct capitalisation method.

The valuations of investment property – business premises Stekleni dvor and business premises in Bežigranski dvor – were prepared as at 31 December 2018 using the income approach and the direct capitalization method, which includes the following assumptions: a 8.19% capitalization rate, a 6.67% deduction for vacancy and a 1.33% deduction for non-recoverability.

The valuations of the investment property of business premises in Nebotičnik and Glavarjeva rezidenca were prepared on 31 December 2018 using the market comparison approach.

The fair value of certain shares is determined using the valuation models taking into account subjective variables that are not publicly available on markets. Certain data for valuation are obtained from the Bloomberg system and other financial sources, whereas in some cases an important source is the data and documents about the past and expected future performance provided by companies.

The fair value of the shares of Elektro Ljubljana, d. d. and Elektro Celje, d. d. was estimated by applying the income approach, and using the discounted free cash flow method. The estimated free cash flow was discounted at a 7.17 % discount rate. The remaining growth rate of normalised cash flow is 2%.

The fair values of the shares of Elektro Maribor, d. d., Elektro Primorska, d. d. and Elektro Gorenjska, d. d. were estimated based on a market comparison of each company with Elektro Ljubljana, d. d. and Elektro Celje, d. d. An average multiple (value of total equity) / (earnings before interest, taxes, depreciation and amortization) of 4.2 was used.

The fair value of ordinary shares of HIT, d. d. was estimated on the basis of the income approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 8.8% discount rate. The remaining growth rate of normalised cash flow is 2%.

The fair value of the shares of Terme Olimia, d. d. was estimated by applying the income approach, and using the discounted free cash flow method. The estimated free cash flow was discounted at a 8.15% discount rate. The remaining growth rate of normalised cash flow is 1.2%.

The fair value of the shares of Loterija Slovenije, d. d. was estimated by applying the income approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 7.7% discount rate. The remaining growth rate of normalised cash flow is 1.5%.

The fair value of shares of Sava, d. d., was estimated on the basis of the asset-based approach and using the net asset method under the going concern assumption. The value of the investment in Sava Turizem, d. d., which accounts for the biggest investment of the company, was estimated by applying the income approach, and using the discounted free cash flow method. The free cash flow of Sava Turizem, d. d. is discounted at a discount rate of 9.39%, and the remaining normalized cash flow growth is 2%.

The fair value of Gospodarsko razstavišče, d. o. o. was estimated on the basis of the income approach and using the discounted free cash flow method, without considering indebtedness. The estimated free cash flow was discounted at a 7.5 % discount rate. The remaining growth rate of normalised cash flow is 2 %.

The fair value of the holding in Plinhold, d. o. o. was estimated based on the cost approach, using the summation method (net asset method).

The fair value of investment in account receivable is determined on the basis of the estimated fair value of pledged assets by taking into account the nominal amount of individual account receivable. The fair value of pledged assets was assessed based on the income approach, the discounted free cash flow method, the market approach, and the comparable listed companies approach.

The fair value of investment in account receivable is measured at Level 3 of the fair value hierarchy.

Gains from the Level 3 investments comprise dividends, coupons received from bonds and profits from the sale of investments

*Fair value hierarchy as at 31 December 2019*

	in 000 EUR			
2019	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>	<b>649,790</b>	<b>107,456</b>	<b>90,628</b>	<b>847,874</b>
Investments valued at fair value through profit or loss	116,289	31,259	23,518	171,066
Investments at fair value through other comprehensive income	533,501	76,197	67,110	676,808
<b>Financial assets for which the fair value is disclosed</b>	<b>53,464</b>	<b>835</b>	<b>1,078</b>	<b>55,377</b>
Investments at amortised cost	20,899	835	1,078	22,812
Investments in loans	16,960	0	0	16,960
Cash and cash equivalents	15,605	0	0	15,605
<b>Total</b>	<b>703,254</b>	<b>108,291</b>	<b>91,706</b>	<b>903,251</b>

The valuation of certain shares at Level 2 of the fair value hierarchy was made using the method involving a comparison with the comparable listed companies.

The fair value valuation of Level 3 investments (shares and equity stakes) was made by applying the income approach, the discounted free cash flow method, and the asset-based approach according to the net asset method (adjusted carrying amount). In the assumptions used and presented below, the potential effects of Covid-19 were not foreseen or taken into account, so it was a non-adjusting event.

The fair value of certain shares was determined using valuation models that take into account subjective variables that were not publicly available on markets. Certain data for valuation was obtained from the Bloomberg system and other financial sources, whereas in some cases, the data and documents about the past and expected future performance provided by individual companies were an important source.

The fair value of shares of Elektro Ljubljana, d. d. was estimated as an average of six different scenarios using the discounted dividend method and the capitalization of normalized cash flow method.

The fair values of the shares of Elektro Maribor, d. d., Elektro Primorska, d. d., Elektro Celje, d. d. and Elektro Gorenjska, d. d. were estimated based on a market comparison of each company with Elektro Ljubljana, d. d. A multiple (value of total equity) / (earnings before interest, taxes, depreciation and amortization) of 4.5 was used.

The fair value of ordinary shares of HIT, d. d. was estimated using the capitalization of normalized cash flow method taking into account the value of the first quarter of the estimated value range, which was between EUR 8.43 and EUR 13.1.

The fair value of the shares of Terme Olimia, d. d. was estimated by applying the income approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 6.7% discount rate. The remaining growth rate of normalised cash flow was 1%.

The fair value of the holding in Plinhold, d. o. o. was estimated applying the method involving comparable listed companies and using a multiple (value of total equity) / (earnings before interest, taxes, depreciation and amortization). A median multiple of comparable companies of 11.40 was used.

The fair value of the shares of Loterija Slovenije, d. d. was estimated by applying the income approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 8.1% discount rate. The remaining growth rate of normalised cash flow was 2%.

The fair value of shares of Sava, d. d., was estimated on the basis of the asset-based approach and using the net asset method under the going concern assumption. The values of the investments in Sava Turizem, d. d. and Hoteli Bernardin, d. d., which represent the biggest investments of the company, were estimated by applying the income approach and using the discounted free cash flow method. The free cash flow of Sava Turizem, d. d. was discounted at a discount rate of 9.53%, while the remaining normalized cash flow growth was 2%. The free cash flow of Hoteli Bernardin, d. d. was discounted at a discount rate of 9.84%, while the remaining normalized cash flow growth was 2%.

The fair value of investment in account receivable was determined on the basis of the estimated fair value of pledged assets by taking into account the nominal amount of individual account receivable. The fair value of pledged assets was assessed based on the income approach, the discounted free cash flow method, the market approach, and the comparable listed companies approach.

The fair value of investment in account receivable was measured at Level 3 of the fair value hierarchy.

Gains from the Level 3 investments comprised dividends, coupons received from bonds and profits from the sale of investments.

**Table 36:** Changes in Level 3 investments in 2020

Item	
<b>Balance as at 31 December 2019</b>	<b>91,706</b>
Disposals/maturity	-8,621
Acquisitions	3,667
Revaluation	-6,066
Reclassifications	-2,322
<b>Balance as at 31 December 2020</b>	<b>78,364</b>

**Table 37:** Changes in Level 3 investments in 2019

Item	
<b>Balance as at 31 December 2018</b>	<b>98,644</b>
Disposals/maturity	-9,439
Acquisitions	2,190
Revaluation	-2,096
Reclassifications	2,407
<b>Balance as at 31 December 2019</b>	<b>91,706</b>

**Table 38:** Transition between levels of fair value hierarchy as at 31 December 2020

Transition between hierarchy levels, portfolio as at 31 Dec. 2020	in 000 EUR			
	From Level 1 to Level 2	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Investments at fair value through other comprehensive income	6	671	41	4,467
<b>Total</b>	<b>6</b>	<b>671</b>	<b>41</b>	<b>4,467</b>

**Table 39:** Transition between levels of fair value hierarchy as at 31 December 2019

Transition between hierarchy levels, portfolio as at 31 Dec. 2019	in 000 EUR		
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 3 to Level 2
Investments at fair value through other comprehensive income	13,737	26,645	714
<b>Total</b>	<b>13,737</b>	<b>26,645</b>	<b>714</b>

#### Effective interest rate by investment groups

	2020	2019
Investments measured at amortised cost	6.07%	6.19%
Investments measured at fair value through other comprehensive income	4.30%	4.15%
Cash and cash equivalents	0.00%	0.00%

#### Note no. 18

##### Loans to others

	in 000 EUR					
	Long-term		Short-term		Total	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Deposits	0	0	0	16,960	0	16,960
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,960</b>	<b>0</b>	<b>16,960</b>

At the end of 2020, Kapitalska družba had no deposits disclosed in its books of account. At the end of 2019, short-term loans to others, which represent short-term deposits, totalled EUR 16,960 thousand.

#### Note no. 19

##### Operating receivables

	in 000 EUR			
	Long-term		Short-term	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Operating receivables due from Group companies	0	0	0	50
Operating receivables due from local customers	0	0	1,525	836
Operating receivables due from others	168	167	2,144	333
Other operating receivables	0	0	50,136	86
<b>Total</b>	<b>168</b>	<b>167</b>	<b>53,805</b>	<b>1,305</b>

Non-current operating receivables due from others in the amount of 168 thousand of EUR represent payments into the reserve fund for the maintenance of property. EUR 167 thousand of long-term operating receivables due from others in 2019 represented EUR 133 thousand paid into the reserve fund for the maintenance of property and receivables from a company in compulsory settlement proceedings equalling EUR 34 thousand.

Short-term operating receivables equalled EUR 53,805 thousand (31 December 2019: EUR 1,305 thousand), most of which refer to short-term deferred expenses arising from the payment to the Pension and Disability Insurance Institute for 2021 in the amount of EUR 50,000 thousand.

Kapitalska družba has no secured operating receivables. The Company's operating receivables are not subject to material risk.

### Changes in credit losses from operating receivables

	in 000 EUR
<b>Credit losses from operating receivables</b>	
<b>1 January 2020</b>	<b>-1</b>
Decrease in credit losses	1
<b>31 December 2020</b>	<b>0</b>

As at 31 December 2020, Kapitalska družba had no credit losses from operating receivables.

### Breakdown of operating trade receivables by maturity

						in 000 EUR
31 Dec. 2020	Not due	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days
<b>1,525</b>	1,043	2	1	477	0	2

### Note no. 20

#### Cash and cash equivalents

	31 Dec. 2020	31 Dec. 2019
Bank balances	1,162	3,945
Euro redeemable deposits	10,400	11,660
<b>Total</b>	<b>11,562</b>	<b>15,605</b>

Redeemable deposits are classified as cash and cash equivalents in the category of financial assets at amortized cost with a maturity of less than 3 months.

### Note no. 21

#### Equity

	31 Dec. 2020	31 Dec. 2019
Share capital (000 EUR)	364,810	364,810
Ordinary shares (number)	874,235	874,235

Kapitalska družba has no treasury shares. The share capital of EUR 364,810 thousand is represented by 874,235 ordinary, registered, non-par value shares. Each share has the same interest and the attributed amount in the share capital.

### Note no. 22

#### Capital surplus

	in 000 EUR
<b>Capital surplus</b>	
<b>1 January 2020</b>	<b>217,494</b>
Increase in capital surplus	131
<b>31 December 2020</b>	<b>217,625</b>

In 2020, the capital surplus increased by EUR 131 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2020, capital surplus totalled EUR 217,625 thousand.

	in 000 EUR
<b>Capital surplus</b>	
<b>1 January 2019</b>	<b>217,331</b>
Increase in capital surplus	163
<b>31 December 2019</b>	<b>217,494</b>

In 2019, the capital surplus increased by EUR 163 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2019, capital surplus totalled EUR 217,494 thousand.

### Note no. 23

#### Revenue reserves

As at 31 December 2020, Kapitalska družba, d. d. had no other revenue reserves.



## Note no. 24

### Changes in reserves arising from valuation at fair value

	in 000 EUR	
Changes in reserves arising from valuation at fair value and deferred taxes in equity	2020	2019
Gross reserves from valuation at fair value as at 1 January	333,224	248,644
Deferred tax as at 1 January	37,646	28,660
<b>Net reserves arising from valuation at fair value as at 1 January</b>	<b>295,578</b>	<b>219,984</b>
Changes during the year – gross increase in reserves	50,782	466,116
Changes during the year – gross decrease in reserves	-13,775	-381,536
<b>Gross reserves from valuation at fair value as at 31 December</b>	<b>370,231</b>	<b>333,224</b>
Adjustments (criteria: 8%, 6 months)	-157,172	-135,089
<b>Gross balance after adjustment as at 31 December</b>	<b>213,059</b>	<b>198,135</b>
<b>Deferred tax as at 31 December</b>	<b>40,481</b>	<b>37,646</b>
<b>Net reserves arising from valuation at fair value as at 31 December</b>	<b>329,750</b>	<b>295,578</b>

## Note no. 25

### Provisions and long-term accrued costs and deferred revenue

	in 000 EUR		
	Provisions for pensions and similar liabilities	Other provisions	Total
<b>1 January 2020</b>	<b>229</b>	<b>409</b>	<b>638</b>
Creation	0	0	0
Utilisation	3	0	3
Reversal	0	369	369
<b>31 December 2020</b>	<b>226</b>	<b>40</b>	<b>266</b>

In 2020, the Company reversed provisions for onerous contracts or legal disputes in the amount of EUR 369 thousand. At the end of 2020, provisions for onerous contracts and legal disputes reached EUR 40 thousand.

In 2020, the Company created provisions for termination benefits upon retirement and jubilee benefits in the amount of EUR 3 thousand. At the end of 2020, provisions for termination benefits and jubilee awards amounted to EUR 226 thousand.

Provisions for termination benefits and jubilee awards are calculated on the basis of expected employee fluctuation, years of service and expected years until retirement, taking into account individual and collective employment contracts as well as the Company's internal regulations.

in 000 EUR

	Provisions for pensions and similar liabilities	Other provisions	Total
<b>1 January 2019</b>	<b>233</b>	<b>677</b>	<b>910</b>
Creation	0	52	52
Utilisation	4	0	4
Reversal	0	320	320
<b>31 December 2019</b>	<b>229</b>	<b>409</b>	<b>638</b>

In 2019, the Company reversed EUR 320 thousand of provisions for nonachievement of guaranteed return of the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ), and created provisions for legal actions filed by insured members of the SODPZ fund in the amount of EUR 52 thousand. At the end of 2019, EUR 409 thousand of provisions for legal actions and legal disputes were created. In 2019, the Company created provisions for termination benefits upon retirement and jubilee benefits in the amount of EUR 4 thousand. At the end of 2019, provisions for termination benefits and jubilee awards amounted to EUR 229 thousand.

## Note no. 26

### Operating liabilities

	in 000 EUR			
	Non-current		Current	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Trade payables	0	0	2,527	2,427
Operating liabilities from advances	10	15	0	0
Liabilities to the state	0	0	50,036	33
Corporate income tax liabilities	0	0	0	919
Other operating liabilities	49	33	469	502
<b>Total</b>	<b>59</b>	<b>48</b>	<b>53,032</b>	<b>3,881</b>

Non-current operating liabilities from advances relate to security deposits received from the lessees of business premises in the amount of EUR 10 thousand. Long-term operating liabilities arising from advances in 2019 comprised security deposits received from the lessees of business premises in the amount of EUR 12 thousand and security deposits due to work in progress on the Stekleni dvor office building amounting to EUR 3 thousand. Other operating liabilities amounting to EUR 49 thousand (31 December 2019: EUR 33 thousand) represent a liability for the payment of variable remuneration of the Management Board for company performance.

Current operating liabilities comprise trade payables in the amount of EUR 2,527 thousand (31 December 2019: EUR 2,427 thousand), the bulk of which, EUR 2,240 thousand (31 December 2019: EUR 2,240 thou-

sand), refers to the liability for the payment of investment property, liabilities to the state of EUR 50,036 thousand, of which the largest part, EUR 50,000 thousand, refers to the payment obligation to the Pension and Disability Insurance Institute in 2021, and other operating liabilities of EUR 469 thousand (31 December 2019: EUR 502 thousand), which are mainly liabilities for salaries.

#### *Maturity structure of operating liabilities*

in 000 EUR						
31 Dec. 2020	Trade payables	Operating liabilities from advances	Liabilities to the state	Corporate income tax liabilities	Other operating liabilities	Total
Maturity of up to 1 year	2,527	0	50,036	0	469	<b>53,032</b>
1 to 2 years	0	0	0	0	49	<b>49</b>
2 to 5 years	0	8	0	0	0	<b>8</b>
Over 5 years	0	2	0	0	0	<b>2</b>
<b>Total</b>	<b>2,527</b>	<b>10</b>	<b>50,036</b>	<b>0</b>	<b>518</b>	<b>53,091</b>
<b>Collateralised liabilities (pledges and similar)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### **Note no. 27**

#### *Financial liabilities*

in 000 EUR				
	Non-current		Current	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Other financial liabilities	50,000	0	0	0
<b>Total</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>

As at 31 December 2020, Kapitalska družba disclosed EUR 50,000 thousand (31 December 2019: EUR 0) of non-curent financial liabilities, which referred to settling the liabilities of Kapitalska družba to the Pension and Disability Insurance Institute for 2022.

#### *Financial liabilities maturity*

in 000 EUR		
	31 Dec. 2020	31 Dec. 2019
Up to 1 year overdue	0	0
1 to 2 years	50,000	0
2 to 5 years	0	0
Over 5 years	0	0
<b>Total</b>	<b>50,000</b>	<b>0</b>

#### *Collateralised borrowings*

As at 31 December 2020, Kapitalska družba, d. d. had no borrowings.

### **15.3.3 Managing the risks arising from financial assets**

All risks to which Kapitalska družba is exposed, and the risk management measures and criteria, are described in Chapter 15.2 "Accounting policies". It is estimated that financial assets give rise to exposure to credit, market (interest, currency, price) and liquidity risk.

#### *Credit risk*

Credit risk is related to investments in debt instruments (investments in bonds, treasury bills, commercial papers, deposits, cash assets) and entails the possibility of investments being only partly repaid or not at all. Assets' and business partners' credit rating is determined by ratings assigned by Standard & Poor's, Fitch and Moody's, and in-house analyses. The highest exposure equals the book value of financial instruments. Equity securities are exempt from the analysis, because they do not entail direct credit risk.

Table 40: Exposure of financial assets to credit risk, excluding any collaterals, as at 31 December 2020

in 000 EUR								
Financial assets at amortised cost						Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Internal rating	Rating	Expected losses	Method of measuring expected losses	Gross exposure	Net exposure (decreased by expected losses)	Net exposure	Net exposure	Total net exposure
Low-risk investments	AAA	0	12-month expected losses	0	0	3,018	7,713	10,731
	AA	0		0	0	1,886	8,341	10,227
	A	-1		16,311	16,310	31,510	0	47,820
	BBB	0		0	0	9,223	7,445	16,668
	<b>Total secure investments</b>	<b>-1</b>		<b>16,311</b>	<b>16,310</b>	<b>45,637</b>	<b>23,499</b>	<b>85,446</b>
Less secure investments	BB	-5	12-month / lifetime expected losses	1,199	1,195	1,418	0	2,613
	B	-79		3,100	3,021	0	1,865	4,886
	CCC	0		0	0	0	0	0
	CC	0		0	0	0	0	0
	C	0		0	0	0	0	0
	without credit rating	0		10,400	10,400	0	2	10,402
<b>Total less secure investments</b>		<b>-84</b>		<b>14,699</b>	<b>14,616</b>	<b>1,418</b>	<b>1,867</b>	<b>17,901</b>
Impaired investments	D	0	Impairment through profit or loss in the amount of expected loss	0	0	0	22,427	22,427
<b>Total impaired</b>		<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>22,427</b>	<b>22,427</b>
<b>Total</b>		<b>-85</b>		<b>31,010</b>	<b>30,926</b>	<b>47,055</b>	<b>47,793</b>	<b>125,774</b>

Financial assets were classified into the stated groups based on credit ratings. Secure investments include all AAA to BBB rated investments, less secure investments comprise investments with a credit rating below BB to C and investments that do not have a rating assigned to them by a recognised credit rating agency, while impaired investments are given a D credit rating. Among less secure investments are mainly investments in some bonds, commercial papers and redeemable deposit. Impaired investments represent an investment in accounts payable.

Table 41: Exposure of financial assets to credit risk, excluding any collaterals, as at 31 December 2019

in 000 EUR								
Financial assets at amortised cost						Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Internal rating	Rating	Expected losses	Method of measuring expected losses	Gross exposure	Net exposure (decreased by expected losses)	Net exposure	Net exposure	Total net exposure
Low-risk investments	AAA	0	12-month expected losses	0	0	4,787	5,024	9,811
	AA	0		0	0	1,850	5,005	6,855
	A	-2		18,023	18,021	46,803	0	64,824
	BBB	0		0	0	16,402	1,500	17,902
<b>Total secure investments</b>		<b>-2</b>		<b>18,023</b>	<b>18,021</b>	<b>69,842</b>	<b>11,529</b>	<b>99,392</b>
Less secure investments	BB	-43	12-month / lifetime expected losses	17,701	17,658	320	0	17,978
	B	-13		1,195	1,182	3,121	1,091	5394
	CCC	0		0	0	0	0	0
	CC	0		0	0	0	0	0
	C	0		0	0	0	0	0
	without credit rating	0		11,660	11,660	0	2	11,662
<b>Total less secure investments</b>		<b>-56</b>		<b>30,556</b>	<b>30,500</b>	<b>3,441</b>	<b>1,093</b>	<b>35,034</b>
Impaired investments	D	0	Impairment through profit or loss in the amount of expected loss	0	0	0	22,427	22,427
<b>Total impaired</b>		<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>22,427</b>	<b>22,427</b>
<b>Total</b>		<b>-58</b>		<b>48,579</b>	<b>48,521</b>	<b>73,283</b>	<b>35,049</b>	<b>156,853</b>

**Table 42:** Changes in value adjustments for loss of investments valued at amortized cost and investments valued through other comprehensive income in 2020

Category	in 000 EUR		
	Stage 1	Stage 2	Stage 3
<b>Allowances for losses as at 31 December 2019</b>	<b>70</b>	<b>35</b>	<b>0</b>
Transfer to stage 1	0	0	0
Transfer to stage 2	-1	15	0
Transfer to stage 3	0	0	0
Financial assets derecognised in the period	-54	-35	0
Financial assets acquired in the period	80	0	0
Other changes	12	0	0
<b>Allowances for losses as at 31 December 2020</b>	<b>107</b>	<b>15</b>	<b>0</b>

Other changes are the result of changes in estimates of risk parameters in accordance with the methodology, a decrease in the value of adjustments due to reduced maturity of the existing investments and due to changes related to accrued interest and exchange rate differences.

**Table 43:** Changes in value adjustments for loss of investments valued at amortized cost and investments valued through other comprehensive income in 2019

Category	in 000 EUR		
	Stage 1	Stage 2	Stage 3
<b>Allowances for losses as at 31 December 2018</b>	<b>106</b>	<b>0</b>	<b>0</b>
Transfer to stage 1	0	0	0
Transfer to stage 2	-10	35	0
Transfer to stage 3	0	0	0
Financial assets derecognised in the period	-76	0	0
Financial assets acquired in the period	56	0	0
Other changes	-6	0	0
<b>Allowances for losses as at 31 December 2019</b>	<b>70</b>	<b>35</b>	<b>0</b>

**Table 44:** Changes in gross carrying amount and value adjustments for loss of investments valued at amortized cost and investments valued through other comprehensive income in 2020

Category	in 000 EUR	
	Gross carrying amount	Allowances for losses
<b>As at 31 December 2019</b>	<b>121,861</b>	<b>105</b>
Transfer to stage 1	0	0
Transfer to stage 2	-6	14
Transfer to stage 3	0	0
Financial assets derecognised in the period	-43,065	-89
Financial assets acquired in the period	2,238	80
Other changes	-2,963	12
<b>As at 31 December 2020</b>	<b>78,065</b>	<b>122</b>

**Table 45:** Changes in gross carrying amount and value adjustments for loss of investments valued at amortized cost and investments valued through other comprehensive income in 2019

Category	in 000 EUR	
	Gross carrying amount	Allowances for losses
<b>As at 31 December 2018</b>	<b>131,190</b>	<b>106</b>
Transfer to stage 1	0	0
Transfer to stage 2	0	25
Transfer to stage 3	0	0
Financial assets derecognised in the period	-40,419	-76
Financial assets acquired in the period	32,577	56
Other changes	-1,487	-6
<b>As at 31 December 2019</b>	<b>121,861</b>	<b>105</b>

**Table 46:** Geographical concentration of credit exposure of financial assets

Region	in 000 EUR	
	31. Dec. 2020	31. Dec. 2019
Slovenia	86,385	125,632
Other countries	39,389	31,221
<b>Total</b>	<b>125,774</b>	<b>156,853</b>

The share of financial assets exposed to credit risk in Slovenia decreased from 80% to 69% in 2020.

### Currency risk

**Table 47:** Currency structure of financial assets

Currency	in 000 EUR	
	31. Dec. 2020	31. Dec. 2019
Assets denominated in EUR	961,036	932,414
Assets denominated in USD	133,708	126,089
<b>Total</b>	<b>1,094,744</b>	<b>1,058,503</b>

As at 31 December As at 31 December 2020, 88% of financial assets of the Company were denominated in EUR and 12% in USD (the currency structure did not change as compared to 2019). The currency structure of financial assets is monitored considering the currency in which the underlying instrument is denominated. Currency risk somewhat increased due to a higher exposure of investments in USD. As regards investments in investment fund units, the effect of currency fluctuation in securities representing investments of investment funds was not taken into account.



**Table 48:** Currency risk of financial assets

	in 000 EUR	
USD exchange rate fluctuation by +/- 10%	31. Dec. 2020	31. Dec. 2019
Impact on the income statement	+7,583	+6,762
Effect on equity	+5,788	+5,847
<b>Total</b>	<b>+13,371</b>	<b>+12,609</b>

### Interest rate risk

Interest rate risk is related to investments in debt instruments that respond to changes in market interest rates. These include assets of which revenue is related to the variable interest rate as well as debt instruments of which interest revenue is related to a fixed interest rate, but their market value changes upon the change in the market interest rates. The exposure to interest rate risk is regularly measured by the modified duration indicator.

**Table 49:** Sensitivity analysis of investments according to changes in market interest rates as at 31 December 2020 – change in interest rates by 100 basis points

	in 000 EUR			
Financial asset group	Change in interest rate	Sensitivity of interest revenue	Impact on fair value	Total
Financial assets measured at fair value through profit or loss	+/- 1%	+/- 0	-/+ 5,736	-/+ 5,736
Financial assets measured at amortised cost	+/- 1%	+/- 0	-/+ 0	-/+ 0
Financial assets measured at fair value through other comprehensive income	+/- 1%	+/- 0	-/+ 2,916	-/+ 2,916
<b>Total</b>		<b>+/- 0</b>	<b>-/+ 8,652</b>	<b>-/+ 8,652</b>

**Table 50:** Sensitivity analysis of investments according to changes in market interest rates as at 31 December 2019 – change in interest rates by 100 basis points

	in 000 EUR			
Financial asset group	Change in interest rate	Sensitivity of interest income	Impact on fair value	Total
Financial assets measured at fair value through profit or loss	+/- 1%	+/- 0	-/+ 3,301	-/+ 3,301
Financial assets measured at amortised cost	+/- 1%	+/- 0	-/+ 0	-/+ 0
Financial assets measured at fair value through other comprehensive income	+/- 1%	+/- 0	-/+ 4,263	-/+ 4,263
<b>Total</b>		<b>+/- 0</b>	<b>-/+ 7,564</b>	<b>-/+ 7,564</b>

The calculation of the sensitivity of interest revenue was made by taking into account the investments subject to variable interest rate, whereas the impact on fair value was calculated by taking into account the investments subject to fixed interest rate, including investments in bond investment funds. If market interest rates changed by 100 basis points, the value of the investments as at 31 December 2020 would have changed by EUR 8,652 thousand. Interest rate risk increased in 2020 thanks to increased exposure arising from the investments sensitive to changes in market interest rates and due to an increase in the average duration of the debt investment portfolio.

### Market risk

Market risk represents the possibility of the value of equity securities to change due to the changes in market indexes and market prices of specific equity instruments. The beta indicator is calculated for equity securities, as a measure of systematic risk. The value at risk indicator (VaR) is also monitored.

**Table 51:** Market risk of the equity securities portfolio

	in 000 EUR	
Change of index by +/- 10%	31. Dec. 2020	31. Dec. 2019
Impact on the income statement	+/- 11,544	+7,199
Effect on equity	+/- 44,294	+13,552
<b>Total</b>	<b>+/- 55,838</b>	<b>+/- 20,751</b>

The table takes into account the market investments in equity instruments excluding investment coupons of bond investment funds. The impact on profit or loss arises from equity investments measured at fair value through profit or loss, whilst the impact on equity arises from equity investments measured at fair value through other comprehensive income. The risk was calculated using the beta indicator of the world stock index. The market risk of equity investments reduced in 2020 due to higher exposure to equity investments and higher beta compared to 2019.

**Table 52:** Financial instruments in terms of marketability

	in 000 EUR	
Financial instrument	31. Dec. 2020	31. Dec. 2019
<b>Securities traded on the regulated market</b>	<b>824,738</b>	<b>765,715</b>
Investments at fair value through profit or loss	179,758	131,030
Investments at amortised cost	19,829	19,203
Investments at fair value through other comprehensive income	625,151	615,482
<b>Securities not traded on the regulated market</b>	<b>77,854</b>	<b>79,632</b>
Investments at fair value through profit or loss	22,443	17,608
Investments at amortised cost	697	698
Investments at fair value through other comprehensive income	54,714	61,326
<b>Total</b>	<b>902,592</b>	<b>845,347</b>

At the end of 2020, assets traded on regulated stock markets accounted for 91 % of financial instruments or 75 % of all assets of Kapitalska družba, d. d. (this group includes OTC investments and investments on the interbank market). Available-for-sale financial assets measured at fair value through other comprehensive income not traded on regulated market include non-marketable shares, stakes and investment coupons.

### Liquidity risk

Liquidity risk represents the possibility of liabilities not being settled upon maturity. Risk is managed by daily monitoring of the inflows and outflows, and precise matching of maturity of assets and liabilities. As at 31 December 2020, Kapitalska družba, d. d. recorded a total of EUR 1,050,637 thousand of surplus of expected non-discounted cash inflows over outflows. The deficit of expected undiscounted cash flows in the period of over 1 up to 5 years will be covered by the surplus of expected undiscounted cash flows from the period of less than 1 year or by the sale of investments with a maturity of over 5 years or investments without maturity.

**Table 53:** Expected actual non-discounted cash flows as at 31 December 2020

in 000 EUR					
Item	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
Investments in securities	25,410	23,391	49,156	967,808	1,065,766
• Investments at fair value through profit or loss	2,220	6,606	19,745	176,836	205,408
• Investments at amortised cost	12,543	4,200	5,992	0	22,735
• Investments at fair value through other comprehensive income	10,647	12,585	23,419	632,809	679,460
• Investments at cost	0	0	0	158,163	158,163
Investment in financial receivable	22,427	0	0	0	22,427
Loans and deposits given	0	0	0	0	0
Cash and cash equivalents	11,562	0	0	0	11,562
Operating receivables	53,805	168	0	0	53,973
<b>Total assets</b>	<b>113,205</b>	<b>23,559</b>	<b>49,156</b>	<b>967,808</b>	<b>1,153,728</b>
Operating liabilities	53,032	59	0	0	53,091
Financial liabilities	0	50,000	0	0	50,000
<b>Total operating and financial liabilities</b>	<b>53,032</b>	<b>50,059</b>	<b>0</b>	<b>0</b>	<b>103,091</b>
<b>Difference</b>	<b>60,173</b>	<b>-26,500</b>	<b>49,156</b>	<b>967,808</b>	<b>1,050,637</b>

**Table 54:** Expected actual non-discounted cash flows as at 31 December 2019

in 000 EUR					
Item	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
Investments in securities	27,704	35,836	44,455	897,705	1,005,701
• Investments at fair value through profit or loss	1,217	460	11,379	136,017	149,073
• Investments at amortised cost	3,844	12,717	6,284	0	22,845
• Investments at fair value through other comprehensive income	22,643	22,659	26,792	603,525	675,619
• Investments at cost	0	0	0	158,163	158,163
Investment in financial receivable	22,427	0	0	0	22,427
Loans and deposits given	17,014	0	0	0	17,014
Cash and cash equivalents	15,605	0	0	0	15,605
Operating receivables	1,305	167	0	0	1,472
<b>Total assets</b>	<b>84,055</b>	<b>36,003</b>	<b>44,455</b>	<b>897,705</b>	<b>1,062,219</b>
Operating liabilities	3,881	48	0	0	3,929
Financial liabilities	0	0	0	0	0
<b>Total operating and financial liabilities</b>	<b>3,881</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>3,929</b>
<b>Difference</b>	<b>80,174</b>	<b>35,955</b>	<b>44,455</b>	<b>897,705</b>	<b>1,058,290</b>

Shares, stakes and investment coupons are disclosed under item without maturity.

### Contingent assets and liabilities

**Table 55:** Contingent liabilities

		in 000 EUR	
		31 Dec. 2020	31 Dec. 2019
Contingent liabilities		3,145	3,600

Contingent liabilities relate to the commitment of Kapitalska družba, d. d. to purchase investment fund units. Kapitalska družba, d. d. has no contingent assets.

## 15.4 OTHER DISCLOSURES

### Information on employee groups

The members of the Company bodies are listed in the introductory part of the Annual Report, under section Predstavitev Kapitalske družbe, d. d., containing general information about the Company. In 2020, Kapitalska družba approved no advance payments or loans to the members of the management and supervisory bodies nor assumed any liabilities on their behalf.

### Receipts of the members of the Management Board, Supervisory Board and staff with executive employment contracts

In 2020, remunerations paid for carrying out of the responsibilities and duties of members of the Management Board, Supervisory Board and employees with executive employment contracts to which the tariff section of the collective agreement does not apply, amounted to EUR 959 thousand.

Receipts by category of beneficiaries are presented in the table below.

Table 56: Receipts by category of beneficiaries in 2020

in 000 EUR	
Category of beneficiaries	Amount
Members of the Management Board	413
Members of the Supervisory Board	112
Employees with executive employment contract	434
<b>Total</b>	<b>959</b>

No advances, loans or collateral were approved to members of the Management Board, the Supervisory Board and employees under individual contracts by Kapitalska družba, d. d. in 2020.

### Receipts of the members of management and supervisory bodies

Receipts of the members of the Management Board are regulated by ZSDH-1. Pursuant to Article 51(5) of ZSDH-1, the same conditions and criteria as apply to the members of the Management Board of SDH, d. d., apply to the members of the Management Board of Kapitalska družba. By mutatis mutandis application of Article 46(7) of ZSDH-1, the receipts of the Management Board members are set by the Supervisory Board, without considering the provisions of the act governing the remuneration of supervisory body members of companies with majority ownership held by the Republic of Slovenia or self-governing local communities. The employment contracts made with the Management Board members are consistent with the said legal basis. The basic pay of the Management Board members is set as a multiple of 5 of the average gross salary paid in the Kapitalska družba Group in the previous business year, however, the basic pay of the President of the Management Board calculated that way may not exceed 95% of the basic pay of the President of the Management Board of SDH, d. d., as published, while the basic pay of members of the Management Board amounts to 95% of individual basic pay of the President of the Management

Board of Kapitalska družba. All bonuses are included in the basic pay. The basic pay is revised annually when data on the average salary in the Kapitalska družba Group in the previous financial year are published. The revised basic salary is applicable from 1 July of the current year. The basic pay of the members of the Management Board of Kapitalska družba was calculated and paid in 2020 in line with the aforementioned criteria. Pursuant to the contract, each member of the Management Board is entitled to attend training at home and abroad of up to 15 days per year paid by Kapitalska družba, as specified in the adopted Business and Financial Plan of Kapitalska družba.

Table 57: Receipts of Management Board members in 2020

in EUR													Deferred remuneration
Name and surname	Fixed remuneration	Variable income	Fringe benefits	Cost reimbursement	Insurance premiums (PDPZ)	Fees	Partic. in profit	Options	Other bonuses	Other payments	Total gross	Total net	
<b>Bachtiar Djalil</b> (President of the Management Board)	121,611	9,368	298	1,686	2,819	-	-	-	689	1,200	137,671	73,551	19,288
<b>Goranka Volf</b> (Member of the Management Board)	114,572	16,496	314	1,983	2,819	-	-	-	-	1,200	137,384	71,621	25,892
<b>Gregor Bajraktarević</b> (Member of the Management Board)	115,616	16,472	298	2,033	2,819	-	-	-	-	1,200	138,438	74,715	25,913
<b>Total</b>	<b>351,799</b>	<b>42,336</b>	<b>910</b>	<b>5,702</b>	<b>8,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>689</b>	<b>3,600</b>	<b>413,493</b>	<b>219,887</b>	<b>71,093</b>

The fixed income of the Members of the Management Board includes gross salary receipts. The variable income includes performance bonus, which equals up to 30% of the annual basic gross salary for the business year, taking into account the performance criteria. The variable income received by the Management Board refers to the bonus for company business performance for 2019 on the basis of a combination of quantitative and qualitative criteria. Fringe benefits include benefits from the collective casualty insurance as well as liability insurance of the Members of the Management Board. Cost reimbursements include reimbursement of meal and travel and/or accommodation expense and/or per diems. Insurance premiums (PDPZ) represent payments for voluntary supplementary pension insurance. Other bonuses include jubilee benefits. Other payments include pay for annual leave. Deferred remuneration comprises a part of the payment of variable remuneration for 2018, which will be paid in 2021, and a part of the payment of variable remuneration for 2019, which will be paid in 2022.

Table 58: Receipts of Members of the Supervisory Board in 2020

	in EUR												
Name and surname	Fixed income – payment for performance of duties	Fixed income – attendance fees	Fringe benefits	Variable income	Cost reimbursement	Insurance premiums	Fees	Participation in profit	Options	Other bonuses	Other payments	Total Gross	Total net
<b>Stanislav Seničar</b> (Chairman of the Supervisory Board)	15,114	4,021	243	-	278	-	-	-	-	-	-	<b>19,655</b>	<b>14,052</b>
<b>Boris Žnidarič, PhD</b> (Deputy Chairman of the Supervisory Board, President of the Accreditation Committee)	14,859	4,769	243	-	41	-	-	-	-	-	-	<b>19,911</b>	<b>14,239</b>
<b>Aleksander Mervar, MSc</b> (Member of the Supervisory Board, Member of the Audit Committee, President of the HR Committee)	16,434	5,132	243	-	70	-	-	-	-	-	-	<b>21,878</b>	<b>15,670</b>
<b>Ladislav Rožič, MSc</b> (Member of the Supervisory Board, President of the Audit Committee since 14 April 2020 and Member of the Audit Committee)	15,928	5,649	243	-	9	-	-	-	-	-	-	<b>21,829</b>	<b>15,633</b>
<b>Natalija Stošicki</b> (Member of the Supervisory Board until 8 April 2020, President of the Audit Committee and Member of the HR Committee)	5,642	935	243	-	96	-	-	-	-	-	-	<b>6,916</b>	<b>4,787</b>
<b>Mirko Miklavčič</b> (Member of the Supervisory Board, Member of the Audit Committee and Member of the HR Committee)	15,114	5,649	243	-	651	-	-	-	-	-	-	<b>21,656</b>	<b>15,508</b>
<b>Total</b>	<b>83,091</b>	<b>26,153</b>	<b>1,456</b>	<b>-</b>	<b>1,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111,845</b>	<b>79,889</b>

Fixed receipts of the Supervisory Board members include payment for the performance of duties of the Supervisory Board (basic and extra pay for participation in the Supervisory Board committees) and session fees for attending the meetings of the Supervisory Board and its committees. Fringe benefits include the benefit arising from the liability insurance of the Members of the Supervisory Board. Cost reimbursements include reimbursement of travel expenses.

Table 59: Receipts of external members of the Supervisory Board's committees in 2020

	in EUR												
Name and surname	Fixed income – payment for the performance of duties	Fixed income – attendance fees	Fringe benefits	Variable income	Cost reimbursement	Insurance premiums	Fees	Participation in profit	Options	Other bonuses	Other payments	Total Gross	Total net
<b>Mojca Verbič</b> (External Member of the Audit Committee)	3,330	1,430	-	-	144	-	-	-	-	-	-	<b>4,904</b>	<b>3,567</b>
<b>Natalija Stošicki</b> (External Member of the Audit Committee since 14 April 2020)	2,129	1,430	-	-	192	-	-	-	-	-	-	<b>3,751</b>	<b>2,728</b>
<b>Irena Prijović, MSc</b> (External Member of the Accreditation Committee)	3,420	748	-	-	0	-	-	-	-	-	-	<b>4,168</b>	<b>3,031</b>
<b>Alenka Stanič, PhD</b> (External Member of the Accreditation Committee)	3,600	880	-	-	0	-	-	-	-	-	-	<b>4,480</b>	<b>3,258</b>
<b>Gorazd Žmavc</b> (External Member of the Accreditation Committee)	3,330	748	-	-	289	-	-	-	-	-	-	<b>4,367</b>	<b>3,176</b>
<b>Total</b>	<b>15,809</b>	<b>5,236</b>	<b>-</b>	<b>-</b>	<b>625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,670</b>	<b>15,760</b>

Fixed income of the external members of the Supervisory Board committees consists of the remuneration for the work performed in the relevant committee of the Supervisory Board and attendance fees for attendance at the Supervisory Board committees' meetings. Cost reimbursements include reimbursement of travel expenses.



**Table 60:** Receipts of the members of management and supervisory bodies arising from the performance of functions in the subsidiary  
Modra zavarovalnica, d. d. in 2020

												in EUR	
Name and surname	Fixed income – payment for the performance of duties	Fixed income – attendance fees	Fringe benefits	Variable income	Cost reimbursement	Benefits	Fees	Participation in profit	Options	Other bonuses	Other payments	Total gross	Total net
<b>Bachtiar Djalil</b> (Deputy Chairman of the Supervisory Board until 22 December 2020, Chairman of the Supervisory Board since December 2020)	9,675	2,694	-	-	-	-	-	-	-	-	-	12,369	8,996
<b>Total</b>	<b>9,675</b>	<b>2,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,369</b>	<b>8,996</b>

Fixed income consists of the remuneration for the work performed in the Supervisory Board and its Committees and attendance fees for attendance at the meetings. Cost reimbursements include reimbursement of travel expenses.

### Activities of the Supervisory Board and committees of Kapitalska družba

The Supervisory Board held 18 meetings in 2020. The Members attended the Supervisory Board meetings regularly, Aleksander Mervar, Msc, was not able to attend three meetings for justifiable reasons.

The Audit Committee of the Supervisory Board held eight meetings. The Members attended the meetings regularly. For justifiable reasons, Mirko Miklavčič and Mojca Verbič were absent one time, and Aleksander Mervar, Msc, was not able to attend three of the meetings for justifiable reasons.

The Accreditation Committee held four meetings. Its Members attended the meetings regularly; Aleksander Mervar, Msc, was not able to attend one meeting for justifiable reasons.

The HR Committee had two meetings, which were attended by both members.

### Related-party transactions

In 2020 Kapitalska družba made no significant transactions with its related parties that were concluded under other than normal market conditions.

*Disclosure regarding the pension scheme*

In 2020, the Occupational Retirement Pension Scheme was amended twice. On 1 July 2020, pursuant to the decision on approving the amendments and supplements to the Occupational Health Insurance Plan No. 1032-9/2019 5 of 20 May 2020, issued by the Ministry of Labour, Family, Social Affairs and Equal Opportunities, the amended Occupational Retirement Pension Scheme entered into force, which was adopted due to the extended transitional period of applying a differentiated contribution rate and which takes

into account the share of the net asset value of the SODPZ fund up to which unallocated solidarity provisions are created. However, pursuant to the decision on approving the amendments and supplements to the Occupational Health Insurance Plan No. 1032-16/2020-2 of 27 July 2020, issued by the Ministry of Labour, Family, Social Affairs and Equal Opportunities, a new Occupational Retirement Pension Scheme entered into force on 1 October 2020 in order to comply with the Act Amending the Pension and Disability Insurance Act (ZPIZ-2G). On 1 October 2020, the amended Rules on the Management of the SODPZ also entered into force, to which the Securities Market Agency issued a consent on 27 August 2020.

*Events after the date of the statement of financial position*

Since the end of 2020 until the preparation of the Annual Report, Kapitalska družba recorded no significant business events that could influence its financial statements for 2020.

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KAPITALSKA DRUŽBA

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2020