

# Annual Report 2015



KAPITALSKA DRUŽBA

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### List of abbreviations used

AED	Automated external defibrillator
ISA	Insurance Supervision Agency
GDP	Gross domestic product
BAMC	Bank Assets Management Company
ECB	European Central Bank
EIR	Effective interest rate
EUR	Euro – currency of the European Union
FARS	Financial Administration of the Republic of Slovenia
IASB	International Accounting Standards Board
ITIL	Information Technology Infrastructure Library
KAD	Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.
KaD.Net	Website for the secure exchange of data
KDD	Central Securities Clearing Corporation
KVPS	Mutual Equity Pension Fund
KS SODPZ	Guarantee Fund of the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia
MLFSAEO	Ministry of Labour, Family, Social Affairs and Equal Opportunities
MF	Ministry of Finance
MKPS	Modri Umbrella Pension Fund
MDRS	Ministry of Defence of the Republic of Slovenia
IFRS	International Financial Reporting Standards
OdSUKND	Decree on the Strategy for Managing State Capital Investments
IFRIC	International Financial Reporting Interpretations Committee
PDP	Posebna družba za podjetniško svetovanje, d. d.
VSPI	Voluntary supplementary pension insurance
PŠŠ	Bridging insurance fund for professional athletes (bridging fund for athletes)
RS	Republic of Slovenia
SBI TOP	Central Slovenian stock market index
SDH	Slovenski državni holding, d. d. (or Slovenski državni holding)
SODPZ	Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia
USD	US dollar
VaR	Value At Risk
ZDDPO-2	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 and 82/2015)
ZFPPIPP	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 and 10/2015 – amended)
ZGD-1	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 and 44/2013 – Constitutional Court ruling, 82/2013 and 55/2015)
ZIPRS1415	Implementation of the Budget of the Republic of Slovenia for 2014 and 2015 Act (Official Gazette of the Republic of Slovenia, Nos. 101/2013, 9/2014 – ZRTVS-1A, 25/2014 – ZSDH-1, 38/2014, 84/2014, 95/2014, 95/2014 – ZUJF-C, 14/2015, 46/2015 and 55/2015)
ZIPRS1617	Implementation of the Budget of the Republic of Slovenia for 2016 and 2017 Act (Official Gazette of the Republic of Slovenia, No. 96/2015)
ZPIZ	Pension and Disability Insurance Institute
ZPIZ-1	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 109/2006 [official consolidated text] – ZPIZ-1 UPB 4, 112/2006 – Constitutional Court ruling, 114/2006 – ZUTPG, 17/2007, 5/2008, 5/2008, 10/2008 – ZVarDod, 73/2008, 53/2009, 98/2009 – ZIUZGK, 27/2010 – Constitutional Court ruling, 38/2010 – ZUKN, 56/2010, 79/2010 – ZPKDPZ, 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, and 96/2012 – ZPIZ-2)
ZPIZ-2	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 and 102/2015)
ZPIZ-2B	Act Amending the Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 102/2015)
ZPPOGD	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 and 8/2011 and 23/2014 – ZDIJZ-C)
ZPZPŠ	Bridging Insurance for Professional Athletes Act (Official Gazette of the Republic of Slovenia, Nos. 41/2014 and 47/2015)
ZPZPŠ-1	Bridging Insurance for Professional Athletes Act (Official Gazette of the Republic of Slovenia, No. 82/2015)
ZPZRTH	Act Governing the Gradual Closure of the Trbovlje-Hrastnik Mine and the Developmental Restructuring of the Region (Official Gazette of the Republic of Slovenia, Nos. 61/2000, 42/2003, 71/2004, 43/2010, 49/2010 – amended, 40/2012 – ZUJF, 25/2014, 46/2014 and 82/2015)
ZSDH	Slovenian Sovereign Holding Company Act (Official Gazette of the Republic of Slovenia, Nos. 105/2012, 39/2013, 101/2013 – ZIPRS1415, and 25/2014 – ZSDH-1)
ZSDH-1	Slovenian Sovereign Holding Company Act (Official Gazette of the Republic of Slovenia, Nos. 25/2014 and 96/2015)
ZUJIK	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)
ZZavar	Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 13/2000, 31/2000 – ZP-L, 91/2000 – amended, 12/2001 – Constitutional Court ruling, 21/2002, 52/2002 – ZJA, 91/2002 – Constitutional Court ruling, 29/2003 – Constitutional Court ruling, 40/2004 – ZDDPO-1, 50/2004, 65/2004 – Constitutional Court ruling, 76/2005 – ZZVZZ-H, 8/2006 – ORZZavar62, 79/2006, 114/2006 – ZUE, 9/2007, 102/2007, 69/2008, 19/2009, 49/2009, 83/2009, 79/2010, 90/2012, 102/2012, 56/2013, 63/2013 – ZS-K, 66/2014, 92/2014 and 93/2015 – ZZavar-1)



Operating revenues totalled EUR 9.5 million in 2015.

Financial revenues totalled EUR 60.2 million in 2015.

Net profit amounted to EUR 37.6 million for the 2015 financial year.

Total assets stood at EUR 964.6 million at the end of 2015.

The value of assets under management in the SODPZ was EUR 675 million at the end of 2015.

The value of assets under management in the KS SODPZ was EUR 3.6 million at the end of 2015.

A total of 45,664 policyholders held savings in the SODPZ at the end of 2015.

Kapitalska družba, d. d. transferred a total of EUR 664.3 million to the budget of the ZPIZ between 1999 and 2015, including EUR 19 million in 2015 for the annual bonus paid to pensioners.

The Company had 59 employees at the end of 2015.

## 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 2015.

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 principle 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) and the Guarantee Fund of the Compulsory Supplementary Pension Insurance Fund (hereinafter: the KS SODPZ). Kapitalska družba also performs other activities related to asset management and 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

### Management Board

Kapitalska družba was run by its Management Board in 2015 in the following composition:

- ♦ Bachtiar Djalil, President,
- ♦ Anja Strojín Štampar, MSc, member, and
- ♦ Dr Boris Žnidarič, member.

The term of office of Anja Strojín Štampar, MSc expired on 30 November 2015. Dr Boris Žnidarič, the short-term Deputy Chairman of Kapitalska družba's Supervisory Board, began a temporary term of office as member of the Management Board on 23 November 2015.

The President and member of the 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. The temporary member of Kapitalska družba's Management Board was likewise appointed by the Company's Supervisory Board pursuant to the second paragraph of Article 273 of the Companies Act (hereinafter: the ZGD-1).

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

### Supervisory board

The Supervisory Board of Kapitalska družba functioned in the following composition in 2015:

- ◆ Samo Lozej, Chairman,
- ◆ Aldo Ternovec, Deputy Chairman (until 31 January 2015),
- ◆ Aleksander Mervar, MSc,
- ◆ Stanislav Seničar,
- ◆ Ana Bilbija,
- ◆ Ladislav Rožič, MSc,
- ◆ Dr Boris Žnidarič, Deputy (from 5 March 2015 to 22 November 2015), and
- ◆ Cirila Surina Zajc, Deputy Chairwoman (since 23 November 2015).

The terms of office of the following three members of the Supervisory Board expired on 31 January 2015:

- ◆ Aldo Ternovec,
- ◆ Ana Bilbija,
- ◆ Ladislav Rožič, MSc.

The following three new members began their four-year term of office on 1 February 2015:

- ◆ Dr Boris Žnidarič, (until he assumed his function as member of the Management Board),
- ◆ Cirila Surina Zajc, and
- ◆ Ladislav Rožič, MSc.

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,<sup>1</sup> while two members are appointed on the basis of a proposal by a national-level federation/organisation 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 upon 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 10 thousand members. Members of the Supervisory Board serve a four-year term of office and may be reappointed.

### General Meeting

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

<sup>1</sup> The short-term three members of the Supervisory Board were appointed based on a proposal by Slovenska odškodninska družba, d. d. in accordance with the previously valid ZSDH.



Bachtiar Djalil, President of the Management Board and  
Dr Boris Žnidarič, Member of the Management Board

## Statement of the Management Board

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The 2015 financial year was a successful one for Kapitalaska družba. Despite numerous challenges and the very difficult economic conditions that continue to persist, the Company performed well and generated a net profit of EUR 37.6 million. We are also able to boast of good results in the area of pension fund management, as Kapitalaska družba remains number one among mutual pension fund managers in terms of medium term (three to five years) pension fund yields.

Despite the economic growth recorded in Slovenia, economic conditions remain uncertain. Operations were hindered last year by structural imbalances in Slovenia and numerous problems in the wider environment, from threats to the euro due to the crisis in Greece, which has dragged on for many years, and the unexpected wave of refugees, to the escalation of armed conflicts, terrorist attacks and the cooling of the Chinese economy. Historically low interest rates were accompanied by large fluctuations on stock and bond markets and falling oil prices. Volatile economic and political conditions persist, while forecasts of global economic growth are not encouraging. In the context of these unfavourable external circumstances, Kapitalaska družba remains loyal to its mission of providing additional funds for compulsory pension and disability insurance, and the provision of occupational pension insurance for specific categories of workers. We are aware that we can only pursue our mission in these uncertain and difficult economic conditions by working together with all stakeholders and striving to understand their needs, using all of the knowledge and competences of our employees. At the same time, we focus constantly on the effective management of risks and the exploitation of business opportunities.

The positive operating results generated by the Company are evidence that we were successful in our efforts in 2015. We generated an operating profit of EUR 3.4 million and a profit from ordinary operations of EUR 41 million. We also met the criteria set out in the state capital investment management strategy. Transfers to the Pension and Disability Insurance Institute totalled EUR 19 million. Excluding the aforementioned transfers to the ZPIZ, net profit for 2015 would have been EUR 19 million higher at EUR 56.6 million, without taking into account tax effects.

We managed funds in excess of EUR 675 million in the SODPZ during 2015, representing the savings of more than 45,600 policyholders. Despite the highly volatile financial markets, we achieved a solid yield through the management of the second largest pension fund in Slovenia, which ranked the Company third among pension fund managers in 2015. The KS SODPZ

is also demonstrating stable growth. As at 31 December 2015, a total of 133 retirees received an occupational pension from the aforementioned fund, while gross pensions amounted to nearly EUR 2 million. Despite the still small number of occupational pensioners, retirement-related activities were particularly demanding last year, as we continued to deal with a special type of occupational retirement set out in the Act Governing the Gradual Closure of the Trbovlje-Hrastnik Mine and the Developmental Restructuring of the Region (ZPZRTH), which includes the state, as co-financier, via the Ministry of Infrastructure. Due to insufficient legal provisions and the need to include external institutions in the aforementioned special form of retirement and complex documentary channels, the establishment of an appropriate business process was very demanding. Kapitalska družba successfully addressed those and other challenges in the area of pension insurance in 2015, when 19 retirees began receiving an occupation pension in accordance with the special provisions of the ZPZRTH.

The Bridging Insurance for Professional Athletes Act tasked Kapitalska družba with the implementation of bridging insurance, which represents an opportunity to partially fill the financial gap between the end of a professional athlete's active sporting career and the beginning and a new career. Since 2014, Kapitalska družba has warned of the unenforceability of legal provisions linked to the implementation of bridging insurance and has drawn up proposed solutions accordingly. Inappropriate and unenforceable legal provisions were rectified during the second half of 2015 with the new Bridging Insurance for Professional Athletes Act (ZPZPŠ-1). Kapitalska družba must establish a bridging fund for athletes (PPŠ) by 1 September 2016. The Company will set up a special project group that will draw up the technical-operational bases of business processes for the provision of bridging insurance for athletes, a completely new field in Slovenia. The implementation of the aforementioned legally prescribed task is hindered on the one hand by the lack of systematic regulation of the employment relations of professional athletes, which in turn means a great deal of uncertainty regarding the success of the bridging fund for athletes.

In addition to the project aimed at the implementation of bridging insurance for athletes, Kapitalska družba also began implementing a project in 2015 to replace its information system. Due to the size, complexity and risks of such projects, that replacement will be carried out gradually and continue for some time. The replacement of the information system will be accompanied by the optimisation of key business processes and their adaptation to numerous changes in the business and financial environments.

The difficult conditions that characterised the 2015 financial year were a good opportunity for Kapitalska družba to pursue its vision and strengthen its role in the economy and pension system. Our capital stability and innovative strength in the implementation of new pension solutions, and the Company's commitment to its mission represent a guarantee for the continued successful operations of Kapitalska družba for the benefit of short-term and future retirees in Slovenia.



Dr Boris Žnidarič  
Member of the Management Board



Bachtiar Djalil  
President of the Management Board

## Report of the Supervisory Board of Kapitalska družba for 2015

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 functioned in the following composition up to and including 31 January 2015: Samo Lozej (Chairman), Aldo Ternovec (Deputy Chairman), Aleksander Mervar, MSc, Stanislav Seničar, Ana Bilbija and Ladislav Rožič, MSc. The terms of office of the following members of the Supervisory Board ended on 31 January 2015: Aldo Ternovec, Ana Bilbija and Ladislav Rožič, MSc. The following persons were therefore appointed as new members of the Supervisory Board at the Company's General Meeting on 30 January 2015: Dr Boris Žnidarič, Cirila Surina Zajc and Ladislav Rožič, MSc. The four-year term of office of the three aforementioned members of the Supervisory Board began on 1 February 2015. At the 84th session of the Supervisory Board on 5 March 2015, Dr Boris Žnidarič was appointed Deputy Chairman of the Supervisory Board. He performed that function until assumed his function as member of Kapitalska družba's Management Board. For this reason, Cirila Surina Zajc was appointed Deputy Chairwoman of the Supervisory Board at the 96th session of the aforementioned body on 13 November 2015. Ms Zajc's term of office began in 23 November 2015.

The Supervisory Board met at 17 sessions during the 2015 financial year as follows: 10 regular session and seven correspondence sessions. The Supervisory Board met at one regular session and one correspondence session in the composition in which it functioned until 31 January 2015.

Particular attention in the monitoring of Kapitalska družba's operations in 2015 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) and the Guarantee Fund of the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (KS SODPZ), which are managed by Kapitalska družba.

At its 90th session on 26 May 2015, the Supervisory Board approved the annual report of Kapitalska družba for the 2014 financial year, adopted the report on the verification of the Company's annual report for 2014, and was briefed on the audited annual report of the SODPZ for 2014, the audited annual report of the KS SODPZ and the actuary's report. At its 93rd ses-

sion on 6 July 2015, the Supervisory Board approved the consolidated annual report of the Kapitalska Družba Group for the 2014 financial year, adopted the report on the verification of the consolidated annual report of the Kapitalska Družba Group for 2014 and submitted a proposal to the General Meeting on the appointment of an audit firm.

The Supervisory Board was continuously briefed on the operations of the subsidiary Modra zavarovalnica. Special attention was given to the Company's management activities, in the scope of which specific investments were presented and discussed in detail at sessions of the Supervisory Board. For specific 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 98th session on 14 December 2015, the Supervisory Board gave its consent to Kapitalska družba's business-financial plan for the 2016 financial year.

At its 96th session on 13 November 2015, the Supervisory Board relieved Anja Strojín Štampar, MSc of her function as member of the Management Board, effective 30 November 2015, based on the resignation submitted by Ms Strojín Štampar, and appointed Dr Boris Žnidarič to serve as member of the Management Board for a term of office of one year. The appointment of a temporary member to the Management Board from the members of the Supervisory Board was carried out based on the provisions of Article 33 of the Company's Articles of Association and the second paragraph of Article 273 of the ZGD-1. During his term of office as a member of Kapitalska družba's Management Board, Dr Žnidarič's functions as member and Deputy Chairman of the Company's Supervisory Board are suspended.

For the purpose of appointing a member to the Supervisory Board on the basis of a proposal by a national-level federation/organisation of pensioners for the period in which the function of existing Supervisory Board member Dr Boris Žnidarič is suspended, the Supervisory Board drew up a proposal for the appointment of a member based on the proposal received from the Association of Pensioner Societies of Slovenia.

The Supervisory Board carried out a self-assessment of the effectiveness of its work. In order to assess 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.

An accreditation committee also functioned as an advisory body to the Supervisory Board in 2015. The aforementioned 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.

#### **Work of the Supervisory Board's audit committee**

The Supervisory Board's audit committee functioned in the following composition in 2015:

- ◆ Ladislav Rožič, MSc (chairman),
- ◆ Aleksander Mervar, MSc (member),
- ◆ Ana Bilbija (member until 31 January 2015),
- ◆ Cirila Surina Zajc (member since 5 March 2015), and
- ◆ Mojca Verbič (external member).

The audit committee met at ten sessions in 2015, one of which was held in composition that functioned until 31 January 2015. In its work, the audit committee applied the recommenda-

tions of the Slovenian Directors' Association for audit committees and the recommendations of the Slovenian Institute of Auditors, as well as 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, and 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 subsidiaries and the pension funds under Kapitalska družba's management (SODPZ and KS SODPZ). It also monitored the work of the internal audit department. The audit committee also carried out a self-assessment. The audit committee regularly briefed the Supervisory Board on its work during sessions of the Supervisory Board.

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

On the basis of the aforementioned continuous monitoring and supervision of Kapitalska družba's operations and management during the 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 assesses that the Management Board of Kapitalska družba successfully and properly managed the Company's transactions during the 2015 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 2015.

#### **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 2015, 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 2015**

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 2015.

#### **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 2015 financial year pursuant to the provision of Article 294 of the ZGD-1.

  
Stanislav Seničar  
Chairman of the Supervisory Board

Ljubljana, 6 May 2016







# Business Report



## Organisational structure of Kapitalska družba

The existing internal organisational structure of Kapitalska družba was established with the Company's transformation and the demerger of Modra zavarovalnica, d. d. in October 2011 in order to ensure the necessary adaptations and changes, and was in line with the reduction in the scope of business functions, work and tasks, and also maintained the heterogeneity of activities (e.g. management of the Company's own assets, the SODPZ and KS SODPZ). The internal organisational structure was established as such to ensure the effective implementation of all core business processes in the context of rationalisation and a reduction in the number of employees. Kapitalska družba's new role as the parent company of the insurance group was also taken into account. Kapitalska družba has provided IT services for the insurance company since the latter's establishment.

The new internal organisation resulted in a flexible organisational structure that facilitates an effective decision-making process at two organisational levels and ensures more efficient implementation in key work areas organised into five organisational units or sectors:

- ◆ Asset Management,
- ◆ Fund Management and Strategic Communication,
- ◆ Finance and Accounting,
- ◆ Legal and General Affairs, and
- ◆ Information Technology.

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

- ◆ the Internal Audit Department, and
- ◆ the Risk Management Department.

### 5.1 REPORTING ON EMPLOYEES

The Company had 56 permanent and three temporary employees as at 31 December 2015. Three workers were absent in 2015 due to maternity and child care leave.

The employment contracts of two employees expired in 2015 through the regular termination of the employment relationship. The number of employees by organisational unit is presented in the table below.

Figure 1: Organisational structure of Kapitulska družba

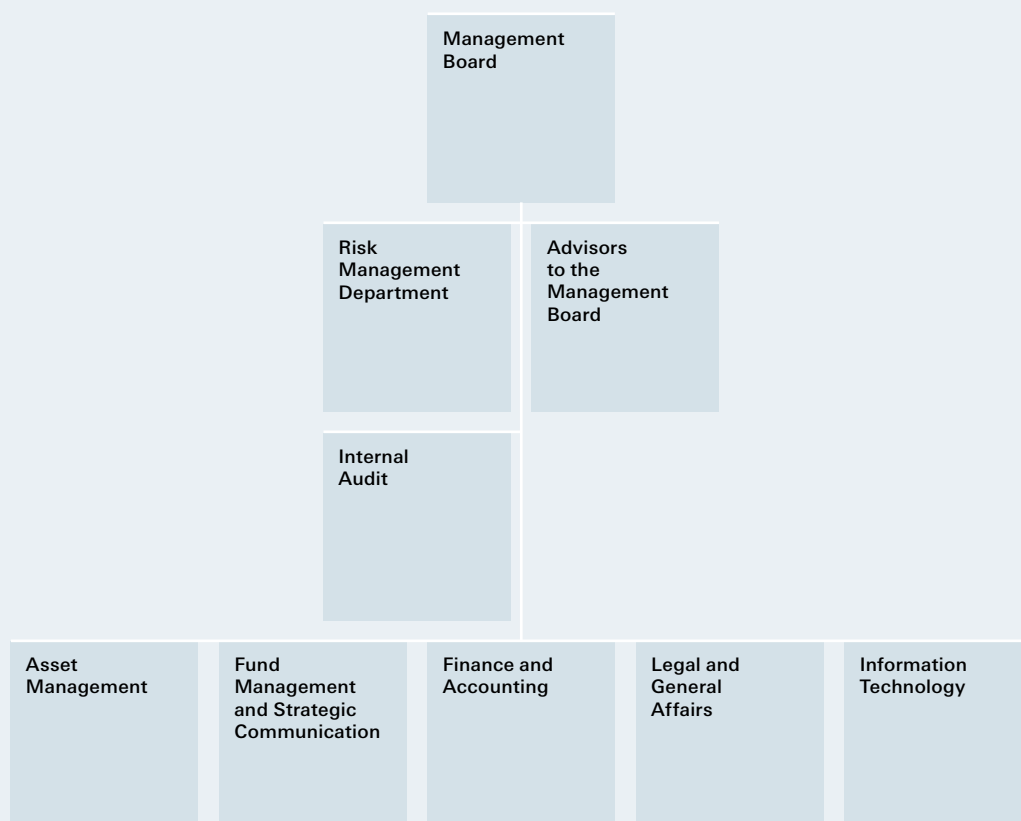


Table 1: Number of employees by organisational unit as at 31 December 2015 and 31 December 2014:

Organisational unit	31 December 2015	31 December 2014
Management Board	2	2
Advisors to the Management Board	2	2
Finance and Accounting	10	11
Asset Management	8	9
Fund Management and Strategic Communication	14 <sup>2</sup>	11
Legal and General Affairs	12	12
Information Technology	7	6
Internal Audit	2	1
Risk Management Department	2	2
<b>Total</b>	<b>59</b>	<b>56</b>

As at 31 December 2015, a total of 66.11% of Kapitulska družba's employees had completed a minimum of Level VII education. Of those, 11.87% had completed their master's degree and 3.39% their doctorate. Women account for 69.49% of employees and men for 30.51%.

<sup>2</sup> Of that number, three workers were absent due to maternity and child care leave.

## Operations of Kapitalska družba, d. d.

### 6.1 MACROECONOMIC BACKGROUND OF OPERATIONS

#### 6.1.1 Inflation

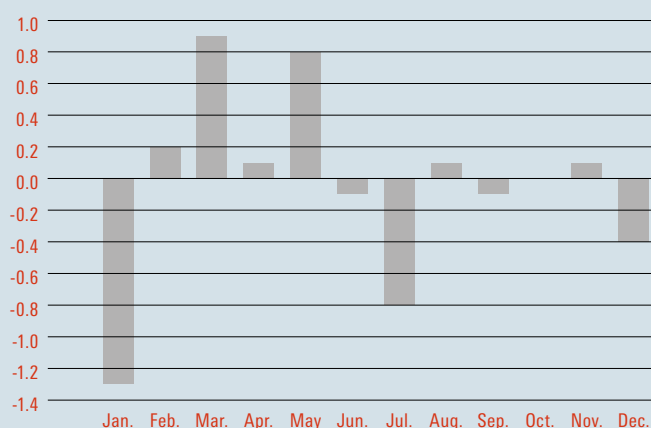
Annual and average inflation rates were negative at the end of the year, with both standing at -0.5%, while average and annual inflation were 0.2% at the end of 2014.

Prices in the following categories recorded the sharpest decline in 2015: transportation (down 5.2%), recreation and culture (down 2.3%), household equipment (down 1.1%) and housing (down 1.0%). The following categories recorded a rise in prices: communication services (up 5.3%), food and non-alcoholic beverages (up 1.5%), catering and accommodation services (up 1.4%), miscellaneous goods and services (up 1.1%), clothing and footwear (up 0.8%), health-care services (up 0.7%) and alcoholic beverages and tobacco products (up 0.1%). There was no change, on average, in the prices of education services.

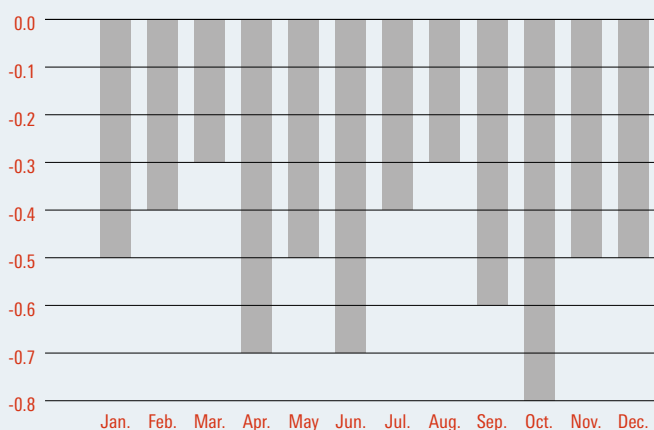
Lower prices of refined petroleum products contributed most (0.89 percentage points) to deflation. The prices of liquid fuel were down 16.3%, while the prices of other fuels and lubricants were down 12.7%. Higher prices of telephone and internet services (which were up 5.8%) contributed 0.25 percentage points to annual price growth, while higher food prices contributed 0.23 percentage points.

Figure 2: **Change in monthly and annual growth in consumer prices in 2015 (in %)**  
Source: Statistical Office of the Republic of Slovenia

#### Monthly growth rate



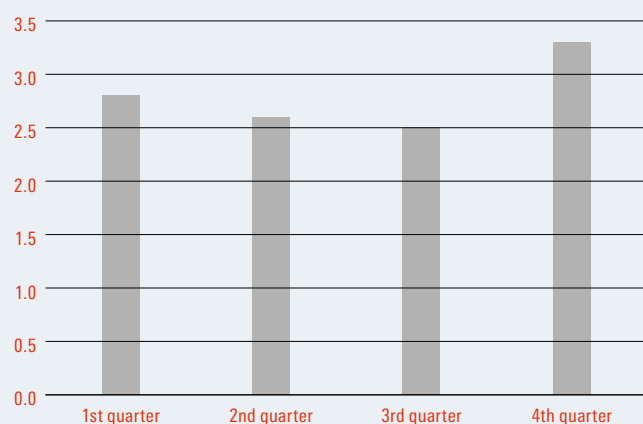
### Annual growth rate



## 6.1.2 Gross domestic product

Gross domestic product (GDP) was up 3.3% in real terms in the final quarter of 2015 relative to the final quarter of 2014. Economic activity, adjusted for the season and number of working days, was up 0.6% relative to the third quarter of 2015. According to initial estimates, GDP was up by 2.9% overall in real terms in 2015.

Figure 3: Real year-on-year growth in GDP by quarter in 2015 (in %)  
Source: Statistical Office of the Republic of Slovenia



## 6.1.3 Employment and wages

According to figures from the Statistical Office of the Republic of Slovenia, the total workforce stood at 917 thousand in December 2015. The workforce in employment totalled 804 thousand, up 0.5% on the end of December 2014. The number of registered unemployed persons stood at 113 thousand at the end of December 2015, a decrease of 5.3% on the number of registered unemployed persons a year earlier. The registered unemployment rate stood at 12.3% in December 2015, compared with 10.7% in the final quarter of 2014.

The average monthly gross wage was EUR 1,594.93 in December 2015, while the net wage was EUR 1,035.58.

## 6.1.4 Money market

### 6.1.4.1 Interest rates

The reference interbank interest rate for the euro area, the six-month EURIBOR, fluctuated between -0.051% and 0.171%. The key interest rate of the European Central Bank (ECB) was unchanged, while the interest rate on the deposit facility stood at -0.3% and represents the rate at which excess liquidity placed at the ECB bears interest.

The yield-to-maturity on 10-year German government bonds rose by 0.088 percentage points in 2015 to stand at 0.629%. The lowest yield of 0.075% was achieved in the middle of April.

Figure 4: **Movement in the yield-to-maturity on 10-year German government bonds and the 6-month EURIBOR in 2015 (in %)**  
Source: Bloomberg



### 6.1.4.2 Exchange rate

The US dollar depreciated by around 10.3% against the euro in the period January to December 2015. The US dollar/euro exchange rate stood at 1.0862 at the end of the year, and averaged 1.1102 for 2015.

Figure 5: **Movement in the US dollar/euro exchange rate in 2015**  
Source: Bloomberg



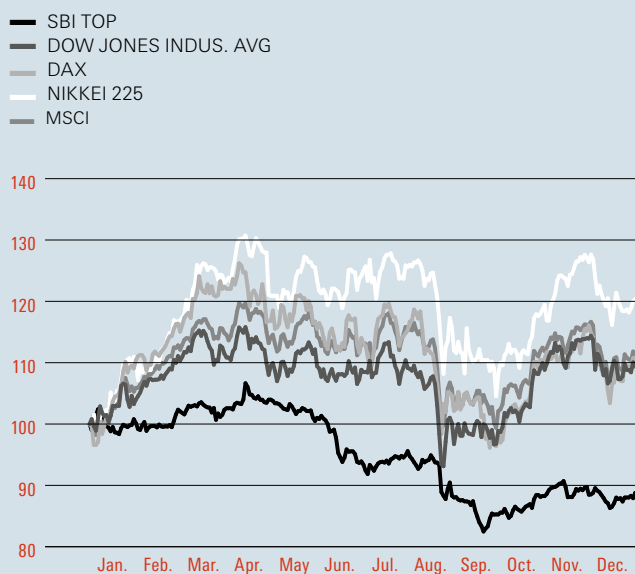
## 6.1.5 Capital market

### 6.1.5.1 Equity market

The values of share indices measured in euros rose in 2015. The Japanese Nikkei 225 index rose by 20.4% during the year, followed by the MSCI, which recorded growth of 11%, the German DAX, which recorded growth of 9.6% and the US Dow Jones, which recorded growth of 8.9% measured in euros. The Slovenian SBI TOP index recorded the sharpest decline, of 11.2%.

Figure 6: Movement in the Slovenian SBI TOP and selected foreign stock indices in 2015 in euros (index: 1 January 2015 = 100)

Source: Bloomberg

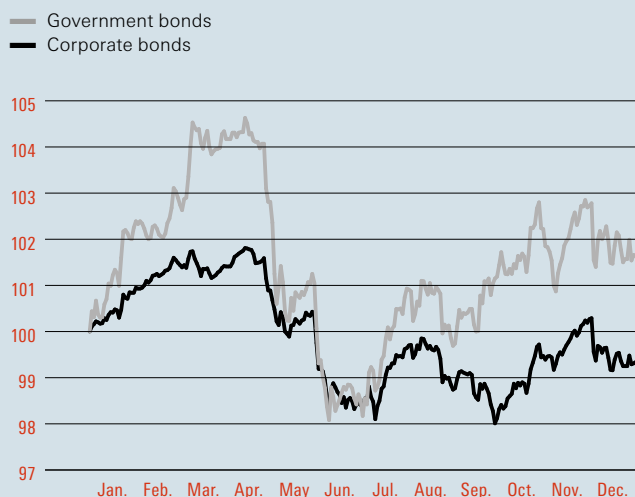


### 6.1.5.2 Debt market

The IBOXX EUR Sovereigns TR government bond index gained 1.63% in 2015, while the IBOXX EUR Corporates TR corporate bond index was down 0.66%.

Figure 7: Movement in the IBOXX EUR Corporates TR corporate bond index and the IBOXX EUR Sovereigns TR government bond index in 2015 (index: 1 January 2015 = 100)

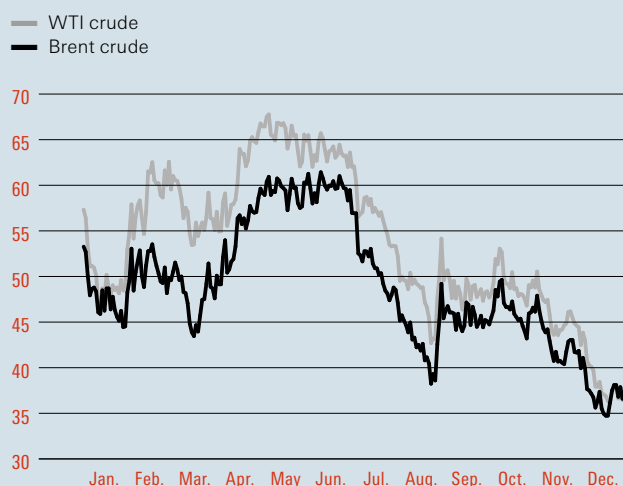
Source: Bloomberg



### 6.1.6 Price of oil

The price of West Texas Intermediate (WTI) crude oil fell from USD 53.27 per barrel (159 litres) at the beginning of 2015 to USD 37.04 at the end of the year. The price of WTI crude averaged USD 48.80 in 2015, down on the average price in 2014 of USD 92.89. The price of Brent crude averaged USD 53.56 a barrel in 2015, 9.8% higher than WTI crude.

Figure 8: **Movement in prices of WTI crude and North Sea Brent crude in 2015 (in USD per 159-litre barrel)**  
Source: Bloomberg



## 6.2 INVESTMENT MANAGEMENT

Kapitalska družba classifies investments to the following two groups with regard to the method of management:

- ♦ capital investments, and
- ♦ portfolio investments.

Table 2 illustrates the composition of financial assets, while a detailed description of the aforementioned groups follows.

Table 2: **Composition of Kapitalska družba's financial assets as at 31 December 2015 with regard to management**  
in EUR 000

Type of investment	Value	Proportion
Capital investments	528,603	56.8%
- Strategic investments	180,754	19.4%
- Material investments	295,536	31.7%
- Portfolio investments	51,039	5.5%
- Investments in bankruptcy or liquidation	1,274	0.1%
Portfolio investments	402,417	43.2%
- Equity portfolio investments	171,337	18.4%
- Debt portfolio investments	105,159	11.3%
- Money market <sup>3</sup>	125,921	13.5%
<b>Total financial assets</b>	<b>931,020</b>	<b>100.0%</b>

<sup>3</sup> Money market investments also include cash in the amount of EUR 38,602 thousand.



## 6.2.1 Capital investment management

### 6.2.1.1 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 45 such investments at the end of 2015. Of those investments, Kapitalska družba had 37 so-called active investments, including 32 investments in public limited companies and five investments in limited liability companies. In addition to active investments, Kapitalska družba also held six investments in bankruptcy proceedings and two investments in liquidation proceedings. Final bankruptcy proceeding were initiated against Steklarska nova Rogaška Slatina, d. o. o. on 21 May 2009.

The value of capital investments was EUR 528,603 thousand as at 31 December 2015, a decrease of EUR 31,729 thousand on the previous year.

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 3: Breakdown of Kapitalska družba's capital investments as at 31 December 2015 in accordance with the Decree on the Strategy for Managing State Capital Investments in EUR 000

Type of investment	No. of investments	Value	Proportion of capital investment portfolio
Strategic investments	10	180,754	34.2%
Material investments	9	295,536	55.9%
Portfolio investments	18 <sup>4</sup>	51,039	9.7%
Investments in bankruptcy or liquidation	8	1,274	0.2%
<b>Total capital investments</b>	<b>45</b>	<b>528,603</b>	<b>100.0%</b>

Table 4: Breakdown of Kapitalska družba's capital investments as at 31 December 2014 in accordance with Kapitalska družba's asset management strategy in EUR 000

Type of investment	No. of investments	Value	Proportion of capital investment portfolio
Strategic investments	2	360,385	64.3%
Marketable investments	15	168,562	30.1%
Non-marketable investments	25 <sup>5</sup>	30,106	5.4%
Investments in bankruptcy or liquidation	9	1,279	0.2%
<b>Total capital investments</b>	<b>51</b>	<b>560,332</b>	<b>100.0%</b>

Investments were classified in 2014 based on Kapitalska družba's internal classification.

4 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.

5 Kapitalska družba holds both preference shares and ordinary shares in one company classified in non-marketable investments. Both forms of shares are deemed one investment in the aforementioned company.

The Company's ten largest capital investments and the proportion of the respective companies' share capital accounted for by those investments are disclosed in Table 5.

Table 5: **Ten largest capital investments of Kapitalska družba by value as at 31 December 2015**  
in %

Company name	Proportion of company's share capital
Krka, d. d.	10.65
Modra zavarovalnica, d. d.	100.00
Petrol, d. d.	8.27
Telekom Slovenije, d. d.	5.59
Gorenje, d. d.	16.37
Luka Koper, d. d.	4.98
Hit, d. d.	20.32
Terme Čatež, d. d.	23.79
Union hoteli, d. d.	18.75
Elektro Maribor, d. d.	1.61

Investments in which Kapitalska družba holds a less than 20% ownership stake comprise the majority of capital investments. So-called active investments include 30 such investments, including four investments in bankruptcy and liquidation proceedings. A detailed overview of the composition of investments in terms of size of ownership stake is given in Table 6.

Table 6: **Composition of capital investments in terms of size of ownership stake as at 31 December 2015**

Ownership stake in share capital	Active investments	Investments in bankruptcy or liquidation
Up to 9.99%	22	3
From 10.00% to 19.99%	9	1
From 20.00% to 49.99% (associate)	5	3
From 50.00% to 100.00% (subsidiary)	1	1
<b>Total number of investments</b>	<b>37</b>	<b>8</b>

#### 6.2.1.2 Sales 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 two public tenders for the purchase of shares and participating interests in 2015.

In 2015 Kapitalska družba received 10 bids for the purchase of shares and participating interests relating to nine different capital investments held by the Company. The majority of bids were unacceptable for Kapitalska družba because the bid prices were too low.

Kapitalska družba sold off four capital investments in their entirety in 2015 in the total amount of EUR 22,354 thousand. The capital investment in shares of Pivovarna Laško, d. d. was sold

in the scope of a joint sale by shareholders who held a majority interest. Two results were achieved through the cooperation agreement with Pivovarna Laško, d. d.: the recapitalisation of the company and the repayment of its debt, and the simultaneous sale of the shares of majority owners. Kapitalska družba and the BAMC conducted the sale, with the help of financial and legal advisors, on behalf of the entire consortium of sellers. The capital investment in shares of Velana, d. d. was sold in the scope of a takeover bid. The capital investment in shares of HTG, d. d. was sold through direct negotiations with the buyer. The capital investment in shares of PDP was sold to SDH in accordance with the provision of the first paragraph of Article 82 of the ZSDH-1.

The capital investment in shares of Cimos, d. d. was excluded from Kapitalska družba's books of account in accordance with the final decision confirming compulsory composition, which also included the expropriation of the shares of short-term shareholders, while the capital investment in Casino Ljubljana, d. d. was excluded from Kapitalska družba's books of account based on the conclusion of bankruptcy proceedings.

### 6.2.1.3 Purchases of companies

Kapitalska družba did not participate in any corporate recapitalisations in 2015, nor did it accept any bids for the purchase of capital investments.

### 6.2.1.4 Dividends of domestic companies

Dividend income was up in 2015. Kapitalska družba recorded EUR 24,782 thousand in domestic corporate dividends in 2015, an increase of EUR 6,031 thousand relative to 2014, when dividends totalled EUR 18,751 thousand. The ten largest capital investments in terms of dividends accounted for 98.2% of all dividends from capital investments held by Kapitalska družba.

The payment of dividends in 2015 was approved by the general meetings of 25 companies in which Kapitalska družba held a capital investment, compared with 2014, when the payment of dividends was approved by the general meetings of 21 companies in which Kapitalska družba held a capital investment.

Table 7 illustrates the highest dividend income generated in 2015 by capital investments held by Kapitalska družba.

Table 7: Ten capital investments that generated the highest dividend income in 2015 and 2014

Issuer	Dividends per share in 2015 (in EUR)	Dividends per share in 2014 (in EUR)	Total dividends in 2015 (in EUR 000)	Total dividends in 2014 (in EUR 000)
Krka, d. d.	2.50	2.10	8,733	7,335
Modra zavarovalnica, d. d.	0.05169	0.01208	7,867	1,838
Telekom Slovenije, d. d.	10.00	10.00	3,652	3,652
Petrol, d. d.	11.70	10.10	2,020	1,744
Loterija Slovenije, d. d.	45.00	45.00	836	836
Luka Koper, d. d.	0.94	0.16	655	111
Gorenje, d. d.	0.06	0.00	240	0
Terme Čatež, d. d.	1.00	0	118	0
Hoteli Union, d. d.	0.33	0.85	111	286
Elektro Maribor, d. d.	0.12	0.09	65	49

Kapitalska družba also received dividends in the amount of EUR 129 thousand in 2015 from two companies in its portfolio as the result of claims received for the allocation of distributable profit from previous years.

Table 8: **Dividend income based on claims received for the distribution of profit**  
in EUR 000

Issuer	Dividends for the year	Dividends per share	Total dividends
Kompas MTS, d. d.	Distributable profit for 2013	0.17	11
Terme Čatež, d. d.	Distributable profit for 2012	1.00	118

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

In connection with the management of its capital investments in the period 1 January 2015 to 31 December 2015, Kapitalska družba applied, *mutatis mutandis*, the Corporate Governance Code for Companies with State Capital Investments, which was adopted by SDH on 19 December 2014 (hereinafter: the Code).

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. In December 2014 SDH adopted the Code, which Kapitalska družba also applies *mutatis mutandis* to ensure uniform operations. The document is published on SDH's website.

In addition to the Code, Kapitalska družba also applied its own bases for voting at the general meetings of companies when managing capital investments in 2015. 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.

Kapitalska družba was entitled to participate on its own behalf and on account of the pension fund under management in 50 general meetings of shareholders or partners of companies in 2015. Representatives of Kapitalska družba participated in 16 general meetings with authorisation to vote. In accordance with Article 53 of the ZSDH-1, SDH exercised the voting rights of Kapitalska družba at 32 general meetings in the name and on account of the latter. Two general meetings were cancelled prior to the date of the meeting or rescheduled to another date.

When assessing proposed general meeting resolutions and formulating opinions for voting at general meetings, Kapitalska družba complied with the Code and internal bases for voting at general meetings. With respect to the remuneration of supervisory boards and management bodies, Kapitalska družba applied, *mutatis mutandis*, the recommended level of wages for the performance of a particular function and for session fees 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-Governing 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 2015. Disclosures regarding Kapitalska družba's conduct at general meetings are published on the Company's website.

Table 9: **Participation at general meetings**

Form of participation	No. of general meetings
Participation by employees of Kapitalska družba with authorisation to vote	16
Participation by SDH (authorisation to vote by SDH)	32
Cancelled or rescheduled general meetings	2
<b>Total</b>	<b>50</b>

#### 6.2.1.6 **Code of Conduct of the Kapitalska Družba Group**

In addition to Kapitalska družba, the Kapitalska Družba Group includes the subsidiary Modra zavarovalnica.

In 2015 Kapitalska družba adopted amendments to the Code of Conduct of the Kapitalska Družba Group (hereinafter: the Code of the Group) due to the sale of the subsidiary PDP. The Code of the Group is a document that includes the minimum standards of operations of Group companies, and that defines cooperation in specific areas of operations and the monitoring of the Group's operations by the parent company.

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

#### 6.2.1.7 **Management of capital investments in the future**

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 on the account of the Republic of Slovenia remained the responsibility of SDH, even following the entry into force of the ZSDH-1. There was a partial change in Kapitalska družba's 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.

Article 79 of the ZSDH-1 states that Kapitalska družba must be transformed into an independent and autonomous demographic reserve fund by no later than 31 December 2015, as set out in the law governing pension and disability insurance, following the prior adoption of the relevant law. The same article also states that 10% of proceeds from the sale of capital investments held by the Republic of Slovenia must be transferred to a special account at the Ministry of Finance. The aforementioned funds may be used exclusively to finance the demographic reserve fund. Alongside the formulation of a demographic reserve fund, the ZSDH-1 also envisages the transfer of the Pension and Disability Insurance Institute's investment in Zavarovalnica Triglav, d. d. to Kapitalska družba. No act governing the transformation of Kapitalska družba into a demographic reserve fund has been adopted to date.

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), to which Kapitalska družba is also bound when managing 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.

## 6.2.2 Management of portfolio investments

### 6.2.2.1 Equity portfolio investments

Equity portfolio investments include foreign shares and investment coupons from the investment funds of domestic and foreign issuers. The value of equity portfolio investment assets was EUR 171,337 thousand as at 31 December 2015.

Table 10: **Composition of equity portfolio investments as at 31 December 2015**  
in EUR 000

Type of investment	Value	Proportion of equity portfolio investments
Foreign shares	8,338	4.9%
Investment funds	162,999	95.1%
- domestic investment funds	10	0%
- foreign investment funds	162,989	95.1%
<b>Total equity portfolio investments</b>	<b>171,337</b>	<b>100.0%</b>

The five largest investments accounted for a total of 58.5% of equity portfolio investments as at 31 December 2015. These investments included index funds represented by the MSCI World global stock indices (SMSWLD GY and XMWO GY), an index fund represented by the US S&P 500 (SPY US), an index fund represented by the US IXT technology sector index (XLK US), and an index fund represented by the German DAX (DAXEX GR).

### 6.2.2.2 Debt portfolio investments

The balance of debt portfolio investments stood at EUR 105,159 thousand at the end of 2015. At 86.5%, domestic bonds accounted for the highest proportion of debt portfolio investments. Investments in domestic bonds totalled EUR 90,936 thousand, while investments in foreign bonds totalled EUR 11,241 thousand. The remainder was accounted for by claims for accrued interest.

The primary focus of Kapitalska družba's investment activities in 2015 was on security and maintaining the value of assets due to an increase in the general level of risk.

Table 11: **Composition of debt investments as at 31 December 2015**  
in EUR 000

Type of investment	Value	Proportion of debt portfolio investments
Domestic bonds	90,936	86.5%
- domestic government bonds	78,096	74.3%

Type of investment	Value	Proportion of debt portfolio investments
- domestic corporate and bank bonds	12,840	12.2%
Foreign bonds	11,241	10.7%
- foreign government bonds	1,172	1.1%
- foreign corporate and bank bonds	10,069	9.6%
Claims for interest	2,982	2.8%
<b>Total debt portfolio investments</b>	<b>105,159</b>	<b>100.0%</b>

The five largest investments, together with accrued interest, accounted for a total of 56.9% of the portfolio of debt investments as at 31 December 2015. All five investments were in different issues (nos. 59, 66, 67, 69 and 70) of Slovenian government bonds.

### 6.2.2.3 Money market investments

The balance of money market investments was EUR 125,921 thousand at the end of 2015. Loans granted (deposits) account for the majority of the aforementioned investments.

Table 12: **Composition of money market investments as at 31 December 2015**  
in EUR 000

Type of investment	Value	Proportion of the portfolio of money market investments
Loans granted (deposits)	86,509	68.7%
Cash and cash equivalents	38,602	30.7%
- Cash on transaction accounts at banks	38,585	30.7%
- Euro call deposits	17	0.0%
Commercial paper	810	0.6%
<b>Total money market investments</b>	<b>125,921</b>	<b>100.0%</b>

## 6.3 TRANSFERS TO THE PENSION AND DISABILITY INSURANCE INSTITUTE

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. In accordance with the ZIPRS1415, Kapitalska družba transferred EUR 19 million to the ZPIZ in 2015 for the annual bonus paid to pensioners. Kapitalska družba has transferred a total of EUR 664,321 thousand to the budget of the ZPIZ.

In accordance with Article 67 of the ZIPRS1617, Kapitalska družba must transfer EUR 50 million a year to the ZPIZ in 2016 and 2017.

## 6.4 INVESTMENT PROPERTY

Kapitalska družba holds investment property in the following commercial buildings:

- ♦ Stekleni dvor, Dunajska cesta 119, Ljubljana;
- ♦ Bežigranski dvor, Dunajska cesta 56 and 58, and Kržičeva ulica 3, Ljubljana;
- ♦ Nebotičnik, Štefanova ulica 1, 3 and 5, Ljubljana; and
- ♦ Smelt, Dunajska cesta 160, Ljubljana.

All of the aforementioned properties are currently leased, except the conference hall in the Bežigranski dvor commercial building, which Kapitalska družba will lease for the organisation of various events.

## 6.5 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.

## 6.6 PENSION FUND MANAGEMENT

### 6.6.1 Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia

#### 6.6.1.1 Operations of the SODPZ

Pursuant to the law, Kapitalska družba has been the manager of the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ) since its establishment in 2001. The SODPZ is a mutual pension fund that provides occupational insurance in accordance with the ZPIZ-2.

The SODPZ is intended for policyholders who perform especially difficult work and work that is harmful to the health, and for policyholders who perform work that can no longer be performed successfully after a certain age. The SODPZ comprises assets that are financed by funds collected through the payment of occupational insurance contributions and revenues generated by the management of those funds, and are earmarked exclusively to cover liabilities to occupational insurance policyholders.

The SODPZ had 45,664 policyholders as at 31 December 2015. The actual return on the SODPZ was 1.84% in 2015, compared with the guaranteed return of 2.30% in the same period. The net value of SODPZ assets was EUR 672,098 thousand at the end of 2015, and exceeded the guaranteed value of assets (EUR 620,039 thousand) by EUR 52,059 thousand. The SODPZ held 798,762,486 units in circulation in 2015.

As the manager of the SODPZ, Kapitalska družba is entitled to the reimbursement of subscription and redemption costs, and annual management fees. The subscription fee amounts to 2.3%, the redemption fee amounts to 0.5% and the annual management fee amounts to 1.0%. Kapitalska družba's revenues from the management of the SODPZ totalled EUR 7,814 thousand in 2015, broken down as follows: EUR 6,528 thousand in management fees, EUR 1,239 thousand in subscription fees and EUR 47 thousand in redemption fees.

Table 13: **Kapitalska družba's revenues from management of the SODPZ in 2015**  
in EUR 000

Revenues from management activities	2015	2014
Management fees	6,528	5,834
Subscription fees	1,239	1,210
Redemption fees	47	29
<b>Total</b>	<b>7,814</b>	<b>7,073</b>

On 6 November 2015, Kapitalska družba received decree no. 1032-5/2013-26 of 30 October 2015 from the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MLFSAEO)



approving amendments to the occupational insurance pension plan. The aforementioned amendments to the occupational insurance plan relate to a reduction in management fees with respect to the net value of assets under management. Application of the provisions of the occupational pension insurance plan begins with the entry into force of amendments to the Rules on the management of the compulsory supplementary pension insurance fund of the Republic of Slovenia. Entry into force is linked to consent obtained from the Securities Market Agency, but will take place within 90 days from the delivery of the decision to the fund manager confirming the amendments to the pension plan. Kapitalska družba sent a request to the Securities Market Agency on 4 December 2015 for the issue of consent to the amendments to the Rules on the management of the compulsory supplementary pension insurance fund of the Republic of Slovenia.

The Act Amending the Pension and Disability Insurance Act (ZPIZ-2B) entered into force on 1 January 2016. The second paragraph of Article 38 of the ZPIZ-2B states that Kapitalska družba must harmonise the pension insurance plan and the occupational pension payment plan with the provisions of the ZPIZ-2B within 12 months following the entry into force of the aforementioned act. The provisions of valid pension plans at the time the ZPIZ-2B entered into force apply until the new pension plan applies. The KS SODPZ will be liquidated with the entry into force of the new pension plan, while occupational pensions will be paid from the SODPZ as partial redemption values.

#### 6.6.1.2 SODPZ investments

The manager will manage 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 will allocate the investments of the fund to ensure that they will be appropriately diversified and that they will not exceed legal limits regarding the types of investments allowed and the level of assets in specific types of investments, with the exceptions set out in the relevant fund management rules.

The measure of the fund's success (benchmark index) is the latter's guaranteed return, which is ensured on a monthly and annual basis.

The basic objective of fund management was as follows in 2015:

- ♦ 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. 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 fund asset management, the manager made a comparison with the benchmark index, with the fund's guaranteed return and with the success of other mutual pension fund managers.

The value of assets in the SODPZ stood at EUR 674,960 thousand as at 31 December 2015, an increase of 7.8% relative to 2014.

Investments in debt securities account for the highest proportion (45.4%) of SODPZ assets. The proportion accounted for by the aforementioned assets was down slightly in 2015 compared with the previous year. Bonds account for the majority of this class of investments, followed by investment coupons (26.7%) and investments in loans and deposits (23.4%). The proportion accounted for by the three aforementioned classes was down relative to 2014. The proportion accounted for by other forms of investments was up relative to 2014.

Table 14: **Composition of the investments of the SODPZ as at 31 December 2015**  
in EUR 000

Class	Value		Proportion of fund assets	
	2015	2014	2015	2014
Shares	4,455	6,333	0.7%	1.0%
Debt securities	306,656	311,964	45.4%	49.8%
Loans and deposits	157,588	157,932	23.4%	25.2%
Investment coupons	180,407	135,822	26.7%	21.7%
Cash and cash equivalents	25,674	13,996	3.8%	2.2%
Other claims	180	326	0%	0.1%
<b>Total</b>	<b>674,960</b>	<b>626,373</b>	<b>100.0%</b>	<b>100.0%</b>

Due to the limited size of the Slovenian financial market and a wider selection of investment opportunities, a portion of the fund's assets were initially channelled abroad. The fund's exposure to currency risk was down in 2015, as the proportion of securities denominated in foreign currencies declined from 7.4% to 5.5%.

## 6.6.2 **Guarantee Fund of the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (KS SODPZ)**

### 6.6.2.1 **Operations of the KS SODPZ**

With the transfer of the first policyholder to the KS SODPZ in May 2013, Kapitalska družba created and became the manager of the KS SODPZ. The Company began paying occupational pensions in June 2013.

An occupational pension is paid from the time that right is earned until old-age or early retirement. SODPZ policyholders earn the right to an occupational pension when they fulfil the conditions set out in the plan for the payment of occupational pensions. When policyholders exercise their rights to an occupational pension, the funds on their personal account in the SODPZ are transferred to the KS SODPZ and the policyholders are issued an occupational pension policy.

A total of 123 policyholders were transferred to the KS SODPZ in 2015. The total value of funds transferred for those policyholders was EUR 4,350 thousand. Kapitalska družba is entitled to a fee of 1.5% of each pension payment. Pension payment fees totalled EUR 29 thousand in 2015.

### 6.6.2.2 **KS SODPZ investments**

The value of KS SODPZ assets was EUR 3,624 thousand as at 31 December 2015.

Investments in bonds accounted for the highest proportion (58.4%) of KS SODPZ assets, followed investments in deposits (23.5%) and other claims (15.8%).

Table 15: **Composition of the KS SODPZ investments as at 31 December 2015**  
in EUR 000

Class	Value		Proportion of fund assets	
	2015	2014	2015	2014
Debt securities	2,118	629	58.4%	59.6%
Loans and deposits	851	231	23.5%	21.9%
Cash and cash equivalents	84	8	2.3%	0.8%
Other claims	571	187	15.8%	17.7%
<b>Total</b>	<b>3,624</b>	<b>1,055</b>	<b>100.0%</b>	<b>100.0%</b>

Despite its relatively small size, the structure of the guarantee fund's investments was in line with legal provisions and focused on ensuring liquidity for the payment of pension annuities.

The Insurance Supervision Agency issued a decision in November 2015 allowing Kapitalska družba certain deviations in the structure of KS SODPZ investments from those prescribed by the law, as follows:

- ♦ for investments in deposits and certificates of deposit at banks of up to 50% of insurance technical provisions on certain days, where the total of such investments at a specific bank may total 10% of insurance technical provisions; and
- ♦ for investments in cash on hand and on sight accounts of up to 20% of insurance technical provisions on certain days.

The aforementioned deviations are permitted until the value of KS SODPZ assets reaches EUR 7,200 thousand, but until no more than 26 November 2017.

### 6.6.3 **Activities in the implementation of the ZPIZ-2 in 2015**

Kapitalska družba was actively involved again in 2015 with the business processes of the SODPZ, in particular occupational retirement, the payment of occupational pensions, active notification of liable persons and policyholders regarding developments in the area of occupational insurance, regular meetings of the SODPZ Committee and activities relating to the resolution of short-term occupational retirement issues. There was active communication in that regard between the MLFSAEO, the ZPIZ, the Ministry of Defence of the Republic of Slovenia (MDRS), the Ministry of Infrastructure, the Ministry of Culture, the Ministry of Finance (MF), the Financial Administration of the Republic of Slovenia (FARS), the Trbovlje-Hrastnik mine, the SODPZ Committee, the media, policyholders and liable persons.

The new Act Governing the Closure of the Trbovlje-Hrastnik Mine and the Developmental Restructuring of the Region (ZPZRTH-E) entered into force in June 2014 and set out the conditions for obtaining the right to an occupational pension for specific categories of employees of the Trbovlje-Hrastnik Mine. Since the entry into force of the new act and again in 2015, Kapitalska družba worked intently to carry out activities that would facilitate the unimpeded occupational retirement of Trbovlje-Hrastnik mine policyholders on the basis of the ZPZRTH. Due to the deficient nature of the aforementioned act, a great deal of coordination was required with the ZPIZ, the MLFSAEO, the Ministry of Infrastructure, the MF, the Trbovlje-Hrastnik mine, trade unions and policyholders. The Republic of Slovenia provided co-financing in accordance with the law for all policyholders with insufficient funds on their personal account for the payment of occupational pensions, and ensured that those policyholders are able to exercise all rights to which they are entitled based on the ZPZRTH. An agreement was reached with the Ministry of Infrastructure in April 2015 on the transfer of funds lacking for

occupational retirement based on Article 16c of the ZPZRTH. In June 2015, Kapitalska družba paid the first occupational pensions in accordance with the ZPZRTH. It also paid contributions to the ZPIZ on time for the buyout of years of service and, in addition to contributions for compulsory health insurance and tax prepayments from occupational pensions, also paid contributions for voluntary inclusion in compulsory pension and disability insurance.

Kapitalska družba was actively involved in the formulation and adoption of the new Act Governing the Gradual Closure of the Trbovlje-Hrastnik Mine and the Developmental Restructuring of the Region (ZPZRTH-F). The new act entered into force on 4 November 2015 and brings certain new features in the area of occupational retirement for certain groups of employees at the Trbovlje-Hrastnik mine, including a newly defined occupational pension. The new occupational pension now includes contributions for compulsory health insurance and contributions for voluntary inclusion in compulsory pension and disability insurance. Because the ZPZRTH-F does not set out the basis for the calculation of contributions for compulsory health insurance according to the third paragraph of Article 413 of the ZPIZ-2, the opinions of the MF and FARS had to be obtained. Kapitalska družba drew up a proposal for three possible variations of the calculation of the occupational pension and sent it to the MF and FARS for approval. Due to the urgency of the matter, the Company consulted on numerous occasions with the MF, FARS and MLFSAEO. Because the opinion received remains somewhat unclear, we went ahead and performed a calculation of the occupational pension anyway for one policyholder who meets the conditions for occupational retirement. The possibility therefore exists of a recalculation or new assessment of the occupational pension.

The possibility of the buyout of years of service is available to occupational insurance policyholders and the recipients of an occupational pension on the basis of the eleventh paragraph of Article 202 of the ZPIZ-2. Kapitalska družba worked with the MLFSAEO and ZPIZ in connection with the buyout of years of service, and meetings were held with the aforementioned institutions in an attempt to find the common bases for the aforementioned process. Kapitalska družba made five transfers of the redemption value to the ZPIZ in 2015 due to the buyout of years of service.

The Act Amending the Act Governing the Promotion of Public Interest in Culture (ZUJIK-E) entered into force in January 2014. The fourth paragraph of Article 12 of the aforementioned act states that a ballet worker is to be allocated one half of the period in which they were included in occupational insurance. Due to ambiguities regarding the implementation of the aforementioned article, a new Act Governing the Promotion of Public Interest in Culture is being drawn up. In 2015, Kapitalska družba submitted its comments regarding the provision of occupational insurance, and attended a joint meeting with representatives of the Ministry of Culture and the MLFSAEO, where problems relating to occupational insurance and the occupational retirement of ballet workers were presented.

For the purpose of drafting the new ZPIZ-2B, which introduces the creation of solidarity reserves to co-finance the payment of occupational pensions to policyholders without insufficient funds on their personal accounts, Kapitalska družba's certified actuary followed the initiative of the MLFSAEO and drew up a concept for the creation and functioning of solidarity reserves, as well as calculations and a simulation of the collection and disbursement of those reserves, which were presented to the MLFSAEO's working group. On this basis, Kapitalska družba participated in the drafting of proposed articles of the aforementioned act.

Kapitalska družba regularly informed the MLFSAEO in 2015 about short-term occupational insurance and retirement issues, and worked with the aforementioned ministry to develop proposed solutions and initiatives in connection with the implementation of the ZPIZ-2. Kapitalska družba also put forth initiatives and proposals for changes and amendments aimed at the comprehensive regulation of the area of occupational insurance, and actively participated in the MLFSAEO's working groups.

Kapitalska družba informs all occupational insurance stakeholders regularly via its website about all of the latest developments and the operations of the fund. The Company communicates with policyholders and liable persons throughout the year, both personally through the contact centre and through a toll-free telephone number and email. In 2015 Kapitalska družba organised seven presentations for policyholders, liable persons, trade unions and human resource departments.

Kapitalska družba also regularly informed the SODPZ Committee with regard to activities in the area of occupational insurance, the operations of the fund and issues associated with occupational retirement. The SODPZ Committee actively participated in the search for occupational retirement solutions and continuously put forth initiatives to address this issue. The SODPZ Committee met five times in 2015.

## 6.7 INFORMATION TECHNOLOGY SECTOR

Kapitalska družba continued its role as a provider of IT services for the subsidiaries Modra zavarovalnica and PDP (until the latter's merger with SDH) in 2015. 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 lead to the achievement of the Company's business objectives and to maintaining and improving its competitive position.

The Information Technology Sector's operational role includes ensuring the integrated development of software and maintenance of the information system. The aforementioned sector actively participates in the selection of appropriate information solutions when new business processes are introduced, which in turn ensures optimal support in the performance of those business processes. Through its proactive participation, the Information Technology Sector also contributes significantly to the definition of new business processes in all material areas of Kapitalska družba's operations. Through change management, it pursues the objectives of mitigating risks associated with operations and improving the decision-making process.

A project was launched in 2015 with the aim of replacing the software used to support asset and fund management. Two suppliers were selected via public tender, separately for asset management and separately for fund management. We began to implement activities in connection with the establishment of a bridging fund for professional athletes, with an initial deadline of 21 June 2016. That deadline was later postponed to 30 September 2016 in accordance with the new ZPZPŠ-1. We also began activities in connection with the adaptation of new software solutions for the SODPZ in accordance with the ZPIZ-2 and the migration of data from the existing software support. The objective of the aforementioned replacement is to ensure the reliability and availability of software support for asset and fund management over the long term, and thus the continued, uninterrupted implementation of Kapitalska družba's long-term strategy. In order to ensure the high availability of the information system and thus the business continuity of the Company's subscribers and the settlement of all obligations to their customers, we continued the successful replacement of worn out active network equipment in 2015 with new equipment. The aforementioned replacement did not cause any disruptions to business processes. We began the process of implementing a business continuity system with the aim of ensuring the availability of the information system in the event of a disaster.

Kapitalska družba's IT infrastructure and software are used to a certain extent by the subsidiaries Modra zavarovalnica and PDP (until the latter's merger with SDH). All mutual relationships are defined in the relevant agreements. Key business software is also maintained and developed together with the subsidiary Modra zavarovalnica. The scope of those activities is gradually diminishing due to Modra zavarovalnica's transition to independent software solutions.

The mission of Kapitalska družba's IT service centre is achieved through a single entry point for recording requests for services and errors. It carries out its processes in accordance with ITIL V3 recommendations. The service centre performs technical support tasks, and also monitors the functioning of services and communication between users and IT support. The service centre plays a central role in the provision and improvement of high-quality IT services.

## 6.8 SIGNIFICANT BUSINESS EVENTS AFTER THE END OF 2015

The Slovenian government, in its role as Kapitalska družba's General Meeting, appointed Janez Bedina as member of the Supervisory Board on 8 January 2016 until Dr Boris Žnidarič's function as member of the Management Board ceases.

The new Pension and Disability Insurance Act (ZPIZ-2B) entered into force on 1 January 2016, bringing changes for Kapitalska družba, too. In accordance with the new act, occupational pensions will be paid directly from the SODPZ, while the KS SODPZ will cease to function. The management fees charged by Kapitalska družba will rise with the transfer of assets from the KS SODPZ to the SODPZ, as the Company did not charge management fees for the KS SODPZ.

Amendments to the occupational insurance plan approved by the MLFSAEO in its decision of 30 October 2015 entered into force on 4 February 2016 and relate to a reduction in management fees with respect to the net value of assets under management.

Based on Kapitalska družba's request, the Securities Market Agency issued consent on 4 February 2016 to the amendments to the Rules on the management of the compulsory supplementary pension insurance fund of the Republic of Slovenia. The amended rules enter into force on 9 March 2016. The amendments relate to a reduction in management fees with respect to the net value of assets under management.

On 28 January 2016, the General Court of the European Union rejected in full the Slovenian government's motion to annul European Commission decision no. SA.26379 of 19 September 2012 on the measures in favour of Elan, d. o. o. The aforementioned ruling extinguished Kapitalska družba's contingent liability in connection with the potential repayment of state aid received. The Company thus reversed its off-balance-sheet liability to Elan, d. o. o. in the amount of EUR 6,457 thousand.

On 28 January 2016, the government, in its role as the BAMC's general meeting, adopted a decision based on the ZGD-1 and the Government Measures to Strengthen the Stability of Banks Act requiring the BAMC to transfer (for consideration) all claims against Sava, d. d. and all bonds of Sava, d. d. in its possession to SDH and KAD at the transfer values at which it received the aforementioned high-risks items, as part of the implementation of measures to strengthen the stability of banks, or at the fair values or book values of those items as at 30 June 2015, if the latter are higher than the transfer values. Those values are further increased for financing costs equal to the weighted cost of the BAMC's capital in the amount of 4.2% for the period it owned the aforementioned items.

As at 31 December 2015, Kapitalska družba held a capital investment in shares of Sava, d. d. valued at EUR 255 thousand. On 12 February 2016, the creditor committee of Sava, d. d. adopted a resolution, whereby the share capital of the aforementioned company is reduced from EUR 14.1 million to zero through the cancellation of all existing shares. The aforementioned resolution becomes valid with the final confirmation of compulsory composition. If the resolution confirming compulsory composition becomes final, Kapitalska družba will lose the entire value of its investment in shares of Sava, d. d.

The Securities Market Agency issued a declaratory decision on 5 February 2016 in which it ruled in favour of the request of SDH, the Slovenian government, Kapitalska družba, Nova Kreditna banka Maribor, d. d., Zavarovalnica Triglav, d. d. and the Fund for the Financing of the Decommissioning of Krško Nuclear Power Plant to issue a declaratory decision to lift the prohibition on the exercising of voting rights that was imposed on Telekom Slovenije, d. d., Ljubljana as the target company.

On 2 February 2016, a committee comprising the aforementioned creditors adopted a resolution, whereby the share capital of Pomurske mlekarne, d. d. is reduced from EUR 1.4 million to zero through the cancellation of all existing shares. The aforementioned resolution becomes valid with the final confirmation of compulsory composition.



## Expected development of Kapitalska družba, d. d. in 2016

Kapitalska družba was established with the aim of covering the deficit in the public pension and disability insurance system, which is financed according to the principle of intergenerational exchange. In accordance with its mission, the Company must transform itself into an independent and autonomous demographic reserve fund as set out in the Slovenian Sovereign Holding Company Act (ZSDH-1). Details will be set out in a separate act. As one source of financing, the ZSDH-1 states that 10% of proceeds from the sale of capital investments held by the Republic of Slovenia must be transferred to a special account at the Ministry of Finance, and that the aforementioned funds may be used exclusively to finance the demographic reserve fund. Alongside the formulation of a demographic reserve fund, the ZSDH-1 also envisages the transfer of the Pension and Disability Insurance Institute's investment in Zavarovalnica Triglav, d. d. to Kapitalska družba.

Technical studies carried out by Kapitalska družba to date with the help of external experts and presented to all important stakeholders, represent a quality basis, not only for the act governing the demographic reserve fund, but also for the development of comprehensive and long-term sustainable pension solutions.

Kapitalska družba's mission has been the same since its inception and in conceptual terms entails performing the function of demographic reserve fund to the extent permitted by its assets. The Implementation of the Budget of the Republic of Slovenia for 2016 and 2017 Act (ZIPRS1617) envisages the adjustment of pension and thus transfers by Kapitalska družba to the pension fund in the maximum possible amount envisaged by the ZSDH-1, i.e. EUR 50 million. The fulfilment of our legal obligation requires the effective management of capital investments and the continued transformation of Kapitalska družba into a portfolio investor. In 2016, we will continue the sale of Slovenian government equity investments and the placement of proceeds into liquid portfolio investments. We will adapt and update Kapitalska družba's asset management strategy due to the Company's transformation into a demographic reserve fund, the unstable conditions on the global financial markets, low interest rates and forecasts of weak economic growth.

Kapitalska družba's role in the structure of Slovenia's pension system is becoming increasingly important with the growth in SODPZ assets and the payment of pensions to the aforementioned fund's policyholders. Fundamental changes are occurring in the Slovenian pension



system with the payment of occupational pensions from the aforementioned fund in accordance with the ZPIZ-2. Compulsory supplementary pension 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, first paid in 2014, represent one of many possible sustainable forms that will become increasingly important due to the unfavourable demographic characteristics of Slovenian society. Kapitalska družba performs the function of demographic reserve fund not only because it covers the deficit in the public system, but also because it is a creative developer of comprehensive, long-term sustainable pension solutions.

As the manager of the SODPZ (the second largest mutual pension fund in terms of size, with the fastest growth in assets), Kapitalska družba will work actively with all stakeholders in the occupational insurance system, both via the fund's committee and directly. In providing compulsory supplementary pension 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 to the improved pension stability of occupational insurance policyholders and pensioners.

Due to legislative changes and with the aim of optimising business processes that are adapted to the actual requirements of the business environment, we will implement three major projects in 2016, in addition to the Company's transformation into a demographic reserve fund: 1) the implementations of the ZPIZ-2B; 2) the establishment of a bridging fund for athletes (PSŠ); and 3) the replacement of IT support for asset and fund management.

The provisions of the ZPIZ-2B eliminate, to a great extent, the deficiencies that arose during the implementation of pension insurance and that were not governed by the law. Verification of the accuracy of paid-in contributions is now governed by the law, while higher fines for liable persons who fail to fulfil their obligations to policyholders have been set. Solidarity reserves are being established with the aim of eliminating problems in the payment of occupational pensions to policyholders who meet the conditions for occupational retirement but do not have sufficient funds on their accounts. The ZPIZ-2B lays numerous new tasks and competences on Kapitalska družba. We will thus transform the SODPZ and adjust the occupational pension insurance plan in 2016 in accordance with the ZPIZ-2B. The ZPIZ-2B sets out a comprehensive SODPZ pension scheme in which the savings and payment elements will be linked. This requires the transformation of the short-term KS SODPZ and the transfer of the occupational pension payment function in the scope of an integrated occupational insurance pension plan. As a result, we will also update the SODPZ management strategy, as our guiding principle in 2016 remains the maximisation of Kapitalska družba's assets and the assets of occupational insurance policyholders. Kapitalska družba will assume new competences and obligations with the entry into force of the new pension plan, including control over the accuracy of contribution payments, and in 2018 the function of misdemeanours authority, which will increase the need for additional employees.

The second project, which carries over from 2015, includes the creation of a bridging insurance fund for professional athletes (PSŠ) and the start of the provision of bridging insurance. The new Bridging Insurance for Professional Athletes Act (ZPZPŠ-1) repealed the original bridging insurance arrangements and set a deadline of 1 September 2016 for the creation of the bridging fund and a deadline of 30 June 2016 for the creation of a fund committee. The ZPZPŠ-1 states that from October 2016 sports associations, as employers, will be obliged

to pay contributions for bridging insurance for professional athletes by the deadlines and in the amounts set out in the aforementioned act. Professional athletes will also be able to make voluntary payments to the fund up to a legally defined annual limit. The biggest challenges, resulting in the highest costs, will arise due to urgent adaptations to IT support for the functioning of the bridging fund and due to the establishment of appropriate communication channels with the Ministry of Education, Science and Sport, as the body responsible for the register of policyholders, and with sports associations as those obliged to pay regular monthly contributions.

In 2016, we will continue the process of replacing the software used to support asset and fund management. The most important deadlines in the aforementioned project are linked to both of the previously described projects, i.e. the adaptation of the SODPZ to the provisions of the ZPIZ-2B and the establishment of and kick-off of operations of the bridging fund for athletes (PSS). New software solutions are being introduced gradually, with the primary focus on the pursuit of project objectives linked to legally binding deadlines for Kapitalska družba. The upgrading of the information system will be accompanied by the optimisation of key business processes, which will be adapted to changes in the business environment and financial world.

Through the commitment and high level of motivation of all employees, we will fulfil our mission again in 2016, while building and increasing the Company's long-term value for its owner through prudent and reliable decisions. Through transformation into a demographic reserve fund, we will open new perspectives for the Slovenian pension system and support the sustainable and long-term economic development of Slovenia. This also entails an appropriate response to changing demographic conditions and the projected development of those conditions in Slovenia.

## 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.

The ZSDH-1 resulted in a change to previous arrangements regarding the transfer to the budget of the ZPIZ. 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 pensions, which is limited to EUR 50 million. Notwithstanding the aforementioned, Kapitalska družba transferred EUR 19,000 thousand to the ZPIZ in 2015 for the annual bonus paid to pensioners based on the provisions of the ZIPRS1415-C. Kapitalska družba has transferred the cumulative amount of EUR 664,321 thousand to the budget of the ZPIZ.

Table 16: Kapitalska družba's payments to the budget of the ZPIZ

Year	Amount of transfer (in EUR)
1999	7,093,974
2000	55,499,916
2001	34,948,255
2002	41,729,261
2003	26,602,404
2004	26,602,404
2005	26,602,404
2006	39,121,182
2007	39,121,182
2008	49,000,000
2009	49,000,000
2010	100,000,000

Year	Amount of transfer (in EUR)
2011	50,000,000
2012	50,000,000
2013	50,000,000
2014	0
2015	19,000,000
<b>Total</b>	<b>664,320,982</b>

Because the Association of Pensioner Societies of Slovenia brings together and motivates individuals who choose to spend their time actively following retirement, Kapitalska družba donated written-off computers and mobile phones at the beginning of 2015.

Kapitalska družba donated written-off furniture to the Ministry of the Interior due to the lack and generally poor state of equipment at the aforementioned ministry.

In June 2015, Kapitalska družba opted to purchase a defibrillator intended for first aid in the event of cardiac arrest. It is located in the common area of the Company's commercial building and is publicly accessible to everyone in that building and the surrounding area. The defibrillator is entered in the AED database, such that the public and all those in the vicinity of the Company are aware of the importance and accessibility of the device. The aim of the purchase was to contribute to improving the possibility of reviving persons suffering from cardiac arrest.

## 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 additional training both in Slovenia and abroad by attending shorter or longer seminars and workshops, and through planned internal training carried out regularly for all employees.

During 2015, employees attended seminars on the following topics: tax regulations, wages, personnel and other documentation bearing personal data, occupational safety and health, public procurement, valuation, the Family-Friendly Company certificate, finance, short-term issues relating to commercial law, the latest developments in the prevention of money laundering, the Business Academy, the collection, archiving, management and retention of data, information technology and auditing.

In accordance with its education and training plan, Kapitalska družba also organised internal training programmes in 2015 on the following topics: the prevention of money laundering, personal data protection, conduct in the event of a fire or other disaster, the code of ethics, the latest development in legislation governing companies (ZGD-1) and the EFQM (European Foundation for Quality Management) excellence model. Kapitalska družba organised a workshop on the subject of business etiquette in September 2015 for all employees, and another workshop in October 2015 on effective communication and cooperation amongst employees. All employees were also afforded the opportunity to build on their knowledge of business and financial English, and business German.

Kapitalska družba promotes continuing education and the acquisition of various licences in the employer's interest. This improves the quality of the work process and improves employees' qualifications for work in a specific position. In 2015 one employee thus attended master's degree courses (according to the Bologna model), three attended post-graduate courses (master's of science), while two employees attended training to receive professional qualifications.

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

Kapitalska družba ensures a safe and pleasant work environment by respecting all regulations governing workplace safety and by providing the appropriate working conditions. Tasks relating to occupational health and safety, and fire safety 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 working environment, regular periodic preventative 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 with the aim of maintaining and strengthening 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 actively participate in activities to protect and strengthen their health, including the possibility of attending organised recreational activities, and facilitate the selection of a healthy lifestyle and promote their personal development.

Collective voluntary 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 fund concluded in February 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 first premiums were paid into the MKPS in March 2015.

The costs of employee premiums for voluntary supplementary pension insurance (KVPS<sup>6</sup> in MKPS) totalled EUR 109 thousand in 2015.

### **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 and includes many young parents with small children. The Company strives to further improve the working environment and to make it possible for all employees to balance their career development and family life, which has become part of the organisational culture. We thus maintained activities in the scope of the family-friendly

<sup>6</sup> Premiums for employees were paid into the Mutual Equity Pension Fund (KVPS) until 1 March 2015.

company project in 2015. The following 12 measures were adopted during the acquisition of the basic and full certificates: 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 among employees, the participation of employees' families in temporary jobs at the Company, the giving of gifts to celebrate newborns and New Year's gifts for children. The majority of employees who responded to an opinion poll indicated that the balance of their private and work lives has improved. Among the most popular measures are the time account, the children's time bonus for the first day of primary school, and New Year's gifts and gifts for newborns.

#### **Practical training of a student registered with the Institute for Blind or Partially Sighted Youth, Ljubljana**

A student registered with the Institute for Blind or Partially Sighted Youth, Ljubljana completed a practical training programme at Kapitalska družba in 2015. We attempted to make the student's practical training as pleasant as possible, while familiarising him with the importance and work of Kapitalska družba, and with certain work processes at the Company. A great deal of emphasis was also placed on a personal approach and interaction with the student, who completed 76 hours of on-the-job training at Kapitalska družba in 2015. In this way, we made it possible for a partially sighted student to train in the work environment for the purpose of gaining a degree of independence and facilitating his inclusion in the broader social environment following the completion of his education.

### 8.3 ENVIRONMENTAL RESPONSIBILITY

#### **Waste separation**

The irrational use of natural resources and the pollution of the environment are becoming pressing issues that Kapitalska družba cannot overlook. The Company therefore established separate waste collection, which facilitates the further use and/or processing of waste. The processing of waste helps protect the environment. Because waste is used as a resource in the production of new products, we use less natural resources and significantly less energy.

The Company pays particular attention to the collection of plastic bottle caps. We collected a total of 40 kilograms during the year, which we donated to the Happy Feet Association for the Care of Persons with Developmental Disabilities in 2015.

#### **Collection of printer cartridges**

Kapitalska družba collects empty printer cartridges and sends them for refilling. Each refilled printer cartridge represents additional savings for Kapitalska družba and is part of the project to reduce and optimise operating costs. It is also a reflection of Company's responsibility for protecting the environment.

#### **Use of electricity from renewable sources**

A tender was issued in 2014 for the supply of electricity in accordance with the Decree on Green Public Procurement. The Company took into account the provisions and requirements of the aforementioned decree and signed an agreement on the supply of 100% of electricity 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 drain natural resources. Thus, the burden on the environment from greenhouse gases, harmful emissions and radioactive waste is reduced.

## Report on relations with subsidiaries

As the parent company, Kapitalska družba holds a 100% participating interest in Modra zavarovalnica, and held a 66.04% participating interest in PDP until 21 January 2015. No transactions were executed between the parent company and its subsidiaries in 2015 under conditions that deviated from market conditions.

### 9.1

#### REPORT ON RELATIONS WITH MODRA ZAVAROVALNICA.

##### **Lease of business premises**

Modra zavarovalnica leases business premises from Kapitalska družba. A lease agreement was concluded in 2011 for a period of five years. The monthly rent for equipped business premises measuring 1,704.23 m<sup>2</sup> amounts to EUR 27,714. The aforementioned rental fee includes 46 parking places and electricity costs.

##### **Use of computer programs**

As the exclusive holder of material copyrights on software used to support pension funds, including the software packages KadSkladi, ProcScheduler for the ZVPSJU, ProcScheduler for the KVPS and Kad.Net, Kapitalska družba allows Modra zavarovalnica to use that software under the relevant agreement. As the holder of rights to use a software package to support asset management, Kapitalska družba also allows Modra zavarovalnica to use the AdTreasury and Iteonaložbe software, with the consent of the exclusive holders of material rights on those programs. Their use is permitted for the period of time set out in the mutual agreement on the lease of the aforementioned programs. The monthly contractual value is EUR 9,800, excluding VAT. That amount is being reduced gradually due to Modra zavarovalnica's transition to an independent software solution for the asset and fund management.

##### **Provision of IT services**

Kapitalska družba provides IT services for Modra zavarovalnica. Those services include the maintenance of workstations and other user devices, help desk services, internet access services, messaging system services, data file and printing services, roaming services for business software in the test and production environments in Kapitalska družba's IT infrastructure, and the maintenance of the latter. The monthly fee includes the cost of labour of

experts, the cost of hardware maintenance, the costs of system software licences and internet costs. The monthly contractual value is EUR 10,752, excluding VAT.

#### **Agreement on the financing of the pension plan**

Kapitalska družba had an agreement with Modra zavarovalnica until February 2015 on the financing of the PN1 K pension plan, which is implemented by the Mutual Equity Pension Fund; an agreement has been in place since February 2015 on the financing of the PNMZ K pension plan, which is implemented by the open Modri Umbrella Pension Fund. 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.

9.2

## **REPORT ON RELATIONS WITH PDP**

### **Provision of HR services**

Kapitalska družba provided HR and general services for the subsidiary PDP until the latter's merger with SDH on 1 July 2015. The aforementioned services included all activities in connection with recruitment and the termination of employment relationships, the keeping of HR records, the compilation of data for the calculation of salaries, expert assistance in the harmonisation of internal acts, responsibility for and execution of HRM and training, and all other HR-related tasks in accordance with the applicable labour legislation. The monthly fee was EUR 150, excluding VAT.

### **Provision of financial-accounting services**

Kapitalska družba provided the following services for the subsidiary PDP until it was merged with SDH: the management of the company's books of account, the compilation of financial statements in accordance with valid standards and legislation, the preparation of tax returns and the provision of other accounting-related services. An agreement on the provision of financial-accounting services was concluded for that purpose. The monthly fee was EUR 1,666, excluding VAT.

### **Provision of IT services**

Kapitalska družba provided IT services for the subsidiary PDP until its merger with SDH. Those services included the maintenance of workstations and other user devices, help desk services, messaging system services, data file services, fixed telephony services, the leasing of business software (licences), roaming services for business software in the production environment in Kapitalska družba's IT infrastructure, and the maintenance of the latter. The monthly fee included the labour of experts, the costs of system software licences and the cost of hardware maintenance. The monthly contractual value was EUR 688, excluding VAT. With the deletion of PDP from the companies register on 1 July 2015, the agreement on the provision of the aforementioned services was also terminated.



# Indicators

		in EUR 000			
		Value		Value of indicator	
		2015	2014	2015	2014
1.	<b>FINANCING RATIOS</b>				
<b>a)</b>	<b>Equity financing ratio</b>				
	equity	951,612	925,977		
	total equity and liabilities	964,584	932,730	0.99	0.99
<b>b)</b>	<b>Long-term financing ratio</b>				
	equity + long-term liabilities (including provisions) + long-term accrued costs and deferred revenues	961,224	927,487		
	total equity and liabilities	964,584	932,730	1.00	0.99
2.	<b>INVESTMENT RATIOS</b>				
<b>a)</b>	<b>Operating fixed asset investment ratio</b>				
	fixed assets (at carrying amount)	3,928	4,255		
	total assets	964,584	932,730	0	0
<b>b)</b>	<b>Long-term investment ratio</b>				
	fixed assets + long-term deferred costs and accrued revenues (at carrying amount) + investment property + long-term financial assets + long-term operating receivables	840,042	736,641		
	total assets	964,584	932,730	0.87	0.79

		Value		Value of indicator	
		2015	2014	2015	2014
3.	HORIZONTAL FINANCIAL STRUCTURE RATIOS				
<b>a)</b>	<b>Equity to fixed assets ratio</b>				
	equity	951,612	925,977		
	fixed assets (at carrying amount)	3,928	4,255	242.26	217.63
<b>b)</b>	<b>Acid test ratio</b>				
	liquid assets	38,602	34,453		
	short-term liabilities	3,281	5,153	11.77	6.69
<b>c)</b>	<b>Quick ratio</b>				
	liquid assets + short-term receivables	41,504	35,706		
	short-term liabilities	3,281	5,153	12.65	6.93
<b>d)</b>	<b>Current ratio</b>				
	short-term assets	115,636	194,806		
	short-term liabilities	3,281	5,153	35.25	37.80
4.	EFFICIENCY RATIOS				
<b>a)</b>	<b>Operating efficiency</b>				
	operating revenues	9,553	9,064		
	operating expenses	6,156	5,524	1.55	1.64
5.	PROFITABILITY RATIOS				
<b>a)</b>	<b>net return on equity</b>				
	net profit for the period	37,572	46,749		
	average equity (excluding net profit/loss for period)	896,634	885,356	0.04	0.05
<b>b)</b>	<b>Dividends to share capital ratio</b>				
	dividends for financial year	0	0		
	average share capital	364,810	364,810	0	0

## Corporate governance statement

In accordance with the provisions of point 3.4 of the Corporate Governance Code for Companies with State Capital Investments, Kapitalska družba hereby issues its corporate governance statement for the period 1 January 2015 to 31 December 2015.

- 1.1 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 State Capital Investments, which recommends 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 hereby issues its statement of compliance with the Corporate Governance Code for Companies with State Capital Investments, which was adopted by SDH on 19 December 2014. The aforementioned code includes principles and recommended best practices for the corporate governance of companies with state capital investments. The code is published on SDH's website at <http://www.sdh.si/sl-si/upravljanje-nalozb/kodeks-upravljanja-kapitalskih-nalozb-republike-slovenije>.

The statement of compliance with the Corporate Governance Code for Companies with State Capital Investments is published on the Company's website at <http://www.kapitalska-druzba.si>.

The Management Board and the Supervisory Board of Kapitalska družba hereby declare that they voluntarily comply with the Corporate Governance Code for Companies with State Capital Investments in their work and operations. Any deviations from the Corporate Governance Code for Companies with State Capital Investments are cited and explained below:

### **3. Corporate governance framework for companies with capital assets of the state**

**3.1 The main goal of a company with state capital investments engaged in a profitable activity shall be to maximise the company's value and to generate the highest possible returns for its owner. Companies shall also pursue other goals that are defined by regulations or the articles of association of an individual company (e.g. providing a public service and providing access to the infrastructure by citizens). With the aim of ensuring the increased transparency of a company's goals and considering the fact that all shareholders must agree with the pursuit of non-economic goals, companies shall ensure that all such goals are clearly defined in their documents on incorporation, irrespective of whether those goals derive from statutory provisions or the will of shareholders and/or owners.**

**Note:** Given the specific purpose of its establishment and its planned transformation into an autonomous demographic reserve fund, and taking into account the state capital investment management strategy, Kapitalska družba's primary concern is the fulfilment of its legal obligation to provide funds to the Pension and Disability Insurance Institute.

**3.2 Notwithstanding the ownership structure, the management board of a public limited company with state capital investments and the management board of a large and medium-sized public limited company or limited liability company in which the state or SDH, individually or collectively, directly or indirectly, hold 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 content set out in Recommendation no. 21 and Appendix A.14 of the Corporate Governance Code, taking into account the state capital investment management strategy. 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 article of association, the state capital investment management strategy and short-term corporate governance guidelines. The governance policy shall include the date of the last update and shall be accessible on the company's public web site.**

**Note:** Given its transformation into an autonomous demographic reserve fund, as envisaged by the law, Kapitalska družba has not yet adopted a corporate governance policy. The Company's corporate governance 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, and taking into account the state capital investment management strategy.

## **6. Supervisory board**

**6.4 A supervisory board shall be composed in such a way as to ensure responsible supervision and decision-making in the interests of a company. The composition of a 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 diverse composition of a supervisory board, in terms of characteristics such as age, gender, international composition, etc. (i.e. the heterogeneity of its composition), shall be ensured to the greatest extent possible.**

**Note:** Kapitalska družba complies with the aforementioned provisions 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.

**6.6 If a general meeting elects members of a supervisory board, as proposed by the supervisory board, the substantiation of proposals for the adoption of resolutions shall include, in addition to the data required by 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 also shall take into account the individual criteria stated in Appendix C to the Corporate Governance Code. A supervisory board shall also disclose information as to whether a proposed candidate is independent in terms of the definition set out in the code and whether the procedures set out in the code were taken into account in the selection of a candidate.**

**Note:** 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.

**6.7.8 Immediately following the convening of a general meeting that will vote on new supervisory board members based on the proposal of the supervisory board of a company with state capital investments, 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 HR committee for accreditation. If their addresses are known, SDH's HR committee may also invite candidates to submit their applications for accreditation and nomination.**

**Note:** The Company does not comply with the aforementioned provision of the code in full, because the Republic of Slovenia represents Kapitalska družba's General Meeting. In accordance with the provisions of the ZDSH-1, three members are appointed to the supervisory board based on SDH's proposal.

## **7. Management board or senior management**

**7.3 The supervisory board of a company with state capital investments that is organised as a public limited company or as a large or medium-sized limited liability company shall draft a remuneration policy for governance bodies in accordance with the Corporate Governance Code for Companies with State Capital Investments and submit it to the general meeting for adoption. The drafting of such a proposal shall be the responsibility of the chairman of the supervisory board and the nomination committee, provided that the latter exists. At the general meeting, the chairman of supervisory board shall present shareholders and other owners the short-term remuneration policy and the implementation thereof, and shall provide an assessment of the function and role of the aforementioned policy. The supervisory board shall ensure that the remuneration of members of the management board or senior management is in line with the policy adopted by the general meeting in accordance with the law.**

**Note:** The remuneration of members of the Management Board is governed by the ZSDH-1. In accordance with the fifth paragraph of Article 51 of the ZSDH-1, the same conditions and criteria that apply to the members of the Management Board of SDH, according to the provisions of the ZSDH-1, apply to the members of Kapitalska družba's Management Board. No remuneration policy has been adopted to date.

## **10. Adoption of a code of ethics and corporate integrity**

**10.2 Companies with state capital investments shall establish a system of corporate integrity with as many elements of the Slovenian Corporate Integrity Guidelines as possible, taking into account the size of a company and the severity of breaches of corporate integrity (known or suspected). SDH supports the solution that, large companies in particular, shall entrust the oversight of corporate integrity, as an independent function, to a corporate integrity officer who will be provided the requisite training and payment for their expert assistance, and the necessary material means and authorisations to ensure their unhindered work.**

**Note:** Kapitalska družba complies with the essential elements set out in the Slovenian Corporate Integrity Guidelines, although it has not yet established the independent function of corporate integrity officer.

### 1.2

#### **Description of the main features of the Company's internal control and risk management systems in relation to the financial reporting process**

**Note:** 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 Finance and Accounting Sector, 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:

- ♦ 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
- ♦ 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 General Meeting on 31 August 2015, the Company's financial statements for 2015 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. 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.

**1.3 Significant direct and indirect ownership of the Company's securities in terms of achieving a qualifying holding as set out in the act governing takeovers**

**Note:** 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).

**1.4 Holders of securities that provide special controlling rights**

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

**1.5 Restrictions on voting rights**

**Note:** 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.

**1.6 Company's rules on the appointment and replacement of members of the management and supervisory bodies, and changes to the Articles of Association**

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

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 were appointed on the basis of a proposal by SDH, d. d., while two members were appointed on the basis of a proposal by a national-level federation/organisation of pensioners. One member was 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 upon 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 shall be appointed by the Supervisory Board on the basis of a public competition. One of the members of the Management Board is appointed the presi-

dent 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.

#### 1.7 **Powers of senior management, in particular powers to issue or purchase treasury shares**

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

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

**Note:** 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 of Shareholders is published on the websites of the AJ PES 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.

#### 1.9 **Information regarding the composition and functioning of management and supervisory bodies and their committees**

**Note:** 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.



### 1.9.1 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 2015 is given in the Report of the Supervisory Board. The Supervisory Board of Kapitalska družba functioned in the following composition in 2015:

- ◆ Samo Lozej, Chairman,
- ◆ Aldo Ternovec, Deputy Chairman (until 31 January 2015),
- ◆ Aleksander Mervar, MSc (member),
- ◆ Stanislav Seničar (member),
- ◆ Ana Bilbija (member until 31 January 2015),
- ◆ Ladislav Rožič, MSc (member),
- ◆ Dr Boris Žnidarič, (member since 1 February 2015; Deputy Chairman from 5 March 2015 to 22 November 2015); his function on the Supervisory Board has been suspended since 23 November 2015, and
- ◆ Cirila Surina Zajc (member since 1 February 2015; Deputy Chairwoman since 23 November 2015).

Two committees functioned within the Supervisory Board in 2015: an audit committee and an accreditation committee. The composition and work of the aforementioned committees are presented in the Report of the Supervisory Board.

### 1.9.2 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 2015 in the following composition:

- ◆ Bachtiar Djalil, President,
- ◆ Anja Strojín Štampar, MSc, member, and
- ◆ Dr Boris Žnidarič, member.

The President and member 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. The President of the Management Board Bachtiar Djalil began a new four-year term of office on 2 January 2015. The term of office of Anja Strojín Štampar, MSc expired on 30 November 2015. The temporary member of Kapitalska družba's Management Board, Dr Boris Žnidarič, was appointed for a period of one year by Kapitalska družba's Supervisory Board pursuant to the second paragraph of Article 273 of the ZGD-1. Dr Žnidarič's term of office began on 23 November 2015.

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, d. d. 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 2015 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.







# Financial Report



## Statement of the management's responsibility

The Management Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., approves the financial statements for the year ended 31 December 2015, and the accompanying notes and disclosures thereof on pages 73 to 128, which are an integral part of the financial statements.

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 the year ended 31 December 2015.

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 short-term legislation and International Financial Reporting Standards (IFRS).

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 may result in a significant tax liability.



Dr **Boris Žnidarič**  
Member of the Management Board



**Bachtiar Djalil**  
President of the Management Board



# Auditor's report

**Deloitte.**

Deloitte Revizija d.o.o.  
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## **INDEPENDENT AUDITOR'S REPORT to the General Meeting of the company Kapitalska družba pokojninskega in invalidskega zavarovanja d.d.**

### **Report on the Financial Statements**

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

#### *Management's Responsibility for the Financial Statements*

The management is responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. The management is also responsible for the level of internal control required in its opinion to prepare financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Member of Deloitte Touche Tohmatsu Limited

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*Opinion*

In our opinion, the financial statements give, in all material respects, a true and fair view of the financial position of the company Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d. as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**Report on Other Legal and Regulatory Requirements**

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kraj  
Certified Auditor

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

*For signature please refer to the original  
Slovenian version.*

Ljubljana, 5 April 2016

**TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS**

## Financial Statements for 2015

### 14.1 INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2015 UNTIL 31 DECEMBER 2015

in EUR 000

	Item	Notes	01/01 - 31/12/2015	01/01 - 31/12/2014
1.	Net revenue from sales	1		
a)	Sales to local companies in the Group		636	644
c)	Revenue from sales on the domestic market		8,905	8,071
	Total revenue from sales		9,541	8,715
4.	Other operating revenue (including revaluation revenue)	2	12	349
	<b>Total revenue</b>		<b>9,553</b>	<b>9,064</b>
5.	Costs of goods, materials and services	3		
b)	Costs of materials		-125	-140
c)	Costs of services		-1,659	-1,630
	Total costs of goods, materials and services		-1,784	-1,770
6.	Labour costs	4		
a)	Payroll costs		-2,141	-2,067
b)	Social security insurance costs		-341	-331
c)	Pension insurance costs		-109	-104
d)	Other labour costs		-207	-191
	Total labour costs		-2,798	-2,693



in EUR 000

	Item	Notes	01/01 - 31/12/2015	01/01 - 31/12/2014
7.	Amortisation, depreciation and write-offs	5		
a)	Depreciation and amortisation		-1,064	-1,060
	Total write-downs		-1,064	-1,060
8.	Other operating expenses	6	-510	-1
	<b>Total expenses</b>		<b>-6,156</b>	<b>-5,524</b>
	<b>Operating profit (loss)</b>		<b>3,397</b>	<b>3,540</b>
9.	Financial revenue from shares and interests	7		
a)	Shares and interests in the Group		7,867	1,838
b)	Shares and interests in associates		5,111	891
c)	Financial revenue from other shares and interests		33,679	32,622
d)	Financial revenue from other investments		5,584	9,509
	Total financial revenue from shares and interests		52,241	44,860
10.	Financial revenue from loans	7		
a)	Financial revenue from loans to Group companies		0	16
b)	Financial revenue from loans to others		995	1,064
	Total financial revenue from loans		995	1,080
11.	Financial revenue from operating receivables	7		
b)	Financial revenue from operating receivables due from others		6,954	0
	Total financial revenue		6,954	0
	<b>Total financial revenue</b>		<b>60,190</b>	<b>45,940</b>
12.	Financial expenses due to write-off and impairment of financial assets	8		
b)	Financial expenses due to impairment and write-off of other investments		-3,513	-12,064
	Total financial expenses due to impairment and write-off of financial assets		-3,513	-12,064
13.	Financial expenses for financial liabilities	8		
d)	Financial expenses for other financial liabilities		-19,001	0
	Total financial expenses for financial liabilities		-19,001	0

in EUR 000

Item	Notes	01/01 - 31/12/2015	01/01 - 31/12/2014
<b>Total financial expenses</b>		<b>-22,514</b>	<b>-12,064</b>
Profit (loss) from ordinary activity		41,073	37,416
15. Other revenue	9	26	51
16. Other expenses	10	-4	-3
Total profit (loss)		41,095	37,464
17. Income tax	11	0	-1,899
18. Deferred tax	12	-3,523	11,184
<b>19. Net profit or loss for the period</b>	<b>13</b>	<b>37,572</b>	<b>46,749</b>

Disclosures and notes on pages 73 to 128 are a constituent part of financial statements.

#### 14.2 STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2015 UNTIL 31 DECEMBER 2015

in EUR 000

		01/01 - 31/12/2015	01/01 - 31/12/2014
<b>19. Net profit or loss for the period</b>		<b>37,572</b>	<b>46,749</b>
21. Gains (losses) on revaluation of AFS financial assets		-12,397	62,079
<b>24. Total comprehensive income for the period</b>		<b>25,175</b>	<b>108,828</b>

Disclosures and notes on pages 73 to 128 are a constituent part of financial statements.

#### 14.3 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

in EUR 000

Item	Notes	31/12/2015	31/12/2014
<b>ASSETS</b>			
A. Long-term assets			
I. Intangible fixed assets and long-term deferred costs and accrued revenues	14		

in EUR 000

	Item	Notes	31/12/2015	31/12/2014
5.	Other long-term deferred costs and accrued revenues		152	268
	<b>Total intangible assets</b>		<b>152</b>	<b>268</b>
II.	Property, plant and equipment	15		
2.	Buildings		3,575	3,745
4.	Other plant and equipment		201	242
	<b>Total property, plant and equipment</b>		<b>3,776</b>	<b>3,987</b>
III.	<b>Investment property</b>	<b>16</b>	<b>17,725</b>	<b>18,277</b>
IV.	Long-term financial assets			
1.	Long-term financial assets, except loans			
a.	Shares and interests in the Group	17	152,200	152,200
b.	Shares and interests in associated companies	17	18,230	13,859
c.	Other shares and interests	19	522,935	452,208
d.	Other long-term financial assets	19	86,112	95,789
	Total long-term financial assets, except loans		779,477	714,056
2.	Long-term loans	20		
b.	Long-term loans to others		38,809	0
	Total long-term loans		38,809	0
	<b>Total long-term financial assets</b>		<b>818,286</b>	<b>714,056</b>
V.	Long-term operating receivables	21		
3.	Long-term operating receivables due from others		103	53
	<b>Total long-term operating receivables</b>		<b>103</b>	<b>53</b>
VI.	<b>Deferred tax assets</b>		<b>8,865</b>	<b>1,263</b>
	<b>Total fixed assets</b>		<b>848,907</b>	<b>737,904</b>
B.	Short-term assets			
I.	<b>Assets held for sale</b>	<b>18</b>	<b>6,574</b>	<b>82,668</b>
III.	Short-term financial assets			
1.	Short-term financial assets except loans	19		
d.	Other short-term financial assets		19,858	15,032
	<b>Total short-term financial assets, except loans</b>		<b>19,858</b>	<b>15,032</b>

	Item	Notes	31/12/2015	31/12/2014
2.	Short-term loans	20		
b.	Short-term loans to others		47,700	61,400
	Total short-term loans		47,700	61,400
	<b>Total short-term financial assets</b>		<b>67,558</b>	<b>76,432</b>
IV.	Short-term operating receivables	21		
1.	Short-term operating receivables due from the Group companies		40	46
2.	Short-term operating trade receivables		819	848
3.	Short-term operating receivables due from others		2,043	359
	<b>Total short-term operating receivables</b>		<b>2,902</b>	<b>1,253</b>
V.	<b>Cash</b>	<b>22</b>	<b>38,602</b>	<b>34,453</b>
	<b>Total short-term assets</b>		<b>115,636</b>	<b>194,806</b>
C.	<b>Short-term deferred costs and accrued revenues</b>		<b>41</b>	<b>20</b>
	<b>Total assets</b>		<b>964,584</b>	<b>932,730</b>
EQUITY AND LIABILITIES				
A.	Equity			
I.	Called-up capital	23	364,810	364,810
II.	Capital surplus	24	216,413	215,953
III.	Revenue reserves	25	0	0
IV.	Revaluation surplus	26	286,068	298,465
V.	Retained earnings		46,749	0
VI.	Net profit/loss for the year		37,572	46,749
	<b>Total equity</b>		<b>951,612</b>	<b>925,977</b>
B.	Provisions and long-term accrued costs and deferred revenue	27		
I.	Provisions for pensions and similar obligations		154	159
II.	Other provisions		581	82
	<b>Total provisions and accrued costs and deferred revenues</b>		<b>735</b>	<b>241</b>
C.	Long-term liabilities			

in EUR 000				
	Item	Notes	31/12/2015	31/12/2014
I.	Long-term financial liabilities	29	0	0
II.	Long-term operating liabilities	28		
4.	Long-term operating liabilities from advances		12	6
	<b>Total long-term operating liabilities</b>		<b>12</b>	<b>6</b>
III.	<b>Deferred tax liabilities</b>		<b>8,865</b>	<b>1,263</b>
	<b>Total long-term liabilities</b>		<b>8,877</b>	<b>1,269</b>
II.	Short-term financial liabilities	29	0	0
III.	Short-term operating liabilities	28		
2.	Short-term operating trade payables		2,986	2,968
4.	Short-term operating liabilities from advances		0	6
5.	Short-term liabilities to the State		12	1,910
6.	Other short-term operating liabilities		283	269
	<b>Total short-term operating liabilities</b>		<b>3,281</b>	<b>5,153</b>
	<b>Total short-term liabilities</b>		<b>3,281</b>	<b>5,153</b>
D.	<b>Short-term accrued costs and deferred revenues</b>		<b>79</b>	<b>90</b>
	<b>Total equity and liabilities</b>		<b>964,584</b>	<b>932,730</b>

Disclosures and notes on pages 73 to 128 are a constituent part of financial statements.

#### 14.4 CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2015 UNTIL 31 DECEMBER 2015

in EUR 000			
	Item	01/01 - 31/12/2015	01/01 - 31/12/2014
A.	<b>Cash flows from operating activities</b>		
a)	Net profit or loss and adjustments		
	Profit or loss before tax	41,095	37,464
	Income tax and other taxes not included in operating expenses	0	-1,899
	Adjustments for amortisation and depreciation	1,064	1,060

Item	01/01 - 31/12/2015	01/01 - 31/12/2014
Adjustments for financial revenue from financing	-34,319	-10,461
Adjustments for financial expenses from financing	22,514	12,064
<b>Total cash flow derived from the income statement items</b>	<b>30,354</b>	<b>38,228</b>
<b>b) Changes in net operating assets in the balance sheet items</b>		
Opening less closing operating receivables	-1,699	97
Opening less closing deferred costs and accrued revenues	-21	-3
Opening less closing deferred tax assets	3,523	27,306
Closing less opening operating liabilities	-1,872	1,829
Closing less opening accrued costs and deferred revenues, and provisions	483	-358
Closing less opening deferred tax liabilities	-3,523	-27,306
<b>Total net operating assets in the operating balance sheet items</b>	<b>-3,109</b>	<b>1,565</b>
<b>c) Net cash from (used in) operating activities</b>	<b>27,245</b>	<b>39,793</b>
<b>B. Cash flows from investing activities</b>		
<b>a) Cash receipts from investing activities</b>		
Interest and dividends received from investing activities	28,186	31,321
Cash receipts from disposal of long-term financial assets	46,803	14,939
Cash receipts from disposal of short-term financial assets	8,874	0
<b>Total cash receipts from investing activities</b>	<b>83,863</b>	<b>46,260</b>
<b>b) Cash disbursements from investing activities</b>		
Cash disbursements to acquire intangible assets	-41	-50
Cash disbursements to acquire property, plant and equipment	-43	-166
Cash disbursements to acquire investment property	-101	-70
Cash disbursements to acquire long-term financial assets	-88,234	0
Cash disbursements to acquire short-term financial assets	0	-53,121
<b>Total cash disbursements from investing activities</b>	<b>-88,419</b>	<b>-53,407</b>
<b>c) Net cash from (used in) investing activities</b>	<b>-4,556</b>	<b>-7,147</b>
<b>C. Cash flows from financing activities</b>		
<b>a) Cash receipts from financing activities</b>		
Capital increase and effect of free acquisition of investments	460	86
<b>Total cash receipts from financing activities</b>	<b>460</b>	<b>86</b>

in EUR 000

Item	01/01 - 31/12/2015	01/01 - 31/12/2014
b)	Cash disbursements from financing activities	
	Cash repayments of long-term financial liabilities	-19,000
	<b>Total cash disbursements from financing activities</b>	<b>-19,000</b>
c)	Net cash from (used in) financing activities	-18,540
<b>D.</b>	<b>Closing balance of cash</b>	
a)	Net cash for the period	4,149
b)	Opening balance of cash	34,453
c)	<b>Total closing balance of cash</b>	<b>38,602</b>

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Disclosures and notes on pages 73 to 128 are a constituent part of financial statements.

#### 14.5 STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2015 UNTIL 31 DECEMBER 2015

in EUR 000

	Share capital	Capital surplus	Revaluation surplus	Retained earnings	Net profit or loss for the year	Total
<b>A. 1.</b>	<b>As at 31 December 2014</b>					
	364,810	215,953	298,465	0	46,749	925,977
<b>A. 2.</b>	<b>As at 1 January 2015</b>					
	364,810	215,953	298,465	0	46,749	925,977
<b>B. 1.</b>	<b>Changes in equity – transactions with owners</b>					
d)	0	460	0	0	0	460
<b>B. 2.</b>	<b>Total comprehensive income for the period</b>					
a)	0	0	0	0	37,572	37,572
d)	0	0	-12,397	0	0	-12,397
<b>B. 3.</b>	<b>Movements in equity</b>					
a)	0	0	0	46,749	-46,749	0
<b>C.</b>	<b>Closing balance as at 31 December 2015</b>					
	364,810	216,413	286,068	46,749	37,572	951,612

Disclosures and notes on pages 73 to 128 are a constituent part of financial statements.

In 2015, the capital surplus increased by EUR 460 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 2014 UNTIL 31 DECEMBER 2014

in EUR 000

	Share capital	Capital surplus	Revaluation surplus	Net profit or loss for the year	Total
<b>A. 1. As at 31 December 2013</b>	<b>364,810</b>	<b>215,867</b>	<b>236,386</b>	<b>0</b>	<b>817,063</b>
a) Changes from the transition to IFRS	0	0	0	0	0
b) Retrospective adjustments (change in accounting policies)	0	0	0	0	0
<b>A. 2. As at 1 January 2014</b>	<b>364,810</b>	<b>215,867</b>	<b>236,386</b>	<b>0</b>	<b>817,063</b>
<b>B. 1. Changes in equity – transactions with owners</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>0</b>	<b>86</b>
d) Additional payments of capital	0	86	0	0	86
<b>B. 2. Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>62,079</b>	<b>46,749</b>	<b>108,828</b>
a) Net profit or loss for the period	0	0	0	46,749	46,749
d) Gains (losses) on revaluation of financial assets	0	0	62,079	0	62,079
<b>B. 3. Movements in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. Closing balance as at 31 December 2014</b>	<b>364,810</b>	<b>215,953</b>	<b>298,465</b>	<b>46,749</b>	<b>925,977</b>

Disclosures and notes on pages 73 to 128 are a constituent part of financial statements.

#### 14.7 DISTRIBUTABLE PROFIT FOR 2015

in EUR 000

	31/12/2015	31/12/2014
a Net profit/loss for the year	37,572	46,749
b + Net profit/loss brought forward	46,749	0
<b>f Distributable profit (a+b+c-d-e), distributed by the AGM</b>	<b>84,321</b>	<b>46,749</b>

In 2015, Kapitalska družba disclosed distributable profit in the amount of EUR 84,321 thousand.



## Disclosures and notes

### 15.1 GENERAL DISCLOSURES

#### **Profile of the Company**

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 real estate, lease of own real estate, software supply and consultancy, data processing, network data services, other computer related activities, accounting and book-keeping 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 the 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 Annual General Meeting. In compliance with Article 51(6) of the 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.<sup>7</sup> (Slovenian Sovereign Holding), two members on the proposal of the pensioners' governmental organisations 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 Annual General Meeting. The candidates from among the representatives of the Slovenian Sovereign Holding 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' governmental organisations and associations, 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 re-appointment.

#### Information about the controlling entity

Kapitalska družba does not have a controlling entity.

#### Information about subsidiaries

Subsidiaries of Kapitalska družba are presented in the table below.

Subsidiary	Country	Share in equity	in EUR 000	
			Equity of the company as at 31 December 2015	Net profit for 2015
Modra zavarovalnica, d. d.	Slovenia	100.00%	201,324 <sup>8</sup>	4,725 <sup>9</sup>
Steklarska nova Rogaška Slatina, d. o. o. – in bankruptcy	Slovenia	100.00%	negative	n.a.

As the parent company, Kapitalska družba consolidates Modra zavarovalnica.

Kapitalska družba does not consolidate the subsidiary Steklarska nova Rogaška Slatina, d. o. o. in consolidated financial statements, since the integration of subsidiary's financial statements in consolidated statements is not relevant for a true and fair view of the financial statements of the Kapitalska družba Group as a whole.

<sup>7</sup> The short-term three members of the Supervisory Board were appointed on the proposal of Slovenska odškodninska družba, d. d. according to the previously applicable ZSDH.

<sup>8</sup> Data on equity at 31 December 2015 is not audited.

<sup>9</sup> Data on net profit for 2015 is not audited.

## Basic data on 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 2015, the sole shareholder of Modra zavarovalnica, d. d., was Kapitalska družba. The share capital of the insurance company amounts to EUR 152,200,000. The 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) 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 2, paragraph 2, item 1 of the ZZavar;
- ♦ life insurance – Article 2, paragraph 2, item 19 of the ZZavar;
- ♦ unit-linked insurance (units of investment funds or long-term business fund) – Article 2, paragraph 2, item 21 of the ZZavar.

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 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. Moreover, Kapitalska družba is not obligated to provide financial support to companies in the future.

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

## Data on consolidation

Kapitalska družba is, as the controlling company, obligated to prepare consolidated financial statements and for 2014 it compiled them according to the IFRS for the first time. The consolidated financial statements of the Kapitalska družba Group for 2015 are presented in a special document entitled the Consolidated Annual Report of the Kapitalska družba Group for 2015.

The Annual Report of Kapitalska družba, d. d. for 2015 has to be read in conjunction with the Consolidated Annual Report of the Kapitalska družba Group for 2015, which will be prepared upon the drafting of the Annual Report of Kapitalska družba for 2015 and the annual reports of its subsidiary for 2015.

The consolidated Annual Report of the Kapitalska družba Group is available at [http://www.kapitalska-druzba.si/o\\_kapitalski\\_druzbi/letna\\_porocila](http://www.kapitalska-druzba.si/o_kapitalski_druzbi/letna_porocila).

## Information about employees

At the end of 2015, Kapitalska družba had 59 employees inclusive of the two members of the Management Board. In 2015 the Company had 59 employees on average. The number of

employees of Kapitalska družba as at 31 December 2015 and the average number of employees in 2015 according to the level of education is presented in the table below.

Table 17: **Number of employees and average number of employees by educational level in 2015**

Level of education	Number of employees as at 31 December 2015	Average number of employees in 2015
IX.	2	1
VIII.	7	8
VII.	30	30
VI.	6	6
V.	13	13
IV.	1	1
<b>Total</b>	<b>59</b>	<b>59</b>

## 15.2 ACCOUNTING POLICIES

### Basis of preparation

The financial statements for 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, and the Companies Act.

Data in 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 revenues and expenses.

The adequacy of used assumptions and estimates is checked periodically.

Relevant estimates refer to the impairment of assets, the classification of financial instruments and the distinction between the financial instruments held to maturity and available for sale, and the establishment of provisions.

On the date of the 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 asset is impaired. Impairment loss is recognised in the profit or loss.

The estimates of asset value mainly depend on the short-term 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 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 fair value of long-term provisions.

## 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 IFRS and IFRIC required in 2015. It did not apply any standard or interpretation before its application became obligatory in 2015.

## Amendments to standards and interpretations

### Standards and interpretations effective for the short-term period

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

- ◆ Amendments to various standards – ‘Improvements to IFRSs (2011-2013)’, resulting from the annual project for improvement of IFRSs (IFRS 3, IFRS 13 and IAS 40) primarily with a view to remove inconsistencies and to clarify wording, adopted by the EU on 18 December 2014 (the amendments will need to be applied for annual periods beginning on or after 1 January 2015),
- ◆ IFRIC 21 ‘Levies’, adopted by the EU on 13 June 2014 (effective for annual periods starting on or after 17 June 2014).

The adoption of these amendments to the existing standards and interpretations has not led to significant changes in the Company’s financial statements.

### Standards and interpretations issued by IASB and adopted by the EU but not yet effective

On the date of approval of these financial statements, the following amendments to the existing standards issued by IFRIC and adopted by the EU were in issue but not yet effective:

- ◆ Amendments to IFRS 11 ‘Joint Arrangements’ – Accounting for Acquisitions of Interests in Joint Operations, which the EU adopted on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- ◆ Amendments to IAS 1 ‘Impairment of Assets’ – Disclosure Initiative, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- ◆ Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 38 ‘Intangible Assets’ – Clarification of Acceptable Methods of Depreciation and Amortisation, adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- ◆ Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 41 ‘Agriculture’ - Agriculture: Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- ◆ Amendments to IAS 19 ‘Employee Benefits’ - Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods starting on or after 1 February 2015),
- ◆ Amendments to IAS 27 ‘Separate Financial Statements’ – Equity Method in Separate Financial Statements, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- ◆ Amendments to various standards – ‘Improvements to IFRSs (2010-2012)’, resulting from the annual project for improvement of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to remove inconsistencies and to clarify wording adopted by the EU on 17 December 2014 (the amendments will need to be applied for annual periods beginning on or after 1 February 2015),

- ◆ Amendments to various standards – ‘Improvements to IFRSs (2012-2014)’, resulting from the annual project for improvement of IFRSs (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to remove inconsistencies and to clarify wording, adopted by the EU on 15 December 2015 (the amendments will need to be applied for annual periods beginning on or after 1 January 2016).

#### **Standards and interpretations 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 regulations adopted by the International Accounting Standards Board (IASB) except from 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):

- ◆ IFRS 9 ‘Financial Instruments’ (effective for annual periods starting on or after 1 January 2018),
- ◆ 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 issued,
- ◆ IFRS 15 ‘Revenue from Contracts with Customers’ and subsequent amendments (effective for annual periods starting on or after 1 January 2018),
- ◆ IFRS 16 ‘Leases’ (effective for annual periods starting on or after 1 January 2019),
- ◆ Amendments to IFRS 10 ‘Consolidated Financial Statements’, IFRS 12 ‘Disclosure of Interests in Other Entities’ and IAS 28 ‘Investments in Associates and Joint Ventures’ – Investment entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- ◆ Amendments to IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 ‘Investments in Associates and Joint Ventures’ – Sales or contributions of assets between an investor and its associate/joint venture, and further amendments (the date of entry into force has been deferred indefinitely until the completion of the research project related to equity method),
- ◆ Amendments to IAS 12 ‘Income Taxes’ – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

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.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not yet been adopted by the EU, is still unregulated.

According to the Company’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: ‘Financial Instruments: Recognition and measurement’ would not significantly impact the financial statements, if applied as at the date of the cash flow statement.

#### **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 profit or loss. 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.

The financial statements have been compiled on historical cost basis, except for financial assets at fair value through profit or loss and available-for-sale financial assets, measured at fair value. 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

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 disposition of net profits for creation of the Company's reserves according to provisions of the Public Utilities Act. Such disposition of profits is included in statements of the current year, whereas the Company's Assembly determines the distribution of distributable profit. In line with Article 52(2) of the 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	10
Software applications obtained after 1 January 2008	20.00–33.33

The amortisation of intangible assets is calculated on the straight-line basis over the estimated useful lives of the assets, which is 10 years. The estimated useful life of software applications acquired after 1 January 2008 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 is disclosed as impairment loss directly in the 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 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 fixed assets 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 is disclosed as impairment loss directly in the income statement.

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

## Financial assets

### Classification of financial assets

Financial assets of Kapitalska družba are classified into the following groups:

- ♦ financial assets at fair value through profit or loss,
- ♦ held-to-maturity financial assets,
- ♦ loans, and
- ♦ available-for-sale financial assets.

The classification depends on the purpose for which an investment was acquired.

An asset is classified in the group of financial assets at fair value through profit or loss if:

- a. at least one of the following criteria is fulfilled:
  - a financial asset has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
  - a financial asset is part of a portfolio of identified financial instruments that are managed together and
  - for which there is evidence of a recent actual pattern of short-term profit-taking;
- b. it is a derivative (except for a derivative that is a designated and effective hedging instrument);
- c. it is any financial asset designated as such by the entity, if active market for such asset exists or if its value can be measured reliably.

An asset is classified in the group of held-to-maturity financial assets if the following criteria are fulfilled:

- a. a financial asset is a non-derivative financial asset with fixed or determinable payments;
- b. it has determinable maturity;
- c. which the Company has the positive intent and ability to hold to maturity.

The group of available-for-sale financial assets comprises the financial assets not classified in any other group.

Based on the prescribed classification criteria the shares listed on the stock exchange may be classified into the group of assets measured at fair value through profit or loss or in the group of available-for-sale financial assets. In addition to these two groups, bonds may be also classified into the group of assets held to maturity. Most assets of the Company are classified into the group of available-for-sale financial assets.

Long-term and short-term financial assets are disclosed separately in the statement of financial position. Long-term financial assets are investments that the Company intends to hold for a period longer than one year and which are not held for trading.

## Recognition of financial assets

Initially, all the Company's investments except financial assets classified at fair value through profit or loss are recognised at cost, plus transaction costs. Assets classified at fair value through profit or loss are recognised at fair value, with direct costs of acquisition not included in the cost, but rather charged directly against profit or loss under investment expense.

### 1. Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value. Gains and losses on assets designated at fair value through profit or loss are recognised directly in the profit or loss.

The fair value of assets actively traded on regulated markets is determined at the quoted closing price on the stock exchange on the last trading day of the period. The fair value of assets whose market price is not quoted on financial markets is determined on the basis of a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the short-term fair value of another instrument that is substantially the same, and the discounted cash flow analysis.

Acquisition and sale of assets classified at fair value through profit or loss are recognised on the trading day i.e. on the day of commitment to buy or to sell a financial asset.

### 2. Financial assets held to maturity

Financial assets with fixed or determinable payments and maturity, other than derivative financial instruments, are recognised as held-to-maturity financial assets if the Company has a positive intention and the ability to hold the investment to maturity. Investments held for an indefinite period of time are not classified into this group.

Investments which are recognised as held-to-maturity are carried at amortised cost using the effective interest rate method. The amortised cost is calculated by allocation of the premium or the discount on acquisition over the period until the maturity of the investment. Gains and losses on investments carried at amortised cost are recognised in the profit or loss (disposal, impairment or effects of the discount premium amortisation). Investments designated as held-to-maturity are recognised on the settlement date.

### 3. Available-for-sale financial assets

After the initial recognition, all investments designated as available for sale, are measured at fair value or at cost, if fair value cannot be determined reliably. Gains and losses on available-for-sale financial assets are recognised in the statement of comprehensive income as the net unrealised capital gains until the investment is sold or disposed of in some other manner. When an asset is impaired, the impairment is recognised in the profit or loss.

Acquisition and sale of investments classified as available-for-sale financial assets are recognised on the trading date i.e. on the day of commitment to buy or to sell an individual financial asset.

### 4. Loans

Loans and receivables are financial assets with fixed or determinable payments that are not traded on a regulated market. They include loans and receivables acquired by the Company as well as those granted by the Company. Loans and receivables are measured at amortised cost using the effective interest rate method and are recognised on the settlement date.

## Financial assets measured at cost

Assets are measured at cost if the fair value cannot be reliably measured, because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

Available-for-sale financial assets are measured at stock prices. If a stock price is not available for a particular asset, the fair value is determined using the valuation models taking into account subjective variables that are not publicly available on markets or by making value estimates of particular assets. The following methods are applied in making the value estimates of particular assets: income-based valuation, asset-based valuation and the comparison approach, involving a comparison with the comparable listed companies.

## Investments in subsidiaries and associated companies

A consolidated subsidiary is an entity in which the controlling entity 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. An associate is a company in which the parent has a significant influence and which is neither a subsidiary nor a joint venture.

In the separate financial statements, investments in the equity of subsidiaries are measured at cost, less any impairment loss.

In the separate financial statements, investments in associates are measured at fair value (market value) or at cost if fair value cannot be determined reliably, reduced by impairment losses. Gains and losses on these investments are recognised in equity as a revaluation surplus from investments until the investment is sold or disposed of in some other manner. When an asset is impaired, the impairment is recognised in the profit or loss.

The Company discloses associates and joint ventures according to IAS 28. The reversal of impairment of associates and joint ventures is recognised as income, but only up to the amount of the investment impaired in the past.

## Financial asset valuation methods

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.

Share valuations are made according to the income-based approach, the discounted free cash flow method, asset-based approach, the regular liquidation method and the market comparison valuation method, involving a comparison with the comparable listed companies. Bond valuations were made according to the market comparison valuation method, involving a comparison with the comparable listed bonds.

The shares whose value cannot be reliably measured are disclosed at historical cost.

## Determination of fair value

Fair value assessment of financial investments depends on availability of market data based on which the Company can assess fair value. Three levels are applied in fair value measurement:

- ◆ Level 1 input comprises quoted (unadjusted) prices for identical assets or liabilities in an active market which are available to the Company on the measurement date;

- ◆ Level 2 input includes inputs other than the quoted prices included in Level 1 and which are observable either directly or indirectly for an asset or liability;
- ◆ Level 3 input includes unobservable inputs for an asset or liability.

The entire IFRA 13 must be applied in fair value measurement assessment, in addition to the above stated levels.

The valuation of Level 2 fair value was applied to certain bonds according to the market comparison valuation method, involving a comparison with the comparable listed bonds. The valuation of certain Level 2 shares was made using the method involving a comparison with the comparable listed companies.

The fair value valuation of Level 3 assets was made by applying the income-based approach, the discounted free cash flow method, and the asset-based approach according to the regular liquidation method.

Moreover, Level 3 fair value includes all assets where fair value of debt financial instruments is determined using the Bloomberg Generic prices (BGN) and the Bloomberg Valuation Services prices (BVAL). This methodology and assumptions of price calculation are not available to the public, so all these assets are classified into Level 3 fair value hierarchy.

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.

### **Impairment of financial assets**

The Company is regularly checking if there is a need for impairment of financial assets. Investments whose value has significantly declined in the reporting period and/or such a decline is prolonged are impaired. The Company considers a significant decline in the value of equity investments to be one in which the amount of the negative revaluation and exchange rate differences recognised in the equity reach 40% of the investment's cost. In this case such equity investments are impaired in the total amount of the cumulative unrealised net loss and exchange rate differences. When the amount of revaluation due to impairment and exchange rate differences recognised in the equity equals between 10% and 39%, the Company considers the need for impairment based on the time component and the relevance of investments in terms of the portfolio size. When the negative revaluation recognised in the equity equals between 10 and 39% of the investment's cost and the investment is not impaired, there must be relevant indicators to show that impairment is not required. The need for impairment of such financial assets is reviewed at least on the date of the statement of financial position or more often if necessary. Once an investment has been impaired, the total amount of the negative revaluation recognised in equity inclusive of exchange rate differences is impaired in future periods.

The Company only impairs debt instruments classified as available-for-sale whose principal amounts will not be recovered or will not be recovered in full on maturity according to the estimate made by the Company as a prudent manager. In the former case such debt instruments are impaired to zero, while in the latter case, debt instruments are impaired to the percentage of the principal which the Company estimates with certainty to be repaid on maturity. In the latter case, debt instruments that have no material effect on the financial statements are not carried at amortised costs but rather at estimated realisable value. The need for impairment of such financial assets is reviewed at least on the date of the statement of financial position or more often if necessary.

The above does not apply to non-marketable investments whose fair value is determined by model. These investments are always subject to permanent impairment recognised in the income statement.

#### **Impairment and reversal of impairment of financial assets carried at amortised cost**

If there is objective evidence that an impairment loss on loans or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of that item of asset has to be decreased through the allowance account. Impairment losses have to be posted in operating result as revaluation financial expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed through the allowance account. The reversal of impairment losses shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been if the impairment loss had not been recognised at the date on which the impairment loss is reversed. The amount of the reversal of an impairment loss shall be recognised in profit or loss as revaluation financial revenue.

#### **Impairment and reversal of impairment of financial assets carried at cost**

If there is objective evidence that an impairment loss has incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the short-term market rate of return for similar financial assets. Such impairment losses shall not be reversed. Kapitalska družba is using the valuation model to determine if there is objective evidence of impairment.

#### **Impairment and reversal of impairment of available-for-sale financial assets**

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and short-term fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

#### **Recoverable amount of long-term assets**

As at the reporting date the Company estimates if there exist any factors indicating that long-term 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 short-term 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 the revaluation operating expenses.

## **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.

## **Long-term assets (disposal groups) held for sale**

Long-term assets (disposal groups) held for sale are those whose carrying amount is justifiably expected to be settled predominantly with a sale in the next 12 months 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 long-term 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. The allowance assessments are based on the Company's reasonable expectations that a payment is no longer likely in full and/or in a specific amount.

## **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.

## **Deferred costs and accrued revenues**

Deferred costs and accrued revenues include short-term deferred costs and short-term accrued revenues.

## **Equity**

Kapitalska družba holds 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. Kapitalska družba holds no treasury shares.

Total equity consists of: called-up capital, capital surplus, revenue reserves, retained net earnings or retained net loss, revaluation surplus and temporarily undistributed net profit or unsettled loss for the financial year.

Revenue reserves are recognised according to the ZGD-1. In line with Article 52(2) of the 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.

## Revaluation surplus

Revaluation surplus arises solely from effects of valuation of financial assets available for sale at fair value. Amounts of revaluation surplus disclosed in the statement of financial position are corrected for amounts of deferred tax.

## Provisions

Provisions are recognised for short-term 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 provision are disclosed decreased by expected reimbursement.

The Company established long-term provisions:

- ♦ 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;
- ♦ if a law suit is filed against Kapitalska družba or if the Company estimates a claim is very probable;
- ♦ 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.



## Accrued costs and deferred revenues

Accrued costs and deferred revenues comprise accrued revenue and other accruals and income collected in advance. Accrued costs are the disclosed accrued costs from ordinary activity of the Company.

### Revenue

The revenue is recognised if the increase of economic benefits in the accounting period is related to the increase in assets or decrease in liabilities and if the increases can be measured reliably. Revenues and increases of assets or decreases of liabilities are recognised simultaneously. The Company recognises the following types of revenues:

#### 1. Revenue from fees

Kapitalska družba is entitled to entry and exit fees as well as an annual management fee for the management of the pension funds' assets. Entry fees are charged as a percentage of the premium paid, the exit fees represent a percentage of redemption value, whereas the management fee is calculated as a percentage of total average net asset value of an individual fund during the saving period.

##### a. Entry fee

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 fee

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.

#### 2. Revenue from lease payments

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

### Financial revenue

#### 3. Interest

Interest income 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 when they are declared.



## 5. Revenue from sale of financial assets

Revenues from the sale of financial assets (gains on the disposal of financial assets) are accounted for and recognised on 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.

### Borrowing costs

Costs of borrowings are recognised in the period to which they refer.

## Employee benefits

Labour 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 short-term 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. Revaluation financial expenses arise in association with the impairment of financial assets. Expenses from the sale of financial assets (losses on the disposal of financial assets) are accounted for and recognised on the trading day.

## Tax

### 1. Short-term tax

Short-term 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. Short-term tax assets or liabilities are measured using the tax rates enacted at the date of the statement of financial position.

### 2. Deferred tax

Deferred tax is provided using the balance sheet liability method. 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 short-term tax assets against short-term 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 2015 and 31 December 2014, income statement data for the year 2015, and additional data necessary for the adjustment of revenue and expenditure and for the appropriate breakdown of significant items.

## **Risk management**

Particularly in the economic crisis, risk management proved to be a very important area, because efficient risk management is a condition for successful and stable operations. Therefore, risk management is crucial in performing activities to achieve the goals of Kapitalska družba. The use of standard methodologies for managing risk enables 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 organised a Risk Management Department, subordinate directly to the Company's Management Board, coordinating and monitoring 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 2015 updated the register of risks to which the Company is or could be exposed in operations.

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 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 through the calculation of values at risk (VaR) applied to the portfolio as a whole as well as separately for equity and debt securities. 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.

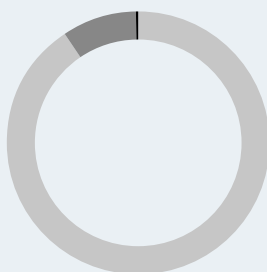
Kapitalska družba endeavours to minimise risks arising from interest rates by restructuring the portfolio based on market conditions, by reducing the average maturity of bond portfolios, by classifying investments in the group of assets held to maturity, by disposing of debt securities with fixed interest 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.

Figure 9: Currency composition of the financial asset portfolio of Kapitalska družba as at 31 December 2015

- EUR 90.8%
- USD 9.0%
- Other 0.2%



## 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 for investments in debt securities is implemented by careful selection of business partners, regular monitoring of companies' operations and by establishing and complying with investment limits with regard to exposure to 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 exposure, i.e. high yield, is set for debt securities.

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.

### **Liquidity risk**

Liquidity risk is 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 the majority 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 instruments. 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.

### **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 goals defined in the business strategy and the prevention of errors that would result in dissatisfaction of business partners. 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 2013, two lawsuits were filed against Kapitalska družba in relation to the exercise of the right to receive once-off redemption value of the funds held in the personal capital account pursuant to Article 206(5) of the ZPIZ-2, and in 2014 another two lawsuits, one involving 194 MORS insured persons on the side of the plaintiff. In 2015 one lawsuit was filed by MNZ insured person to recognise its right to payment based on Article 206(5) of the ZPIZ-2. At the end of December 2015, MORS insured persons filed 14 new lawsuits claiming the right to payment of surrender value in a single amount, of which two were class actions (37 and 8 insured persons). In 2014, one lawsuit was withdrawn, meaning that 18 remain pending. As the interpretation of Article 206(5) of the ZPIZ-2 to which the plaintiffs refer in the said lawsuits is not clear, the Government of the Republic of Slovenia proposed that an authentic

interpretation of the said provision be adopted. This was made in June 2014. In June 2014, the Military Trade Union of Slovenia (SVS) applied with the Constitutional Court of the Republic of Slovenia for a review of constitutionality and lawfulness of the authentic interpretation of Article 206(5) of the Pension and Disability Insurance Act (ZPIZ-2). The Constitutional Court has not yet decided on this matter. The decision on this matter will most likely also influence the resolution of the disputes in the remaining 18 lawsuits against Kapitalaska družba.

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

Kapitalaska družba devotes special attention to the management of risks, which arise from investments where the Company holds a significant share. Kapitalaska 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 Kapitalaska družba Group, lays down new guidelines on risk management. Corporate governance of the Kapitalaska 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 business of the subsidiary is monitored by the Asset Management Department, with a manager assigned to each equity investment. 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 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 (Slovenski državni holding, d. d.) adopted the Corporate Governance Code for Companies with a State Capital Investment, which has been reasonably applied also by Kapitalaska družba due to unification.

Every year Kapitalaska družba adopts at the general meetings of shareholders of companies the Voting Positions of Kapitalaska 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 EUR 000	
	2015	2014
Revenue from fund's management	7,843	7,079
- management fee	6,528	5,834
- entry fee	1,239	1,210
- exit fee	47	29
- revenues from pension annuities	29	6
Revenue from lease payments	1,395	1,325
Other revenue from sales	303	311
<b>Total</b>	<b>9,541</b>	<b>8,715</b>

Net sales of EUR 9,541 thousand were realised on the local market. A major part of rental revenue represents rental income from investment property.

#### Note no. 2

##### Other operating revenue (including revaluation revenue)

	in EUR 000	
	2015	2014
Revenue from reversal of provisions	11	349
Revaluation operating revenue	1	0
<b>Total</b>	<b>12</b>	<b>349</b>

In 2015, Kapitalska družba reversed provisions for onerous contracts in the amount of EUR 11 thousand.

EUR 1 thousand of revaluation operating revenue represents gains from the disposal of fixed assets.

#### Note no. 3

##### Costs of goods, materials and services

	in EUR 000	
	2015	2014
Costs of materials	125	140
Costs of services	1,659	1,630
<b>Total</b>	<b>1,784</b>	<b>1,770</b>

### Costs of materials

Costs of materials comprise costs of power supply, write-off of low value assets, costs of office stationery and professional literature, and other costs of materials.

### 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 associated with labour, costs of payment transactions, banking services and insurance premiums, costs of intellectual and personal services, costs of advertising and entertainment, costs of services provided by natural persons, and costs of other services.

### Costs of audit

The costs of auditing the 2015 financial statements and Annual Report of Kapitalska družba, d. d., totalled EUR 10,600.

### Note no. 4

#### Labour costs

	in EUR 000	
	2015	2014
Payroll costs	2,108	2,020
Salary substitutes	33	47
Supplementary pension insurance costs	109	104
Pay for annual leave, reimbursements and other receipts	207	191
Other employer's contributions on salaries, salary substitutes, bonuses, reimbursements and other receipts of employees	341	331
<b>Total</b>	<b>2,798</b>	<b>2,693</b>

### Note no. 5

#### Amortisation, depreciation and write-offs

	in EUR 000	
	2015	2014
Amortisation of intangible assets	157	198
Depreciation of buildings	159	159
Depreciation of garages	11	11
Depreciation of equipment and spare parts	84	43
Depreciation of investment property	653	649
<b>Total</b>	<b>1,064</b>	<b>1,060</b>

#### Amortisation of intangible assets

Total amortisation expense of EUR 157 thousand represents amortisation of software.

#### Depreciation of buildings

Depreciation of buildings represents depreciation of offices owned by the Company in the "Stekleni dvor" building in the amount of EUR 159 thousand.

### Depreciation of garages

Total costs of EUR 11 thousand represent depreciation of garages in the “Glavarjeva rezidenca” building.

### Depreciation of equipment and spare parts

A major part of depreciation of equipment and spare parts represents depreciation of computers and electronic equipment (EUR 72 thousand), wooden furniture (EUR 6 thousand), and other equipment (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 622 thousand, and EUR 28 thousand of depreciation expense relating to leased out parking spaces as well as depreciation of part of investment property totalling EUR 3 thousand.

## Note no. 6

### Other operating expenses

	in EUR 000	
	2015	2014
Provisions	510	0
Other	0	1
<b>Total</b>	<b>510</b>	<b>1</b>

In 2015, Kapitalska družba established provisions of EUR 13 thousand for non-achievement of guaranteed rate of return on fund SOPDZ. In 2015, the Company established provisions for a contingent liability arising from Indemnity Agreement in the amount of EUR 497 thousand.

## Note no. 7

### Financial revenue

	in EUR 000	
	2015	2014
Financial revenue from shares and interests	46,657	35,351
Financial revenue from other investments and loans	6,579	10,589
- Financial revenue from other investments	5,584	9,509
- Financial revenue from loans	995	1,080
Financial revenue from operating receivables	6,954	0
<b>Total</b>	<b>60,190</b>	<b>45,940</b>

In 2015, financial revenue from participations grew compared to 2014 owing to higher dividend of Modra zavarovalnica, d. d., amounting to EUR 7,867 thousand, which is the consequence of higher distributable profit of the company in 2014 (in 2014, dividend paid totalled EUR 1,838 thousand) and revenue from the reversal of impairments of associated companies equalling EUR 4,000 thousand, which were not made in 2014.



Financial revenue from other investments was lower in 2015 than in 2014 because of revenue from the sale of bonds in 2014 in the amount of EUR 3,981 thousand, which were not recorded in 2015, and lower interest income.

Financial revenue from operating receivables totalling EUR 6,954 thousand constitutes repayment of state aid from Elan, d. o. o., which did not happen in 2014.

#### Financial revenue from shares and interests

	in EUR 000	
	2015	2014
Dividends and shares in profits	26,618	20,756
Revaluation financial revenue	119	7
Revenue from the sale of financial assets available for sale	15,920	14,588
Revenues from reversal of impairments	4,000	0
<b>Total</b>	<b>46,657</b>	<b>35,351</b>

Revaluation operating revenue comprises revenue from exchange rate differences on receivables and liabilities.

Revenue from the sale of financial assets in the amount of EUR 15,920 thousand constitute realised capital gains from the disposal of available-for-sale financial assets.

In 2015, Kapitalska družba, gained revenues from the sale of domestic equity investments in the amount of EUR 13,949 thousand.

In 2015, Kapitalska družba reversed the impairment of associated companies in the amount of EUR 4,000 thousand, which had been impaired in the past.

#### Financial revenue from other investments and loans

	in EUR 000	
	2015	2014
Interest income	6,016	6,583
Revenue from the revaluation of receivables, liabilities and loans to retain their value	563	22
- Exchange rate gains	563	22
Revenue from realised gains	0	3,984
- Revenue from the sale of financial assets available for sale	0	3,981
- Revenue from the sale of financial assets measured at fair value through profit or loss	0	3
<b>Total</b>	<b>6,579</b>	<b>10,589</b>

## Interest income

	in EUR 000	
	2015	2014
Deposits	995	1,080
Bonds	4,895	5,490
- Available for sale	3,862	4,469
- Held to maturity	1,033	1,021
Other securities	126	13
- At fair value through profit or loss	120	13
- Held to maturity	6	0
<b>Total</b>	<b>6,016</b>	<b>6,583</b>

## Revenue from sale of financial assets

	in EUR 000	
	2015	2014
Revenue from realised gains	15,920	18,572
- Available-for-sale financial assets	15,920	18,569
- Financial assets measured at fair value through profit or loss	0	3

## Financial revenue from operating receivables

	2015	2014
Financial revenue from operating receivables	6,954	0
<b>Total</b>	<b>6,954</b>	<b>0</b>

Financial revenue from operating receivables totalling EUR 6,954 thousand constitutes repayment of state aid from Elan, d. o. o., according to the Commission Decision SA.26379 of 19 September 2012.

## Note no. 8

### Financial expenses

	in EUR 000	
	2015	2014
Loss from disposal of financial assets	0	349
Interest expense	1	0
Revaluation financial expenses- impairment	3,513	11,715
- Impairment of equity investments at fair value through profit or loss	2,876	82
- Impairment of shares and interests measured at cost	0	10,864
- Expenses from the cancellation of shares and subordinated bank bonds	0	747

in EUR 000

	2015	2014
- Exchange rate losses	538	13
- Other revaluation expenses	99	9
Expenses for ZPIZ	19,000	0
<b>Total</b>	<b>22,514</b>	<b>12,064</b>

All impairments of financial assets in the amount of EUR 2,876 thousand refer to available-for-sale financial assets.

Impairment loss was recognised on available-for-sale equity investment carried at fair value through equity and classified under available-for-sale financial assets in the total amount of EUR 9 thousand. This investment had already been impaired in the past. Once an investment has been impaired, the total amount of the negative revaluation recognised in equity inclusive of exchange rate differences is impaired in future periods.

Shares and stakes classified as available-for-sale financial assets were impaired in the total amount of EUR 2,867 thousand. The Company assessed that there was impartial evidence of impairments of these assets. The fair value of assets was estimated based on internal valuations and one external valuation. Asset valuations were made according to the following methods: income-based approach, the discounted free cash flow method, the asset-based approach, the net asset valuation method under the assumption of a going concern and regular liquidation and the peer comparison method (comparable listed companies), where the procedure is based on selected multipliers and the value of the relevant company is assessed based on the comparison of performance indicators and stock price of comparable companies. The valuation models used in 2015 indicated a smaller need for impairments than in 2014.

On the basis of Article 67a(5) of the ZIPRS1415-C, Kapitalska družba in 2015 credited EUR 19 million to the ZPIZ (Pension and Disability Insurance Institute) for annual allowance for pensioners. To date, Kapitalska družba has paid EUR 664,321 thousand to the ZPIZ. These payments were included in the financial expenses from other financial liabilities in the income statement.

#### Foreign currency translation

in EUR 000

	2015	2014
Exchange rate gains	563	22
Exchange rate losses	538	13
<b>Net exchange rate gains/losses</b>	<b>25</b>	<b>9</b>

In 2015, the net exchange rate gains amounted to EUR 25 thousand.

## Profit or loss from financial assets

	in EUR 000	
	2015	2014
Income from financial assets	60,190	45,940
Expenses from financial assets	-22,514	-12,064
<b>Net profit or loss financial asset</b>	<b>37,676</b>	<b>33,876</b>

## Note no. 9

### Other revenue

	in EUR 000	
	2015	2014
Other unusual items	26	51
<b>Total</b>	<b>26</b>	<b>51</b>

A major amount of other unusual items represents revenue from previous periods.

## Note no. 10

### Other expenses

	in EUR 000	
	2015	2014
Other items	4	3
<b>Total</b>	<b>4</b>	<b>3</b>

The majority of other expenses is accounted for by tax paid on dividends from abroad.

## Note no. 11

### Income tax

	in EUR 000	
	2015	2014
Profit or loss before tax	41,095	37,464
Non-deductible expenses	4,590	12,459
Allowances for bad debt and inventories	0	0
Provisions formation	0	0
Non-taxable revenue	67,067	27,051
Tax allowance	0	262
Tax loss	0	11,436
<b>Total</b>	<b>-21,382</b>	<b>11,174</b>
Tax rate	-	17%
Income tax	-	1,899

The largest items of untaxed revenue are excluded received and paid domestic dividends in 2015 and a decrease due to expenses for impairments from investments in previous years, sold in 2015.

At 31 December 2015, Kapitalska družba reported no income tax liabilities. 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 21,382 thousand.

The Management Board believes that the calculation of the tax liability for 2015 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 adopt 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.

On the basis of Article 67a(5) of the ZIPRS1415-C, Kapitalska družba in 2015 credited EUR 19 million to the ZPIZ (Pension and Disability Insurance Institute) for annual allowance for pensioners. To date, Kapitalska družba has paid EUR 664,321 thousand to the ZPIZ. 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 tax loss in 2015.

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

	in EUR 000	
	2015	2014
Profit or loss before tax	41,095	37,464
Tax calculated at the general tax rate	6,986	6,369
<b>Change in tax based on:</b>		
1. Revenue exempt from the tax base	15,876	4,599
- Untaxed dividends received	4,213	3,188
- Adjustment of revenues to the level recognised for tax purposes (decrease)	11,663	1,411
2. Expenses exempt from the tax base	780	2,118
- Increase in expenses (unrecognised in previous periods)	10,934	196
- Adjustment of expenses to the level recognised for tax purposes (decrease)	-10,154	1,922
3. Tax reliefs used in current year	0	45
4. Other changes in differed taxes in the income statement	0	1,944
<b>Total corporate income tax in the income statement</b>	<b>0</b>	<b>1,899</b>
<b>Total effective tax</b>	<b>0</b>	<b>5.07</b>

In 2015, Kapitalska družba disclosed no corporate income tax liabilities, because a tax loss was identified for 2015.

## Note no. 12

### Deferred tax

At 31 December 2015, deferred corporate income tax included the following:

in EUR 000

	Statement of financial position		Income statement	
	31/12/2015	31/12/2014	2015	2014
Deferred income tax liabilities	36,229	39,753	0	0
<b>Total deferred income tax liabilities</b>	<b>36,229</b>	<b>39,753</b>	<b>0</b>	<b>0</b>
<b>Deferred income tax assets</b>	<b>36,229</b>	<b>39,753</b>	<b>-3,523</b>	<b>11,184</b>
Loss brought forward to be used as tax allowance	8,766	1,203	7,563	1,203
Value adjustments of fixed assets	0	0	0	0
Value adjustment of receivables	0	0	0	0
Dividend adjustment	33	34	0	-263
Value adjustment of investments	27,364	38,490	-11,126	10,275
Provisions	66	26	40	-31
<b>Total deferred income tax assets</b>	<b>36,229</b>	<b>39,753</b>	<b>-3,523</b>	<b>11,184</b>
<b>Netting of deferred tax assets and liabilities arising from financial assets</b>	<b>27,364</b>	<b>38,490</b>	<b>-3,523</b>	<b>11,184</b>

In 2015, Kapitalska družba generated a negative tax base of EUR 21,382 thousand. As at 31 December 2015 the unused tax loss totalled EUR 424,273 thousand and is freely transferable.

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

in EUR 000

Changes in deferred tax	2015	2014
Balance as at 1 January	39,753	28,569
Changes as at 1 January	0	0
Changes during the year	-3,523	11,184
<b>Balance as at 31 December</b>	<b>36,230</b>	<b>39,753</b>

Deferred tax liabilities of EUR 36,230 thousand at 31 December 2015 arose on revaluation of financial assets at fair value through equity.

## Note no. 13

### 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.

	2015	2014
Net profit or loss attributable to holders of ordinary shares (000 EUR)	37,572	46,749
Diluted net profit or loss attributable to holders of ordinary shares (000 EUR)	37,572	46,749
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)	43.0	53.5

At 31 December 2015, Kapitalska družba held 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. 14

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

Table 18: Changes in intangible assets and long-term deferred costs in 2015

31/12/2015	in EUR 000
Software and other intangible assets	
<b>Cost</b>	
<b>Cost as at 1 January 2015</b>	<b>2,982</b>
Additions	41
Disposals	0
<b>Cost as at 31 December 2015</b>	<b>3,023</b>
<b>Value adjustment</b>	
<b>Value adjustment as at 1 January 2015</b>	<b>2,714</b>
Additions, transfers	0
Disposals, write-offs	0
Depreciation/amortisation	157
<b>Value adjustment as at 31 December 2015</b>	<b>2,871</b>
<b>Carrying amount</b>	
<b>Carrying amount as at 1 January 2015</b>	<b>268</b>
<b>Carrying amount as at 31 December 2015</b>	<b>152</b>

Table 19: Changes in intangible assets and long-term deferred costs and accrued revenues in 2014

in EUR 000

31/12/2014	Software and other intangible assets
<b>Cost</b>	
<b>Cost as at 1 January 2014</b>	<b>2,932</b>
Additions	50
Disposals	0
<b>Cost as at 31 December 2014</b>	<b>2,982</b>
<b>Value adjustment</b>	
<b>Value adjustment as at 1 January 2014</b>	<b>2,516</b>
Additions, transfers	0
Disposals, write-offs	0
Depreciation/amortisation	198
<b>Value adjustment as at 31 December 2014</b>	<b>2,714</b>
<b>Carrying amount</b>	
<b>Carrying amount as at 1 January 2014</b>	<b>416</b>
<b>Carrying amount as at 31 December 2014</b>	<b>268</b>

Intangible assets refer to software applications and licences.

#### Note no. 15

#### Property, plant and equipment

Table 20: Changes in property, plant and equipment in 2015

in EUR 000

31/12/2015	Buildings	Other plant and equipment	Total
<b>Cost</b>			
<b>Cost as at 1 January 2015</b>	<b>5,408</b>	<b>2,591</b>	<b>7,999</b>
Additions	0	43	43
Disposals	0	-101	-101
<b>Cost as at 31 December 2015</b>	<b>5,408</b>	<b>2,533</b>	<b>7,941</b>
<b>Value adjustment</b>			
<b>Value adjustment as at 1 January 2015</b>	<b>1,663</b>	<b>2,349</b>	<b>4,012</b>
Additions, transfers	0	0	0
Disposals, write-offs	0	-101	-101
Depreciation/amortisation	170	84	254
<b>Value adjustment as at 31 December 2015</b>	<b>1,833</b>	<b>2,332</b>	<b>4,165</b>
<b>Carrying amount</b>			
<b>Carrying amount as at 1 January 2015</b>	<b>3,745</b>	<b>242</b>	<b>3,987</b>
<b>Carrying amount as at 31 December 2015</b>	<b>3,575</b>	<b>201</b>	<b>3,776</b>



Table 21: Changes in property, plant and equipment in 2014

in EUR 000

31/12/2014	Buildings	Other plant and equipment	Total
<b>Cost</b>			
<b>Cost as at 1 January 2014</b>	<b>5,408</b>	<b>2,472</b>	<b>7,880</b>
Additions	0	166	166
Disposals	0	-47	-47
<b>Cost as at 31 December 2014</b>	<b>5,408</b>	<b>2,591</b>	<b>7,999</b>
<b>Value adjustment</b>			
<b>Value adjustment as at 1 January 2014</b>	<b>1,493</b>	<b>2,353</b>	<b>3,846</b>
Additions, transfers	0	0	0
Disposals, write-offs	0	-47	-47
Depreciation/amortisation	170	43	213
<b>Value adjustment as at 31 December 2014</b>	<b>1,663</b>	<b>2,349</b>	<b>4,012</b>
<b>Carrying amount</b>			
<b>Carrying amount as at 1 January 2014</b>	<b>3,915</b>	<b>119</b>	<b>4,034</b>
<b>Carrying amount as at 31 December 2014</b>	<b>3,745</b>	<b>242</b>	<b>3,987</b>

**Note no. 16****Investment property**

Table 22: Changes in investment property in 2015

in EUR 000

31/12/2015	Buildings
<b>Cost</b>	
<b>Cost as at 1 January 2015</b>	<b>23,748</b>
New acquisitions, transfers	123
Disposals, transfers	-22
<b>Cost as at 31 December 2015</b>	<b>23,849</b>
<b>Value adjustment</b>	
<b>Value adjustment as at 1 January 2015</b>	<b>5,471</b>
Additions, transfers	0
Disposals, write-offs	0
Depreciation/amortisation	653
<b>Value adjustment as at 31 December 2015</b>	<b>6,124</b>
<b>Carrying amount</b>	
<b>Carrying amount as at 1 January 2015</b>	<b>18,277</b>
<b>Carrying amount as at 31 December 2015</b>	<b>17,725</b>

The fair value of investment property does not significantly deviate from its carrying amount as at 31 December 2015. The estimated fair value of investment property was assessed based on internal valuation. The appraised value of investment property was EUR 19,028 thousand as at 31 December 2015. The carrying amount of investment property was checked against the market value for signs of impairment, of which there were none.

Table 23: **Changes in investment property in 2014**

in EUR 000	
31/12/2014	Buildings
<b>Cost</b>	
<b>Cost as at 1 January 2014</b>	<b>23,678</b>
Additions	70
Disposals	0
<b>Cost as at 31 December 2014</b>	<b>23,748</b>
<b>Value adjustment</b>	
<b>Value adjustment as at 1 January 2014</b>	<b>4,822</b>
Additions, transfers	0
Disposals, write-offs	0
Depreciation/amortisation	649
<b>Value adjustment as at 31 December 2014</b>	<b>5,471</b>
<b>Carrying amount</b>	
<b>Carrying amount as at 1 January 2014</b>	<b>18,856</b>
<b>Carrying amount as at 31 December 2014</b>	<b>18,277</b>

Table 24: **Rental income investment property and costs related to investment property**

in EUR 000		
	2015	2014
Rental income from investment property	1,383	1,315
Costs related to investment property	801	916

#### Information about encumbrances

Kapitalska družba is the co-owner of investment properties on which a pledge has been entered to secure liabilities of EUR 1,000 thousand. The remaining assets owned by Kapital-ska 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.

## Note no. 17

### Investments in subsidiaries and associated companies

Investments in subsidiaries as at 31 December 2015 include:

No.	Subsidiary	Registered office	Equity stake in %
1.	Modra zavarovalnica, d. d.	Dunajska cesta 119, Ljubljana	100.00
2.	Steklarska nova Rogaška Slatina, d. o. o. – in bankruptcy <sup>10</sup>	Steklarska ulica 1, Rogaška Slatina	100.00

in EUR 000

	31/12/2015	31/12/2014
Shares and interests in the Group	152,200	152,200
<b>Total</b>	<b>152,200</b>	<b>152,200</b>

As at 31 December 2015, the Company held interests in the following associated companies:

No.	Associated company	Registered office	Equity stake in %
1.	Casino Maribor, d. d. – in bankruptcy <sup>11</sup>	Glavni trg 1, Maribor	20.00
2.	Gio, d. o. o. – in liquidation	Dunajska cesta 160, Ljubljana	28.68
3.	Gospodarsko razstavišče, d. o. o.	Dunajska cesta 18, Ljubljana	29.51
4.	Hit, d. d. <sup>12</sup>	Delpinova ulica 7a, Nova Gorica	20.32
5.	Kli Logatec, d. d. – in liquidation <sup>13</sup>	Tovarniška cesta 36, Logatec	27.70
6.	Loterija Slovenije, d. d.	Gerbičeva ulica 99, Ljubljana	25.00
7.	Terme Čatež, d. d.	Čatež ob Savi, Topliška cesta 35, Brežice	23.79
8.	Terme Olimia, d. d.	Zdraviliška cesta 24, Podčetrtek	24.79

Kapitalska družba is not exposed to any risks arising from ownership stakes in subsidiary and associated companies Kapitalska družba, such as for instance:

- ♦ provision of funds for the operations/capital adequacy of the subsidiary or associate;
- ♦ participation in covering contingent liabilities of the subsidiary or associated company.

At the end of 2015, Kapitalska družba used internal valuation models and external valuations to verify the value as at 31 December 2015, taking into account the most recent available data on companies' performance in 2015. The following effects were recognised in the income statement based on verifications: reversal of impairments of financial assets totalling EUR 4,000 thousand and newly recognised impairments of financial assets in the amount of EUR 2,566 thousand.

<sup>10</sup> The shares were according to the ZFPPIPP deleted from the KSS by the receiver. Prior to bankruptcy, Kapitalska družba held a stake presented in the table above.

<sup>11</sup> The shares were according to the ZFPPIPP deleted from the KSS by the receiver. Prior to bankruptcy, Kapitalska družba held a stake presented in the table above.

<sup>12</sup> In Hit, d. d., the Company holds 20.32% of voting rights. Preference shares became voting rights due to non-payment of preference dividends.

<sup>13</sup> Kapitalska družba already obtained funds from the liquidation estate. The company is expected to be deleted from the Companies Register in 2016.

in EUR 000

	31/12/2015	31/12/2014
Shares and interests in associated companies	18,230	13,859
<b>Total</b>	<b>18,230</b>	<b>13,859</b>

**Note no. 18****Assets held for sale**

Long-term assets held for sale include the following items as at 31 December 2015:

in EUR 000

	31/12/2015	31/12/2014
Assets held for sale	6,574	82,668
<b>Total</b>	<b>6,574</b>	<b>82,668</b>

Long-term assets held for sale in the amount of EUR 6,574 thousand as at 31 December 2015 include equity investments for sale in the next 12 months. The decrease compared to 2015 is due to the fewer projected sales in 2016.

**Note no. 19****Financial assets, excluding loans**

in EUR 000

	Long-term		Short-term	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Other shares and interests	522,935	452,208	0	0
Other financial assets	86,112	95,789	19,858	15,032
<b>Total</b>	<b>609,047</b>	<b>547,997</b>	<b>19,858</b>	<b>15,032</b>

Financial assets of the Company other than loans are classified into one of the following groups: financial assets at fair value through profit or loss, financial assets held to maturity, and available-for-sale financial assets. In addition, financial assets are also classified as long-term and short-term.

At 31 December 2015, financial assets except loans were classified into the following categories:

in EUR 000

	Long-term		Short-term		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial assets measured at fair value through profit or loss	0	0	362	0	362	0
Financial assets held to maturity	16,722	16,505	1,168	720	17,890	17,225
Available-for-sale financial assets	762,755	697,551	24,902	96,980	787,657	794,531
<b>Total</b>	<b>779,477</b>	<b>714,056</b>	<b>26,432</b>	<b>97,700</b>	<b>805,909</b>	<b>811,756</b>

The amount of long-term and short-term financial assets available for sale mainly changed in 2015 when compared to 2014 because of the transfer of unsold assets from short-term AFS financial assets to long-term AFS financial assets.

#### Investments in securities

	in EUR 000	
	31/12/2015	31/12/2014
<b>Financial assets measured at fair value through profit or loss</b>	<b>362</b>	<b>0</b>
Equity securities	0	0
Debt securities	362	0
<b>Financial assets held to maturity</b>	<b>17,890</b>	<b>17,225</b>
<b>Available-for-sale financial assets</b>	<b>787,657</b>	<b>794,531</b>
Equity securities	699,940	700,935
Debt securities	87,717	93,596
<b>Total</b>	<b>805,909</b>	<b>811,756</b>

#### Financial assets at carrying amount and fair value as at 31 December 2015

	in EUR 000	
Asset	Carrying amount	Fair value
Financial assets at fair value through profit or loss	362	362
Financial assets held to maturity	17,890	23,319
Available-for-sale financial assets	787,657	787,657
Loans	86,509	86,509
Cash and cash equivalents	38,602	38,602
<b>Total</b>	<b>931,020</b>	<b>936,449</b>

#### Financial assets at carrying amount and fair value as at 31 December 2014

	in EUR 000	
Asset	Carrying amount	Fair value
Financial assets at fair value through profit or loss	0	0
Financial assets held to maturity	17,225	22,298
Available-for-sale financial assets	794,531	794,531
Loans	61,400	61,400
Cash and cash equivalents	34,453	34,453
<b>Total</b>	<b>907,609</b>	<b>912,682</b>

According to its accounting policy, Kapitalska družba carries assets at fair value which equals the market value of financial asset. The difference between the carrying amount and fair value appears on financial assets held until maturity that are measured at amortised cost. The fair value of financial assets comprising loans and receivables also equals their amortised cost.

The assumptions applied in fair value estimates of Level 3 financial assets are presented in the fair value hierarchy.

#### Changes in securities investments in 2015

in EUR 000

	31/12/2014	Acquisitions	Disposals, maturity	Revaluation	31/12/2015
Financial assets measured at fair value through profit or loss	0	6,142	5,900	120	362
Financial assets held to maturity	17,225	443	817	1,039	17,890
Available-for-sale financial assets	794,531	37,831	52,549	7,844	787,657
<b>Total</b>	<b>811,756</b>	<b>44,415</b>	<b>59,266</b>	<b>9,003</b>	<b>805,909</b>

#### Changes in securities investments in 2014

in EUR 000

	31/12/2013	Acquisitions	Disposals, maturity	Revaluation	31/12/2014
Financial assets measured at fair value through profit or loss	0	5,973	6,000	27	0
Financial assets held to maturity	17,021	0	817	1,021	17,225
Available-for-sale financial assets	769,335	5,448	63,137	82,885	794,531
<b>Total</b>	<b>786,356</b>	<b>11,421</b>	<b>69,954</b>	<b>83,933</b>	<b>811,756</b>

#### Financial assets by type of interest rate as at 31 December

in EUR 000

	31/12/2015	31/12/2014
<b>Investments in debt instruments</b>	<b>105,969</b>	<b>110,821</b>
Fixed Rate	104,661	108,166
Variable interest rate	1,308	2,655
<b>Loans and deposits</b>	<b>86,526</b>	<b>95,200</b>
Fixed Rate	86,526	95,200
Variable interest rate	0	0
<b>Total</b>	<b>192,495</b>	<b>206,021</b>

#### Fair value hierarchy as at 31 December 2015

in EUR 000

	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value through profit or loss</b>	<b>362</b>	<b>0</b>	<b>0</b>	<b>362</b>
- Equity securities	0	0	0	0
- Debt securities	362	0	0	362

in EUR 000

	Level 1	Level 2	Level 3	Total
<b>Available-for-sale financial assets</b>	<b>527,564</b>	<b>9,190</b>	<b>250,903</b>	<b>787,657</b>
- Equity securities	354,646	9,190	173,105	536,941
- Debt securities	9,919	0	77,798	87,717
- Target funds	162,999	0	0	162,999
<b>Total</b>	<b>527,926</b>	<b>9,190</b>	<b>250,903</b>	<b>788,019</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 assets was made by applying the income-based approach, the discounted free cash flow method, and the asset-based approach according to the regular liquidation method.

Moreover, Level 3 fair value includes all assets where fair value of debt financial instruments is determined using the Bloomberg Generic prices (BGN) and the Bloomberg Valuation Services prices (BVAL). This methodology and assumptions of price calculation are not available to the public, so all these assets are classified into Level 3 fair value hierarchy.

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 ordinary shares of HIT, d. d., was estimated by applying the income-based approach, and using the discounted free cash flow method. The estimated free cash flow was discounted at an 8.80% discount rate. The remaining growth rate of normalised free cash flow is 2%.

The estimated fair value of the shares of Pomurska mlekarina, d. d., is EUR 0.00, because the company is in compulsory settlement proceedings and the financial restructuring plan envisages deletion of ownership of existing shareholders.

The fair value of the equity stake in Gospodarsko razstavišče, d. o. o., was estimated by applying the income-based approach, using the discounted free cash flow method, and the asset-based approach to company valuation, according to the regular liquidation method. The estimated free cash flow was discounted at a 7.8% discount rate. The remaining growth rate of normalised free cash flow is 2%. A significant item in the valuation of Gospodarsko razstavišče, d. o. o., is the value of the company's real estate, which was classified as unnecessary property. The estimated value of this real estate is set using the regular liquidation method. The liquidation period is expected to last for 24 months and risk-free interest rate used for discounting is 1.7%.

The fair value of the shares of Perutnina Ptuj, d. d., was estimated by applying the income-based approach, and using the discounted free cash flow method. The estimated free cash flow was discounted at a 9.87% discount rate. The remaining growth rate of normalised free cash flow is 2%.

The fair value of the shares of Terme Olimia, d. d., was estimated by applying the income-based approach, and using the discounted free cash flow method. The estimated free cash

flow was discounted at an 8.46% discount rate. The remaining growth rate of normalised free cash flow is 2%.

The fair value of the shares of Talum, d. d., was determined using the income-based method, by means of the method of discounted free cash flow, partly corrected by the estimated share value using the comparable listed companies method. The discount rate for free cash flow in the income-based valuation method is 9.90%. The remaining growth rate of normalised free cash flow is 2%.

The fair value of the shares of TKI Hrastnik, d. d., was estimated by applying the income-based approach, and using the discounted free cash flow method. The estimated free cash flow was discounted at a 9.07% discount rate. The remaining growth rate of normalised free cash flow is 2%.

The estimated fair value of the holding in GIO, d. o. o. – in liquidation, was estimated by applying the asset-based approach according to the regular liquidation method.

The fair value of the equity stake in Elan Inventa, d. o. o., was estimated by applying the income-based approach, using the discounted free cash flow method. The estimated free cash flow was discounted at a 9.47% discount rate. The remaining growth rate of normalised free cash flow is 1.5%.

The fair value of Elektro Gorenjska, d. d., Elektro Primorska, d. d., Elektro Celje, d. d., Elektro Ljubljana, d. d., Elektro Maribor, d. d., and Geoplin, d. o. o., was estimated based on the market comparison method using the comparable listed companies. Adjusted multipliers were used.

The investments in the shares of Modra zavarovalnica, d. d., and Loterija Slovenije, d. d., are disclosed at cost, because a sufficiently reliable valuation is not possible due to certain expected legislative amendments that could significantly influence the estimated value of the companies.

Gains from the Level 3 financial assets refer to dividends, coupons received from bonds and profits from the sale of investments disclosed under financial revenues.

The management is of the opinion that data that have not been disclosed do not contain information relevant to the users of the Annual Report which could influence decisions.

There were no reclassifications among hierarchy levels in 2015.

#### Fair value hierarchy as at 31 December 2014

in EUR 000

	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- Equity securities	0	0	0	0
- Debt securities	0	0	0	0
<b>Available-for-sale financial assets</b>	<b>529,042</b>	<b>7,197</b>	<b>258,292</b>	<b>794,531</b>
- Equity securities	385,951	3,050	180,536	569,537
- Debt securities	11,693	4,147	77,756	93,596
- Target funds	131,398	0	0	131,398
<b>Total</b>	<b>529,042</b>	<b>7,197</b>	<b>258,292</b>	<b>794,531</b>



The valuation of Level 2 fair value was applied to certain bonds according to the market comparison valuation method, involving a comparison with the comparable listed bonds. The valuation of certain Level 2 shares was made using the method involving a comparison with the comparable listed companies.

The fair value valuation of Level 3 assets was made by applying the income-based approach, the discounted free cash flow method, and the asset-based approach according to the regular liquidation method.

Moreover, Level 3 fair value includes all assets where fair value of debt financial instruments is determined using the Bloomberg Generic prices (BGN) and the Bloomberg Valuation Services prices (BVAL). This methodology and assumptions of price calculation are not available to the public, so all these assets are classified into Level 3 fair value hierarchy.

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.

Level 3 comprises assets whose fair value is determined based on valuation models taking into account subjective variables that are not available to the public on markets and investments in shares measured at cost which are reviewed for impairment on an annual basis by applying these estimates of the asset value. The assets stated below were impaired in 2014 on the basis of value estimates.

The fair value of ordinary shares of HIT, d. d., was estimated by applying the income-based approach, and using the discounted free cash flow method. The estimated free cash flow was discounted at an 8.6% discount rate. The remaining growth rate of normalised free cash flow is 2%.

The fair value of the shares of Pomurske mlekarne, d. d., was estimated by applying the income-based approach, and using the discounted free cash flow method. The estimated free cash flow was discounted at an 8.9% discount rate. The remaining growth rate of normalised free cash flow is 2%.

The fair value of the equity stake in Gospodarsko razstavišče, d. o. o., was estimated by applying the income-based approach, using the discounted free cash flow method, and the asset-based approach to company valuation, according to the regular liquidation method. The estimated free cash flow was discounted at a 7.8% discount rate. The remaining growth rate of normalised free cash flow is 2%. A significant item in the valuation of Gospodarsko razstavišče, d. o. o., is the value of the company's real estate. The valuation of real estate was made by using the income-based method, the income capitalisation approach and the development method. The direct sales comparison approach was also used in the valuation of real estate. The discount rate of 8.71% was applied under the income capitalisation approach. The discount rates applied in the development method were 10.19%, 8.71% and 7.64%.

The fair value of the shares of Elektro Gorenjska, d. d., was estimated by applying the market comparison valuation method, involving a comparison with the comparable listed companies.

The fair value of the shares of Elektro Primorska, d. d., was estimated by applying the market comparison valuation method, involving a comparison with the comparable listed companies.

The fair value of the shares of PDP, d. d., was estimated by applying the asset-based approach according to the regular liquidation method. The companies owned by PDP, d. d., were valued by applying the income-based approach, and using the discounted free cash flow method.

The fair value of the shares of Cimos, d. d., was estimated by applying the asset-based approach to company valuation. Compulsory settlement proceedings were initiated against the company on 3 June 2014. There is a high probability that the existing shareholders will be expropriated in the scope of the compulsory settlement proceedings. The report on the operations of the insolvent debtor Cimos, d. d., shows that in 2014 the company continued operating at a loss and the company's equity as at 30 November 2014 was EUR -131.7 million.

Gains from the Level 3 financial assets refer to dividends, coupons received from bonds and profits from the sale of investments disclosed under financial revenues.

The management is of the opinion that data that have not been disclosed do not contain information relevant to the users of the Annual Report which could influence decisions.

**There were no reclassifications among hierarchy levels in 2014.**

Table 25: **Effective interest rates by asset group**

	2015	2014
Financial assets held to maturity	6.17%	6.27%
Loans granted	0.84%	1.48%
Available-for-sale financial assets	5.37%	5.40%
Cash and cash equivalents	0.00%	0.00%

Table 26: **Return by asset group**

	2015	2014
Financial assets measured at fair value through profit or loss	2.51%	1.67%
Financial assets held to maturity	6.19%	6.24%
Available-for-sale financial assets	2.17%	15.37%
Financial investments in loans and deposits	1.18%	2.21%
<b>Total</b>	<b>2.29%</b>	<b>14.63%</b>

## Note no. 20

### Loans to others

in EUR 000

	Long-term		Short-term		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Loans to others	38,809	0	47,700	61,400	86,509	61,400
<b>Total</b>	<b>38,809</b>	<b>0</b>	<b>47,700</b>	<b>61,400</b>	<b>86,509</b>	<b>61,400</b>

At the end of 2015, Kapitalska družba had long-term deposits disclosed in its books of account in the amount of EUR 38,809 thousand.

Short-term loans to others comprise short-term part of long-term deposits. At the end of 2015, short-term loans to others totalled EUR 47,700 thousand.

Loans to others were given to Abanka, d. d., Gorenjska banka, d. d., Hypo Alpe-Adria-Banka, d. d., Nova Kreditna banka Maribor, d. d., Nova Ljubljanska banka, d. d., Ljubljana, Sberbank, d. d., UniCredit banka, d. d., Delavska hranilnica, d. d., and Hranilnica LON, d. d.

## Note no. 21

### Operating receivables

in EUR 000

	Long-term		Short-term	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Receivables due from the Group companies	0	0	40	46
Receivables due from local customers	0	0	819	848
Operating receivables due from others	103	53	2,043	359
<b>Total</b>	<b>103</b>	<b>53</b>	<b>2,902</b>	<b>1,253</b>

EUR 103 thousand of long-term operating receivables due from others represent EUR 67 thousand paid into the reserve fund for the maintenance of real estate, receivables from a company in compulsory settlement proceedings equalling EUR 34 thousand, and EUR 2 thousand of loans granted to buyers of former state-owned apartments, which Kapitalska družba obtained under the Denationalization Act and sold under the Housing Act.

The bulk of short-term operating receivables from others is accounted for by corporate income tax refund of SIT 1,741 thousand.

In 2015, EUR 2,902 thousand of operating receivables will be due for payment, whereas receivables of EUR 103 thousand mature in future years.

Kapitalska družba has no secured receivables. The Company's receivables are not subject to material risk.

### Breakdown of operating trade receivables by maturity

31/12/2015	Outstanding	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days
819	795	1	1	0	0	22

## Note no. 22

### Cash and cash equivalents

in EUR 000

	31/12/2015	31/12/2014
Cash on transaction bank account	38,585	653
Euro redeemable deposits	17	33,800
<b>Total</b>	<b>38,602</b>	<b>34,453</b>

## Note no. 23

### Equity

	31/12/2015	31/12/2014
Share capital (000 EUR)	364,810	364,810
Number of ordinary shares	874,235	874,235

Kapitalska družba holds 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. 24

### Capital surplus

in EUR 000

#### Capital surplus

<b>01/01/2015</b>	<b>215,953</b>
Increase in capital surplus	460
Decrease in capital surplus	0
<b>31/12/2015</b>	<b>216,413</b>

In 2015, the capital surplus increased by EUR 460 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2015, capital surplus totalled EUR 216,413 thousand.

## Note no. 25

### Revenue reserves

As at 31 December 2015, Kapitalska družba reported no other revenue reserves.

## Note no. 26

### Changes in revaluation surplus

in EUR 000

Changes in revaluation surplus and deferred tax recognised in equity	2015	2014
Balance as at 1 January Gross revaluation surplus	338,218	264,955
Balance as at 1. Deferred tax	39,753	28,569
<b>Balance as at 1 January Net revaluation surplus</b>	<b>298,465</b>	<b>236,386</b>
Changes during the year – gross increase in revaluation surplus	124,440	146,854
Changes during the year – gross decrease in revaluation surplus	-140,360	-73,591
<b>Balance as at 31 December Gross revaluation surplus</b>	<b>322,298</b>	<b>338,218</b>
Adjustments (criteria: 8%, 6 months)	-109,184	-104,378
<b>Balance as at 31 December Gross after adjustment</b>	<b>213,114</b>	<b>233,840</b>

in EUR 000

Changes in revaluation surplus and deferred tax recognised in equity	2015	2014
Balance as at 31 December Deferred tax	36,230	39,753
<b>Balance as at 31 December Net revaluation surplus</b>	<b>286,068</b>	<b>298,465</b>

**Note no. 27****Provisions and long-term accrued costs and deferred revenue**

in EUR 000

	Provisions for pensions and similar obligations	Other provisions	Total
<b>01/01/2015</b>	<b>159</b>	<b>82</b>	<b>241</b>
Newly established during the year	0	510	510
Utilised provisions	5	0	5
Reversal of provisions	0	11	11
<b>31/12/2015</b>	<b>154</b>	<b>581</b>	<b>735</b>

In 2015, Kapitalska družba established provisions of EUR 13 thousand for non-achievement of guaranteed rate of return on fund SOPDZ. At the end of 2015, provisions for non-achievement of guaranteed rate of return of SODPZ pension funds amounted to EUR 14 thousand.

Under the principle of prudence, the Company created provisions for legal actions and legal disputes according to the best estimate of potential liabilities. In 2015, the Company established provisions for a contingent liability arising from Indemnity Agreement in the amount of EUR 497 thousand and reversed EUR 11 thousand of provisions for onerous contracts. At the end of 2015, provisions for legal actions and legal disputes reached EUR 567 thousand.

EUR 5 thousand of provisions for termination benefits and jubilee awards were utilised. At the end of 2015, provisions for termination benefits and jubilee awards amounted to EUR 154 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.

The Company utilised EUR 5 thousand of provisions for severance pay on retirement and jubilee awards, which were not planned in 2015. The Company formed EUR 510 thousand of provisions for onerous contracts, which were not planned in 2015. In other provisions there was no difference between its planned amount and the actual utilisation and the amount established.

**Note no. 28****Operating liabilities**

in EUR 000

	Long-term		Short-term	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Operating liabilities to suppliers	0	0	2,986	2,968
Operating liabilities from advances	12	6	0	6
Payables to the state	0	0	12	1,910
Other operating liabilities	0	0	283	269
<b>Total</b>	<b>12</b>	<b>6</b>	<b>3,281</b>	<b>5,153</b>

EUR 12 thousand of long-term operating liabilities relates to collateral deposit from the lessee of business premises.

Short-term operating liabilities encompass liabilities to suppliers, totalling EUR 2,986 thousand, to the state in the amount of EUR 12 thousand and other operating liabilities of EUR 283 thousand. Majority of short-term liabilities to local suppliers (EUR 2,861 thousand) represents consideration due for investment property.

**Maturity structure of operating liabilities**

in EUR 000

31/12/2015	Operating liabilities to suppliers	Operating liabilities from advances	Payables to the state	Other operating liabilities	Total
Maturity of up to 1 year	2,986	0	12	283	3,281
1 to 2 years	0	0	0	0	0
2 to 5 years	0	12	0	0	12
Over 5 years	0	0	0	0	0
<b>Total</b>	<b>2,986</b>	<b>12</b>	<b>12</b>	<b>283</b>	<b>3,293</b>
<b>Collateralised liabilities (pledges and similar)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note no. 29****Financial liabilities**

As at 31 December 2015, Kapitalska družba reported no financial liabilities.

**Collateralised borrowings**

As at 31 December 2015, Kapitalska družba disclosed no loans.

**Off-balance sheet receivables**

In September 2015, according to the Commission Decision SA.26379 of 19 September 2012, Kapitalska družba received from Elan, d. o. o., repayment of state aid in the amount of EUR 6,954 thousand and recognised it as asset and revenue in the income statement. The Company posted off-balance sheet liability to Elan, d. o. o., in the amount of EUR 6,457

thousand, for the contingent liability arising from the repayment of the refunded state aid that would happen if the General Court of the European Union declared the said decision null and void.

### 15.3.3 Managing 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 instruments and 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 27: Exposure of financial assets to credit risk, excluding any collateral as at 31 December 2015

in EUR 000

Financial asset group	Secure investments – high rating of the borrower	Medium secure investments – medium rating of the borrower	Less secure investments	Total
Financial assets at fair value through profit or loss	0	0	362	362
Financial assets held to maturity	0	17,442	448	17,890
Available-for-sale financial assets	1,199	75,400	11,119	87,718
Loans	0	0	86,509	86,509
Cash and cash equivalents	0	0	38,602	38,602
<b>Total</b>	<b>1,199</b>	<b>92,842</b>	<b>137,040</b>	<b>231,080</b>

Table 28: Exposure of financial assets to credit risk, excluding any collateral as at 31 December 2014

in EUR 000

Financial asset group	Secure investments – high rating of the borrower	Medium secure investments – medium rating of the borrower	Less secure investments	Total
Financial assets at fair value through profit or loss	0	0	0	0
Financial assets held to maturity	0	17,225	0	17,225
Available-for-sale financial assets	2,256	79,222	12,117	93,596
Loans	0	0	61,400	61,400
Cash and cash equivalents	0	0	34,453	34,453
<b>Total</b>	<b>2,256</b>	<b>96,447</b>	<b>107,970</b>	<b>206,674</b>

Financial assets were classified into the stated groups based on credit ratings. Secure assets comprise all assets with the credit rating AAA to A-, medium secure assets include assets with the credit rating BBB+ do BBB-, whereas less secure assets comprise the assets with credit rating under BBB- and assets without a credit rating assigned by a renowned rating agency. Less secure assets mainly include assets of Slovenian issuers.

Loans represent deposits in banks in Slovenia. Deposits are classified into the rating class of the bank with which the respective deposit has been made.

Table 29: **Geographical concentration of credit exposure of financial assets**

	in EUR 000	
Region	31/12/2015	31/12/2014
Slovenia	219,570	192,412
Other countries	11,510	14,262
<b>Total</b>	<b>231,080</b>	<b>206,674</b>

The share of financial assets exposed to credit risk in Slovenia rose from 93% to 95% in 2015.

#### Sector concentration

Sector concentration of financial assets reveals the dispersion of assets by industry sector and refers to the risk arising from excessive exposure of assets to a specific sector. Sector concentration of assets influences credit and market risk of the portfolio.

Table 30: **Sector concentration of financial assets**

	in %	
Industry	31/12/2015	31/12/2014
Cyclical consumer goods	11	12
Non-cyclical consumer goods	1	2
Energy	1	2
Financial sector	33	31
Pharmacy	26	24
Industry	4	4
Information Technology	3	2
Materials	2	1
Telecommunications	4	7
Public goods	1	1
Government securities	10	11
Undefined	3	2
<b>Total</b>	<b>100</b>	<b>100</b>

At the end of 2015, 33% of financial assets were invested in the financial sector, 26% in the pharmacy industry, 11% in cyclical consumer goods, 10% in government securities (bonds, treasury bills, investment coupons linked to government bonds) and 19% in other sectors.



## Currency risk

Table 31: **Currency structure of financial assets**

	in EUR 000	
Currency	31/12/2015	31/12/2014
Assets denominated in EUR	845,032	827,214
Assets denominated in USD	83,793	77,716
Assets denominated in other currencies	2,195	2,680
<b>Total</b>	<b>931,020</b>	<b>907,609</b>

On 31 December 2015, 90.8% of financial assets were denominated in euros, 9.0% in US dollars and 0.2% in other currencies. Currency risk increased because of higher exposure to assets in foreign currencies.

Table 32: **Currency risk of financial assets as at 31 December 2015**

	in EUR 000	
USD exchange rate fluctuation in %	Impact on the income statement	Impact on capital
+/- 10%	+/- 0	+/- 8,379

Table 33: **Currency risk of financial assets as at 31 December 2014**

	in EUR 000	
USD exchange rate fluctuation in %	Impact on the income statement	Impact on capital
+/- 10%	+/- 0	+/- 7,772

## 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 revenues are related to the variable interest rate as well as debt instruments of which interest income 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 34: **Sensitivity analysis of investments according to changes in market interest rates as at 31 December 2015 – change in interest rates by 50 basis points**

	in EUR			
Financial asset group	Change in interest rate	Sensitivity of interest income	Impact on fair value	Total
Financial assets at fair value through profit or loss	+/- 0.5%	+/- 0	+/- 0	+/- 0
Financial assets held to maturity	+/- 0.5%	+/- 0	+/- 0	+/- 0
Available-for-sale financial assets	+/- 0.5%	+/- 2	-/+ 2,255	-/+ 2,253
Loans	+/- 0.5%	+/- 0	+/- 0	+/- 0
<b>Total</b>		<b>+/- 2</b>	<b>-/+ 2,255</b>	<b>-/+ 2,253</b>

Table 35: Sensitivity analysis of investments according to changes in market interest rates as at 31 December 2014 – change in interest rates by 50 basis points

in EUR 000

Financial asset group	Change in interest rate	Sensitivity of interest income	Impact on fair value	Total
Financial assets at fair value through profit or loss	+/- 0.5%	+/- 0	+/- 0	+/- 0
Financial assets held to maturity	+/- 0.5%	+/- 0	+/- 0	+/- 0
Available-for-sale financial assets	+/- 0.5%	+/- 3	-/+ 2,272	-/+ 2,268
Loans	+/- 0.5%	+/- 0	+/- 0	+/- 0
<b>Total</b>		<b>+/- 3</b>	<b>-/+ 2,272</b>	<b>-/+ 2,268</b>

The calculation of the sensitivity of interest income 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. If market interest rates change by 50 basis points, the value of the fund's assets would change by EUR 2,253 thousand as at 31 December 2015.

#### 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 36: Market risk of the equity securities portfolio as at 31 December 2015

in EUR 000

Index change in %	Impact on the income statement	Impact on capital
+/- 10%	+/- 0	+/- 48,241

Table 37: Market risk of the equity securities portfolio as at 31 December 2014

in EUR 000

Index change in %	Impact on the income statement	Impact on capital
+/- 10%	+/- 0	+/- 36,858

The table takes into account the Company's investments in equity instruments. The effect in the income statement is evident under equity securities measured at fair value through profit or loss, and the effect on equity is evident under investments in AFS equity instruments. In 2015, risk increased owing to the purchases of equity investments (investment coupons) with a beta indicator higher than the average beta indicators of equity investments at the end of 2014.

Table 38: Financial instruments in terms of marketability

in EUR 000

Financial instrument	31/12/2015	31/12/2014
<b>Securities traded on the regulated market</b>	<b>614,106</b>	<b>618,773</b>
Financial assets at fair value through profit or loss	362	0
Financial assets held to maturity	17,890	17,225
Available-for-sale financial assets	595,854	601,548
<b>Securities not traded on the regulated market</b>	<b>191,803</b>	<b>192,983</b>
Financial assets at fair value through profit or loss	0	0
Financial assets held to maturity	0	0
Available-for-sale financial assets	191,803	192,983
<b>Total</b>	<b>805,909</b>	<b>811,756</b>

At the end of 2015, assets traded on regulated stock markets accounted for 76% of financial instruments or 64% of all assets of Kapitalka družba (this group includes OTC investments and investments on the interbank market representing 2% of the total). Available-for-sale financial assets 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 2015, Kapitalka družba recorded a total of EUR 953,235 thousand of surplus of expected non-discounted cash inflows over outflows.

Table 39: Expected actual non-discounted cash flows as at 31 December 2015

in EUR 000

Item	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
Investments in securities	20,755	49,549	56,912	700,331	827,547
- at fair value through profit or loss	368	0	0	0	368
- held-to-maturity	1,270	5,096	17,092	0	23,458
- available-for-sale	19,117	44,453	39,820	700,331	803,721
Loans and deposits	48,356	39,018	0	0	87,374
Cash and cash equivalents	38,602	0	0	0	38,602
Operating receivables	2,902	103	0	0	3,005
<b>Total assets</b>	<b>110,615</b>	<b>88,670</b>	<b>56,912</b>	<b>700,331</b>	<b>956,528</b>
Operating liabilities	3,281	12	0	0	3,293
Financial liabilities	0	0	0	0	0
<b>Total operating and financial liabilities</b>	<b>3,281</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>3,293</b>
<b>Difference</b>	<b>107,334</b>	<b>88,658</b>	<b>56,912</b>	<b>700,331</b>	<b>953,235</b>

Table 40: Expected actual non-discounted cash flows as at 31 December 2014

in EUR 000

Item	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
Investments in securities	16,424	42,622	76,763	701,904	837,713
- at fair value through profit or loss	0	0	0	0	0
- held-to-maturity	817	3,267	19,521	0	23,605
- available-for-sale	15,607	39,355	57,243	701,904	814,108
Loans and deposits	62,076	0	0	0	62,076
Cash and cash equivalents	34,453	0	0	0	34,453
Operating receivables	1,253	53	0	0	1,306
<b>Total assets</b>	<b>114,205</b>	<b>42,675</b>	<b>76,763</b>	<b>701,904</b>	<b>935,548</b>
Operating liabilities	5,154	6	0	0	5,160
Financial liabilities	0	0	0	0	0
<b>Total operating and financial liabilities</b>	<b>5,154</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>5,160</b>
<b>Difference</b>	<b>109,051</b>	<b>42,669</b>	<b>76,763</b>	<b>701,904</b>	<b>930,388</b>

Shares, stakes and investment coupons are disclosed under item without maturity.

## 15.4 OTHER DISCLOSURES

### Information on the Management

The names of the members of the Management Board and other bodies are stated in the introductory part of the Annual Report, under the section Corporate Profile of Kapitalska družba, d. d. No operating receivables and long- or short-term liabilities to the members of the Management Board and Supervisory Board were recorded in 2015.

### Receipts of the members of the Management Board, Supervisory Board and staff with management contracts

In 2015, remunerations paid for the carrying out of responsibilities and duties of members of the Management Board, Supervisory Board and employees with individual contracts of employment for which the tariff section of the collective agreement does not apply, amounted to EUR 888 thousand.

Remunerations by category of beneficiaries are presented in the table below.

Table 41: Remunerations by category of beneficiaries in 2015

in EUR 000

Category of beneficiaries	Amount
Members of the Management Board	284
Members of the Supervisory Board	122
Employees with management contract	482
<b>Total</b>	<b>888</b>

No advances, loans or collateral were approved by the Company in 2015.

### Receipts of the members of management and supervisory bodies

Receipts of the members of the Management Board are regulated by the ZSDH-1. Pursuant to Article 51(5) of the ZSDH-1, the same conditions and criteria as apply to the members of the Management Board of Slovenski državni holding, d.d., apply to the members of the Management Board of Kapitalska družba. By mutatis mutandis application of Article 46(7) of the 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 managers 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 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, but it may not exceed 95% of the basic pay of the President of the Management Board of Slovenski državni holding, d. d., which is published. 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 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 2015 in line with the aforementioned criteria. Pursuant to the contract, the members of the Management Board are 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 42: Receipts of members of the Management Board in 2015

EUR

Name and surname	Fixed income	Variable income	Bonuses	Cost reimbursement	Insurance premiums (PDPZ)	Participation in profit	Options	Other rewards	Other payments	Total
Bachtiar Djalil (President)	125,114	8,285	55	2,355	2,819	-	-	-	791	139,419
Dr Boris Žnidarič (Member since 23 November 2015)	2,830	-	-	61	165	-	-	-	85	3,141
Anja Strojín Štampar, MSc. (Member until 30 November 2015)	118,858	15,597	750	3,094	2,819	-	-	-	791	141,909
<b>Total</b>	<b>246,802</b>	<b>23,882</b>	<b>805</b>	<b>5,510</b>	<b>5,803</b>	-	-	-	<b>1,667</b>	<b>284,469</b>

Fixed income includes gross salary. 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. Cost reimbursements include reimbursement of meal/travel/accommodation expense and daily allowance. Bonuses include collective accident insurance premiums and/or a company car. Insurance premiums (PDPZ) represent payments for voluntary supplementary pension insurance. Other payments include pay for annual leave.

Table 43: Receipts of members of the Supervisory Board in 2015

EUR

Name and surname	Fixed income	Variable income	Cost reimbursement	Insurance premiums	Fees	Participation in profit	Options	Other rewards	Other payments	Total
Samo Lozej (Chairman of the Supervisory Board)	20,790	-	-	-	-	-	-	-	-	20,790
Cirila Surina Zajc (Member of the Supervisory Board since 1 February 2015 and Deputy Chair of the Supervisory Board since 23 November 2015, Member of the Audit Committee)	16,607	-	864	-	-	-	-	-	-	17,471
Dr Boris Žnidarič <sup>14</sup> (Member of the Supervisory Board since 1 February 2015 and Deputy Chair of the Supervisory Board from 5 March 2015 to 22 November 2015, President of the Accreditation Committee until 22 November 2015, Member of the Management Board since 23 November 2015)	17,247	-	59	-	-	-	-	-	-	17,306
Aldo Ternovec (Member of the Supervisory Board and Deputy Chair of the Supervisory Board until 31 January 2015, President of the Accreditation Committee until 31 January 2015)	3,199	-	83	-	-	-	-	-	-	3,282
Aleksander Mervar, MSc. (Member of the Supervisory Board, Member of the Audit Committee)	18,875	-	433	-	-	-	-	-	-	19,308
Stanislav Seničar (Member of the Supervisory Board, Member of the Accreditation Committee until 22 November 2015, President of the Accreditation Committee since 23 November 2015)	19,526	-	722	-	-	-	-	-	-	20,248
Ladislav Rožič, MSc. (Member of the Supervisory Board, President of the Audit Committee, Member of the Accreditation Committee since 23 November 2015)	20,640	-	-	-	-	-	-	-	-	20,640
Ana Bilbija (Member of the Supervisory Board until 31 January 2015, Member of the Audit Committee until 31 January 2015)	3,007	-	104	-	-	-	-	-	-	3,111
<b>Total</b>	<b>119,891</b>	<b>-</b>	<b>2,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,156</b>

Fixed receipts of the Supervisory Board members include payment for the performance of function in the Supervisory Board (basic and extra pay for participation in the Supervisory

<sup>14</sup> While Dr Boris Žnidarič is occupying the office of the member of Management Board, his function in the Supervisory Board is suspended.

Board committees) and session fees for attending the meetings of the Supervisory Board and its committees. Cost reimbursements include reimbursement of travel expenses.

In 2015, the members of management and supervisory bodies received no receipts for tasks performed in subsidiaries of Kapitalska družba.

#### **Related-party transactions**

In 2015 Kapitalska družba made no significant transactions with its related parties that were concluded under other than normal market conditions.

#### **Disclosure related to the pension schemes**

On 6 November 2015, Kapitalska družba received from the Ministry of Labour, Family, Social Affairs and Equal Opportunities the Decision approving amendments and supplements to the Occupational Pension Insurance Scheme, no. 1032-5/2013-26, dated 30 October 2015. The amendments and supplements to the Occupational Pension Insurance Scheme refer to decreasing the management fee in terms of net value of the assets under management. The provisions of the Occupational Pension Insurance Scheme will start being applied with the entry into force of the Rules on Management of the Fund for Compulsory Supplementary Pension Insurance Scheme of the Republic of Slovenia, which depends on the acquisition of approval of the Securities Market Agency, but no later than in 90 days of the serving of the decision approving the pension scheme amendments to the Fund manager. On 4 December 2015, Kapitalska družba filed with the Securities Market Agency a request for approval of the amendments to the Rules on Management of the Fund for Compulsory Supplementary Pension Insurance Scheme of the Republic of Slovenia.

On 1 January 2016 the Act Amending and Supplementing the Pension and Disability Insurance Act entered into force (Official Gazette of the RS, no. 102/2015; ZPIZ-2B). Article 38(2) of the ZPIZ-2B stipulates that Kapitalska družba has to align the Occupational Pension Insurance Scheme and the Occupational Pension Payment Scheme with the provisions of the ZPIZ-2B within twelve months of the entry into force of the ZPIZ-2B. Until the new pension scheme starts being applied, the provisions of the pension schemes valid at the time of entry into force of the ZPIZ-2B shall be applied. When the new pension scheme is established, the Guarantee Fund of the Compulsory Supplementary Pension Insurance Fund (KS SODPZ) shall be liquidated and occupational pensions shall be paid as partial surrender value.

#### **Significant events after the date of the statement of financial position**

On 28 January 2016, the General Court of the European Union decided to fully reject the claim of the Republic of Slovenia to declare the Commission Decision SA.26379 of 19 September 2012 on the measures in favour of ELAN, d. o. o., null and void. With this judgement the contingent liability of Kapitalska družba ceased until the repayment of the refunded state aid, which is why Kapitalska družba derecognised off-balance sheet liability to Elan, d. o. o., in the amount of EUR 6,457 thousand.

The amendment to the Pension and Disability Insurance Act ZPIZ-2B entered into force on 1 January 2016, introducing changes also for Kapitalska družba. According to the amendment, occupational pensions shall be paid directly from the Compulsory Supplementary Pension Insurance Fund, while the Guarantee Fund of the Compulsory Supplementary Pension Insurance Fund shall cease to exist. Upon the transfer of the funds from KS SODPZ to SODPZ, the management fee charged by Kapitalska družba shall increase, because no management fee was charged for KS SODPZ.

On 2 February 2016, the Creditors' Committee consisting of ordinary creditors adopted a resolution that the share capital of Pomurske mlekarne, d. d., decrease from EUR 1.4 million to zero and that all existing shares be deleted. The resolution will become final after compulsory settlement has been finally approved.

On 31 December 2015, Kapitalska družba held an equity investment in the shares of Sava, d. d., valued at EUR 255 thousand. 12. On 12 February 2016, the Creditors' Committee of Sava, d. d., adopted a resolution that the share capital of Sava, d. d., decrease from EUR 14.1 million to zero and that all existing shares be invalidated. The resolution will become final after compulsory settlement has been finally approved. If the decision approving compulsory settlement becomes final, Kapitalska družba will lose the full value of investment in shares of Sava, d. d.