Generali Investments

Annual Report

2019

Contents

BUSINESS REPORT

THE COMPANY AT A GLANCE

Company name	Generali Investments, družba za upravljanje, d.o.o. (English: Generali Investments, Management Company LLC)
Abbreviated company name	Generali Investments d.o.o. (English: Generali Investments LLC)
Registered office	Dunajska cesta 63, 1000 Ljubljana, Slovenia
Telephone	+386 (0)1 58 26 780
Fax	+386 (0)1 518 40 88
Website	www.generali-investments.si
E-mail	nasvet@generali-investments.si
Registration number	5834457
Tax number	56687036
VAT identification number	SI 56687036
Bank accounts	SI56 0510 0801 3397 826 Abanka d. d.
	SI56 0292 2026 0821 258 NLB d. d.
Economic activity codes	64.300 – Trusts, funds and similar financial entities
	66.300 – Fund management activities
Company size according to the Companies Act (ZGD-1)	medium-sized
Management Board	Luka Podlogar, President of the Management Board
	Casper Frans Rondeltap, Member of the Management Board
Supervisory authority	Securities Market Agency

Shareholder as at 31 December 2019

Generali d.d., Kržičeva ulica 3, 1000 Ljubljana	100% shareholding

1. Company profile

Establishment and development

Generali Investments d.o.o. (Generali Investments LLC) was founded for an unlimited period on 24 February 1994 under the name Kmečka družba d. d. It was registered in the Court Register on 11 March 1994 under number Srg 1392/94.

On 13 March 1998, the Management Company's shares were entered in the Central Register of Securities with the Central Securities Clearing Corporation (KDD) by Decision no. R-418/IH/98, and thus issued in a book-entry form. Based on the resale authorisation no. 11/200/AG-97 issued by the Securities Market Agency on 1 July 1998, the shares were admitted to trading on the OTC market on 3 August 1998.

On 30 November 2000, the Company's division was recorded in the Court Register based on Decision no. Srg 2000/13886, whereby part of the assets of the transferor company, Kmečka družba d. d., was divided and transferred to a newly established company, Skupina Kmečka družba d. d., headquartered at Stegne 21, Ljubljana. In accordance with a resolution adopted at the General Meeting on 19 October 2000, the assets determined in the division scheme were transferred to the new company, as the universal legal successor.

The Company's capital, which consisted of the first and second issues of shares with a total nominal value of 200,000,000.00 Slovenian tolars (SIT) (EUR 834,585.21), was reduced to SIT 160,000,000.00 (EUR 667,668.17) upon the registration of the division. The par value per share of Kmečka družba d. d. decreased from SIT 10,000.00 (EUR 41.73) to SIT 8,000.00 (EUR 33.38), while the number of shares issued remained 20,000.

On 5 October 2001, a change in the Company’s name was entered in the Court Register under no. Srg 2001/10979: Kmečka družba d. d. was renamed KD Investments d. d.

In accordance with a resolution of the General Meeting of 30 May 2002, the Company was converted from a public limited company to a limited liability company. On 30 August 2002, a change in the Company’s name was registered under no. Srg 2002/05430, and KD Investments, družba za upravljanje, d. d., was renamed KD Investments, družba za upravljanje, d. o. o.

Pursuant to the decision of the Ljubljana Stock Exchange, the Management Company’s shares designated KDZ were excluded from trading on the OTC market on 19 September 2002. As of 30 September 2002, the KDZ shares were also deleted from the Central Securities Register.

In early 1996, the Management Company successfully carried out the first public sale of bonds totalling 8 million German marks (DEM) or EUR 4,090,400, and obtained authorisation for organised trading. On 10 March 2006, the bonds were removed from the Ljubljana Stock Exchange price list because they were set to mature on 15 March 2006.

On 22 January 2008, the Management Company received, through its agent, Decision no. 2007/15729 of the District Court of Ljubljana dated 16 January 2008 on entering the following changes in the Court Register: registered company name, abbreviated name, share capital along with the changeover to the euro, the Memorandum of Association, and registration of a new shareholding. The Company’s new registered name thus became KD Skladi, družba za upravljanje, d. o. o. (English: KD Funds – Management Company LLC), abbreviated name KD Skladi, d. o. o. (English: KD Funds LLC), with a share capital of EUR 1,767,668.00.

On 13 February 2012, the Company moved to a new location at Dunajska cesta 63, Ljubljana, and changed its business address.

On 9 June 2016, the Company took over the management of the Ilirika Umbrella Fund. On 3 October, the subfunds of the Ilirika Umbrella Fund were absorbed into the subfunds of the KD Umbrella Fund.

On 13 February 2019, KD Group d. d. disposed 100% of the issued shares in the capital of Adriatic Slovenica, zavarovalna družba, d. d., the direct holder of a qualifying holding in KD Funds LLC, by means of which KD Group d. d. ceased to have an indirect qualifying holding in KD Funds LLC.

On 13 February 2019, Generali CEE Holding B.V., the Netherlands, became the holder of a qualifying holding in KD Funds LLC. After more than a quarter of a century, the Company became part of the multinational Generali Group. In accordance with the new owner's strategy, its name changed to Generali Investments d.o.o. (English: Generali Investments LLC) at the end of August 2019.

The Company has no branches.

Whilst the Company does not have a formal diversity policy in place, it respects the principles of diversity, especially in terms of age and education.

The Company's principal activity is investment fund management. Along with the Company name and brand name changes, all its products were also renamed. At the end of 2019 the Company managed the following subfunds of the Generali Umbrella Fund:

1. Generali Galileo, mešani fleksibilni sklad (Generali Galileo, Mixed Flexible Fund)
2. Generali Rastko Evropa, delniški (Generali Rastko Europe, Equity)
3. Generali Bond, obvezniški - EUR (Generali Bond - EUR)
4. Generali MM, sklad denarnega trga - EUR (Generali MM, Money Market - EUR)
5. Generali Prvi izbor, sklad delniških skladov (Generali First Selection, Fund of Equity Funds)
6. Generali Jugovozhodna Evropa, delniški (Generali South Eastern Europe, Equity)
7. Generali Novi trgi, delniški (Generali New Markets, Equity)
8. Generali Surovine in energija, delniški (Generali Raw Materials and Energy, Equity)
9. Generali Tehnologija, delniški (Generali Technology, Equity)
10. Generali Vitalnost, delniški (Generali Vitality, Equity)
11. Generali Indija – Kitajska, delniški (Generali India – China, Equity)
12. Generali Latinska Amerika, delniški (Generali Latin America, Equity)
13. Generali Vzhodna Evropa, delniški (Generali Eastern Europe, Equity)
14. Generali Dividendni, delniški (Generali Dividend, Equity)
15. Generali Amerika, delniški (Generali America, Equity)
16. Generali Corporate Bonds, obvezniški – EUR (Generali Corporate Bonds – EUR)

At the end of 2019, the Company also managed the assets of other investors under discretionary investment mandates, and an alternative real estate fund Generali Adriatic Value Fund, Special Investment Fund and the newly created private equity fund Generali Growth Equity Fund, Special Investment Fund.

The operations of all subfunds of the Generali Umbrella Fund listed above and of Generali Investments LLC in 2019 were audited by Ernst & Young d. o. o., Dunajska cesta 111, Ljubljana.

Annual report

Generali Investments LLC is an entity within a group of related companies controlled by Generali d.d.

The annual report of Generali Investments LLC is available at the Company's headquarters at Dunajska cesta 63, Ljubljana.

The consolidated annual report of the Generali d.d. group and the annual report of the company Generali d.d. are available at the company's headquarters at Kržičeva ulica 3, 1000 Ljubljana.

As at 31 December 2019, Generali Investments LLC was the controlling company of the management company Generali Investments d.o.o., Savska cesta 106, Zagreb (96.72%), the management company Generali Investments A. D. Skopje, Bul. Partizanski odredi 14A, Skopje, Macedonia (94.60%), the company Generali Investments GP 1 d.o.o., Dunajska cesta 63, 1000 Ljubljana (100%), the company Generali Investments GP 2 d.o.o., Dunajska cesta 63, 1000 Ljubljana (100%) and the company Generali Investments CP d.o.o. k.d. (54.79%). Pursuant to Article 56 of the Companies Act (Official Gazette of the Republic of Slovenia no. 42/2006 as amended, hereinafter: ZGD-1), Generali Investments LLC is not obliged to prepare consolidated financial statements.

2. Business development

The core activity of Generali Investments LLC is managing investment funds and assets of other investors.

In 2019, the Company managed the Generali Umbrella Fund with its 16 subfunds, and two special investment funds, Generali Adriatic Value Fund, Special Investment Fund, and Generali Growth SIF LLC LP, a private equity fund, as well as other portfolios based on discretionary mandates.

In view of the net value of assets in mutual funds, Generali Investments, with EUR 539.2 million of assets under management, 51,096 investors and a 17.9% market share in Slovenia, ranked third among management companies.

At the end of 2019, the volume of assets under the management of the Generali Umbrella Fund increased by 12.8% compared to the end of 2018, or EUR 61.1 million. The rise in assets is a consequence of the growth seen in the capital markets of EUR 72.5 million or 15.2%, which was partly reduced by the negative effect of net flows of -2.4% or net cash outflows of EUR 11.4 million. A total of EUR 42.12 million and EUR 53.55 million were contributed to and redeemed from the Generali Umbrella Fund, respectively, in 2019.

Markets overview in 2019

In 2019, global stock markets surged by well over 20%, measured with MSCI. After the correction seen in the last quarter of 2018, 2019 started with a strong recovery, and by summer the markets had already made up for the losses. Growth continued in the second half of the year when the main global equity indices hit their all-time highs. Developed markets rose more than emerging markets, whilst expectations regarding economic growth rates declined and macroeconomic indicators showed a bleaker picture than in previous years. As a counter-measure, central banks proved they had not yet used all their options and once again pursued softer monetary policies. The required yield-to-maturities declined, in some cases plummeting to record low rates. In the last part of the year, progress was made in the US-China trade deal negotiations and the risk of Brexit uncertainty subdued.

Developed markets

US stock prices posted a rise of more than 30%, measured with MSCI. According to the latest figures, US economic growth was slower than in 2018. The unemployment rate fell to 3.5%, which is the lowest rate since 1969 and the lowest in the last half century. According to a survey of the University of Michigan, consumer confidence remained high, as in the two preceding years. On the other hand, the prospects of US companies were weaker. The biggest cuts in outlook due to the uncertainties of the trade wars and import tariffs announced by the USA and China were seen in the manufacturing sector. Against this backdrop, the US Federal Reserve was forced to take action. Having raised its benchmark interest rate four times in 2018, the Fed cut the rate three times in 2019, each time by 25 basis points, to reach 1.75% at year-end. We do not expect central banks to modify interest rates in 2020. At the close of last year, market expectations predicted two rate rises. The Fed brought a surprise to the market, the consequences of which spilled over to financial markets. The yield-to-maturity of the US 10-year treasury note, which moved above 3% most of last year, declined and dropped to below 1.5% at the end of the summer. The S&P 500 and Dow Jones stock indices jumped to record highs. In December, a partial tariff deal was reached between the USA and China, which additionally boosted market growth. In the future, China is expected to increase its imports of US goods, cutting its US trade surplus. Similarly as the US, the old continent also saw its economic growth cooling. Germany, the largest European economy, recorded growth at a rate below 1% on an annual basis. The export-oriented German economy felt the trade war as a decline in demand for German goods. Different than in the US, consumer confidence in the euro area remained low, although consumers were the main force of Europe’s recovery in previous years. Europe also saw a decline in inflation, which stood at around 1% on an annual basis last year. At its September meeting, the ECB decreased its interest rate on deposit facility charged to banks by 10 basis points to -0.5%. Net purchases of bonds on the secondary market were restarted. They will be run at a pace of EUR 20 billion as long as necessary. Additional liquidity in the market was reflected in higher yield-to-maturities of government and corporate bonds. The yield-to-maturity of the German 10-year government bond again slipped into negative territory in 2019, hitting its record low at -0.7%. In the United Kingdom, Prime Minister Johnson and his Conservative Party won the biggest majority since Margaret Thatcher's 1987 election victory. This cleared the way for the UK's departure from the EU, with Johnson now having support for his Brexit deal. The British pound surged in the last quarter.

Emerging markets

Stock markets in the main emerging economies saw rising prices, just like in the developed countries. In spite of that, they did not exceed the peaks recorded in 2018. Measured in EUR, the MSCI BRIC rose by more than 20%. The biggest growth was posted by Russian stocks, jumping by more than 40%. The lowest growth among the BRIC countries was recorded by assets in India, with the growth of prices measured with MSCI reaching only slightly over 8%. The key factors were the insecurities due to trade wars and the cooling of the global economic growth. In 2019, most of the currencies in the emerging markets were losing value compared to the US dollar, which is one of the reasons for the lower yields posted in those countries. According to the latest figures, China’s economic growth reached 6%. Although this is still higher compared to economic growth in the developed countries, it was the weakest expansion of China’s economy since the launching of economic reforms by Deng Xiaoping in 1992. The Chinese Central Bank responded by cutting the reserves required to be held by banks, which released additional liquidity into the economy. Last year still the world’s fastest growing major emerging economy, India saw its economic growth plummet to 4.5% coupled with rising unemployment. Like the year before, Brazil’s economic growth stayed at a very low level. President Bolsonaro's right-wing government did not manage to deliver pension reform. The government faced international pressure owing to the poor control over the protection of the Amazon rainforest, where the number of intentional fires went up. Among the BRIC countries, investments in Russia posted the highest growth. With the main export goods being crude oil and oil products, Russia profited from a rise in the prices of this important energy product. The price per barrel of crude oil went up by about 10 US dollars.

Slovenia and the Balkans

Prices of the top companies in the Slovenian stock market saw a rise, with SBITOP, the Slovenian stock exchange index, reaching its peak since 2010 growing about 15% over the year. The cooling global economic growth was reflected in Slovenia, too. The economy saw slower growth than in the preceding year. Both consumer confidence and corporate outlooks subdued, especially in the second half of the year. The largest market in the region, Romania, posted the highest growth of more than 30%, with stock market prices nearing record highs seen in 2007. In neighbouring Bulgaria, SOFIX continued the falling trend of the year before, closing the year some 4% lower. The Croatian index, CROBEX, surged to its highest value in the last two years.

In 2019, Luka Flere, Head of Asset Management at Generali Investments, was recognised by the *Moje finance* magazine with the top accolade in asset management in Slovenia, earning the Best Fund Manager 2018 title. In the nine years of these awards, a Generali Investments manager was selected as the best fund manager of the year for six consecutive years. The excellence in managing the Generali Umbrella Fund subfunds was also acknowledged by the independent international rating agency Morningstar. On 31 December 2019, two out of the 14 subfunds of the Generali Umbrella Fund were assigned the highest rating of 5 stars (Generali First Selection and Generali Bond) and one subfund was assigned 4 stars (Generali Vitality).

All of these awards and recognitions are the result of our sound management of fund portfolios, developments in financial markets, cost-effective business operations, and personal contacts with our investors. Generali Investments offers the most cost-effective fund-saving options – fund packages providing investors with the possibility to freely change funds within their savings plan and make periodic payments. In addition to sales activities, the Company focused its efforts on ensuring alignment with the legislation, optimisation of its processes and portfolios, and upgrading the information system. In 2019, a new mobile application was available to investors.

Highlights of our activities and achievements in 2019

In 2019, the Company became part of the Generali Group, which provides asset management in 15 countries and has some EUR 500 million of assets under management. This brings new opportunities for growth and development. At the end of August 2019, the Company's name changed from KD Skladi, d.o.o. (KD Funds LLC) to Generali Investments d.o.o. (Generali Investments LLC), and along with the brand name change all its products were also renamed.

Generali Investments has successfully kept pace with the most recent trends and developments in the global mutual fund sector. In 2019, the Company continued development in the alternative fund segment, adding to the Generali Adriatic Value Fund special investment fund a new private equity fund, Generali Growth Equity Fund.

In terms of optimising its business, Generali Investments has been continuously developing new digital solutions contributing to business efficiency and improving the user and investor experience.

New product development: In 2019, the Company launched a new special investment fund, Generali Growth Equity Fund. A new tool for investors was developed, the Generali Investments mobile application.

Excellence in management: The numerous awards presented by the *Moje finance* magazine for the best fund manager and the best management company with the highest number of awards, and the highest overall ratings of five or four Morningstar stars are – in addition to our results and consistently exceeded benchmarks – proof of successful systematic development and improvements in the management process based on seeking risk-adjusted value.

3. Business results

Generali Investments LLC is the third biggest management company in Slovenia, holding a 17.9% market share among Slovenian mutual fund managers at the end of 2019. Outside of Slovenia, it has two subsidiaries in Croatia and Macedonia, together managing 17 investment funds, 13 of which are located in Croatia and 4 in Macedonia.

As at 31 December 2019, Generali Investments LLC managed EUR 539.2 million worth of assets of 51,096 investors in the Generali Umbrella Fund. At the end of 2019, the volume of assets under the management of the Generali Umbrella Fund increased by 12.8% compared to the end of 2018, or EUR 61.1 million. The rise in assets is a consequence of the growth seen in the capital markets of EUR 72.5 million or 15.2%, which was partly reduced by the negative effect of net flows of -2.4% or net cash outflows of EUR 11.4 million. A total of EUR 42.12 million and EUR 53.55 million was contributed to and redeemed from the Generali Umbrella Fund, respectively, in 2019.

Net sales and operating expenses reached EUR 9.23 million and EUR 7.75 million, respectively. The Company closed the year with EUR 1.24 million in net profit for the financial period.

4. Outlook for the future

In 2020, we expect to see global economic growth at the same level as the year before. Given the current growth forecasts for this year, the basic scenario brings a somewhat higher likelihood of positive surprise. Currently, prices on capital markets rely on a carefree scenario with the prospect of a trade deal, an orderly Brexit, and central banks willing to further stimulate the economy. In the year of upcoming US elections and following the growth seen last year, we are still expecting rising volatility. Our recommendation for equities is neutral. Valuations of equity markets are above historical averages but remain more attractive compared to bonds. We expect to see a correction in the course of the year, so our recommendation remains neutral. Geographically speaking, we see more growth potential in Europe, and in China with respect to emerging markets. In the bond markets, we can hardly expect additional measures from central banks in the environment of stabilising growth. Our recommendations for bond investments under umbrella allocation are neutral to negative.

The Company will continue to engage in activities centred on business excellence in all spheres of operation and asset management as well as optimising and streamlining the business process. Special attention will be given to our existing and potential investors, and to providing excellent financial advisory experience. Moreover, our resources will be directed towards developing new products in the area of alternative funds.

The key challenges anticipated in 2020 include:

- growing the Company's profitability;
- improving the management;
- strengthening personal interaction with investors and the sales network;
- attracting new prospective investors,
- continuing with activities to optimise business processes, focusing on the best possible risk management, and
- consolidating our position within the region at large.

5. Human resources

Generali Investments LLC aspires to exceed the expectations of both investors and business partners. To achieve this, it needs committed and highly motivated people. Our goal is to offer a creative organisational climate and employee-friendly working conditions. In order to have access to high-quality support services, the Company employs highly skilled and professional personnel, especially with qualifications in Economics, Law, IT and Sales. Employees work in an environment enabling them to develop their capacities, with an emphasis on creativity and reliability. The Company regularly organises internal training courses and provides its staff with opportunities to attend external training courses, which helps them perform well in their work. The Company also encourages team building through informal socialising.

6. Clarification concerning the report on the relationship with the controlling company

The Company's Management Board drew up a report on the relationship with the controlling company, establishing that no transactions representing a disadvantage for the Company were carried out in 2019.

7. Risk management

In performing its operations and in accordance with the applicable regulations and internal rules, the Company determines, measures/estimates, manages and monitors risks affecting its business as well as the business of the assets managed by it, i.e. mostly assets of investment funds. In the framework of managing risk associated with the aforementioned assets and in line with the adopted risk management plans, the Company measures and takes appropriate action on a daily basis, chiefly with regard to investment (market) risk. In the management of risk connected with its operations as a commercial company and a supervised financial institution, and in compliance with capital adequacy requirements, the Company identifies and measures risk as well as adopts actions and regularly monitors their implementation with regard to operational risk, profitability risk, strategic risk, credit risk, market risk, recitation risk, capital and liquidity risk, and compliance risk. Details on risk management are given in the Disclosures according to requirements under Part 8 of Regulation EU 575/2013 published on the Company's website.

8. Corporate governance statement

Applicable codes

The Management Company applied in 2019 the Corporate Governance Code of the KD Group and Code of the Generali Group, which is available at the Company's website at www.generali-investments.si.

The main characteristics of the internal control and risk management system in connection with the financial reporting procedure

The Company is bound to respect the provisions of the Companies Act (ZGD-1) and the Investment Funds and Management Companies Act (Official Gazette of the RS, no. 31/2015, as amended, hereinafter: ZISDU-3), which among others governs the obligation of management companies to put in place and maintain an appropriate system of internal controls and risk management. Specific regulations are also issued by the Securities Market Agency and the Company's supervisory bodies. The Company is also bound by the relevant legislation in the area of markets in financial instruments and alternative funds.

The functioning of internal controls is supervised by management oversight as well as through internal audits, reviews conducted by the Compliance and Risk Management functions, and through external audits of the Company's financial statements.

Details of risk management in connection with the financial reporting procedures are described in section 8, and risk management in connection with the financial reporting procedures is described in section 22 of the notes on specific solutions and valuations.

Details referred to in points 3, 4, 6 and 9 of paragraph 6 of Article 70 of ZGD-1

Details about the Company's ownership are disclosed in the annual report. Given that Generali d.d., Kržičeva 3, 1000 Ljubljana, is the sole Shareholder, the Company neither provides for specific controlling rights nor specific restrictions on voting rights.

The Company relies on responsible governance and management. Its rules on the appointment and replacement of members of the management and supervisory bodies and amendments to the Articles of Association are based on the provisions of ZGD-1 and the Articles of Association, which can be consulted at the Company's headquarters.

Information on the functioning and key powers of the Shareholder, and description of the Shareholder's rights and their exercise

The Company’s sole Shareholder is Generali d.d. The sole Shareholder's powers are based on the provisions of ZGD-1 and are enshrined in the Articles of Association, which can be consulted at the Company's headquarters.

Composition and functioning of the management and supervisory bodies and their committees

The Management Board

The Company is run by the Management Board which acts on its behalf and represents it in legal transactions.

In 2019, the Management Board had the following composition:

- Luka Podlogar, President of the Management Board,
- Casper Frans Rondeltap, Member.

The Supervisory Board

In line with its powers, the Supervisory Board actively monitored and supervised the operations of Generali Investments LLC. It held six sessions in 2019, all of which had a quorum. The Supervisory Board members received session invitations and documents in a timely manner. The Supervisory Board regularly reviewed the implementation of resolutions, and the Management Board regularly informed the Supervisory Board members about the Company's current operations and performance.

In 2019 the Supervisory Board had the following composition:

- Josef Beneš – President,
- Aljoša Tomaž – Deputy President,
- Gregor Pilgram – Member,
- Katarina Guzej – Member.

No Supervisory Board committees were established in 2019.

On 13 February 2019, Tomaž Butina, Matija Šenk and Jure Kvaternik resigned from the office of members of the Supervisory Board.

On 13 February 2019, Gregor Pilgram, Josef Beneš, Jure Kvaternik and Aljoša Tomaž were appointed members of the Supervisory Board for a four-year term by the sole Shareholder of Generali Investments LLC, the company Generali d.d. Following the resignation of Jure Kvaternik, Katarina Guzej was appointed member of the Supervisory Board, effective on 2 September 2019.

9. Important business events after the close of the 2019 financial year

In 2020, the Company purchased the remaining shares in its subsidiary Generali Investments d.o.o., Croatia. In February 2020 it became the holder of the 100% share.

Ljubljana, 16 March 2020

Generali Investments LLC

CONCISE STATEMENT OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD ABOUT THE RISK MANAGEMENT OF GENERALI INVESTMENTS LLC

The Management Board and the Supervisory Board of Generali Investments LLC (hereinafter: the Company), pursuant to Article 17 of the Decision on the Management System, Management Body and Internal Capital Adequacy Assessment Process for Brokerage Companies[1] (hereinafter: the Decision) and Articles 435.1(e)[2] and 435.1(f)[3] of the CRR[4], give the following concise statement on risk management:

The Company follows its long-term strategic and business objectives whilst respecting the risk exposure limits set out in the Strategy[5] and policies[6] on both an individual as well as consolidated basis.

The Company assesses its risk profile as acceptable, with capital adequacy, income stability and stable liquidity position being the key factors for supporting its current and future profitability.

The Company's risk profile is assessed annually in accordance with the Strategy. The Company has performed the internal capital adequacy assessment process[7], i.e. self-assessment of its capital adequacy in accordance with the risk management policies in place.

The following risks ranked by order of importance were identified in the assessment process, with respect to which risk management policies were adopted:

- operational risk,
- profitability risk,
- strategic risk,
- credit risk,
- market risk,
- reputation risk, capital and liquidity risk, and
- compliance risk.

The assessed risk profile is consistent with the Company's business model and strategic orientations. The risk profile is managed through a system of limits and internal controls, based on which the Company can meet more than the minimum capital requirements even in harsh business conditions. The risk management system was designed and adopted in agreement with the parent undertaking and approved by its Supervisory Board.

The key indicator of the Company's risk appetite is the total capital ratio. Its tolerance value stands between 130% and 150% of the minimum capital requirement according to the CRR. The acceptable share of

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[1] Official Gazette of the RS, no. 42/19

[2] Statement on the adequacy of the Company's risk management, which ensures that the risk management systems in place suit the Company's profile and strategy

[3] Concise risk statement

[4] Regulation (EU) no. 575/2013 (Official Journal of the EU, L 176)

[5] Risk Strategy (FS-GI-POS-77)

[6] Operational risk management policy (FS-GI-POS-80), Credit risk management policy (FS-GI-POS-79), Profitability risk, reputation risk and strategic risk management policy (FS-GI-POS-95), Capital risk management policy (FS-GI-POS-71), Market risk management policy (FS-GI-POS-93), Liquidity risk management policy (FS-GI-POS-92), and Compliance policy (FS-GI-POS-84)

[7] ICAAP

dividend in the net profit of the preceding financial year is set at the level enabling the Company to maintain its long-term business stability and preserve its target capital requirements. The target values of all risk indicators express the connection between the Company's business strategy and its risk profile.

The Management Board and the Supervisory Board confirm that prudential consolidation pursuant to Article 11 of the CRR has been carried out, comprising the Company as the parent institution and its two subsidiaries, Generali Investments d.o.o., Zagreb, and Generali Investments AD, Skopje (hereinafter: the Group).

The Management Board and the Supervisory Board confirm that the Group pursues the same profile of operations based on acceptable risk. The Company applies ICAAP to calculate its internal capital requirements for all significant risks.

In 2019, the total capital ratios for the Company and the Group equalled 14.15% and 14.52%, respectively.

Due to external trends, growth and new product development, the Company devotes significant efforts to managing and limiting operational risk and profitability risk. In parallel, processes of digitisation of the documentary system, personal data protection, alignment with the new legislation, establishment of new funds and business continuity are carried out.

In its regular operations, the Company applies qualitative measures and daily supervisory procedures to successfully manage prevention of money laundering and terrorist financing, inside information protection and management of conflicts of interest, by which it manages reputation risk with respect to the Company and the Group.

A stable source of capital enables the Company to operate in accordance with the CRR provisions and adopted strategic orientations. This is further supported by its constantly high liquidity level connected with the nature of its activity.

The concise statement of the management body is available at https://www.generali-investments.si/aktualno/javne-objave/.

Ljubljana, 16 March 2020

Supervisory Board

Josef Beneš
President of the Supervisory Board

Aljoša Tomaž
Deputy President of the Management Board

Gregor Pilgram
Member of the Supervisory Board

Katarina Guzej
Member of the Supervisory Board

Management Board

Luka Podlogar
President of the Management Board

Casper Frans Rondeltap
Member of the Management Board

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board of Generali Investments, Management Company LLC confirms the financial statements as at 31 December 2019, and the applied accounting policies, notes and tables.

The Management Board is responsible for the preparation of the annual report so as to give a true and fair view of the Company's financial position and the results of operations for 2019.

The Management Board confirms that the relevant accounting policies have been consistently applied and that the accounting estimates have been prepared in compliance with the principles of prudence and due diligence. The Management Board also confirms that the financial statements and the notes thereto have been prepared on a going-concern basis, and in compliance with the applicable legislation and the Slovene Accounting Standards.

The Management Board is also responsible for proper accounting, for taking appropriate measures to safeguard the assets, and for preventing and detecting fraud as well as other forms of irregularity and illegality.

Tax authorities may at any time within five years following the tax assessment year examine the Company's business operations, which may, consequently, result in additional tax liabilities, default interest and penalties levied under the corporate income tax or other taxes and duties. The Company's Management Board is not aware of any circumstances that might give rise to any material liability in this respect.

Ljubljana, 16 March 2020

Generali Investments LLC

FINANCIAL REPORT

BALANCE SHEET

(EUR)	Note	31 Dec. 2019	31 Dec. 2018
ASSETS		**11,987,428**	**11,646,457**
Non-current assets		**6,194,991**	**5,747,379**
Intangible assets, deferred expenses and accrued income	1	2,932,258	2,713,423
Property, plant and equipment	2	536,157	126,544
Long-term financial investments	3	2,627,000	2,744,293
Deferred tax assets	19	99,576	163,119
Current assets		**5,400,447**	**5,470,846**
Short-term financial investments	4	3,793,852	3,904,513
Short-term operating receivables	5	726,213	143,011
Cash and cash equivalents	6	880,382	1,423,322
Short-term deferred expenses and accrued income	**7**	**391,990**	**428,232**
LIABILITIES AND EQUITY		**11,987,428**	**11,646,457**
Equity	**8**	**10,351,453**	**10,397,696**
Called-up capital		1,767,668	1,767,668
Capital reserves		4,168,069	4,168,069
Profit reserves		856,767	856,767
Fair value reserve		183,982	69,955
Retained net profit or loss		2,135,237	1,675,972
Net profit or loss for the year		1,239,730	1,859,265
Provisions and long-term accrued expenses and deferred income	**9**	**97,140**	**115,074**
Non-current liabilities		**261,386**	**21,009**
Long-term financial liabilities	10	213,630	-
Long-term operating liabilities	11	4,600	4,600
Deferred tax liabilities	19	43,156	16,409
Current liabilities		**787,969**	**676,801**
Short-term financial liabilities	10	179,460	-
Short-term operating liabilities	11	608,509	676,801
Short-term accrued expenses and deferred income	**12**	**489,480**	**435,877**
Off-balance-sheet assets and liabilities	3	416,373	179,573

The accounting policies and notes to the financial statements on pages 32 to 67 are a constituent part of the financial statements.

INCOME STATEMENT

(EUR)	Note	2019	2018
Net sales	14A	9.278.853	9.499.286
Other operating income	14A	34,114	12,508
		9,312,967	**9,511,794**
Costs of goods, materials and services	14B	(4,155,535)	(4,072,665)
Labour costs	14B	(3,236,467)	(3,266,121)
Depreciation			
Amortisation/Depreciation	14B	(324,493)	(115,793)
Revaluation operating expenses	14B	(5,532)	(2,511)
Other operating expenses	14B	(24,224)	(30,741)
		(7,746,251)	**(7,487,831)**
Financial income from participating interests	15	183,516	245,439
Financial income from loans	15	3,306	4,064
Financial income from operating receivables	15	599	827
		187,421	**250,330**
Financial expenses for impairments and write-offs of investments	16	(188,999)	-
Financial expenses for financial liabilities	16	(15,830)	-
Financial expenses for operating liabilities	16	(21,708)	(20,230)
		(226,537)	**(20,230)**
Other income	17	8	12
Other expenses	17	(235)	(9,090)
		(227)	**(9,078)**
Profit or loss before tax		**1,527,373**	**2,244,985**
Income tax	20	(224,100)	(394,551)
Deferred tax	19	(63,543)	8,831
Net profit or loss for the period		**1,239,730**	**1,859,265**

(EUR)	Note	2019	2018
Net profit or loss for the period		**1.239.730**	**1.859.265**
Change in fair value reserve		**114,027**	**(16,297)**
a Gross	8	140,774	(20,120)
b Tax	19	(26,747)	3,823
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,353,757**	**1,842,968**

The accounting policies and notes to the financial statements on pages 32 to 67 are a constituent part of the financial statements.

STATEMENT OF CASH FLOWS

(EUR)	Note	2019	2018
A. Cash flows from operating activities			
a) Items of income statement		**1,608,637**	**1,747,116**
Operating income (except for revaluation) and financial income from operating receivables		9,325,475	9,511,518
Operating expenses excluding depreciation/amortisation (except for revaluation) and financial expenses from operating liabilities		(7,429,195)	(7,378,682)
Income tax and other taxes not included in operating expenses	19, 20	(287,643)	(385,720)
b) Changes in net current operating assets (and deferred expenses and accrued income, provisions and deferred tax assets) of operating items in the balance sheet items		**(520,571)**	**123,365**
Change in operating receivables	5	(583,201)	40,899
Change in deferred expenses and accrued income	7	37,377	192,387
Change in deferred tax assets	19	63,543	(8,831)
Change in operating liabilities	11	(73,960)	(25,448)
Change in accrued expenses and deferred income and provisions	12	35,670	(75,642)
c) Net cash from/used in operating activities (a+b)		**1,088,066**	**1,870,481**
B. *Cash flows from investing activities*			
***a) Receipts from investing* activities**		1,205,537	1,921,270
Interest and dividends received from investing activities		211,443	249,121
Proceeds from disposal of property, plant and equipment		16,705	-
Proceeds from disposal of financial investments	4, 14	977,389	1,672,149
b) Payments from investing activities		**(1,253,806)**	**(1,874,809)**
Payments to acquire intangible assets	1	(269,527)	(48,135)
Payments to acquire property, plant and equipment	2	(146,791)	(86,450)
Payments to acquire financial investments	3, 4	(837,488)	(1,740,224)
c) Net cash from/use in investing activities (a+b)		**(48,269)**	**46,461**
C. *Receipts from financing activities*			
***b) Payments from financing* activities**		**(1,582,737)**	**(1,400,000)**
Repayments of financial liabilities		(182,737)	-
Dividends and other profit shares		(1,400,000)	(1,400,000)
c) Net cash from/used in financing activities (a+b)		**(1,582,737)**	**(1,400,000)**
D. Closing balance of cash		**880,382**	**1,423,322**
Net *increase/decrease in cash for* the year (A.c. + B.c. + C.c.)		**(542,940)**	**516,942**
Opening balance of cash		1,423,322	906,380

The accounting policies and notes to the financial statements on pages 32 to 67 are a constituent part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(v EUR)	Called-up capital- share capital	Capital reserves- general revaluation adjustment	Capital reserves- share premium	Profit reserves- statutory reserves	Profit reserves- other reserves	Fair value reserve	Retained earnings	Net profit for the year	Total
As at 31 December 2018	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**69,955**	**1,675,972**	**1,859,265**	**10,397,696**
Restatements (corrections)	-	-	-	-	-	-	-	-	**-**
Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	**-**
As at 1 January 2019	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**69,955**	**1,675,972**	**1,859,265**	**10,397,696**
Changes in equity – transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(1,400,000)**	**-**	**(1,400,000)**
Payment of dividends	-	-	-	-	-	-	(1,400,000)	-	**(1,400,000)**
Total comprehensive income in the reporting period	**-**	**-**	**-**	**-**	**-**	**114,027**	**-**	**1,239,730**	**1,353,757**
Net profit in the reporting period	-	-	-	-	-	-	-	1,239,730	**1,239,730**
Fair value revaluation of investments	-	-	-	-	-	114,027	-	-	**114,027**
Changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**1,859,265**	**(1,859,265)**	**-**
Allocation of the remaining part of net profit									
for the comparative reporting period to other equity	-	-	-	-	-	-	1,859,265	(1,859,265)	**-**
As at 31 December 2019	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**183,982**	**2,135,237**	**1,239,730**	**10,351,453**
Accumulated profit	-	-	-	-	-	-	2,135,237	1,239,730	**3,374,967**

The accounting policies and notes to the financial statements on pages 32 to 67 are a constituent part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(EUR)	Called-up capital- share capital	Capital reserves- general revaluation adjustment	Capital reserves- share premium	Profit reserves- statutory reserves	Profit reserves- other reserves	Fair value reserve	Retained earnings	Net profit for the year	Total
As at 31 December 2017	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**86,252**	**1,049,024**	**2,026,948**	**9,954,728**
Restatements (corrections)	-	-	-	-	-	-	-	-	**-**
Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	**-**
As at 1 January 2018	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**86,252**	**1,049,024**	**2,026,948**	**9,954,728**
Changes in equity – transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(1,400,000)**	**-**	**(1,400,000)**
Payment of dividends	-	-	-	-	-	-	(1,400,000)	-	**(1,400,000)**
Total comprehensive income in the reporting period	**-**	**-**	**-**	**-**	**-**	**(16,297)**	**-**	**1,859,265**	**1,842,968**
Net profit in the reporting period	-	-	-	-	-	-	-	1,859,265	**1,859,265**
Change in reserves due to									
fair value revaluation of investments	-	-	-	-	-	(16,297)	-	-	**(16,297)**
Changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**2,026,948**	**(2,026,948)**	**-**
Allocation of the remaining part of net profit									
for the comparative reporting period to other equity	-	-	-	-	-	-	2,026,948	(2,026,948)	**-**
As at 31 December 2018	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**69,955**	**1,675,972**	**1,859,265**	**10,397,696**
Accumulated profit	-	-	-	-	-	-	1,675,972	1,859,265	**3,535,237**

The accounting policies and notes to the financial statements on pages 32 to 67 are a constituent part of the financial statements.

UTILISATION OF NET PROFIT FOR THE PERIOD

(EUR)	2019	2018
Net profit or loss for the year	1,239,730	1,859,265
Net profit or loss for the year brought forward	2,135,237	1,675,972
Accumulated profit	**3,374,967**	**3,535,237**

Accumulated profit for 2019 totalled 3,374,967.19 consisting of net profit for 2019 in the amount of EUR 1,239,730.40 and profit brought forward of EUR 2,135,236.79.

The following distribution is proposed:

- EUR 1,239,730.40 of distributable profit shall be distributed to the Shareholder as a share in the profit;
- EUR 2,135,236.79 shall not be distributed, and decision on its distribution shall be carried over to the following year.

INDEPENDENT AUDITOR'S REPORT

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Owner of Generali Investments, družba za upravljanje, d.o.o.

Opinion

We have audited the financial statements of Generali Investments, družba za upravljanje, d.o.o. (the Company), which comprise the balance sheet as at December 31 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company Generali Investments, družba za upravljanje, d.o.o. as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management for the financial statements

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

• identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ljubljana, March 16, 2020

Janez Uranič
Director, Certified Auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Simon Podvinski
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

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SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of the financial statements

The financial statements of Generali Investments LLC ("the Company") have been prepared in compliance with the accounting and reporting requirements of the Slovene Accounting Standards (SAS) and the Companies Act (ZGD-1). The financial statements have been prepared in compliance with the fundamental accounting assumption of the business as a going concern and are based on the accrual principle. The qualitative features of the financial statements are based on clarity, appropriateness, reliability and comparability. The same accounting policies were used as the year before. The financial statements have been compiled in EUR.

Amendments to accounting standards and impact on the preparation of financial statements for 2019

In 2018, the Expert Council of the Slovenian Institute of Auditors adopted a revised Slovene Accounting Standard 15 (2019) Revenue.

Significant provisions of the standard:

Sales revenue comprises revenue arising from contracts with customers on the sale of goods or services. Sales revenue represents transfers (supplies) of contractually agreed goods or services to customers, in the amount of expected consideration an entity will be entitled to in exchange for those goods or services. Sales revenue is classified as revenue from the sale of entity's own products and services and revenue from the sale of merchandise and materials. Amounts collected on behalf of third parties, such as accrued value added taxes and other taxes, levies and charges, are not part of sales revenue. Similarly, in an agency relationship, the amounts collected on behalf of the principal are not revenue (instead, revenue is the amount of commission).

Goods or services are transferred when (or as) the customer obtains control of those goods or services. The buyer obtains control over goods or services when they obtain the ability to direct the use of and obtain substantially all of the remaining benefits from that asset. Control also includes the ability to prevent other entities from directing the use of and obtaining the benefits from goods or services. The benefits of goods or services are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly in many ways.

An entity transfers control of goods or services and, therefore, satisfies a performance obligation, at a certain point of time or over time.

When entering into a contract, an entity must identify all performance obligations contained in the contract. A distinct (separate) performance obligation is every promise to transfer goods or services to the customer:

a) that according to the SAS criteria is separately identifiable from other promises to transfer goods or services within the context of a contract, and

b) the customer can benefit from the goods or services either on their own or together with other resources that are readily available. The fact that an entity regularly sells goods or services separately would show, for example, that the buyer can use goods or services on their own or in conjunction with other readily available resources.

Sales revenue is recognised in the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Company’s management examined the impact of the amended accounting standard on the recognition of revenue and determined that adjustments to the Company's financial statements were not necessary.

Several other amendments and supplements to the Slovene Accounting Standards 2016 were adopted in 2018. They apply to the preparation of the financial statements for the financial years starting 1 January 2019 or later.

Among the most significant amendments are those relating to leases, where the following applies:

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company uses a uniform approach recognising and measuring all leases, except for short-term leases and leases for which the underlying asset is of low value. The Company recognises lease payments as a lease liability and the right to use lease assets as a right-of-use asset.

The Company as a lessor

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to the ownership of an underlying asset. Revenue from lease payments is accounted for on a straight-line basis over the lease term, and is recognised as income in profit and loss. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and those costs are recognised as an expense over the lease term on the same basis as the lease income. Contingent lease payments are recognised as income in the period in which they are earned.

In accordance with the amendment of SAS 1 connected to lease accounting, the Company recognised EUR 478,846 arising from the right-of-use assets and lease liabilities as of 1 January 2019, applying a discount rate of 3.5%.

Structure of the group of related companies

Group companies

Group companies are companies in which the parent company and its subsidiaries hold, indirectly or directly, more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which the control is obtained and are immediately excluded from full consolidation as soon as the Company ceases to control them.

Associates

Associates are companies in which the Company and its subsidiaries hold, indirectly or directly, between 20% and 50% of equity capital, and exert a significant but not a controlling influence.

In the Company's financial statements, investments in Group companies and associates are accounted for at cost. Cost is measured as the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and all costs directly attributable to the acquisition.

(EUR)	Interest, in %	Equity at year-end	Profit or loss for the year	Method of acquisition in case of interest increase
2019				
Subsidiaries				
Generali Investments d.o.o., Croatia	96.72%	799,483	107,360	6.72% additional acquisition
Generali Investments AD, Macedonia	94.60%	436,723	137,100	-
Generali Investments GP1 LLC, Slovenia	100.00%	7,500	-	establishment
Generali Investments GP2 LLC, Slovenia	100.00%	7,500	-	establishment
Generali Investments CP LLC LP	54.79%	36,500	-	establishment
2018				
Subsidiaries				
Generali Investments d.o.o., Croatia	90.00	897,858	202,748	10.00% additional acquisition
Generali Investments AD, Macedonia	94.60	298,386	77,059	-

Long-term financial investments in subsidiaries include investments in the companies Generali Investments A. D. Skopje, Macedonia, Generali Investments d. o. o, Zagreb, Croatia, and investments in Generali Investments GP1 LLC., Generali Investments GP2 LLC, and Generali CP LLC LP, which are part of the structure of a new private equity fund, Generali Growth SIF LLC LP, managed by the Company.

In 2019, the Company acquired an additional 6.72% share in its subsidiary Generali Investments d.o.o., Croatia. As at 31 December 2019, the Company holds a 96.72% interest in that subsidiary.

Consolidated financial statements

In accordance with Article 56 of the Companies Act (ZGD-1), Generali Investments LLC is not obliged to prepare consolidated financial statements. The Company itself is a subsidiary owned 100% by Generali zavarovalnica d.d. and is consolidated within the Generali Group. The consolidated annual report of the Generali Group is available at the headquarters of the company Generali zavarovalnica d. d., Kržičeva ulica

2. Notes to the accounting policies

2.1. Intangible assets

An intangible asset is an identifiable non-monetary asset, usually without physical substance. It is recognised if it is probable that the expected future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Upon initial recognition, an intangible asset is carried at cost less accumulated amortisation and accumulated impairment loss (cost model). The Company assesses whether the useful life of the intangible asset is finite or infinite. An intangible asset with a finite useful life is amortised over the period of its useful life. Intangible assets with indefinite useful lives are not amortised, but rather impaired. Amortisation of intangible assets with a finite useful life is charged on a straight-line basis. An intangible asset with an indefinite useful life is tested for impairment at the date of preparing financial statements by comparing its carrying amount with its recoverable amount.

Intangible assets comprise intangible assets with a finite useful life (computer software), and intangible assets with an indefinite useful life (list of investors).

The lease of intangible assets is not recognised as a right-of-use asset and a lease liability. Such lease payments are recognised as expenses on a straight-line basis over the entire lease term.

2.2. Property, plant and equipment

Items of property, plant and equipment are tangible assets owned by the Company for use in production or supply of products or services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting period.

Upon initial recognition, an item of property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment loss (cost model). The cost comprises its purchase price, import duties and non-refundable purchase taxes as well as directly attributable costs to bring the asset to the condition necessary for the intended use. Subsequent expenditure on an item of property, plant and equipment increases its cost only if it increases its future economic benefits in the excess of the originally assessed and the cost of the item can be measured reliably. Costs of maintenance and repairs are charged to the income statement in the period in which they are incurred.

An item of property, plant and equipment is derecognised in the books of account on its disposal or when no further economic benefits are expected. Gains and losses arising from the derecognising of an item of property, plant or equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised under other revaluation income or operating expenses.

Items of property, plant and equipment include computer equipment, other equipment, investments in third-party fixed assets and small tools. Items of property, plant and equipment ready for use also include small tools whose useful life is longer than one year and whose individual cost does not exceed EUR 500.

An item of property, plant and equipment subject to a lease is a constituent part of property, plant and equipment. At the commencement date, an item of property, plant and equipment is recognised as a right-of-use asset and a lease liability. At inception of a contract, the Company assesses whether the contract contains a lease. In a lease contract, the Company determines the lease term and at the commencement date measures the lease liability at the present value of the lease payments that are not paid at that date. The present value of lease payments is discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

Short-term leases and leases for which the underlying assets is of low value are not recognised as assets; lease payments associated with those leases are recognised as expenses on a straight-line basis. A short-term lease is a lease that has a lease term of 1 year or less. A lease of low value is a lease with a value of EUR 10,000 or less, taking account of the value of a new asset that is the subject of the lease.

Depreciation/amortisation

The Company systematically allocates the depreciable amount of each individual intangible asset and each item of property, plant and equipment over its entire useful life and the respective accounting periods as depreciation/amortisation for the period concerned. The straight-line depreciation/amortisation method is used. Depreciation/amortisation is accounted for individually.

Depreciation/amortisation rates applied in 2019 and 2018:

(In)tangible asset	Minimum rate %	Maximum rate %
Intangible assets:		
Software	20	20
Property, plant and equipment		
Office furniture and equipment	20	20
Motor vehicles	12,5	20
Computers	50	50
Printers and other hardware	20	20
Investment in third party PPE	10	10
Small tools	20	20
Right-of-use-assets	20	33.3

2.3. Financial investments

Financial investments are part of the Company's financial instruments and represent financial assets held by the Company for the purpose of increasing its financial income through returns on investments. A financial asset is any asset that is cash, an equity instrument of another entity, or a contractual right to receive cash or another financial asset from another entity.

A financial investment is recognised as a financial asset in the books of account and in the balance sheet if:

a) it is probable that the future economic benefits associated with it will flow to the Company,

b) the cost can be measured reliably.

Upon initial recognition, financial assets are classified as:

- financial assets valued at fair value through profit or loss,
- held-to-maturity investments,
- investments in loans; or
- available-for-sale financial assets.

Financial investments presented at fair value include investments valued at fair value through profit and loss and available-for-sale financial assets. Loans and receivables and held-to-maturity financial assets are stated at amortised cost.

Fair value is the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. For listed financial instruments with quoted market prices in an active market, fair value is calculated by multiplying the number of the financial instrument units and the quoted market price (closing market price). If an active market does not exist, the fair value of a financial asset is calculated with the application of various valuation methods, including the use of transactions between knowledgeable parties, the discounted cash flow method and other valuation techniques normally used by market participants. Valuation methods comprise the use of the last transaction between knowledgeable and willing parties if available; comparison with the current fair value of another instrument with similar essential characteristics; and the discounted cash flow method. The Company developed a model for the assessment of the fair value of capital instruments in shares and interests in non-listed companies. Through this model, the fair values of significant investments in non-listed companies are measured once a year based on available data.

Purchase and sale of financial assets measured at fair value through profit and loss and held for trading are recognised in the books of account at the trading date, i.e. on the date the Company undertakes to purchase or sell the financial assets. Investments in loans and held-to-maturity financial assets are recognised as at the settlement date. All financial assets whose fair value is not recognised through profit and loss are initially recognised at fair value, increased by transaction costs.

A financial asset is derecognised after the contractual rights to benefits expire, extinguish or if nearly all risks and benefits associated with the ownership of the financial asset are transferred. Likewise, a financial asset is derecognised if the Company has not transferred the risks and benefits associated with the ownership of the financial asset but no longer has control over it. The Company no longer has control over the financial asset if the transferee has the actual capacity to sell the asset in its entirety to an unrelated third party, and can do so unilaterally and without having to impose further restrictions on the transfer.

Revaluation of financial investments is the recognition of an adjustment to their carrying amounts, whilst contractually accrued interest and other adjustments to the principal are not considered to be part of revaluation. It usually appears as revaluation of investments resulting from an increase in their value, impairment, or reversal of impairment. Revaluation of financial investments is effected on the balance sheet day. Financial investments expressed in a foreign currency are translated at the ECB foreign exchange reference rate as at the balance sheet day.

2.3.1. Available-for-sale financial assets

Available-for-sale financial assets are any non-derivative financial assets designated as available for sale and not classified in any of the aforementioned categories. For the Company, they represent the main financial potential to be used in the future for the acquisition of new investments in accordance with its business policy. Financial investments comprise short-term and long-term financial investments.

Upon initial recognition, the available-for-sale financial assets are measured at fair value. Fair value is evidenced if there is a quoted price in an active securities market, or if there is a valuation technique which incorporates data inputs that can be evidenced because they are taken from an active market. Changes in fair value – except impairment losses – are recognised directly in comprehensive income as an increase (gain) or a decrease (loss) in the revaluation reserve. If the fair value of an available-for-sale financial asset is lower than its recognised value, negative revaluation reserve is recognised.

Interest calculated by using the effective interest method is recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Company's right to receive payment is established.

Upon derecognition of an available-for-sale financial asset, the cumulative adjustments previously recognised in comprehensive income are derecognised, and the effects presented in the income statement.

The Company assesses at each balance sheet day whether there is any objective evidence that an available-for-sale financial asset is impaired, e.g. a significant or prolonged decline in its fair value. When assessing a prolonged decline in the fair value of equities below their cost, a maximum period of 9 months from the date when the fair value of an equity instrument fell below the cost for the first time and remained below the cost for the entire 9-month period is taken into account. When determining a significant decrease in the fair value of equities, the management takes into account at least a 40% reduction in the fair value compared to cost. If any such evidence exists, the financial asset has to be revalued for impairment. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity as negative revaluation reserve and there is objective evidence that the asset is impaired, the negative revaluation reserve is first reduced by the accumulated loss, and financial expenses from revaluation are recognised accordingly. The total accumulated impairment loss by which the negative revaluation reserve had been decreased and the financial expenses from revaluation recognised is the difference between the cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss as a financial expense from revaluation.

2.3.2. Investments in loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method. They are increased by lending, and by supply of goods or services to other parties when the Company has no intention of trading in them.

They are presented in the balance sheet as long-term and short-term financial investments. Loans falling due within a period of less than one year are classified as short-term investments.

2.4. Receivables

Receivables are the rights, emanating from property and other legal relationships, to claim from a certain person the settlement of a debt or the payment for deliveries or rendered services.

Receivables are predominantly amounts owed by customers or other providers of funds for goods sold or services provided; they may also be amounts owed by suppliers of business process elements, by employees, by providers of funds and by users of investments.

Receivables may be classified as long-term and short-term receivables. Short-term receivables are normally collected within one year. Receivables comprise trade receivables, other receivables relating to operating income, and other receivables. Receivables are classified into those relating to Group companies, associates and others.

An item of receivables is recognised in the books of account and in the balance sheet on the basis of the relevant documents when the Company has obtained control of the contractual rights that comprise the asset. Receivables of all categories are initially recognised at amounts recorded in the relevant documents under the assumption that they will be recovered. Original receivables may subsequently be increased or reduced by any contractually justified amount, irrespective of received payment or another form of settlement.

Operating receivables are first recognised at fair value, and are subsequently usually measured at amortised cost using the effective interest method minus any reduction for impairment. Operating receivables are impaired if unambiguous indicators exist that the collection of receivables is questionable because of the debtor's insolvency, compulsory composition or bankruptcy. If such evidence exists, the receivables carried at amortised cost should be checked for the existence of an impairment loss, which is then recognized in the income statement as an operating expense from revaluation. An impairment loss is the amount by which the carrying value exceeds its recoverable amount. The recoverable amount of operating receivables stated at amortised cost is calculated as the current value of expected future cash flows discounted at its effective interest rate. Impairments of operating receivables are charged against operating expenses from revaluation in the income statement.

Receivables expressed in a foreign currency are translated at the ECB foreign exchange reference rate as at the balance sheet day. The resulting increase (decrease) in receivables is allocated to financial income (expenses).

2.5. Cash and cash equivalents

Cash and cash equivalents comprise ready cash, deposit money and call deposits with banks as well as 3-month time deposits. They are carried at amortised cost, using the effective interest method.

2.6. Financial and operating liabilities

Long-term liabilities are recognised obligations of the Company associated with the financing of its own assets, the settlement of which is expected, usually by payment in cash, within a period of more than one year. Short-term liabilities are those whose settlement is expected within one year.

Liabilities may be either financial or operating. Financial liabilities comprise loans received on the basis of loan contracts, and can be long-term or short-term. Short term liabilities also comprise payables to employees, liabilities to the state, and other liabilities.

Liabilities are recognised if it is probable that their settlement will result in an outflow of resources embodying economic benefits, and the amount at which their settlement will take place can be measured reliably. Financial and operating liabilities are recognised when the obligation arises under a contract or another legal act, taking into account the contractual date or the date of cash receipts or statements of accounts associated with them.

Liabilities are initially recognised at the amounts arising from the relevant documents, which in the case of long-term financial liabilities evidence the receipt of cash, while in the case of operating liabilities the relevant document usually evidences the receipt of a product or a service or work performed, or a charged cost or expense, under the assumption that their payment is claimed by creditors.

Liabilities are normally measured at amortised cost using the effective interest method. Amortised cost of a liability is the amount at which the liability is measured on initial recognition, minus principal repayment, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount.

Liabilities expressed in a foreign currency are translated at the ECB foreign exchange reference rate as at the balance sheet date.

The recognition of liabilities is reversed if the obligation stipulated in a contract or another legal instrument has been fulfilled, annulled or barred by limitation.

For financial liabilities arising from a lease, lease liabilities are at the commencement date recognised at the present value of all the lease payments over the entire lease term that are not paid on that date. The present value of lease payments is discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. The carrying amount of lease liabilities is reassessed to reflect any lease contract modifications or modifications of assumptions regarding the lease term.

Borrowing costs are financial expenses.

2.7. Short-term accruals and deferrals

Short-term accruals and deferrals are receivables and other assets and liabilities expected to arise within one year, their incurrence is probable, and their amount is reliably estimated. Short-term accruals and deferrals may either be deferred expenses and accrued income, or accrued expenses and deferred income. The former may be construed as receivables/liabilities in a broader sense. The receivables and liabilities are associated with both known and yet unknown clients from and to whom actual receivables and liabilities will arise within one year.

Deferred expenses and accrued income comprise short-term deferred costs/expenses.

Accrued expenses and deferred income comprise short-term accrued costs/expenses and short-term deferred income. Accrued expenses subsequently cover the actually incurred expenses of the same type

2.8. Deferred taxes

Deferred tax is intended to cover the temporary difference arising between the carrying amount of assets and liabilities on the one hand and its tax base on the other by applying the balance sheet liability method. Temporary differences may be either taxable or deductible. Deferred tax assets and liabilities are recognised in accounting records and books of account for significant amounts. An amount is significant when the omission of its recognition might affect the users' business decisions made on the basis of financial statements.

Deferred tax assets are the amounts of income tax recoverable in future periods in respect of deductible temporary differences, carryforward of unused tax losses to future periods, and carryforward of unused tax credits to future periods. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liabilities are recognised in full. Deferred tax assets and liabilities are not discounted; they can be offset when they refer to corporate income levied by the same tax authority and the company has the statutory right to offset the assessed tax assets and tax liabilities.

Deferred tax assets for deductible temporary differences are recognised if it is probable that temporary differences will be reversed in the foreseeable future and that future taxable profit will be available against which the taxable differences can be utilised.

Deferred tax assets for unused tax losses and tax credits are recognised if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised

Deferred tax liabilities are recognised if assets are revalued, whilst no equivalent adjustment is made for tax purposes.

The effects of recognising deferred tax assets and deferred tax liabilities are stated as income or expense in the income statement, except where the tax arises from a transaction that has been recognised directly in equity and is charged against revaluation reserve, without affecting the Company's net profit or loss.

2.9. Provisions for retirement and jubilee benefits – other long-term employee benefits

In accordance with the national legislation, collective bargaining agreements and internal rules, the Company is obliged to pay jubilee benefits and severance pay upon retirement to its employees. Provisions for retirement and jubilee benefits are set aside once a year, and are recognised collectively. Upon their use, these provisions are reduced directly by the liabilities associated with the expenses in respect of which they were formed, therefore upon using the provisions the expenses no longer occur in the income statement. The FIFO method is applied for reducing the provisions on the account of their use. On the balance sheet day, the Company establishes and recognises in the income statement the income or expense associated with the calculation of provisions, i.e. the difference between their opening and closing balances.

Key assumptions included in the calculation of provisions for retirement and jubilee benefits:

- The expected salary growth equals the discount rate;
- The currently applicable rates of retirement and jubilee benefits,
- Fluctuation of employees, depending mainly on their age.

2.10. Income

Income is an increase in economic benefits during the accounting period in the form of increases in assets or decreases in liabilities. Through its effect on profit or loss, income results in increases in equity. Income is recognised if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and those increases can be measured reliably.

Income is classified into operating income, financial income, and other income. Income is also classified as that arising from business relations with Group companies, associates and other related companies, and other companies.

Operating income comprises sales and other operating income. Sales comprise income generated by the sale of services rendered during the accounting period. They are recognised in the accounting period when the service has been provided in part of in full.

Financial income is income from participating interests, loans and receivables, and arises in relation to financial investments and receivables. It is classified as financial income independent of profit and loss of other parties (interest) and financial income dependent on profit or loss of other parties (dividends, profit participation). Interest is recognised on a time proportion basis taking account of the principal outstanding and the interest rate applicable. Dividend income is recognised when the Company gains the right to dividend payment.

2.11. Costs

Costs of materials and services are the costs of materials and services that are utilised in the production of products and services and are considered to be direct costs. They also include costs of other nature that are considered to be indirect costs. Costs of materials and services are recognised on the basis of documents evidencing their association with the economic benefits flowing from them.

The estimated amount of accrued costs of materials and services is recognised under the items where such actual costs of materials and services would otherwise be recorded. The costs are charged against the relevant items of accrued expenses and deferred income. Costs of materials and services are classified by primary types.

Costs of materials are the costs of primary and auxiliary materials, and costs of consumed energy. Costs of services are costs of transportation services, utility services, telecommunication services, rentals, insurance premiums, costs of payments services, costs of services incurred with natural persons except in employment relationships, costs of intellectual services, and other costs of services.

Depreciation and amortisation costs are the amounts of the cost of intangible assets and property, plant and equipment which are in the individual accounting periods reallocated from these assets to the products and services being produced or rendered.

2.12. Labour and employee benefit costs

Labour and employee benefit costs are all forms of consideration given by the Company in exchange for service rendered by employees; the Company recognises them as its labour costs or as shares in expanded profit before stating its profit in the income statement. Employee benefits may also be associated with specific taxes and contributions that increase the costs incurred by the Company or the employees' shares in expanded profit.

The Company computes the cost of unused annual leave at the balance sheet date. The Company values the expected costs of accumulated compensated absences as an additional amount expected to be paid in respect of the unused rights accumulated until the balance sheet date.

They are accounted for in accordance with the law, collective bargaining agreements, the Company's internal rules or employment contracts.

2.13. Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or incurrence of liabilities; they impact equity through profit or loss.

Expenses are classified as operating expenses, financial expenses, and other expenses. They are also classified as those arising in relation to products and services of subsidiaries, associates and other companies.

Financial expenses include financing expenses and investment expenses. Financing expenses primarily comprise interest paid, while investment expenses predominantly have the nature of financial expenses from revaluation. The latter arise in association with the impairment of financial investments where the decrease in their value is not charged to equity revaluation reserve.

Expenses are recognised if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities, and such decreases can be measured reliably. Financial expenses are recognised upon statements of accounts, irrespective of the actual payments associated with them.

2.14. Taxes

Corporate income taxes are accounted for on the basis of income and expenses in the income statement in accordance with the applicable tax legislation. The tax rate applied in 2019 is 19%.

2.15. Statement of changes in equity

A statement of changes in equity is a basic financial statement showing a true and fair view of changes in the components of equity for the accounting period. It is prepared so as to show all equity components included in the balance sheet.

2.16. Statement of cash flows

A statement of cash flows is a basic financial statements showing a true and fair view of changes in cash and cash equivalents during the relevant accounting period. It is prepared according to the indirect method, and reports cash flows for the period generated by operating activities, investing activities and financing activities. In the statement of cash flows, cash flows are normally not presented in offset amounts.

2.17. Statement of comprehensive income

A statement of comprehensive income is a financial statement showing a true and fair view of elements of the income statement for the periods it concerns, and of other comprehensive income. Other comprehensive income comprises items of income and expenses that are not recognised through profit or loss but have an effect on the size of equity. Total comprehensive income denotes changes in equity in the period not arising from transactions with owners.

EXPLANATORY NOTES TO SPECIFIC TREATMENTS AND VALUATIONS

1. Intangible assets

(EUR)	Long-term property rights	Intangible assets in the process of construction or	Other long-term deferred expenses and accrued income	Total
Cost				
31 Dec. 2018	**3,322,608**	**-**	**11,445**	**3,334,053**
Adjustments after opening balance	-	-	-	-
1 Jan. 2019	**3,322,608**	**-**	**11,445**	**3,334,053**
Direct increases – investments	93,007	176,520	-	269,527
Decreases during the year	-	-	(1,135)	(1,135)
31 Dec. 2019	**3,415,615**	**176,520**	**10,310**	**3,602,445**
Accumulated amortisation				
31 Dec. 2018	**620,630**	**-**	**-**	**620,630**
Adjustments after opening balance	-	-	-	-
1 Jan. 2019	**620,630**	**-**	**-**	**620,630**
Amortisation for the year	49,557	-	-	49,557
31 Dec. 2019	**670,187**	**-**	**-**	**670,187**
Present value				
31 Dec. 2019	**2,745,428**	**176,520**	**10,310**	**2,932,258**
31 Dec. 2018	**2,701,978**	**-**	**11,445**	**2,713,423**

The Company's intangible assets comprise long-term property rights related to the takeover of the management of the Ilirika Umbrella Fund. On 31 December 2019, an impairment test was performed on the basis of the assumptions below, which led to the conclusion that impairment was not necessary.

The following valuation assumptions relating to intangible assets were used by the internal financial expert in 2019:

- the present value of future free cash flows,
- the assessment was based on the analysis of past operations and future potential,
- income as free cash flows was discounted with the required rate of return on equity,
- the CAPM model was used to calculate the required return on equity,
- CAPM assumptions: 3.0% normalised return on risk-free assets, 5.5% premium for capital risk, 3.67% premium for investments in small enterprises, 1.80% political risk factor, unlevered beta 0.67,
- required return on equity 12.2%,
- the planned return of individual funds in the explicit forecast period ranges between 0.0% and 1.5%,
- growth of net cash flows after the explicit forecast period amounts to 1.5%,
- cash flow estimated for the 2020–2024 period.

(EUR)	Long-term property rights	Advances for intangible assets	Other long-term deferred expenses and	Total
Cost				
31 Dec. 2017	**3,274,473**	**-**	**16,602**	**3,296,727**
Adjustments after opening balance	-	-	-	-
1 Jan. 2018	**3,274,473**	**-**	**16,602**	**3,291,075**
Direct increases – investments	48,135	-	-	48,135
Decreases during the year	-	-	(5,156)	(5,156)
31 Dec. 2018	**3,322,608**	**-**	**11,446**	**3,334,054**
Accumulated amortisation				
31 Dec. 2017	**575,871**	**-**	**-**	**515,643**
Adjustments after opening balance	-	-	-	-
1 Jan. 2018	**575,871**	**-**	**-**	**575,871**
Amortisation for the year	44,760	-	-	44,760
31 Dec. 2018	**620,631**	**-**	**-**	**620,631**
Present value				
31 Dec. 2018	**2,701,977**	**-**	**11,446**	**2,713,423**
31 Dec. 2017	**2,698,602**	**-**	**16,602**	**2,715,204**

The following valuation assumptions relating to intangible assets were used by the internal financial expert in 2018:

- the present value of future free cash flows,
- the assessment was based on the analysis of past operations and future potential,
- income as free cash flows was discounted with the required rate of return on equity,
- the CAPM model was used to calculate the required return on equity,
- CAPM assumptions: 3.5% normalised return on risk-free assets, 5.5% premium for capital risk, 3.67% premium for investments in small enterprises, 1.84% political risk factor, unlevered beta 0.70,
- required return on equity 12.5%,
- discount for lack of marketability 5.0%,
- the planned return of individual funds in the explicit forecast period ranges between -0.25% and 5.0%,
- growth of net cash flows after the explicit forecast period amounts to 2.0%,
- cash flow estimated for the 2019–2023 period.

2. Property, plant and equipment

(EUR)	Right-of-use-assets	Other equipment	Total
Cost			
31 Dec. 2018	**-**	**545,064**	**545,064**
Leases - initial recognition 1 Jan. 2019	478,846	-	478,846
1 Jan. 2019	**478,846**	**545,064**	**1,023,910**
Direct increases–new leases/investments	92,178	146,791	238,969
Lease modifications	(11,029)	-	(11,029)
Decreases during the year	-	(94,934)	(94,934)
31 Dec. 2019	**559,995**	**596,921**	**1,156,916**
Accumulated depreciation			
31 Dec. 2018	**-**	**418,520**	**418,520**
Adjustments after opening balance	-	-	-
1 Jan. 2019	**-**	**418,520**	**418,520**
Depreciation for the year	171,705	103,231	274,936
Decreases during the year	-	(72,697)	(72,697)
31 Dec. 2019	**171,705**	**449,054**	**620,759**
Present value			
31 Dec. 2019	**388,290**	**147,867**	**536,157**
31 Dec. 2018	**-**	**126,544**	**126,544**

(EUR)	Other equipment	Total
Cost		
31 Dec. 2017	**501,927**	**501,927**
1 Jan. 2018	**501,927**	**501,927**
Direct increases – investments	86,450	86,450
Decreases during the year	(43,313)	(43,313)
31 Dec. 2018	**545,064**	**545,064**
Accumulated depreciation		
31 Dec. 2017	**388,289**	**388,289**
1 Jan. 2018	**388,289**	**388,289**
Depreciation for the year	71,033	71,033
Decreases during the year	(40,802)	(40,802)
31 Dec. 2018	**418,520**	**418,520**
Present value		
31 Dec. 2018	**126,544**	**126,544**
31 Dec. 2017	**113,638**	**113,638**

The Company has no financial liabilities arising from the purchase of property, plant and equipment. No items of property, plant and equipment have been pledged as collateral for the Company's liabilities.

In accordance with the amendment of SAS 1 connected with lease accounting, the Company recognised EUR 478,846 arising from the right-of-use assets and lease liabilities as of 1 January 2019, applying a discount rate of 3.5%.

In 2019, the Company recorded EUR 15,830 of interest expenses on lease and EUR 182,736 of total lease cash flows (Note 10). Expenses related to short-term leases and leases of low value amounted to EUR 46,126, and are disclosed under operating expenses (Note 14b). Leased assets are not subleased.

3. Long-term financial investments

(EUR)	31 Dec. 2019	31 Dec. 2018
Long-term financial investments, excluding loans		
Shares and interests in Group companies	2,627,000	2,744,293
Total	**2,627,000**	**2,744,293**

(EUR)	2019	2018
As at 1 January	**2,744,293**	**2,450,254**
Acquisitions	71,702	294,039
Impairments	(188,995)	-
As at 31 December	**2,627,000**	**2,744,293**

Long-term financial investments in subsidiaries include investments in the companies Generali Investments A. D. Skopje, Macedonia, Generali Investments d. o. o, Zagreb, Croatia, and investments in Generali Investments GP1 LLC., Generali Investments GP2 LLC, and Generali CP LLC LP, which are part of the structure of a new private equity fund, Generali Growth SIF LLC LP managed by the Company.

The Company holds an option contract for the purchase of the remaining 3.28% share in Generali Investments d. o. o., Croatia. The estimated purchase value of the shareholdings is shown off-balance. The capital commitment of EUR 380,000 with respect to Generali CP LLC LP and the related private equity fund is also shown under off-balance items.

As at 31 December 2019, no securities were pledged.

In 2019, the Company’s investment in the subsidiary Generali Investments d.o.o. Croatia was impaired at the level of EUR 188,995. Impairment expenses are presented under Financial expenses (Note 16).

4. Short-term financial investments

(EUR)	31 Dec. 2019	31 Dec. 2018
Short-term financial investments, excluding loans		
Mutual fund units	1,470,781	1,347,881
Other short-term financial investments	2,323,071	2,480,982
	3,793,852	**3,828,863**
Short-term loans		
Short-term loans to Group companies	-	75,650
	-	**75,650**
Total	**3,793,852**	**3,904,513**

Changes in financial investments, excluding loans

(EUR)	Financial investments available for sale	Total
2019		
As at 1 January	**3,828,864**	**3,828,864**
Acquisitions	765,787	765,787
Disposals	(877,806)	(877,806)
Fair value change through equity	140,774	140,774
Accrued interest	(14,784)	(14,784)
Interest paid	(48,983)	(48,983)
As at 31 December	**3,793,852**	**3,793,852**

(EUR)	Financial investments available for sale	Total
2018		
As at 1 January	**3,719,692**	**3,719,692**
Acquisitions	1,446,185	1,446,185
Disposals	(1,352,727)	(1,352,727)
Fair value change through equity	(20,111)	(20,111)
Accrued interest	(15,291)	(15,291)
Interest paid	51,116	51,116
As at 31 December	**3,828,864**	**3,828,864**

Changes in short-term loans

(EUR)	1 Jan. 2019	Principal repayment	Accrued interest	Interest paid	31 Dec. 2019
Borrower					
Group companies	75,650	(65,000)	849	(11,499)	-
Total	**75,650**	**(65,000)**	**849**	**(11,499)**	**-**

The loan granted to the subsidiary Generali Investments d.o.o., Croatia, was fully repaid in 2019.

(EUR)	1 Jan. 2018	Principal repayment	Accrued interest	Interest paid	Short-term part	31 Dec. 2018
Borrower						
Subsidiaries	371,876	(370,546)	2,760	(3,226)	74,786	75,650
Total	**371,876**	**(370,546)**	**2,760**	**(3,226)**	**74,786**	**75,650**

Short-term loans as at 31 December 2018 comprise a loan granted to the subsidiary. The loan was unsecured and carried an interest rate of 2.634% p.a.

5. Short-term operating receivables

(EUR)	31 Dec. 2019	31 Dec. 2018
Short-term receivables		
Short-term receivables from subsidiaries	48,009	35,611
Short-term receivables from retail clients	492,536	88,098
Short-term receivables from third parties	185,668	19,302
Total	**726,213**	**143,011**

No overdue receivables are recorded. Receivables are unsecured.

Short-term operating receivables comprise EUR 27,568 of receivables arising from the set-off of the input value added tax and EUR 137,571 of receivables from income tax.

6. Cash and cash equivalents

(EUR)	31 Dec. 2019	31 Dec. 2018
Cash in hand and in bank accounts	230,366	423,274
Callable deposits	150,000	250,000
Deposits up to 3 months	500,016	750,048
Total	**880,382**	**1,423,322**

7. Short-term deferred expenses and accrued income

(EUR)	31 Dec. 2019	31 Dec. 2018
Short-term deferred expenses	306,373	347,166
Short-term accrued income	85,617	81,066
Total	**391,990**	**428,232**

Deferred expenses and accrued income comprise in particular short-term deferred expenses relating to software license fees, insurance, rentals and other expenses as well as accrued income from management fees.

Changes in short-term deferred expenses and accrued income

(EUR)	2019	2018
As at 1 January	**428,232**	**615,463**
Formation	9,582,909	415,304
Use	(9,619,151)	(602,535)
As at 31 December	**391,990**	**428,232**

8. Equity

The Company's called-up capital is set out in its Articles of Association and registered at the court. It was subscribed and paid by its owners accordingly. The called-up capital amounts to EUR 1,767,668 and equals the registered capital.

In accordance with the resolution of the General Meeting of 30 May 2002, the Company was converted from a public limited company to a limited liability company.

Pursuant to the decision of the Ljubljana Stock Exchange, the Company's shares designated KDZ were excluded from trading on the OTC market on 19 September 2002. As of 30 September 2002, the KDZ shares were also deleted from the Central Securities Register.

On 13 December 2007, the Company's sole Shareholder adopted the decision to increase the share capital by EUR 1,100,000, with the share capital consequently amounting to EUR 1,767,668. The Shareholder paid the amount to the Company's bank account on 17 December 2007.

On 11 March 2015, the Shareholder made a subsequent contribution of EUR 627,000.00 This did not increase the share capital, it did, however, increase capital reserves by EUR 627,000.00.

Several subsequent contributions in the total amount of EUR 2,999,007.52 were made in 2016, increasing capital reserves.

Excess amounts of capital reserves and statutory reserves can be used to increase the share capital by charging against the Company's assets and to cover the net loss for the year and the net loss carried forward, provided the capital reserves are not used for profit distribution to shareholders.

In 2019, the Company generated EUR 1,239,730.40 of net profit for the period. Equity as at 31 December 2019 amounted to EUR 10,351,453.16.

According to the resolution of 29 March 2019, the distributable profit for 2018 in the amount of EUR 3,535,236.79 was used as follows:
- EUR 1,400,000.00 for dividend payment,
- decision on the allocation of EUR 2,135,236.79 will be transferred to the following year.

The Company's ownership structure as at 31 December 2019:

- Adriatic Slovenica d.d.*: 100.00%

Changes in fair value reserve

(EUR)	Financial investments available for sale	Total
2018		
As at 1 January	**86,252**	**86,252**
Revaluation – gross	(20,120)	(20,120)
Revaluation – tax	3,823	3,823
As at 31 December	**69,955**	**69,955**
2019		
As at 1 January	**69,955**	**69,955**
Revaluation – gross	140,774	140,774
Revaluation – tax	(26,747)	(26,747)
As at 31 December	**183,982**	**183,982**

*On 3 January 2020, Adriatic Slovenica d.d. merged with Generali d.d. insurance company and has since then operated in the market as Generali zavarovalnica d.d.

9. Provisions, and long-term accrued expenses and deferred income

(EUR)	Provisions for retirement and jubilee benefits	Provisions for long-term accrued expenses	Long-term accrued expenses and deferred income	Total
2018				
As at 1 January	**67,984**	**-**	**38,373**	**106,357**
Formation	19,109	-	-	19,109
Use	(2,069)	-	-	(2,069)
Decrease	-	-	(8,323)	(8,323)
As at 31 December	**85,024**	**-**	**30,050**	**115,074**
2019				
As at 1 January	**85,024**	**-**	**30,050**	**115,074**
Formation	5,471	594	-	6,065
Use	(20,147)	-	-	(20,147)
Decrease	-	-	(3,852)	(3,852)
As at 31 December	**70,348**	**594**	**26,198**	**97,140**

In 2009, the Company launched a new product, "VIP100 Premium Savings Plan", which rewards investors with a closing bonus by reimbursing the subscription fee at the end of the savings period. As at 31 December 2019 provisions for long-term deferred income stood at EUR 26,198 (2018: EUR 30,050).

10. Financial liabilities

Other short-term and long-term financial liabilities – changes

(EUR)	Leases
31 Dec. 2018	**-**
Initial recognition – 1 January 2019	478,846
Increases – new leases or modified terms	92,178
Decreases – new leases or modified terms	(11,029)
Lease payments	(182,735)
Interest	15,830
31 Dec. 2019	**393,090**
Short-term part	179,460
Long-term part	213,630

Other financial liabilities include lease liabilities. As at 31 December, the Company recorded EUR 323,185 of liabilities from real-estate lease with the parent company.

11. Operating liabilities

(EUR)	31 Dec. 2019	31 Dec. 2018
Long-term operating liabilities		
Long-term operating liabilities from advances	4,600	4,600
Total	**4,600**	**4,600**
Short-term operating liabilities		
Short-term operating liabilities to Group companies	10,504	73,369
Short-term operating liabilities to suppliers	308,854	268,818
Short-term operating liabilities from taxes and contributions	48,065	57,298
Short-term operating liabilities to employees	240,357	234,065
Other short-term operating liabilities	729	43,251
Total	**608,509**	**676,801**

The Company has no overdue liabilities

12. Short-term accrued expenses and deferred income

(EUR)	31 Dec. 2019	31 Dec. 2018
Short-term accrued expenses	367,684	325,369
Accrued unused leave expenses	121,796	110,509
Total	**489,480**	**435,878**

Changes in short-term accrued expenses and deferred income

(EUR)	2019	2018
As at 1 January	**435,877**	**520,236**
Formation	1,845,569	374,309
Use	(1,791,966)	(458,668)
As at 31 December	**489,480**	**435,877**

Short-term accrued expenses relate to auditing, unused annual leave, agents, variable remuneration components and other expenses for 2019.

13. Balance sheet items by geographical segments

(EUR)	Slovenia	EU	non-EU	Total
31 Dec. 2019				
Assets	**6,422,797**	**4,567,316**	**997,316**	**11,987,428**
Intangible assets	2,932,258	-	-	**2,932,258**
Property, plant and equipment	536,157	-	-	**536,157**
Long-term financial investments	35,000	2,142,000	450,000	**2,627,000**
Deferred tax assets	99,576	-	-	**99,576**
Short-term financial investments	821,221	2,425,316	547,316	**3,793,852**
Short-term operating receivables	726,213	-	-	**726,213**
Cash and cash equivalents	880,382	-	-	**880,382**
Deferred expenses and accrued income	391,990	-	-	**391,990**
Liabilities	**1,496,032**	**120,417**	**19,526**	**1,635,975**
Provisions and long-term accrued expenses and	97,140	-	-	**97,140**
Long-term financial liabilities	213,630	-	-	**213,630**
Long-term operating liabilities	4,600	-	-	**4,600**
Deferred tax liabilities	43,156	-	-	**43,156**
Short-term financial liabilities	179,460	-	-	**179,460**
Short-term operating liabilities	468,566	120,417	19,526	**608,509**
Deferred expenses and accrued income	489,480	-	-	**489,480**

(EUR)	Slovenia	EU	non-EU	Total
2018				
Assets	**5,776,633**	**4,943,066**	**926,758**	**11,646,457**
Intangible assets	2,713,423	-	-	**2,713,423**
Property, plant and equipment	126,544	-	-	**126,544**
Long-term financial investments	-	2,294,293	450,000	**2,744,293**
Deferred tax assets	163,119	-	-	**163,119**
Short-term financial investments	778,982	2,648,773	476,758	**3,904,513**
Short-term operating receivables	143,011	-	-	**143,011**
Cash and cash equivalents	1,423,322	-	-	**1,423,322**
Deferred expenses and accrued income	428,232	-	-	**428,232**
Liabilities	**1,156,027**	**92,735**	**-**	**1,248,762**
Provisions and long-term accrued expenses and	115,074	-	-	**115,074**
Long-term financial liabilities	-	-	-	**-**
Long-term operating liabilities	4,600	-	-	**4,600**
Deferred tax liabilities	16,409	-	-	**16,409**
Short-term financial liabilities	-	-	-	**-**
Short-term operating liabilities	584,066	92,735	-	**676,801**
Deferred expenses and accrued income	435,878	-	-	**435,878**

14. Analysis of sales and costs

A. Operating income

(EUR)	2019	2018
Income from the sale of goods and services		
Income from the sale of services in Slovenia	**9,278,793**	**9,499,250**
Group companies	444,613	376,821
Others	8,834,180	9,122,429
Income from the sale of services in the EU	**48**	**24**
Others	48	24
Income from the sale of services in non-EU countries	**12**	**12**
Others	12	12
Total	**9,278,853**	**9,499,286**
Other operating income		
Profit from the sale of fixed assets	6,517	1,500
Other operating income from revaluation	27,597	11,008
Total	**34,114**	**12,508**

Assets managed under discretionary mandates

Year	Number of customers	Assets under management	Management fee	Success fee
2018	13	240,527,428	383,252	-
2019	14	417,868,533	588,528	564

Structure of income from fees

(EUR)	Management fee	Entry fee	Exit fee	Total 2019
Generali Dividend, Equity	448,631	468	778	**449,877**
Generali Galileo, Mixed Flexible Fund	2,392,424	6,398	1,476	**2,400,297**
Generali Rastko Europe, Equity	909,114	1,282	-	**910,396**
Generali Bond - EUR	259,362	9,977	-	**269,339**
Generali MM, Money Market - EUR	33,870	-	-	**33,870**
Generali First Selection, Fund of Equity Funds	657,187	8,992	1,559	**667,738**
Generali South Eastern Europe, Equity	520,598	454	-	**521,052**
Generali New Markets, Equity	738,118	1,735	2,276	**742,129**
Generali Raw Materials and Energy, Equity	152,459	1,228	-	**153,687**
Generali Technology, Equity	552,999	8,892	-	**561,891**
Generali Vitality, Equity	690,923	4,252	968	**696,143**
Generali India – China, Equity	478,721	1,728	290	**480,739**
Generali Latin America, Equity	32,705	348	289	**33,342**
Generali Eastern Europe, Equity	157,789	1,436	91	**159,316**
Generali America, Equity	238,656	938	115	**239,710**
Generali Corporate Bonds - EUR	44,854	90	-	**44,943**
Total	**8,308,410**	**48,218**	**7,842**	**8,364,470**

(EUR)	Management fee	Entry fee	Exit fee	Total 2018
Generali Dividend, Equity	480,723	723	757	**482,203**
Generali Galileo, Mixed Flexible Fund	2,779,626	16,235	1,729	**2,797,590**
Generali Rastko Europe, Equity	1,135,452	5,640	-	**1,141,092**
Generali Bond - EUR	194,776	6,792	-	**201,568**
Generali MM, Money Market - EUR	28,445	-	-	**28,445**
Generali First Selection, Fund of Equity Funds	584,311	12,969	1,644	**598,923**
Generali South Eastern Europe, Equity	540,549	772	-	**541,320**
Generali New Markets, Equity	849,701	2,928	2,590	**855,219**
Generali Raw Materials and Energy, Equity	172,817	1,003	-	**173,821**
Generali Technology, Equity	548,215	7,095	-	**555,310**
Generali Vitality, Equity	459,516	1,795	1,118	**462,430**
Generali India – China, Equity	453,030	2,230	152	**455,412**
Generali Latin America, Equity	37,003	702	146	**37,851**
Generali Eastern Europe, Equity	157,537	1,536	98	**159,172**
Generali America, Equity	243,804	439	-	**244,243**
Generali Corporate Bonds - EUR	56,785	428	-	**57,213**
Total	**8,722,289**	**61,287**	**8,235**	**8,791,810**

B. Analysis of costs

Analysis of costs, by primary types

(EUR)	2019	2018
Costs of goods and materials		
Costs of raw materials	96,216	45,901
Costs of energy	13,525	11,029
Total	**109,741**	**56,930**
Costs of services		
Costs in delivering services	-	43,877
Costs of transport and postal services	334,294	323,987
Rental and maintenance costs	523,911	610,890
Reimbursement of labour-related costs to employees	70,483	60,435
Payment transactions and banking services	25,949	22,726
Insurance costs	11,201	14,356
Costs of trade shows, advertising, entertainment	538,743	570,844
Costs of services of agents acquiring investors	715,849	1,125,493
Costs of intellectual and personal services	1,293,685	707,515
Costs of other services	521,602	523,463
Cost of services provided by natural persons under employment contracts	10,077	12,149
Total	**4,045,794**	**4,015,735**
Labour costs		
Wages and salaries	2,464,451	2,508,602
Pension insurance costs	262,208	263,258
Other social insurance costs	184,888	187,695
Other labour costs	220,133	193,968
Provisions for employee benefits, unused annual leave	104,787	112,598
Total	**3,236,467**	**3,266,121**
Amortisation/Depreciation	**324,493**	**115,793**
Revaluation operating expenses		
Expenses from the disposal of fixed assets	5,532	2,511
Total	**5,532**	**2,511**
Other operating expenses		
Payments for humanitarian and cultural purposes	24,182	30,729
Other operating expenses	42	12
Total	**24,224**	**30,741**
Total	**7,746,251**	**7,487,831**

Analysis of costs, by functional groups

(EUR)	2019	2018
Cost analysis by function		
Selling costs	3,063,706	3,462,322
General costs	4,682,545	4,025,509
Total	**7,746,251**	**7,487,831**
Auditing costs (including tax)		
Anual report auditing	7,320	6,100
Other assurance services	19,616	20,863
Total	**26,936**	**26,963**

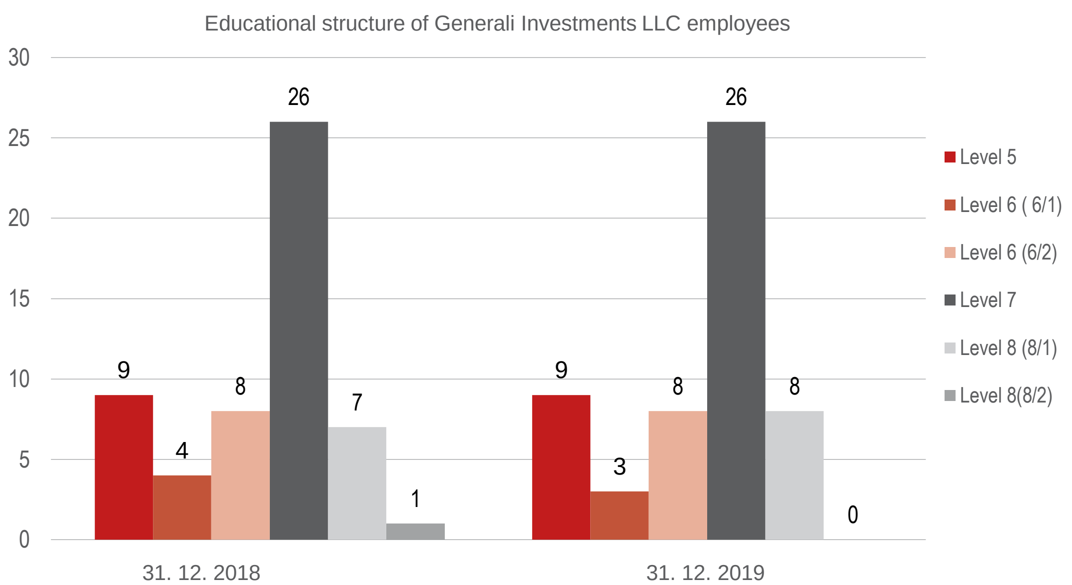
Remuneration of Management Board and Supervisory Board members

(EUR)	2019	2018
Executive directors	314.958	300.856
Supervisory Board	1,005	9,045
Employees under management contracts	303,025	428,639
Total	**618,988**	**738,540**

The Company has no receivables due from the management, members of the Supervisory Board and its owners. It also has no long-term liabilities.

Employees

The Company employed 54 people as at 31 December 2019, with two employees absent due to parental leave. The average number of employees in 2019 and 2018 was 54.75 and 56.42, respectively. The average number of employees based on working hours in 2019 was 50.19. At the end of 2019, women and men represented 57.41% and 42.59% of the staff, respectively.



Potential liabilities – legal actions

The Company has no potential liabilities arising from pending legal actions.

15. Financial income

(EUR)	2019	2018
Financial income from participating interests		
Financial income from participating interests in Group companies		
Dividends	182,318	245,142
	182,318	**245,142**
Financial income from interests in other entities		
Financial income – financial assets through equity		
Realised gains	776	9
Interest	422	288
	1,198	**297**
Total	**183,516**	**245,439**
Financial income from loans		
Financial income from loans to Group companies	849	3,609
Financial income from loans to others	2,457	455
Total	**3,306**	**4,064**
Financial income from operating receivables		
Financial income from operating receivables from others	599	827
Total	**599**	**827**
Total financial revenue	**187,421**	**250,330**

16. Financial expenses

(EUR)	2019	2018
Financial expenses from impairments and write-offs of financial investments		
Financial expenses from impairments of Group companies		
Impairments	188,995	-
	188,995	**-**
Financial expenses from impairments and write-offs of other companies		
Financial expenses – financial assets trough equity	4	-
	4	**-**
Total	**188,999**	**-**
Financial expenses from financial liabilities		
Financial expenses from other financial liabilities	15,830	-
Total	**15,830**	**-**
Financial expenses from operating liabilities		
Other financial expenses from operating liabilities	21,708	20,230
Total	**21,708**	**20,230**
Total financial expenses	**226,537**	**20,230**

17. Other income and other expenses

(EUR)	2019	2018
Other income		
Other income	8	12
Total	**8**	**12**
Other expenses		
Fines and compensation	150	1,199
Other expenses	85	7,891
Total	**235**	**9,090**

18. Items of income statement by geographical segments

(EUR)	Slovenia	EU	non-EU	Total
2019				
Net sales	9,278,793	48	12	9,278,853
Other operating income	34,114	-	-	34,114
Costs of goods, materials and services	(3,175,487)	(611,055)	(368,993)	(4,155,535)
Labour costs	(3,236,467)		-	(3,236,467)
Depreciation and other costs	(354,249)	-	-	(354,249)
Financial income	3,056	184,365	-	187,421
Financial expenses	(37,542)	(188,995)	-	(226,537)
Other income	8	-	-	8
Other expenses	(235)	-	-	(235)
Profit or loss before tax	**2,511,991**	**(615,637)**	**(368,981)**	**1,527,373**
2018				
Net sales	9,499,250	24	12	9,499,286
Other operating income	12,508	-	-	12,508
Costs of goods, materials and services	(3,444,218)	(197,144)	(431,303)	(4,072,665)
Labour costs	(3,171,530)	(94,591)	-	(3,266,121)
Depreciation and other costs	(149,045)	-	-	(149,045)
Financial income	3,179	247,151	-	250,330
Financial expenses	(20,230)	-	-	(20,230)
Other income	12	-	-	12
Other expenses	(9,090)	-	-	(9,090)
Profit or loss before tax	**2,720,836**	**(44,560)**	**(431,291)**	**2,244,985**

19. Deferred taxes

Balance of deferred taxes

(EUR)	31 Dec. 2019	31 Dec. 2018
Deferred tax assets	99.576	163.119
Deferred tax liabilities	(43,156)	(16,409)
Total deferred tax	**56,420**	**146,710**

Changes in deferred taxes

	2019	2018
As at 1 January	**146,710**	**134,056**
Deferred tax charged /(credited) to profit or loss	(63,543)	8,831
Deferred tax charged/(credited) to equity	(26,747)	3,823
As at 31 December	**56,420**	**146,710**

Changes in deferred tax assets

(EUR)	Valuation of investments	Reserves	Other	Total
2018				
As at 1 January	**10,177**	**6,458**	**137,654**	**154,288**
Deferred tax charged/(credited) to profit or loss	-	1,619	7,212	8,831
As at 31 December	**10,177**	**8,077**	**144,866**	**163,119**
2019				
As at 1 January	**10,177**	**8,077**	**144,866**	**163,119**
Deferred tax charged/(credited) to profit or loss	-	(1,394)	(62,149)	**(63,543)**
As at 31 December	**10,177**	**6,683**	**82,717**	**99,576**

Changes in deferred tax liabilities

	Valuation of investments	Total
2018		
As at 1 January	20,232	20,232
Deferred tax charged/(credited) to profit or loss	-	-
Deferred tax charged/(credited) to equity	(3,823)	(3,823)
As at 31 December	**16,409**	**16,409**
2019		
As at 1 January	**16,409**	**16,409**
Deferred tax charged/(credited) to profit or loss	-	-
Deferred tax charged/(credited) to equity	26,747	26,747
As at 31 December	**43,156**	**43,156**

20. Corporate income tax

(EUR)	2019	2018
Profit or loss before tax	**1,527,374**	**2,244,985**
Income adjustment for tax purposes	(182,318)	(245,142)
Expenses adjustment for tax purposes	288,857	138,326
Tax relief	(454,437)	(61,584)
Total tax base	**1,179,476.00**	**2,076,585.00**
Tax rate	**19%**	**19%**
Income tax	**224,100**	**394,551**

21. Disclosures of receivables, liabilities and investments, by groups of related parties according to Article 19 of the Investment Funds and Management Companies Act (ZISDU-3)

(EUR)	Operating receivables	Receivables from financing activities	Operating liabilities	Investments
2019				
Related party				
B1	48,009	-	10,504	2,627,000
E	-	-	22,171	-
Total	**48,009**	**-**	**32,675**	**2,627,000**
2018				
Related party				
B1	35,611	75,650	73,369	2,744,293
E	-	-	20,998	-
Total	**35,611**	**75,650**	**94,367**	**2,744,293**

Code table of types of relation:

- B1 - a party or parties directly participating in another party
- B2 - a party or parties indirectly participating in another party
- C - a party participating in both parties, having the status of a related party according to paragraph 1 of Article 20, and points 1, 2, 4 and 5 of Article 19 of ZISDU-3
- E - Management Board members

22. Transactions with related parties

Sales to related parties

(EUR, including VAT)	2019	2018
Sales to related companies		
Group companies	542,428	459,721
	542,428	**459,721**
Purchases from related companies		
Group companies	586,909	1,069,087
Associates	-	45,687
	586,909	**1,114,774**

Outstanding items arising from sales to and purchases form related parties

(EUR)	31 Dec. 2019	31 Dec. 2018
Outstanding receivables to related companies		
Group companies	48,009	35,611
	48,009	**35,611**
Outstanding liabilities to related companies		
Group companies	10,504	73,369
	10,504	**73,369**

Outstanding items arising from sales to and purchases from related parties

(EUR)	31 Dec. 2019	31 Dec. 2018
Loans to related companies – disbursement of principal and interest accrual		
Group companies	849	3,609
	849	**3,609**

23. Risk management

The Company is exposed to financial risks through its financial assets and liabilities. Financial risks are risks that the inflows will not be sufficient to cover outflows due to changes in the capital and money markets, changes of business operations, and changes of clients' credit rating The most important types of financial risk include liquidity risk, credit risk and market risk, where the Company is exposed to the risk of changing interest rates, the risk of changing securities prices, the risk of changes in prices, and currency risk. The purpose of financial risk management is to ensure business stability and reduce exposure to each risk to an acceptable level.

The Company manages and controls risks by regularly planning and monitoring its cash flows, and by holding a sufficient volume of liquid assets at all times to cover its liabilities. It pursues an investment policy by which it ensures a sufficiently high level of profitability, matches the maturities of financial assets with those of financial liabilities, and provides an adequate structure of financial assets. The Company regularly monitors developments in financial markets and makes efforts to minimise potential negative effects of its financial performance.

Liquidity risk is the risk the Company will not be able to settle all its obligations, including potential obligations, in due time. The Company's goal is to have at all times the necessary liquidity and to be permanently able to meet all of its obligations with adequate capital (solvency).

Liquidity risk stems from the mismatch of inflows and outflows, and is reflected in the potential that the Company, despite a sufficient volume of financial assets, might need to liquidate its assets in unfavourable conditions in order to meet its commitments at a given moment (at a lower price, with higher transaction costs), which in turn would lead to the lower profitability of investments.

Liquidity risk is managed through an adequate investment structure; appropriate investment diversification; cash flow planning that ensures sufficient cash flows from operating and investing activities (interest and principal payments) to cover future predictable obligations; as well as by ensuring an adequate volume of highly liquid assets that can be sold at any time without a loss in order to cover future unpredictable obligations.

Credit risk is the risk that a counterparty will not be able to repay the amounts owed when they fall due.

The risk that loans will not be discharged on time is moderate. The Company mitigates this risk by monitoring debtors' ratings and by seeking various forms of security for its receivables.

Market risk arises in particular with investments in assets where it is possible that expectations regarding the development of asset values will not be realised or will be realised incompletely. The risk of unfavourable changes in the value of assets may be a consequence of FX changes, interest rate changes or changes in the market value of securities. The Company is mostly exposed to currency risk because of its investments in countries that are non-members of the EMU. The interest risk to which the Company is exposed can be reflected in the growth of costs from financing activities. The Company manages its interest risk by linking financial liabilities to fixed interest rates.

The Company does not apply accounts processing for risk hedging.

Credit risk – unmatured and matured assets

(EUR)	Neither past due nor impaired	Past due and individually impaired - gross value	Past due and individually impaired - value	Total
31 Dec. 2019				
Debt securities	2,323,071	-	-	2,323,071
Loans	-	-	-	-
Receivables and deferred expenses and accrued income	1,118,203	2,097	(2,097)	1,118,203
Total	**3,441,274**	**2,097**	**(2,097)**	**3,441,274**
31 Dec. 2018				
Debt securities	2,480,983	-	-	2,480,983
Loans	75,650	-	-	75,650
Receivables and deferred expenses and accrued income	571,243	2,097	(2,097)	571,243
Total	**3,127,876**	**2,097**	**(2,097)**	**3,127,876**

Fair values

(EUR)	31 Dec. 2019	31 Dec. 2018
Long-term financial investments		
Shares and interests in Group companies	3,246,000	4,056,650
	3,246,000	**4,056,650**
Short-term financial investments		
Other short-term financial investments	3,793,852	3,828,863
Loans granted	-	75,650
	3,793,852	**3,904,513**

24. Events after the balance sheet date

There were no significant events after the balance sheet date that could influence the financial statements and would lead to additional procedures to establish whether these events have been correctly recognised in the financial statements.

In February 2020, the Company used the option to purchase the additional 3.28% interest in Generali Investments d.o.o. Croatia, becoming a 100% owner of this subsidiary.

The Company's intangible assets comprise long-term property rights related to the takeover of the management of the Ilirika Umbrella Fund. The current situation and the major stock market decline are expected to potentially impact the value of this balance sheet item as well as the values of subsidiaries. Whilst the Company will re-assess their values at the end of the year, precise amounts are impossible to determine at the moment.