

# Generali Investments

Annual Report

2020



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# 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)
Location	Dunajska cesta 63, 1000 Ljubljana, Slovenia
Telephone	+386 (0)1 58 26 780
Fax	+386 (0)1 518 40 88
Website	<a href="http://www.generali-investments.si">www.generali-investments.si</a>
E-mail	<a href="mailto:navvet@generali-investments.si">navvet@generali-investments.si</a>
Registration number	5834457
Tax number	56687036
VAT identification number	SI 56687036
Bank accounts	SI56 0510 0801 3397 826 NKBM 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 Luka Flere, Member of the Management Board
Supervisory authority	Securities Market Agency
<u>Shareholder as at 31 December 2020</u>	
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 tolar (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.

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 has no branches.

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 2020 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 Jugovzhodna 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 2020, the Company also managed the assets of other investors under discretionary investment mandates, an alternative real estate fund Generali Adriatic Value Fund, Special Investment Fund, and a private equity fund Generali Growth Equity Fund, Specialised Investment Fund.

The operations of all subfunds of the Generali Umbrella Fund listed above and of Generali Investments LLC in 2020 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 2020, Generali Investments LLC was the controlling company of the management company Generali Investments d.o.o., Savska cesta 106, Zagreb (100.00%), the management company Generali Investments A. D. Skopje, Bul. Partizanski odredi 14A, Skopje, Macedonia (72.62%), 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 2020, the Company managed the Generali Umbrella Fund with 16 subfunds, two special investment funds – Generali Adriatic Value Fund, Special Investment Fund, and Generali Growth SIF LLC LP, a private equity fund – and other portfolios based on discretionary mandates, with total assets under management amounting to EUR 1.35 billion.

At the end of 2020, five Slovenian asset management companies were active in the Slovenian market, managing UCITS funds that, according to the Securities Market Agencies, raised EUR 3.235 billion of assets of 466,283 investors. Compared to the end of 2019, assets under management in mutual funds increased by EUR 215 million or 7% at the end of 2020.

At the end of 2020, assets under the management of the Generali Umbrella Fund increased by 8,1% or EUR 43.5 million compared to the end of 2019, totalling EUR 582.7 million. The rise in assets under management is mainly due to the growth seen in the capital markets (which, despite the massive decline in March, closed the year in the green), investors' positive net flows and new product offer within the Generali Group. In 2020, a total of EUR 43.1 million and EUR 37.5 million was contributed to and redeemed from the Generali Umbrella Fund, respectively, representing EUR 5.6 million of net inflows into the Generali Umbrella Fund.

### Markets overview in 2020

Global stock markets were up by more than 5% in 2020, measured with MSCI. The year started on a very optimistic note, seeing new record highs in January and February. In mid-February, though, the outset of the pandemic began to shatter investor confidence. The rapidly spreading pandemic, lockdowns of economies and public life, and the fear of the unknown size of the pandemic, as well as the impact it could have on the economy, caused stock prices to plummet quickly and heavily, by more than 30% compared to the peak recorded only a few weeks earlier. Authorities and central banks reacted swiftly to restore confidence. Liquidity remained very strong most of the time and investors were soon back in the markets. With a record-high share of bonds yielding negative returns and a liquidity flood, stock markets recovered fast, too, and along with the fastest correction in history, we also saw the fastest rebound and return to pre-correction levels in history. The autumn brought strengthened optimism due to the prospects of incoming vaccines, while the continuation of extensive liquidity support and more in-depth information about the virus enhanced investor confidence. At year-end, we saw global markets hitting new record highs, especially tech companies and companies supporting e-commerce, teleworking, healthcare, consumer durables and new, clean energy. The biggest losers were the energy sector, especially oil and gas, but partly also consumer sectors such as tourism, hospitality, the aviation industry and other services involving personal contact and a large number of people.

### Developed markets

Despite a strong correction in March and early April, US stock prices were the fastest to recover and, owing to the big weight of technology stocks, returned to pre-crisis levels quickly. The annual performance of the MSCI US Index was slightly above 9%, making it the most profitable among the major developed markets. Within the US market, by far the best returns were posted by tech stocks also represented in the Nasdaq



Composite index, with the latter growing almost 32%. This rise is largely credited to the growth of the FAANG stocks, although at the end of the year, we also saw some acceleration and several very well performing primary offerings of somewhat smaller innovative companies. In terms of the stock exchange, the US administration coped well with the challenges brought by the pandemic. It cut the interest rate to 0.25% soon after the outbreak of the crisis, and abundant liquidity measured in trillions of dollars prevented stock markets from crashing. Investors quickly came to terms with the recession in 2020, confidently expecting robust growth in 2021 and 2022. Markets were dominated by the largest companies, particularly tech giants such as Amazon and Apple, the nature of whose business contributed to growth during the crisis, while investors – leveraging on the abundance of cheap money – rewarded that with strong growth in prices. US elections in early November represented no less than the event of the year, installing a new Democratic administration. Expectations are high, and despite the initial fear of higher taxes, investors ultimately assessed the change of government as benign and even positive market development, due in particular to expectations for a new and larger stimulus, to bring money not only for households but also for infrastructure projects, investments in cleaner energy, etc.

In contrast to the US, Europe's markets recorded negative yields in 2020, with the MSCI Europe equity index dropping by well over 5%. Despite the swift response demonstrated by the European authorities and the lowering of interest rates further into negative territory, European markets—faced with the continued Brexit saga, problems in negotiations on money allocation within the EU, absence of break-through tech companies compared to the US and the resulting bigger damage suffered by the European economy due to the pandemic—were unable to keep pace with the US and Japan. The German market was one of the few to close the year in the green. Although the second wave of the pandemic again led to heavy economic lockdowns, which partially stopped market growth in autumn and winter of 2020, the positive Brexit agreement reached at the end of the year, accelerated vaccination schemes and a large, more than EUR 2,000 billion support package for economies and countries are bringing promises for a better 2021. The problem in Europe remains deflation, which in 2020 stood at 0.3%, and in particular the fall in energy prices. Industry remains a beacon of light for the European economy, which after the initial blow recovered quickly and has been recording growth at almost all times—unlike the services sectors experiencing a heavy contraction, especially due to the COVID-19 measures. The end result is a rather deep recession lingering in Europe, expected to receive “therapy” in the form of growth anticipated in 2022.

Another player to mention among the big markets is Japan, where the index again recorded a positive 2.5% growth. The impact of the COVID-19 pandemic was relatively insignificant because Japan managed to combat the first wave effectively, preventing economic lockdown.

## Emerging markets

Overall, stock markets in the major emerging economies collectively reached positive yields of over 6% in 2020. Within the group, however, there were enormous disparities. Considerable differences of approach to tackling the coronavirus challenge, along with disparities in the economic and political situations, led to very different paces of growth in specific markets. China was the big leader in terms of yield, with MSCI China surging to nearly 17%. Following the strong initial blow after the pandemic outbreak in Wuhan, the Chinese authorities employed stringent control measures and managed to contain the pandemic. By summer, restrictions were able to be almost completely eased, triggering economic growth. Companies that managed to turn the crisis in their favour, especially those related to technology or consumption growth, took the lead. The Indian market remained in the green, while at the other end, both Russia and Brazil slumped by more than 25%. The overall reason for this sharp decline is the heavy toll claimed by the pandemic and their dependency on raw materials and fossil fuels representing an important source of economic growth.

Additionally, Russia has been constantly involved in conflicts with the West, and Brazil has been suffering from internal political disputes connected mainly with the way the country is run by its current president. Turkey, which is closer to us and an important economic partner of the European Union, suffered heavy devaluation of the Turkish lira due to failed economic policies and political interference with every economic

decision. Owing to these uncertainties, foreign capital has been avoiding Turkey and the market shrank by 17%. The common feature shared by the large majority of the emerging markets has been less strict measures to fight the pandemic, with the exception of China, and consequently smaller declines in economic activity than in the countries of Western Europe. The US-China economic tensions lingered on throughout the year, although they somewhat lost momentum in the second half of the year and transferred to the area of finance, with threats of delisting Chinese companies from US stock exchanges. In the face of a number of sanctions, Russia has been cooperating successfully with the Gulf states and the largest oil exporters in controlling oil export and thus oil prices. At the COVID-19 outbreak in March and April 2020, oil prices went into near free-fall, and for a while, buyers were even paid for storing excess quantities of oil, with transport restrictions decreasing energy prices heavily. Together with the rest of Latin America, Brazil experienced a turnaround at the end of the year, with prices of materials rising sharply and filling the hole in corporate and government balance sheets. Overall, Asian economies appear to be in the best shape and have been least hit by the pandemic. Focusing on technology (both services and manufacturing), they are among the main suppliers to the largest US companies and direct customers in the developed markets and closed 2020 with record sales and growth.

## **Slovenia and the Balkans**

The local and regional markets more or less shared the fate of the rest of Europe. Although COVID-19 measures were similar to those in other European countries, they ultimately turned out to be less effective. The Balkans suffered from the pandemic somewhat more than the rest of Europe, with the recession being deeper than in the developed countries of Western Europe. This is particularly noticeable in the tourism-dependent Croatian economy, which recorded a sharp decline in 2020. It is also visible in the CRO Index that plunged almost 15%, in which companies active in tourism carry an important weight. In the regional markets, Slovenia ranked best as SBITOP only declined by about 2%, with the company Krka, d.d. as the main growth driver. A slightly bigger decline—around 3%—was experienced by the Romanian BET index, the main reasons being the larger weight of financial companies in the index that were hit most severely by the crisis.

## **Highlights of our activities and achievements in 2020**

Although 2020 was a year dominated by the COVID-19 pandemic, Generali Investments stayed well on track and kept pace with the most recent trends and developments in the global investment funds industry. Integration in the Generali Group was completed. When the pandemic was declared by the World Health Organization and containment measures to prevent COVID-19 from spreading were put in place, global stock markets plunged 34% in March 2020 compared to the record levels of February 2020. Despite that, Generali Investments continued to operate smoothly, thanks to changing over to home-based telework and migrating all transactions and interactions with investors, between employees and with business partners to digital channels.

In 2020, Generali Investments followed its vision—which is to remain the best Slovenian manager of financial investments in terms of quality and become one of the largest asset managers in South Eastern Europe—and its mission of being a responsible, long-term financial intermediary guaranteeing high-quality, orderly and diverse asset management service and long-term returns.

### **Digitisation of business**

Generali Investments has been continuously developing new digital solutions contributing to business efficiency and improving user and investor experience.

We launched the digital transformation process targeting fully digitised interactions with investors in 2019, firstly by going paperless, including offering the option to consult a financial advisor via a smartphone (without visiting our offices) based on remote e-signing. By introducing remote e-identification and remote

video financial advisory, the entire financial process went completely digital. This means that customers may perform the entire process of becoming our investors, from the initial contact to subscription for our funds, on a remote basis.

### **Management excellence**

In June 2020, the *Moje finance* magazine organised the 10th edition of its awards ceremony, announcing the best mutual and pension funds and the best asset managers in Slovenia. Primož Cencelj, CFA of Generali Investments, received the prestigious Best Asset Manager of the Decade award for the 2010 to 2019 period, and David Zorman ranked fourth in the same category. In the Best Asset Manager of the five-year period 2015–2019 category, Primož Cencelj won second place. Generali Bond – EUR was the winning mutual fund earning the best rating, i.e. five-stars for three-, five- and ten-year periods in the European Corporate and Aggregate Bond category, and Generali Technology, Equity won the highest award of five stars for a ten-year period in the Equity Information Technology category. Morningstar ratings assigned to subfunds of the Generali Umbrella Fund, managed by Generali Investments, on 31 December 2020: Generali First Selection and Generali Bond received the highest Morningstar overall rating of five stars, and Generali Vitality received four stars.

### **Consolidating our position in South Eastern Europe**

Generali Investments has been following its vision of becoming one of the largest asset managers in South Eastern Europe, which we reaffirmed in 2020 by starting the acquisition of Ilirika FM AD Skopje through the merger with Generali Investments AD Skopje. This helped Generali Investments consolidate as the second biggest asset manager in North Macedonia. The transaction was finalised in January 2021.

### **Successful further development of alternative investment funds in Slovenia**

In 2020, Generali Growth Equity Fund obtained capital commitments from a diverse range of domestic and international investors who have recognised the opportunity to invest in ambitious and fast-growing small and medium-sized companies. Within less than a year, the Fund raised EUR 65 million in commitments. The fund's portfolio currently consists of four investee companies, all of which excel in high technological development, extraordinary growth potential, and a focus on sustainability. Through this fund, Generali Investments has been contributing not only to investor returns but also to increasing Slovenian economic growth.

### **Socially responsible projects**

Generali Investments is well aware of the importance of financial literacy. The coronavirus crisis, which led to major fluctuations in stock markets, further proves how important it is for investors not to overreact to quick changes emotionally and without solid information but rather to follow their priority strategies. Building on its long-term expertise and know-how, the Company held a series of financial webinars with a view to helping our investors and potential investors manage their savings and invest in capital markets.

Generali Investments is aware of its mission as a responsible financial intermediary, which is to be a present, active stakeholder in the local environment and contribute to a positive circle, helping improve economic effectiveness, competitiveness and, last but not least, welfare. For those reasons, the Company has supported the Business Star of the Year project, owned by the Delo news media company, for a third consecutive year. Business Stars are companies of the future—growing, employing, investing in development, exporting, innovating and practising corporate social responsibility. They have solutions and know what they need to remain successful in the future. They are trusted and appreciated by people. Through their conduct and activities, Business Stars bring positive changes to our societies.

### 3. Business results

Generali Investments LLC is the third biggest management company in Slovenia, holding an 18.1% market share among Slovenian mutual fund managers at the end of 2020. It has two subsidiaries outside of Slovenia, in Croatia with EUR 31.4 million of assets under management as at 31 December 2020, and North Macedonia with EUR 25 million of assets under management.

As at 31 December 2020, Generali Investments managed EUR 582.7 million worth of assets of 50,700 investors in the Generali Umbrella Fund. At the end of 2020, the volume of assets under the management of the Generali Umbrella Fund increased by 12.8% compared to the end of 2019, or EUR 43.5 million. In 2020, a total of EUR 43.1 million and EUR 37.5 million were contributed to and redeemed from the Generali Umbrella Fund, respectively, representing EUR 5.6 million of net inflows into the Generali Umbrella Fund.

Net sales and operating expenses reached EUR 11.21 million and EUR 8.27 million, respectively. The Company closed the year with EUR 2.24 million in net profit for the financial period.

## 4. Outlook for the future

Looking into 2021, we expect to successfully combat the pandemic and see significantly less impact on economic activity in the second half of the year, which is bound to have a positive effect on global economic growth. This depends greatly on vaccine effectiveness and the ability of each country to roll out mass vaccinations. We expect lax monetary and fiscal policies to continue, which co-creates an environment where, despite high valuations, growth in the value of equity investments is expected and an environment favourable for the activity of investment fund management.

Our main goals for 2021 are to:

- implement the sustainability policy
- develop and launch new financial products
- better use the synergy effects of integration in the Generali Group
- further develop alternative investment funds
- continue with the development of a financial advisory model based on personalised relations with investors and completely digital support to financial advisory services
- continue with the digitisation of all business processes
- strengthen our position in the region of South Eastern Europe 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 2020.

## 7. Risk management

In performing its operations and in accordance with the applicable regulations and internal rules, the Company identifies, 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, reputation 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 the Corporate Governance Code of the Generali Group in 2020, which is available at the Company's website at [www.generali-investments.si](http://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 2020, the Management Board had the following composition:

- Luka Podlogar, President of the Management Board,
- Casper Frans Rondeltap, Member – until 15 October 2020,
- Luka Flere, Member – since 16 October 2020.

### The Supervisory Board

In line with its powers, the Supervisory Board actively monitored and supervised the operations of Generali Investments LLC. It held seven sessions in 2020, 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 2020 the Supervisory Board had the following composition:

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

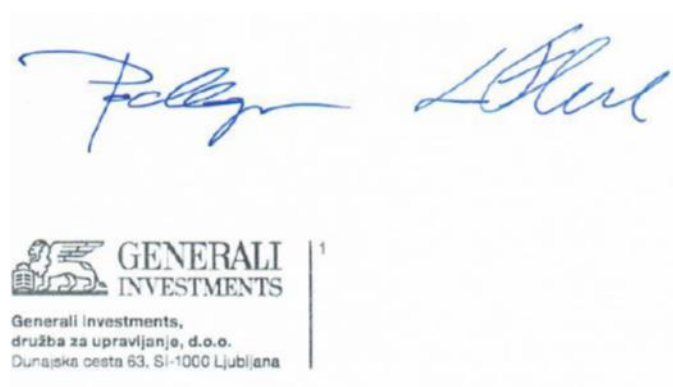
No Supervisory Board committees were established in 2020.

## 9. Important business events after the close of the 2020 financial year

On 25 January 2021, the Company acquired 24,074 shares of Generali Investments AD Skopje for EUR 1,380,918 (including all dues), becoming a 98.34% owner of the company.

Ljubljana, 10 March 2021

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<sup>1</sup> (hereinafter: the Decision) and Articles 435.1(e)<sup>2</sup> and 435.1(f)<sup>3</sup> of the CRR<sup>4</sup>, 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<sup>5</sup> and policies<sup>6</sup> 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<sup>7</sup>, 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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<sup>1</sup> Official Gazette of the RS, no. 42/19

<sup>2</sup> 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

<sup>3</sup> Concise risk statement

<sup>4</sup> Regulation (EU) no. 575/2013 (Official Journal of the EU, L 176)

<sup>5</sup> Risk Strategy (FS-GI-POS-77)

<sup>6</sup> 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)

<sup>7</sup> 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 2020, the total capital ratios for the Company and the Group equalled 19.61% and 19.77%, 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, 10 March 2021

## Supervisory Board



Josef Beneš

President of the Supervisory Board



Aljoša Tomaž

Deputy President of the Supervisory Board



Gregor Pilgram

Member



Katarina Guzej

Member

## Management Board

Luka Podlogar

President of the Management Board



Luka Flere

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 2020, 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 2020.



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, 10 March 2021

Generali Investments LLC

Generali Investments,  
družba za upravljanje, d.o.o.  
Dunajska cesta 63, SI-1000 Ljubljana

# FINANCIAL REPORT

## BALANCE SHEET

(EUR)	Note	31 Dec. 2020	31 Dec. 2019
<b>ASSETS</b>		<b>14,746,125</b>	<b>11,987,428</b>
<b>Non-current assets</b>		<b>5,846,737</b>	<b>6,194,991</b>
Intangible assets, deferred expenses and accrued income	1	2,935,496	2,932,258
Property, plant and equipment	2	310,603	536,157
Long-term financial investments	3	2,539,530	2,627,000
Deferred tax assets	19	61,108	99,576
<b>Current assets</b>		<b>8,429,917</b>	<b>5,400,447</b>
Short-term financial investments	4	7,186,220	3,793,852
Short-term operating receivables	5	211,917	726,213
Cash and cash equivalents	6	1,031,780	880,382
<b>Short-term deferred expenses and accrued income</b>	<b>7</b>	<b>469,471</b>	<b>391,990</b>
<b>LIABILITIES AND EQUITY</b>		<b>14,746,125</b>	<b>11,987,428</b>
<b>Equity</b>	<b>8</b>	<b>12,619,105</b>	<b>10,351,453</b>
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		216,584	183,982
Retained net profit or loss		3,374,967	2,135,237
Net profit or loss for the year		2,235,050	1,239,730
<b>Provisions and long-term accrued expenses and deferred income</b>	<b>9</b>	<b>90,176</b>	<b>97,140</b>
<b>Non-current liabilities</b>		<b>84,291</b>	<b>261,386</b>
Long-term financial liabilities	10	28,889	213,630
Long-term operating liabilities	11	4,600	4,600
Deferred tax liabilities	19	50,802	43,156
<b>Current liabilities</b>		<b>1,107,861</b>	<b>787,969</b>
Short-term financial liabilities	10	187,224	179,460
Short-term operating liabilities	11	920,637	608,509
<b>Short-term accrued expenses and deferred income</b>	<b>12</b>	<b>844,692</b>	<b>489,480</b>
Off-balance-sheet assets and liabilities	3	300,949	416,373

The accounting policies and notes to the financial statements on pages 32 to 68 are a constituent part of the financial statements.



## INCOME STATEMENT

(EUR)	Note	2020	2019
Net sales	14A	11,212,016	9,278,853
Other operating income	14A	47,199	34,114
		<b>11,259,215</b>	<b>9,312,967</b>
Costs of goods, materials and services	14B	(4,297,913)	(4,155,535)
Labour costs	14B	(3,484,345)	(3,236,467)
Depreciation			
Amortisation/Depreciation	14B	(475,206)	(324,493)
Revaluation operating expenses	14B	(1,756)	(5,532)
Other operating expenses	14B	(7,250)	(24,224)
		<b>(8,266,470)</b>	<b>(7,746,251)</b>
Financial income from participating interests	15	108,762	183,516
Financial income from loans	15	174	3,306
Financial income from operating receivables	15	9,038	599
		<b>117,974</b>	<b>187,421</b>
Financial expenses for impairments and write-offs of investments	16	(278,389)	(188,999)
Financial expenses for financial liabilities	16	(10,816)	(15,830)
Financial expenses for operating liabilities	16	(48,765)	(21,708)
		<b>(337,970)</b>	<b>(226,537)</b>
Other income	17	6	8
Other expenses	17	(5)	(235)
		<b>1</b>	<b>(227)</b>
<b>Profit or loss before tax</b>		<b>2,772,750</b>	<b>1,527,373</b>
Income tax	20	(499,232)	(224,100)
Deferred tax	19	(38,468)	(63,543)
<b>Net profit or loss for the period</b>		<b>2,235,050</b>	<b>1,239,730</b>

## STATEMENT OF COMPREHENSIVE INCOME

(EUR)	Note	2020	2019
<b>Net profit or loss for the period</b>		<b>2.235.050</b>	<b>1.239.730</b>
<b>Change in fair value reserve</b>		<b>32,602</b>	<b>114,027</b>
a Gross	8	40,248	140,774
b Tax	19	(7,646)	(26,747)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,267,652</b>	<b>1,353,757</b>

The accounting policies and notes to the financial statements on pages 32 to 68 are a constituent part of the financial statements.

# STATEMENT OF CASH FLOWS

<b>(EUR)</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>A. Cash flows from operating activities</b>			
<b>a) Items of income statement</b>			
Operating income (except for revaluation) and financial income from operating receivables		11,267,908	9,325,475
Operating expenses excluding depreciation/amortisation (except for revaluation) and financial expenses from operating liabilities		(7,789,572)	(7,429,195)
Income tax and other taxes not included in operating expenses	19, 20	(537,699)	(287,643)
<b>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</b>			
Change in operating receivables	5	514,296	(583,201)
Change in deferred expenses and accrued income	7	(74,883)	37,377
Change in deferred tax assets	19	38,468	63,543
Change in operating liabilities	11	310,027	(73,960)
Change in accrued expenses and deferred income and provisions	12	348,248	35,670
<b>c) Net cash from/used in operating activities (a+b)</b>			
		<b>4,076,791</b>	<b>1,088,066</b>
<b>B. Cash flows from investing activities</b>			
<b>a) Receipts from investing activities</b>			
Interest and dividends received from investing activities		188,364	211,443
Proceeds from disposal of property, plant and equipment		-	16,705
Proceeds from disposal of financial investments	4, 14	1,732,902	977,389
<b>b) Payments from investing activities</b>			
Payments to acquire intangible assets	1	(195,101)	(269,527)
Payments to acquire property, plant and equipment	2	(62,142)	(146,791)
Payments to acquire financial investments	3, 4	(5,401,622)	(837,488)
<b>c) Net cash from/use in investing activities (a+b)</b>			
		<b>(3,737,599)</b>	<b>(48,269)</b>
<b>C. Receipts from financing activities</b>			
<b>b) Payments from financing activities</b>			
Repayments of financial liabilities		(187,794)	(182,737)
Dividends and other profit shares		-	(1,400,000)
<b>c) Net cash from/used in financing activities (a+b)</b>			
		<b>(187,794)</b>	<b>(1,582,737)</b>
<b>D. Closing balance of cash</b>			
		<b>1,031,780</b>	<b>880,382</b>
<b>Net increase/decrease in cash for the year (A.c. + B.c. + C.c.)</b>			
		<b>151,398</b>	<b>(542,940)</b>
Opening balance of cash			
		880,382	1,423,322

The accounting policies and notes to the financial statements on pages 32 to 68 are a constituent part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(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
<b>As at 31 December 2019</b>	<b>1,767,668</b>	<b>542,062</b>	<b>3,626,007</b>	<b>176,767</b>	<b>680,000</b>	<b>183,982</b>	<b>2,135,237</b>	<b>1,239,730</b>	<b>10,351,453</b>
Restatements (corrections)	-	-	-	-	-	-	-	-	-
Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	-
<b>As at 1 January 2020</b>	<b>1,767,668</b>	<b>542,062</b>	<b>3,626,007</b>	<b>176,767</b>	<b>680,000</b>	<b>183,982</b>	<b>2,135,237</b>	<b>1,239,730</b>	<b>10,351,453</b>
<b>Changes in equity – transactions with owners</b>	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income in the reporting period</b>	-	-	-	-	-	<b>32,602</b>	-	<b>2,235,050</b>	<b>2,235,050</b>
Net profit in the reporting period	-	-	-	-	-	-	-	2,235,050	2,235,050
Change in reserves due to fair value revaluation of investments	-	-	-	-	-	32,602	-	-	32,602
<b>Changes in equity</b>	-	-	-	-	-	-	<b>1,239,730</b>	<b>(1,239,730)</b>	-
Allocation of the remaining part of net profit for the comparative reporting period to other equity	-	-	-	-	-	-	1,239,730	(1,239,730)	-
<b>As at 31 December 2020</b>	<b>1,767,668</b>	<b>542,062</b>	<b>3,626,007</b>	<b>176,767</b>	<b>680,000</b>	<b>216,584</b>	<b>3,374,967</b>	<b>2,235,050</b>	<b>12,619,105</b>
Accumulated profit	-	-	-	-	-	-	3,374,967	2,235,050	5,610,017

The accounting policies and notes to the financial statements on pages 32 to 68 are a constituent part of the financial statements.

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

(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
<b>As at 31 December 2018</b>	<b>1,767,668</b>	<b>542,062</b>	<b>3,626,007</b>	<b>176,767</b>	<b>680,000</b>	<b>69,955</b>	<b>1,675,972</b>	<b>1,859,265</b>	<b>10,397,696</b>
Restatements (corrections)	-	-	-	-	-	-	-	-	-
Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	-
<b>As at 1 January 2019</b>	<b>1,767,668</b>	<b>542,062</b>	<b>3,626,007</b>	<b>176,767</b>	<b>680,000</b>	<b>69,955</b>	<b>1,675,972</b>	<b>1,859,265</b>	<b>10,397,696</b>
<b>Changes in equity – transactions with owners</b>	-	-	-	-	-	-	<b>(1,400,000)</b>	-	<b>(1,400,000)</b>
Payment of dividends	-	-	-	-	-	-	(1,400,000)	-	(1,400,000)
<b>Total comprehensive income in the reporting period</b>	-	-	-	-	-	<b>114,027</b>	-	<b>1,239,730</b>	<b>1,353,757</b>
Net profit in the reporting period	-	-	-	-	-	-	-	1,239,730	1,239,730
Change in reserves due to fair value revaluation of investments	-	-	-	-	-	114,027	-	-	114,027
<b>Changes in equity</b>	-	-	-	-	-	-	<b>1,859,265</b>	<b>(1,859,265)</b>	-
Allocation of the remaining part of net profit for the comparative reporting period to other equity	-	-	-	-	-	-	1,859,265	(1,859,265)	-
<b>As at 31 December 2019</b>	<b>1,767,668</b>	<b>542,062</b>	<b>3,626,007</b>	<b>176,767</b>	<b>680,000</b>	<b>183,982</b>	<b>2,135,237</b>	<b>1,239,730</b>	<b>10,351,453</b>
Accumulated profit	-	-	-	-	-	-	2,135,237	1,239,730	3,374,967

The accounting policies and notes to the financial statements on pages 32 to 68 are a constituent part of the financial statements.

## UTILISATION OF NET PROFIT FOR THE PERIOD

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
Net profit or loss for the year	2,235,050	1,239,730
Net profit or loss for the year brought forward	3,374,967	2,135,237
<b>Accumulated profit</b>	<b>5,610,017</b>	<b>3,374,967</b>

Accumulated profit for 2020 totalled EUR 5,610,017 consisting of net profit for 2020 in the amount of EUR 2,235,050 and profit brought forward of EUR 3,374,967.

The following appropriation is proposed:

- EUR 2,235,050 of distributable profit shall be distributed to the Shareholder as a share in the profit;
- EUR 3,374,967 shall remain unappropriated, and decision on its appropriation shall be carried over to the following year.

# INDEPENDENT AUDITOR'S REPORT



**Building a better  
working world**

**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 2020, 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 2020 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/Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the (consolidated) 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.

The supervisory board is responsible for overseeing the Company's financial reporting process and to approve the annual audit report.

### Auditor's responsibilities for the audit of the financial statements

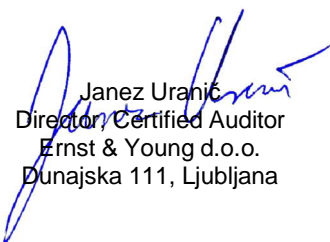
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 10, 2021



Janez Uranic  
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



# 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.

There were no changes to accounting standards that had an impact on the financial statements in 2020.

### **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.

### **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 3, Ljubljana.

(EUR)	Interest, in %	Equity at year-end	Profit or loss for the year	Method of acquisition in case of interest increase
<b>2020</b>				
<b>Subsidiaries</b>				
Generali Investments d.o.o., Croatia	100.00%	684,250	107,360	3.28% additional acquisition
Generali Investments AD, Macedonia	72.62%	933,621	189,477	merger
Generali Investments GP1 LLC, Slovenia	100.00%	7,413	(87)	
Generali Investments GP2 LLC, Slovenia	100.00%	7,413	(87)	
Generali Investments CP LLC LP	54.79%	181,461	694	
<b>2019</b>				
<b>Subsidiaries</b>				
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

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 2020, the Company acquired an additional 3.28% share in its subsidiary Generali Investments d.o.o., Croatia, becoming its 100% owner. It also purchased a 3.16% share in Generali Investments A.D. Skopje.

On 18 June 2020, the Company signed a shares purchase agreement for Ilirika AD Skopje as part of the merger process with Generali Investments AD Skopje. Conditions of merger were fulfilled on 30 December 2020 when the merged company was entered in the register. Generali Investment's share in the subsidiary thus decreased to 72,62% as at 31 December 2020.

## 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. Amortisation of intangible assets with a finite useful life is charged on a straight-line basis.

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 2020 and 2019:

<b>(In)angible asset</b>	<b>Minimum rate</b>	<b>Maximum rate</b>
	<b>%</b>	<b>%</b>
Intangible assets:		
Software	20	20
Long-term property rights – list of investors*	5	5
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

\*since 1 January 2020

## 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.

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.

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 or in full.

Operating income also includes other operating income associated with products and services – including subsidies, grants, allowances, compensations, premiums, government support and similar revenue. This income is recognised if there is reasonable assurance that their terms will be met and they will lead to increases in assets.

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 2020 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 development	Other long-term deferred expenses and accrued income	Total
<b>Cost</b>				
<b>31 Dec. 2019</b>	<b>3,415,615</b>	<b>176,520</b>	<b>10,310</b>	<b>3,602,445</b>
Adjustments after opening balance	-	-	-	-
<b>1 Jan. 2020</b>	<b>3,415,615</b>	<b>176,520</b>	<b>10,310</b>	<b>3,602,445</b>
Direct increases – investments	85,667	109,435	-	195,102
Transfer from investments in progress	272,955	(272,955)	-	-
Decreases during the year	-	-	(2,598)	(2,598)
<b>31 Dec. 2020</b>	<b>3,774,237</b>	<b>13,000</b>	<b>7,712</b>	<b>3,794,949</b>
<b>Accumulated amortisation</b>				
<b>31 Dec. 2019</b>	<b>670,187</b>	-	-	<b>670,187</b>
<b>1 Jan. 2020</b>	<b>670,187</b>	-	-	<b>670,187</b>
Amortisation for the year	189,266	-	-	189,266
<b>31 Dec. 2020</b>	<b>859,453</b>	-	-	<b>859,453</b>
<b>Present value</b>				
<b>31 Dec. 2020</b>	<b>2,914,784</b>	<b>13,000</b>	<b>7,712</b>	<b>2,935,496</b>
<b>31 Dec. 2019</b>	<b>2,745,428</b>	<b>176,520</b>	<b>10,310</b>	<b>2,932,258</b>

In 2020, the Company invested EUR 272,955 in upgrading an intangible asset – software.

Intangible assets comprise intangible assets with a finite useful life, i.e. computer software, and intangible assets with an indefinite useful life, i.e. a list of investors associated with the takeover of management of the Ilirika Umbrella Fund. With respect to the latter, the Company made a change to the accounting estimate, defined its useful life as 20 years and applied the amortisation rate of 5%. The intangible asset is also tested for impairment at the date of preparing financial statements, by comparing its carrying amount with its recoverable amount on the balance sheet day. On 31 December 2020, 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 2020:

- 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: 2.5% normalised return on risk-free assets, 6.0% premium for capital risk, 3.67% premium for investments in small enterprises, 2.35% political risk factor, unlevered beta 0.68,
- required return on equity 12.6%,
- the planned return of individual funds in the explicit forecast period is 0.0%
- growth of net cash flows after the explicit forecast period amounts to 1.5%,
- cash flow estimated for the 2021–2025 period.

(EUR)	Long-term property rights	Advances for intangible assets	Other long-term deferred expenses and accrued income	Total
<b>Cost</b>				
<b>31 Dec. 2018</b>	<b>3,322,608</b>	-	<b>11,446</b>	<b>3,334,054</b>
Adjustments after opening balance	-	-	-	-
<b>1 Jan. 2019</b>	<b>3,322,608</b>	-	<b>11,446</b>	<b>3,334,054</b>
Direct increases – investments	93,007	176,520	-	269,527
Decreases during the year	-	-	(1,135)	(1,135)
<b>31 Dec. 2019</b>	<b>3,415,615</b>	<b>176,520</b>	<b>10,310</b>	<b>3,602,445</b>
<b>Accumulated amortisation</b>				
<b>31 Dec. 2018</b>	<b>620,631</b>	-	-	<b>620,631</b>
Adjustments after opening balance	-	-	-	-
<b>1 Jan. 2019</b>	<b>620,631</b>	-	-	<b>620,631</b>
Amortisation for the year	49,557	-	-	49,557
<b>31 Dec. 2019</b>	<b>670,187</b>	-	-	<b>670,187</b>
<b>Present value</b>				
<b>31 Dec. 2019</b>	<b>2,745,428</b>	<b>176,520</b>	<b>10,310</b>	<b>2,932,258</b>
<b>31 Dec. 2018</b>	<b>2,701,977</b>	-	<b>11,446</b>	<b>2,713,423</b>

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.

## 2. Property, plant and equipment

(EUR)	Right-of-use- assets	Other equipment	Total
<b>Cost</b>			
<b>31 Dec. 2019</b>	<b>559,995</b>	<b>596,921</b>	<b>1,156,916</b>
<b>1 Jan. 2020</b>	<b>559,995</b>	<b>596,921</b>	<b>1,156,916</b>
Direct increases–new leases/investments	-	58,461	58,461
Lease modifications	3,681	-	3,681
Decreases during the year	-	(35,242)	(35,242)
<b>31 Dec. 2020</b>	<b>563,676</b>	<b>620,140</b>	<b>1,183,816</b>
<b>Accumulated depreciation</b>			
<b>31 Dec. 2019</b>	<b>171,705</b>	<b>449,054</b>	<b>620,759</b>
<b>1 Jan. 2020</b>	<b>171,705</b>	<b>449,054</b>	<b>620,759</b>
Depreciation for the year	181,691	104,249	104,249
Decreases during the year	-	(33,486)	148,205
<b>31 Dec. 2020</b>	<b>353,396</b>	<b>519,817</b>	<b>873,213</b>
<b>Present value</b>			
<b>31 Dec. 2020</b>	<b>210,280</b>	<b>100,323</b>	<b>310,603</b>
<b>31 Dec. 2019</b>	<b>388,290</b>	<b>147,867</b>	<b>536,157</b>

(EUR)	Right-of-use- assets	Other equipment	Total
<b>Cost</b>			
<b>31 Dec. 2018</b>	-	545,064	545,064
Leases - initial recognition 1 Jan. 2019	478,846	-	478,846
<b>1 Jan. 2019</b>	<b>478,846</b>	<b>545,064</b>	<b>1,023,910</b>
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)
<b>31 Dec. 2019</b>	<b>559,995</b>	<b>596,921</b>	<b>1,156,916</b>
<b>Accumulated depreciation</b>			
<b>31 Dec. 2018</b>	-	418,520	418,520
Adjustments after opening balance	-	-	-
<b>1 Jan. 2019</b>	-	418,520	418,520
Depreciation for the year	171,705	103,231	274,936
Decreases during the year	-	(72,697)	(72,697)
<b>31 Dec. 2019</b>	<b>171,705</b>	<b>449,054</b>	<b>620,759</b>
<b>Present value</b>			
<b>31 Dec. 2019</b>	<b>388,290</b>	<b>147,867</b>	<b>536,157</b>
<b>31 Dec. 2018</b>	-	126,544	126,544

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 real-estate lease liabilities as of 1 January 2019, applying a discount rate of 3.5%.

As of 31 December 2020, the Company recognised right-of-use assets relating to real-estate lease in the amount of EUR 168,306 (2019: 317,737) and relating to car lease in the amount of EUR 41,974 (2019: EUR 70,553).

In 2020, the Company recorded EUR 10,816 of interest expenses on lease and EUR 191,476 of total lease cash flows (Note 10). Expenses related to short-term leases and leases of low value amounted to EUR 41,675, and are disclosed under operating expenses (Note 14b). Leased assets are not subleased.



### 3. Long-term financial investments

<b>(EUR)</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
<b>Long-term financial investments, excluding loans</b>		
Shares and interests in Group companies	2,539,530	2,627,000
<b>Total</b>	<b>2,539,530</b>	<b>2,627,000</b>

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
<b>As at 1 January</b>	<b>2,627,000</b>	<b>2,744,293</b>
Acquisitions	190,880	71,702
Impairments	(278,350)	(188,995)
<b>As at 31 December</b>	<b>2,539,530</b>	<b>2,627,000</b>

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 2020, the Company acquired an additional 3.28% share in its subsidiary Generali Investments d.o.o., Croatia, becoming its 100% owner. It also purchased a 3.16% share in Generali Investments A.D. Skopje.

On 18 June 2020, the Company signed a shares purchase agreement for Ilirika AD Skopje as part of the merger process with Generali Investments AD Skopje. Conditions of merger were fulfilled on 30 December 2020 when the merged company was entered in the register. Generali Investment's share in the subsidiary thus decreased to 72,62% as at 31 December 2020.

As at 31 December 2020, no securities were pledged. The capital commitment of EUR 300,949 with respect to Generali CP LLC LP and the related private equity fund is shown under off-balance items.

In 2020, the Company's investment in the subsidiary Generali Investments d.o.o. Croatia was impaired at the level of EUR 278,350. Impairment expenses are presented under Financial expenses (Note 16).

### 4. Short-term financial investments

<b>(EUR)</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
<b>Short-term financial investments, excluding loans</b>		
Mutual fund units	1,453,841	1,470,781
Other short-term financial investments	5,732,379	2,323,071
<b>Total</b>	<b>7,186,220</b>	<b>3,793,852</b>

## Changes in financial investments

(EUR)	Financial investments available for sale	Total
<b>2020</b>		
<b>As at 1 January</b>	<b>3,793,852</b>	<b>3,793,852</b>
Acquisitions	5,210,741	5,210,741
Disposals	(1,771,387)	(1,771,387)
Fair value change through equity	40,248	40,248
Accrued interest	(42,591)	(42,591)
Interest paid	(44,644)	(44,644)
<b>As at 31 December</b>	<b>7,186,219</b>	<b>7,186,219</b>

(EUR)	Financial investments available for sale	Total
<b>2019</b>		
<b>As at 1 January</b>	<b>3,828,864</b>	<b>3,828,864</b>
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)
<b>As at 31 December</b>	<b>3,793,852</b>	<b>3,793,852</b>

## 5. Short-term operating receivables

(EUR)	31 Dec. 2020	31 Dec. 2019
<b>Short-term receivables</b>		
Short-term receivables from subsidiaries	76,472	48,009
Short-term receivables from retail clients	94,869	492,536
Short-term receivables from third parties	40,575	185,668
<b>Total</b>	<b>211,916</b>	<b>726,213</b>

No overdue receivables are recorded. Receivables are unsecured.

Short-term operating receivables comprise EUR 34,531 of receivables arising from the set-off of the input value added tax.

## 6. Cash and cash equivalents

<b>(EUR)</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Cash in hand and in bank accounts	531,780	230,366
Callable deposits	250,000	150,000
Deposits up to 3 months	250,000	500,016
<b>Total</b>	<b>1,031,780</b>	<b>880,382</b>

## 7. Short-term deferred expenses and accrued income

<b>(EUR)</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Short-term deferred expenses	382,765	306,373
Short-term accrued income	86,706	85,617
<b>Total</b>	<b>469,471</b>	<b>391,990</b>

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

### Changes in short-term deferred expenses and accrued income

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
<b>As at 1 January</b>	<b>391,990</b>	<b>428,232</b>
Formation	1,371,973	9,582,909
Use	(1,294,492)	(9,619,151)
<b>As at 31 December</b>	<b>469,471</b>	<b>391,990</b>

## 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 2020, the Company generated EUR 2,235,050 of net profit for the period. Equity as at 31 December 2020 amounted to EUR 12,619,105.

According to the resolution of 12 June 2020 on the appropriation of distributable profit, the distributable profit for 2019 in the amount of EUR 3,374,968 remained unappropriated, and decision-making on its appropriation was carried over to the following year.

The Company's ownership structure as at 31 December 2020:

Generali zavarovalnica d.d. 100.00%

## Changes in fair value reserve

(EUR)	Financial investments available for sale	Total
<b>2019</b>		
<b>As at 1 January</b>	<b>69,955</b>	<b>69,955</b>
Revaluation – gross	140,774	140,774
Revaluation – tax	(26,747)	(26,747)
<b>As at 31 December</b>	<b>183,982</b>	<b>183,982</b>
<b>2020</b>		
<b>As at 1 January</b>	<b>183,982</b>	<b>183,982</b>
Revaluation – gross	40,248	40,248
Revaluation – tax	(7,646)	(7,646)
<b>As at 31 December</b>	<b>216,584</b>	<b>216,584</b>

## 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
<b>2019</b>				
<b>As at 1 January</b>	<b>85,024</b>	<b>-</b>	<b>30,050</b>	<b>115,074</b>
Formation	5,471	594	-	6,065
Use	(20,147)	-	-	(20,147)
Decrease	-	-	(3,852)	(3,852)
<b>As at 31 December</b>	<b>70,348</b>	<b>594</b>	<b>26,198</b>	<b>97,140</b>
<b>2020</b>				
<b>As at 1 January</b>	<b>70,348</b>	<b>594</b>	<b>26,198</b>	<b>97,140</b>
Formation	3,759	2,324	-	6,083
Use	(3,816)	-	-	(3,816)
Decrease	-	-	(9,231)	(9,231)
<b>As at 31 December</b>	<b>70,291</b>	<b>2,918</b>	<b>16,967</b>	<b>90,176</b>

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 2020 provisions for long-term deferred income stood at EUR 16,967 (2019: EUR 26,198).

## 10. Financial liabilities

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

(EUR)	Leases
<b>31 Dec. 2019</b>	<b>393,090</b>
Increases – new leases or modified terms	3,681
Decreases – new leases or modified terms	-
Lease payments	(191,475)
Interest	10,817
<b>31 Dec. 2020</b>	<b>216,113</b>
Short-term part	187,224
Long-term part	28,889

Other financial liabilities include lease liabilities. As at 31 December 2020, the Company recorded EUR 174,128 of liabilities from real-estate lease with the parent company. Liabilities from real-estate lease

stood at EUR 174,128 (2019: EUR 323,185), and liabilities from car lease stood at EUR 41,985 (2019: EUR 69,905).

## 11. Operating liabilities

<b>(EUR)</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
<b>Long-term operating liabilities</b>		
Long-term operating liabilities from advances	4,600	4,600
<b>Total</b>	<b>4,600</b>	<b>4,600</b>
<b>Short-term operating liabilities</b>		
Short-term operating liabilities to Group companies	6,757	10,504
Short-term operating liabilities to suppliers	296,228	308,854
Short-term operating liabilities from taxes and contributions	376,057	48,065
Short-term operating liabilities to employees	237,036	240,357
Other short-term operating liabilities	4,559	729
<b>Total</b>	<b>920,637</b>	<b>608,509</b>

The Company has no overdue liabilities.

## 12. Short-term accrued expenses and deferred income

<b>(EUR)</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Short-term accrued expenses	695,653	367,684
Accrued unused leave expenses	149,039	121,796
<b>Total</b>	<b>844,692</b>	<b>489,480</b>

### Changes in short-term accrued expenses and deferred income

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
<b>As at 1 January</b>	<b>489,480</b>	<b>435,877</b>
Formation	1,849,461	1,845,569
Use	(1,494,249)	(1,791,966)
<b>As at 31 December</b>	<b>844,692</b>	<b>489,480</b>

Short-term accrued expenses relate to auditing, unused annual leave, agents, variable remuneration components and other expenses for 2020.

### 13. Balance sheet items by geographical segments

<b>(EUR)</b>	<b>Slovenia</b>	<b>EU</b>	<b>non-EU</b>	<b>Total</b>
<b>31 Dec. 2020</b>				
<b>Assets</b>	<b>5,963,685</b>	<b>7,752,357</b>	<b>1,030,082</b>	<b>14,746,124</b>
Intangible assets	2,935,496	-	-	2,935,496
Property, plant and equipment	310,603	-	-	310,603
Long-term financial investments	114,051	1,930,000	495,480	2,539,530
Deferred tax assets	61,108	-	-	61,108
Short-term financial investments	829,261	5,822,357	534,602	7,186,220
Short-term operating receivables	211,916	-	-	211,916
Cash and cash equivalents	1,031,780	-	-	1,031,780
Deferred expenses and accrued income	469,471	-	-	469,471
<b>Liabilities</b>	<b>1,999,129</b>	<b>29</b>	<b>127,861</b>	<b>2,127,019</b>
Provisions and long-term accrued expenses and	90,176	-	-	90,176
Long-term financial liabilities	28,889	-	-	28,889
Long-term operating liabilities	4,600	-	-	4,600
Deferred tax liabilities	50,802	-	-	50,802
Short-term financial liabilities	187,224	-	-	187,224
Short-term operating liabilities	792,746	29	127,861	920,636
Deferred expenses and accrued income	844,692	-	-	844,692

<b>(EUR)</b>	<b>Slovenia</b>	<b>EU</b>	<b>non-EU</b>	<b>Total</b>
<b>31 Dec. 2019</b>				
<b>Assets</b>	<b>6,422,797</b>	<b>4,567,316</b>	<b>997,316</b>	<b>11,987,428</b>
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
<b>Liabilities</b>	<b>1,496,032</b>	<b>120,417</b>	<b>19,526</b>	<b>1,635,975</b>
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

## 14. Analysis of sales and costs

### A. Operating income

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
<b>Income from the sale of goods and services</b>		
<b>Income from the sale of services in Slovenia</b>	<b>11,212,016</b>	<b>9,278,793</b>
Group companies	674,913	444,613
Others	10,537,103	8,834,180
<b>Income from the sale of services in the EU</b>	<b>-</b>	<b>48</b>
Others	-	48
<b>Income from the sale of services in non-EU countries</b>	<b>-</b>	<b>12</b>
Others	-	12
<b>Total</b>	<b>11,212,016</b>	<b>9,278,853</b>
<b>Other operating income</b>		
Profit from the sale of fixed assets	-	6,517
Other operating income from revaluation	47,199	27,597
<b>Total</b>	<b>47,199</b>	<b>34,114</b>

### Assets managed under discretionary mandates

<b>Year</b>	<b>Number of customers</b>	<b>Assets under management</b>	<b>Management fee</b>	<b>Success fee</b>
2019	14	417,868,533	588,528	564
2020	20	684,728,925	881,064	-



## Structure of income from fees

(EUR)	Management fee	Entry fee	Exit fee	Total 2020
Generali Dividend, Equity	400,971	525	1,203	<b>402,699</b>
Generali Galileo, Mixed Flexible Fund	2,106,684	3,836	1,639	<b>2,112,158</b>
Generali Rastko Europe, Equity	824,982	896	-	<b>825,878</b>
Generali Bond - EUR	348,093	8,978	-	<b>357,071</b>
Generali MM, Money Market - EUR	34,936	-	-	<b>34,936</b>
Generali First Selection, Fund of Equity Funds	700,027	7,435	2,088	<b>709,550</b>
Generali South Eastern Europe, Equity	454,579	329	-	<b>454,908</b>
Generali New Markets, Equity	654,761	1,455	2,739	<b>658,955</b>
Generali Raw Materials and Energy, Equity	103,260	790	-	<b>104,050</b>
Generali Technology, Equity	780,905	14,423	-	<b>795,328</b>
Generali Vitality, Equity	791,777	7,101	1,076	<b>799,954</b>
Generali India – China, Equity	507,760	2,658	356	<b>510,775</b>
Generali Latin America, Equity	26,987	569	266	<b>27,822</b>
Generali Eastern Europe, Equity	161,457	1,189	207	<b>162,854</b>
Generali America, Equity	266,248	885	-	<b>267,132</b>
Generali Corporate Bonds - EUR	58,297	87	-	<b>58,384</b>
<b>Total</b>	<b>8,211,725</b>	<b>51,156</b>	<b>9,575</b>	<b>8,282,455</b>

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

## B. Analysis of costs

### Analysis of costs, by primary types

(EUR)	2020	2019
<b>Costs of goods and materials</b>		
Costs of raw materials	42,904	96,216
Costs of energy	10,058	13,525
<b>Total</b>	<b>52,962</b>	<b>109,741</b>
<b>Costs of services</b>		
Costs of transport and postal services	339,144	334,294
Rental and maintenance costs	584,090	523,911
Reimbursement of labour-related costs to employees	16,958	70,483
Payment transactions and banking services	26,446	25,949
Insurance costs	8,676	11,201
Costs of trade shows, advertising, entertainment	375,924	538,743
Costs of services of agents acquiring investors	1,133,585	715,849
Costs of intellectual and personal services	1,212,906	1,293,685
Costs of other services	545,036	521,602
Cost of services provided by natural persons under employment contracts	2,186	10,077
<b>Total</b>	<b>4,244,951</b>	<b>4,045,794</b>
<b>Labour costs</b>		
Wages and salaries	2,672,703	2,464,451
Pension insurance costs	280,385	262,208
Other social insurance costs	201,090	184,888
Other labour costs	204,992	220,133
Provisions for employee benefits, unused annual leave	125,175	104,787
<b>Total</b>	<b>3,484,345</b>	<b>3,236,467</b>
<b>Amortisation/Depreciation</b>	<b>475,206</b>	<b>324,493</b>
<b>Revaluation operating expenses</b>		
Expenses from the disposal of fixed assets	1,756	5,532
<b>Total</b>	<b>1,756</b>	<b>5,532</b>
<b>Other operating expenses</b>		
Payments for humanitarian and cultural purposes	7,220	24,182
Other operating expenses	30	42
<b>Total</b>	<b>7,250</b>	<b>24,224</b>
<b>Total</b>	<b>8,266,470</b>	<b>7,746,251</b>

## Analysis of costs, by functional groups

(EUR)	2020	2019
<b>Cost analysis by function</b>		
Selling costs	3,372,426	3,063,706
General costs	4,894,044	4,682,545
<b>Total</b>	<b>8,266,470</b>	<b>7,746,251</b>
<b>Auditing costs (including tax)</b>		
Annual report auditing*	12,200	7,320
Other assurance services*	23,879	19,616
<b>Total</b>	<b>36,079</b>	<b>26,936</b>

\*Auditor costs \*\*Cost of other companies.

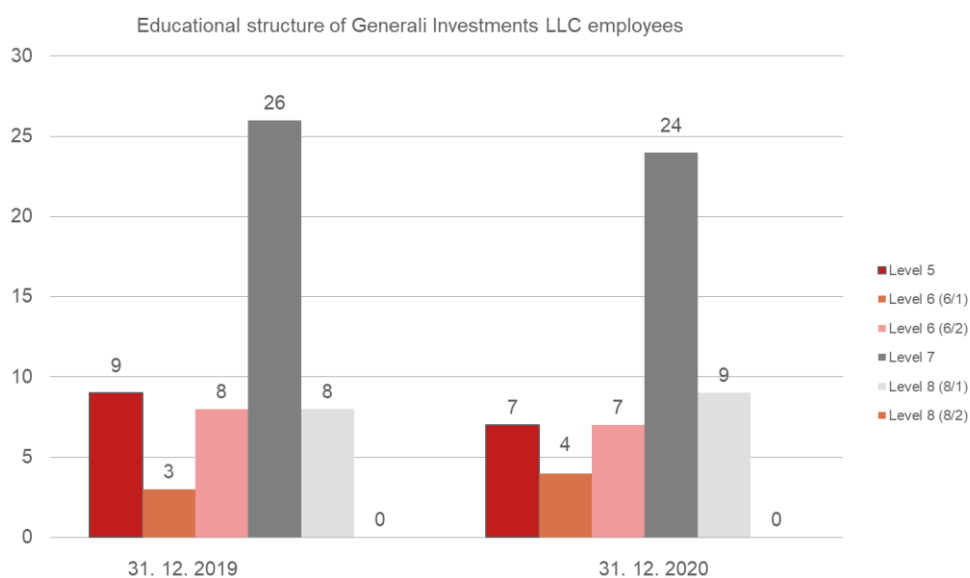
## Remuneration of Management Board and Supervisory Board members

(EUR)	2020	2019
Executive directors	291,749	314,958
Supervisory Board	-	1,005
Employees under management contracts	253,438	303,025
<b>Total</b>	<b>545,187</b>	<b>618,988</b>

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 51 people as at 31 December 2020, with three employees absent due to parental leave. The average number of employees in 2020 and 2019 was 51.50 and 54.75, respectively. The average number of employees based on working hours in 2020 was 46.41. At the end of 2020, women and men represented 56.86% and 43.14% of the staff, respectively.



## Potential liabilities – legal actions

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

## 15. Financial income

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
<b>Financial income from participating interests</b>		
<b>Financial income from participating interests in Group companies</b>		
Dividends	105,147	182,318
	<b>105,147</b>	<b>182,318</b>
<b>Financial income from interests in other entities</b>		
Financial income – financial assets through equity		
Realised gains	764	776
Interest	2,851	422
	<b>3,615</b>	<b>1,198</b>
<b>Total</b>	<b>108,762</b>	<b>183,516</b>
<b>Financial income from loans</b>		
Financial income from loans to Group companies	-	849
Financial income from loans to others	174	2,457
<b>Total</b>	<b>174</b>	<b>3,306</b>
<b>Financial income from operating receivables</b>		
Financial income from operating receivables from others	9,038	599
<b>Total</b>	<b>9,038</b>	<b>599</b>
<b>Total financial revenue</b>	<b>117,974</b>	<b>187,421</b>

## 16. Financial expenses

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
<b>Financial expenses from impairments and write-offs of financial investments</b>		
<b>Financial expenses from impairments of Group companies</b>		
Impairments	278,350	188,995
	<b>278,350</b>	<b>188,995</b>
<b>Financial expenses from impairments and write-offs of other companies</b>		
Financial expenses – financial assets through equity	39	4
	<b>39</b>	<b>4</b>
<b>Total</b>	<b>278,389</b>	<b>188,999</b>
<b>Financial expenses from financial liabilities</b>		
Financial expenses from other financial liabilities	10,816	15,830
<b>Total</b>	<b>10,816</b>	<b>15,830</b>
<b>Financial expenses from operating liabilities</b>		
Other financial expenses from operating liabilities	48,765	21,708
<b>Total</b>	<b>48,765</b>	<b>21,708</b>
<b>Total financial expenses</b>	<b>337,970</b>	<b>226,537</b>

## 17. Other income and other expenses

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
<b>Other income</b>		
Other income	6	8
<b>Total</b>	<b>6</b>	<b>8</b>
<b>Other expenses</b>		
Fines and compensation	-	150
Other expenses	5	85
<b>Total</b>	<b>5</b>	<b>235</b>

## 18. Items of income statement by geographical segments

<b>(EUR)</b>	<b>Slovenia</b>	<b>EU</b>	<b>non-EU</b>	<b>Total</b>
<b>2020</b>				
Net sales	11,212,016	-	-	11,212,016
Other operating income	47,199	-	-	47,199
Costs of goods, materials and services	(3,479,809)	(216,536)	(601,568)	(4,297,913)
Labour costs	(3,484,345)	-	-	(3,484,345)
Depreciation and other costs	(484,212)	-	-	(484,212)
Financial income	9,212	108,762	-	117,974
Financial expenses	(59,620)	(278,350)	-	(337,970)
Other income	6	-	-	6
Other expenses	(5)	-	-	(5)
<b>Profit or loss before tax</b>	<b>3,760,442</b>	<b>(386,124)</b>	<b>(601,568)</b>	<b>2,772,750</b>
<b>2019</b>				
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)
<b>Profit or loss before tax</b>	<b>2,511,991</b>	<b>(615,637)</b>	<b>(368,981)</b>	<b>1,527,373</b>

## 19. Deferred taxes

### Balance of deferred taxes

<b>(EUR)</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Deferred tax assets	61,108	99,576
Deferred tax liabilities	(50,802)	(43,156)
<b>Total deferred tax</b>	<b>10,306</b>	<b>56,420</b>

## Changes in deferred taxes

	2020	2019
<b>As at 1 January</b>	<b>56,420</b>	<b>146,710</b>
Deferred tax charged /(credited) to profit or loss	(38,468)	(63,543)
Deferred tax charged/(credited) to equity	(7,646)	(26,747)
<b>As at 31 December</b>	<b>10,306</b>	<b>56,420</b>

## Changes in deferred tax assets

(EUR)	Valuation of investments	Reserves	Other	Total
<b>2019</b>				
<b>As at 1 January</b>	<b>10,177</b>	<b>8,077</b>	<b>144,866</b>	<b>163,119</b>
Deferred tax charged/(credited) to profit or loss	-	(1,394)	(62,149)	<b>(63,543)</b>
<b>As at 31 December</b>	<b>10,177</b>	<b>6,683</b>	<b>82,717</b>	<b>99,576</b>
<b>2020</b>				
<b>As at 1 January</b>	<b>10,177</b>	<b>6,683</b>	<b>82,717</b>	<b>99,576</b>
Deferred tax charged/(credited) to profit or loss	-	(5)	(38,463)	<b>(38,468)</b>
<b>As at 31 December</b>	<b>10,177</b>	<b>6,677</b>	<b>44,254</b>	<b>61,108</b>

## Changes in deferred tax liabilities

	Valuation of investments	Total
<b>2019</b>		
<b>As at 1 January</b>	<b>16,409</b>	<b>16,409</b>
Deferred tax charged/(credited) to profit or loss	-	-
Deferred tax charged/(credited) to equity	26,747	26,747
<b>As at 31 December</b>	<b>43,156</b>	<b>43,156</b>
<b>2020</b>		
<b>As at 1 January</b>	<b>43,156</b>	<b>43,156</b>
Deferred tax charged/(credited) to profit or loss	-	-
Deferred tax charged/(credited) to equity	7,646	7,646
<b>As at 31 December</b>	<b>50,802</b>	<b>50,802</b>

## 20. Corporate income tax

<b>(EUR)</b>	<b>2020</b>	<b>2019</b>
<b>Profit or loss before tax</b>	<b>2.772.749</b>	<b>1.527.374</b>
Income adjustment for tax purposes	(106,389)	(182,318)
Expenses adjustment for tax purposes	377,582	288,857
Tax relief	(416,408)	(454,437)
<b>Total tax base</b>	<b>2,627,534</b>	<b>1,179,476.00</b>
<b>Tax rate</b>	<b>19%</b>	<b>19%</b>
<b>Income tax</b>	<b>499,232</b>	<b>224,100</b>

## 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)

<b>(EUR)</b>	<b>Operating receivables</b>	<b>Receivables from financing activities</b>	<b>Operating liabilities</b>	<b>Investments</b>
<b>2020</b>				
<b>Related party</b>				
B1	76,472	-	6,757	2,539,530
E	-	-	23,340	-
<b>Total</b>	<b>76,472</b>	<b>-</b>	<b>30,097</b>	<b>2,539,530</b>
<b>2019</b>				
<b>Related party</b>				
B1	48,009	-	10,504	2,627,000
E	-	-	22,171	-
<b>Total</b>	<b>48,009</b>	<b>-</b>	<b>32,675</b>	<b>2,627,000</b>

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

<b>(EUR, including VAT)</b>	<b>2020</b>	<b>2019</b>
<b>Sales to related companies</b>		
Group companies	885,970	542,428
	<b>885,970</b>	<b>542,428</b>
<b>Purchases from related companies</b>		
Group companies	1,089,594	586,909
	<b>1,089,594</b>	<b>586,909</b>

### Outstanding items arising from sales to and purchases from related parties

<b>(EUR)</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
<b>Outstanding receivables to related companies</b>		
Group companies	76,472	48,009
	<b>76,472</b>	<b>48,009</b>
<b>Outstanding liabilities to related companies</b>		
Group companies	6,757	10,504
	<b>6,757</b>	<b>10,504</b>

## 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.

Liquidity risk is assessed as low.

**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**, assessed as moderate, 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 adjustment	Total
<b>31 Dec. 2020</b>				
Debt securities	5,732,379	-	-	5,732,379
Loans	-	-	-	-
Receivables and deferred expenses and accrued income	681,388	2,097	(2,097)	681,388
<b>Total</b>	<b>6,413,767</b>	<b>2,097</b>	<b>(2,097)</b>	<b>6,413,767</b>
<b>31 Dec. 2019</b>				
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
<b>Total</b>	<b>3,441,274</b>	<b>2,097</b>	<b>(2,097)</b>	<b>3,441,274</b>

## Fair values

(EUR)	31 Dec. 2020	31 Dec. 2019
<b>Long-term financial investments</b>		
Shares and interests in Group companies	3,784,752	3,246,000
	<b>3,784,752</b>	<b>3,246,000</b>
<b>Short-term financial investments</b>		
Other short-term financial investments	7,186,220	3,793,852
	<b>7,186,220</b>	<b>3,793,852</b>

## 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.

On 25 January 2021, the Company acquired 24,074 shares of Generali Investments AD Skopje for EUR 1,380,918 (including all dues), becoming a 98.34% owner of the company.

Looking into 2021, we expect to successfully combat the pandemic and see significantly less impact on economic activity in the second half of the year, which is bound to have a positive effect on global economic growth. This depends greatly on vaccine effectiveness and the ability of each country to roll out mass vaccinations. We expect lax monetary and fiscal policies to continue, which co-creates an environment where, despite high valuations, growth in the value of equity investments is expected and an environment favourable for the activity of investment fund management. At the moment, however, the impact of the pandemic on the Company's accounts and business in 2021 cannot be measured reliably.