Generali Investments

Annual Report

2023

Translation from Slovenian original

GENERALI INVESTMENTS

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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	www.generali-investments.si
E-mail	nasvet@generali-investments.si
Registration number	5834457
Tax number	56687036
VAT identification number	SI 56687036
Bank accounts	SI56 0510 0801 3397 826 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	Melita Rajgelj Ozebek, President of the Management Board Sašo Šmigić, Member of the Management Board
Supervisory authority	Securities Market Agency

Shareholder as at 31 December 2023

Generali Investments SI, holding company, d.o.o.	100% shareholding

Establishment and development

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

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

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

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

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

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

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

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

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

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

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

On 13 February 2019, KD Group d.d. disposed 100% of the issued shares in the capital of Adriatic Slovenica, zavarovalna družba, d.d., who was 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.

On 2 October 2023, part of the assets of GENERALI zavarovalnica d.d. were split off and transferred to Generali Investments SI d.o.o. Consequently, GENERALI zavarovalnica d.d. ceased to hold a direct qualifying holding in Generali Investments LLC. Generali CEE Holding B.V., the Netherlands, continued to hold an indirect qualifying holding in Generali Investments LLC.

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. At the end of 2023 the Company managed the following subfunds of the Generali Umbrella Fund:

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

At the end of 2023, the Company also managed the assets of other investors under discretionary investment mandates and an alternative real estate fund Generali Adriatic Value Fund, Special Investment Fund.

Annual report

Generali Investments LLC is an entity within a group of related companies controlled by Generali CEE Holding B.V

The operations of all subfunds of the Generali Umbrella Fund listed above and of Generali Investments LLC in 2023 were audited by KPMG d.o.o., Železna cesta 8a, Ljubljana.

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

The annual report of the Generali Investments CEE is available at the company’s headquarters at Na Pankráci 1720/123, 140 21 Praha 4.

As at 31 December 2023, Generali Investments LLC was the controlling company of the management company Generali Investments A. D. Skopje, Bul. Partizanski odredi 14A, Skopje, Macedonia (98.34%). 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.

At the end of 2023, the Company managed the Generali Umbrella Fund with its 15 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 1.62 billion.

At the end of 2023, five Slovenian asset management companies were active in the Slovenian market, managing UCITS funds that, according to the data provided by the Securities Market Agency, raised EUR 4,812 billion from 520.505 investors. Compared to the end of 2022, assets under management in mutual funds increased by EUR 856 million. At the end of 2023, assets under the management of the Generali Umbrella totalled EUR 718.2 million, a increase of 15.8% or EUR 98.3 million compared to the end of 2022. The increase in assets under management was driven by the increase in prices in capital markets at the level of EUR 83.2 million or 13.4%. In 2023, a total of EUR 62.7 million and EUR 47.6 million was contributed to and redeemed from the Generali Umbrella Fund, respectively, representing EUR 15.1 million of net inflows into the Generali Umbrella Fund.

Overview of capital markets in 2023

In 2023, global stock indices demonstrated remarkable resilience in the face of higher interest rates, elevated inflation, economic slowdown and geopolitical tensions, posting one of the best-performing years in the last 30-year period. The gloomy forecasts of recession and significant profit declines in developed economies did not materialise. Instead, the United States saw economic growth surpassing long-term trends, accompanied by a record-low unemployment rate. Following a significant decline in inflation compared to the previous year, investors were strongly inclined to anticipate lower interest rates in 2024. The ugly duckling of 2023 was Chinese equities, and China – the country representing the highest weighting in emerging markets indices – has been facing a whole range of obstacles, from sluggish economic growth to a real-estate crisis and deflation. The global MSCI All Countries Index gained 16.2% in EUR. After a very weak performance throughout 2022 and the first three quarters of 2023, bonds recovered nicely in the last quarter. In October, the required bond yields still reached their highest levels since 2007, raising significant concerns in global financial markets about the implications of high debt-servicing costs. However, positive inflation data and forecasts of central bankers substantially easing their monetary policies in 2024 spurred a rebound in bond prices. At the year’s end, the required bond yields decreased to levels implying a 1.5 percentage point reduction in the FED benchmark interest rates by the end of 2024. The main European bond index, QW7A, gained 7.2%.

Developed markets

The winning phrase of 2023 on the US stock markets was “the Magnificent Seven”. This term, coined at Wall Street, describes the seven stocks credited with much of the rise in US stock indices over the last 12 months. They include the tech giants Tesla, Nvidia, Apple, Amazon, Meta Platforms, Microsoft and Alphabet, which saw gains ranging from 50% to 250%, collectively contributing around 60% to the growth of the S&P 500. They all share another significant phrase of 2023: Artificial Intelligence (AI). The absolute winner was the Nvidia stock. With a market share of more than 80%, it has firmly dominated the market of sophisticated chips, a key component of AI models. The general public experienced the breakthrough of AI foremostly through ChatGPT, which became the fastest growing app in history. The AI applications currently available probably represent only the surface of an ocean of possibilities that AI will unlock in the future. Investors have been vigilantly watching the advancements made by companies in this field, putting additional wind in the sails of some tech giants.

Despite a highly profitable year, the stock markets still encountered intermediate shocks and failures. The collapse of the Silicon Valley Bank triggered a domino effect and a mini financial crisis, which was fatal for several smaller regional banks in the US as well as for the multinational Credit Suisse. The shaken confidence in banks briefly reignited fears of a repeat of the 2008 financial crisis. However, with a swift response from the FED and the Department of the Treasury, coupled with the fact that systemically important banks are now much better prepared for such shocks than prior to 2008, the crisis did not spill over to the broader financial system or economy. The stock market indices rebounded swiftly, although the banking stress exerted downward pressure on the performance of financial sector stocks, resulting in significant underperformance compared to the overall market at year's end.

In addition to AI, another positive development in 2023 was the moderation of inflation. Both in the US and Europe, inflation fell close to the 2% target by the end of the year, partly attributed to lower energy prices. Investors quickly adjusted their expectations regarding the monetary policy in response to the favourable inflation figures. Although central bankers remained steadfast in not cutting interest rates for a while longer, the Federal Reserve signalled at its December meeting that rate cuts would be very probable by the end of the next year.

Economic indicators in Europe were much less optimistic compared to those in the US. The euro economy teetered on the brink of recession throughout 2023. Despite the challenges, Europe managed to avert the black scenarios and stave off a severe energy crisis, which had threatened it just over a year ago. This, coupled with the prospect of monetary easing in 2023 and falling inflation, was reflected in the pickup of Europe's most closely watched equity indices and in the value of the euro, which closed the year at a rate of USD 1.10.

We cannot overlook Japanese equities, which rose like a phoenix from the ashes, reaching their highest levels since the bursting of the stock market and property bubbles in 1990. Japanese companies recorded good performance, with competitiveness and exports rising amid a weak yen. Following a prolonged period of price stagnation, inflation rose slightly and real wage growth was positive, which bolstered domestic consumption. Additionally, foreign investment in the Japanese stock market was boosted when the world's most renowned investor, Warren Buffet, increased his portfolio's exposure to some Japanese equities.

Emerging markets

The disappointment of the year was the emerging markets, particularly the largest of them, China, which closed the year deep in the red. The recovery of the real estate sector is not yet in sight, youth unemployment is high, and resurgence of consumption following the lifting of the long-lasting Covid restrictions was considerably weaker than in Europe and the US. The Chinese government's attempts to revive economic growth through various minor financial stimulus measures fell short of investors expectations and proved ineffective. Despite the negative news related to China in 2023, many analysts view valuations in Chinese stock markets as an attractive entry point for investors seeking above-average returns and willing to assume higher risk. The weak economic climate in China also affected its key partner countries. For instance, both the Thai and Hong Kong stock exchanges recorded a 14% decline. With oil prices significantly lower compared to 2022, countries whose economies rely heavily on the exports of 'black gold' saw their stock market indices close the year in negative territory. The main indices of the United Arab Emirates and Kuwait, for example, dropped by 7% and 9%, respectively.

In stark contrast to China, Indian stocks delighted investors with substantial returns. India's main stock market index, Nifty, continued its trend of positive returns for the eighth consecutive year, gaining 20%. With GDP growth of 7%, India was the fastest growing large economy in 2023, with a similarly optimistic outlook for this year. These figures reflect effective economic policies, appropriate regulatory and legislative regimes, and a favourable demographic landscape. In the face of difficulties recorded in other large developing countries, India has been turning increasingly attractive for foreign investments. The stock markets in Mexico and Brazil performed very well, too. Despite some positive stories, emerging market indices closed the year with negative returns, primarily due to the high weighting of Chinese equities.

Slovenia and South Eastern Europe

Investors in the Ljubljana Stock Exchange can be more than happy with impressive returns of 20%. The good business results have also translated into significant dividends, with yields including dividends reaching as high as 27%. The domestic SBITOP equity index started the year exceptionally, but the August floods left a strong mark, particularly impacting the shares of Slovenian insurance companies. Towards the end of the year, SBITOP saw a recovery, almost fully regaining its pre-flood levels. Among domestic listed companies, NLB bank was the biggest gainer, boasting a 45% return including dividends. Luka Koper and Telekom Slovenije shares performed strongly, too. Against the backdrop of the challenges faced by its most important trade partners, Slovenia's economic growth moderated during the year, but still remained above 1%. Inflation also moderated, declining from 10.3% in January to 4.2% by the year's end.

Among the regional indices, the leader by growth was the Romanian Stock Exchange – the largest in the SEE region – with a 57.7% yield. Particularly notable was the IPO of the Romanian state-owned energy company Hidroelectrica, ranking among the largest IPOs in Europe in 2023. The Croatian stock index CROBEX performed strongly, too, gaining 27% or 32% including dividends. Podravka shares emerged as the absolute winner, rising by more than 90%.

Highlights of our activities and achievements in 2023

The global capital markets unfolded surprisingly in 2023. Robust economic growth, accompanied by a swifter moderation of inflation and the resulting anticipation of rapid rate cuts catalysed a turnaround in the capital markets. Notably in the second half of the year, growth also extended into bond markets, with the required yields on government and corporate bonds falling sharply. In the realm of equity markets, 2023 witnessed growth concentrated within a handful of the largest companies, primarily in the technology sector. Geopolitics and war hotspots continued to be significant challenges for global investors in 2023. The post-Cold war world order has been transforming. With the US losing its influence as the sole global power, other less democratic or openly dictatorial regimes have been seeking to reshape the global order, even resorting to war. In this ever-changing environment, it is important that we maintain an active management strategy.

Professional asset manager

Generali Investments concluded 2023 with results testifying to our unwavering professionalism and commitment to excellence in actively managing our investors' assets. During the period from 31 December 2022 to 31 December 2023, four out of the 15 subfunds of the Generali Umbrella Fund (Generali Rastko Europe, Generali South Eastern Europe, Generali Technology, and Generali Latin America) outperformed their benchmarks, thanks to the active management strategy.

These achievements are further confirmed by the accolades we have received. In 2023, the *Moje finance* financial magazine, for the thirteenth consecutive year, bestowed the Best Fund and the Best Fund Manager awards for 2022. Generali Investments won five silhouettes. Among all the funds assessed, the following Generali Investments funds won the best assessment, earning five stars in their respective categories: Generali Bond, the best fund over 3-year and 10-year periods in the European Corporate and Aggregate

Bond category; Generali Corporate Bonds, the best fund over the 3-year period; Generali MM, the best fund over the 10-year period in the Money – EUR category; and Generali Rastko Europe, the best fund in the Equity – Europe category over a 10-year period. Additionally, Generali Bond was recognised as the best bond fund of the decade. Primož Cencelj, CFA, who is in charge of managing bond investments at Generali Investments, once again ranked among the top three asset managers.

The international agency Morningstar bestowed Generali First Selection with the highest overall asset management rating of five stars. Furthermore, on 30 June 2023, Morningstar assigned an overall rating of 4 stars to the following Generali Umbrella Fund subfunds: Generali Rastko Europe in the Europe Flexible category; Generali Bond in the EUR Diversified Bond category; Generali Technology in the Equity – Technology category; and Generali Latin America in the Latin America Equity category. A Morningstar rating of a maximum of 5 or 4 stars signifies ranking among the top 10% of the funds rated in each category (5 stars) or among the next 22.5% of the funds (4 stars).

Throughout 2023, Generali Investments continued optimising our business and adapting our processes and products to investors' requirements, the evolving business environment and cost efficiency. On 29 March 2023, the Company divested its share in the Croatian entity Generali Investments d.o.o. za upravljanje investicijskih skladov to INTERKAPITAL dinoičko društvo za savjetovanje, upravljanje i ulaganje. On 13 June 2023, the Company completed the sale of its stakes in the companies Generali Investments GP 1 d.o.o. and Generali Investments GP 2 d.o.o., and the sale of its equity shares in Generali Investments CP d.o.o. k.d., transferring, as of 13 June 2023, the management of Generali Growth Equity Fund, a private equity fund, to a new manager, ALFI PE d.o.o. On 10 November 2023, Generali Investments signed an agreement with NLB Skladi, upravljanje premoženja, d.o.o., for the sale of shares in Generali Investments AD Skopje.

Product development and promotion of sustainable development

At a time marked by growing threats to the environment, devastating impacts of climate change, and demands to meet higher social and governance standards, Generali Investments contributes to more sustainable development by promoting the sustainability performance of the issuers of the financial instruments invested in by its subfunds.

As of 1 February 2023, Generali Investments amended the investment process of 11 out of the 15 Generali Umbrella Fund subfunds (Generali Rastko Europe, Generali Bond, Generali New Markets, Generali Raw Materials and Energy, Generali Technology, Generali Vitality, Generali India – China, Generali Latin America, Generali Global, Generali America, and Generali Corporate Bonds) by integrating sustainability risk in their investment decision-making. Accordingly, these subfunds qualify as financial products referred to in Article 8 of the SFDR (Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, which lays down rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse impacts in their processes and the provision of sustainability-related information with respect to financial products), i.e. financial products promoting environmental and social characteristics.

Changes in the Management Board

In 2023, the composition of the Management Board of Generali Investments changed. On 17 January 2023, Melita Rajgelj Ozebek commenced a four-year term as the President of the Management Board of Generali Investments LLC. On 11 September 2023, Sašo Šmigić commenced a four-year term as a Member of the Management Board of Generali Investments LLC.

Changes in the ownership structure

On 2 October 2023, part of the assets of GENERALI zavarovalnica d.d. were split off and transferred to Generali Investments SI d.o.o. Consequently, GENERALI zavarovalnica d.d. ceased to hold a direct qualifying holding in Generali Investments LLC, while Generali Investments SI d.o.o. became the holder of a direct direct qualifying holding in Generali Investments LLC.

Other socially responsible projects

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 to contribute to a positive circle, helping improve economic effectiveness, competitiveness and, last but not least, prosperity. With our activities, we pursue our mission, which also includes a social responsibility dimension. With numerous donations, we actively support humanitarian actions and culture as well as sports and education. The Company has supported the Business Star of the Year project, owned by the Delo news media company, for a sixth 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 be successful in the future. They are trusted and appreciated. Through their conduct and activities, Business Stars bring positive changes to our societies.

Generali Investments is guided by environmental considerations in all its business decisions. As part of its socially responsible activities, we support the Protect Proteus project led by Postojnska jama company. The project aims to raise awareness about the uniqueness and significance of the proteus – often referred to as the 'human fish' – and about the importance of preserving a clean environment and drinking water.

Together with the GENERALI zavarovalnica d.d., Generali Investments has been fostering Slovenian and international visual art heritage, by supporting the Generali Gallery.

As part of its social responsibility endeavours, Generali Investments is well aware of the importance of financial literacy. At a time troubled by high volatility in capital markets, energy crisis, consequences of the Covid-19 pandemic and high inflation rates, the Company has proven how important it is for investors to not react to quick corrections in an emotional and insufficiently informed manner but rather to follow their initial strategy. Building on its long-standing expertise and know-how, the Company has been organising regular financial webinars with a view to helping our existing and prospective investors manage their savings and invest in capital markets.

Digitisation of business

Generali Investments continued developing and upgrading its digital solutions, contributing to business efficiency and improving the user and investor experience.

3. Business results

Generali Investments LLC is the third biggest management company in Slovenia, holding a 15% market share among Slovenian mutual fund managers at the end of 2023. Its net sales and operating expenses reached EUR 13.2 million and EUR 10.3 million, respectively. The Company closed the year with EUR 3.8 million in net profit for the financial period.

As at 31 December 2023, Generali Investments managed EUR 718.2 million worth of assets of 49.247 investors in the Generali Umbrella Fund. At the end of 2023, the volume of assets under the management of the Generali Umbrella Fund increased by EUR 98.3 million compared to the end of 2022. In 2023, a total of EUR 62.7 million and EUR 47.6 million was contributed to and redeemed from the Generali Umbrella Fund, respectively, representing EUR 15.1 million of net inflows into the Generali Umbrella Fund.

Under the item of Long-term financial investments, the Company shows one subsidiary. As at 31 December 2023 the volume of assets under the management of the company in North Macedonia was EUR 44 million.

4. Outlook for the future

We expect the growth trend observed in global capital markets during 2023 to persist in 2024, albeit at a slower pace. There is a concern that markets may be even outpacing economic and monetary realities, but the fact is that 2024 will see rate cuts and a decline in inflation towards the 2% target. While the swift inflation moderation has brought relief for both markets and consumers, we do not foresee further monetary policy easing in the coming years. Real interest rates are expected to remain positive, offering bond investors a more attractive investment landscape. In 2024, some 47% of the world population will go to the polls. The upcoming US presidential elections, European Parliament elections, and Indian elections may all trigger significant shifts, exerting considerable influence on international relations, geopolitics and, ultimately, the global economies. Heightened volatility may be expected well in advance of the elections. Geopolitics remain a substantial challenge for global investors. The post-Cold war world order has been transforming. With the US losing its influence as the sole global power, other less democratic or openly dictatorial regimes have been seeking to reshape the global order, even resorting to war. History teaches us that geopolitical tensions pose risks in the short term, but also create opportunities for buying, provided that investors secure global diversification. The year ahead will demand active investor engagement: swift decision-making and rapid adaptation.

In this environment, Generali Investments activities focus on achieving its long-term objectives, accelerating the roll-out of digital technology in its daily operations, and promoting sustainable development.

Our main goals for 2024 are to:

- attract new prospective investors;
- continue supporting all work processes promoting the development of sustainability-focused products;
- upgrade the investment strategy in the framework of the Generali Umbrella Fund and introduce new saving options through funds;
- proceed with the project of integrated Generali Group offer;
- further develop real-estate alternative investment funds;
- maintaining the financial advisory model based on personalised relations with investors and completely digital support to financial advisory;
- continue with the digitisation of all business processes; and
- continue with the development of synergy processes in the wider region of South-Eastern Europe and integration in the Generali Group.

5. Human resources

Generali Investments 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. A detailed staff structure is provided in disclosure 14.B, subheading Employees.

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 2023.

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, recitation risk, capital and liquidity risk, and compliance risk.

Capital risk relates to the inappropriate composition of capital with regard to the scope and method of operations, or to difficulties faced by the Company in obtaining fresh capital, especially with the need for a rapid capital increase or in unfavourable conditions. The procedures of capital risk management include rules on implementing measures of risk monitoring, mitigation, diversification and avoidance. Risk management methods depend on the results of risk measurement and assessment. In particular, they include cash flow monitoring in relation to investment decisions of the Management Board, verification of information sources (including the assurance of adequacy and volume of data), and checking the maintenance of capital adequacy by defining tolerance levels and controlling their compliance.

Profitability risk relates to the inappropriate composition or distribution of revenues or the Company's inability to ensure an adequate and constant level of profitability. Profitability denotes the Company’s internal capacity of ensuring an adequate level of internal capital. An important part of the Company’s risk analysis in terms of profitability risk management is the evaluation of the sensitivity of income and profitability to changes in operating conditions, with tests of extraordinary, but probable situations (sensitivity tests) representing an important tool in evaluating the aforementioned sensitivity. The Company performs those tests at least once a year.

Reputation risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the Company on the part of investors, customers and counterparties, the shareholder and/or legislators and regulators. Reputation risk is treated as a result of the Company’s overall operations, not just as an individual and independent risk. The risk is managed by the Company through an appropriate level of services and communication with investors, customers provided with services under investment mandates and auxiliary services, and the public, and by ensuring transparency of investment fund and Company operations. The Company monitors investor and customer satisfaction, ensuring they are provided with the best possible service, appropriate advice, information and advertising in a way that is not misleading. The Company ensures the best possible quality of service in accordance with the rules laid down in its internal regulations in the field of financial advice and marketing. At the same time, the Company ensures that front-office staff in contact with investors receive systematic on-the-job training (in-house seminars organised several times a year), including formal education (training for obtaining the licence for investment fund sales and other forms of training).

Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment This risk depends on consistency between the Company’s strategic goals and its business strategy, and the resources engaged to reach the goals set and the quality of performance. The risk is managed by the provision of sufficient resources to ensure the smooth implementation and reaching of the Company's strategic goals. The Company's resources are planned and activated in a timely manner so that the implementation of its business strategy proceeds smoothly. The Company manages strategic risk also by adapting to external influences, diversifying income sources, adjusting expenditure levels, looking for new business opportunities, actively participating in legislative amendments, and proposing to the Supervisory Board to adapt its business strategy to stresses.

The Company assumes **market risk** in its investments in bonds, shares, business shares, investment fund units or derivatives in the non-trading book (hereinafter: investment assets) denominated in a foreign currency. The Company assumes additional market risk indirectly via its investment in investment funds that are denominated in the domestic currency but invest in financial instruments denominated in foreign currencies (the insight approach). The only other risk managed in the same way as market risk is currency risk, which means the current of prospective risk of earnings due to fluctuations in foreign exchange rates. It is influenced by the level of the open position in a foreign currency, exchange rate volatility, and the liquidity of the currency's market. The procedures of market risk management include rules for implementing risk monitoring, mitigation, diversification and avoidance. Currency risk management includes, as the minimum: the setting up of a system for defining limits of exposure to specific types of investment assets and a system of setting limits of exposure to investment assets denominated in foreign currencies.

Credit risk generally arises where balance sheet (and potential off-balance sheet) items appear, consisting of investments in financial instruments, long-term equity investments, bank deposits, mature and unmature lending, interest and dividends, and other items attributable to specific debtors measured at amortised cost, at cost or at fair value (e.g. receivables, deferred expenses and accrued income). To mitigate credit risk, the Company seeks the most optimum investment diversification by establishing exposure limits to specific persons and/or groups of persons, types of financial instruments and issuers, types of debt instruments, etc.

Operational risk is a risk occurring on a daily basis in any business activity of the Company. Operational risk arises externally, due to errors in performing business activities, or internally, as a consequence of external factors such as natural disasters, crime, market instability etc. Operational risk is the risk of loss resulting from inadequate or failed internal process, inadequate conduct of people in the Company's internal sphere, inadequate HR management, inadequate or failed systems within the Company's internal business spheres, and from external events or actions. The risk also includes IT risk, which is the current or prospective risk to earnings arising from inadequate information technology and processing in terms of manageability, exclusivity, integrity, controllability and continuity. In this aspect, the risk of launching new products and/or systems is important for the Company, which means loss arising from inadequacy of new products and/or poor project planning, poor feasibility analysis, poor IT support, inadequate or failed technical and/or HR capacities, and delays in launching. The management of operational risk comprises the following procedures:

a) Reporting and assignment of responsibilities

Setting up reporting flows is a permanent task under the oversight of the Compliance function. Reporting flows are established on the basis of the legislation as applicable from time to time and the Company's internal regulations, in particular as regards conflicts of interest. Responsibility for the management of operational risk is inseparable from the business transactions conducted by the Company in a newly established organisational unit.

b) Internal controls

The Company uses precisely defined control procedures in conducting business processes. At the same time, the Company has in place detailed descriptions of procedures of overseeing the outsourcing of some of its business activities.

c) Business continuity plan and contingency plans

The business continuity plan is a set of procedures, activities and instructions that make it easier and faster for the Company to react to crisis situations. The business continuity plan must ensure that, in the event of serious business disruptions, ancillary capacities for the continuation of business activities are available as soon as possible

Liquidity risk is the risk of loss when the Company is unable to settle all due obligations or when the Company, because of an inability to provide sufficient funds to settle the obligation at maturity, is forced to obtain sources of liquidity at significantly higher costs than the normal levels. Liquidity is the ability of the Company to withstand reduced inflows of commissions, settle due liabilities and increase financial assets. The Company is liquid when it can, within a reasonable timeframe and at a reasonable cost, obtain the necessary resources. 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 (which, however, are poorly or hardly realisable due to contractual provisions or financial market situation), might need to liquidate its assets on unfavourable terms, which would lead to a lower price. Due to the above, the Company must strive towards an optimum liquidity-to-profitability ratio, which is at the same time the fundamental criterion of liquidity management and related liquidity risk management. The procedures of liquidity risk management include rules for implementing measures of risk monitoring, mitigation, diversification and avoidance, namely by producing an inventory of contractual parties and products the Company is exposed to in terms of cash inflows; by monitoring overdue receivables and liabilities; by preparing inflow and outflow forecasts for specific periods (for the purpose of timely identification of any increase in liquidity risk); by achieving appropriate liquidity of assets underlying the Company's internal capital; and by providing additional liquidity in the event of increased investment needs (considering the fact that higher liquidity has an impact on profitability of business).

To reduce **compliance risk**, the Company appointed a Compliance function, which is independent of all other functions. It focuses on ensuring regulatory compliance within the Company and seeks, by co-creating processes, to enable (ex ante), in a legally correct manner, numerous business events. The purpose of the Compliance function is to prevent and reduce the risk of loss/damage that might arise as a consequence of the Company's non-compliance. The permanent Compliance function uses the non-compliance Risk-Based Approach. It identifies risk on a regular and ad hoc bases, performs regular reviews of the Company's operations and works in conformity with the policies and procedures, the purpose of which is to perceive the risk of non-compliance with the obligations arising from the laws and other regulations, and other connected risk.

Details on risk management are also given in the Disclosures according to requirements under Part 8 of Regulation EU 575/2013, as 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 2023, which is available at the Company's website at www.generali-investments.si.

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

The Company is bound to respect the provisions of the Companies Act (ZGD-1) and the Investment Funds and Management Companies Act (Official Gazette of the RS, no. 31/15, 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 on risk management in connection with the financial reporting procedures are described in the preceding chapter, and risk management in connection with the financial reporting procedures is described in section 22 of the Financial Report.

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

The sole Shareholder and owner of the 100% share in the Company is Generali Investments SI, holdinška družba, d.o.o., Dunajska cesta 63, 1000 Ljubljana. The sole Shareholder's business share neither provides for special controlling rights nor is it subject to any 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

As at 31 December 2023 the sole shareholder and owner of the 100% business share in the Company is Generali Investments SI, holdinška družba, d.o.o., Dunajska cesta 63, 1000 Ljubljana. The business share held by the sole shareholder does not provide for specific controlling rights or specific restrictions on voting rights.

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 2023, the Management Board had the following composition:

- Melita Rajgelj Ozebek, President of the Management Board,[1]
- Luka Flere, Member[2]
- Sašo Šmigić, Member[3]

The Supervisory Board

In line with its powers, the Supervisory Board actively monitored and supervised the operations of Generali Investments LLC. It held eight sessions in 2023, 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 2023 the Supervisory Board had the following composition:

- Josef Beneš – President;
- Gregor Pilgram – Deputy President;[4]
- Aljoša Tomaž – Member;
- Katarina Guzej – Member.

No Supervisory Board committees were established in 2023.

[1] On 17 January 2023, Melita Rajgelj Ozebek took a four-year term of office as President of the Management Board.

[2] On 11 September 2023, Luka Flere resigned as Member of Management Board

[3] On 11 September 2023, Sašo Šmigić took a four year term of office as Member of the Management Board

[4] Until 13 February 2023, Aljoša Tomaž was the Deputy President of the Supervisory Board.

9. Important business events after the close of the 2023 financial year

On 10 November 2023, the Company signed an agreement with NLB Skladi, upravljanje premoženja, d.o.o., for the sale of shares in Generali Investments AD Skopje. The transfer of ownership will be effected upon the fulfilment of all regulatory requirements and other conditions precedent, as set out in the agreement.

On 29 February 2024, Generali Investments SI d.o.o. merged with Generali Investments LLC. Consequently, Generali CEE Holding B.V., the Netherlands, became the holder of the 100% share in Generali Investments d.o.o. and thus the direct holder of a qualifying holding in Generali Investments LLC, whilst Generali Investments SI d.o.o. ceased to be the holder of a direct qualifying holding in Generali Investments LLC.

Ljubljana, 21 March 2024

Generali Investments LLC

GENERALI INVESTMENTS

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

1

Supervisory Board

Josef Beneš

President of the Supervisory Board

Gregor Pilgram

Deputy President of the Supervisory Board

Aljoša Tomaž

Member

Katarina Guzej

Member

Management Board

Melita Rajgelj Ozebek

President of the Management Board

Sašo Šmigić

Member of the Management Board

FINANCIAL REPORT

BALANCE SHEET

(EUR)	Note	31 Dec. 2023	31 Dec. 2022
ASSETS		**15,581,824**	**16,292,101**
Non-current assets		**4,959,694**	**6,516,677**
Intangible assets, deferred expenses and accrued income	1	2,370,987	2,536,868
Property, plant and equipment	2	447,386	459,209
Long-term financial investments	3	2,083,898	3,172,690
Deferred tax assets	19	57,423	347,910
Current assets		**10,355,889**	**9,509,692**
Short-term financial investments	4	9,492,760	8,457,987
Short-term operating receivables	5	443,984	367,932
Cash and cash equivalents	6	419,145	683,773
Short-term deferred expenses and accrued income	**7**	**266,241**	**265,732**
LIABILITIES AND EQUITY		**15,581,824**	**16,292,101**
Equity	**8**	**13,038,283**	**13,815,334**
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		714,403	543,645
Retained net profit or loss		1,774,967	3,374,967
Net profit or loss for the year		3,756,409	3,104,218
Provisions and long-term accrued expenses and deferred income	**9**	**580,276**	**183,072**
Non-current liabilities		**276,274**	**291,774**
Long-term financial liabilities	10	70,176	159,588
Long-term operating liabilities	11	4,600	4,600
Deferred tax liabilities	19	201,498	127,586
Current liabilities		**681,836**	**1,060,701**
Short-term financial liabilities	10	228,882	195,752
Short-term operating liabilities	11	452,954	864,949
Short-term accrued expenses and deferred income	**12**	**1,005,155**	**941,220**

The accounting policies and notes to the financial statements are a constituent part of the financial statements.

INCOME STATEMENT

(EUR)	Note	2023	2022
Net sales	14A	13,168,163	14,004,872
Other operating income	14A	37,738	62,958
		13,205,901	**14,067,830**
Costs of goods, materials and services	14B	(5,399,031)	(5,464,900)
Labour costs	14B	(3,878,685)	(3.945,901)
Write offs			
Amortisation/Depreciation	14B	(619,577)	(527,156)
Revaluation operating expenses	14B	(2,294)	(1,902)
Other operating expenses	14B	(404,346)	(124,176)
		(10,303,933)	**(10,064,035)**
Financial income from participating interests	15	1,725,289	446,053
Financial income from operating receivables	15	2,063	1,940
		1,727,352	**447,993**
Financial expenses for impairments and write-offs of investments	16	(44,106)	(684,667)
Financial expenses for financial liabilities	16	(12,461)	(14,506)
Financial expenses for operating liabilities	16	(3,266)	(160,595)
		(59,833)	**(859,768)**
Other income	17	5,130	3,343
Other expenses	17	(19,382)	(3,947)
		(14,252)	**(604)**
Profit or loss before tax		**4,555,235**	**3,591,416**
Income tax	20	(508,345)	(810,851)
Deferred tax	19	(290,482)	323,653
Net profit or loss for the period		**3,756,409**	**3,104,218**

STATEMENT OF COMPREHENSIVE INCOME

(EUR)	Note	2023	2022
Net profit or loss for the period		**3,756,409**	**3,104,218**
Change in fair value reserve		**170,758**	**5,408**
a Gross	8	244,670	6,742
b Tax	19	(73,912)	(1,334)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3,927,167**	**3,109,626**

The accounting policies and notes to the financial statements are a constituent part of the financial statements.

STATEMENT OF CASH FLOWS

(EUR)	2023	2022
A. *Cash flows from operating activities*		
a) Items of income statement	**2,706,231**	**4,016,023**
Operating income (except for revaluation) and financial income from operating receivables	13,205,917	14,183,090
Operating expenses excluding depreciation/amortisation (except for revaluation) and financial expenses from operating liabilities	(9,700,859)	(9,679,869)
Income tax and other taxes not included in operating expenses	(798,827)	(487,198)
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	**189,886**	**(713,667)**
Change in operating receivables	(75,823)	(92,309)
Change in deferred expenses and accrued income	(510)	170,254
Change in deferred tax assets	290,487	(323,653)
Change in operating liabilities	(413,198)	(235,468)
Change in accrued expenses and deferred income and provisions	388,929	(232,491)
c) Net cash from/used in operating activities (a+b)	**2,896,117**	**3,302,356**
B. *Cash flows from investing activities*		
a) Receipts from investing activities	**12,807,222**	**4,802,811**
Interest and dividends received from investing activities	192,134	334,137
Proceeds from disposal of property, plant and equipment	10,878	16,339
Proceeds from disposal of financial investments	12,604,210	4,452,335
b) Payments from investing activities	**(11,031,954)**	**(4,400,423)**
Payments to acquire intangible assets	(25,745)	(108,262)
Payments to acquire property, plant and equipment	(188,286)	(96,512)
Payments to acquire financial investments	(10,817,923)	(4,195,649)
c) Net cash from/use in investing activities (a+b)	**1,775,268**	**402,388**
C. *Receipts from financing activities*		
b) Payments from financing activities	**(4,936,014)**	**(3,418,440)**
Interest expenditure relating to financing	(12,330)	(14,508)
Repayments of financial liabilities	(219,466)	(221,428)
Dividends and other profit shares	(4,704,218)	(3,182,504)
c) Net cash from/used in financing activities (a+b)	**(4,936,014)**	**(3,418,440)**
D. Closing balance of cash	**419,145**	**683,773**
Net increase/decrease in cash for the year (A.c. + B.c. + C.c.)	**(264,630)**	**286,304**
Opening balance of cash	683,773	397,469

The accounting policies and notes to the financial statements are a constituent part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(EUR)	Called-up capital – share capital	Capital reserves – general revaluation adjustment	Capital reserves – share premium	Profit reserves – statutory reserves	Profit reserves – other reserves	Fair value reserve	Retained earnings	Net profit for the year	Total
As at 31 December 2022	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**543,645**	**3,374,967**	**3,104,218**	**13,815,334**
Restatements (corrections)	-	-	-	-	-	-	-	-	**-**
Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	**-**
As at 1 January 2023	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**543,645**	**3,374,967**	**3,104,218**	**13,815,334**
Changes in equity – transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(4,704,218)**	**-**	**(4,704,218)**
Payment of dividends	-	-	-	-	-	-	(4,704,218)	-	**(4,704,218)**
Total comprehensive income in the reporting period	**-**	**-**	**-**	**-**	**-**	**170,758**	**-**	**3,756,409**	**3,927,167**
Net profit in the reporting period	-	-	-	-	-	-	-	3,756,409	**3,756,409**
Change in reserves due to									
fair value revaluation of investments	-	-	-	-	-	170,758	-	-	**170,758**
Changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**3,104,218**	**(3,104,218)**	**-**
Allocation of the remaining part of net profit									
for the comparative reporting period to other equity	-	-	-	-	-	-	3,104,218	(3,104,218)	**-**
As at 31 December 2023	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**714,403**	**1,774,967**	**3,756,408**	**13,038,283**

The accounting policies and notes to the financial statements are a constituent part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(EUR)	Called-up capital – share capital	Capital reserves – general revaluation adjustment	Capital reserves – share premium	Profit reserves – statutory reserves	Profit reserves – other reserves	Fair value reserve	Retained earnings	Net profit for the year	Total
As at 31 December 2021	**1.767.668**	**542.062**	**3.626.007**	**176.767**	**680.000**	**538.237**	**3.374.967**	**3.182.504**	**13.888.212**
Restatements (corrections)	-	-	-	-	-	-	-	-	**-**
Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	**-**
As at 1 January 2022	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**538,237**	**3,374,967**	**3,182,504**	**13,888,212**
Changes in equity – transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(3,182,504)**	**-**	**(3,182,504)**
Payment of dividends	-	-	-	-	-	-	(3,182,504)	-	**(3,182,504)**
Total comprehensive income in the reporting period	**-**	**-**	**-**	**-**	**-**	**5,408**	**-**	**3,104,218**	**3,109,626**
Net profit in the reporting period	-	-	-	-	-	-	-	3,104,218	3,104,218
Change in reserves due to									
fair value revaluation of investments	-	-	-	-	-	5,408	-	-	**5,408**
Changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**3,182,504**	**(3,182,504)**	**-**
Allocation of the remaining part of net profit									
for the comparative reporting period to other equity	-	-	-	-	-	-	3,182,504	(3,182,504)	**-**
As at 31 December 2022	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**543,645**	**3,374,967**	**3,104,218**	**13,815,334**

The accounting policies and notes to the financial statements are a constituent part of the financial statements.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board of Generali Investments, Management Company LLC confirms the financial statements as at 31 December 2023, 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 2023.

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 Slovene Accounting Standards and applicable legislation.

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, 21 March 2024

Generali Investments LLC

Melita Rajgelj Ozebek

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

SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of the financial statements

The financial statements of Generali Investments LLC have been prepared in compliance with the accounting and reporting requirements of the Slovene Accounting Standards (SAS).

In addition to the Slovene Accounting Standards, the basis for the preparation of the financial statements includes the Investment Funds and Management Companies Act, the Companies Act, and the Decision on the Management Company's Annual Accounts and Analytical Chart of Accounts issued by the Securities Market Agency.

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 2023.

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.

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 Investments SI d.o.o. and is consolidated within the Generali Group. The consolidated annual report of the Generali Group is available at the headquarters of the company Generali CEE Holding B.V.

(EUR)	Interest, in %	Equity at year-end	Profit or loss for the year	Method of acquisition in case of interest increase
2023				
Subsidiaries				
Generali Investments AD, Macedonia	98.34%	1,059,468	26,831	
2022				
Subsidiaries				
Generali Investments d.o.o., Croatia	100.00%	635,460	(52,207)	
Generali Investments AD, Macedonia	98.34%	1,327,116	183,701	
Generali Investments GP1 d.o.o., Slovenia	100.00%	6,861	(266)	
Generali Investments GP2 d.o.o., Slovenia	100.00%	6,852	(266)	
Generali Investments CP d.o.o. k.d., Slovenia	54.79%	300,156	(637)	

Long-term financial investments in subsidiaries include investment in the company Generali Investments A.D. Skopje, Macedonia.

On 10 November 2023, the Company signed an agreement with NLB Skladi, upravljanje premoženja, d.o.o., for the sale of shares in Generali Investments A.D. Skopje. The transfer of ownership will be effected upon the fulfilment of all regulatory requirements and other conditions precedent, as set out in the agreement.

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. The depreciation/amortisation rates are shown below in the note Depreciation/amortisation.

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 2023 and 2022:

	Minimum rate	Maximum rate
(In)tangible asset	**%**	**%**
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 assets valued at fair value through profit or loss

Financial investments presented at fair value include investments valued at fair value through profit and loss and available-for-sale financial assets.

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.

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.

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. 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.

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 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.

Financial investments in subsidiaries and associates and in equity instruments

Investments in subsidiaries and associates and in equity instruments without quoted market prices in an active market whose fair value cannot be measured reliably are valued at cost. Investments in group companies and associates are valued at cost. If an asset is impaired, such impairment is recognized in the income statement. If an asset is sold, the difference between the sales value ant the carrying value is recognized in the income statement.

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.

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 of 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 both years 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 statement 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
Cost				
31 Dec. 2022	**3,855,140**	**4,977**	**-**	**3,860,117**
Adjustments after opening balance				
1 Jan. 2023	**3,855,140**	**4,977**	**-**	**3,860,117**
Direct increases – investments	20,767	80,709	-	101,476
Transfer from investments in progress	4,978	(4,978)	-	-
Decreases during the year	-	-	-	-
31 Dec. 2023	**3,880,885**	**80,709**	**-**	**3,961,593**
Accumulated amortisation				
31 Dec. 2022	**1,323,250**	**-**	**-**	**1,323,250**
1 Jan. 2023	**1,323,250**	**-**	**-**	**1,323,250**
Amortisation for the year	267,357	-	-	267,357
Decreases during the year	-	-	-	-
31 Dec. 2023	**1,590,607**	**-**	**-**	**1,590,607**
Present value				
31 Dec. 2023	**2,290,278**	**80,709**	**-**	**2,370,987**
31 Dec. 2022	**2,531,890**	**4,977**	**-**	**2,536,867**

Intangible assets comprise intangible assets with a finite useful life, i.e. computer software, and a list of investors associated with the takeover of management of the Ilirika Umbrella Fund. On 31 December 2023, indicators of impairment had been assessed, which led to the conclusion that impairment was not necessary.

(EUR)	Long-term property rights	Intangible assets in the process of construction or development	Other long-term deferred expenses and accrued income	Total
Cost				
31 Dec. 2021	**3,684,409**	**62,468**	**6,457**	**3,753,334**
Adjustments after opening balance	-	-	-	-
1 Jan. 2022	**3,684,409**	**62,468**	**6,457**	**3,753,334**
Direct increases – investments	97,934	15,307	-	113,241
Transfer from investments in progress	72,797	(72,797)		
Decreases during the year	-	-	(6,457)	(6,457)
31 Dec. 2022	**3,855,140**	**4,978**	**-**	**3,860,118**
Accumulated amortisation				
31 Dec. 2021	**1,077,664**	**-**	**-**	**1,077,664**
1 Jan. 2022	**1,077,664**	**-**	**-**	**1,077,664**
Amortisation for the year	245,586	-	-	245,586
Decreases during the year	-	-	-	-
31 Dec. 2022	**1,323,250**	**-**	**-**	**1,323,250**
Present value				
31 Dec. 2022	**2,531,890**	**4,978**	**-**	**2,536,868**
31 Dec. 2021	**2,606,745**	**62,468**	**6,457**	**2,675,670**

The following valuation assumptions relating to intangible assets were used by the internal financial expert in 2022:

- 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% normalised return on risk-free assets, 6.0% premium for capital risk, 4.8% premium for investments in small enterprises, 1.068% political risk factor, unlevered beta 0.73,
- required return on equity 13.9%,
- 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 0.0%,
- cash flow estimated for the 2023–2027 period.

2. Property, plant and equipment

(EUR)	Right-of-use-assets	Other equipment	Total
Cost			
31 Dec. 2022	**1,098,707**	**709,280**	**1,807,987**
1 Jan. 2023	**1,098,707**	**709,280**	**1,807,987**
Direct increases–new leases/investments	51,772	188,286	240,058
Lease modifications	112,654	-	112,654
Decreases during the year	(86,608)	(37,686)	(124,294)
31 Dec. 2023	**1,176,525**	**859,880**	**2,036,405**
Accumulated depreciation			
31 Dec. 2022	**746,658**	**602,120**	**1,348,778**
1 Jan. 2023	**746,658**	**602,120**	**1,348,778**
Depreciation for the year	231,312	120,174	351,486
Decreases during the year	(77,788)	(33,457)	(111,245)
31 Dec. 2023	**900,182**	**688,837**	**1,589,019**
Present value			
31 Dec. 2023	**276,343**	**171,043**	**447,386**
31 Dec. 2022	**352,049**	**107,160**	**459,209**

(EUR)	Right-of-use-assets	Other equipment	Total
Cost			
31 Dec. 2021	**1,103,800**	**650,919**	**1,754,719**
1 Jan. 2022	**1,103,800**	**650,919**	**1,754,719**
Direct increases–new leases/investments	-	96,512	96,512
Lease modifications	(5,093)	-	(5,093)
Decreases during the year	-	(38,151)	(38,151)
31 Dec. 2022	**1,098,707**	**709,280**	**1,807,987**
Accumulated depreciation			
31 Dec. 2021	**545,418**	**565,870**	**1,111,288**
1 Jan. 2022	**545,418**	**565,870**	**1,111,288**
Depreciation for the year	208,625	72,944	281,569
Decreases during the year	(7,385)	(36,694)	(44,079)
31 Dec. 2022	**746,658**	**602,120**	**1,348,778**
Present value			
31 Dec. 2022	**352,049**	**107,160**	**459,209**
31 Dec. 2021	**558,382**	**85,049**	**643,431**

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.

As of 31 December 2023, the Company recognised right-of-use assets relating to real-estate lease in the amount of EUR 206,311 (2022: EUR 292,976) and relating to car lease in the amount of EUR 70,032 (2022: EUR 59,073). In 2023, the Company recorded EUR 12,330 (2022: EUR 14,507) of interest expenses on lease and EUR 219,466 (2022: EUR 217,667) of total lease cash flows (Note 10). Expenses related to short-term leases and leases of low value amounted to EUR 43.558 (2022: EUR 40,191) and are disclosed under operating expenses (Note 14b). Leased assets are not subleased.

3. Long-term financial investments

(EUR)	31 Dec. 2023	31 Dec. 2022
Long-term financial investments, excluding loans		
Shares and interests in Group companies	2,083,898	3,172,690
Total	**2,083,898**	**3,172,690**

(EUR)	2023	2022
As at 1 January	**3,172,690**	**3,799,248**
Acquisitions	55,111	36,942
Disposals	(1,143,903)	-
Impairments	-	(663,500)
As at 31 December	**2,083,898**	**3,172,690**

Long-term financial investments in subsidiaries include investments in the company Generali Investments A.D. Skopje, Macedonia.

On the basis of a sales agreement, the Company, in 2023, transferred ownership of its stakes in the companies Generali Investments Hrvaška d.o.o., Generali Investments GP 1 d.o.o., Generali Investments GP 2 d.o.o., and transferred its equity shares in Generali Investments CP d.o.o. k.d.

On 10 November 2023, the Company signed an agreement with NLB Skladi, upravljanje premoženja, d.o.o., for the sale of shares in Generali Investments AD Skopje. The transfer of ownership will be effected upon the fulfilment of all regulatory requirements and other conditions precedent, as set out in the agreement.

As at 31 December 2023, no securities were pledged. In 2023 the company does not have any off-balance items. The capital commitment of EUR 235,208 with respect to Generali CP LLC LP and the related private equity fund is shown under off-balance items for year 2022.

4. Short-term financial investments

(EUR)	31 Dec. 2023	31 Dec. 2022
Short-term financial investments, excluding loans		
Mutual fund units	1,524,484	1,497,442
Other short-term financial investments	7,968,276	6,960,545
Total	**9,492,760**	**8,457,987**

Mutual fund units comprise investments in fifteen subfunds of the Generali Umbrella Fund and two subfunds of the Generali Investments A.D. Skopje Umbrella Fund. Other short-term financial investments represent investments in government bond instruments.

Changes in financial investments

(EUR)	Financial investments available for sale	Total
2023		
As at 1 January	**8,457,987**	**8,457,987**
Acquisitions	10,761,360	10,761,360
Disposals	(9,918,574)	(9,918,574)
Fair value change through equity	244,670	244,670
Accrued interest	5,260	5,260
Interest paid	(57,945)	(57,945)
As at 31 December	**9,492,760**	**9,492,760**

(EUR)	Financial investments available for sale	Total
2022		
As at 1 January	**8,782,257**	**8,782,257**
Acquisitions	4,184,274	4,184,274
Disposals	(4,310,592)	(4,310,592)
Fair value change through equity	6,742	6,742
Accrued interest	(88,581)	(88,581)
Interest paid	(116,113)	(116,113)
As at 31 December	**8,457,987**	**8,457,987**

5. Short-term operating receivables

(EUR)	31 Dec. 2023	31 Dec. 2022
Short-term receivables		
Short-term receivables from subsidiaries	82,846	234,944
Short-term receivables from retail clients	102,072	92,630
Short-term receivables from third parties	259,066	40,358
Total	**443,984**	**367,932**

No overdue receivables are recorded. Receivables are unsecured.

Short-term operating receivables comprise EUR 20,904 (2022: EUR 24,282) of receivables arising from the set-off of the input value added tax.

6. Cash and cash equivalents

(EUR)	31 Dec. 2023	31 Dec. 2022
Cash in hand and in bank accounts	419,145	383,773
Callable deposits	-	300,000
Total	**419,145**	**683,773**

7. Short-term deferred expenses and accrued income

(EUR)	31 Dec. 2023	31 Dec. 2022
Short-term deferred expenses	146,485	156,307
Short-term accrued income	119,756	109,425
Total	**266,241**	**265,732**

Deferred expenses and accrued income comprise in particular short-term deferred expenses relating to software license fees, 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

(EUR)	2023	2022
As at 1 January	**265,732**	**429,528**
Formation	1,265,575	1,090,446
Use	(1,265,066)	(1,254,242)
As at 31 December	**266,241**	**265,732**

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 2023, the Company generated EUR 3,756,409 of net profit for the period. Equity as at 31 December 2023 amounted to EUR 13,038,283.

According to the resolution of 5 April 2023 on the appropriation of distributable profit, the distributable profit for 2022 in the amount of EUR 6,479,185,48 is used as follows:

- EUR 4,704,218.29 dividend payment,

- EUR 1,774,967.19 decision-making on its appropriation was carried over to the following year.

The Company's ownership structure as at 31 December 2023:

- Generali Investments SI d.o.o. 100,00 %

Utilisation of net profit for the period

Accumulated profit for 2023 is EUR 5,531,376.05 consisting of net profit for 2023 in the amount of EUR 3,756,408.86 and retain earnings of EUR 1,774,967.19.

The following appropriation is proposed:

- EUR 5,531,376.05 of accumulated profit shall remain unappropriated, and decision on its appropriation shall be carried over to the following year.

Changes in fair value reserve

(EUR)	Financial investments available for sale	Total
2023		
As at 1 January	**543,645**	**543,645**
Revaluation – gross	244,670	244,670
Revaluation – tax	(73,912)	(73,912)
As at 31 December	**714,403**	**714,403**
2022		
As at 1 January	**538,237**	**538,237**
Revaluation – gross	6,742	6,742
Revaluation – tax	(1,334)	(1,334)
As at 31 December	**543,645**	**543,645**

The general rate of corporate income tax in 2023 stands at 19%. Pursuant to Article 64 of the Reconstruction, Development and Funding Act (ZORZFS), the corporate income tax shall be accounted at the rate of 22% of the tax base in the 2024–2028 period. Accordingly, deferred tax liabilities have been adjusted to the new tax rate, amounting to EUR 27,477.

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
2023				
As at 1 January	**83,072**	**100,000**	**-**	**183,072**
Formation	6,573	395,530	-	402,103
Use	(1,378)	-	-	(1,378)
Decrease	(3,521)	-	-	(3,521)
As at 31 December	**84,746**	**495,530**	**-**	**580,276**
2022				
As at 1 January	**78,179**	**5,140**	**13,727**	**97,046**
Formation	15,476	101,122	(13,727)	102,871
Use	(10,583)	-	-	(10,583)
Decrease	-	(6,262)	-	(6,262)
As at 31 December	**83,072**	**100,000**	**-**	**183,072**

10. Financial liabilities

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

(EUR)	Leases
31 Dec. 2022	**355,339**
Increases – new leases or modified terms	159,266
Decreases – new leases or modified terms	(8,412)
Lease payments	(219,466)
Interest	12,217
31 Dec. 2023	**299,058**
Current part	228,882
Non-current part	70,176

Other financial liabilities include lease liabilities. As at 31 December 2023, the Company recorded EUR 229,709 (2022: EUR 297,328) of liabilities from real-estate lease with the related company. Liabilities from real-estate lease stood at EUR 229,709 (2022: EUR 297,328), and liabilities from car lease stood at EUR 69,349 (2022: EUR 58,012).

11. Operating liabilities

(EUR)	31 Dec. 2023	31 Dec. 2022
Long-term operating liabilities		
Long-term operating liabilities from advances	4,600	4,600
Total	**4,600**	**4,600**
Short-term operating liabilities		
Short-term operating liabilities to Group companies	34,602	6,657
Short-term operating liabilities to suppliers	120,267	281,567
Short-term operating liabilities from taxes and contributions	22,570	119,563
Short-term operating liabilities to employees	264,120	284,057
Other short-term operating liabilities	11,395	173,105
Total	**452,954**	**864,948**

The Company has no overdue liabilities.

12. Short-term accrued expenses and deferred income

(EUR)	31 Dec. 2023	31 Dec. 2022
Short-term accrued expenses	860,784	770,985
Accrued unused leave expenses	144,371	170,235
Total	**1,005,155**	**941,220**

Changes in short-term accrued expenses and deferred income

(EUR)	2023	2022
As at 1 January	**941,219**	**1,254,758**
Formation	3,496,826	3,099,224
Use	(3,432,891)	(3,412,762)
As at 31 December	**1,005,155**	**941,220**

Short-term accrued expenses relate to auditing, unused annual leave, agents, variable remuneration components and other expenses for 2023.

13. Balance sheet items by geographical segments

(EUR)	Slovenia	EU	non-EU	Total
31 Dec. 2023				
Assets	**4,789,169**	**8,009,286**	**2,783,369**	**15,581,824**
Intangible assets	2,370,987	-	-	**2,370,987**
Property, plant and equipment	447,386	-	-	**447,386**
Long-term financial investments	-	-	2,083,898	**2,083,898**
Deferred tax assets	57,423	-	-	**57,423**
Short-term financial investments	901,978	7,968,277	622,506	**9,492,760**
Short-term operating receivables	425,068	18,916	-	**443,984**
Cash and cash equivalents	419,145	-	-	**419,145**
Deferred expenses and accrued income	167,182	22,094	76,965	**266,241**
Liabilities	**2,493,978**	**37,646**	**11,917**	**2,543,541**
Provisions and long-term accrued expenses and	580,276	-	-	**580,276**
Long-term financial liabilities	70,176	-	-	**70,176**
Long-term operating liabilities	4,600	-	-	**4,600**
Deferred tax liabilities	201,498	-	-	**201,498**
Short-term financial liabilities	228,882	-	-	**228,882**
Short-term operating liabilities	425,912	27,042		**452,954**
Deferred expenses and accrued income	982,634	10,604	11,917	**1,005,155**

(EUR)	Slovenia	EU	non-EU	Total
31 Dec. 2022				
Assets	**5,646,620**	**8,005,738**	**2,639,743**	**16,292,101**
Intangible assets	2,536,867	-	-	**2,536,867**
Property, plant and equipment	459,209	-	-	**459,209**
Long-term financial investments	179,792	909,000	2,083,898	**3,172,690**
Deferred tax assets	347,910	-	-	**347,910**
Short-term financial investments	826,331	7,075,811	555,845	**8,457,987**
Short-term operating receivables	347,005	20,927	-	**367,932**
Cash and cash equivalents	683,774	-	-	**683,774**
Deferred expenses and accrued income	265,732	-	-	**265,732**
Liabilities	**2,337,360**	**119,031**	**20,376**	**2,476,767**
Provisions and long-term accrued expenses and	183,072	-	-	**183,072**
Long-term financial liabilities	159,589	-	-	**159,589**
Long-term operating liabilities	4,600	-	-	**4,600**
Deferred tax liabilities	127,586	-	-	**127,586**
Short-term financial liabilities	195,752	-	-	**195,752**
Short-term operating liabilities	756,240	94,536	14,173	**864,948**
Deferred expenses and accrued income	910,522	24,495	6,202	**941,220**

14. Analysis of sales and costs

A. Operating income

(EUR)	2023	2022
Income from the sale of goods and services		
Income from the sale of services in Slovenia	**12,919,190**	**13,752,440**
Group companies	721,362	733,881
Others	12,197,828	13,018,559
Income from the sale of services in the EU	**248,973**	**252,432**
Group companies	248,961	252,396
Others	12	36
Total	**13,168,163**	**14,004,872**
Other operating income		
Gains from disposals	1,364	**-**
Other operating income from revaluation	36,374	62,958
Total	**37,738**	**62,958**

(EUR)	2023	2022
Income from management fees	12,976,419	13,777,857
Income from entry charges	87,451	126,400
Income from exit charges	7,015	7,184
Other income	97,278	93,431
Total	**13,168,163**	**14,004,872**

Income from management fees comprises management fees from investment and alternative funds under management and management fees from discretionary mandates. Income from investment funds is presented in the Appendix to the financial statements.

B. Analysis of costs

Analysis of costs, by primary types

(EUR)	2023	2022
Costs of goods and materials		
Costs of raw materials	40,156	37,085
Costs of energy	19,358	27,927
Total	**59,514**	**65,012**
Costs of services		
Costs of transport and postal services	409,453	434,297
Rental and maintenance costs	453,506	596,484
Reimbursement of labour-related costs to employees	80,151	52,629
Payment transactions and banking services	34,395	32,448
Insurance costs	9,728	9,578
Costs of trade shows, advertising, entertainment	616,314	593,672
Costs of services of agents acquiring investors	1,732,664	1,742,390
Costs of intellectual and personal services	1,235,644	1,209,931
Costs of other services	742,196	674,870
Cost of services provided by natural persons under employment contracts	25,468	53,589
Total	**5,339,519**	**5,399,888**
Labour costs		
Wages and salaries	2,965,505	3,037,093
Pension insurance costs	311,264	322,112
Other social insurance costs	222,067	228,470
Other labour costs	264,738	232,325
Provisions for employee benefits, unused annual leave	115,112	125,901
Total	**3,878,685**	**3,945,901**

Amortisation/Depreciation	**619,577**	**527,156**
Revaluation operating expenses		
Expenses from the disposal of fixed assets	2,294	1,902
Total	**2,294**	**1,902**
Other operating expenses		
Payments for humanitarian and cultural purposes	8,650	11,060
Other operating expenses	395,696	113,116
Total	**404,346**	**124,176**
Total	**10,303,933**	**10,064,035**

Analysis of costs, by functional groups

(EUR)	2023	2022
Cost analysis by function		
Selling costs	4,507,254	4,355,199
General costs	5,796,679	5,708,836
Total	**10,303,933**	**10,064,035**
Auditing costs (including tax)		
Annual report auditing*	16,358	17,334
Other assurance services*	15,616	15,616
Total	**31,974**	**32,950**

*Auditor costs **Cost of other companies.

Remuneration of Management Board and Supervisory Board members

(EUR)	2023	2022
Executive directors	343,895	355,741
Supervisory Board	9,000	6,750
Employees under management contracts	215,236	199,708
Total	**568,131**	**562,199**

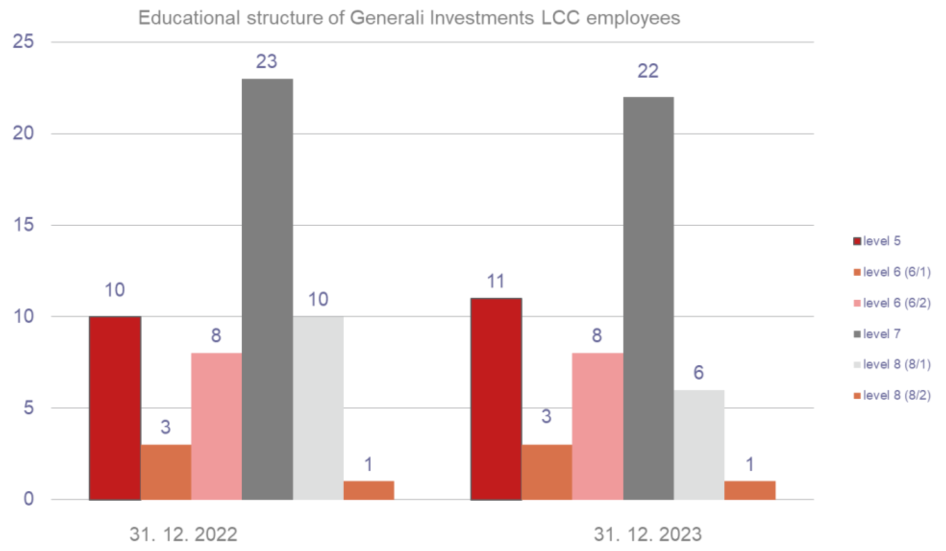
The Company has no receivables due from the management, members of the Supervisory Board and its owners. It also has no long-term liabilities. As at 31 December 2023, the Company records operating liabilities to both members of the Management Board in the amount of EUR 23,218.

Potential liabilities – legal actions

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

Employees

The Company employed 51 people as at 31 December 2023, with one absent due to parental leave. The average number of employees in 2023 and 2022 was 53 and 54.92, respectively. The average number of employees based on working hours in 2023 was 48,54. At the end of 2023, women and men represented 62.74% and 37.62% of the staff, respectively.



15. Financial income

(EUR)	2023	2022
Financial income from participating interests		
Financial income from participating interests in Group companies		
Dividends	144,832	190,335
Realised gains	1,446,828	-
	1,591,660	**190,335**
Financial income from interests in other entities		
Financial income from interests in other entities		
Realised gains	86,327	151,537
Interest	47,302	104,181
Total	**133,629**	**255,718**
Total	**1,725,289**	**446,053**
Financial income from operating receivables		
Financial income from operating receivables from others	2,063	1,940
Total	**2,063**	**1,940**
Total financial revenue	**1,727,352**	**447,993**

16. Financial expenses

(EUR)	2023	2022
Financial expenses from impairments and write-offs of financial investments		
Financial expenses from impairments of Group companies		
Impairments	-	663,500
Realised losses	583	
	583	**663,500**
Financial expenses from impairments and write-offs of other companies		
Financial expenses from interests in other entities	43,523	21,167
	43,523	**21,167**
Total	**44,106**	**684,667**
Financial expenses from financial liabilities		
Financial expenses from other financial liabilities	12,461	14,507
Total	**12,461**	**14,507**
Financial expenses from operating liabilities		
Other financial expenses from operating liabilities	3,266	160,594
Total	**3,266**	**160,594**
Total financial expenses	**59,833**	**859,768**

17. Other income and other expenses

(EUR)	2023	2022
Other income		
Other income	5,130	3,343
Total	**5,130**	**3,343**
Other expenses		
Fines and compensation	4,742	3,941
Other expenses	14,640	6
Total	**19,382**	**3,947**

18. Items of income statement by geographical segments

(EUR)	Slovenia	EU	non-EU	Total
2023				
Net sales	12,919,190	248,973	-	13,168,163
Other operating income	37,738	-	-	37,738
Costs of goods, materials and services	(4,543,479)	(408,978)	(446,574)	(5,399,031)
Labour costs	(3,878,685)	-	-	(3,878,685)
Amortization/Depreciation and other costs	(1,026,217)	-	-	(1,026,217)
Financial income	1,446,828	135,692	144,832	1,727,352
Financial expenses	(56,566)	(3,267)	-	(59,833)
Other income	5,130	-	-	5,130
Other expenses	(19,382)	-	-	(19,382)
Profit or loss before tax	**4,884,558**	**(27,580)**	**(301,742)**	**4,555,236**
2022				
Net sales	13,752,440	252,432	-	14,004,872
Other operating income	62,958	-	-	62,958
Costs of goods, materials and services	(4,563,930)	(335,997)	(564,973)	(5,464,900)
Labour costs	(3.945,901)	-	-	(3,945,901)
Depreciation and other costs	(653,234)	-	-	(653,234)
Financial income	2,198	297,589	148,206	447,993
Financial expenses	(35,673)	(824,095)	-	(859,768)
Other income	3,343	-	-	3,343
Other expenses	(3,947)	-	-	(3,947)
Profit or loss before tax	**4,618,254**	**(610,071)**	**(416,767)**	**3,591,416**

19. Deferred taxes

Balance of deferred taxes

(EUR)	31 Dec. 2023	31 Dec. 2022
Deferred tax assets	57,423	347,910
Deferred tax liabilities	(201,498)	(127,586)
Total deferred tax	**(144,075)**	**220,324**

The general rate of corporate income tax in 2023 stands at 19%. Pursuant to Article 64 of the Reconstruction, Development and Funding Act (ZORZFS), the corporate income tax shall be accounted at the rate of 22% of the tax base in the 2024–2028 period. Accordingly, deferred tax assets and deferred tax liabilities have been adjusted to the new tax rate, amounting to EUR 6,890 and EUR 27,477, respectively.

Changes in deferred taxes

	2023	2022
As at 1 January	**220,324**	**(101,995)**
Deferred tax charged /(credited) to profit or loss	(290,487)	323,653
Deferred tax charged/(credited) to equity	(73,912)	(1,334)
As at 31 December	**(144,075)**	**220,324**

Changes in deferred tax assets

(EUR)	Valuation of investments	Reserves	Other	Total
2023				
As at 1 January	**323,735**	**6,421**	**17,754**	**347,910**
Deferred tax charged/(credited) to profit or loss	(309,492)	475	18,530	**(290,487)**
As at 31 December	**14,243**	**6,896**	**36,284**	**57,423**
2022				
As at 1 January	**10,177**	**7,426**	**6,654**	**24,257**
Deferred tax charged/(credited) to profit or loss	313,558	(1,005)	11,100	**323,653**
As at 31 December	**323,735**	**6,421**	**17,754**	**347,910**

The item ‘Other’ comprises deferred tax assets arising from investment allowances.

Changes in deferred tax liabilities

(EUR)	Valuation of investments	Total
2023		
As at 1 January	**127,586**	**127,586**
Deferred tax charged/(credited) to profit or loss	-	-
Deferred tax charged/(credited) to equity	73,912	73,912
As at 31 December	**201,498**	**201,498**

2022		
As at 1 January	**126,252**	**126,252**
Deferred tax charged/(credited) to profit or loss	-	-
Deferred tax charged/(credited) to equity	1,334	1,334
As at 31 December	**127,586**	**127,586**

20. Corporate income tax

(EUR)	2023	2022
Profit or loss before tax	**4.555.236**	**3.591.416**
Income adjustment for tax purposes	(1,018,212)	(48,391)
Expenses adjustment for tax purposes	(854,070)	813,179
Tax relief	(7,454)	(88,569)
Total tax base	**2,675,500**	**4,267,635**
Tax rate	**19%**	**19 %**
Income tax	**508,344**	**810,851**

21. Transactions with related parties

Sales to related parties

(EUR, including VAT)	2023	2022
Sales to related companies		
Group companies	1,128,440	1,156,033
	1,128,440	**1,156,033**
Purchases from related companies		
Group companies	1,717,999	1,650,873
	1,717,999	**1,650,873**

Outstanding items arising from sales to, and purchases form related parties

(EUR)	31 Dec. 2023	31 Dec. 2022
Outstanding receivables to related companies		
Group companies	82,846	234,944
	82,846	**234,944**
Outstanding liabilities to related companies		
Group companies	34,602	1,740
	34,602	**1,740**

Transactions with the parent company Generali d.d. and the subsidiaries of Generali Investments LLC are shown. A separate overview of transactions with each company is included and disclosed in the report on relations with affiliated companies pursuant to Articles 545 and 546 of the Companies Act.

22. 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 and 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.

The Company is exposed to the risk of change in market prices on the basis of movements in the value of mutual fund units, which is beyond the Company's control. The table below presents sensitivity to changes in mutual fund prices, which were shown in 2023 under the item of short-term financial investments, if all the other parameters remain unchanged.

(EUR)	31 Dec. 2023
Investments in mutual fund units, at fair value	1,524,484
Effect of price change +5%	76,224
Effect of price change -5%	-76,224

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
31 Dec. 2023				
Debt securities	7,968,277	-	-	7,968,277
Receivables and deferred expenses and accrued income	710,226	-	-	710,226
Total	**8,678,503**	**-**	**-**	**8,678,503**
31 Dec. 2022				
Debt securities	6,960,545	-	-	6,960,545
Receivables and deferred expenses and accrued income	633,663	2,097	(2,097)	633,663
Total	**7,594,208**	**2,097**	**(2,097)**	**7,594,208**

Fair values

(EUR)	31 Dec. 2023	31 Dec. 2022
Long-term financial investments		
Shares and interests in Group companies	2,083,898	5,043,294
	2,083,898	**5,043,294**
Short-term financial investments		
Other short-term financial investments	9,492,761	8,457,987
	9,492,761	**8,457,987**

23. Events after the balance sheet date

On 29 February 2024, Generali Investments SI d.o.o. merged with Generali Investments LLC. Consequently, Generali CEE Holding B.V., the Netherlands, became the holder of the 100% share in Generali Investments d.o.o. and thus the direct holder of a qualifying holding in Generali Investments LLC, whilst Generali Investments SI d.o.o. ceased to be the holder of a direct qualifying holding in Generali Investments LLC.

INDEPENDENT AUDITOR'S REPORT

KPMG SLOVENIJA, podjetje za revidiranje, d.o.o.
Železna cesta 8a
SI-1000 Ljubljana
Slovenija

Telefon: +386 (0) 1 420 11 60
Internet: http://www.kpmg.si

Independent Auditors' 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 31 December 2023;

and, for the period from 1 January to 31 December 2023:

- the income statement;
- the statement of other comprehensive income;
- the statement of changes in equity;
- the cash flow statement;

and

- notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants 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 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

Management is responsible for other information. The other information comprises the Business Report and Appendix included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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

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vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556000

financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, with respect to the Business Report, we are required to report on its consistency with the financial statements and on whether the Business Report includes the disclosures required by the Company's Act dated 4 May 2006 (official gazette of Republic of Slovenia No. 42/2006 with amendments - hereafter referred to as »the applicable legal requirements«). Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion:

- the information given in the Business Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Slovene 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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;

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- 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 auditors' 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 auditors' 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 those charged with governance 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.

On behalf of audit firm
KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Signed on the Slovenian original

Domagoj Vuković, FCCA
Certified Auditor
Partner KPMG Slovenija, d.o.o.
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Ljubljana, 21 March 2024

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Appendix

Assets managed under discretionary mandates

Year	Number of customers	Assets under management	Management fee	Success fee
2023	25	944,886,381	1,035,092	-
2022	26	909,632,115	1,088,547	-

Structure of income from fees

(EUR)	Management fee	Entry fee	Exit fee	Total 2023
Generali Global, Equity	1,071,249	4,549	1,364	**1,077,186**
Generali Galileo, Mixed Flexible Fund	1,928,710	5,688	894	**1,935,292**
Generali Rastko Europe, Equity	967,587	1,869	-	**969,455**
Generali Bond - EUR	384,034	3,661	-	**394,324**
Generali MM, Money Market - EUR	41,086	-	-	**41,086**
Generali First Selection, Fund of Equity Funds	779,313	21,119	1,770	**802,368**
Generali South Eastern Europe, Equity	520,824	583		**521,407**
Generali New Markets, Equity[5]	663,767	2,728	1,946	**668,441**
Generali Raw Materials and Energy, Equity	306,874	3,507	-	**310,381**
Generali Technology, Equity	1,428,226	20,126	-	**1,448,352**
Generali Vitality, Equity	1,221,859	13,882	509	**1,236,250**
Generali India – China, Equity	538,488	4,721	229	**543,438**
Generali Latin America, Equity	48,661	881	302	**49,844**
Generali America, Equity	805,216	3,753		**808,969**
Generali Corporate Bonds - EUR	72,693	386		**73,080**
Total	**10,778,587**	**87,451**	**7,015**	**10,879,873**

	Management fee	Entry fee	Exit fee	Total 2022
Generali Global, Equity	864,022	2,173	1,267	**867,462**
Generali Galileo, Mixed Flexible Fund	2,034,386	13,341	980	**2,048,707**
Generali Rastko Europe, Equity	974,773	1,122	-	**975,895**
Generali Bond - EUR	356,369	20,668	-	**377,037**
Generali MM, Money Market - EUR	33,622	-	-	**33,622**
Generali First Selection, Fund of Equity Funds	791,503	29,419	1,824	**822,746**
Generali South Eastern Europe, Equity	508,567	442	-	**509,009**
Generali New Markets, Equity	760,237	3,998	1,947	**766,182**
Generali Raw Materials and Energy, Equity	361,195	10,651	-	**371,847**
Generali Technology, Equity	1,286,295	23,513	-	**1,309,809**
Generali Vitality, Equity	1,187,335	18,773	612	**1,206,720**
Generali India – China, Equity	600,925	5,225	254	**606,405**
Generali Latin America, Equity	49,068	822	300	**50,189**
Generali America, Equity	810,615	4,811	-	**815,426**
Generali Corporate Bonds - EUR	67,808	740	-	**68,549**
Total	**10,686,720**	**135,699**	**7,184**	**10,829,603**

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

(EUR)	Operating receivables	Receivables from financing activities	Operating liabilities	Investments
2023				
Related party				
B1	82,846	-	34,602	2,083,898
E	-	-	23,218	-
Total	**82,846**	**-**	**57,820**	**2,083,898**
2022				
Related party				
B1	234,944	-	6,657	3,172,690
E	-	-	22,374	-
Total	**234,944**	**-**	**29,031**	**3,172,690**

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