Generali Investments

Annual Report

2021

Translation from Slovenian original

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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	Luka Podlogar, President of the Management Board
	Luka Flere, Member of the Management Board
Supervisory authority	Securities Market Agency

Shareholder as at 31 December 2021

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

1. Company profile

Establishment and development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has no branches.

The Company's principal activity is investment fund management. Along with the Company name and brand name changes, all its products were also renamed. At the end of 2021 the Company managed the following subfunds of the Generali Umbrella Fund:

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

At the end of 2021, the Company also managed the assets of other investors under discretionary investment mandates, an alternative real estate fund Generali Adriatic Value Fund, Special Investment Fund, and a private equity fund Generali Growth Equity Fund, Specialised Investment Fund.

[1] Rebranding from Generali Dividendni, delniški (Generali Dividend, Equity) on 7 April 2021.

Annual report

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

The operations of all subfunds of the Generali Umbrella Fund listed above and of Generali Investments LLC in 2021 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 consolidated annual report of the Generali d.d. group and the annual report of the company Generali d.d. are available at the company's headquarters at Kržičeva ulica 3, 1000 Ljubljana.

As at 31 December 2021, Generali Investments LLC was the controlling company of the management company Generali Investments d.o.o., Savska cesta 106, Zagreb (100.00%), the management company Generali Investments A. D. Skopje, Bul. Partizanski odredi 14A, Skopje, Macedonia (98.34%), the company Generali Investments GP 1 d.o.o., Dunajska cesta 63, 1000 Ljubljana (100%), the company Generali Investments GP 2 d.o.o., Dunajska cesta 63, 1000 Ljubljana (100%) and the company Generali Investments CP d.o.o. k.d. (54.79%). Pursuant to Article 56 of the Companies Act (Official Gazette of the Republic of Slovenia no. 42/2006 as amended, hereinafter: ZGD-1), Generali Investments LLC is not obliged to prepare consolidated financial statements.

2. Business development

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

In 2021, the Company managed the Generali Umbrella Fund with 16 subfunds, two special investment funds – Generali Adriatic Value Fund, Special Investment Fund, and Generali Growth SIF LLC LP, a private equity fund – and other portfolios based on discretionary mandates, with total assets under management amounting to EUR 1.74 billion.

At the end of 2021, five Slovenian asset management companies were active in the Slovenian market, managing UCITS funds that, according to the Securities Market Agencies, raised EUR 4.337 billion of assets of 494,157 investors. Compared to the end of 2020, assets under management in mutual funds increased by EUR 1.1 billion at the end of 2021.

At the end of 2021, assets under the management of the Generali Umbrella Fund increased by 21.9% or EUR 127.6 million compared to the end of 2020 totalling EUR 710 million. The rise in assets under management is mainly due to the growth seen in the capital markets. In 2021, a total of EUR 61.8 million and EUR 39.9 million was contributed to and redeemed from the Generali Umbrella Fund, respectively, representing EUR 21.9 million of net inflows into the Generali Umbrella Fund.

Markets overview in 2021

Global stock markets turned in a strong performance in 2021, with MSCI All Country World Index up by more than 25% throughout the year. However, yields in individual markets varied significantly. While the exceptional growth is mainly attributable to the developed markets led by the US, the past year was much less profitable for emerging markets. As the world kept fighting the new coronavirus and its mutations, the western economies were after a long time faced with a rising inflation, sparked by stronger consumption following the reopening of the economies and the bottlenecks in supply chains. Rising stock prices were driven by the strong recovery in economic activity, excellent corporate performance, loose monetary policies and the addition of liquidity by central banks, and fiscal support from governments. Bond markets remained unattractive. Despite increases in required returns in the context of stricter monetary policy predicted towards the end of the year, shorter maturity bonds in particular remained at levels similar to those recorded at the beginning of the year, while inflation-adjusted yields of top government bonds are still deep in negative territory, which is further motivating investors to allocate assets to stock markets.

Developed markets

The United States again proved to be the most reliable choice from global stock markets in the past year, with MSCI US bringing an excellent yield of 34% converted to euros, and the market peaking on 70 trading days in the year – something that has only happened once more to date. By May, half of the US population had received a COVID-19 vaccine, and thanks to this successful vaccination campaign a large part of the US economy reopened in spring. The recovery was stronger than expected and demand exceeded supply, while supply chains were interrupted after the economic lockdown. Consequently, macroeconomic data began soon to show the first signs of rising inflation. The American FED maintained its position that this was merely transitory and would fade away over the course of the year, but it became clear by the autumn that inflation would be more persistent than the initial projections. In response, the FED reacted by reducing the addition of excess liquidity and forecasting a rise in the key interest rates for next year. In the last weeks of the year, this brought much volatility to the markets and caused rotation across sectors. Energy and real estate sectors recorded particularly high yields, as did the IT sector, despite some falls in the last weeks of the year. The financial sector rebounded, thanks to the promised rise in interest rates.

At the beginning of the year, the European economy lagged somewhat behind the US in terms of growth. Vaccination of the population experienced some issues, because vaccine supply was much slower than expected, and the governments of the EU member states were largely reluctant to lift restrictive measures. For this reason, some sectors, in particular tourism and hospitality, remained vulnerable. The rest of the year was more encouraging. The vaccination coverage rate rose sharply, and stimulus measures of monetary and fiscal policy accomplished their purpose, with most companies recording encouraging quarter-on-quarter results. The European stock index STOXX 600 closed the year with a yield of over 22%, with the banking and technology sector excelling. Even the tourism sector, which was at the low end, logged a gain of 4%. Looking at individual European countries, the Netherlands, Austria and the Scandinavian countries performed best, while the German DAX saw gains of around 15% for the year. In Europe, too, the year-end was marked by elevated inflation, which is mostly reflected in higher food and energy prices.

Emerging markets

Emerging markets underperformed greatly, with MSCI BRIC ending the year with 6.6% in the red. While there was significant variation between the countries, the development of indices in the growth markets was characterised by China's difficulties in 2021. Through various administrative measures, the communist authorities began to restrict their leading technology companies, in order to curb the monetisation of users' personal data and prevent IT giants from gaining monopolies in their areas. At the end of summer, the world was shaken by the news of the possible bankruptcy of Evergrande, the property giant troubled by liquidity issues and overdue interest payments on its debt. It soon turned out that Evergrande was not the only company plagued by such concerns, a sign of cracks in the Chinese economy that is highly dependent on the real estate industry. All this reflected in lower corporate results, and forecasts of future economic growth look less encouraging than what we were used to with respect to China in past years. India performed much better, with the market recording yields of 20%. Although the outbreak of the epidemic and the weak health system pushed the country into a health disaster at the beginning of the year, India's economy recovered, recording 8% annual growth of the GDP. Capital markets gained from the weakened trust in China, with investors seeking alternatives, which gave a boost to Indian equities, especially in the technology sector. India's growth outlook for 2022 is encouraging, too. Russia was again at the centre of geopolitical attention. The military build-up at the border with Ukraine and tensions over the supply of natural gas to Europe led to a renewed escalation of relations between the Kremlin and the West. This triggered an outflow of capital from the country, but high profits of companies in the energy sector kept the equity market in the green. The Turkish and Brazilian markets ended the year deep in the red. Turkey was plagued by surging inflation, which in December exceeded 36% on the annual basis. Against the backdrop of a questionable response of economic policy to inflation, the domestic currency, the lira, lost about 45% of its value against the US dollar in 2021. Turkish stock indices, converted into the major foreign currencies, ended the year with high losses. The high unemployment rate, political uncertainty ahead of the presidential elections to take place in October 2022, and inflation marked another loser in the emerging markets in 2021, Brazil.

Slovenia and the Balkans

The local market performed brilliantly last year, with the Slovenian SBITOP recording growth of nearly 40%, making Slovenia one of the most profitable markets in Europe. GDP exceeded the pre-pandemic levels, companies' results were very good, and dividend returns remained high. Optimism is further encouraged by the fact money held in record-high bank deposits is increasingly moving to the equity market, an indication of renewed investors' trust. Among individual shares, NLB and Petrol deserve specific mention, recording returns of 67% and almost 60%, respectively. The other economies in the region recovered well, especially

Croatia, which recorded GDP growth of almost 10% following the strong tourism season, and growth of economic activity in Greece and Romania exceeded projections, too. The Western Balkans in particular seem to be able to prosper in the near future, with the trend of shortening supply chains as some multinationals are already moving their production closer to core Europe.

Highlights of our activities and achievements in 2021

2021 was a year marked by economic and social recovery from the severe shock caused by the COVID-19 pandemic in 2020. In these circumstances, Generali Investments Ltd stuck firmly to its track of optimising its business and adapting its processes, products and development to the new situation. Foremostly, it did so by successfully navigating across hybrid forms of work, which was also reflected in the Company's business results.

Digitisation of business

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

As early as 2019, we launched the digital transformation process, targeting fully digitised interactions with investors in 2019, firstly by going paperless, including offering the option to consult a financial advisor via a smartphone (without visiting our offices), based on remote e-signing. In 2021, we began transferring the aforementioned digital solutions to our subsidiaries, starting with our Macedonian entity.

Management excellence

Moje finance financial magazine, which has been bestowing the Best Funds and the Best Asset Manager awards for the last 11 years, once again recognised Generali Investments for the best funds: Generali Bond – EUR, in the equity corporate and aggregate bond category for three- and ten-year periods, and Generali MM, Money Market – EUR, in the money EU category for a ten-year period. Primož Cencelj, CFA, was among the finalists in the selection for the Best Asset Manager of the last three-year period

Consolidating our position in South Eastern Europe

Generali Investments follows the vision to become one of the largest asset managers in South Eastern Europe, including by encouraging new distribution channels of its subsidiary Generali Investments AD Skopje, Macedonia, where Generali Investments is the second largest asset manager. At the end of 2021, Generali Investments AD Skopje expanded its network of selling investment fund units to the bank retail network of NLB Banka Skopje.

Successful further development of alternative investment funds in Slovenia

In 2021, Generali Growth Equity Fund expanded its investment portfolio by acquiring a 74% share in Diverto d.o.o., a Zagreb-based company offering comprehensive information security services, and a 100% share in Proteini.si d.o.o., one of the leading specialised sellers of sports nutrition, and health and wellness products in the region of South Eastern Europe.

Socially responsible projects

With our activities, we at Generali Investments follow our mission, which also includes social responsibility. With numerous donations, we actively support humanitarian actions and culture as well as sports and education. 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.

For those reasons, the Company has supported the Business Star of the Year project, owned by Delo news media company, for a fourth consecutive year. Business Stars are companies of the future – growing, employing, investing in development, exporting, innovating and practising corporate social responsibility. They have solutions and know what they need to remain successful in the future. They are trusted and appreciated. Through their conduct and activities, Business Stars bring positive changes to our societies.

As part of its social responsibility, Generali Investments is well aware of the importance of financial literacy. At a time troubled by low interest rates, consequences of the corona crisis, and inflation expectations, 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 offered a series of financial webinars with a view to helping our investors and potential investors manage their savings and invest in capital markets.

3. Business results

Generali Investments LLC is the third biggest management company in Slovenia, holding a 16.4% market share among Slovenian mutual fund managers at the end of 2021. Its net sales and operating expenses reached EUR 13.9 million and EUR 9.5 million, respectively. The Company closed the year with EUR 3.2 million in net profit for the financial period.

As at 31 December 2021, Generali Investments managed EUR 710.3 million worth of assets of 50,444 investors in the Generali Umbrella Fund. At the end of 2021, the volume of assets under the management of the Generali Umbrella Fund increased by EUR 127.6 million compared to the end of 2020. In 2021, a total of EUR 61.8 million and EUR 39.9 million was contributed to and redeemed from the Generali Umbrella Fund, respectively, representing EUR 21.9 million of net inflows into the Generali Umbrella Fund.

Under the item of Long-term financial investments, the Company shows two subsidiaries. As at 31 December 2021, the volume of assets under the management of the company in Croatia was EUR 35.9 million, and the volume of assets under the management of the company in North Macedonia was EUR 36.8 million.

4. Outlook for the future

Last year, developments in global capital markets were marked by economic recovery, following the fierce economic shock caused by the outbreak of the pandemic and the sudden lock-down of global economies in 2020. The rebound was very strong, with an estimated global growth of 5.9%. Markets are expected to subdue in 2022, but historically speaking, above-average growth of 4.5% is still anticipated. The main topic that will affect capital market participants will be inflation, and, as a result, the central banks' reaction and reduction of stimulative monetary policies will gain in importance. We expect high volatility of the capital markets, which in turn will also affect investment fund management.

Over the past two years, the pandemic has accelerated changes in consumer habits in all spheres of life, including the digital transformation and fast uptake of digital technology. In the context of global megatrends, the development of strict sustainable policies should be mentioned. For example, the European Green Deal sets out the objective of making Europe the first climate-neutral continent by 2050. The financial sector has a key role to play in reaching those goals, as noted in the European Commission's Action Plan on Financing Sustainable Growth. Climate change and environmental degradation may cause immense economic losses that may deeply affect the real economy and financial system. Generali Investments is fully aware of its mission as a responsible financial intermediary whose investments may have a material impact on the real economy. Generali Investments includes sustainability considerations in its decision- making process, taking account of the size, nature and scope of business as well as the types and investment policies of the financial products offered.

Our main goals for 2022 are to:

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

5. Human resources

Generali Investments LLC aspires to exceed the expectations of both investors and business partners. To achieve this, it needs committed and highly motivated people. Our goal is to offer a creative organisational climate and employee-friendly working conditions. In order to have access to high-quality support services, the Company employs highly skilled and professional personnel, especially with qualifications in Economics, Law, IT and Sales. Employees work in an environment enabling them to develop their capacities, with an emphasis on creativity and reliability. The Company regularly organises internal training courses and provides its staff with opportunities to attend external training courses, which helps them perform well in their work. The Company also encourages team building through informal socialising. 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 2021.

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 through sensitivity tests and 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 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 2021, which is available at the Company's website at www.generali-investments.si.

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

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

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

Details 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

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

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

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

The sole shareholder and owner of the 100% business share in the Company is Generali d.d., Kržičeva 3, 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 2021, the Management Board had the following composition:

- Luka Podlogar, President of the Management Board,
- Luka Flere, Member

The Supervisory Board

In line with its powers, the Supervisory Board actively monitored and supervised the operations of Generali Investments LLC. It held five sessions in 2021, 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 2021 the Supervisory Board had the following composition:

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

No Supervisory Board committees were established in 2021.

9. Important business events after the close of the 2021 financial year

Generali Galileo, the oldest Slovenian mutual fund managed by Generali Investments, celebrates 30 years on 1 January 2022. The birthday of the first mutual fund in Slovenia marks at the same time the 30th anniversary of the investment funds industry in Slovenia.

For the time being, the Russia-Ukraine conflict and the COVID-19 situation have no direct impact on the Management Company. However, they have an indirect impact through the volume of assets under management. Both the epidemiological situation, in particular in China, as well as the aforementioned conflict and the related international sanctions have an impact on developments in the capital markets, on macroeconomic indicators, and on commodity and energy prices. All this could have some effects on the value of equities and bonds representing the assets of the Generali Umbrella Fund subfunds and other portfolios under management. The development of asset values has an effect on the collected management fee charged by the Management Company. A potential decrease in the management fee collected could have an adverse effect on the Management Company's profitability. Nevertheless, the impact of the epidemic and the Russia-Ukraine conflict is difficult to evaluate for the moment.

Ljubljana, 21 April 2022

Generali Investments LLC

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

The Management Board and the Supervisory Board of Generali Investments LLC (hereinafter: the Company), pursuant to Article 17 of the Decision on the Management System, Management Body and Internal Capital Adequacy Assessment Process for Brokerage Companies[2] (hereinafter: the Decision) and Articles 435.1(e)[3] and 435.1(f)[4] of the CRR[5], give the following concise statement on risk management:

The Company follows its long-term strategic and business objectives whilst respecting the risk exposure limits set out in the Strategy[6] and policies[7] on both an individual as well as consolidated basis.

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

The Company's risk profile is assessed annually in accordance with the Strategy. The Company has performed the internal capital adequacy assessment process[8], i.e. self-assessment of its capital adequacy in accordance with the risk management policies in place.

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

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

The assessed risk profile is consistent with the Company's business model and strategic orientations. The risk profile is managed through a system of limits and internal controls, based on which the Company can

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

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

[4] Concise risk statement

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

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

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

[8] ICAAP

meet more than the minimum capital requirements even in harsh business conditions. The risk management system was designed and adopted in agreement with the parent undertaking and approved by its Supervisory Board.

The key indicator of the Company's risk appetite is the total capital ratio. Its tolerance value stands between 130% and 150% of the minimum capital requirement according to the CRR. The acceptable share of dividend in the net profit of the preceding financial year is set at the level enabling the Company to maintain its long-term business stability and preserve its target capital requirements. The target values of all risk indicators express the connection between the Company's business strategy and its risk profile.

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

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

In 2021, the total capital ratios for the Company and the Group equalled 15.98% and 17.30%, respectively.

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

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

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

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

Ljubljana, 21 April 2022

Supervisory Board

Josef Beneš
President of the Supervisory Board

Aljoša Tomaž
Deputy President of the Supervisory Board

Gregor Pilgram
Member

Katarina Guzej
Member

Management Board

Luka Podlogar
President of the Management Board

Luka Flere
Member of the Management Board

FINANCIAL REPORT

BALANCE SHEET

(EUR)	Note	31 Dec. 2021	31 Dec. 2020
ASSETS		**17,027,483**	**14,746,125**
Non-current assets		**7,142,606**	**5,846,737**
Intangible assets, deferred expenses and accrued income	1	2,675,670	2,935,496
Property, plant and equipment	2	643,431	310,603
Long-term financial investments	3	3,799,248	2,539,530
Deferred tax assets	19	24,257	61,108
Current assets		**9,455,349**	**8,429,917**
Short-term financial investments	4	8,782,257	7,186,220
Short-term operating receivables	5	275,623	211,917
Cash and cash equivalents	6	397,469	1,031,780
Short-term deferred expenses and accrued income	**7**	**429,528**	**469,471**
LIABILITIES AND EQUITY		**17,027,483**	**14,746,125**
Equity	**8**	**13,888,212**	**12,619,105**
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		538,237	216,584
Retained net profit or loss		3,374,967	3,374,967
Net profit or loss for the year		3,182,504	2,235,050
Provisions and long-term accrued expenses and deferred income	**9**	**97,046**	**90,176**
Non-current liabilities		**489,531**	**84,291**
Long-term financial liabilities	10	358,679	28,889
Long-term operating liabilities	11	4,600	4,600
Deferred tax liabilities	19	126,252	50,802
Current liabilities		**1,297,935**	**1,107,861**
Short-term financial liabilities	10	199,010	187,224
Short-term operating liabilities	11	1,098,925	920,637
Short-term accrued expenses and deferred income	**12**	**1,254,759**	**844,692**

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

INCOME STATEMENT

(EUR)	Note	2021	2020
Net sales	14A	13,898,070	11,212,016
Other operating income	14A	50,068	47,199
		13,948,138	**11,259,215**
Costs of goods, materials and services	14B	(5,260,152)	(4,297,913)
Labour costs	14B	(3,797,664)	(3,484,345)
Depreciation			
Amortisation/Depreciation	14B	(491,658)	(475,206)
Revaluation operating expenses	14B	(1,988)	(1,756)
Other operating expenses	14B	(10,755)	(7,250)
		(9,562,217)	**(8,266,470)**
Financial income from participating interests	15	327,518	108,762
Financial income from loans	15	-	174
Financial income from operating receivables	15	701	9,038
		328,219	**117,974**
Financial expenses for impairments and write-offs of investments	16	(357,500)	(278,389)
Financial expenses for financial liabilities	16	(7,715)	(10,816)
Financial expenses for operating liabilities	16	(169,448)	(48,765)
		(534,663)	**(337,970)**
Other income	17	3,573	6
Other expenses	17	(169,658)	(5)
		(166,085)	**1**
Profit or loss before tax		**4,013,392**	**2,772,750**
Income tax	20	(794,037)	(499,232)
Deferred tax	19	(36,851)	(38,468)
Net profit or loss for the period		**3,182,504**	**2,235,050**

STATEMENT OF COMPREHENSIVE INCOME

(EUR)	Note	2021	2020
Net profit or loss for the period		**3,182,504**	**2,235,050**
Change in fair value reserve		**321,653**	**32,602**
a Gross	8	397,103	40,248
b Tax	19	(75,450)	(7,646)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3,504,157**	**2,267,652**

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

STATEMENT OF CASH FLOWS

(EUR)	Note	2021	2020
A. *Cash flows from operating activities*			
a) Items of income statement		**3,816,503**	**2,940,635**
Operating income (except for revaluation) and financial income from operating receivables		13,951,711	11,267,908
Operating expenses excluding depreciation/amortisation (except for revaluation) and financial expenses from operating liabilities		(9,304,320)	(7,789,572)
Income tax and other taxes not included in operating expenses	19, 20	(830,888)	(537,699)
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		**586,753**	**1,136,156**
Change in operating receivables	5	(63,706)	514,296
Change in deferred expenses and accrued income	7	41,197	(74,883)
Change in deferred tax assets	19	36,851	38,468
Change in operating liabilities	11	174,356	310,027
Change in accrued expenses and deferred income and provisions	12	398,055	348,248
c) Net cash from/used in operating activities (a+b)		**4,403,256**	**4,076,791**
B. ***Cash flows from investing activities***			
a) Receipts from investing **activities**		**3,738,989**	**1,921,266**
Interest and dividends received from investing activities		100,771	188,364
Proceeds from disposal of property, plant and equipment		-	-
Proceeds from disposal of financial investments	4, 14	3,638,218	1,732,902
b) Payments from investing activities		**(6,335,244)**	**(5,658,865)**
Payments to acquire intangible assets	1	(47,283)	(195,101)
Payments to acquire property, plant and equipment	2	(60,339)	(62,142)
Payments to acquire financial investments	3, 4	(6,227,622)	(5,401,622)
c) Net cash from/use in investing activities (a+b)		**(2,596,255)**	**(3,737,599)**
C. ***Receipts from financing activities***			
b) Payments from financing **activities**		**(2,441,312)**	**(187,794)**
Interest expenditure relating to financing		(7,715)	-
Repayments of financial liabilities		(198,547)	(187,794)
Dividends and other profit shares		(2,235,050)	-
c) Net cash from/used in financing activities (a+b)		**(2,441,312)**	**(187,794)**
D. Closing balance of cash		**397,469**	**1,031,780**
Net ***increase/decrease in cash for*** **the year (A.c. + B.c. + C.c.)**		**(634,311)**	**151,398**
Opening balance of cash		1,031,780	880,382

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 2021

(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 2020	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**216,584**	**3,374,967**	**2,235,050**	**12,619,105**
Restatements (corrections)	-	-	-	-	-	-	-	-	**-**
Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	**-**
As at 1 January 2021	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**216,584**	**3,374,967**	**2,235,050**	**12,619,105**
Changes in equity – transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(2,235,050)**	**-**	**(2,235,050)**
Payment of dividends	-	-	-	-	-	-	(2,235,050)	-	(2,235,050)
Total comprehensive income in the reporting period	**-**	**-**	**-**	**-**	**-**	**321,653**	**-**	**3,182,504**	**3,504,157**
Net profit in the reporting period	-	-	-	-	-	-	-	3,182,504	**3,182,504**
Change in reserves due to									
fair value revaluation of investments	-	-	-	-	-	321,653	-	-	**321,652**
Changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**2,235,050**	**(2,235,050)**	**-**
Allocation of the remaining part of net profit									
for the comparative reporting period to other equity	-	-	-	-	-	-	2,235,050	(2,235,050)	**-**
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**

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 2020

(EUR)	Called-up capita l- 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 2019	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**183,982**	**2,135,237**	**1,239,730**	**10,351,453**
Restatements (corrections)	-	-	-	-	-	-	-	-	**-**
Adjustments (changes in accounting policies)	-	-	-	-	-	-	-	-	**-**
As at 1 January 2020	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**183,982**	**2,135,237**	**1,239,730**	**10,351,453**
Changes in equity – transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Payment of dividends	-	-	-	-	-	-	-	-	**-**
Total comprehensive income in the reporting period	**-**	**-**	**-**	**-**	**-**	**32,602**	**-**	**2,235,050**	**2,267,652**
Net profit in the reporting period	-	-	-	-	-	-	-	2,235,050	**2,235,050**
Change in reserves due to									
fair value revaluation of investments	-	-	-	-	-	32,602	-	-	**32,602**
Changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**1,239,730**	**(1,239,730)**	**-**
Allocation of the remaining part of net profit									
for the comparative reporting period to other equity	-	-	-	-	-	-	1,239,730	(1,239,730)	**-**
As at 31 December 2020	**1,767,668**	**542,062**	**3,626,007**	**176,767**	**680,000**	**216,584**	**3,374,967**	**2,235,050**	**12,619,105**

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 2021, 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 2021.

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 April 2022

Generali Investments LLC

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 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 2021.

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 zavarovalnica d.d. and is consolidated within the Generali Group. The consolidated annual report of the Generali Group is available at the headquarters of the company Generali zavarovalnica d. d., Kržičeva ulica 3, Ljubljana.

(EUR)	Interest, in %	Equity at year-end	Profit or loss for the year	Method of acquisition in case of interest increase
2021				
Subsidiaries				
Generali Investments d.o.o., Croatia	100.00%	731,540	42,084	
Generali Investments AD, Macedonia	98.34%	1,145,917	231,557	25.72% additional acquisition
Generali Investments GP1 d.o.o., Slovenia	100.00%	7,127	(286)	
Generali Investments GP2 d.o.o., Slovenia	100.00%	7,118	(295)	
Generali Investments CP d.o.o. k.d.,	54.79%	233,374	(645)	
2020				
Subsidiaries				
Generali Investments d.o.o., Croatia	100.00%	684,250	2,127	3.28% additional acquisition
Generali Investments AD, Macedonia	72.62%	933,621	189,477	merger
Generali Investments GP1 LLC, Slovenia	100.00%	7,413	(87)	
Generali Investments GP2 LLC, Slovenia	100.00%	7,413	(87)	
Generali Investments CP LLC LP	54.79%	181,461	694	

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

On 18 June 2020, the Company signed a shares purchase agreement for Ilirika AD Skopje as part of the merger process with Generali Investments AD Skopje. Conditions of merger were fulfilled on 30 December 2020 when the merged company was entered in the register. Generali Investment's share in the subsidiary thus decreased to 72.62% as at 31 December 2020. In January 2021, the company acquired an additional share in the subsidiary Generali Investments A.D. Skopje, Macedonia, thus becoming 98.34% owner of this subsidiary.

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 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 2021 and 2020:

(In)tangible asset	Minimum rate %	Maximum rate %
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 2020 is 19%.

2.15. Statement of changes in equity

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

2.16. Statement of cash flows

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

2.17. Statement of comprehensive income

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

EXPLANATORY NOTES TO SPECIFIC TREATMENTS AND VALUATIONS

1. Intangible assets

(EUR)	Long-term property rights	Intangible assets in the process of construction or development	Other long-term deferred expenses and accrued income	Total
Cost				
31 Dec. 2020	**3,774,237**	**13,000**	**7,712**	**3,794,949**
Adjustments after opening balance	-	-	-	-
1 Jan. 2021	**3,774,237**	**13,000**	**7,712**	**3,794,949**
Direct increases – investments	53,164	62,468	-	115,632
Transfer from investments in progress	13,000	(13,000)	-	-
Decreases during the year	(155,992)	-	(1,255)	(157,247)
31 Dec. 2021	**3,684,409**	**62,468**	**6,457**	**3,753,334**
Accumulated amortisation				
31 Dec. 2020	**859,453**	**-**	**-**	**859,453**
1 Jan. 2021	**859,453**	**-**	**-**	**859,453**
Amortisation for the year	233,810	-	-	233,810
Decreases during the year	(15,599)	-	-	(15,599)
31 Dec. 2021	**1,077,664**	**-**	**-**	**1,077,664**
Present value				
31 Dec. 2021	**2,606,745**	**62,468**	**6,457**	**2,675,670**
31 Dec. 2020	**2,914,784**	**13,000**	**7,712**	**2,935,496**

Intangible assets comprise intangible assets with a finite useful life, i.e. computer software, and intangible assets with an indefinite useful life, i.e. a list of investors associated with the takeover of management of the Ilirika Umbrella Fund. With respect to the latter, the Company made a change to the accounting estimate, defined its useful life as 20 years and applied the amortisation rate of 5%. The intangible asset is also tested for impairment at the date of preparing financial statements, by comparing its carrying amount with its recoverable amount on the balance sheet day. On 31 December 2021, an impairment test was performed on the basis of the assumptions below, which led to the conclusion that impairment was not necessary.

The following valuation assumptions relating to intangible assets were used by the internal financial expert in 2021:

- the present value of future free cash flows,
- the assessment was based on the analysis of past operations and future potential,
- income as free cash flows was discounted with the required rate of return on equity,
- the CAPM model was used to calculate the required return on equity,
- CAPM assumptions: 2.5% normalised return on risk-free assets, 5.5% premium for capital risk, 5.01% premium for investments in small enterprises, 1.01% political risk factor, unlevered beta 0.62,
- required return on equity 11.9%,
- 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 2022–2026 period.

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

The following valuation assumptions relating to intangible assets were used by the internal financial expert in 2020:

- the present value of future free cash flows,
- the assessment was based on the analysis of past operations and future potential,
- income as free cash flows was discounted with the required rate of return on equity,
- the CAPM model was used to calculate the required return on equity,
- CAPM assumptions: 2.5% normalised return on risk-free assets, 6.0% premium for capital risk, 3.67% premium for investments in small enterprises, 2.35% political risk factor, unlevered beta 0.68,
- required return on equity 12.6%,
- the planned return of individual funds in the explicit forecast period ranges between 0.0%,
- growth of net cash flows after the explicit forecast period amounts to 1.5%,
- cash flow estimated for the 2021–2025 period.

2. Property, plant and equipment

(EUR)	Right-of-use-assets	Other equipment	Total
Cost			
31 Dec. 2020	**563,676**	**620,140**	**1,183,816**
1 Jan. 2021	**563,676**	**620,140**	**1,183,816**
Direct increases–new leases/investments	96,206	60,339	156,545
Lease modifications	443,918	-	443,918
Decreases during the year	-	(29,560)	(29,560)
31 Dec. 2021	**1,103,800**	**650,919**	**1,754,719**
Accumulated depreciation			
31 Dec. 2020	**353,396**	**519,817**	**873,213**
1 Jan. 2021	**353,396**	**519,817**	**873,213**
Depreciation for the year	192,022	73,626	265,648
Decreases during the year	-	(27,573)	(27,573)
31 Dec. 2021	**545,418**	**565,870**	**1,111,288**
Present value			
31 Dec. 2021	**558,382**	**85,049**	**643,431**
31 Dec. 2020	**210,280**	**100,323**	**310,603**

(EUR)	Right-of-use-assets	Other equipment	Total
Cost			
31 Dec. 2019	**559,995**	**596,921**	**1,156,916**
Leases- first recognition	-	-	478,846
1 Jan. 2020	**559,995**	**596,921**	**1,156,916**
Direct increases–new leases/investments	-	58,461	58,461
Lease modifications	3,681	-	3,681
Decreases during the year	-	(35,242)	(35,242)
31 Dec. 2020	**563,676**	**620,140**	**1,183,816**
Accumulated depreciation			
31 Dec. 2019	**171,705**	**449,054**	**620,759**
1 Jan. 2020	**171,705**	**449,054**	**620,759**
Depreciation for the year	181,691	104,249	104,249
Decreases during the year	-	(33,486)	148,205
31 Dec. 2020	**353,396**	**519.817**	**873,213**
Present value			
31 Dec. 2020	**210,280**	**100,323**	**310,603**
31 Dec. 2019	**388,290**	**147,867**	**536,157**

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

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

In 2021, the Company extended the term of lease for the office building for another three years, recognising right-of-use assets of EUR 425,308. The Company also extended the term of lease of two cars, recognising right-of-use assets of EUR 18,609. In 2021, a further three cars were leased, recognising right-of-use assets of EUR 96,207.

As of 31 December 2021, the Company recognised right-of-use assets relating to real-estate lease in the amount of EUR 444,183 (2020: EUR 168,306) and relating to car lease in the amount of EUR 114,199 (2020: EUR 41,974).

In 2021, the Company recorded EUR 7,715 (2020: EUR 10,816) of interest expenses on lease and EUR 209,130 (2020: EUR 191,476) of total lease cash flows (Note 10). Expenses related to short-term leases and leases of low value amounted to EUR 39,959 (2020: EUR 41,675), and are disclosed under operating expenses (Note 14b). Leased assets are not subleased.

3. Long-term financial investments

(EUR)	31 Dec. 2021	31 Dec. 2020
Long-term financial investments, excluding loans		
Shares and interests in Group companies	3,799,248	2,539,530
Total	**3,799,248**	**2,539,530**

(EUR)	2021	2020
As at 1 January	**2,539,530**	**2,627,000**
Acquisitions	1,409,718	190,880
Reversal of impairment	207,500	-
Impairments	(357,500)	(278,350)
As at 31 December	**3,799,248**	**2,539,530**

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

On 18 June 2020, the Company signed a shares purchase agreement for Ilirika AD Skopje as part of the merger process with Generali Investments AD Skopje. Conditions of merger were fulfilled on 30 December 2020 when the merged company was entered in the register. Generali Investment's share in the subsidiary thus decreased to 72,62% as at 31 December 2020. In January 2021, the company acquired an additional share in the subsidiary Generali Investments A. D. Skopje, Macedonia, thus becoming 98.34% owner of this subsidiary.

As at 31 December 2021, no securities were pledged. The capital commitment of EUR 272,151 (2020: EUR 300,949) with respect to Generali CP LLC LP and the related private equity fund is shown under off-balance items.

In 2021, the Company’s investment in the subsidiary Generali Investments d.o.o. Croatia was impaired at the level of EUR 357,500 and made reversal of an impairment in the subsidiary Generali Investments AD, Macedonia in amount of EUR 207,500. Impairment expenses are presented under Financial expenses (Note 16), revenues of reversal of impairment are shown under Financial revenues (Note 15).

4. Short-term financial investments

(EUR)	31 Dec. 2021	31 Dec. 2020
Short-term financial investments, excluding loans		
Mutual fund units	1,613,355	1,453,841
Other short-term financial investments	7,168,902	5,732,379
Total	**8,782,257**	**7,186,220**

Mutual fund units comprise investments in sixteen subfunds of the Generali Umbrella Fund, two subfunds of Generali Investments Croatia, and two subfunds of the Generali Investments AD 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
2021		
As at 1 January	**7,186,220**	**7,186,220**
Acquisitions	4,817,905	4,817,906
Disposals	(3,431,564)	(3,431,564)
Fair value change through equity	397,103	397,103
Accrued interest	(94,411)	(94,411)
Interest paid	(92,997)	(92,997)
As at 31 December	**8,782,257**	**8,782,257**

(EUR)	Financial investments available for sale	Total
2020		
As at 1 January	**3,793,852**	**3,793,852**
Acquisitions	5,210,742	5,210,742
Disposals	(1,771,387)	(1,771,387)
Fair value change through equity	40,248	40,248
Accrued interest	(42,591)	(42,591)
Interest paid	(44,644)	(44,644)
As at 31 December	**7,186,220**	**7,186,220**

5. Short-term operating receivables

(EUR)	31 Dec. 2021	31 Dec. 2020
Short-term receivables		
Short-term receivables from subsidiaries	135,193	76,472
Short-term receivables from retail clients	98,474	94,869
Short-term receivables from third parties	41,956	40,576
Total	**275,623**	**211,917**

No overdue receivables are recorded. Receivables are unsecured.

Short-term operating receivables comprise EUR 30,454 (2020: EUR 34,531) of receivables arising from the set-off of the input value added tax.

6. Cash and cash equivalents

(EUR)	31 Dec. 2021	31 Dec. 2020
Cash in hand and in bank accounts	397,469	531,780
Callable deposits	-	250,000
Deposits up to 3 months	-	250,000
Total	**397,469**	**1,031,780**

7. Short-term deferred expenses and accrued income

(EUR)	31 Dec. 2021	31 Dec. 2020
Short-term deferred expenses	328,856	382,765
Short-term accrued income	100,672	86,706
Total	**429,528**	**469,471**

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

Changes in short-term deferred expenses and accrued income

(EUR)	2021	2020
As at 1 January	**469,471**	**391,990**
Formation	1,111,985	1,371,973
Use	(1,151,928)	(1,294,492)
As at 31 December	**429,528**	**469,471**

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 2021, the Company generated EUR 3,182,504 of net profit for the period. Equity as at 31 December 2021 amounted to EUR 13,888,212.

According to the resolution of 17 March 2021 on the appropriation of distributable profit, the distributable profit for 2020 in the amount of EUR 5,610,016.70 is used as follows:

- EUR 2,235,049.51 dividend payment,

- EUR 3,374,967.19 decision-making on its appropriation was carried over to the following year.

The Company's ownership structure as at 31 December 2021:

Generali zavarovalnica d.d. 100.00%

Utilisation of net profit for the period

Accumulated profit for 2021 totalled EUR 6,557,47.98 consisting of net profit for 2021 in the amount of EUR 3,182,503.79 and profit brought forward of EUR 3,374,967.19.

The following appropriation is proposed:

- EUR 3,182,503.79 of distributable profit shall be distributed to the Shareholder as a share in the profit;
- EUR 3,374,967.19 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
2020		
As at 1 January	**183,982**	**183,982**
Revaluation – gross	40,248	40,248
Revaluation – tax	(7,646)	(7,646)
As at 31 December	**216,584**	**216,584**
2021		
As at 1 January	**216,584**	**216,584**
Revaluation – gross	397,103	397,103
Revaluation – tax	(75,450)	(75,450)
As at 31 December	**538,237**	**538,237**

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
2020				
As at 1 January	**70,348**	**594**	**26,198**	**97,140**
Formation	3,759	2,324	-	6,083
Use	(3,816)	-	-	(3,816)
Decrease	-	-	(9,231)	(9,231)
As at 31 December	**70,291**	**2,918**	**16,967**	**90,176**
2021				
As at 1 January	**70,291**	**2,918**	**16,967**	**90,176**
Formation	8,348	2,222	-	10,570
Use	(460)	-	-	(460)
Decrease	-	-	(3,240)	(3,240)
As at 31 December	**78,179**	**5,140**	**13,727**	**97,046**

In 2009, the Company launched a new product, "VIP100 Premium Savings Plan", which rewards investors with a closing bonus by reimbursing the subscription fee at the end of the savings period. As at 31 December 2021 provisions for long-term deferred income stood at EUR 13,727 (2020: EUR 16,967).

10. Financial liabilities

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

(EUR)	Leases
31 Dec. 2020	**216,113**
Increases – new leases or modified terms	542,991
Decreases – new leases or modified terms	-
Lease payments	(209,130)
Interest	7,715
31 Dec. 2021	**557,689**
Current part	199,010
Non-current part	358,679

Other financial liabilities include lease liabilities. As at 31 December 2021, the Company recorded EUR 445,162 (2020: EUR 174,128) of liabilities from real-estate lease with the parent company. Liabilities from real-estate lease stood at EUR 445,162 (2020: EUR 174,128), and liabilities from car lease stood at EUR 112,527 (2020: EUR 41,985).

11. Operating liabilities

(EUR)	31 Dec. 2021	31 Dec. 2020
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	1,723	6,757
Short-term operating liabilities to suppliers	412,348	296,228
Short-term operating liabilities from taxes and contributions	425,667	376,057
Short-term operating liabilities to employees	255,237	237,036
Other short-term operating liabilities	3,950	4,559
Total	**1,098,925**	**920,637**

The Company has no overdue liabilities.

12. Short-term accrued expenses and deferred income

(EUR)	31 Dec. 2021	31 Dec. 2020
Short-term accrued expenses	1,099,869	695,653
Accrued unused leave expenses	154,890	149,039
Total	**1,254,759**	**844,692**

Changes in short-term accrued expenses and deferred income

(EUR)	2021	2020
As at 1 January	**844,692**	**489,480**
Formation	1,438,908	1,849,461
Use	(1,028,842)	(1,494,249)
As at 31 December	**1,254,759**	**844,692**

Short-term accrued expenses relate to auditing, unused annual leave, agents, variable remuneration components and other expenses for 2021.

13. Balance sheet items by geographical segments

(EUR)	Slovenia	EU	non-EU	Total
31 Dec. 2020				
Assets	**5,456,245**	**8,877,060**	**2,694,177**	**17,027,483**
Intangible assets	2,675,670	-	-	**2,675,670**
Property, plant and equipment	643,431	-	-	**643,431**
Long-term financial investments	142,849	1,572,500	2,083,898	**3,799,248**
Deferred tax assets	24,257	-	-	**24,257**
Short-term financial investments	892,473	7,279,505	610,279	**8,782,257**
Short-term operating receivables	250,568	25,055	-	**275,623**
Cash and cash equivalents	397,469	-	-	**397,469**
Deferred expenses and accrued income	429,528	-	-	**429,528**
Liabilities	**2,846,714**	**241,815**	**50,742**	**3,139,271**
Provisions and long-term accrued expenses and	97,046	-	-	**97,046**
Long-term financial liabilities	358,679	-	-	**358,679**
Long-term operating liabilities	4,600	-	-	**4,600**
Deferred tax liabilities	126,252	-	-	**126,252**
Short-term financial liabilities	199,010	-	-	**199,010**
Short-term operating liabilities	853,984	194,199	50,742	**1,098,925**
Deferred expenses and accrued income	1,207,143	47,616	-	**1,254,759**

(EUR)	Slovenia	EU	non-EU	Total
31 Dec. 2020				
Assets	**5,963,685**	**7,752,357**	**1,030,082**	**14,746,124**
Intangible assets	2,935,496	-	-	**2,935,496**
Property, plant and equipment	310,603	-	-	**310,603**
Long-term financial investments	114,050	1,930,000	495,480	**2,539,530**
Deferred tax assets	61,108	-	-	**61,108**
Short-term financial investments	829,261	5,822,357	534,602	**7,186,220**
Short-term operating receivables	211,916	-	-	**211,916**
Cash and cash equivalents	1,031,780	-	-	**1,031,780**
Deferred expenses and accrued income	469,471	-	-	**469,471**
Liabilities	**1,999,129**	**29**	**127,861**	**2,127,019**
Provisions and long-term accrued expenses and	90,176	-	-	**90,176**
Long-term financial liabilities	28,889	-	-	**28,889**
Long-term operating liabilities	4,600	-	-	**4,600**
Deferred tax liabilities	50,802	-	-	**50,802**
Short-term financial liabilities	187,224	-	-	**187,224**
Short-term operating liabilities	792,746	29	127,861	**920,636**
Deferred expenses and accrued income	844,692	-	-	**844,692**

14. Analysis of sales and costs

A. Operating income

(EUR)	2021	2020
Income from the sale of goods and services		
Income from the sale of services in Slovenia	**13,731,590**	**11,212,016**
Group companies	847,059	674,913
Others	12,884,531	10,537,103
Income from the sale of services in the EU	**166,480**	**-**
Group companies	166,468	-
Others	12	-
Total	**13,898,070**	**11,212,016**
Other operating income		
Other operating income from revaluation	50,068	47,199
Total	**50,068**	**47,199**

(EUR)	2021	2020
Income from management fees	13,580,142	11,052,382
Income from entry charges	145,176	59,578
Income from exit charges	8,344	9,575
Other income	164,408	90,481
Total	**13,898,070**	**11,212,016**

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)	2021	2020
Costs of goods and materials		
Costs of raw materials	31,442	42,904
Costs of energy	16,049	10,058
Total	**47,491**	**52,962**
Costs of services		
Costs of transport and postal services	340,986	339,144
Rental and maintenance costs	636,432	584,090
Reimbursement of labour-related costs to employees	32,685	16,958
Payment transactions and banking services	32,462	26,446
Insurance costs	9,836	8.676
Costs of trade shows, advertising, entertainment	453,242	375,924
Costs of services of agents acquiring investors	1,690,272	1,133,585
Costs of intellectual and personal services	1,435,182	1,212,906
Costs of other services	544,007	545,036
Cost of services provided by natural persons under employment contracts	37,557	2,186
Total	**5,212,661**	**4,244,951**
Labour costs		
Wages and salaries	2,977,296	2,672,703
Pension insurance costs	312,118	280,385
Other social insurance costs	223,475	201,090
Other labour costs	172,785	204,992
Provisions for employee benefits, unused annual leave	111,990	125,175
Total	**3,797,664**	**3,484,345**
Amortisation/Depreciation	**491,658**	**475,206**

Revaluation operating expenses		
Expenses from the disposal of fixed assets	1,988	1,756
Total	**1,988**	**1,756**
Other operating expenses		
Payments for humanitarian and cultural purposes	4,180	7,220
Other operating expenses	6,575	30
Total	**10,755**	**7,250**
Total	**9,562,217**	**8,266,470**

Analysis of costs, by functional groups

(EUR)	2021	2020
Cost analysis by function		
Selling costs	4,148,882	3,372,426
General costs	5,413,335	4,894,044
Total	**9,562,217**	**8,266,470**
Auditing costs (including tax)		
Annual report auditing*	15,616	12,200
Other assurance services*	15,616	23,879
Total	**31,232**	**36,079**

*Auditor costs **Cost of other companies.

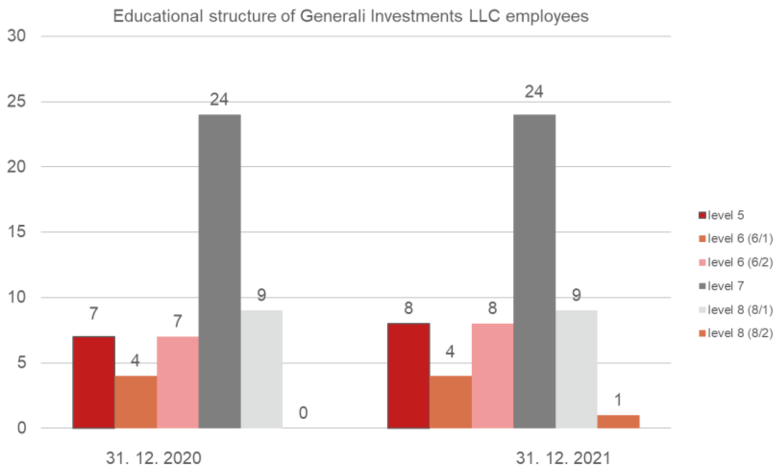
Remuneration of Management Board and Supervisory Board members

(EUR)	2021	2020
Executive directors	354,118	291,749
Supervisory Board	26,000	-
Employees under management contracts	230,707	253,438
Total	**610,825**	**545,187**

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 2021, the Company records operating liabilities to both members of the Management Board in the amount of EUR 22,913.

Employees

The Company employed 54 people as at 31 December 2021, no employee have been absent due to parental leave. The average number of employees in 2021 and 2020 was 51.75 and 51.50 respectively. The average number of employees based on working hours in 2021 was 48.05. At the end of 2021, women and men represented 61.11% and 38.89% of the staff, respectively.



Potential liabilities – legal actions

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

15. Financial income

(EUR)	2021	2020
Financial income from participating interests		
Financial income from participating interests in Group companies		
Dividends	-	105,147
Reversal of impairment	207,500	
	207,500	**105,147**
Financial income from interests in other entities		
Financial income from interests in other entities		
Realised gains	49,777	764
Interest	70,241	2,851
Total	**120,018**	**3,615**
Total	**327,518**	**108,762**
Financial income from loans		
Financial income from loans to Group companies	-	-
Financial income from loans to others	-	174
Total	**-**	**174**
Financial income from operating receivables		
Financial income from operating receivables from others	701	9,038
Total	**701**	**9,038**
Total financial revenue	**328,219**	**117,974**

16. Financial expenses

(EUR)	2021	2020
Financial expenses from impairments and write-offs of financial investments		
Financial expenses from impairments of Group companies		
Impairments	357,500	278,350
	357,500	**278,350**
Financial expenses from impairments and write-offs of other companies		
Financial expenses from interests in other entities	-	39
	-	**39**
Total	**357,500**	**278,389**
Financial expenses from financial liabilities		
Financial expenses from other financial liabilities	7,715	10,816
Total	**7,715**	**10,816**
Financial expenses from operating liabilities		
Other financial expenses from operating liabilities	169,448	48,765
Total	**169,448**	**48,765**
Total financial expenses	**534,663**	**337,970**

17. Other income and other expenses

(EUR)	2021	2020
Other income		
Other income	3,573	6
Total	**3,573**	**6**
Other expenses		
Fines and compensation	46,500	-
Other expenses	123,158	5
Total	**169,658**	**5**

18. Items of income statement by geographical segments

(EUR)	Slovenia	EU	non-EU	Total
2021				
Net sales	13,731,590	166,480	-	13,898,070
Other operating income	50,068	-	-	50,068
Costs of goods, materials and services	(4,144,652)	(485,142)	(630,358)	(5,260,152)
Labour costs	(3,797,664)	-	-	(3,797,664)
Depreciation and other costs	(504,401)	-	-	(504,401)
Financial income	701	327,518	-	328,219
Financial expenses	(7,715)	(526,948)	-	(534,663)
Other income	3,573	-	-	3,573
Other expenses	(169,658)	-	-	(169,658)
Profit or loss before tax	**5,161,842**	**(518,092)**	**(630,358)**	**4,013,392**
2020				
Net sales	11,212,016	-	-	11,212,016
Other operating income	47,199	-	-	47,199
Costs of goods, materials and services	(3,479,809)	(216,536)	(601,568)	(4,297,913)
Labour costs	(3,484,345)	-	-	(3,484,345)
Depreciation and other costs	(484,212)	-	-	(484,212)
Financial income	9,212	108,762	-	117,974
Financial expenses	(59,620)	(278,350)	-	(337,970)
Other income	6	-	-	6
Other expenses	(5)	-	-	(5)
Profit or loss before tax	**3,760,442**	**(386,124)**	**(601,568)**	**2,772,750**

19. Deferred taxes

Balance of deferred taxes

(EUR)	31 Dec. 2021	31 Dec. 2020
Deferred tax assets	24,257	61,108
Deferred tax liabilities	(126,252)	(50,802)
Total deferred tax	**(101,995)**	**10,306**

Changes in deferred taxes

	2021	2020
As at 1 January	**10,306**	**56,420**
Deferred tax charged /(credited) to profit or loss	(36,851)	(38,468)
Deferred tax charged/(credited) to equity	(75,450)	(7,646)
As at 31 December	**(101,995)**	**10,306**

Changes in deferred tax assets

(EUR)	Valuation of investments	Reserves	Other	Total
2020				
As at 1 January	**10,177**	**6,683**	**82,717**	**99,576**
Deferred tax charged/(credited) to profit or loss	-	(5)	(38,463)	**(38,468)**
As at 31 December	**10,177**	**6,677**	**44,254**	**61,108**
As at 1 January	**10,177**	**6,683**	**82,717**	**99,576**
2021				
As at 1 January	**10,177**	**6,677**	**44,254**	**61,108**
Deferred tax charged/(credited) to profit or loss	-	749	(37,600)	**(36,851)**
As at 31 December	**10,177**	**7,426**	**6,654**	**24,257**

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

Changes in deferred tax liabilities

	Valuation of investments	Total
2020		
As at 1 January	**43,156**	**43,156**
Deferred tax charged/(credited) to profit or loss	-	-
Deferred tax charged/(credited) to equity	7,646	7,646
As at 31 December	**50,802**	**50,802**
2021		
As at 1 January	**50,802**	**50,802**
Deferred tax charged/(credited) to profit or loss	-	-
Deferred tax charged/(credited) to equity	75,450	75,450
As at 31 December	**126,252**	**126,252**

20. Corporate income tax

(EUR)	2021	2020
Profit or loss before tax	**4,013,392**	**2,772,749**
Income adjustment for tax purposes	-	(106,389)
Expenses adjustment for tax purposes	393,395	377,582
Tax relief	(227,644)	(416,408)
Total tax base	**4,179,143**	**2,627,534**
Tax rate	**19%**	**19%**
Income tax	**794,037**	**499,232**

21. Transactions with related parties

Sales to related parties

(EUR, including VAT)	2021	2020
Sales to related companies		
Group companies	1,018,899	885,970
	1,018,899	**885,970**
Purchases from related companies		
Group companies	1,585,070	1,089,594
	1,585,070	**1,089,594**

Outstanding items arising from sales to and purchases form related parties

(EUR)	31 Dec. 2021	31 Dec. 2020
Outstanding receivables to related companies		
Group companies	135,193	76,472
	135,193	**76,472**
Outstanding liabilities to related companies		
Group companies	1,723	6,757
	1,723	**6,757**

Transactions with the parent company Generali d.d. and the subsidiaries of Generali Investments d.o.o. are shown. A separate overview of transactions with each company is included and disclosed in the report on relations with affiliated companies pursuant to Article 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; 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 2021 under the item of short-term financial investments, if all the other parameters remain unchanged.

(EUR)	31 Dec. 2021
Investments in mutual fund units, at fair value	**1,613,355**
Effect of price change +5%	80,668
Effect of price change -5%	(80,668)

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. 2021				
Debt securities	7,168,902	-	-	7,168,902
Receivables and deferred expenses and accrued income	705,151	2,097	(2,097)	705,151
Total	**7,874,053**	**2,097**	**(2,097)**	**7,874,053**
31 Dec. 2020				
Debt securities	5,732,379	-	-	5,732,379
Receivables and deferred expenses and accrued income	681,388	2,097	(2,097)	681,388
Total	**6,413,767**	**2,097**	**(2,097)**	**6,413,767**

Fair values

(EUR)	31 Dec. 2021	31 Dec. 2020
Long-term financial investments		
Shares and interests in Group companies	4,469,349	3,784,752
	4,469,349	**3,784,752**
Short-term financial investments		
Other short-term financial investments	8,782,257	7,186,220
	8,782,257	**7,186,220**

23. Events after the balance sheet date

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

The Russia-Ukraine conflict and the COVID-19 situation have no direct impact on the Management Company for the time being. However, they have an indirect impact through the volume of assets under management. Both the epidemiological situation, in particular in China, as well as the aforementioned conflict and the related international sanctions, have an impact on capital markets developments, on macroeconomic indicators, and on commodity and energy prices. All this may have some effects on the value of equities and bonds representing the assets of the Generali Umbrella Fund subfunds and other portfolios under management. The development of asset values has an effect on the collected management fee charged by the Management Company. A potential decrease in the management fee collected could have an adverse effect on the Management Company's profitability. Nevertheless, the impact of the epidemic and the Russia-Ukraine conflict is difficult to evaluate for the moment.

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

This document is a free translation of the Slovenian original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Slovenian original should be referred to in matters of interpretation.

Independent Auditors' Report

To the owners 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 2021;

and, for the period from 1 January to 31 December 2021:

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

and

- notes, comprising a summary of significant 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

The Independent Auditor's Report is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

TRR: SI56 2900 0000 1851 102
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št. reg. vl.: 061/12062100
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KPMG

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 Matter

The financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on 10 March 2021.

Other Information

Management is responsible for other information. The other information comprises the Business Report 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report, we considered 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, in all material respects:

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

In addition, in light of the knowledge and understanding of the Company and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Business Report. We have nothing to report in this respect.

Responsibility of Management 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 (2016), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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;
- 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 management 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.

Domagoj Vuković
Certified Auditor

Ljubljana, 21 April 2022

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Appendix to the financial statements

Assets managed under discretionary mandates

Year	Number of customers	Assets under management	Management fee	Success fee
2020	20	684,728,925	881,064	-
2021	25	1,014,284,996	1,071,692	73,448

Structure of income from fees

(EUR)	Management fee	Entry fee	Exit fee	Total 2021
Generali Global, Equity[9]	444,805	1,269	1,052	**447,126**
Generali Galileo, Mixed Flexible Fund	2,152,241	8,381	1,347	**2,161,969**
Generali Rastko Europe, Equity	1,079,579	2,559	-	**1,082,139**
Generali Bond - EUR	413,806	20,593	-	**434,399**
Generali MM, Money Market - EUR	25,979	-	-	**25,979**
Generali First Selection, Fund of Equity Funds	838,927	34,160	1,882	**874,968**
Generali South Eastern Europe, Equity	524,389	643	-	**525,032**
Generali New Markets, Equity	820,528	5,047	2,423	**827,999**
Generali Raw Materials and Energy, Equity	186,270	4,053	-	**190,324**
Generali Technology, Equity	1,344,348	33,790	-	**1,378,138**
Generali Vitality, Equity	1,033,749	17,430	856	**1,052,035**
Generali India – China, Equity	673,853	9,309	307	**683,469**
Generali Latin America, Equity	42,080	915	272	**43,266**
Generali Eastern Europe, Equity	185,236	1,267	204	**186,707**
Generali America, Equity	745,448	3,978	-	**749,426**
Generali Corporate Bonds - EUR	76,745	141	-	**76,886**
Total	**10,587,984**	**143,535**	**8,344**	**10,739,862**

[9] Rebranding from Generali Dividendni, delniški (Generali Dividend, Equity) on 7 April 2021

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

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
2021				
Related party				
B1	135,193	-	1,723	3,799,248
E	-	-	22,913	-
Total	**135,193**	**-**	**24,636**	**3,799,248**
2020				
Related party				
B1	76,472	-	6,757	2,539,530
E	-	-	23,340	-
Total	**76,472**	**-**	**30,097**	**2,539,530**

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