



KAPITALSKA DRUŽBA



ANNUAL REPORT 2022

Kapitalska družba d. d.

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List of abbreviations

| | |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISA | Insurance Supervision Agency |
| GDP | Gross Domestic Product |
| BVAL | Bloomberg Valuation Service |
| CBBT | Composite Bloomberg Bond Trader |
| ECB | European Central Bank |
| ESC | Economic and Social Council |
| EU | European Union |
| EUR | Euro – currency of the European Union |
| FARS | Financial Administration of the Republic of Slovenia |
| IMF | International Monetary Fund |
| KDD | Central Securities Clearing Corporation |
| MLFSAEO | Ministry of Labour, Family, Social Affairs and Equal Opportunities |
| MKPS | Modri Umbrella Pension Fund |
| MESP | Ministry of the Environment and Spatial Planning |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| OdSUKND | Decree on the Strategy for Managing State Capital Investments (Official Gazette of the Republic of Slovenia No. 53/2015) |
| IASB | International Accounting Standards Board |
| IFRIC | International Financial Reporting Interpretations Committee |
| OTC | Over-the-counter market |
| PDPZ | Voluntary supplementary pension insurance |
| RS | Republic of Slovenia |
| SBITOP | Central Slovenian stock market index |
| SDH | Slovenski državni holding, d. d. (or Slovenski državni holding) |
| SODPZ | Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia |
| SORS | Statistical Office of the Republic of Slovenia |
| IMAD | Institute of Macroeconomic Analysis and Development |
| USD | US dollar – legal tender of the United States of America |
| VaR | Value At Risk |
| ZDUPŠOP | Act on Additional Measures to Stop the Spread and to Mitigate, Control and Eliminate the Consequences of covid-19 (Official Gazette of the Republic of Slovenia Nos. 206/2021, 11/2022, 17/2022 – Constitutional Court ruling, 52/2022 – Constitutional Court decision, 141/2022 – ZNUNBZ) |
| ZGD-1 | Companies Act (Official Gazette of the Republic of Slovenia, Nos. 42/2006, 60/2006 – amended, 26/2007 – ZSDU-B, 33/2007 – ZSReg-B, 67/2007 – ZTFI, 10/2008, 68/2008, 42/2009, 33/2011, 91/2011, 100/2011 – Constitutional Court ruling, 32/2012, 57/2012, 44/2013 – Constitutional Court ruling, 82/2013, 55/2015, 15/2017, 22/2019 – ZPosS, 158/2020 – ZIntPK-C, 175/2020 – ZIUOPDVE and 18/2021) |

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| ZIPRS2223 | Implementation of the Budget of the Republic of Slovenia for 2022 and 2023 Act (Official Gazette of the Republic of Slovenia, Nos. 187/2021 and 206/2021 – ZDUPŠOP) |
| ZIPRS2324 | Implementation of the Budget of the Republic of Slovenia for 2023 and 2024 Act (Official Gazette of the Republic of Slovenia, No.150/2022) |
| ZNVP-1 | Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, Nos. 75/2015, 74/2016 – ORZNVP48, 5/2017, 15/2018 – Constitutional Court ruling and 43/2019) |
| ZODPol | Organisation and Work of the Police Act (Official Gazette of the Republic of Slovenia, Nos. 15/2013, 11/2014, 86/2015, 77/2016, 77/2017, 36/2019, 66/2019 – ZDZ, 200/2020, 172/2021, 201/2021 – Constitutional Court decision, 105/2022 – ZZNŠPP, 141/2022) |
| ZPIZ | Pension and Disability Insurance Institute |
| ZPIZ-1 | Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia Nos. 106/1999, 72/2000, 81/2000 – ZPSV-C, 124/2000, 52/2001, 109/2001, 11/2002, 108/2002, 114/2002, 110/2002 – ZISDU-1, 29/2003, 40/2003 – Constitutional Court ruling, 63/2003 – ZIPRS0304-A, 63/2003 – Constitutional Court ruling, 133/2003, 135/2003, 25/2004, 63/2004 – ZZRZI, 136/2004 – Constitutional Court ruling, 2/2004 – ZDSS-1, 54/2004 – ZDoh-1, 8/2005, 72/2005, 111/2005, 23/2006, 69/2006, 112/2006 – Constitutional Court ruling, 114/2006 – ZUTPG, 17/2007, 5/2008, 10/2008 – ZVarDod, 73/2008, 53/2009, 98/2009 – ZIUZGK, 27/2010 – Constitutional Court ruling, 38/2010 – ZUKN, 56/2010, 79/2010 – ZPKDPIZ, 94/2010 – ZIU, 57/2011, 94/2011 – Constitutional Court ruling, 105/2011 – Constitutional Court ruling, 61/2010 – ZSVarPre, 40/2011 – ZSVarPre-A, 110/2011 – ZDIU12, 40/2012 – ZUJF, 96/2012 – ZPIZ-2, 9/2017 – Constitutional Court ruling, 121/2021, 171/2021 – Constitutional Court ruling) |
| ZPIZ-2 | Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 96/2012, 39/2013, 46/2013 – ZIPRS1314-A, 63/2013 – ZIUPTDSV, 99/2013 – ZSVarPre-C, 101/2013 – ZIPRS1415, 111/2013 – ZMEPIZ-1, 44/2014, 85/2014 – ZUJF-B, 95/2014 – ZIUPTDSV-A, 97/2014 – ZMEPIZ-1A, 95/2014 – ZIPRS1415-C, 95/2014 – ZUPPJS15, 95/2014 – ZUJF-C, 31/2015 – ZISDU-3, 90/2015 – ZIUPTD, 90/2015 – ZUPPJS16, 96/2015 – ZIPRS1617, 102/2015, 42/2016 – Constitutional Court ruling, 80/2016 – ZIPRS1718, 88/2016 – ZUPPJS17, 40/2017, 23/2017, 75/2017 – ZIUPTD-A, 65/2017, 71/2017 – ZIPRS1819, 28/2019, 75/2019 – ZIPRS2021, 75/2019 – ZUPPJS2021, 75/2019, 36/2020 – ZIUJP, 49/2020 – ZIUZEOP, 61/2020 – ZIUZEOP-A, 139/2020 – ZUPPJS2021-A, 139/2020, 174/2020 – ZIPRS2122, 189/2020 – ZFRO, 15/2021 – ZDUOP, 51/2021, 74/2021 – ZIPRS2122-A, 121/2021, 162/2021, 187/2021 – ZIPRS2223, 10/2022, 29/2022 – ZUOPDCE, 150/2022 – ZIPRS2324) |
| ZPPOGD | Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, Nos. 21/2010, 8/2011 and 23/2014 – ZDIJZ-C) |
| ZSDH-1 | Slovenian Sovereign Holding Company Act (Official Gazette of the Republic of Slovenia, Nos. 25/2014, 96/2015 – ZIPRS1617, 80/2016 – ZIPRS1718, 71/2017 – ZIPRS1819, 51/2018 – ZIUJGDT, 174/2020 – ZIPRS2122, 187/2021 – ZIPRS2223, 140/2022, 150/2022 – ZIPRS2324) |
| ZUJIK | Act Governing the Promotion of Public Interest in Culture (Official Gazette of the Republic of Slovenia, Nos. 96/2002, 123/2006 [ZFO-1], 7/2007 [Constitutional Court ruling], 53/2007, 65/2007 [Constitutional Court ruling], 56/2008, 4/2010, 20/2011, 100/2011 [Constitutional Court ruling], 111/2013, 68/2016, 61/2017, 21/2018 [ZNOrg], 49/2020 [ZIUZEOP], 3/2022 – ZDeb, 105/2022 – ZZNŠPP) |
| ZUOPVCE | Act Determining Emergency Measures to Mitigate the Consequences of Rising Energy Prices (Official Gazette of the Republic of Slovenia No. 29/2022) |
| ZZavar-1 | Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 93/2015, 9/2019, 49/2020 – ZIUZEOP and 102/2020) |

1 Highlights from the annual report

THE VALUE OF ASSETS

OF KAPITALSKA DRUŽBA, D. D.,

stood at

EUR 1,3 billion

at the end of 2022

THE VALUE OF ASSETS

under management by Kapitalska družba, d. d.,

IN THE SODPZ was

EUR 852,4

million

at the end of 2022

A total of

50.301

policyholders held savings

IN THE SODPZ

at the end of 2022

Excluding the provisions created for the non-achievement of the guaranteed return of the SODPZ, **OPERATING PROFIT FOR 2022** would have been

EUR 4,6 AND **EUR -3.3**

million

million

if these provisions are included

Kapitalska družba, d. d.,
is a **CAPITALLY SOUND AND**
STABLE COMPANY, with

EUR 1,1
billion

in equity as at 31 December 2022

OPERATING REVENUE totalled

EUR 11,2

million

in 2022

FINANCIAL REVENUE totalled

EUR 68,5

million

in 2022

NET PROFIT for 2022

Excluding the transfer to the ZPIZ would have been

EUR
-19
million

or EUR -69 million if the transfer to the ZPIZ and the deferred taxes are included

EUR
-69
million

Kapitalska družba, d. d.,

transferred EUR 50 million to the budget of the ZPIZ in 2022

EUR
50
million

bringing total payments between 1999 and 2022 to more than

EUR
1
billion



INTRODUCTION
TO THE ANNUAL REPORT

2 Presentation of Kapitalska družba, d. d.

2.1 General information

2.1.1 Company

Company name: Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.

Abbreviated company name: Kapitalska družba, d. d.

Company name in English: Pension Fund Management

Registered office: Dunajska cesta 119, Ljubljana

Registration number: 5986010000

VAT ID number: SI59093927

Entry in companies register: Ljubljana District Court, reg. no. 1/28739/00

2.1.2 Ownership structure and data regarding capital

The Republic of Slovenia was Kapitalska družba's sole shareholder as at 31 December 2022.

The Company's share capital in the amount of EUR 364,809,523.15 is divided into 874,235 ordinary registered no-par-value shares. Each no-par-value share represents the same stake and corresponding amount in the share capital.

2.1.3 Activities of the Company

Kapitalska družba's principal activity is the management of its own assets and the management of the Compulsory Supplementary Pension Insurance Fund (hereinafter: the SODPZ), aimed at providing additional funds for pension and disability insurance. Kapitalska družba also performs other activities related to asset management and provides asset management support services.

Kapitalska družba's activities are defined by the law and the Company's Articles of Association, according to which Kapitalska družba pursues the following business activities:

- 58.110 Book publishing
- 58.120 Publishing of directories and mailing lists
- 58.130 Publishing of newspapers
- 58.140 Publication of journals and other periodicals
- 58.190 Other publishing activities
- 58.290 Other software publishing

- 59.200 Sound recording and music publishing activities
- 62.010 Computer programming activities
- 62.020 Computer consultancy activities
- 62.030 Computer facilities management activities
- 62.090 Other information technology and computer service activities
- 63.110 Data processing, hosting and related activities
- 63.120 Web portals
- 64.200 Activities of holding companies
- 64.300 Trusts, funds and similar financial entities
- 64.990 Other financial service activities, except insurance and pension funding n.e.c.
- 65.300 Pension funding
- 66.210 Risk and damage evaluation
- 66.290 Other activities auxiliary to insurance and pension funding
- 68.100 Buying and selling of own real estate
- 68.200 Renting and operating of own or leased real estate
- 69.200 Accounting, bookkeeping and auditing activities; tax consultancy
- 70.100 Activities of head offices
- 70.220 Business and other management consultancy activities
- 73.200 Market research and public opinion polling
- 85.590 Other education n.e.c.
- 85.600 Educational support activities

2.1.4 Company bodies

2.1.4.1 Management Board



Bachtiar Djalil, President



Gregor Bajraktarević, member

Kapitalska družba was run by its Management Board in 2022 in the following composition:

- | Bachtiar Djalil, President,
- | Gregor Bajraktarević, member.

The President and member of Kapitalska družba's Management Board were appointed by the Supervisory Board in accordance with the Company's Articles of Association and the provisions of the ZSDH-1, on the basis of a public tender procedure. One of the members of the Management Board is appointed the President thereof. Members of the Management Board serve a four-year term of office and may be re-appointed.¹

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

¹ Member of the Management Board Gregor Bajraktarević was appointed to a term of office of no more than one year from the day (8 February 2022) he assumed his function in accordance with Article 33 of the Articles of Association.

2.1.4.2 Supervisory Board

The Supervisory Board of Kapitalska družba functioned in the following composition in 2022:

- | Janez Tomšič, Chairman,
- | Dr Boris Žnidarič, Deputy Chairman,
- | Aleksander Mervar, MSc, member until 30 August 2022,
- | Ladislav Rožič, MSc, member,
- | Mirko Miklavčič, member,
- | Boštjan Leskovar, MSc,
- | Andreja Cedilnik, member since 31 August 2022.

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners. One member is appointed on the basis of a proposal by national-level trade union federations or confederations. If an individual interest group does not formulate a proposal for the appointment of members of the Supervisory Board in the manner defined below, the Company's General Meeting appoints missing members at its own discretion. The proposal for candidates to represent shareholders is formulated by SDH, which informs the Supervisory Board of its choice, while the proposal for candidates to represent pensioners is formulated by national-level federations/organisations of pensioners, which inform the Supervisory Board of their choice. The proposal for a candidate to represent trade unions is voted on by representatives (electors) of national-level representative federations/confederations, which inform the Supervisory Board of their choice. Each representative federation/confederation has as many representatives as the number of representative trade unions amalgamated within them. In addition to the representatives referred to in the preceding sentence, a federation/confederation each has one representative for every ten thousand members. Members of the Supervisory Board serve a four-year term of office and may be reappointed.

The Supervisory Board functioned with six members in 2022.

2.1.4.3 General meeting

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

2.1.5 Diversity policy

Kapitalska družba will adopt a diversity policy in 2023 in connection with representation on its management and supervisory bodies in terms of gender and other aspects, such as age, education and professional experience. Nevertheless, it should be noted that there are legal restrictions on the Company in terms of the Supervisory Board's diversity policy, as the sixth paragraph of Article 51 of the ZSDH-1 defines the interest make-up of the Supervisory Board, under which two of its six members are appointed on the basis of a proposal by a national-level federation/organisation of pensioners and one member is appointed on the basis of a proposal by national-level trade union federations or confederations.

2.1.6 Other

Kapitalska družba is deemed a public interest entity, but does not fulfil the criterion regarding the average number of employees pursuant to the provisions of Article 70c of the ZGD-1 (i.e. the average number of employees during the financial year is no more than 500 as at the balance sheet date). It is therefore not bound to draw up a statement regarding non-financial operations.

3 Statement of the Management Board

In an increasingly complex world, the importance of focusing on long-term sustainable goals that support balanced social and economic development is becoming increasingly apparent. After a remarkably successful recovery of the global and Slovenian economy in 2021, we faced a new geopolitical and economic shock in early 2022, triggered by the war in Ukraine. The energy and inflation price crisis have hit the macro-economic environment hard and have had a drastic impact on business and people's lives. While policy makers focus on mitigating the impact of the war in Ukraine, we are all also facing clear long-term changes, including the consequences of climate change and the digital revolution.

The direct and indirect consequences of the war in Ukraine have been fully reflected in the negative trends in financial markets, record inflation and the unexpectedly rapid rise in reference (benchmark) interest rates. Despite this, Kapitalska družba once again achieved its dual mission in 2022: the provision of supplementary funding for the public pension and disability insurance system and the effective provision of occupational insurance. Responsible corporate governance and transparency, as constant commitments of Kapitalska družba, became more important than ever before in such demanding circumstances.

Past years proved that no activity is completely resistant to severe and unexpected shocks in the external environment. In an extremely turbulent environment, Kapitalska družba generated an operating loss of EUR -3.3 million in 2022 due to provisions created for the failure to achieve the guaranteed return for the fund under management, and would have generated an operating profit of EUR 4.6 million without these provisions. It recorded a net operating loss in the amount of EUR -69 million in 2022 financial year. Excluding the transfer to the ZPIZ, net profit for 2022 would have been EUR 50 million higher at EUR -19 million, without taking into account tax effects.

As a demographic reserve fund, Kapitalska družba makes regular contributions to the public pension system, thus contributing to the coverage of the cost of pensions paid by ZPIZ. Kapitalska družba transferred EUR 50 million to the ZPIZ in 2022. The total amount of all previous transfers made by Kapitalska družba to the ZPIZ since 1999 surpassed EUR 1 billion in 2022. This represents more than 91% of the state budget's liabilities to the ZPIZ last year. Through the continuous fulfilment of commitments, we contribute to a reliable Slovenian pension system, although those total payments exceed the assets at Kapitalska družba's disposal. In accordance with the strategy for managing state capital investments, a significant portion of those investments are classified as strategic or material, and thus represent difficult-to-sell assets.

Because our mission is the permanent and sustainable development of a long-lived Slovenian society, our efforts are not simply for the benefit of the public pension system, but also focus on providing occupational pensions to employees in particularly difficult jobs. Occupational insurance, which is based on the actual savings of policyholders in a given period, is replacing pensions that are financed on the fly, and therefore represents a modern form of pension payment founded on a capital basis. The aforementioned insurance facilitates early retirement for employees who perform especially difficult work and work that is harmful to their health, and work that can no longer be performed successfully after a certain age, and does not use general government and budget sources. These pensions are one

of many possible sustainable forms that will become increasingly important due to the unfavourable demographic characteristics of Slovenian society.

The savings of more than 50,000 policyholders in the amount of more than EUR 850 million are accumulated in the Compulsory Supplementary Pension Insurance Fund, making it the second largest pension fund in Slovenia. Their return on assets in 2022 was -9.58%. In 2022, we continued with the intensive formulation of complex control processes for occupational insurance contributions that have been imposed on Kapitalska družba by the Act Amending the Pension and Disability Insurance Act. As the primary control processes became part of regular monthly activities, the working group concluded its work at the end of the year.

The mission of Kapitalska družba is to co-create the Slovenian pension system of the future. Meeting the expectations of all stakeholders requires the constant transformation of the Company's business model. Employing our vast experiences, we will continue to build our advantages in the future based on business excellence and committed and highly competent employees. With a focus on objectives and a commitment to business excellence, our aim is to actively participate in the formulation of Slovenia's future pension system. Its firm position in the scheme of the comprehensive pension system determines the main business policies of Kapitalska družba, which are based on socially responsible and sustainable business operations. Strongly anchored in the present, but with a view to the future, our aim is to co-formulate the right solutions for a lasting Slovenian society.



Gregor BAJRAKTAREVIĆ

Member of the Management Board



Bachtiar DJALIL

President of the Management Board

4 **Report** of the Supervisory Board of Kapitalska družba

REPORT OF THE SUPERVISORY BOARD OF KAPITALSKA DRUŽBA FOR 2022

Pursuant to Article 282 of the ZGD-1, the Supervisory Board of Kapitalska družba hereby submits the following report to the Company's General Meeting.

a) Report of the Supervisory Board on the method and extent of the verification of the Company's management during the financial year

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federation/organisation of pensioners and one is appointed on the basis of a proposal by national-level trade union federation or confederation. The same conditions and criteria that apply to members of SDH's Supervisory Board apply to the members of Kapitalska družba's Supervisory Board. Members of Kapitalska družba's Supervisory Board serve a four-year term of office and may be reappointed.

The Supervisory Board of Kapitalska družba functioned in the following composition up to and including 30 August 2022, when the term of office of the member of the Supervisory Board Aleksander Mervar, MSc, expired: Janez Tomšič (Chairman), Dr Boris Žnidarič (Deputy Chairman), Aleksander Mervar, MSc (member), Boštjan Leskovar, MSc (member), Mirko Miklavčič (member) and Ladislav Rožič, MSc (member). At the General Meeting held on 26 August 2022, Andreja Cedilnik was appointed member of the Supervisory Board for a four-year term of office starting on 31 August 2022. After that day, the composition of the Supervisory Board was the following: Janez Tomšič (Chairman), Dr Boris Žnidarič (Deputy Chairman), Boštjan Leskovar, MSc (member), Andreja Cedilnik, MSc (member), Mirko Miklavčič (member) and Ladislav Rožič, MSc (member).

All members were actively included in the work of the Supervisory Board, in particular through their regular attendance at sessions, and through their participation in discussions and the adoption of decisions. In connection with the adoption of decisions by the Supervisory Board, the rules of procedure of Kapitalska družba's Supervisory Board include provisions regarding steps to be taken in the event of a potential conflict of interests. In addition to disclosing the fact that he also serves as a member of SDH, d. d.'s Management Board, Chairman of the Supervisory Board Janez Tomšič, included a statement of self-exclusion in accordance with the fourth paragraph of Article 59 of the ZSDH-1 in the statement of independence he provided.

The Supervisory Board met at 17 sessions during the 2022 financial year as follows: seven regular sessions and ten correspondence sessions (ten sessions were held in the composition that functioned until 30 August 2022, while seven sessions were held in the composition that functioned from 31 August 2022 on).

Particular attention in the monitoring of Kapitalska družba's operations in 2022 was given to monitoring the management of the Company's assets and to monitoring the management of the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ), which is managed by Kapitalska družba.

At its 214th session of 26 May 2022, the Supervisory Board approved the annual report of Kapitalska družba for the 2021 financial year, adopted the report on the verification of the Company's annual report for 2021 and approved the proposal on the use of distributable profit. At the same session it also submitted a proposal to the General Meeting on the appointment of an audit firm for the business years 2022, 2023 and 2024. Furthermore, at the same session, the Supervisory Board was also briefed on the audited annual report of the SODPZ for 2021. At its 217th session of 27 June 2022, the Supervisory Board approved the consolidated annual report of the Kapitalska Družba Group for the 2021 financial year, and adopted the report on the verification of the consolidated annual report of the Kapitalska Družba Group for 2021. At its 218th session of 28 July 2022, the Supervisory Board approved the convocation of the Annual General Meeting which included a proposal for the appointment of a new member of the Supervisory Board due to the expiry of a term of office, namely a representative of the sole shareholder, proposed by SDH in accordance with the law.

The Supervisory Board was regularly briefed on the operations of the subsidiary Modra zavarovalnica, d. d. Special attention was given to the Company's management activities, in the scope of which the operations of individual Slovenian investments of significant value (some are defined as strategic or material investments according to the Strategy for Managing State Capital Investments) were discussed quarterly at sessions of the Supervisory Board. For these investments, the Management Board also obtained the Supervisory Board's consent with regard to the voting positions it formulated, prior to exercising the Company's voting rights at the general meetings of these companies. At its 226th session on 24 November 2022 the Supervisory Board decided to no longer issue its consent to the voting positions for the general meetings of these companies, considering the allocation of powers between the Management Board and the Supervisory Board, but will instead only acknowledge the positions of the Management Board in advance.

In accordance with the provisions of the Company's Articles of Association, the members of the Supervisory Board also gave the Management Board their consent to conclude transactions for the purchase and sale of securities and participating interests when the value of a specific transaction exceeded the value set out in the relevant Supervisory Board resolution. Among such approvals issued in 2022, the Supervisory Board also issued, at its 211th session of 21 February 2022, the approval to purchase the receivables due from the company Sava d. d. based on exercising the pre-emptive right exercised by Kapitalska družba, together with SDH, on the basis of a request from York Global Finance Offshore BDH (Luxembourg) S.A.R.L.

At its 227th session of 13 December 2022, the Supervisory Board gave its consent to Kapitalska družba's business-financial plan for the 2023 financial year.

For the needs of formulating a proposal for the General Meeting on the appointment of three new members (stakeholder representatives) to the Supervisory Board (due to the expiration of the previous members' term of office) and based on the proposal of candidates formulated in accordance with the provisions of Article 51 of the ZSDH-1 and Article 19 of the Company's Articles of Association, the Supervisory Board formulated a proposal for the General Meeting for the appointment of two members to the Supervisory Board based on the proposal of a national-level federation/organisation of pensioners and the appointment of one member based on a proposal by a national-level trade union federation or confederation. The General Meeting at which three new members of the Supervisory Board were appointed was held on 2 February 2023.

Based on the finding that the terms of office of both members of the Management Board expired in the beginning of 2023, the Supervisory Board decided at its 222nd meeting of 15 September 2022 to carry out the process of selection of two members of the Management Board, of which one would be appointed president of the Management Board, and approved the contents of the public tender. After the completed tender procedure, Bachtiar Djalil was reappointed President of the Management Board and Gregor Bajraktarević was reappointed Member of the Management Board, both for a four-year term of office, at the 226th meeting of 24 November 2022. The new terms of office started on 4 January 2023 for Bachtiar Djalil as President of the Management Board and on 9 February 2023 for Gregor Bajraktarević as Member of the Management Board.

The Supervisory Board carried out a self-assessment of the effectiveness of its work. In assessing its effectiveness, the Supervisory Board relied on the self-assessment matrix published in the Manual for Assessing the Effectiveness of Supervisory Boards, adopted by the Slovenian Directors' Association. On the basis of the self-assessment, the Supervisory Board conducted its analysis and adopted a guideline to put more emphasis on the training of the Supervisory Board members.

An audit committee, accreditation committee and HR committee functioned as advisory bodies to the Supervisory Board in 2022. The Supervisory Board finds that it cooperated with the committees, Management Board and the Company's expert departments effectively, properly and professionally at all times.

The earnings of members of the Supervisory Board and the external members of its committees are disclosed in the annual report in Tables 62 and 63.

Work of the Supervisory Board's Audit Committee

The Audit Committee of Kapitalska družba's Supervisory Board functioned in the following composition in 2022, from 1 January 2022 until 14 September 2022: Ladislav Rožič, MSc (chair), Aleksander Mervar, MSc (until the expiry of his term of office on 30 August 2022) and Mirko Miklavčič (members), and Natalija Stošički and Mojca Verbič (external members). The Audit Committee functioned in the following composition from 15 September 2022 until 31 December 2022: Andreja Cedilnik (chair), Ladislav Rožič, MSc, Mirko Miklavčič (members), Natalija Stošički and Mojca Verbič (external members).

The Audit Committee of the Supervisory Board met in eight sessions, two of which were correspondence sessions. Six committee sessions were held in the composition functioning until 14 September 2022 and two in the composition functioning from 15 September 2022 on.

The Audit Committee represented a permanent working body of the Supervisory Board, and throughout the financial year closely monitored the operations of the Company and the work of the Management Board for the needs of the Supervisory Board's decisions. In its work, the Audit Committee complied with the provisions of the ZGD-1 with respect to its competences, as well as the provisions of the rules of procedure of the audit committee as adopted by the Supervisory Board. In addition to its legally prescribed tasks, the Audit Committee also reviewed the interim reports on the operations of Kapitalska družba, its subsidiary and the SODPZ under Kapitalska družba's management, and it also performed additional tasks by authorisation of the Supervisory Board. It was briefed on information regarding the performance of individual companies of

significant value. It also monitored the work of the internal audit department. Following the selection process, the Audit Committee made a proposal to the Supervisory Board in 2022 for the appointment of the audit firm for the business years 2022-2024, reviewed the content of the audit contract and made a proposal to the Supervisory Board for its conclusion. It also carried out the process of self-assessment of the work performed in the previous year. The Audit Committee regularly briefed the Supervisory Board on its work during the latter's sessions.

Work of the Supervisory Board's Accreditation Committee

The Accreditation Committee of the Supervisory Board of Kapitalska družba functioned in the following composition in 2022, from 1 January 2022 until 14 September 2022: Dr Boris Žnidarič (chair), Aleksander Mervar, MSc (until the expiry of his term of office on 30 August 2022) and Ladislav Rožič, MSc (members) and Dr Alenka Stanič, Irena Prijović, MSc and Gorazd Žmavc (external members). The Supervisory Board's Accreditation Committee functioned in the following composition from 15 September 2022 to 31 December 2022: Dr Boris Žnidarič (chair), Boštjan Leskovar, MSc, and Ladislav Rožič, MSc (members) and Dr Alenka Stanič, Irena Prijović, MSc and Gorazd Žmavc (external members).

The Supervisory Board's Accreditation Committee met in three sessions of which one was a correspondence session. Two committee sessions were held in the composition functioning until 14 September 2022 and one in the composition functioning from 15 September 2022 on. The Accreditation Committee's task was to provide support to the Supervisory Board in the assessment of the suitability of candidates for members of the supervisory and management boards of companies in which Kapitalska družba holds capital investments who were selected from a predefined list of candidates. In its work, the Accreditation Committee complied with the provisions of the rules of procedure of the accreditation committee as adopted by the Supervisory Board.

Work of the HR Committee

The Supervisory Board's Human Resources Committee in 2022, from 1 January 2022 until 14 September 2022, functioned in the following composition: Boštjan Leskovar, MSc (chair), Aleksander Mervar, MSc, (until the expiry of the term of office on 30 August 2022) and Mirko Miklavčič (members). From 15 September 2022 until 31 December 2022, the Human Resources Committee has functioned in the following composition: Boštjan Leskovar, MSc (chair), Mirko Miklavčič and Andreja Cedilnik (members).

The Supervisory Board's Human Resources Committee met in nine sessions, three of which were correspondence sessions. Five committee sessions were held in the composition functioning until 14 September 2022 and four in the composition functioning from 15 September 2022 on. The principal tasks of the committee included the provision of support to the Supervisory Board in:

- preparing the basis for the procedure for the appointment of the president and member of the company's Management Board (competency profile, timetable, text of the public tender),
- reviewing applications, conducting interviews and making a proposal to the Supervisory Board for the appointment of the president and a member of the Management Board on the basis of the public tender,

- preliminary review of the employment contracts concluded with the two members of the Management Board,
- determination of the variable part of remuneration of the members of the company's Management Board.

The committee was also involved in activities in connection with the formulation of the proposal of a candidate who is a representative of national-level representative trade union federations/confederations for appointment to Kapitalska družba's Supervisory Board, and the review of the proposal of candidates who are representatives of national-level federations/organisations of pensioners for appointment to Kapitalska družba's Supervisory Board.

Assessment of the work of the Management Board and Supervisory Board

On the basis of the continuous monitoring and supervision of Kapitalska družba's operations and management during the financial year, and based on a review of the annual report compiled and submitted by the Management Board, the Supervisory Board assesses that the annual report and disclosures contained therein reflect the actual situation and position of Kapitalska družba. The Supervisory Board also assesses that the Management Board of Kapitalska družba successfully and properly managed the Company's transactions during the 2022 financial year and successfully achieved established business objectives. The Management Board prepared materials in a timely manner, which facilitated quality information and the thorough discussion of the most important operational matters. The Management Board also provided exhaustive responses to the Supervisory Board's additional questions and initiatives. The Management Board's reporting to the Supervisory Board enabled the latter to carry out its supervisory role satisfactorily in 2022.

In conclusion, the Supervisory Board finds that Kapitalska družba once again achieved its dual mission in 2022: the effective provision of occupational insurance and the provision of supplementary funding for the public pension and disability insurance system.

b) Supervisory Board's position on the audit report

Pursuant to the second paragraph of Article 282 of the ZGD-1, the Supervisory Board reviewed and discussed the audit report relating to the audit of the financial statements of Kapitalska družba for 2022, which was conducted by the audit firm PricewaterhouseCoopers d. o. o., Ljubljana, which issued an unqualified opinion. In the auditor's opinion, the financial statements present fairly, in all material aspects, the separate financial position of the company as at 31 December 2022, the separate performance and separate cash flows for the year then ended, in accordance with the International Financial Reporting Standards, as adopted by the EU. The Supervisory Board has no remarks regarding the audit report.

c) Resolution on the approval of the annual report for 2022

The audited annual report for 2022 was discussed by the Audit Committee at its 89th session held on 25 May 2023, and by the Supervisory Board at its 230th session held on 2 June 2023. The Audit Committee assessed the annual report as appropriate, and proposed that the Supervisory Board approve the annual report. Pursuant

to the provisions of Article 282 of the ZGD-1, the Supervisory Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., approved the annual report for 2022.



Janez Tomšič
Chair of the Supervisory Board

Ljubljana, 2 June 2023



BUSINESS REPORT

5 Organisational structure of Kapitalska družba

The existing organisational structure, which has not been subject to changes in 2022, facilitates the performance of all the Company's business processes with the appropriate number of employees and flexibility to adapt to changes in the environment. Sectors make up the core internal organisational units that carry out the Company's key processes, while departments and advisors to the Management board are responsible for carrying out support business processes. Sectors, departments and advisors to the Management Board report directly to the Company's Management Board.

The organisational structure, broken down by individual sectors and departments, was as follows in 2022:

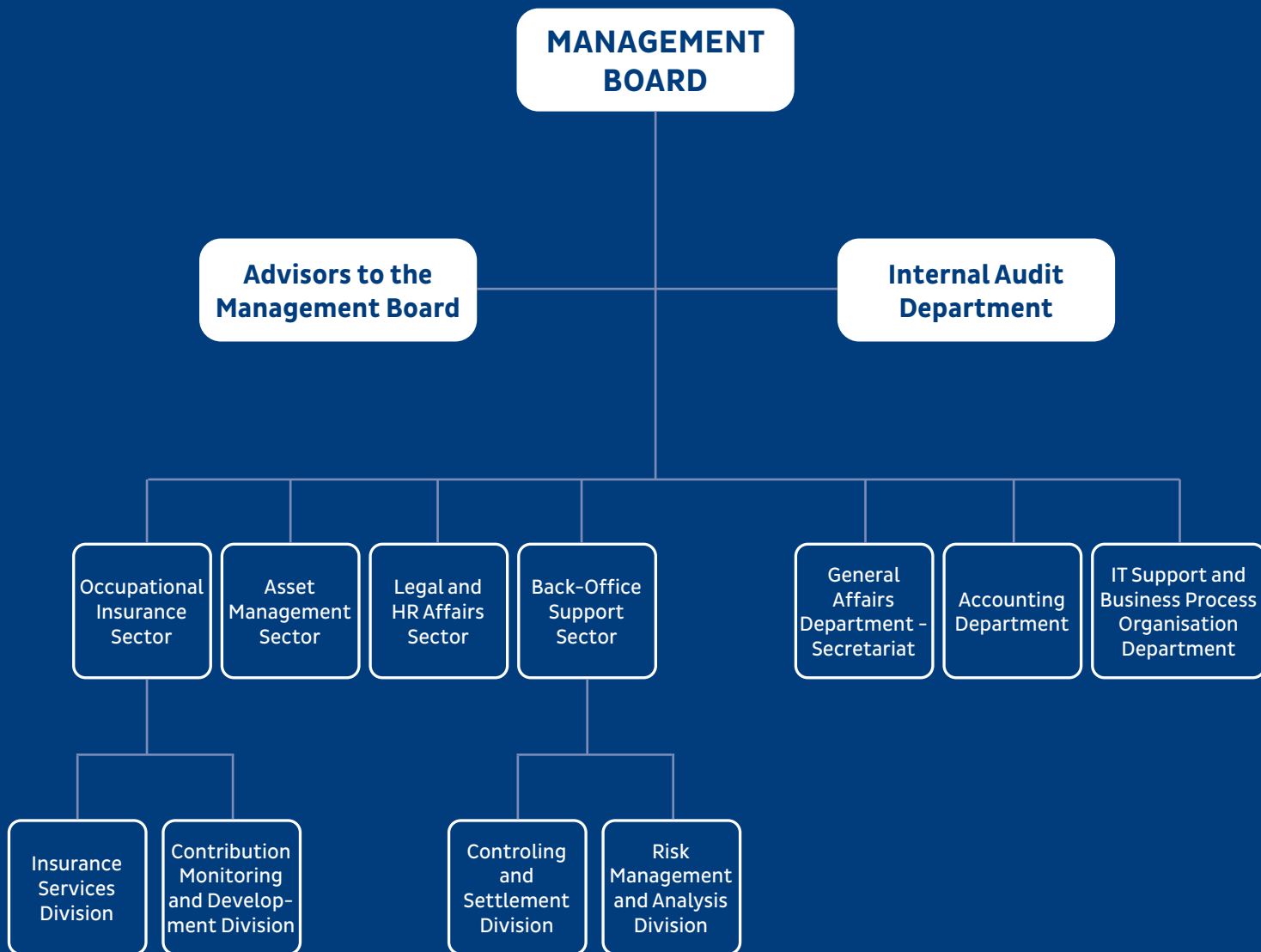
- | Asset Management Sector,
- | Occupational Insurance Sector, comprising:
 - Insurance Services Division,
 - Contribution Monitoring and Development Division,
- | Back-Office Support Sector, comprising:
 - Controlling and Settlement Division,
 - Risk Management and Analysis Division,
- | Legal and HR Affairs Sector, comprising:
 - | Internal Audit Department,
 - | Accounting Department,
 - | IT Support and Business Process Organisation Department,
 - | General Affairs Department – Secretariat.

Advisers to the Management Board, who report directly to that body in organisational terms, are also responsible for carrying out support business processes.

Work within sectors is managed by executive directors of sectors, and the work at departments by the heads of departments, entrusting executive directors of sectors with a portion of the responsibilities and decision-making powers.

The Management Board also appointed an access to public information officer, a prevention of money laundering officer, a corporate integrity officer and a personal data protection officer, all of whom report directly to the Management Board in the performance of their tasks.

Organisational structure of
Kapitalska družba, d. d. in 2022



5.1 Reporting on employees

Kapitalska družba had 58 employees as at 31 December 2022, all of whom were permanent employees. Two persons were hired on a permanent basis in 2022. The employment contracts of two employees expired.

Table 1: Number of employees by organisational unit as at 31 December 2022 and 31 December 2021

| Organisational unit | 31 December 2022 | 31 December 2021 |
|----------------------------------------------|------------------|------------------|
| Management Board | 2 | 2 |
| Advisors to the Management Board | 3 | 3 |
| Asset Management | 10 | 9 |
| Occupational Insurance | 14 | 15 |
| Legal and HR Affairs | 7 | 7 |
| Back-Office Support | 7 | 8 |
| Internal Audit | 2 | 2 |
| Accounting | 4 | 4 |
| General Affairs – Secretariat | 6 | 6 |
| IT Support and Business Process Organisation | 3 | 4 |
| Total | 58 | 60 |

Given the nature of work at Kapitalska družba the Company mostly recruits highly skilled professional staff. As at 31 December 2022, a total of 43% of Kapitalska družba's employees had completed Level 7 education, while 16% had completed Level 8/1 and 3% had completed Level 8/2.

A total of 67% of the Company's employees are women, while 33% are men. The average length of service was 19 years and six months amongst men and 21 years and five months amongst women as at 31 December 2022. The average age of male and female employees was 46 years.

6 Operations of Kapitalska družba

6.1 Macroeconomic background of operations

6.1.1 Gross domestic product, inflation and unemployment rate

In 2022, the global economy was hit hard by the Russian invasion of Ukraine, the emergency situation on the energy market, soaring inflation and significant interest rate increases by major central banks. Economic activity was further affected by the real estate crisis in China and the maintenance of a policy of strict containment measures during the covid-19 epidemic, which China, unlike the rest of the world, insisted on until November 2022.

Economic growth in the first half of 2022 was still relatively favourable, mainly due to the rapid recovery in services and private consumption following the relaxation of measures related to the containment of the covid-19 epidemic. After high global economic growth of 6.3% in 2021, economic growth in 2022 stood at 3.4%. The economic growth of euro area countries amounted to 3.5% in 2022.² After cooling in the second half of the year, growth in the fourth quarter nevertheless slightly exceeded analysts' expectations, mainly reflecting the effects of the agreements reached and measures taken to mitigate the energy crisis on confidence indicators and the easing of energy prices, as well as the impact of a milder winter and the persistence of high gas inventories. The energy crisis, Europe's high dependence on Russian energy products and the imposition of sanctions against Russia, the impact of high inflation on household purchasing power and on rising business costs, disruptions in supply chains, the cooling global economy and tighter financing conditions due to the normalisation of monetary policies have all contributed to declining economic growth in 2022. These factors are also expected to affect economic activity in 2023.

The war in Ukraine, which began with the Russian invasion on 24 February 2022, has brought to light one of the major geopolitical risks in Europe. In addition to the steep increases in energy and food prices, we also saw price increases spilling over into other products and services in 2022, thanks to high labour market resilience, excess savings and fiscal measures imposed by governments. Inflation, already recorded in 2021, picked up further in 2022, reaching 8.4% in the euro area, 8% in the US and 10.3% in Slovenia.³

The labour market remains strong in both the US and Europe. The unemployment rate in the US has reached an all-time low of 3.6%, with the number of employees not surpassing the pre-covid-19 level until late 2022. The proportion of the working population remains low and has not risen to pre-pandemic levels. In Europe, the unemployment rate has also fallen, reaching 6.7%⁴ at the end of 2022.

Slovenia's economic growth of 5.4% in 2022 is largely driven by the first half of the year (9.4% in year-on-year terms) and the recovery from the epidemic. Household consumption increased by 9.1%, only

² All economic growth figures are derived from IMF data.

³ Inflation data for the euro area and the US are from the IMF, while inflation data for Slovenia are from the SORS.

⁴ IMF data.

slightly less than in 2021. The still strong growth is mainly linked to the easing of the containment measures at the beginning of the year and to continued employment growth, as well as to the redemption of vouchers by mid-year to help the parts of the service sector most affected by the epidemic; consumers also spent a smaller share of their current income on savings compared to the previous year. With consumer confidence falling in the spring, linked to uncertainty about the energy and food crises, and purchasing power declining in the face of rising inflation, household spending slowed by the end of the year. In this context, government measures to mitigate the effects of the epidemic in the spring and the autumn inflation have prevented an even larger fall in real terms in average disposable income. Gross investment also contributed positively to growth, especially in construction, where investment in buildings and structures strengthened, boosted by higher government investment activity and further growth in residential investment. Export growth was much lower than in 2021 due to a slowdown in merchandise export growth. It was also lower than import growth, contributing to the negative contribution of the trade balance to GDP growth in 2022.⁵

The active population in 2022 recorded all-time high values, increasing by 2% compared to 2021, with the largest increase seen in the construction sector. The number of unemployed at the end of the year was around a fifth lower than a year earlier. Inflation picked up to 10.3%, with the main contributors being rising prices of food and non-alcoholic beverages.⁶

The world enters 2023 with low, below-average economic growth and inflation rates that, while steadying on a monthly basis, remain at high levels, well above central banks' targets. In Europe, the RePowerEU plan will drive growth, in the US the Inflation Reduction Act, in China the new Five Year Plan, and in Europe, focus and investment will intensify in the areas of increasing energy independence and environmental risks. In its January 2023 report, the IMF forecasts global economic growth of 2.9% and a decline in inflation, measured at the global level, from 8.8% in 2022 to 6.6% in 2023.

The table below presents macroeconomic aggregates (GDP, the inflation rate and the unemployment rate) in Slovenia and major global countries and/or regions for 2022.

Table 2: Gross domestic product, inflation and unemployment rate (data for 2022)

| | Annual inflation rate (in %) | Annual GDP growth (in %) | Unemployment rate (in %) |
|-----------|-------------------------------------|---------------------------------|---------------------------------|
| Slovenia | 10,3 | 5,4 | 3,5 |
| Germany | 8,6 | 1,8 | 5,3 |
| Euro area | 8,4 | 3,5 | 6,7 |
| US | 8 | 2,1 | 3,6 |
| China | 2 | 3 | 5,5 |

Source: Bloomberg (22 March 2023), IMAD, SORS (2 March 2023).

⁵ Data from the SORS and IMAD.

⁶ Data from the SORS and IMAD.

6.1.2 Interest rates

The rise in inflation has been followed by a tightening of monetary policies, with the major central banks raising interest rates at an intense pace. The US Federal Reserve has raised interest rates seven times in 2022, totalling 4.25 percentage points, and has already started to reduce its total assets by actively selling investments. The European Central Bank, which started raising interest rates much later than the Fed, raised them four times for a total of 2.5 percentage points and announced that it would start reducing its total assets in 2023, beginning with a strategy of only partially reinvesting maturing bonds. The Bank of England raised interest rates by 3.25 percentage points during this time. By contrast, the Bank of Japan did not raise interest rates, and the Bank of China is among the few central banks to pursue a stimulative monetary loosening policy in 2022, lowering the percentage of banks' minimum reserve requirement.

Table 3: Key interest rates of major central banks

| | Level of key interest rate as at 31 December 2022 |
|-----------|-------------------------------------------------------|
| Euro area | 2,5 % (key interest rate) 2,0 % (deposit facility) |
| US | 4,25 % to 4,50 % |
| UK | 3,25 % |
| Japan | -0,10 % |
| Canada | 4,25 % |
| China | 4,35 % |

Source: Bloomberg (7 February 2023)

6.2 Developments on the financial markets

In 2022, we saw a significant decline in prices of both equity and debt securities. With the normalisation of central banks' monetary policies, 2022 represents the second consecutive year of negative yields on debt securities. The magnitude of the rise in both interbank interest rates and government bond yields over the year represents historic extremes, which have shaped the fortunes of both debt and equity markets. The declines in the prices of debt securities in 2022 even exceed those of equities.

The 6-month Euribor rose from -0.54% to 2.7%, reaching 2009 levels, while the yield to maturity on the 10-year German government bonds rose from -0.18% to 2.57%. The average decline in government bond prices (-18.4%) was higher than the average drop in corporate bond prices (-14.2%), due to the longer average maturity of these investments, while simultaneously also seeing a widening of credit spreads in the bond market, which further contributed to the negative return on these investments.

The MSCI World Index (MSCI Daily TR Gross World) lost 12.6% expressed in euros. In the equity market, negative returns were recorded in both developing and developed countries and in all sectors except energy. The index of Slovenian IPO shares, together with the dividend yield, recorded an 11% fall in value.

In 2022, the commodity market saw significant price increases for iron ore and oil, and among major currencies, appreciation of the US dollar, Swiss franc and Russian rouble, and depreciation of the British pound and Japanese yen.

Table 4: Returns on major financial markets

| | Returns in 2022 measured in euros, including dividend yield |
|-------------------------------------------------------|----------------------------------------------------------------|
| Share indices | |
| SBITOP – Slovenia | -11,0 % |
| DAX – Germany | -12,4 % |
| Dow Jones – US | -1,0 % |
| NIKKEI 225 – Japan | -14,0 % |
| MSCI World TR – global | -12,6 % |
| Bond indices | |
| IBOXX EUR Sovereigns TR index – euro government bonds | -18,44 % |
| IBOXX EUR Corporates TR Index – euro corporate bonds | -14,17 % |
| Exchange rates and commodities | |
| EUR/USD | -5,8 % |
| Brent crude oil | 25,8 % |
| Gold | 6,02 % |

Source: Bloomberg (7 February 2023)

Figure 1: Movement in the Slovenian SBITOP and selected foreign stock indices in 2022 in euros (index: 31 December 2021 = 100)



Source: Bloomberg (7 February 2023)

Figure 2: Movement in the overall yield on European government bonds (IBOXX EUR Sovereigns TR Index) and the overall yield on European corporate bonds (IBOXX EUR Corporates TR Index), yield to maturity on 10-year German government bonds, and the 6-month EURIBOR in 2022



Source: Bloomberg (7 February 2023)

6.3 Investment management

Kapitalska družba classifies investments to the following four categories:

- | capital investments,
- | waived securities,⁷
- | securities from registry accounts⁸ and
- | portfolio investments.

The table below illustrates the composition of financial assets, while a detailed description of the aforementioned groups follows.

⁷ Waived securities obtained in accordance with Article 48a of the ZNVP-1.

⁸ Securities from registry accounts acquired in accordance with Article 48a of the ZNVP-1.

Table 5: Composition of Kapitalska družba's financial assets as at 31 December 2022 and 31 December 2021

| Type of investment | Value | Proportion | Value | Proportion |
|------------------------------------|------------------|--------------|------------------|--------------|
| | (in EUR 000) | (in %) | (in EUR 000) | (in %) |
| | 31 December 2022 | | 31 December 2021 | |
| Capital investments | 668.591 | 59,3 | 773.612 | 59,9 |
| Strategic investments ⁹ | 189.000 | 16,8 | 188.225 | 14,6 |
| Material investments | 411.535 | 36,5 | 521.947 | 40,4 |
| Portfolio investments | 68.056 | 6,0 | 63.440 | 4,9 |
| Waived securities | 213 | 0,0 | 206 | 0,0 |
| Securities from registry accounts | 6.420 | 0,6 | 0 | 0,0 |
| Portfolio investments | 452.953 | 40,1 | 517.871 | 40,1 |
| Equity portfolio investments | 18.094 | 1,6 | 6.510 | 0,5 |
| Debt portfolio investments | 396.488 | 35,1 | 462.399 | 35,8 |
| Cash and cash equivalents | 9.955 | 0,9 | 26.535 | 2,1 |
| Investments in financial claims | 28.416 | 2,5 | 22.427 | 1,7 |
| Total financial assets | 1.128.177 | 100,0 | 1.291.689 | 100,0 |

6.3.1 Capital investment management

6.3.1.1 Composition of capital investments

Kapitalska družba's capital investments comprise domestic equity investments in corporate shares and participating interests that the Company primarily obtained in corporate ownership transformation processes.

The total number of these investments as at 31 December 2022 was 32, comprising 27 investments in public limited companies and five investments in limited liability companies.

The value of capital investments was EUR 668,591 thousand as at 31 December 2022, a decrease of EUR 105,021 thousand relative to the previous year.

In accordance with the classification of investments set out in the Decree on the Strategy for Managing State Capital Investments (OdSUKND) adopted by the National Assembly of the Republic of Slovenia in July 2015, Kapitalska družba classifies its capital investments as strategic, material and portfolio.

Table 6: Composition of Kapitalska družba's capital investments as at 31 December 2022 and 31 December 2021 in accordance with the Decree on the Strategy for Managing State Capital Investments

| Type of investment | Number of investments | Value | Proportion of capital investment portfolio | Number of investments | Value | Proportion of capital investment portfolio |
|------------------------------------------|-----------------------|----------------|--------------------------------------------|-----------------------|----------------|--------------------------------------------|
| | | (in EUR 000) | (in %) | | (in EUR 000) | (in %) |
| | | 2022 | | | 2021 | |
| Strategic investments | 10 | 189.000 | 28,2 | 10 | 188.225 | 24,3 |
| Material investments | 6 | 411.535 | 61,6 | 6 | 521.947 | 67,5 |
| Portfolio investments | 16 | 68.056 | 10,2 | 17 | 63.440 | 8,2 |
| Investments in bankruptcy or liquidation | 0 | 0 | 0 | 1 | 0 | 0 |
| Total capital investments | 32 | 668.591 | 100 | 34 | 773.612 | 100 |

⁹ Strategic, material and portfolio investments are classified in accordance with the Decree on the Strategy for Managing State Capital Investments.

Table 7: Ten largest capital investments of Kapitalska družba by value as at 31 December 2022

| Seq. no. | Company name | Proportion of company's share capital (in %) |
|----------|----------------------------|----------------------------------------------|
| 1. | Krka, d. d. | 10,65 |
| 2. | Modra zavarovalnica, d. d. | 100,00 |
| 3. | Petrol, d. d. | 8,27 |
| 4. | Telekom Slovenije, d. d. | 5,59 |
| 5. | Luka Koper, d. d. | 4,98 |
| 6. | Loterija Slovenije, d. d. | 25,00 |
| 7. | Sava, d. d. | 28,05 |
| 8. | Hit, d. d. | 33,33 |
| 9. | Union hoteli, d. d. | 18,75 |
| 10. | Terme Olimia, d. d. | 24,79 |

Investments in which Kapitalska družba holds a participating interest of less than 20% comprise the majority of capital investments. There are 24 of such investments. A detailed overview of the composition of investments in terms of size of ownership stake is given in the table below.

Table 8: Composition of Kapitalska družba capital investments in terms of size of ownership stake as at 31 December 2022

| Ownership stake in share capital | Active investments |
|-------------------------------------------------------|--------------------|
| Up to 9.99% | 18 |
| From 10.00% to 19.99% | 6 |
| From 20.00% to 49.99% (associate) | 6 |
| From 50.00% to 100.00% (subsidiary and joint venture) | 2 |
| Total number of investments | 32 |

6.3.1.2 Sales and deletion of companies

With the aim of ensuring the transparency of sales procedures and the equal treatment of bidders, the sale of capital investments is carried out via public tender. In 2022, Kapitalska družba published two public calls for the submission of bids for the purchase of shares and participating interests, specifically for the sale of the participating interests in Elan Inventa, d. o. o. and the shares in Nika Brežice, d. d. Both investments were sold for a total amount of EUR 608 thousand.

For nine investments, Kapitalska družba received a cash severance payment totalling EUR 1,538 thousand and for two investments it accepted a takeover bid totalling EUR 35 thousand.

Two companies were deleted from the companies register, namely MTT TT, d. d. - in bankruptcy and Resevna, d. d. - in bankruptcy.

SDH also published a public call on behalf of Kapitalska družba in 2022 for the submission of bids for the purchase of shares in Cetus, d. d. The sales procedure is still ongoing.

6.3.1.3 Purchases of companies

On 31 January 2022, Kapitalska družba and SDH received a request from York to exercise the pre-emptive right for the purchase of the shares in Sava, d. d. and the financial receivable from Sava, d. d. held by York for a total value of EUR 38,000 thousand, of which EUR 32,011 thousand were for the shares in the company and EUR 5,989 thousand for the financial receivable.

On 17 February 2022, SDH informed Kapitalska družba that they would exercise the pre-emptive right to purchase the shares in full. At the same time, it proposed that Kapitalska družba should purchase the York receivable.

On 28 February 2022, Kapitalska družba and SDH exercised their pre-emptive right to purchase all 12,571,257 shares of Sava, d. d. held by York Global Finance Offshore BDH, and to purchase all of York Global Finance Offshore BDH's claims against Sava, d. d. The total consideration for this purchase amounted to EUR 38,000 thousand. Kapitalska družba exercised its pre-emptive right in such a way that it acquired all claims against Sava, d. d. for consideration in the amount of EUR 5,989 thousand, while SDH acquired all 12,571,257 shares of Sava, d. d. for consideration in the amount of EUR 32,011.

On 15 September 2022, the transaction of 28 February 2022 was completed when Kapitalska družba, together with SDH, exercised its pre-emptive right.

Kapitalska družba received one bid from sellers for the purchase of shares or participating interests in 2022.

On 25 September 2015, the Book-Entry Securities Act (ZNVP-1) was adopted, which provided in its transitional and final provisions that the Central Securities Clearing Corporation (hereinafter: KDD) would discontinue the registry accounts of legal persons by 30 September 2016 and the registry accounts of other persons by 1 January 2017. The book-entry securities in the registry accounts which had not been transferred to other accounts by the deadline for the discontinuation of the registry accounts would be transferred to the account of the competent court in accordance with the rules of the CSCC, subject to the provisions of the acts governing the deposit of items with the court. Further amendments and additions to the Book-Entry Securities Act (ZNVP-1A) provided that, notwithstanding the provisions of the act governing the court deposit procedure, Kapitalska družba was entitled to the book-entry securities that would otherwise belong to the Republic of Slovenia. The act was amended in this part for the second time on 18 June 2019 with the Act Amending the Book-Entry Securities Act (ZNVP-1B) to further regulate the transfer of the book-entry securities that remained registered in the discontinued registry accounts until 31 August 2019 to the credit of a joint dedicated account for transfer to Kapitalska družba.

The transfer of securities from the joint dedicated account for transfer to Kapitalska družba to a special account at Kapitalska družba is governed by Article 48a of the ZNVP-1. Pursuant to the third paragraph of Article 48a of the ZNVP-1, persons whose book-entry securities have been transferred to a joint dedicated special account for transfer to Kapitalska družba, maintained by the KDD, or other beneficiaries, had until 31 December 2021 to request that the transferred book-entry securities or the book-entry securities that replaced them be transferred to an account at a member of the Central Securities Clearing Corporation. After the expiry of this deadline, the securities for which no beneficiary claims had been submitted were transferred from the joint dedicated account for transfer to Kapitalska družba to a special account at Kapitalska družba.

As of 1 January 2022, Kapitalska družba thus became the holder of these securities by operation of law and is thus entitled to exercise all rights attached to the securities so acquired. As of that date, the former holders therefore lost all rights under these securities. Kapitalska družba thus acquired shares in 153 companies in 2022 on the basis of Article 48a of the ZNVP-1.

In addition to the above, the Central Securities Clearing Corporation pursuant to the fifth paragraph of Article 48a of the ZNVP-1 shall also deliver to Kapitalska družba, within 15 days from the date of transfer of the book-entry securities, all returns, payouts and cash compensation received for the book-entry securities transferred to the credit of the joint dedicated account for transfer to Kapitalska družba pursuant to the second paragraph of Article 48a of the ZNVP-1, without additional interest until the expiry of said 15-day period.

The income from the acquisition of these securities is recognised in the income statement as finance income from interests in companies amounting to EUR 12,320 thousand.

6.3.1.4 Dividends of domestic companies

Kapitalska družba recorded EUR 34,820 thousand in domestic corporate dividends and from investments in waived securities and securities from registry accounts in 2022, an increase of EUR 6,435 thousand relative to 2021, when these dividends totalled EUR 28,385 thousand. The ten largest capital investments in terms of dividends received accounted for 99% of all dividends from domestic companies owned by Kapitalska družba.

The payment of dividends in 2022 was approved by the general meetings of 62 companies in which Kapitalska družba held a capital investment, compared with the approval of dividend payments by the general meetings of 24 companies in which Kapitalska družba held a capital investment in 2021.

Table 9: Ten capital investments that generated the highest dividend income in 2022

| Seq. no. | Issuer | Dividends per share in 2022 (in EUR) | Total dividends in 2022 (in EUR 000) |
|----------|---------------------------------|--------------------------------------|--------------------------------------|
| 1. | Krka, d. d. | 5,63 | 19.750 |
| 2. | Petrol, d. d. | 30,00 | 5.240 |
| 3. | Modra zavarovalnica, d. d. | 0,0309 | 4.700 |
| 4. | Telekom Slovenije, d. d. | 4,50 | 1.645 |
| 5. | Loterija Slovenije, d. d. | 66,00 | 1.226 |
| 6. | Luka Koper, d. d. | 1,14 | 801 |
| 7. | Hotelske nepremičnine, d. o. o. | 1.000.000,00 | 500 |
| 8. | Cetis, d. d. | 29,50 | 468 |
| 9. | Zavarovalnica Triglav, d. d. | 3,70 | 141 |
| 10. | Elektro Primorska, d. d. | 0,12 | 45 |

Table 10: Ten capital investments that generated the highest dividend income in 2021

| Seq. no. | Issuer | Dividends per share in 2021 (in EUR) | Total dividends in 2021 (in EUR 000) |
|----------|----------------------------|--------------------------------------|--------------------------------------|
| 1. | Krka, d. d. | 5,00 | 17.466 |
| 2. | Petrol, d. d. | 22,00 | 3.798 |
| 3. | Modra zavarovalnica, d. d. | 0,0212 | 3.217 |
| 4. | Telekom Slovenije, d. d. | 4,50 | 1.643 |
| 5. | Loterija Slovenije, d. d. | 62,00 | 1.151 |
| 6. | Luka Koper, d. d. | 1,14 | 794 |
| 7. | Elektro Maribor, d. d. | 0,0987 | 53 |
| 8. | Elektro Gorenjska, d. d. | 0,12 | 52 |
| 9. | Elektro Primorska, d. d. | 0,12 | 45 |
| 10. | Cetis, d. d. | 2 | 31 |

6.3.1.5 Corporate Governance Code for Companies with Capital Assets of the State and the exercising of voting rights at general meetings

In connection with the management of its capital investments in the period 1 January 2022 to 31 December 2022, Kapitalska družba applied, mutatis mutandis, the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Code), which was adopted by SDH on 19 December 2014. The Code was amended in May 2017, November 2019, March 2021 and, most recently, in June 2022.

As an active player on the Slovenian capital market, Kapitalska družba strives to introduce in practice a contemporary form of corporate governance, the aim of which is to ensure clear, predefined and publicly known principles, procedures and criteria by which the Company acts in exercising its ownership rights. To that end, the Corporate Governance Code of Kapitalska družba was used from 2009 until December 2014, and defined the policy and procedures for exercising Kapitalska družba's management rights in companies in which it holds an ownership stake. Following its adoption, Kapitalska družba began to apply the Code *mutatis mutandis* in December 2014 in order to harmonise its operations with SDH. The currently valid Code is published on SDH's website.

In addition to the Code, Kapitalska družba also applied its own bases for voting at general meetings when managing capital investments in 2022. Kapitalska družba updates the bases for voting at general meetings every year, prior to the convening thereof. These bases, *inter alia*, define the remuneration policy for supervisory boards, management committees and management boards, the dividend policy, the use of distributable profit, recapitalisations via authorised capital, the acquisition of treasury shares and the introduction of a single-tier governance system. The aforementioned document is published on Kapitalska družba's website.

Kapitalska družba exercised its management rights at all general meetings of companies with a registered office in Slovenia in which the Company has an equity holding that it manages on its own behalf or on behalf of the SODPZ.

With respect to the remuneration of supervisory boards and management boards, Kapitalska družba applied, *mutatis mutandis*, the recommended level of wages for the performance of a particular function and for session fees as set out in the Code, and took into account the Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities (ZPPOGD) as regards the earnings and other rights of management boards, executive directors and the management staff of companies.

Kapitalska družba acted in accordance with the adopted Code at all general meetings attended by its representatives in 2022. Disclosures with regard to Kapitalska družba's actions at general meetings are published on the Company's website.

6.3.1.6 Participation at general meetings

In 2022, Kapitalska družba was entitled to participate on its own behalf and on account of the pension fund under management in 176 general meetings of shareholders or partners of companies. Representatives of Kapitalska družba participated in 30 general meetings, at which the Company independently exercised its voting rights. In accordance with Article 53 of the ZSDH-1, SDH exercised the voting rights of Kapitalska družba at 33 general meetings on behalf of and on account of the latter. Employees of Kapitalska družba have been authorised to participate and exercise all shareholder rights, except for the exercise of voting rights. Kapitalska družba did not attend 104 general meetings addressing investments in waived securities and securities from registry accounts, as there were no business reasons in the interest of Kapitalska družba other than the insignificant shareholding. Nine general meetings were cancelled prior to the meeting.

Table 11: Participation at general meetings

| Form of participation | Number of general meetings |
|----------------------------------------------------------------|----------------------------|
| Participation and voting by employees of Kapitalska družba | 30 |
| Participation by employees of Kapitalska družba; voting by SDH | 33 |
| Total | 63 |

6.3.1.7 Code of Conduct of the Kapitalska Družba Group

In addition to Kapitalska družba, the Kapitalska Družba Group includes the subsidiaries Modra zavarovalnica and FINAP, d. d. (in liquidation), and the joint venture Hotelske nepremičnine, d. o. o.

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

6.3.1.8 Management taking into account systemic regulation

The Slovenian Sovereign Holding Company Act (ZSDH-1) entered into force at the end of April 2014. The management of investments on behalf and for the account of the Republic of Slovenia remained the responsibility of SDH following the entry into force of the ZSDH-1. In the name of Kapitalska družba, SDH also exercises voting rights and conducts sales in the event of joint investments.

The ZSDH-1 defines Kapitalska družba's maximum annual obligation to provide funding to the ZPIZ: based on the provision of the third paragraph of Article 52 of the ZSDH-1, the Company must transfer funds in the amount of EUR 50 million every year to the ZPIZ by no later than 29 September, primarily for the purpose of adjusting pensions, or a proportionally lower amount if the amount for adjusting pensions is lower. Kapitalska družba transferred EUR 50 million to the ZPIZ in 2022.

SDH manages investments in accordance with the ZSDH-1, the OdSUKND, the relevant investment management policy and the Corporate Governance Code, and on the basis of the annual investment management plan. The OdSUKND also includes the classification of investments (the definition and classification of capital investments into strategic, material and portfolio investments). The annual investment management plan, which must be adopted by no later than the end of November for the next calendar year, defines SDH's precise objectives in the management of specific investments, as well as measures and guidelines for achieving those objectives.

6.3.2 Waived securities and securities from registry accounts

As at 31 December 2022, Kapitalska družba in terms of waived securities and securities from registry accounts acquired on the basis of Article 48a of the ZNVP-1, held investments in 160 companies categorised into two portfolios, i.e. 95 were in waived securities and 139 in securities from registry accounts. The total value of both portfolios was EUR 6,633 thousand as at 31 December 2022.

6.3.3 Management of portfolio investments

Kapitalska družba uses active and passive strategies in the management of portfolio investments, where it combines the top-down approach with the bottom-up approach. Decisions regarding the composition of the portfolio by investment category (top-down approach) are made by the investment committee, which meets at least twice a year. The comparable share portfolio index is the globally diversified share portfolio index, while the comparable bond portfolio indices (government and corporate bonds) are the indices of diversified European government and corporate bonds.

The total value of portfolio managed investments decreased by EUR 64.9 million in 2022, mainly as a result of negative global returns across all investment categories. Investment funds investing in both equity and debt investments recorded the largest decrease in value, i.e. by EUR 62.6 million. This is due to negative global returns across all investment categories in 2022. The decrease of EUR 5.6 million in the value of bonds is mainly due to a decrease in the value of bond investments, and to a lesser extent to the combined effect of new purchases and maturities of individual bonds. Shares recorded an increase in value of EUR 11.6 million, mainly due to swaps of investment funds into individual companies'

shares. The change in cash and cash equivalents is the result of active liquidity management within portfolio investments and liquidity management for the Company's other operating activities.

The five largest investments in the asset management portfolio as at 31 December 2022 were as follows: index equity funds that track the US S&P 500 (SPY US) and index funds that track the MSCI World global stock indices (SMSWLD GY, XMWO GY, IWDA LN and XDWD GY). The five largest bond investments as at 31 December 2022 are two bonds of the Republic of Slovenia, bonds of France, Germany and Romania. The investment in a financial claim of EUR 28.4 million represents a secured claim against Sava, d. d. The five largest investments among shares are investments in shares of companies, i.e. TotalEnergies SE, Novo Nordisk A/S, BP Plc, Roche Holding AG and UBS Group AG.

Table 12: Composition of portfolio-managed financial assets as at 31 December 2022 and 31 December 2021

| Type of investment | 31 December 2022 | | 31 December 2021 | |
|-------------------------------------------------|------------------|-------------------|------------------|-------------------|
| | Value | Proportion (in %) | Value | Proportion (in %) |
| Investment funds | 313.896 | 69,3 | 376.512 | 72,7 |
| Bonds | 79.145 | 17,5 | 84.719 | 16,4 |
| Shares | 18.094 | 4,0 | 6.510 | 1,3 |
| Commercial paper | 1.493 | 0,3 | 1.168 | 0,2 |
| Investments in financial claims | 28.416 | 6,3 | 22.427 | 4,3 |
| Treasury bills | 1.954 | 0,4 | 0 | 0,0 |
| Cash and cash equivalents | 9.955 | 2,2 | 26.535 | 5,1 |
| Total portfolio-managed financial assets | 452.953 | 100,0 | 517.871 | 100,0 |

6.4 Investment property

Kapitalska družba held investment property in the following commercial buildings in 2022:

- | Stekleni dvor, Dunajska cesta 119, Ljubljana,
- | Glavarjeva rezidenca, Pegamova ulica G, Ljubljana,
- | Bežigranski dvor, Dunajska cesta 56, 58 and Kržičeva ulica 3, Ljubljana,
- | Nebotičnik, Štefanova ulica 1, 3 and 5, Ljubljana.

All commercial premises and all parking places located at all investment properties were let as at 31 December 2022.

6.5 Risk management

Risk management is explained in Chapter 15.2 Accounting policies and Chapter 15.3.3 Management of risks associated with financial assets in the financial report section of Kapitalska družba's annual report.

6.6 Management of the SODPZ

6.6.1 Operations of the SODPZ

Pursuant to the Pension and Disability Insurance Act (ZPIZ-1), Kapitalska družba has been the manager of the SODPZ since its establishment in 2001. The SODPZ is a mutual pension fund that provides occupational insurance in accordance with the provisions of the Pension and Disability Insurance Act (ZPIZ-2), the Organisation and Work of the Police Act (ZODPol) and the Act Governing the Promotion of Public Interest in Culture (ZUJIK).

Policyholders who perform especially difficult work and work that is harmful to the health, and policyholders who perform work that can no longer be performed successfully after a certain age are covered by occupational insurance, which replaced the insurance period increased by a bonus in 2001. Occupational insurance is an element of compulsory social security insurance.

The SODPZ comprises assets that are financed by funds collected through the payment of occupational insurance contributions (and any default interest on contributions not paid by the prescribed deadline) and gains generated through the management of those funds. The assets of the SODPZ are the property of occupational insurance policyholders and are intended solely for the coverage of liabilities to policyholders and other beneficiaries. Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. manages the SODPZ in the name and on behalf of policyholders and other beneficiaries.

Occupational insurance is provided on the basis of the occupational insurance pension plan, which is drawn up based on the provisions of the ZPIZ-2 and approved by the Minister of Labour, Family, Social Affairs and Equal Opportunities.

For the period from 1 January 2022 to 19 November 2022, the occupational insurance pension plan, which was adopted to extend the transitional period of applying a differentiated contribution rate and which takes into account the share of the net asset value of the SODPZ up to which unallocated solidarity reserves are created, was in force for the period from 1 January 2022 to 31 December 2022. The amended occupational insurance pension plan, adopted to remove the requirement to produce a copy of an official identity document for the purpose of identifying the applicant when exercising rights from occupational insurance, applies from 20 November 2022. The second amendment concerns the termination of occupational insurance, which will now also cease if the person ceases to work full-time in a job for which occupational insurance is compulsory.

The SODPZ had 50,301 policyholders as at 31 December 2022, an increase of 1,214 relative to the end of 2021. The actual return on the SODPZ was -9.58% in 2022, compared with the guaranteed return of 0.05% in the same period. The balance of solidarity reserves was EUR 5,430 thousand as at 31 December 2022, of which EUR 5,296 thousand are unallocated and EUR 134 thousand are allocated solidarity reserves. The net value of SODPZ assets was EUR 844,814 thousand on the final accounting day of 2022 (30 December 2022), and exceeded the guaranteed value of assets (EUR 840,449 thousand) by EUR 4,365 thousand.

Kapitalska družba was entitled in 2022 to the reimbursement of subscription and redemption fees, an annual management fee and fees for the payment of occupational pensions. Subscription fees amounted to 2.0%, redemption fees to 0.5% and fees for the payment of occupational pensions to 0.5% of the occupational pension. The annual management fee was 0.88% of the average annual net value of SODPZ assets.

The revenues of Kapitalska družba from the management of the SODPZ in 2022 were comparable to those of the previous year. The decrease in management fees compared to the previous year is due to the lower net value of the SODPZ assets. Subscription fees increased due to higher premiums paid. Revenue from the payment of occupational pensions and from redemption fees decreased, although the latter account for a very small proportion of total revenue.

Table 13: Kapitalska družba's revenue from management of the SODPZ in 2022 and 2021

| Revenue from management activities | v 000 EUR | |
|-----------------------------------------------|--------------|--------------|
| | 2022 | 2021 |
| Management fees | 7.453 | 7.566 |
| Subscription fees | 1.379 | 1.263 |
| Redemption fees | 7 | 8 |
| Fees for the payment of occupational pensions | 21 | 25 |
| Total | 8.860 | 8.862 |

6.6.2 SODPZ investments

The manager manages fund assets in such a way as to achieve, at a minimum, the guaranteed return in the context of minimal risk, while taking into account liquidity criteria. The manager ensures that the fund's investments are appropriately diversified.

The main objective of management in 2022 was to increase the actual value of assets over their guaranteed value, while maximising the amount of the expected surplus in the context of the targeted level of risk.

The manager applied an active management strategy with the aim of achieving its objectives at the fund level, while it applied a combination of active and passive investment strategies at the level of investment categories. The manager used a top-down approach to manage fund assets.

In assessing the success of the management of fund assets, the manager compared the fund's guaranteed return with performance criteria by individual investment category and with the performance of other managers of mutual pension funds with a guaranteed return, adjusted for solidarity reserves created.

The value of SODPZ assets stood at EUR 852,406 thousand as at 31 December 2022, a decrease of 4.6% relative to 2021. The overall portfolio comprises a globally diversified portfolio of equity and debt investments, with investments in debt securities (bonds and units of bond investment funds) accounting for the highest proportion of assets in terms of content.

Table 14: Composition of SODPZ investments as at 31 December 2022 and 31 December 2021

| Class | 2022 | | 2021 | |
|---------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Value (in EUR 000) | Proportion (in %) | Value (in EUR 000) | Proportion (in %) |
| Shares | 7.217 | 0,8 | 9.001 | 1,0 |
| Debt securities | 307.839 | 36,2 | 301.811 | 33,8 |
| Deposits and loans | 100.987 | 11,8 | 76.220 | 8,5 |
| Investment funds | 384.820 | 45,1 | 431.057 | 48,2 |
| Cash and cash equivalents | 20.161 | 2,4 | 71.165 | 8,0 |
| Money market instruments | 31.367 | 3,7 | 4.412 | 0,5 |
| Receivables | 15 | 0,0 | 14 | 0,0 |
| Total | 852.406 | 100,0 | 893.680 | 100,0 |

6.6.3 Activities in the provision of occupational insurance in 2022

Based on the Act on Additional Measures to Stop the Spread and to Mitigate, Control and Eliminate the Consequences of covid-19 (ZDUPŠOP), Kapitalska družba paid a solidarity bonus to 46 occupational pension recipients in January. The total amount earmarked for the payment of the solidarity bonus was reimbursed to Kapitalska družba by the Ministry of Labour, Family, Social Affairs and Equal Opportunities.

The National Assembly adopted the Act Determining Emergency Measures to Mitigate the Consequences of Rising Energy Prices (ZUOPVCE) due to the growing social hardships felt by the population as the result of high energy prices. In April, Kapitalska družba paid a lump-sum solidarity bonus to 100 beneficiaries on the basis of the ZUOPVCE. The Ministry of the Environment and Spatial Planning (MESP) provided funds for the payment of the lump-sum solidarity bonus in the amount of EUR 150 per recipient based on requests received from payers.

In September, Kapitalska družba, on the basis of the Act Determining Temporary Measures to Remedy the Consequences of Higher Living Costs of the Most Vulnerable Population Groups, submitted to the Ministry of Labour, Family, Social Affairs and Equal Opportunities data on recipients of occupational pensions whose occupational pension amount did not exceed the eligibility threshold for the social security supplement.

In 2022, Kapitalska družba continued to implement and improve the processes already in place to control the payment of occupational insurance contributions. Non-payers (defaulters) who did not respond to the reminders were subject to enforcement motions filed with FARS (Financial Administration of the Republic of Slovenia) and the instigation of recovery procedures. In cases of doubt as to the justification for the suspension and termination of the occupational insurance liability, Kapitalska družba forwarded reports to the Labour Inspectorate.

Occupational insurance stakeholders were regularly informed via the Company's website about the performance of the SODPZ and about the latest developments in occupational insurance. In accordance with the ZPIZ-2, the audited annual report of the SODPZ and a summary of its annual report for the previous financial year were published on the website. The SODPZ Committee, which met two times in 2022, was also briefed regularly on all activities in the area of occupational insurance.

6.7 Information technology

In association with management, the IT Department successfully pursued the tasks and objectives set out in the Company's business strategy. The strengthening of the link between the business strategy and the functioning of the IT Department further facilitated agility in the implementation of the necessary changes and adaptations. Kapitalska družba continued to successfully provide IT services for the Kapitalska Družba Group in 2022. The high-quality maintenance and upgrading of the information infrastructure ensured a high level of availability and reliability of information solutions. Continuous support and the optimisation and computerisation of work processes continued to contribute significantly to the achievement of the Company's business objectives and to maintaining and improving its competitive position.

The need to ensure the smooth functioning of work from home required the introduction of additional security mechanisms for IT work equipment.

With regard to the provision of software support for Kapitalska družba's business processes, the development of business intelligence (the added value of which supports the decision-making process) continued and will provide useful information for business analysis purposes. The use of new infor-

mation will allow Kapitalska družba to create new strategic business opportunities. In 2022, it also continued to migrate important business processes to a document system, which, in addition to paperless operations and business process optimisation, also allows for optimisation of operating costs and increased security in document management.

In addition to ensuring the availability and reliability of the information system, the IT Department is also dedicating an increasing amount of attention to information security. In addition to regular communication with employees regarding cyber security threats, an annual external security review was conducted with the aim of eliminating regularly in the shortest time possible potential security vulnerabilities in the IT infrastructure.

6.8 Significant business events after the end of 2022

Adopted at the end of 2022 was the Implementation of the Budget of the Republic of Slovenia for 2023 and 2024 Act (ZIPRS2324), based on which Kapitalska družba must transfer EUR 65 million a year to the ZPIZ in 2023 and 2024, by no later than 29 September of the current year, notwithstanding the third paragraph of Article 52 of the ZSDH-1. In accordance with the aforementioned act, an agreement was concluded in March 2023 between Kapitalska družba and the ZPIZ on the coverage of Kapitalska družba's liabilities to the ZPIZ in 2023 and 2024.

Bachtar Djalil was reappointed President of the Management Board and commenced a new four-year term of office on 4 January 2023, and Gregor Bajraktarević was reappointed member of the Management Board commencing his new four-year term of office on 9 February 2023.

On 2 February 2023, the General Meeting reappointed Dr Boris Žnidarič and Mirko Miklavčič to a four-year term of office as members of the Supervisory Board, on the proposal of the national-level pensioners' federations and organisations, respectively, and Ladislav Rožič, MSc on the proposal of national-level trade union federations and confederations. The new term of office of Supervisory Board members commenced on 2 February 2023.

7 Expected development of Kapitalska družba, d. d. in 2023

After a turbulent 2022, business in 2023 continues in an uncertain environment, which is subject to a risky geopolitical situation, high inflation and the threat of an economic recession. Despite the unfavourable terms of doing business, we remain firmly committed in 2023 to fulfilling our mission of providing additional funds for the public pension system and occupational insurance. This clearly defined mission will guide our response to the extraordinarily demanding external environment and ensure our focus on all important stakeholders. Kapitalska družba represents an important pillar of the stability of the pension system, through the management of its own assets for the purpose of providing resources to the pension insurance fund and through the management of the SODPZ, while the Kapitalska Družba Group also represents the largest provider of voluntary supplementary pension insurance in Slovenia through its subsidiary Modra zavarovalnica.

Kapitalska družba's basic objective of asset management is the payment of its legally prescribed obligations, which dictates the definition of a comprehensive investment strategy. An increased payment of EUR 65 million is expected to be contributed into the public pension system in 2023. In this way, Kapitalska družba will contribute to a greater relief of pressure on the state budget at a time of high budgetary challenges. With that payment, which represents an additional pension source, Kapitalska družba's total payments into the public pension fund will already reach EUR 1.1 billion. This accounts for almost 16% of the annual needs of the Slovenian public pension system.

Our aim is to become a socially responsible and sustainability-oriented company focused on achieving business excellence. Through an agile response to changes in an extremely high-risk external environment, we will continue to contribute to the strengthening and modernisation of the Slovenian pension system. We will therefore accelerate the digitalisation of operations and the introduction of paperless operations, and improve new forms of communication. Comprehensive risk management in connection with cost-efficiency will ensure successful, sustainability-oriented operations again in 2023. To that end, we will dedicate even more attention to cyber security and challenges relating to the increasing digitalisation of operations. We have therefore included the risk dimension in everyday decision-making processes.

Our objective is to promote innovations and business changes that lead to the creation of an integrated and sustainability-oriented ecosystem over the long term. Included in that system are all stakeholders, from the Company's owner via partner organisations and supervisory-regulatory systems to policyholders and their employers, as well as current and future pensioners, social partners and employees. Our sustainable agenda serves as a guide for the Company's governance and operations, and remains a key priority during a period when the entire world is dealing with difficult geopolitical, macro-economic and climate challenges. Despite already putting in place many approaches to ensure sustainable and forward-looking operations, in 2023 we will pay even greater attention to the environmental, social and governance aspects of our business, which will be monitored through ESG criteria. In this way, we will pursue solutions in several areas of our operations that are geared towards the well-being of society at large, the well-being of our employees and the preservation of the environment.

In 2023, we will measure our carbon footprint again, in Scopes 1 and 2. In the context of the extensive ESG-related regulatory framework, we will focus our efforts on introducing approaches linked to sustainability reporting and the mandatory content it entails. This includes ESG-related directives, regulations, taxonomy and EU standards. We will strive for innovative solutions to bring about positive change for all our stakeholders, the wider community and the environment.

Sustainability reporting will become part of regular business reporting after 2025. The sustainability report will need to comply with ESRS and include quantitative and qualitative disclosures, presented through a “double materiality matrix”. In this way, we will assess the impact of our operations on the economy, nature and wider society. In 2023 we will therefore already need to start gradually developing strategic policies and objectives in all three ESG areas. Through these activities, we will achieve an increasing level of compliance with ESG criteria and co-create a sustainable future through our actions/operations.

We will dedicate special attention in 2023 to the continued development of those processes used to control the payment of occupational insurance contributions. An effective link and the coordination of data from different sources are preconditions for determining the correct payment obligations. Our aim is to make data and the analysis thereof an element of our business strategy, our operational systems, our day-to-day business processes and our organisational culture. It is about creating a mindset where data-driven business is the basis for decisions at all levels of our Company.

As a result, we will introduce in daily operations best practices, innovative approaches and techniques in the area of portfolio management, and actively participate in the continued development of occupational insurance. The business objectives of the SODPZ in 2023 will focus on the optimal management of policyholders' assets, where a great deal of attention will be given to the principles of security and liquidity. The core objective is to achieve a higher-than-guaranteed return in the context of an acceptable level of risk. We will therefore continue to strive to be one of the most successful pension savings managers in Slovenia, and to ensure that systematic pension solutions are aimed at providing higher-quality and safer forms of insurance. In this way, we will contribute as much as possible to the improved pension stability of occupational insurance policyholders and pensioners.

We are aware that we could play a very important role in solving Slovenia's demographic challenges. We have set the right goals, have a successful business model, and possess many years of experience in asset management and the provision of supplementary pension insurance. We have therefore set long-term strategic objectives which, in the context of cooperation with key stakeholders, lead to a fairer and more sustainable pension system in the future. We will continue to strive to be the best and indispensable partner for all key stakeholders. Established objectives and the implementation of the business-financial plan will be achieved through teamwork and the expertise of employees. By focusing on the development of their competences and achieving a high level of motivation, we will make even better use of all the potential and internal resources of the Company.

We are aware of the risky geostrategic and macroeconomic circumstances in which we operate. Through a partnership approach and information opportunities, we will take advantage of the momentum achieved in recent years through the commitment of all employees. Despite extraordinary uncertainty, we also recognise opportunities. This binds us to work hard to achieve our established objectives, and to create added value for pensioners in the public system and in occupational insurance. We firmly believe that we can achieve more together, and that we thus have a positive impact on the Slovenian pension system and Slovenian society as a whole.

8 Sustainable operations

Today's economic challenges - from pandemics and outbreaks of war to climate change and digitalisation - reveal economic and geopolitical weaknesses in global economic and financial systems. Risks are exacerbated globally by the slow response of society as a whole to climate change and geopolitical imbalances. Achieving social, economic and environmental sustainability that involves all stakeholders and contributes to the positive development of society as a whole is becoming the greatest challenge of our time.

For many years now, Kapitalska družba's strategic orientation towards business excellence has also included measures to achieve sustainable operations. In recent years, as many of the gaps and weaknesses in society have become apparent, both in the global economic system and in social norms and in the relationship between people and the environment, such efforts have become increasingly important. We see ESG criteria not just as a "hygiene factor", but as a key element of successful future development, necessary to deal effectively with fundamental changes in the business and geopolitical environment. Understanding the impacts of business activities on society and the environment is becoming more challenging by the day, requiring the identification of sustainability risks and their effective management. We see both major challenges and new business opportunities in sustainable business.

In 2022, we have already carried out the first carbon footprint measurement for Scopes 1 and 2, linked to the baseline year of 2021. Sustainability reporting will become part of regular business reporting after 2025. We will follow the trends dictated by the regulatory framework, e.g. the so-called GRI standard (Global Reporting Initiative). Therefore, we plan to set strategic policies and define objectives in all three ESG areas. In this way, we will achieve an increasing level of compliance with ESG criteria and create a sustainable future through our actions/operations.

The following is a description of the socially responsible and sustainable business practices already in place at Kapitalska družba. The following is a table of Kapitalska družba's key ESG factors in relation to the United Nations Sustainable Development Goals (SDGs).

8.1 Responsibility to the wider social community

Kapitalska družba is an important building block in the Slovenian pension system. Its role in both the provision of funds for compulsory pension insurance and the management of the Compulsory Supplementary Pension Insurance Fund ensures a secure retirement for pensioners. Kapitalska družba's mission is the provision of supplementary funding for compulsory pension and disability insurance. By 2022, Kapitalska družba, d. d. has already paid a total of EUR 1 billion into the budget of the ZPIZ.

In 2022, Kapitalska družba managed the assets of 50,301 policyholders in the SODPZ, and paid occupational pensions to 454 occupational pensioners.

8.2 Responsibility to employees

8.2.1 Concern for employee training

We recognise that employees are a company's key asset and that skilled and motivated employees make the greatest contribution to the success of a company. Existing work areas and the development of new business functions at Kapitalska družba are enhanced using various forms of pre-planned training adapted to the specific job requirements and knowledge required by each employee, and to the Company's developmentally established tasks. Staff received additional training by attending live lectures, workshops and seminars, webinars and in-house training, which we regularly provide to all staff. We also place particular emphasis on training for obtaining and maintaining licences, particularly in the areas of asset management and business valuation.

Employees participated in training programmes in the following areas in 2022: finance and accounting, corporate governance, portfolio-based asset management, pension and disability insurance, personal data protection, public procurement, the prevention of money laundering and terrorist financing, quality management systems, legal and HR issues, including management skills, document management, data management and data analysis, sustainable business, information security and risk management.

In accordance with its education and training plan, Kapitalska družba also organised internal training programmes in 2022 on the following topics: prevention of money laundering and terrorist financing, information security in the workplace, financial reporting, legal issues and compliance. In order to improve business communication, special attention was paid to the correct use of the Slovenian language.

Kapitalska družba promotes continuing education and the acquisition of higher levels of education, and the acquisition and maintenance of various licences in the employer's interest. This facilitates higher-quality work processes and improves the qualifications of employees for work in a specific position, and thus ensures professional development.

8.2.2 Concern for a safe and healthy work environment

Kapitalska družba ensures a safe and healthy work environment by respecting all regulations governing occupational health and safety, and thus ensures the appropriate working conditions. Tasks relating to occupational health and safety, fire safety and healthcare at work are carried out regularly. Among the most important tasks in this area that should be noted are regular employee training in the area of occupational health and safety, participation in the assessment of risks in the workplace and work environment, regular periodic preventive medical examinations, the review of declarations of workplace safety, and examinations of compliance with fire safety measures.

The Company is aware that maintaining and improving health is important, as only healthy and satisfied employees who work in a safe and stimulating work environment are effective and innovative, and are less prone to sick leave. We are therefore implementing systematically targeted activities and measures to maintain and strengthen the physical and mental health of employees. This is achieved by improving the organisation of work and the work environment. Good interpersonal relationships are the most important in this regard, as they have a decisive impact on the health and well-being of employees. We encourage employees to participate in activities to protect and strengthen their health, including the possibility of attending organised recreational activities. We also promote their personal development through training.

The covid-19 pandemic also required the adaptation of certain measures in 2022.

Collective supplementary pension insurance is another important aspect of ensuring and increasing the future social security of employees. As a responsible company that cares for its employees, Kapitalska družba pays monthly premiums for all employees under the same terms into the Modri Umbrella Pension Fund (MKPS) of the fund manager Modra zavarovalnica. The aforementioned insurance is considered one of the most valued forms of motivation among employees.

Kapitalska družba pays the maximum supplementary pension insurance premium for its employees in the amount of 5.844% of an employee's gross wages, or a maximum of EUR 241.97 a month.

The costs of employee premiums for voluntary supplementary pension insurance (MKPS) totalled EUR 126 thousand in 2022.

Employees were included in voluntary collective health insurance in 2022, with more than 80% of employees joining that scheme.

A family-friendly company

Kapitalska družba is aware of the importance and advantages of an active family-friendly policy at the Company that facilitates the balancing of work and family life. The Kapitalska družba team is diverse, with an average employee age of 46, and includes many parents with small and school-age children who benefit from the effects of the Family-Friendly Company certificate to the maximum extent possible. The balancing of career development and family life has become part of our organisational culture, which today is frequently a challenge, as career and private life are becoming increasingly intertwined. Kapitalska družba received the Family-Friendly Company certificate in 2010, which was subsequently upgraded to the full certificate. Following an audit of the three-year period following the receipt of the full certificate, the Company received special recognition for spreading the family-friendly company culture in Slovenia. Through the adoption of measures, the Company aims to ensure short-term and long-term positive effects on the lives of its employees. Kapitalska družba adopted 13 measures in the scope of the Family-Friendly Company certificate: communication with employees, opinion polls among employees, public relations, time account, children's time bonus, additional annual leave, the philosophy and concept of management, a reintegration plan following an extended absence, socialising between employees and the Management Board, the hiring of employees' families for temporary jobs at the Company, the giving of gifts to celebrate new-borns and New Year's gifts for children, and the education of managers in the area of balancing work and family. Among the most popular measures are the time account, the children's time bonus (i.e. a day off for the first day of primary school for the parents of children in grades one to three), gifts for children and measures that have an immediate effect.

8.2.3 Adjustment of operations due to covid-19

As a result of covid-19, we have made certain adjustments to the Company's operations that we also maintained in 2022, such as working from home and adjusting the compulsory work hours. The digitalisation of our business, which was introduced in the wake of the covid-19 pandemic and is still being upgraded, is a major update. We have adapted our business processes to be largely electronic, in particular through the introduction of a document system, electronic signatures and web-based meetings.

8.3 Environmental responsibility

Electricity from renewable sources

A tender was issued in 2022 for the supply of electricity in accordance with the Decree on Green Public Procurement. Taking into account the provisions of the aforementioned decree, the Company signed an agreement on the supply of electricity, 80% of which is produced from renewable sources. Energy that is produced from environmentally friendly, renewable sources does not use fossil fuels, while the production of energy from renewable sources does not drain natural resources. Thus, the burden on the environment from greenhouse gases, harmful emissions and radioactive waste is reduced.

Purchase of materials

When purchasing goods, we strive to comply with the provisions of the Green Public Procurement Regulation, not only in procurement procedures but also in record-keeping. Accordingly, we formulate tender conditions for the purchase of goods that have less of an environmental impact over their entire life cycle than conventional goods, that conserve natural resources, materials and energy, and that have the same or better functionalities. When purchasing sanitary materials in 2022, we ordered environmentally friendly products. We also strive to order the most environmentally friendly paper products (FSC certificate). We are introducing electronic operations with the aim of reducing paper consumption. We have taken the first step to achieving this objective through the purchase of software support for the document system that was introduced at the beginning of 2021. Through the electronic confirmation and signing of documents, we are also striving to introduce electronic operations on an even wider scale, with the aim of reducing paper consumption, optimising certain processes and minimising our carbon footprint.

8.4 Stakeholder engagement

Kapitalska družba places particular emphasis on cooperation with its main stakeholder groups: the Republic of Slovenia as owner, SDH, trade unions, pensioners' associations, employers' associations, professional associations, investments, but also employees.

In cooperation with stakeholders, such as the MLFSAEO, ESF, trade unions, employer associations, the Slovenian government, the FARS, CRP and ZPIZ, Kapitalska družba has been setting the standards for high-quality and reliable operations in the area of pension insurance. The Company works closely with the following stakeholders in the area of asset management: SDH, companies with a capital investment of Kapitalska družba, the Slovenian Directors' Association, regulators and various financial institutions. As the statutory representative of the Republic of Slovenia as owner, the government also plays a special role.

The Company strives to maintain constructive relations with all stakeholders that are based on professionalism, flexibility, accuracy and transparency.

Stakeholders are included in the Company's operations at different levels, including on the Supervisory Board and the latter's committees, and on the SODPZ Committee.

Kapitalska družba strives to maintain continuous operations and to foster relations with all stakeholders in a secure and accessible manner, including by conducting meetings of the Company's bodies and other meetings via videoconferencing and by introducing electronic commerce.

Kapitalska družba attempts to establish mutually beneficial relations with stakeholders, partners and suppliers that are based on a high level of trust.

Kapitalska družba introduces improvements and corrective measures based on the systematic monitoring of the responses of key partners and suppliers. Based on the annual assessment of suppliers, business decisions are made regarding future relations with them, while new approaches for monitoring, performing and optimising individual processes are introduced on the same basis.

8.5 Socially responsible investing

When selecting financial investments in the scope of asset management, Kapitalska družba also takes appropriate account of the sustainability aspect of the activities of the issuers of financial instruments, meaning long-term sustainable operations with a positive attitude with regard to the environment, social issues and/or corporate governance.

For investments in the shares or debt securities of companies and financial institutions, Kapitalska družba takes into account the sustainability analyses or indicators of recognised institutions professionally engaged in the assessment or ranking of companies according to their level of sustainability, in order to assess compliance with the criterion of sustainability. In terms of sustainability, Kapitalska družba takes into account the level of governance of the issuing country, as expressed by Worldwide Governance Indicators (WGIs), for investments in government securities.

The sustainability aspect is taken into account in purchases of financial investments if an external source that facilitates the measurement of that aspect is at Kapitalska družba's disposal. If several different investments with similar characteristics and expected returns are available, the investment with a better indicator of sustainable development or, in the event of the purchase of units of collective investment undertakings, the undertaking that has identified sustainability as an element of its investment policy is given preference in the selection of the investment.

8.6 Corporate integrity

When Kapitalska družba adopted its corporate integrity plan in July 2021, it made a commitment to respect the highest standards of corporate integrity. That plan completed the integrity system that the Company began building back in 2019, with the establishment of a system to prevent, identify and investigate cases of fraud and other detrimental conduct, and to protect whistleblowers.

In formulating a corporate integrity system, Kapitalska družba is guided by the Corporate Governance Code for Companies with Capital Assets of the State, as well as reference documents such as the guidelines of the Commission for the Prevention of Corruption, the Slovenian Corporate Integrity Guidelines, and anti-corruption principles for state-owned companies.

By identifying specific corporate integrity risks that affect the Company's operations, defining measures to mitigate those risks and appointing a corporate integrity officer, the Company demonstrates zero tolerance for corruption and illegal and unethical conduct by its employees, management and members of the Supervisory Board.



For the second consecutive year, Kapitalska družba, as a partner, has joined the Agreement on Cooperation in the organisation of the International Fraud Awareness Week 2022, which aims to participate in the exchange of good practices and awareness-raising among all stakeholders, with the common goal of all signatories to reduce corruption, financial crime and fraud in the Republic of Slovenia.

8.7 Implementation of the core United Nations Sustainable Development Goals (SDGs)

Table 15: Implementation of the core United Nations Sustainable Development Goals (SDGs)

| Environmental aspect (E - Environment) | ESG-related activities | Note | UN goals |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Pollution prevention and control | Carbon footprint | In 2022, we measured for the first time the carbon footprint of Scope 1 and Scope 2 for the baseline year 2021. |  |
| | Continuing the introduction of digitisation and paperless operations | The introduction of the document system has created the conditions for a gradual transition to paperless operations. | |
| | Compliance with the decree on green public procurement | We follow the rules of the decree on green public procurement in our contract award procedures and record-keeping procedures, and procure environmentally friendly products. | |
| | Consistent waste separation | Waste collection and separation is enforced through employee awareness-raising. | |
| | Energy consumption | A tender was issued in 2022 for the supply of electricity in accordance with the Decree on Green Public Procurement. Taking into account the provisions of the aforementioned decree, the Company signed an agreement on the supply of electricity, 80% of which is produced from renewable sources. |  |
| Social aspect (S - Social) | ESG-related activities | Note | UN goals |
| Responsibility to stakeholders, payers, policyholders, employees and the wider environment | Responsible attitude to the wider social community | <p>Kapitalska družba operates as a demographic fund and co-finances the public pension system. To that end, it makes payments to the ZPIZ, with total payments to date already exceeding EUR 1.1 billion.</p> <p>As the manager of the SODPZ, Kapitalska družba provides occupational pensions and other rights to occupational policy holders and thus makes an important contribution to the strengthening and further development of the second pillar of the pension system.</p> |  |
| | Responsible attitude towards external stakeholders and policyholders | This is one of the core strategic policies of Kapitalska družba. We invest a lot of effort in long-term good relations with payers, policyholders and external organisations that are part of our ecosystem. Mutually beneficial relationships are based on professionalism, flexibility and transparency. | |

| Social aspect (S - Social) | ESG-related activities | Note | UN goals |
|--------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Responsibility to stakeholders, payers, policyholders, employees and the wider environment | Responsible attitude to employees | Kapitalska družba is fully certified as a Family-Friendly Company. We organise an open house for the children of our employees. We also invite our retired colleagues to our organised staff social gatherings. |  |
| | | Introduction of flexible working hours with the possibility to work from home. | |
| | Shaping current and future financial security | Incentive-based and fair remuneration is ensured, regardless of gender (67% of employees are women). All employees are covered by a supplementary pension scheme with a maximum premium. |  |
| | | Diversity and equal opportunities | |
| | Safety and health of employees | We are responsible for ensuring a safe and healthy work environment. Tasks relating to occupational health and safety, fire safety and healthcare at work are carried out regularly. Regular preventive medical examinations are organised, with a wide range of tests and the possibility of additional check-ups. |  |
| | | We implement health promotion measures, including organised recreation for employees and education on a healthy lifestyle. A total of 80% of employees are covered by collective supplementary health insurance. As part of the preventive health programme, employees receive free vaccinations against influenza and tick-borne meningoencephalitis (TBE). | |

| Governance factor (G - Governance) | ESG-related activities | Note | UN goals |
|---------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Compliance and integrity | High standards of corporate governance | <p>The governance of Kapitalska družba, d. d. is based on: the Corporate Governance Code for Companies with Capital Assets of the State, SDH's Recommendations and Expectations, Code of Corporate Governance of the Kapitalska družba Group, Guidelines of the Commission for the Prevention of Corruption, the Slovenian Corporate Integrity Guidelines, and anti-corruption principles for state-owned companies.</p> <p>Kapitalska družba has a zero tolerance policy towards corruption.</p> <p>It has identified measures to mitigate risks in the area of corporate integrity and the appointment of a Corporate Integrity Officer.</p> <p>Kapitalska družba was a partner in the Cooperation Agreement for the International Fraud Awareness Week 2022.</p> |  |
| | Effective risk management | <p>Risk management is embedded in business decision-making at all levels and is carried out in accordance with the Rules on Risk Management of the Kapitalska družba Group.</p> | |
| | Non-discrimination and respect for human rights and the ethical principles and values of society | <p>We operate in line with our values. We use the creativity and innovation of our employees to tackle the challenges of sustainable development.</p> <p>We consistently implement measures to prevent unethical behaviour and act in accordance with the Kapitalska družba's Corporate Integrity Plan.</p> |  |

9 Report on relations with subsidiaries

Kapitalska družba is the parent company of an insurance group that includes the subsidiaries Modra zavarovalnica, d. d., Hotelske nepremičnine, d. o. o.¹⁰ and FINAP, d. d. (in liquidation)¹¹. As the parent company, Kapitalska družba holds a 100% participating interest in Modra zavarovalnica. No transactions were executed between the parent company and the aforementioned subsidiary in 2022 under conditions that deviated from market conditions. As the Group's parent company, Kapitalska družba holds a 50% participating interest in Hotelske nepremičnine, d. o. o. No transactions were executed between the parent company and the aforementioned joint venture in 2022 under conditions that deviated from market conditions.

Lease of business premises

Modra zavarovalnica leases business premises from Kapitalska družba. A lease agreement was concluded in 2019 and is valid until September 2024. The monthly rent was at EUR 29,206.26 as at 31 December 2022, which includes electricity costs.

Provision of IT services

Modra zavarovalnica, d. d., and Hotelske nepremičnine, d. o. o. use the systems infrastructure (servers, communications equipment, printing devices, system software, disk capacities, etc.) owned by Kapitalska družba. Kapitalska družba also provides IT-related services to the aforementioned subsidiaries. The leasing of the systems infrastructure and the provision of IT services are governed by an agreement on the provision of IT services.

Agreement on the financing of the pension plan

Kapitalska družba has an agreement with Modra zavarovalnica on the financing of the pension plan for collective supplementary pension insurance, which is implemented by the open Modri Umbrella Pension Fund (MKPS).

¹⁰ In accordance with the IFRS and the Group's accounting policies, Hotelske nepremičnine is treated as a joint venture.

¹¹ Kapitalska družba holds a 66.08% participating interest in FINAP, d. d. (in liquidation), which it obtained on the basis of Article 48a of the ZNVP-1. That company is undergoing ordinary liquidation proceedings.

10 Indicators¹²

in EUR 000

| | Value in 2022 | Value in 2021 | Indicator in 2022 | Indicator in 2021 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|----------------------|----------------------|
| 1. FINANCING RATIOS | | | | |
| a) Equity financing ratio | | | | |
| equity | 1.130.623 | 1.285.186 | 0,87 | 0,89 |
| total equity and liabilities | 1.301.394 | 1.446.309 | | |
| b) Long-term financing ratio | | | | |
| equity + long-term liabilities (including provisions) + long-term accrued expenses and deferred revenue | 1.235.799 | 1.395.334 | 0,95 | 0,96 |
| total equity and liabilities | 1.301.394 | 1.446.309 | | |
| 2. INVESTMENT RATIOS | | | | |
| a) Operating fixed asset investment ratio | | | | |
| fixed assets (at carrying amount) | 2.486 | 2.805 | 0,00 | 0,00 |
| equipment | 1.301.394 | 1.446.309 | | |
| b) Long-term investment ratio | | | | |
| fixed assets + long-term deferred expenses and accrued revenue (at carrying amount) + investment property + long-term financial assets + long-term operating receivables | 1.157.035 | 1.298.733 | 0,89 | 0,90 |
| equipment | 1.301.394 | 1.446.309 | | |
| 3. HORIZONTAL FINANCIAL STRUCTURE RATIOS | | | | |
| a) Equity to fixed assets ratio | | | | |
| equity | 1.130.623 | 1.285.186 | 454,80 | 458,18 |
| fixed assets (at carrying amount) | 2.486 | 2.805 | | |
| b) Acid test ratio | | | | |
| liquid assets | 9.955 | 26.535 | 0,15 | 0,52 |
| short-term liabilities | 65.595 | 50.975 | | |
| c) Quick ratio | | | | |
| liquid assets + short-term receivables | 83.247 | 81.310 | 1,27 | 1,60 |
| short-term liabilities | 65.595 | 50.975 | | |
| d) Current ratio | | | | |
| current assets | 128.360 | 117.680 | 1,96 | 2,31 |
| short-term liabilities | 65.595 | 50.975 | | |

¹² Unaudited indicators.

| | Value in 2022 | Value in 2021 | Indicator in 2022 | Indicator in 2021 |
|-------------------------------------------------------------|------------------|------------------|----------------------|----------------------|
| 4. EFFICIENCY RATIOS | | | | |
| a) Operating efficiency | | | | |
| operating revenue | 11.150 | 11.003 | 0,77 | 1,76 |
| operating expenses | -14.417 | -6.246 | | |
| 5. PROFITABILITY RATIOS | | | | |
| a) Net return on equity | | | | |
| net profit/loss for the period | -68.986 | 65.862 | -0,06 | 0,06 |
| average equity (excluding net profit for accounting period) | 1.209.467 | 1.161.325 | | |
| b) Dividends to share capital ratio | | | | |
| dividends for financial year | 0 | 0 | 0,00 | 0,00 |
| average share capital | 364.810 | 364.810 | | |
| c) net return on assets | | | | |
| net profit/loss for the period | -68.986 | 65.862 | -0,05 | 0,05 |
| average assets | 1.373.852 | 1.342.810 | | |

11

Corporate governance statement

In accordance with the provision of the fifth paragraph of Article 70 of the ZGD-1 and point 3.4 of the Corporate Governance Code for Companies with Capital Assets of the State, Kapitalska družba hereby issues its corporate governance statement for the period 1 January 2022 to 31 December 2022.

I. As a public limited company whose sole shareholder is the Republic of Slovenia, Kapitalska družba voluntarily complies with the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Code), which includes the principles, procedures and criteria for conduct by members of the management and supervisory bodies of companies in which the Republic of Slovenia is a shareholder. Kapitalska družba also complies with the applicable Recommendations and Expectations of SDH.

Kapitalska družba hereby issues its statement of compliance with the Code adopted by SDH and applicable in 2022. The Code includes principles and recommended best practices for the corporate governance of companies with capital assets of the state. The currently valid Code is published on SDH's website at <http://www.sdh.si/sl-si/upravljanje-nalozb/kljucni-dokumenti-upravljanja>.

The Management Board and the Supervisory Board of Kapitalska družba hereby declare that they voluntarily comply with the Code. Deviations from individual recommendations of the Code are cited and explained below:

Point 3.1 of the Code: The core objective of a company with capital assets of the state shall be to maximise the value of the company and generate the highest possible returns for owners over the long term, unless otherwise stated by the law or articles of association. Companies shall ensure that all objectives are clearly defined in their articles of association in order to ensure increased transparency with respect to those objectives.

Explanation: Given the specific purpose of its establishment and its planned transformation into a demographic fund, and taking into account the state capital investment management strategy, Kapitalska družba's primary concerns are the fulfilment of its legal obligation to provide funds to the ZPIZ, and the management of the SODPZ.

Point 3.2 of the Code: The management of a large or medium-sized company with capital assets of the state, together with the supervisory board, shall draw up and adopt a Corporate Governance Policy as a separate document, which should contain at least the following:

- | a description of all the main guidelines of governance, taking into account the objectives set by the company, its values and its responsibilities to the broader social environment,
- | an indication of which corporate governance code the company has adopted as a reference code,
- | a precise identification of stakeholder groups and relevant stakeholders, and a policy for communicating and engaging with each stakeholder group (creditors, subsidiaries, suppliers, customers, employees, media, analysts, government authorities, local and wider community),
- | the process for communicating the group's strategy and governance standards to subsidiaries, shareholders and partners,
- | the policy on transactions between the company and its affiliates, including their members of management and supervisory bodies,

- | a commitment by the supervisory board to establish a system for determining conflicts of interest and the independence of members of the management and supervisory bodies, which includes measures envisaged in the event of circumstances that materially alter their status vis-à-vis the company,
- | a commitment that the supervisory board will assess its own performance,
- | intention of forming potential supervisory board committees and the definition of their roles,
- | a clear system for the allocation of responsibilities and powers between members of the company's management and supervisory bodies,
- | rules between the company and affiliated companies and their management board or supervisory board members that are not regulated by statutory regulations regarding conflicts of interest,
- | defining the company's communication policy, which includes high quality standards for the drafting and disclosure of accounting, financial and non-financial information,
- | protecting the interests of the company's employees by defining the manner, content and standards of employee performance and ensuring an appropriate level of ethical conduct at the company, including the prevention of discrimination.

Explanation: Kapitalska družba (in which SDH does not exercise a controlling influence) had not yet adopted a corporate governance policy as an independent document in 2022. Notwithstanding the aforementioned, Kapitalska družba has substantively complied with all the essential policies of the corporate governance provision in question.

Point 3.6 of the Code: The supervisory board of a company subject to auditing in accordance with the ZGD-1 shall formulate and adopt a diversity policy in the form of a special act that is implemented in connection with representation on management and supervisory bodies in terms of gender, age and professional profile. The diversity policy shall include a corporate governance statement and shall be published on the company's publicly accessible website. The corporate governance statement shall also include a report on the implementation and achieved results of the diversity policy during the reporting period. If no diversity policy is being implemented, a company shall explain why in its corporate governance statement. That explanation shall include an indication of when and how a company intends to formulate a diversity policy.

Explanation: Kapitalska družba will adopt a diversity policy in 2023 in connection with representation on its management and supervisory bodies in terms of gender and other aspects, such as age, education and professional experience. Nevertheless, it should be noted that the company in terms of the supervisory board's diversity policy is defined by law, as the sixth paragraph of Article 51 of the ZSDH-1 defines the interest make-up of the Supervisory Board, under which two of its six members are appointed on the basis of a proposal by a national-level federation/organisation of pensioners and one member is appointed on the basis of a proposal by national-level trade union federations or confederations.

Point 4.3 of the Code: The management and supervisory bodies of companies with capital assets of the State shall refrain from all communication with representatives of ministries regarding matters that relate to the exercising of membership rights arising from the capital assets of the State at a particular company with such assets.

Explanation: Kapitalska družba does not comply with the aforementioned provision of the Code in full because it is not a company managed by SDH. In accordance with the law, Kapitalska družba is the manager of the SODPZ, which represents an element of compulsory pension insurance. For this reason, communication with representatives of the competent ministries regarding the provision of occupational insurance is necessary.

Point 6.2 of the Code: In cooperation with senior management, the supervisory board shall draft a succession policy to ensure the smooth transfer of management rights in the event that the terms of office of members of senior management are terminated, and to manage the associated risks. The objective of that policy is to train potential candidates from the ranks of employees who would be qualified to assume managerial functions at a company.

Explanation: Kapitalska družba does not have a succession policy in place, in particular due to the specific provisions of the Articles of Association which lay down the procedure for the selection and appointment of the Company's Management Board (obligation to publish a call to tender).

Point 6.5 of the Code: The supervisory board shall be comprised in such a way as to ensure responsible supervision and decision-making for the benefit of a company. Regardless of whether a company has adopted a diversity policy or not, the composition of the supervisory board shall take into account professional knowledge, experience and skills that differ from member to member but are complementary (in terms of knowledge and experience). The continuity and diverse composition of the supervisory board, in terms of characteristics such as age, international composition and gender representation (i.e. the heterogeneity of its composition), shall be ensured to the greatest extent possible.

Sub-point 6.5.1: The supervisory board shall draw up a competence profile for its members, in terms of the optimal size and composition of the supervisory board, and publish it on the company's public website. In drawing up the competence profile, the supervisory board should take into account the sectoral composition provided for in the second paragraph of Article 21 of the ZSDH-1. The supervisory board should review the competence profile once a year and update it as necessary.

Explanation: Kapitalska družba complies with the aforementioned provisions of point 6.5 and sub-point 6.5.1 of the Code, mutatis mutandis, taking into account the cogent provisions of the sixth paragraph of Article 51 of the ZSDH-1 and the Company's Articles of Association, which set out a special composition of Kapitalska družba's Supervisory Board. Taking account of aforementioned legal restrictions, the Supervisory Board was not able to draw up a competence profile for its members, in terms of the optimal size and composition of the Supervisory Board.

Point 6.8 of the Code: If the general meeting elects members of the supervisory board based on a proposal from that body, the substantiation of proposals for the adoption of resolutions shall include, in addition to the data required by the law, at a minimum information regarding each proposed candidate's membership in other management or supervisory bodies and an assessment of potential conflicts of interests, where that assessment shall also take into account the individual circumstances stated in Appendix 1 to the Code. Moreover, the supervisory board shall disclose all information regarding whether a proposed candidate is independent in terms of the definition set out in this Code and whether procedures defined by this Code have been taken into account by the supervisory board in the selection of that candidate.

Sub-point 6.8.1 of the Code: In the justification of its proposal (subject to voting), the supervisory board shall also provide a description of the competence profile for a member of the supervisory board and information regarding a candidate that allows shareholders to assess whether that candidate meets the characteristics of the profile being sought.

Explanation: The Company does not comply with the aforementioned provision of the Code in full due to the cogent provisions of the ZSDH-1 and Kapitalska družba's Articles of Association, which envisage a special procedure for nominating members to Kapitalska družba's Supervisory Board.

Point 6.9 of the Code: The selection procedure for supervisory board members and the formulation of a proposal for a general meeting resolution on the appointment of supervisory board members shall be transparent and defined in advance.

Sub-point 6.9.8 of the Code: Immediately following the convening of the general meeting that will vote on new supervisory board members based on a proposal of the supervisory board of a company with capital assets of the state, the chairman of that company's supervisory board shall invite candidates who have been proposed for election by the supervisory board to submit their applications to SDH's human resource committee for accreditation and nomination. Candidates may also be invited by SDH's human resource committee to submit their application for accreditation and nomination. This recommendation shall not apply when the proposal of candidates by SDH is the only recruitment channel.

Explanation: Kapitalska družba does not comply with the recommendation under sub-point 6.9.8 of the Code in full because the Government of the Republic of Slovenia represents Kapitalska družba's General Meeting. In accordance with the provisions of the ZSDH-1, three members are appointed to the Supervisory Board based on SDH's proposal. Thus, in accordance with the Articles of Association, a proposal for candidates who are representatives of SDH is drafted by the latter's Management Board and the Supervisory Board informed of its selection. Two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners, while one member is appointed on the basis of a proposal by national-level trade union federations or confederations.

Point 7.4 of the Code: At a minimum at large companies, a culture for identifying talented individuals and the development of employees' knowledge and skills shall be present not only at the second level, but also deeper within an organisation. The development plan of a specific employee shall define the direction of their career and the critical competences for the current and future success of an organisation. The senior management shall be responsible for motivating employees, strengthening the feeling of responsibility amongst employees and for promoting the desired conduct. The remuneration system shall be based on knowledge, performance and the complexity of work.

Explanation: Kapitalska družba partially complies with this provision of the Code, as it has yet to adopt a development plan for all employees, but complies with the other essential guidelines of this provision.

Point 7.5 of the Code: Management formulates the company's strategy, taking into account the company's core objectives, vision and business sustainability considerations. Based on the strategy, it draws up a business plan for each financial year, including an investment plan, a financial plan, a human resources plan, a success plan according to various indicators and a risk assessment.

Explanation: Kapitalska družba partially complies with this provision of the Code, as it does not have a multi-annual strategy for the Company, but only an annual business plan containing all the required elements. Notwithstanding the above, the Company has adopted strategies for the management of its own assets and for the management of the SODPZ.

Point 8.5 of the Code: Prior to the beginning of the year, large and medium-sized companies shall prepare a financial calendar of the planned dates of their significant announcements (general meetings, date of dividend payment, annual and interim reports, etc.) in the forthcoming financial year. The financial calendar shall be published and publicly accessible on a company's web site.

Explanation: The Company cannot comply with the aforementioned provision of the Code due to the specifics set out in the provisions of the ZSDH-1 with regard to Kapitalska družba (in accordance with the second paragraph of Article 52 of the ZSDH-1, the Company's distributable profit may not be allocated to shareholders, while the role of the Company's General Meeting is performed by the general meeting of SDH, i.e. the Government of the Republic of Slovenia in accordance with Article 51 of the ZSDH-1).

Point 11.2 of the Code:

II. Main features of internal control systems and risk management in relation to financial reporting procedures

Explanation: Kapitalska družba manages risks and carries out internal controls at all levels. The purpose of internal controls is to ensure the accuracy, reliability and transparency of all processes, and to manage the risks associated with financial reporting.

Controls are carried out by the Accounting Department, which is responsible for maintaining the books of account and for the compilation of financial statements in accordance with the valid financial reporting, tax and other regulations. Those regulations ensure that:

- | business events are recorded on the basis of credible accounting documents, which in turn ensures that business events are recorded accurately and fairly and provides assurance that the Company disposes of its assets in an honest manner,
- | business events are recorded and the financial statements compiled in accordance with the applicable laws.

Kapitalska družba's financial statements for every financial year are verified and audited by an external auditor. On the basis of the resolution passed by the General Meeting on 26 August 2022, the Company's financial statements for 2022 were audited by PricewaterhouseCoopers d. o. o., Ljubljana.

The Internal Audit Department is an independent organisational unit that reports directly to the Company's Management Board and is also subordinated in functional terms to the audit committee and the Supervisory Board. This ensures the independence of its work and its segregation from the implementing functions that are subject to auditing. The verification of the Company's internal control systems and the provision of assurances regarding the functioning of those systems represent the core area of internal auditing work. Internal auditors assess the effectiveness of the functioning of internal controls in terms of the management of the risks to which the Company is exposed. In accordance with its annual work plan, which is approved by the Company's Management Board and Supervisory Board, the Internal Audit Department performs audits of individual areas of the Company's operations. The Internal Audit Department contributes to the improved performance of the Company through recommendations for improvements to business processes and procedures.

III. Significant direct and indirect ownership of a company's securities in terms of achieving a qualifying holding as set out in the act governing takeovers

Explanation: Kapitalska družba's sole owner is the Republic of Slovenia, which holds all 874,235 ordinary registered no-par-value shares (100% of share capital).

IV. Holders of securities that provide special controlling rights

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

V. Restrictions on voting rights

Explanation: Kapitalska družba's sole owner is the Republic of Slovenia, which holds all 874,235 ordinary registered no-par-value shares. There are no restrictions on its voting rights.

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

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

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners. One member is appointed on the basis of a proposal by national-level trade union federations or confederations. If an individual interest group does not formulate a proposal for the appointment

of members of the Supervisory Board in the manner defined below, the General Meeting of the Company appoints missing members at its own discretion. The proposal for candidates to represent SDH is formulated by SDH's Management Board, which informs the Supervisory Board of its choice. The proposal for candidates to represent pensioners is formulated by national-level federations/organisations of pensioners, which inform the Supervisory Board of their choice. The proposal for a candidate to represent trade unions is voted on by representatives (electors) of national-level representative federations/confederations, which inform the Supervisory Board of their choice. Each representative federation/confederation has as many representatives as the number of representative trade unions amalgamated within them. In addition to the representatives referred to in the preceding sentence, a federation/confederation each elects a representative for every ten thousand members. Members of the Supervisory Board serve a four-year term of office and may be reappointed.

Members of the Management Board are appointed by the Supervisory Board on the basis of a public tender. One of the members of the Management Board is appointed the President thereof. Members of the Management Board serve a four-year term of office and may be re-appointed. The Management Board or its individual members may be recalled prior to the end of their term of office, but only for the reasons set out in the second paragraph of Article 268 of the ZGD-1. A violation of the Articles of Association of Kapitalska družba that is deemed to be a serious violation of obligations may constitute a reason of culpability resulting in recall.

The Articles of Association and amendments thereto are adopted by the General Meeting of Kapitalska družba at the proposal of the Management Board and Supervisory Board.

VII. Powers of senior management, in particular powers to issue or purchase treasury shares

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

VIII. Information regarding the functioning of the Company's General Meeting of Shareholders and its key competences, and a description of the rights of shareholders and how those rights are exercised

Explanation: The Company's sole shareholder exercises its rights arising from the ownership of shares at the General Meeting. The General Meeting is the Company's highest body and functions in accordance with the provisions of the ZGD-1, the ZSDH-1 and the Company's Articles of Association. The General Meeting is convened by the Company's Management Board, as defined by the law and the Articles of Association, and whenever its convening is in the interest of the Company. The General Meeting may also be convened by the Supervisory Board. The General Meeting must also be convened if the shareholder requests that the Management Board do so. The shareholder's written request to convene the General Meeting must include an agenda, a proposed resolution for each proposed item of the agenda to be decided upon by the General Meeting, or an explanation of the agenda item if the General Meeting will not decide on the item in question. The convening of the General Meeting must be published at least 30 days prior to the meeting. The convening of the General Meeting is published on the websites of the AJPES and Kapitalska družba. The publication of the convening of the General Meeting must also include proposed resolutions and details of the place where all materials submitted for decision-making at the General Meeting may be accessed. A shareholder who is registered as such in the central register of book-entry securities at the end of the fourth day prior to the General Meeting is entitled to participate and exercise their voting rights at the General Meeting.

The General Meeting makes decisions on basic matters relating to Kapitalska družba, in particular the adoption of the Company's Articles of Association and amendments thereto. It adopts the annual report, if the Supervisory Board has not confirmed the annual report or if the Supervisory Board defers the decision regarding the adoption of the annual report to the General Meeting. It decides on the use of distributable profit at the proposal of the Management Board and Supervisory Board and on

the granting of discharge to members of the Management Board and Supervisory Board. It appoints and recalls members of Kapitalska družba's Supervisory Board and appoints the Company's auditor. It decides on measures to increase or reduce share capital, unless the Articles of Association or the law determine otherwise. It decides on the winding-up of Kapitalska družba and on status changes there-to, and decides on other matters in accordance with the law and these Articles of Association.

IX. Information regarding the composition and functioning of management and supervisory bodies and their committees

Explanation: The governance of Kapitalska družba is based on legal provisions and the provisions of the Company's Articles of Association. The Company has a two-tier governance system under which the Company is managed by its Management Board and the work of the latter is supervised by the Supervisory Board.

a) Supervisory Board

The responsibilities of the Supervisory Board are set out in the company's Articles of Association, while its work method is governed by the aforementioned body's rules of procedure. A detailed description of the activities and work method of the Supervisory Board in 2022 is given in the report of the Supervisory Board. The Supervisory Board of Kapitalska družba functioned in the following composition in 2022:

- | Janez Tomšič, Chairman,
- | Dr Boris Žnidarič, Deputy Chairman,
- | Aleksander Mervar, MSc, member until 30 August 2022,
- | Ladislav Rožič, MSc, member,
- | Mirko Miklavčič, member,
- | Boštjan Leskovar, MSc, member,
- | Andreja Cedilnik, member since 31 August 2022.

Three committees functioned within the Supervisory Board in 2022: an audit committee, an accreditation committee and an HR committee. The work of the aforementioned committees is presented in the report of the Supervisory Board.

The audit committee of Kapitalska družba's Supervisory Board functioned in the following composition in 2022, until 14 September 2022: Ladislav Rožič, MSc (chair), Aleksander Mervar, MSc (until 30 August 2022) and Mirko Miklavčič (members), and Natalija Stošicki and Mojca Verbič (external members). The audit committee functioned in the following composition since 15 September 2022: Andreja Cedilnik (chair), Ladislav Rožič, MSc, Mirko Miklavčič (members), Natalija Stošicki and Mojca Verbič (external members). The members of the audit committee are appointed from the members of the Supervisory Board until the end of the term of office on the aforementioned body, unless otherwise decided in a resolution of the Supervisory Board. The terms of office of independent experts (external members) are not tied to the term of office of Supervisory Board members, and those persons may be replaced by the Supervisory Board at any time.

The Supervisory Board's accreditation committee functioned in the following composition in 2022, until 14 September 2022: Dr Boris Žnidarič (chair), Aleksander Mervar, MSc (until 30 August 2022) and Ladislav Rožič, MSc (members) and Dr Alenka Stanič, Irena Prijović, MSc and Gorazd Žmavc (external members). The Supervisory Board's accreditation committee functioned in the following composition since 15 September 2022: Dr Boris Žnidarič (chair), Boštjan Leskovar, MSc, and Ladislav Rožič, MSc (members) and Dr Alenka Stanič, Irena Prijović, MSc and Gorazd Žmavc (external members). The members of the accreditation committee are appointed from the members of the Supervisory Board until the end of the term of office on the aforementioned body, unless otherwise decided in a resolution of

the Supervisory Board. The terms of office of independent experts (external members) are not tied to the term of office of Supervisory Board members, and those persons may be replaced by the Supervisory Board at any time.

The Supervisory Board's Human Resources Committee in 2022, until 14 September 2022, functioned in the following composition: Boštjan Leskovar, MSc (chair), Aleksander Mervar, MSc, (until 30 August 2022) and Mirko Miklavčič (members). Since 15 September 2022, the Human Resources Committee has functioned in the following composition: Boštjan Leskovar, MSc (chair), Mirko Miklavčič and Andreja Cedilnik (members). The members of the HR committee, who are also members of the Supervisory Board, are appointed until the end of their term of office on the Supervisory Board, unless otherwise decided in a resolution of the aforementioned body.

b) Management Board

In accordance with the ZSDH-1 and the Company's Articles of Association, the Management Board has a minimum of two and a maximum of three members. The members of the Management Board are appointed to a four-year term of office by the Supervisory Board based on a public tender procedure. Kapitalska družba, d. d. was run by its Management Board in 2022 in the following composition:

- | Bachtiar Djalil, president of the Management Board, who began his term of office on 3 January 2019,
- | Gregor Bajraktarević, member of the Management Board, whose term of office, which he started on 7 February 2018, lasted until 7 February 2022, and whose new one-year term of office commenced on 8 February 2022.

The President and members of Kapitalska družba's Management Board were appointed by the Supervisory Board in accordance with the Company's Articles of Association and the provisions of the ZSDH-1, on the basis of a public tender procedure.^{13, 14}

The Management Board manages the company in the interests thereof, independently and at its own discretion. The members of the Management Board represent Kapitalska družba independently and without restrictions. The company's articles of association set out the transactions and decisions for which the management board must obtain the consent of the supervisory board. The Management Board of Kapitalska družba is answerable to the Supervisory Board and the General Meeting for its work. In managing the Company's transactions, it must act with the due professional diligence of a good manager, safeguard the business secrets of Kapitalska družba and comply with the prohibition of competition clause.

The Management Board exercised its competences in 2022 in accordance with the rules of procedure of that body, reported regularly to the Supervisory Board and fulfilled its obligations to the shareholder, as set out in the ZGD-1 and ZSDH-1, in accordance with the Articles of Association.

¹³ In accordance with Article 33 of the Articles of Association, member of the Management Board Gregor Bajraktarević was appointed to a term of office of no more than one year from the day he assumed his function.

¹⁴ On 4 January 2023, Bachtiar Djalil began a new four-year term of office as President of the Management Board. On 9 February 2023, Gregor Bajraktarević began a new four-year term as member of the Management Board.

Table 16: Composition of the Management Board during the 2022 financial year

| Name | Function (President, member) | Work area as member of the Management Board | First appointment to function | Completion of function/term of office | Gen- der | Nation- ality | Year of birth | Education | Professional profile | Membership in supervisory bodies of unaffiliated companies |
|----------------------|------------------------------|-----------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------|----------|---------------|---------------|--------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Bachtiar Djalil | President | Legal and HR affairs, internal audit, risk management, finances and accounting, and general affairs | 1 January 2010 | 4 January 2027 | M | RS | 1975 | Bachelor's degree in law (Groningen) | Corporate governance, management of pension and investment funds, economic and financial law | Loterija Slovenije, d. d. |
| Gregor Bajraktarević | Member | Asset management, IT and business processes, pension fund management | 6 February 2017 | 9 February 2027 | M | RS | 1975 | Master's of science | Asset management, corporate governance, investment banking and corporate restructuring | Hit, d. d. |

Table 17: Composition of the Supervisory Board and its committees during the 2022 financial year

| Name | Function (Chairman, Deputy Chairman, member) | First appointment to function | Completion of function/term of office | Shareholder/employee representative | Participation in Supervisory Board sessions with respect to total number (e.g. 5/7) | Gender | Nationality | Year of birth | Education | Professional profile | Independence in accordance with point 6.6 of the Code (YES / NO) | Existence of conflicts of interest during the financial year (YES/NO) | Membership in supervisory bodies of other companies | Membership on committees (e.g. audit, human resource or remuneration) | Chair/member | Participation in committee sessions with respect to total number (e.g. 5/7) |
|-------------------------------------------------|----------------------------------------------|-------------------------------|---------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------|--------|-------------|---------------|------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Janez Tomšič | Chairman | 21 October 2021 | 21 October 2025 | Shareholder representative | 17/17 | M | RS | 1979 | Bachelor's degree in law | Corporate governance, real estate management, commercial law | Yes | No | SID, d. d. | / | / | / |
| Boris Žnidarič | Deputy Chairman | 1 February 2015 | 1 February 2027 | Pensioner representative | 17/17 | M | RS | 1948 | Doctorate of science | Master's degree in law and other social sciences, qualified university professor | Yes | No | Krka, d. d., | Accreditation | Chair | 3/3 |
| Aleksander Mervar (member until 30 August 2022) | Member | 28 August 2013 | 30 August 2022 | Shareholder representative | 8/10 | M | RS | 1962 | Master's of science | Finance, accounting, corporate governance, governance systems | Yes | No | SŽ, d. o. o. | HR, audit, accreditation | member, member | 4/4 4/5 2/2 |
| Ladislav Rožič | Member | 31 January 2011 | 1 February 2027 | Trade union representative | 17/17 | M | RS | 1957 | Master's of science | Finance, corporate governance | Yes | No | / | Audit, accreditation | chair (until 14 September 2022) or member (since 15 September 2022) | 8/8 3/3 |
| Mirko Miklavčič | Member | 2 February 2019 | 1 February 2027 | Pensioner representative | 17/17 | M | RS | 1947 | Bachelor's degree in labour organisation | Finance, corporate governance and insurance | Yes | No | / | Audit, HR | member, member | 8/8 9/9 |
| Boštjan Leskovar | Member | 21 October 2021 | 21 October 2025 | Shareholder representative | 17/17 | M | RS | 1973 | Master's of science | Finance, governance systems, corporate governance | Yes | No | Elektro Celje, d. d. | HR Accreditation | Chair member (since 15 September 2022) | 9/9 1/1 |
| Andreja Cedičnik (member since 31 August 2022) | Member | 31 August 2022 | 31 August 2026 | Shareholder representative | 7/7 | Ž | RS | 1974 | Bachelor's degree in economics | finances, accounting, controlling, corporate governance | Yes | No | / | Audit, HR | chair (since 15 September 2022) member (since 15 September 2022) | 2/2 4/4 |

Table 18: External members of Supervisory Board committees during the 2022 financial year

| Name | Committee | Participation in committee sessions with respect to total number (e.g. 5/7) | Gender | Nationality | Education | Year of birth | Professional profile | Membership in supervisory bodies of unaffiliated companies |
|-------------------|---------------|-----------------------------------------------------------------------------|--------|-------------|--------------------------------|---------------|-------------------------------------------------|------------------------------------------------------------|
| Mojca Verbič | Audit | 8/8 | F | RS | Bachelor's degree in economics | 1975 | Director of Finance and Business Support Sector | / |
| Irena Prijović | Accreditation | 3/3 | F | RS | Master's of science | 1968 | Corporate governance | Uradni list, d. o. o., Športna loterija, d. d. |
| Alenka Stanič | Accreditation | 2/3 | F | RS | Doctorate of science | 1963 | Adviser for key personnel | / |
| Gorazd Žmavc | Accreditation | 3/3 | M | RS | Lawyer | 1947 | Legal affairs | / |
| Natalija Stošički | Audit | 6/8 | F | RS | Bachelor's degree in economics | 1966 | Financial services expert | / |

X. Description of the diversity policy that is implemented in connection with representation on the Company's management and supervisory bodies

Kapitalska družba will adopt a diversity policy in 2023 in connection with representation on its management and supervisory bodies in terms of gender and other aspects, such as age, education and professional experience. Nevertheless, it should be noted that there are legal restrictions on the Company in terms of drafting the Supervisory Board's diversity policy, as the sixth paragraph of Article 51 of the ZSDH-1 defines by law the interest make-up of the Supervisory Board, under which two of its six members are appointed on the basis of a proposal by a national-level federation/organisation of pensioners and one member is appointed on the basis of a proposal by national-level trade union federations or confederations.



Gregor BAJRAKTAREVIĆ
Member of the Management Board



Bachtiar DJALIL
President of the Management Board

Ljubljana, 23 May 2023



ACCOUNTING
REPORT

12 Statement of management's responsibility

The Management Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. hereby confirms the Company's financial statements for the year ending 31 December 2022, and the accompanying notes and disclosures to the financial statements.

The Management Board also confirms that the appropriate accounting policies were consistently applied in compiling the financial statements, that accounting estimates were made according to the principle of prudence and the diligence of a good manager, and that the financial statements present a true and fair picture of the Company's financial assets and operating results for 2022.

The Management Board is also responsible for ensuring that accounting is conducted correctly and that appropriate measures are taken to secure property and other assets, and confirms that the consolidated financial statements, together with the notes, have been compiled on a going concern basis and in line with current legislation and the International Financial Reporting Standards (IFRS) as adopted by the EU.

The tax authorities may audit the Company at any time in the five years following the end of a year in which tax must be paid, which can result in an additional tax liability, default interest and fines for corporate income tax or for other taxes and levies. The Company's Management Board is not aware of any circumstances that could give rise to any significant liability on this account.



Gregor BAJRAKTAREVIĆ
Member of the Management Board



Bachtiar DJALIL
Chairman of the Management Board

Ljubljana, 23 May 2023

13 Auditor's report



Independent Auditor's Report

To the Shareholder of Kapitalska družba pokojninskega in invalidskega zavarovanja d.d.

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. (the "Company") as at 31 December 2022, and the Company's separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 18 May 2023.

What we have audited

The Company's separate financial statements comprise:

- the separate Statement of financial position as at 31 December 2022;
- the separate Statement of income for the year then ended;
- the separate Statement of other comprehensive income for the year then ended;
- the separate Statement of changes in equity for the year then ended;
- the separate Cash-Flow statement for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (the "Regulation"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report.

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

PricewaterhouseCoopers d.o.o.,
Cesta v Kleče 15, SI-1000 Ljubljana, Slovenia
T: +386 (1)5836 000, F:+386 (1) 5836 099, www.pwc.com/si
Matriculation No.: 5717159, VAT No.: SI35498161

The company is entered into the company register at Ljubljana District Court under Insert no. 12156800 per resolution Srg. 200110427 dated 19 July 2001 and into the register of audit companies at the Agency for Public Oversight of Auditing under no. RD-A-014/94. The registered share capital is EUR 34,802. The list of employed auditors with valid licenses is available at the company's registered office.

Translation note:

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Independence

We are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standard Board for Accountants (IESBA Code), and with the ethical requirements that are relevant to our audit of the separate financial statements in Slovenia. We have fulfilled our other ethical responsibilities in accordance with those requirements and with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in Slovenia and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation.

The non-audit services that we have provided to the Company, in the period from 01 January 2022 to 31 December 2022 are disclosed in the Note No. 3 Costs of audit.

Our audit approach

Overview

| | |
|-------------------------|-------------------------------------------------------------------------------------------------------|
| Materiality | Overall, Company materiality: EUR 13,014 thousand, which represents 1% of the Company's total assets. |
| Key audit matter | Assessment of fair value of the investments in level 3 of fair value hierarchy |

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Translation note:

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| | |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall Company materiality | EUR 13,014 thousand |
| How we determined it | 1 % of total assets |
| Rationale for the materiality benchmark applied | <p>The amount of the Company's total assets is an important indicator of operations for the key stakeholders. Based on the this, we have decided to apply total assets as a materiality benchmark, believing that this indicator is of most interest to the key users of the separate financial statements.</p> <p>We chose the threshold of 1.0% which is consistent with quantitative materiality thresholds used for public interest entities.</p> |

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Assessment of fair value of the investments in level 3 of fair value hierarchy</p> <p>Key audit matter is described in detail in the following sections:</p> <ul style="list-style-type: none"> - 15.2 Disclosures and clarifications – <i>Significant Accounting Estimates and judgements</i>; - 15.2 Disclosures and clarifications – <i>Financial Assets</i>; - 15.2 Disclosures and clarifications – <i>Determining fair value of investments</i>; - 15.2 Disclosures and clarifications – <i>Criteria for Classification of Investments based the level of the Fair Value Hierarchy</i>; - Note no. 16 – <i>Fair Value Hierarchy as at 31 December 2022</i>; - Note no. 16 – Table 40: Changes in level 3 investments in 2022. <p>The total value of investments in level 3 of fair value hierarchy amounts to EUR 85,473 thousand as at 31 December 2022 (as at 31 December 2021: EUR 92,415 thousand).</p> | <p>In light of the fact that the high level of complexity and subjectivity of the estimates and assumptions increases the risk of accounting misstatements, we carried out the following procedures within the scope of the audit, with the support and active involvement of audit experts – valuation experts:</p> <ul style="list-style-type: none"> - testing the design and implementation of selected internal controls in the process of classification and measurement of financial assets with an emphasis of internal controls for determining and validating assumptions and model results in the assessment of fair value of the investment in level 3 of fair value hierarchy; - valuation and compliance verification of the methods and models used in the assessment of fair value of the investment in level 3 of fair value hierarchy in line with the requirements of IFRS 13 as well as the International Valuation Standards, with the assistance of audit experts; |

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| Key audit matter | How our audit addressed the key audit matter |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Significant estimates relate to the classification and valuation of financial assets, including the determination of their fair value, based on adopted business models.</p> <p>The amount of fair value estimates of individual investments depends mainly on the current and expected macroeconomic conditions in the EU and on other significant markets in which the Company operates and which affect the forecast of future cash flows, the value of interest rates, determining the level of the required return on debt capital and shareholders' equity as well as stock market price movements.</p> <p>The Company has the following types of investments in level 3 of the fair value hierarchy as of 31 December 2022: <i>shares or business stakes</i> representing 59.5 % or EUR 50,889 thousand of level 3, <i>investment in financial receivables</i> representing 33.2 % or EUR 28,416 thousand of level 3 and other debt instruments representing remaining 7.3 % or EUR 6,168 thousand of level 3.</p> <p>Assessment of fair value of individual investments in level 3 of fair value hierarchy for <i>shares or business stakes</i> was carried out applying return-based method of assessing the value of the Company, by applying the discounted cash flow method and by applying the asset-based method of assessing the value of the company as well as by applying the net asset value method (adjusted carrying amounts).</p> <p>The estimated fair value of the <i>investment in the financial receivables</i> is determined on the basis of the estimated fair value of the pledged assets by taking into account the nominal amounts of the individual financial receivables. The assessment of the fair value of pledged assets was done by applying the return-based valuation method, by applying the discounted free cash flow method, and the valuation method based on market comparisons, and by applying the method of comparable listed companies.</p> | <ul style="list-style-type: none"> - verification of the accuracy and reasonableness of the assumptions applied (discount rates, financial projections / plans, Collateral, etc.) in the models used in estimating fair value of the investment in level 3 of fair value hierarchy; - performed tests of inputs on a sample of Level 3 investments as of 31 December 2022 and assessed the methodology over fair value adjustments, in light of available market data and industry trends; - review of changes in investments in level 3 of fair value hierarchy compared to the previous year; - assessment of the accuracy and completeness of the presentation and disclosures in the separate financial statements as at 31 December 2022. |

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| Key audit matter | How our audit addressed the key audit matter |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <p>The assessment of the fair value amount of investments in level 3 of fair value hierarchy is made on the basis of valuation models that take into account subjective variables not publicly available on markets (discount rates, cost of capital / WACC, etc.). Certain data for evaluation is obtained from the Bloomberg system and other financial sources, whereas for some companies, an important source is data and documentation relating to past and budgeted future operations which the management obtained from individual companies. Aforementioned presents significant unobservable inputs used in valuation of level 3 investments.</p> <p>Assessment of fair value of the investments in level 3 of fair value hierarchy and related accounting estimates and assumptions represent a significant item in terms of auditing the Company's separate financial statements. Because they involve significant management judgements and estimates, we determined this area to be significant to our audit as well as a key audit matter.</p> | |

Reporting on other information including the Business Report

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

Our opinion on the separate financial statements does not cover the other information, including the Business Report 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 separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report, we also performed procedures required by the Slovenian Companies Act. Those procedures include assessing whether the Business Report is consistent with the separate financial statements and whether the Business Report was prepared in accordance with valid legal requirements.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Business Report for the financial year for which the separate financial statements are prepared is consistent with the separate financial statements; and
- the Business Report has been prepared in accordance with the requirements of the Slovenian Companies Act.

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In addition, in the light of knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Appointment

We were first appointed as auditors of the Company at the shareholders meeting of the Company on 26 August 2022 for the financial year ended 31 December 2022. The president of the supervisory board signed the audit contract on 10 June 2022. The contract was concluded for 3 years. Our uninterrupted period of appointment is one year.

The key audit partner on the audit resulting in this independent auditor's report is Primož Kovačič.

For and on behalf of PricewaterhouseCoopers d.o.o.:

Primož Kovačič,
Director, certified auditor
23 May 2023
Ljubljana, Slovenia

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14 Separate financial statements for 2022

14.1 Separate statement of income

| Item | Note | in EUR 000 | |
|----------------------------------------------------------------------------|------|---------------------|---------------------------------|
| | | 1 Jan - 31 Dec 2022 | Adjusted 1 Jan - 31 Dec 2021 |
| 1. Net sales revenue | 1 | 11.012 | 10.915 |
| 2. Other operating revenue | 2 | 138 | 88 |
| Total operating revenue | | 11.150 | 11.003 |
| 3. Costs of materials and services | 3 | -1.846 | -1.611 |
| 4. Labour costs | 4 | -3.538 | -3.498 |
| 5. Write-downs in value | 5 | -1.153 | -1.135 |
| 6. Other operating expenses | 6 | -7.880 | -2 |
| Total costs | | -14.417 | -6.246 |
| Results from operating activities | | -3.267 | 4.757 |
| 7. Financial revenue | | | |
| a) Financial revenue from shares in group companies | 7.1 | 4.700 | 3.217 |
| b) Financial revenue from shares in associates | 7.1 | 1.726 | 1.151 |
| c) Financial revenue from shares in other companies | 7.1 | 56.319 | 96.288 |
| d) Financial revenue from other investments and from loans | 7.2 | 5.777 | 4.374 |
| Total financial revenue | 7 | 68.522 | 105.030 |
| 8. Financial expenses | | | |
| b) Financial expenses due to impairment and write-off of other investments | 8.1 | -70.268 | -3.460 |
| c) Financial expenses from financial liabilities | 8.2 | -50.009 | -50.009 |
| Total financial expenses | 8 | -120.277 | -53.469 |
| Profit/loss before tax | | -55.022 | 56.318 |
| 9. Corporate income tax | 9 | 0 | -369 |
| 10. Deferred tax | 10 | -13.964 | 9.913 |
| 11. Net profit or loss for the period | | -68.986 | 65.862 |

The disclosures and notes on pages 86 to 152 form an integral part of the financial statements.

14.2 Separate statement of other comprehensive income

in EUR 000

| | 1 Jan - 31 Dec 2022 | Adjusted 1 Jan - 31 Dec 2021 |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------------------------|
| Profit or loss for the period | -68.986 | 65.862 |
| Items not to be reclassified subsequently to profit or loss | -97.309 | 135.424 |
| Actuarial gains/losses within defined employee benefits plans | 54 | -49 |
| Gains/losses in relation to changes in fair value of investments in equity, measured at fair value through other comprehensive income | -108.546 | 152.243 |
| Tax on items subsequently not to be reclassified to profit or loss | 11.183 | -16.770 |
| Items that may be reclassified subsequently to profit or loss | -3.879 | -1.378 |
| Gains/losses in relation to investments in debt instruments, measured at fair value through other comprehensive income | -4.789 | -1.701 |
| Tax on items that may be reclassified subsequently to profit or loss | 910 | 323 |
| Other comprehensive income for the year | -170.174 | 199.908 |

The disclosures and notes on pages 86 to 152 form an integral part of the financial statements.

14.3 Separate statement of financial position

in EUR 000

| Item | Note | 31 Dec 2022 | Adjusted 31 Dec 2021 | Adjusted 1 Jan 2021 |
|-------------------------------------------------------------------------|------|------------------|-------------------------|------------------------|
| ASSETS | | | | |
| A. Non-current assets | | | | |
| I. Intangible assets and non-current deferred costs and accrued revenue | 11 | 65.186 | 50.355 | 50.406 |
| II. Property, plant and equipment | 12 | 2.329 | 2.481 | 2.573 |
| III. Investment property | 13 | 16.163 | 16.916 | 17.657 |
| IV. Long-term investments | | | | |
| 1. Long-term investments, except loans | | | | |
| a. Shares and interests in Group companies | 14 | 152.200 | 152.200 | 152.200 |
| b. Shares and interests in associated companies | 14 | 49.189 | 48.986 | 49.911 |
| c. Joint ventures | 14 | 5.963 | 5.963 | 5.963 |
| d. Other shares and interests | 16 | 794.658 | 938.145 | 758.864 |
| e. Other long-term investments | 16 | 71.099 | 83.490 | 68.414 |
| Total long-term investments, excluding loans | | 1.073.109 | 1.228.784 | 1.035.352 |
| Total long-term investments | | 1.073.109 | 1.228.784 | 1.035.352 |
| V. Non-current operating receivables | 17 | 248 | 197 | 168 |
| VI. Deferred tax assets | 10 | 15.999 | 29.896 | 19.958 |
| Total non-current assets | | 1.173.034 | 1.328.629 | 1.126.114 |
| B. Current assets | | | | |
| I. Assets held for sale | 15 | 5.074 | 11.543 | 870 |
| III. Short-term investments | | | | |
| 1. Short-term investments, except loans | 16 | 40.039 | 24.827 | 46.960 |
| Total short-term investments | | 40.039 | 24.827 | 46.960 |
| IV. Current operating receivables | | | | |
| 1. Current operating receivables due from Group companies | | 30 | 22 | 0 |
| 2. Current trade receivables | | 1.090 | 1.151 | 1.525 |
| 3. Current operating receivables due from others | | 7.085 | 3.448 | 2.144 |
| 4. Other current operating receivables | | 65.087 | 50.154 | 50.136 |
| Total current operating receivables | 17 | 73.292 | 54.775 | 53.805 |
| V. Cash and cash equivalents | 18 | 9.955 | 26.535 | 11.562 |
| Total current assets | | 128.360 | 117.680 | 113.197 |
| Total assets | | 1.301.394 | 1.446.309 | 1.239.311 |

in EUR 000

| Item | Note | 31 Dec 2022 | Adjusted 31 Dec 2021 | Adjusted 1 Jan 2021 |
|----------------------------------------------------|------|------------------|-------------------------|------------------------|
| EQUITY AND LIABILITIES | | | | |
| A. Equity | | | | |
| I. Called-up capital | 19 | 364.810 | 364.810 | 364.810 |
| II. Capital surplus | 20 | 218.046 | 217.839 | 217.625 |
| V. Reserves arising from valuation at fair value | 21 | 309.926 | 411.114 | 277.068 |
| VI. Net profit or loss brought forward | | 306.827 | 225.561 | 243.822 |
| VII. Net profit or loss for the year | | -68.986 | 65.862 | -7.262 |
| Total equity | | 1.130.623 | 1.285.186 | 1.096.063 |
| B. Provisions | | | | |
| I. Provisions for pensions and similar obligations | | 261 | 302 | 226 |
| II. Other provisions | | 7.903 | 40 | 40 |
| Total provisions | 22 | 8.164 | 342 | 266 |
| C. Non-current liabilities | | | | |
| I. Non-current financial liabilities | | 65.000 | 50.000 | 50.000 |
| II. Non-current operating liabilities | | 32 | 33 | 59 |
| Total non-current liabilities | 23 | 65.032 | 50.033 | 50.059 |
| III. Deferred tax liabilities | 10 | 31.980 | 59.773 | 39.891 |
| Total non-current liabilities | | 97.012 | 109.806 | 89.950 |
| D. Current liabilities | | | | |
| III. Current operating liabilities | | | | |
| 2. Current trade payables | | 125 | 128 | 2.527 |
| 5. Current liabilities to the state | | 65.023 | 50.022 | 50.036 |
| 7. Other current operating liabilities | | 447 | 456 | 469 |
| Total current operating liabilities | 23 | 65.595 | 50.606 | 53.032 |
| IV. Current tax liabilities | 9 | 0 | 369 | 0 |
| Total current liabilities | | 65.595 | 50.975 | 53.032 |
| Total equity and liabilities | | 1.301.394 | 1.446.309 | 1.239.311 |

The disclosures and notes on pages 86 to 152 form an integral part of the financial statements.

14.4 Separate cash-flow statement

in EUR 000

| | 1 Jan - 31 Dec 2022 | 1 Jan - 31 Dec 2021 |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| a) Net profit or loss, and adjustments | | |
| Net profit or loss | -68.986 | 65.862 |
| Tax adjustment | 13.964 | -9.544 |
| Adjustments for depreciation of property, plant and equipment, amortisation of intangible assets, and depreciation of investment property | 1.153 | 1.135 |
| Adjustments for financial income | -68.522 | -103.721 |
| Adjustments for financial expenses | 120.277 | 53.979 |
| Adjustments for profit/loss on sale of property, plant and equipment | -2 | 0 |
| Operating profit before changes in net current assets and taxes | -2.116 | 7.711 |
| b) Changes in net current assets and provisions | | |
| Opening less closing operating receivables | -18.568 | -999 |
| Opening less closing assets (disposal groups) held for sale | 6.469 | -10.673 |
| Closing less opening operating liabilities | 14.620 | -2.057 |
| Closing less opening provisions | 7.822 | 76 |
| Cash generated from operating activities | 10.343 | -13.653 |
| c) Net cash flows from operating activities | 8.227 | -5.942 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| a) Cash receipts from investing activities | | |
| Receipts from interest | 602 | 2.790 |
| Receipts from dividends | 37.196 | 30.307 |
| Cash receipts from disposal of property, plant and equipment | 2 | 0 |
| Receipts from decrease of long-term investments | 27.643 | 61.018 |
| Receipts from decrease of short-term investments | 28.048 | 22.325 |
| Total receipts from investing activities | 93.491 | 116.440 |
| b) Cash disbursements for investing activities | | |
| Disbursements to acquire intangible assets | -8 | -134 |
| Disbursements to acquire property, plant and equipment | -74 | -100 |
| Disbursements to acquire investment property | 0 | -34 |
| Disbursements to acquire long-term investments | -1.981 | -17.861 |
| Disbursements to acquire short-term investments | -66.442 | -27.610 |
| Total cash disbursements for investing activities | -68.505 | -45.739 |
| c) Cash from investing activities | 24.986 | 70.701 |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| a) Cash receipts from financing activities | | |
| Cash proceeds from paid-in capital | 207 | 214 |
| Total cash receipts from financing activities | 207 | 214 |
| b) Cash disbursements for financing activities | | |
| Cash disbursements for repayment of current financial liabilities | -50.000 | -50.000 |
| Total cash disbursements for financing activities | -50.000 | -50.000 |
| c) Cash from financing activities | -49.793 | -49.786 |
| D. CLOSING BALANCE OF CASH | | |
| a) Net cash flow for the period | -16.580 | 14.973 |
| b) Opening balance of cash | 26.535 | 11.562 |
| c) Total closing balance of cash | 9.955 | 26.535 |

The disclosures and notes on pages 86 to 152 form an integral part of the financial statements.

14.5 Separate statement of changes in equity

in EUR 000

| | Share capital | Capital surplus | Reserves arising from valuation at fair value | Net profit or loss brought forward | Net profit or loss for the current period | Total |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|-----------------------------------------------|------------------------------------|-------------------------------------------|-----------|
| A. 1. Balance as at 31 Dec 2021 (adjusted) | 364.810 | 217.839 | 411.114 | 225.561 | 65.862 | 1.285.186 |
| A. 2. Balance as at 1 Jan 2022 | 364.810 | 217.839 | 411.114 | 225.561 | 65.862 | 1.285.186 |
| B. 1. Changes in equity – transactions with owners | 0 | 207 | 0 | 0 | 0 | 207 |
| d) Entry of additional paying-up of the capital | 0 | 207 | 0 | 0 | 0 | 207 |
| B. 2. Total comprehensive income for the period | 0 | 0 | -101.188 | 0 | -68.986 | -170.174 |
| a) Net profit or loss for the reporting period | 0 | 0 | 0 | 0 | -68.986 | -68.986 |
| d) Changes in reserves arising from valuation of investments at fair value | 0 | 0 | -101.242 | 0 | 0 | -101.242 |
| e) Other components of the comprehensive income of the period | 0 | 0 | 54 | 0 | 0 | 54 |
| B. 3. Changes in equity | 0 | 0 | 0 | 81.266 | -65.862 | 15.404 |
| a) Distribution of the remaining part of the net profit of the comparative reporting period to other components of equity | 0 | 0 | 0 | 65.862 | -65.862 | 0 |
| f) Profits/losses from derecognition of equity investments measured at fair value through other comprehensive income to retained earnings | 0 | 0 | 0 | 15.404 | 0 | 15.404 |
| C. Closing balance as at 31 Dec 2022 | 364.810 | 218.046 | 309.926 | 306.827 | -68.986 | 1.130.623 |

The disclosures and notes on pages 86 to 152 form an integral part of the financial statements.

14.6 Separate statement of changes in equity

in EUR 000

| | Share capital | Capital surplus | Reserves arising from valuation at fair value | Net profit or loss brought forward | Net profit or loss for the current period | Total |
|---------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|-----------------------------------------------|------------------------------------|-------------------------------------------|-----------|
| A. 1. Balance as at 31 Dec 2020 | 364.810 | 217.625 | 329.750 | 191.140 | -7.262 | 1.096.063 |
| b) Retroactive adjustments | 0 | 0 | -52.682 | 52.682 | 0 | 0 |
| A. 2. Balance as at 1 Jan 2021 (adjusted) | 364.810 | 217.625 | 277.068 | 243.822 | -7.262 | 1.096.063 |
| B. 1. Changes in equity – transactions with owners | 0 | 214 | 0 | 0 | 0 | 214 |
| d) Entry of additional paying-up of the capital | 0 | 214 | 0 | 0 | 0 | 214 |
| B. 2. Total comprehensive income for the period | 0 | 0 | 134.046 | 0 | 65.862 | 199.908 |
| a) Net profit or loss for the reporting period | 0 | 0 | 0 | 0 | 65.862 | 65.862 |
| d) Changes in reserves arising from valuation of investments at fair value | 0 | 0 | 134.095 | 0 | 0 | 134.095 |
| e) Other components of the comprehensive income of the period | 0 | 0 | -49 | 0 | 0 | -49 |
| B. 3. Changes in equity | 0 | 0 | 0 | -18.261 | 7.262 | -10.999 |
| a) Distribution of the remaining part of the net profit of the comparative reporting period to other components of equity | 0 | 0 | 0 | -7.262 | 7.262 | 0 |
| f) Other changes in equity | 0 | 0 | 0 | -10.999 | 0 | -10.999 |
| C. Closing balance as at 31 Dec 2021 (adjusted) | 364.810 | 217.839 | 411.114 | 225.561 | 65.862 | 1.285.186 |

The disclosures and notes on pages 86 to 152 form an integral part of the financial statements.

14.7 Statement of accumulated profit

in EUR 000

| | 2022 | Adjusted 2021 |
|---------------------------------------------------------------------------------|---------|---------------|
| a Net profit or loss for the year | -68.987 | 65.862 |
| b + Net profit or loss brought forward | 306.828 | 225.561 |
| e Distributable profit (a+b) distributed by the General Meeting of Shareholders | 237.841 | 291.423 |

In 2022, Kapitalska družba, d. d. disclosed distributable profit in the amount of EUR 237,841,044.23. In line with Article 52(2) of ZSDH-1 distributable profit of Kapitalska družba, d. d., cannot be distributed to the shareholders.

15 Disclosures and notes

15.1 General disclosures

Company profile

Kapitalska družba, d. d., is organised as a public limited company. The company is headquartered at Dunajska cesta 119 in Ljubljana, Slovenia. The sole shareholder of Kapitalska družba, d. d., is the Republic of Slovenia. The share capital of the Company totals EUR 364,809,523.15 and is divided into 874,235 registered no-par value ordinary shares. Each share has the same interest and the attributed amount in the share capital. The rights of the sole shareholder, i.e. the Republic of Slovenia, are exercised by the Government of the Republic of Slovenia.

The activities of Kapitalska družba, d. d., are defined by law and by the Company's Articles of Association. On the basis of the Standard Classification of Activities, according to the Company's Articles of Association and entry in the Companies Register, the main activity performed by Kapitalska družba, d. d., is pension funding and it also performs other activities related to asset management and services related to support to asset management: other financial intermediation, activities ancillary to pension funding, trade in own property, lease of own property, software supply and consultancy, data processing, network data services, other computer related activities, accounting and bookkeeping services, tax consultancy, market research and public opinion polling, business and other management consultancy, activities of holding companies, publishing of journals and periodicals, and other educational services.

Amendments to the Articles of Association and the Rules on Appointing the Management Board and the Supervisory Board

The Articles of Association and its amendments and supplements are adopted by the Annual General Meeting of Kapitalska družba, d. d., at the proposal of the Management Board and the Supervisory Board.

Members of the Management Board are appointed by the Supervisory Board on the basis of a public job announcement. One member of the Management Board is appointed Chairman of the Board. The term of office of the Management Board members is four years with the possibility of re-appointment. The Management Board or any of its members may be dismissed early only due to the reasons referred to in Article 268(2) of ZGD-1. The breach of the Articles of Association of Kapitalska družba, d. d., representing a severe dereliction of duties may constitute cause for dismissal.

The Management Board of Kapitalska družba, d. d., is not authorised to issue or purchase treasury shares.

The Supervisory Board of Kapitalska družba, d. d., is appointed by the Company's General Meeting of Shareholders. In compliance with Article 51(6) of ZSDH-1, the Supervisory Board is composed of six members. Three members of the Supervisory Board are appointed on the proposal of Slovenski državni holding, d. d. (Slovenian Sovereign Holding – SDH), two members on the proposal of the pensioners' organisations at the state level and one member on the proposal of trade union associations or confederations which are representative of the country. If stakeholders do not formulate a proposal for

the appointment of Supervisory Board members as defined below, the missing members of the Supervisory Board are appointed at the discretion of the General Meeting of Shareholders. The candidates from among the representatives of SDH, d. d. are proposed by the Management Board of the Slovenian Sovereign Holding, which informs the Supervisory Board about the selection. The candidates from among the representatives of the pensioners are proposed by the pensioners' organisations and associations at the state level, which inform the Supervisory Board about the selection. The candidates from among the representatives of the trade unions are elected by the representatives (electors) of the representative government-level trade union associations or confederations, which inform the Supervisory Board about the selection. Any representative association or confederation has the number of representatives equal to the number of the representative trade unions it comprises. In addition to the representatives referred to in the previous sentence, the association or confederation elects another representative for every ten thousand members. The term of office of the Supervisory Board members is four years with the possibility of reappointment.

Information about the controlling entity

Kapitalska družba, d. d., does not have a controlling entity.

Subsidiaries

Basic information about Modra zavarovalnica, d. d.

As the parent company, Kapitalska družba, d. d., consolidates Modra zavarovalnica, d. d.

Name: Modra zavarovalnica, d. d.

Registered office: Dunajska cesta 119, Ljubljana

Company ID number: 6031226

Tax number: SI21026912

As at 31 Dec 2022, the sole shareholder of Modra zavarovalnica, d. d. was Kapitalska družba, d. d. The Company's share capital stands at EUR 152,200,000. The share capital is divided into 152,200,000 ordinary registered no par value shares. Each share has the same interest and the corresponding amount in the share capital.

Modra zavarovalnica, d. d. is performing the activities within the group of life insurance products pursuant to the Insurance Act (ZZavar-1) and the decision issued by the Insurance Supervision Agency allowing the company to perform insurance transactions for the following types of insurance:

- | accident insurance – Article 7, paragraph 2, item 1 of ZZavar-1,
- | life insurance – Article 7, paragraph 2, item 19 of ZZavar-1.

The activities of Modra zavarovalnica, d. d. are defined by law and by the company's Articles of Association. According to the Articles of Association and in line with its purpose, Modra zavarovalnica, d. d., performs the following activities:

- 65.110 Life insurance
- 65.120 Non-life insurance (only the insurance business under the classes of insurance involving accident and health insurance)
- 65.300 Pension funding
- 66.210 Risk and damage evaluation
- 66.220 Activities of insurance agents and brokers
- 66.290 Other activities auxiliary to insurance and pension funding
- 66.300 Fund management activities

Kapitalska družba, d. d., is subject to no restrictions related to the payment of dividend to which it is entitled as the controlling company. Kapitalska družba, d. d., is also not obligated to provide financial support to the company in the future. Kapitalska družba, d. d., is not exposed to any additional risks arising from its interests in the subsidiary.

Basic information about FINAP, d. d. – in liquidation

As the parent company, Kapitalska družba, d. d., does not consolidate FINAP, d. d. – in liquidation.

Name: FINAP, storitve in posredovanje, d. d. Basic information about FINAP, d. d. – in liquidation

Registered office: Rimska cesta 11, Ljubljana

Company ID number: 5001927000

Tax number: 37429043

As at 31 December 2022, Kapitalska družba, d. d. holds a 66.08% interest in the company, which it obtained on the basis of Article 48.a of the Book-Entry Securities Act (ZVNP-1). On 24 March 2009, the General Meeting of Shareholders of the Company adopted the decision on the termination of the company and on the beginning of regular liquidation due to the reduced volume of operations, which caused long-term negative operations of the company.

Joint venture information

As the parent company, Kapitalska družba, d. d., consolidates Hotelske nepremičnine, d. o. o.

Basic information about Hotelske nepremičnine, d. o. o.

Name: Hotelske nepremičnine, d. o. o.

Registered office: Dunajska cesta 119, Ljubljana

Company ID number: 8290130000

Tax number: SI86977334

As at 2 October 2018, Kapitalska družba, d. d. and Modra zavarovalnica, d. d. founded Hotelske nepremičnine, d. o. o. The share capital of the latter equals EUR 25,000.00 and each founder holds a 50 % interest. The company was founded for the purchase of property, namely of the San Simon resort.

Data on consolidation

Kapitalska družba is, as the controlling company, obligated to prepare consolidated financial statements. The consolidated financial statements of the Kapitalska družba Group for 2022 are presented in a special document entitled the Consolidated Annual Report of the Kapitalska družba Group for 2022.

The Annual Report of Kapitalska družba, d. d. for 2022 has to be read in conjunction with the Consolidated Annual Report of the Kapitalska družba Group for 2022, which will be prepared upon the drafting of the Annual Report of Kapitalska družba for 2022 and the annual report of its subsidiary for 2022.

The consolidated Annual Report of the Kapitalska družba Group will be published at <https://www.kapitalska-druzba.si/o-kapitalski-druzbi/letna-porocila/> by the end of August 2023.

Employees

At the end of 2022, Kapitalska družba had 58 employees inclusive of the two members of the Management Board. In 2022, the Company had 58 employees on average. The number of employees as at 31 December 2022 and the average number of employees in 2022 according to the level of education are presented in the table below.

Table 19: No. of employees as at 31 December 2022 and average number of employees in 2022 according to level of education

| Education level | No. of employees as at 31 December 2022 | Average no. of employees in 2022 |
|------------------------|------------------------------------------------|-----------------------------------------|
| Level 8 (8/1, 8/2) | 11 | 11 |
| Level 7 | 25 | 25 |
| Level 6 (6/1, 6/2) | 16 | 16 |
| Level 5 | 5 | 5 |
| Level 4 | 1 | 1 |
| Total | 58 | 58 |

15.2 Accounting policies

Basis for preparation

The financial statements for 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, and the ZGD-1.

The data in the financial statements are based on book-keeping documents and books of account kept in line with the International Financial Reporting Standards, adopted by the EU. The following general accounting assumptions have been observed in the preparation: going concern, systematic consistency and accrual basis. Accounting policies have been formulated by taking into account qualitative characteristics: understandability, relevance, reliability and comparability.

Significant accounting estimates and judgements

The preparation of financial statements requires the management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities of the Company as well as the amounts of revenue and expenses.

The adequacy of the used assumptions and estimates is checked annually at the end of the financial year.

Significant judgements relate to:

- | expected credit loss model for financial assets,
- | classification and valuation of financial instruments (including determining their fair value) based on the adopted business models and the cash flow test and
- | provisions for jubilee rewards and severance pay upon retirement.

Expected credit loss model for financial assets

IFRS 9 has also established the expected credit loss model meaning that an impairment is recognised even before the loss occurs. The expected credit loss model incorporates the historical data on the recoverability and the macroeconomic forecasts as well as other internal and external factors indicating the debtor's future solvency.

The basis for the formation of impairments is the data on the probability of default – PD, loss given default – LGD and exposure at default – EAD. Data are obtained from international statistics publications of the Moody's and S&P credit agencies (PD and LGD) as well as the internal IT system holding current data on EAD.

The standard defines three stages describing the credit quality of a financial asset. Upon recognising a financial asset classified as stage 1, the fund recognises the expected credit loss over a period of 12 months. Financial assets classified as stage 2 are assets whose credit risk in the period after recognition has increased and for which credit loss is calculated over their entire term. Stage 3 is represented by financial assets of non-creditworthy issuers, meaning that impairments are required for total expected losses.

Individual investments classified in stages based on international or internal ratings and days of default. We also carried out regular monitoring of portfolio investments in the form of an internal early warning system (EWS).

In order to determine the expected credit losses (ECL) based on forward-looking information, we calculate the correlation coefficients for a period of three years that we obtain based on international macroeconomic indicators for the following three years and the data on the default rate provided by S&P. Select macroeconomic indicators were selected for the calculation, i.e. those with the maximum statistical information value and are relevant for economic cycle forecasting. We observe the average historical PD value for the period longer than three years because it is difficult to explain deviations from average PD values over a longer time period.

We recognise a loss allowance for the ECL relating to financial assets measured at amortised cost or fair value through other comprehensive income.

Classification and valuation of financial instruments and determination of fair value of non-listed financial assets

Investments at fair value are classified based on the fair value level pursuant to IFRS 13. To increase consistency and comparability in fair value measurements, IFRS 13 defines fair value hierarchy, which categorises the inputs used in valuation techniques into three levels:

- | Level 1 inputs are quoted (unadjusted) market prices in active markets for the investments which the Company can access as at the measurement date;
- | level 2 inputs are inputs that are not quoted prices included in level 1 and which can be directly or indirectly observed; level 2 inputs include the following in accordance with IFRS 13.82:
 - i. quoted prices for similar investments in active markets,
 - ii. quoted prices for identical or similar investments in non-active markets,
 - iii. inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals (implied volatiles, credit spreads, etc.),
 - iv. inputs corroborated by market;
- | Level 3 inputs are unobservable inputs.

Pursuant to IFRS 13.74, in measuring fair value the Company favours the inputs used in valuation techniques rather than valuation techniques.

In line with IFRS 13.97, the fair value hierarchy includes also the investments that are not measured at fair value in the statement of financial position (normally measured at amortised cost) but for which the fair value is disclosed.

The Company classifies investments into levels based on the characteristics of the input used to determine the fair value of investments and to assess whether the principal market is an active one.

Because the market value of investments in alternative funds is not available, valuation based on market data is not possible. The alternative fund manager provides the value of an investment in an alternative fund as the value of a unit or the value of payment made into the fund, which is the best

approximation of the market value. The evaluation is based on material non-public information. As the Company has limited access to data used by the alternative fund manager, we do not carry out our own valuations, nor can a sensitivity analysis be performed. The alternative fund manager typically uses valuation methods compliant with IPEV (International Private Equity and Venture Capital Valuation), such as the discounted cash flow method or the method of market multiples. These investments are classified within Level 3 in accordance with the criteria for the classification of investments into fair value hierarchy levels.

At the level of the fair value hierarchy, the Company also classifies those debt security investments that are not measured at fair value in the statement of financial position. These are generally bonds at amortised cost that are measured at fair value by the Company for disclosure purposes. The same rules as for debt securities measured at fair value in the statement of financial position apply to these securities.

The estimates of asset fair value mainly depend on the current and expected macroeconomic situation in the EU and other relevant markets where the Company operates and that affect the future cash flow projection, the interest rates influencing the required return both on debt and equity capital, and the stock prices, which also influence the estimated fair value of the financial instruments.

Significant judgements primarily apply to the impairment test. As at the date of statement of financial position, the management assesses whether there is objective evidence of the need of impairment of a non-financial asset or a group of non-financial assets.

The Company establishes the existence of impartial evidence for the need to impair a non-financial asset based on an assessment of signs of impairment from publicly available data and information from internal reporting on:

- | a significant increase in the cash requirements to operate and maintain it,
- | a significant deterioration of actual net cash flows or operating profit,
- | a significant decrease in the planned net cash flows or operating profit or a significant increase in the planned loss,
- | operating losses or net cash outflows from the asset, if the amounts for the period under consideration are combined with the projected amounts for the future.

The result of the assessment of signs of impairment is the recoverable amount of the non-financial asset, which is the greater of two items: its fair value less costs of disposal, or its value in use. Impairment of a non-financial asset is not required if the recoverable amount of the non-financial asset is higher than its carrying amount.

The assessments and estimates are also applied in determining the (useful) life of fixed assets and investment property, the basis for impairment of financial assets exposed to credit risk and the setting of value of non-current provisions.

Provisions for jubilee rewards and severance pay upon retirement

Based on the provisions of employment contracts and internal regulations, the Company is obligated to pay its employees jubilee benefits and post-employment benefits on retirement. Provisions are created for these purposes. There are no other existing pension liabilities.

The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the reporting date. Provisions are made using the projected unit credit method.

Statement of compliance

The financial statements of Kapitalska družba, d. d., are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

In its financial statements, Kapitalska družba, d. d., applied all IFRSs and IFRICs required in 2022. It did not apply any standard or interpretation before its application became obligatory in 2022.

Adjustment of Past Statements – Reclassification of units of target funds

In 2022, Kapitalska družba, d. d., analysed the definition of business models when it comes to financial instruments set forth in IFRS 9 as well as the cash flow test (*SPPI Test*), which also included the identification of units of target funds (*Exchange Traded Funds – ETFs*) as equity instruments. During the analysis, it was established that the above-mentioned financial instruments may, in certain cases, have the characteristics of the so-called puttable financial instruments and therefore do not meet the criteria for equity instruments.

Based on a detailed internal analysis of business models and the SPPI test, the Company reclassified the financial instruments in question as debt financial instruments. These debt instruments are mandatorily measured at fair value through profit or loss because they fail the SPPI test. Prior to 2022, these financial instruments were measured at fair value through other comprehensive income.

For the purpose of the presentation of these facts in the annual report for 2022, the Company consistently followed IAS 8. All disclosures and notes to the comparative items for 2021 in this annual report reflect the turnover/balances from financial statements prepared in accordance with IFRS as applicable in the EU.

The adjustments of individual items of the statement of profit and loss and other comprehensive income and the financial position for 2021, including equity adjustments as at 1 January 2021 with the corresponding notes, are presented in the tables below.

Table 20: Impact of the reclassification of ETF units on the statement of profit or loss

| | | | | in EUR 000 |
|-----------------------------------------------------------|--------------|------------|---------------|------------|
| Item | Audited 2021 | Adjustment | Adjusted 2021 | |
| 7. c Financial revenues from interests in other companies | 60.821 | 35.494 | 96.315 | |
| Profit/loss before tax | 20.824 | 35.494 | 56.318 | |
| 11. Net profit or loss for the period | 30.368 | 35.494 | 65.862 | |

The financial income from shares in other companies item increased by EUR 35,494 thousand due to the revaluations effects, sales effects and exchange rate differences, as the Company measured the ETF units at fair value through profit or loss. As a result, profit or loss for the period also increased.

The effect on other comprehensive income did not have a significant impact as the value of equity did not change.

Table 21: Impact of the reclassification of ETF units on the statement of financial position

| | | | | in EUR 000 |
|--------------------------------------------------|---------------------|------------|----------------------|------------|
| Item | Audited 31 Dec 2021 | Adjustment | Adjusted 31 Dec 2021 | |
| V. Reserves arising from valuation at fair value | 478.325 | -67.211 | 411.114 | |
| VI. Retained net profit/loss | 193.844 | 31.717 | 225.561 | |
| VII. Net profit or loss | 30.368 | 35.494 | 65.862 | |
| Total equity | 1.285.186 | 0 | 1.285.186 | |

Reserves arising from valuation at fair value decreased by EUR 67,211 thousand as at 31 December 2021 due to the reclassification of ETFs due to valuation and deferred taxes. The retained net profit/loss increased by EUR 31,717 thousand due to the effects of investment transfers.

Table 22: Effect of equity adjustments as at 1 Jan 2021

| | in EUR 000 | | |
|--------------------------------------------------|--------------------|------------|---------------------|
| Item | Audited 1 Jan 2021 | Adjustment | Adjusted 1 Jan 2021 |
| V. Reserves arising from valuation at fair value | 329.750 | -52.682 | 277.068 |
| VI. Retained net profit/loss | 191.140 | 52.682 | 243.822 |
| Total equity | 1.096.063 | 0 | 1.096.063 |

Reserves arising from valuation at fair value decreased by EUR 52,682 thousand as at 1 January 2021 due to the transfer of the effects of the valuation of deferred investments and the related deferred tax liability. The retained net profit/loss increased by EUR 52,682 thousand

Kapitalska družba, d. d., took the change into account in the previous financial statements as well. All disclosures and notes to the items for 2021 apply to the adjusted financial statements, where certain items are not the same as the audited ones for the said year.

Amendments to standards and interpretations

The International Accounting Standards Board (IASB) Standards or Interpretations effective for the first time for the year ending 31 Dec 2022

- | Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018–2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022),
- | Covid-19–Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

The adoption of amendments to the existing standards has not caused significant changes in the Company's separate financial statement.

IASB standards and amendments effective from 1 January 2023 or later

- | IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016) – not adopted by the EU,
- | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB) – not adopted by the EU,
- | IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023),
- | Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023),
- | Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023),
- | Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023),

- | Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023),
- | Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023),
- | Amendments to IFRS 16 Leases: Liabilities from sale and lease-back (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024) – not yet adopted by the EU,
- | Classification of liabilities as current or non-current – Amendments to IAS 1 (initially issued on 23 January 2020 and subsequently amended as at 15 July 2020 and 31 October 2022, effective for annual periods beginning on or after 1 January 2024) – not yet adopted by the EU.

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the separate financial statements of the Company in the period of initial application.

Foreign currency translation

The financial statements of the Company are presented in the Euro (EUR), which is the functional and reporting currency of the Company. Assets and liabilities originally expressed in foreign currencies are re-translated into the domestic currency at the reference exchange rate of the ECB. Foreign currency transactions are initially recognised in the functional currency, translated at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing on the date of the statement of financial position. Any differences arising on the translation of foreign currencies are recognised in the income statement. Non-monetary assets and liabilities, recognised at historical cost in foreign currency, are translated at the exchange rate applicable on the day of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currency are translated at the exchange rate effective on the day when the fair value was established.

Basic policies

The financial statements have been prepared on a going concern basis, which the management has determined to be appropriate even in the event of a reorganisation into a demographic fund.

The items in the separate financial statements are presented in the Euro, rounded to the nearest thousand (000 EUR), except where specifically stated otherwise.

Annual report adoption procedure

The Annual Report is compiled by the Management Board of the Company, which submits it for approval to the Supervisory Board. The Management Board and the Supervisory Board also decide on the use of net profits for creation of the Company's reserves according to the provisions of the ZGD. Such use of profit is included in the statements for the current year, while the distribution of distributable profit is decided by the Company's General Meeting of Shareholders. In line with Article 52(2) of ZSDH-1 distributable profit of Kapitalska družba, d. d., cannot be distributed to the shareholders.

Intangible assets

Intangible assets, acquired individually, are recognised at cost. Subsequent to initial recognition, the cost model is applied. The useful life of an intangible asset is finite. The amortisation of an intangible asset is recognised in the profit or loss. Intangible assets generated within the Company, except from development costs, are not capitalised. Costs represent expenses of the period in which they are incurred.

The carrying amount of an intangible asset is reviewed annually for impairment, if the asset has not been put to use, or more frequently when there are indications of impairment. A recognised intangible asset is impaired if its carrying amount exceeds its net recoverable amount. In the event of asset impairment, the carrying amount is decreased to the recoverable amount and the impairment expense is recognised directly in profit or loss.

| Asset | Depreciation rate in % |
|----------|------------------------|
| Software | 20,00–33,33 |

The amortisation of intangible assets is accounted for under the straight-line basis over the estimated useful life of the assets: The estimated useful life of software applications is 3 to 5 years.

The Company reviews the value of its assets in order to establish the existence of and the amount of impairment. If the carrying amount of an asset exceeds its estimated recoverable amount, i.e. the value in use, it is written down to the recoverable amount against operating expenses.

Gains and losses on disposal or elimination of an item of intangible assets represent the difference between the selling price on disposal and the carrying amount of the asset. The difference is recognised in the profit or loss when the asset is eliminated or disposed.

Property, plant and equipment

Buildings and equipment are carried at cost, less depreciation and impairment losses. Depreciation is accounted for under the straight-line basis over the estimated useful life of the assets:

| Asset | Depreciation rate in % |
|----------------|------------------------|
| Buildings | 3,00–3,33 |
| Equipment | 16,67–33,33 |
| Building parts | 6,00 |

Every year an impairment test is carried out on property, plant and equipment. Impairment is made if the asset's estimated recoverable amount is less than its carrying amount. The Company reduces the carrying amount of such assets to their recoverable amount. The decrease represents a loss due to impairment, which the Company recognises directly in its income statement.

Land, buildings or equipment are derecognised when the relevant asset is sold or when the Company no longer expects economic benefits from the asset's continuing use. Gains and losses arising from derecognition of the asset are included in the income statement in the year in which the asset is eliminated from the books of account.

The residual value of the assets, their estimated useful lives and/or the amortisation or depreciation method are revised and, if necessary, changed upon the compilation of the financial statements.

An item of property, plant and equipment whose individual value as per supplier's invoice does not exceed EUR 500, may be carried as a group of small tools. Low value assets whose individual cost does not exceed EUR 500 may be classified as costs of materials.

Maintenance costs and increase in fixed assets value

Maintenance costs are the costs arising from the conclusion and execution of transactions required to maintain the conditions allowing the use and the achievement of the primary purpose of the building. Maintenance comprises all works according to the regulations on building of facilities and functioning of fire protection systems and other protection and rescue measures.

Criteria for deferral of maintenance costs and increase in fixed assets value

Maintenance costs include the costs of maintaining a fixed asset useful during its useful life. The increase in fixed asset comprises costs required to increase the future benefits of a fixed asset in comparison to past benefits.

Investment property

Investment property that qualifies for recognition is initially measured at cost. The cost of investment property comprises the purchase price and all costs directly attributable to the acquisition. Such costs include costs of legal services, real estate transfer tax, and other transaction costs.

The Company recognises investment property when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost of the investment property can be measured reliably. Investment property includes the real property that is not used by the Company for its principal activity.

Investment property is measured at cost, reduced by depreciation and impairment losses. The depreciation rate of investment property is between 3.00 and 3.33 percent annually and the estimated useful life is 33.33 or 30 years. The depreciation rate of parts of investment property is 6.00 percent annually and the estimated useful life is 16.67 years.

Every year an impairment test is carried out on investment property. Impairment is made if the investment property's estimated recoverable amount is less than its carrying amount. The Company reduces the carrying amount of such investment property to its recoverable amount. The decrease represents a loss due to impairment, which the Company recognises directly in its income statement.

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

The cash generating unit includes investment property by locations.

Financial assets

Classification and measurement of financial assets

The Company classifies financial assets based on:

- a. the Company's business model for financial asset management:
 - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows,
 - the asset is held within a business model whose objective is to collect contractual cash flows and sell financial assets,
 - the asset is held within a business model whose objective is to hold financial assets with the aim of trading them,
- b. the characteristics of contractual cash flows of the financial asset.

The business model for obtaining contractual cash flows includes bonds and short-term securities intended for reducing the volatility of the entire portfolio that are upon acquisition expected not to be sold prior to the maturity date.

The business model aimed at holding assets with the purpose of obtaining contractual cash flows and selling investments comprises investments that are neither held for trading nor intended to reduce the volatility of the entire portfolio.

The business model intended for holding assets for trading encompasses investments that are at the time of acquisition identified as having been obtained in order to exploit price fluctuations in financial markets and create cash flows through the sale of assets.

Upon initial recognition, the Company measures financial assets at:

- a. amortised cost (AC),
- b. fair value through other comprehensive income (FVTOCI), or
- c. fair value through profit or loss (FVTPL), namely:
 - financial assets held for trading (including derivatives),
 - financial assets mandatorily measured through profit or loss – assets that do not pass the cash flow test (SPPI; *solely payments of principal and interest*).

For equity financial instruments that the Company does not own for the purpose of trading and that are managed in an active corporate manner due to the size of the ownership interest, the Company takes into account the provisions of IFRS 9 5.7.5 and measures such financial assets according to the business model aimed at holding assets with the purpose of obtaining contractual cash flows and selling financial assets and thus measures them at fair value through other comprehensive income.

Upon initial recognition, a financial asset (except for trade receivables) is measured at fair value; if a financial asset is not measured at fair value through profit or loss, the transaction costs that arise directly from the acquisition or issue of a financial instrument must be added.

The Company discloses investments in the equity of other companies that are of the same type and of the same issuer using the weighted average price method, separately for each group of investments. Investments in purchased bonds that comprise investments in financial liabilities of other companies are stated according to the classification of investments as follows:

- financial assets measured at fair value are recorded through profit or loss using the weighted average price method,
- financial assets measured at amortised cost are stated at amortised cost,
- financial assets measured at fair value through other comprehensive income are disclosed using the FIFO method,
- loans are stated at amortised cost.

Debt instruments have to be measured at amortised cost if both of the following conditions are met:

- the financial instrument is held in the context of a business model intended for holding financial assets to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt financial instrument should be measured at fair value through other comprehensive income if it meets the following two conditions:

- the financial instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if:

- it is a debt instrument and is not classified in any of the above measurement categories, provided one of the conditions specified below is fulfilled:
 - i. according to the business model, the financial instrument was upon initial recognition classified into the category at fair value through profit or loss,

- ii. the financial instrument did not pass the cash flow test;
- it is an equity instrument and is not classified in the category measured at fair value through other comprehensive income,
- doing so eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases,
- it is a derivative.

The Company may decide to measure certain investments in equity instruments at fair value through other comprehensive income in accordance with the provisions of IFRS 9 5.7.5.

Gains and losses on financial assets

A gain or a loss on a financial asset that is measured at fair value is recognised in profit or loss.

Restatements of financial assets expressed in foreign currencies also recognised in profit or loss.

Profit or loss from financial investments in the equity of other companies that are distributed at fair value through other comprehensive income is recognised directly in equity as an increase or decrease in fair value reserves. Recalculation of financial investments in the equity of other companies denominated in foreign currencies is recognised directly in equity as an increase or decrease in fair value reserves. Upon derecognition of a financial investment in the equity of other companies, the profit or loss accumulated in fair value reserves is recognised under profit/loss brought forward.

Interest calculated by using the effective interest method is recognised in profit or loss.

For financial assets, carried at amortised cost, a gain or loss is recognised in profit or loss when such assets are revalued for impairment or derecognised.

Investments in equity instruments

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income, in accordance with IFRS 9 5.7.5, subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is not held for trading and is also not contingent consideration of an acquirer in a business combination to which IFRS 3 applies. If the Company chooses to do so, it recognises dividends from that investment in profit or loss. Upon derecognition of a financial investment in the equity of other companies, the profit or loss accumulated in fair value reserves is recognised in other equity components.

Investments in subsidiary companies

A consolidated subsidiary is an entity in which the controlling company holds a controlling interest or a controlling influence associated with other reasons, and which is a member of the group for which the consolidated financial statements are prepared.

The Company classifies and measures investments in subsidiaries in accordance with IAS 27, states them at cost and impairs them in line with IAS 36.

Investments in associated companies

An associated company is a company in which the parent company has a significant influence.

The Company classifies and measures investments in associated companies in accordance with IAS 27 and states them at fair value through other comprehensive income.

Investments in joint ventures

Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company measures investments in joint ventures at cost according to IAS 27.

Investments in abandoned securities

Kapitalska družba, d. d. may not exercise the voting rights arising from dematerialised securities acquired in line with Article 48. a of the Book Entry Securities Act (ZNVP-1) that represent the target company's securities as at the day of transfer in line with paragraph 2 of Article 48. b of the said act. Due to the above, investments in these companies are not consolidated.

Investments in securities from registry accounts

Pursuant to paragraph 5 of Article 48.a of the Book Entry Securities Act, as at 1 January 2022, the Company became the owner of the securities that the beneficiaries did not request to be transferred to their trading accounts with a member of the central securities depository by 31 December 2021. In accordance with and under the conditions referred to in Article 48. b of ZNVP-1, when establishing the share of voting rights of Kapitalska družba, d. d., and persons who, in compliance with the law governing takeovers, act in coordination with Kapitalska družba, d. d., in the target company, the voting rights deriving from the shares of the target company, which Kapitalska družba, d. d., acquired in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1, are not taken into account. Kapitalska družba, d. d., may also not exercise voting rights arising from the shares of target companies which it acquires in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1. Kapitalska družba, d. d., is entitled to exercise voting rights from all those dematerialised securities of companies acquired in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1, for which, taking into account the balance given on the date of transfer of the dematerialised securities to a special account of Kapitalska družba, d. d., from the first paragraph of Article 48.a of ZNVP-1, the provisions of the Takeovers Act (ZPre-1) do not apply. Based on the above, investments in which Kapitalska družba, d. d., is not allowed to exercise voting rights, are consequently not consolidated.

Assessment of contractual cash flows

The Company classifies a debt instrument based on its contractual cash flow characteristics:

- a. if the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, or
- b. if the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows as well as selling financial assets.

The Company has to verify if the contractual cash flows from the financial asset are solely payments of principal and interest on the principal amount outstanding. For this purpose, the Company carries out the SPPI test (Solely Payments of Principal and Interest).

If a contractual cash flow characteristic could have an effect on the contractual cash flows that is more than *de minimis* (in each reporting period or cumulatively) but that cash flow characteristic is not genuine, it does not affect the classification of a financial asset.

A contractual cash flow characteristic is not authentic if it affects the contractual cash flows from the instrument only in the case of an event that is extremely rare, highly unusual, and not highly probable.

Changes in cash flows and derecognition of a financial asset

The Company derecognises a financial asset only when:

- a. the contractual rights to the cash flows from the financial asset expire or
- b. it transfers the financial asset as set out in IFRS 9 3.2.4 and 3.2.5 and the transfer qualifies for derecognition.

If a new agreement on the contractual cash flows of a financial asset has been concluded or the contractual cash flows have been modified in any other way, and the renegotiated agreement or the modifications do not lead to derecognition, the Company must recalculate the modification gain/loss in profit or loss calculated as the difference between gross carrying amount before and after the modification.

The gross carrying amount of the financial asset is recalculated as the present value of renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate of the financial asset (or at the credit risk-adjusted effective interest rate for purchased or issued credit-impaired financial assets) or, when reasonable, at the modified effective interest rate.

The carrying amount of the modified financial asset is adjusted by any costs and fees amortised over the remaining term of the financial asset (IFRS 9 5.4.3).

Measurement and classification of exposures into groups for the purpose of assessing credit losses

For the purpose of assessing credit losses subject to impairment requirements, the Company classifies the following as at the reporting date:

- | financial assets measured at amortised cost,
- | debt financial assets measured at fair value through other comprehensive income,
- | off-balance sheet exposures from assumed credit liabilities and financial guarantee contracts;

taking into account:

- a. exposures where no significant increase in credit risk has yet occurred and for which value adjustments or provisions for credit losses are measured on the basis of expected credit losses over a 12-month period (stage 1),
- b. exposures in which the credit risk has significantly increased in the period from initial recognition to the date for which the entity reports and for which value adjustments or provisions for credit losses are measured on the basis of expected credit losses over the entire duration period (stage 2),
- c. exposures in the position of significantly decreased solvency and default (stage 3).

Phase 3 includes financial assets purchased or originated upon initial recognition defined as unpaid exposures, i.e., purchased or originated credit-impaired financial assets (*POCI*). For financial assets recognised as such, the Company applies an individual approach in subsequent reporting periods, whereby interest is recognised only on the basis of payment. If this is not the exposure in question, the Company classifies the exposure in stage 1 at initial recognition.

In defining the increase in credit risk, the Company classifies operating liabilities into stages based on the number of days in default according to the recommendations of IFRS 9. A receivable is automatically classified in stage 2, when the payment is more than 30 days past due; a receivable is automatically classified in stage 3, when the payment is more than 90 days past due.

Upon subsequent measurement, the Company assesses according to IFRS 9 5.5.9 whether the credit risk of exposure has increased significantly since initial recognition until the reporting date.

If the credit risk has not increased significantly or in the case of low credit risk exposure, the exposure remains classified in stage 1 in accordance with IFRS 9 5.5.5 and 5.5.10.

If the credit risk has increased significantly and the exposure has not yet been designated unpaid, the Company classifies it in stage 2 according to IFRS 9 5.5.3.

In accordance with IFRS 9 5.5.4 the Company assesses significant increase in credit risk considering all reasonable and supportable information at the level of an exposure. Under IFRS 9 B 5.5.16, the Company may assess a significant increase in credit risk also on a group exposure level, but only if reasonable and supportable information (factors or indicators) for a particular exposure cannot be obtained without undue cost or effort or cannot be assessed at the level of a particular exposure.

The assessment of a significant increase in credit risk is based on clearly defined quantitative and qualitative criteria which may vary for individual exposure groups, i.e., relevant portfolios, groups of portfolios, or elements of portfolios.

The basic criterion considered by the Company for classification into stages is the credit rating or internal rating of a particular financial instrument. The internal rating is defined by use of an algorithm in the information system and is based on international credit ratings, or, in the absence of international credit ratings, it is determined internally. The Company uses the Bloomberg Credit Rating as the primary source for determining the internal credit rating.

It regularly checks the international ratings of investment grade financial instruments and financial instruments with non-investment grade rating in the accounting period.

The Company must measure the expected losses on a debt financial instrument by using the approach that reflects the following:

- | an unbiased and probability-weighted amount, determined by evaluating the range of possible outcomes,
- | the time value of money and
- | appropriate and demonstrable information about past events, current conditions and forecasts regarding future economic circumstances that are available without excessive cost and effort at the reporting date.

The Company classifies exposures by group according to the common characteristics of credit risk. Upon initial recognition, financial instruments are classified into the following segments:

- | government,
- | companies, and
- | financial institutions.

If the Company were to obtain new relevant information or if the changed expectations about credit risk indicated that a permanent change was needed, exposures could be segmented differently.

The Company classifies exposures in stages 1, 2 and 3 by employing its own methodology for estimating expected credit losses based on risk parameters:

- | exposure at default (*EAD*),
- | probability of default (*PD*) and
- | loss given default (*LGD*).

The estimates of the risk parameters that the Company takes into account when assessing expected credit losses are based on past events, current conditions and forecasts regarding future economic circumstances.

In the event that the Company does not have sufficient data to provide reliable estimates of the risk parameters for calculating expected credit losses, it can use commercially available data (e.g. data from credit rating agencies) or a combination of own and external data.

In cases where the Company does not have sufficient data about a particular investment or transaction, it may use:

- | parameters of a controlling company,
- | parameters of a comparable financial instrument,
- | parameters of an individual country, if a unit of the central/regional/local level of the country, a public sector entity or a central bank is the issuer of the financial instrument.

The Company uses EAD risk parameters as derived from amortization plans (using contractual cash flows). EAD risk parameters are not corrected for the impact of macroeconomic risk factors.

The EAD risk parameter represents the exposure estimate at the future default date, taking into account expected changes in exposure after the reporting date, including repayment of principal and interest. This is the expected credit exposure at a specific time.

The Company applies its own PD risk parameter for each segment (country, company, financial institutions) and for each credit rating.

For the calculation of PD risk parameters, the Company uses data obtained from the reports of the credit rating agency S&P, separately for governments, companies and financial institutions. Historical PD by individual rating (credit rating) is used for the calculation.

For exposures to central governments and central banks, financial institutions, regional governments or local governments, and to public sector entities, the Company uses Moody's issuer-weighted average recovery rates (LGD – country). For exposures to companies, the Company uses Moody's issuer-weighted average recovery rates (LGD – companies).

The Company perceived decreased credit risk and a temporary improvement of the macroeconomic environment, which, in line with the model it uses, decreased the probability of default (PD) and loss given default (LGD); which decreases expected credit losses.

In order to consider the economic cycles in calculating the probability of default, the Company takes into account forecasts of future economic performance and an adjustment for the economic cycle for the first three years in all classes of investments (government and corporate bonds and bonds of financial institutions).

Determining fair value of investments

Pursuant to IFRS 13, the Company determines fair value of investments as the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date. The measurement date is the date on which an investment is valued, which is the last day of the month. Fair value measurement in case of this type of transaction is based on the assumption that the transaction is executed on the principal market or in the absence of the same on the most advantageous market.

Upon investment acquisition, the Company determines one of the following as the principal market for that investment:

- | stock exchange market (for equity and debt instruments and ETFs),
- | over-the-counter market or OTC¹⁵ (applies to debt investments).

At the measurement date, the Company checks again the market that was defined as the principal market of that investment upon acquisition.

At the measurement date, the Company verifies if the relevant market is active.

In case of exchange trading, the assumption of active market is fulfilled if the average amount of individual investment traded in a day over the last 180 days from the date of fair value measurement

¹⁵ OTC (Over-The-Counter) market, transactions involving securities and agreed bilaterally between two parties outside the organised market.

exceeds EUR 0.5 million by taking into account the number of trading days (in case of Ljubljana Stock Exchange the average daily turnover of EUR 0.1 million is taken into account). In the event of an active exchange, fair value is measured using the last known quoted price. In the event of less liquid exchange markets, fair value is measured using the most recent quoted price of not more than 90 days. If neither of the above applies, fair value of the investment is measured applying the valuation technique.

In case of an OTC market, the assumption of an active market is met if the CBBT¹⁶ price was published for at least half of the trading days over the last 30 days up to the valuation date. In the event of an active OTC market, fair value is measured using the last known CBBT price. If the OTC market is less liquid, the last known CBBT price not older than 90 days is used for fair value measurement. If the CBBT price is not available, fair value may be measured using the BVAL¹⁷ price, if available. If neither of the above applies, fair value of the investment is measured applying the valuation technique.

For bonds, a valuation model is used which includes benchmark against the current fair value of another instrument with similar main characteristics.

Commercial bills of Slovenian issues for which no (active) market exists and which pass the SPPI test are valued at amortised cost, automatically considering the effective interest rate, and classified in the group of financial assets at amortised cost.

Value of shares can be estimated using the following valuation techniques: market based valuation approach, income approach and, in certain cases, asset approach. Valuation is based on the most recent information on a company's performance, which must not be older than 6 months from the fair value measurement date to which the value estimate will be applied. Market data and parameters used in the valuation process must include the most recent information and must be compliant with the date the estimated value will be applied to. If 6 months old information on the Company's performance cannot be obtained, or if the information does not suffice for valuation, the value can be exceptionally estimated by using older data, which however must not be older than 12 months. When applying the market approach, comparative companies should be selected taking into account their comparability in the context of industry, size, growth potential, the availability of historical data on operations and other possible elements affecting comparability of individual companies.

In line with IFRS 13.69, the Company measures fair value applying unadjusted, quoted prices in active markets.

For valuation, the Company uses as unadjusted, quoted price exclusively the closing quote on stock exchange or closing CBBT or BVAL price.

Criteria for classification of investments based the level of the fair value hierarchy

Investments measured at fair value are classified into fair value levels in accordance with IFRS 13. To increase consistency and comparability in fair value measurements, IFRS 13 defines fair value hierarchy, which categorises the inputs used in valuation techniques into three levels:

- | level 1 inputs are quoted (unadjusted) market prices in active markets for the investments which we can access as at the measurement date;
- | level 2 inputs are inputs that are not quoted prices included in level 1 and which can be directly or indirectly observed; in accordance with IFRS 13.82, level 2 inputs include the following:
 - quoted prices for similar investments in active markets,
 - quoted prices for identical or similar investments in less liquid markets,

¹⁶ Composite Bloomberg Bond Trader is Bloomberg's real-time data on individual bond prices. Bloomberg calculates the price of a bond based on the weighted average price (indicative and binding) drawn from by a larger number of different dealers.

¹⁷ Bloomberg Valuation Service is Bloomberg's data on the end-of-day value of an individual bond. The BVAL price is calculated based on the information about the price of concluded transactions and binding quotations, whereas the majority of BVALs is calculated applying models.

- inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals (implied volatiles, credit spreads, etc.),
- inputs corroborated by market;

level 3 inputs are unobservable inputs:

- BVAL price (the Bloomberg Valuation Service),
- fair values obtained based on internal or external valuations taking into account level 3 inputs.

In line with IFRS 13.97, the fair value hierarchy also includes the investments that are not measured at fair value in the statement of financial position (normally measured at amortised cost) but for which the fair value is disclosed.

Investments are classified into levels based on the characteristics of the input used to determine fair value of investments and to assess whether the principal market is active.

Classification of equity investments

Table 23: Equity investment classification in case of exchange as the principal market (quoted equity investments)

| | |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Equity investments with fair value measured on the basis of quoted prices in active markets |
| Level 2 | Equity investments with fair value measured on the basis of quoted prices in less liquid markets |
| | Equity investments for which quoted prices are not available and their fair value is measured using a valuation technique (taking into account Level 2 inputs) |
| Level 3 | Equity investments for which quoted prices are not available and their fair value is measured using a valuation technique (taking into account Level 3 inputs) or based on the prices provided by third parties |
| | Quoted price older than 90 days may be used if the materiality criterion is not fulfilled |

Table 24: Classification of unquoted equity investments

| | |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | - |
| Level 2 | Equity instruments with fair value measured using a valuation technique (taking into account Level 2 inputs) |
| Level 3 | Equity investments at fair price, measured using a valuation technique (taking into account level 3 inputs) or based on the prices provided by third parties |

Table 25: Classification of ETFs

| | |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | ETFs with fair value measured on the basis of quoted prices in active market or on the basis of quoted value per subfund unit determined using market data |
| Level 2 | ETFs with fair value measured on the basis of quoted prices in less liquid market |
| Level 3 | ETFs for which the stock market price is not achievable and whose fair value is measured on the basis of the published asset unit value not determined using market data |

Classification of debt investments

The fair value hierarchy also includes debt instruments which are not measured at fair value in the statement of financial position. These normally include bonds at amortised cost measured at fair value for disclosure purposes. For these bonds, the same classification rules apply as for debt securities measured at fair value in the statement of financial position.

Table 26: Classification of debt investments if an exchange acts as the principal market

| | |
|---------|-------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Debt investments with fair value measured on the basis of quoted prices in active markets |
| Level 2 | Debt investments with fair value measured on the basis of quoted prices in less liquid markets |
| | Debt securities measured using a valuation technique (taking into account level 2 inputs) |
| Level 3 | Debt securities measured using a valuation technique (taking into account Level 3 inputs) or prices provided by third parties |
| | Quoted price older than 90 days may be used if the materiality criterion is not fulfilled |

Table 27: Classification of debt investments if an OTC market acts as the principal market

| | |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Debt investments with fair value measured on the basis of CBBT prices in active markets |
| Level 2 | Debt investments with fair value measured on the basis of CBBT prices in less liquid markets |
| | Debt investments with fair value measured on the basis of transaction prices in less liquid markets |
| | Debt securities without a CBBT price in (in)active markets and for which the fair value is measured using a valuation technique (taking into account level 2 inputs) |
| Level 3 | Debt securities without a CBBT price in (in)active markets and for which the fair value is measured at BVAL price, using a valuation technique (taking into account level 3 inputs) or prices provided by third parties |

In exceptional cases, debt securities whose principal matures in the current year and for which there is no market price, CBBT price or BVAL price that would be less than 90 days old, are valued at the last known price and placed in level 3 of the value hierarchy.

Commercial bills of Slovenian issues valued at amortised cost are classified as Level 2.

Classification of loans and deposits

Bank deposits are disclosed at amortised cost in the statement of financial position unless they do not pass the SPPI test. In such case, they are classified in the category at fair value through profit or loss. Deposits with the maturity of up to 1 year are measured using the initial or contractual interest rate for the purposes of disclosing fair value and are categorised within Level 2. For the purposes of disclosing fair value of deposits with the maturity of over 1 year, their fair value is estimated using the reference yield curve and they are categorised within Level 2.

Recoverable amount of non-current (non-financial) assets

As at the reporting date the Company estimates if there exist any factors indicating that non-current (non-financial) assets need to be impaired. If events occur indicating that the asset's book value is higher than the estimated recoverable amount, the value of the asset is impaired to its recoverable amount or that of cash-generating unit. The recoverable amount is the greater of an asset's (or cash generating unit's) net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognised in operating expenses from revaluation.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred, as stated in IFRS 9.

Non-current assets (disposal groups) held for sale

Non-current assets (disposal groups) held for sale are those whose carrying amount is justifiably expected to be settled predominantly through selling in the next 12 months, with the sale being highly probable, rather than with their continued use.

When an asset is designated as held for sale or classified as a disposal group held for sale or when the asset is derecognised, depending on the order of the events, the asset is no longer amortised or depreciated. Such non-current asset or disposal group held for sale is measured at the lower of its carrying amount or fair value, less costs to sell.

Operating receivables

Operating receivables are recognised in the amount of issued invoices decreased by potential value adjustments. Making allowances of receivables is a process of recognising an adjustment to their carrying amount due to expected credit losses; whereas contractual increases or decreases of their carrying amount are not considered revaluation. It may be performed during or at the end of the financial year. The calculation of credit losses is described in the subchapter Measurement and classification of exposures into groups for the purpose of assessing credit losses.

Cash and cash equivalents

Upon initial recognition, cash and cash equivalents are recognised at the amount arising from the underlying document. Cash and cash equivalents comprise bank balances, call deposits and short-term deposits with contractual maturity of up to three months.

Equity

Kapitalska družba has no treasury shares. Its sole shareholder is the Republic of Slovenia.

The Company's equity is share capital. The share capital of EUR 364,810 thousand is represented by 874,235 ordinary registered non-par value shares. Each share has the same interest and the attributed amount in the share capital.

The total equity consists of: called-up capital, capital surplus, revenue reserves, retained net earnings or retained net loss, reserve from valuation at fair value and temporarily undistributed net profit or unsettled loss for the financial year.

Revenue reserves are recognised according to ZGD-1. In line with Article 52(2) of ZSDH-1 distributable profit of Kapitalska družba cannot be distributed to the shareholders.

Ordinary shares are classified as equity. Direct additional costs of new shares issue, less tax effects, are included in the equity.

Reserves arising from valuation at fair value

Reserves from valuation at fair value arise from the effects of valuation of financial assets at fair value through other comprehensive income and actuarial gains and losses arising from severance pay upon retirement. The amounts of reserves arising from valuation at fair value disclosed in the statement of financial position are adjusted for amounts of deferred tax.

Provisions

Provisions are recognised for current liabilities (legal or constructive) arising from past events when it is likely that an outflow of assets that generate economic benefits will be required to settle such an obligation, and when the amount of the liability can be reliably estimated. The amount recorded as a provision is the best estimate of expenses required to settle existing liabilities on the date of the

statement of financial position. When the value of money over time must be considered, provisions are determined on the basis of a discounted cash-flow using a discount rate (before taxes) which reflects the value of money over time and, where appropriate, includes potential risks associated with an individual liability. If provisions are made on the basis of a discounted cash-flow, an increase in the net present value is recognised over the years as financial expenses.

Where some or all of the expenditure required to settle a provision can be expected to be reimbursed by other parties, the reimbursement is recognised as a special asset, but only when it is virtually certain that reimbursement will be received. In this case the costs of provisions are decreased by expected reimbursement.

The Company establishes non-current provisions:

- | when the guaranteed value of assets of the SODPZ fund exceeds the actual value of assets belonging to an individual insured person/member of SODPZ, namely in the amount of the established deficit, i.e. the sum of differences between the guaranteed assets of the insured person/member and the actual value of the assets of the insured person/member,
- | if a legal action is filed against Kapitalska družba or if the Company estimates a claim is very probable,
- | for termination benefits and jubilee awards, calculated on the basis of assumption on the expected employee fluctuation, years of service and expected years until retirement, taking into account individual and collective employment contracts as well as the Company's internal regulations.

The recognition of provisions in the books of account and in the statement of financial position is reversed when the possible obligations for which the provisions were made no longer exist or such provisions are no longer needed. Provisions can only be used for items of the type for which they were originally recognised.

Operating liabilities

Operating liabilities comprise trade payables for acquired assets or services, and liabilities to employees, the state, etc. Liabilities are recognised if it is probable that an outflow of resources embodying economic benefits will result from their settlement and the amount at which the settlement will take place can be measured reliably.

Revenue

The Company recognises revenue from the transfer of the promised goods or services to the buyer, in an amount that reflects the expected consideration to which the Company will be entitled in exchange for these goods or services. The Company considers the terms of the contract and all relevant facts and circumstances. The buyer is a customer who has concluded a contract with the Company on the acquisition of goods or services that are the result of the Company's ordinary activities, in exchange for consideration.

Revenue is classified into the following categories:

1. Revenue from fees

Kapitalska družba, d. d. is entitled to an entry and exit fee, an annual management fee for the management of the SODPZ pension fund and to the costs of occupational pensions.

a. Entry fee

The Company charges entry fees for the performance of its activities in accordance with the pension scheme. This means that the assets collected and transferred to an individual pension fund are reduced by the amount of the entry fees and the fund manages the assets attributable to the net premium. The entry fees are charged in the percentage of the premium at the time of the payment.

b. Management Fee

The Company manages the SODPZ pension fund and charges a management fee, which means that the monthly value of assets of the fund is reduced by the cost of management fees. The management fee is calculated as a percentage of the average value of the fund's assets, determined as the arithmetic mean of the net value of the fund's assets on the conversion day of the current year.

c. Exit Fee

In accordance with the pension scheme, the Company is entitled to exit fees, whereby the redemption value is reduced by the exit fees and the net value is paid to the individual who terminated the scheme. Exit fees are calculated in a percentage of the redemption value when the policy is paid.

d. Income from costs of occupational pensions

In line with its pension scheme, the Company is entitled to the income arising from the costs of paying out occupational pensions. This income from costs is calculated as a percentage of the monthly amount of occupational pensions.

2. Revenue from lease payments

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

Financial revenue

3. Interest

Interest revenue is calculated and recognised at the effective interest rate. Interest on debt securities is disclosed in the Company's statement of financial position together with financial investments.

4. Dividends

Dividends are recognised in the income statement when the Company obtains the right to payment. In the event of any commission refunds by the managers of ETFs in the Company's portfolio or in the event of receiving the so-called adjustment premiums, these are recognised as income similar to dividends.

5. Revenue from sale of investments

Revenue from the sale of financial assets (gains on the disposal of financial assets) is accounted for and recognised as at the trading day.

Costs

Costs of materials and services

Costs of materials and services are classified by primary types. The Company does not classify costs by functional type, because the entire Company represents a single functional type.

Leases

The Company treats leases under IFRS 16, which defines an individual lease as a contract or part of a contract by way of which the right-of-use asset, which is the subject of the lease, is transferred for a particular period to the lessee, in exchange for compensation.

In line with the standard and the possibility of exemption from the standard, the Company does not apply such treatment to short-term leases and leases where the leased asset is a low-value asset. A short-term lease is a lease, the lease term of which is a maximum of 12 months as at the lease com-

mencement date and which does not have a purchase option, while a low-value lease is a lease where the value of a new asset is lower than USD 5,000, converted into EUR according to the reference rate of the ECB, published by the bank of Slovenia.

Employee benefits

Labour costs include gross salaries, gross salary compensations paid by the Company, benefits in kind, gifts and awards to employees, severance pay, as well as the relevant taxes and duties paid by the payer. These costs are recognised as the current expenses of the period. The Company also recognises contingencies based on collective agreements concerning the employees. These expenses are recognised over the entire period of employment of an individual employee to whom the collective agreement refers.

Expenses

Expenses are recognised if a decrease of economic benefits in the accounting period relates to a decrease of an asset or an increase of a debt, and this decrease can be measured reliably. Expenses should therefore be recognised simultaneously with the recognition of a decrease of assets or of an increase of liabilities (debts).

Financial expenses

Financial expenses comprise expenses for financing, mostly interest expenses. Financial expenses from revaluation arise in association with the impairment of investments. Expenses from the disposal of investments (losses on the disposal of investments) are accounted for and recognised on the trading day. Financial expenses also include expenses from recognised credit losses from financial assets.

Taxes

1. Current tax

Current tax assets and liabilities in respect of present and past periods are recognised at amounts which the Company expects to pay to the tax authorities or amounts of income tax credits that will be available in future periods. Current tax assets or liabilities are measured using the tax rates enacted at the date of the statement of financial position.

2. Deferred tax

Deferred income tax assets and liabilities are accounted for using the liability method in the statement of financial position. Only deferred tax assets and liabilities arising from temporary differences are recognised.

A deferred tax asset is recognised also for unused tax losses and unused tax credits carried forward to the next period, if it is probable that future taxable profit will be available, against which the unused tax losses and unused tax credits can be utilised.

On the date of the statement of financial position, deferred tax assets are revised and impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. Tax rates (and tax legislation) enacted at the date of the statement of financial position are used.

Deferred tax assets and liabilities are offset if, and only if, the Company has the legal right to offset current tax assets against current tax liabilities and if deferred tax assets and deferred tax liabilities

relate to the income tax levied by the same tax authority.

Deferred tax assets and liabilities arising from transactions recognised directly in equity should be recognised in equity.

Cash flow statement

The cash flow statement is compiled under the indirect method (Format II) from the data included in the statement of financial position at 31 December 2022 and 31 December 2021, income statement data for the year 2022, and additional data necessary for the adjustment of revenue and expenditure and for the appropriate breakdown of significant items.

Risk management

Therefore, risk management is crucial in performing activities of Kapitalska družba, d. d. Particularly in the economic crisis, risk management proved to be a very important area, since successful and stable operations are conditional on efficient risk management. The use of standard methodologies of risk management ensures the qualitative evaluation of all types of risk, a timely response and the reduction of risk exposure.

Kapitalska družba, d. d., observes legal regulations in the forefront while also regulating risk management through internal acts such as the Rules on risk management, which include in addition to individual risk description, internal risk management organisation, measures and methods used to mitigate the risks, as well as procedures of control and responses to individual risks. Kapitalska družba, d. d., has a Risk Management and Analysis Department, which coordinates and monitors the risk management process. On the basis of the risk inventory and updated risk assessments as well as the consequences of loss events, the Company in 2022 updated the register of risks to which the Company is or could be exposed in the course of operations. As part of the risk register, the Corporate Integrity Plan of Kapitalska družba, d. d. ("Načrt korporativne integritete Kapitalske družbe, d. d.") has been established, detailing the risks of corruption and illegal and unequal conduct.

In the course of its operations, Kapitalska družba, d. d., is exposed to financial, operational and strategic risks. Financial risks, described in more detail in section 15.3.3, include the important market risks (the risk of changes in securities prices, interest rate risk and currency risk) as well as credit and liquidity risk.

Risk of securities price change

The risk of securities price change is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the regulated markets in financial instruments. The risk of securities price change is managed by regular monitoring of the financial position of the issuers, the market situation and macroeconomic indicators that affect the movement in the general level of market prices and by maximum possible dispersion of investments to eliminate most of the non-systematic risk. The dispersal of a part of investments abroad decreases the dependence of Kapitalska družba's portfolio of long-term investments on the movement of prices on the Slovenian capital market.

The monitoring and measurement of risk is carried out on a weekly basis through the calculation of value at risk (VaR) applied to the portfolio as a whole as well as separately for equity and debt securities portfolios. The beta indicator is also calculated for equity securities, as a measure of systematic risk.

Interest rate risk

The very nature of investments in debt instruments exposes Kapitalska družba, d. d., to interest rate risk resulting from the risk that investment values will fluctuate due to changes in market interest

rates. The exposure to interest rate risk is regularly measured by the modified duration indicator. The Company's internal committees monitor the fluctuation in interest rates and market forecasts and analysis on a weekly basis, providing investment recommendations on this basis.

Kapitalska družba, d. d., endeavours to minimise risks arising from interest rates by restructuring the portfolio based on market conditions, by reducing the average maturity of debt portfolios, by classifying investments in the group of investments at amortised cost, by disposing of debt securities with fixed interest rates and by purchasing securities with variable rate of interest, or vice versa, depending on the expected movement in market interest rates.

Currency risk

In managing assets invested in foreign currencies, Kapitalska družba, d. d., is also exposed to currency risk. Currency risk is monitored and managed on a daily basis. The basis for measuring currency risk is the monitoring and calculation of exposure to individual currencies by taking into account the currency in which the underlying instrument is denominated initially, not the currency of the securities that constitute a specific instrument or investment fund.

Credit risk

Credit risk refers to debt securities, money-market instruments and deposits and entails the possibility of investments being repaid only in part or not at all. The management of credit risk is implemented by careful selection of business partners, regular monitoring of companies' operations and by establishing and complying with investment limits with regard to permitted exposure of individual investments. Credit risk is also managed by diversification of investments and by ongoing monitoring of credit spreads and credit ratings of investments or investment issuers or contractual partners. According to internal acts, the business partners' and assets' credit rating is determined by ratings assigned by Standard & Poor's, Fitch and Moody's, and in-house analyses. The maximum permissible exposure to the high yield debt securities and units or shares of open-ended investment funds that invest in these debt securities (in a share greater than 50% of the value of the assets of this fund).

With regards to investments in deposits, debentures and certificates of deposits, Kapitalska družba, d. d., has developed an internal model for determination of limits of such investments in individual banks. Internal limits set for individual banks are reviewed and updated quarterly to account for changes in credit ratings and the capital amount.

For the purpose of identifying and monitoring credit risk, Kapitalska družba, d. d., adopted the Methodology of classification, measurement and assessment of credit losses on financial instruments (hereinafter: methodology). According to the methodology, the Company assesses significant increases in credit risk by use of reasonable and supportable information at the level of a particular exposure, but also on a group exposure level, but only if reasonable and supportable information (factors or indicators) for a particular exposure cannot be obtained without undue cost or effort or cannot be assessed at the level of a particular exposure. The assessment of a significant increase in credit risk is based on clearly predefined quantitative and qualitative criteria which may vary for individual exposure groups, i.e. relevant portfolios, groups of portfolios, or elements of portfolios. The basic criterion considered by an institution for classification into stages is the credit rating or internal rating of a particular financial instrument. The internal rating is defined by use of an algorithm that is based on international credit ratings, or, in the absence of international credit ratings, it is determined internally according to the methodology.

Liquidity risk

Liquidity risk includes the risk related to the liquidity of the capital market or investment and the risk of solvency of Kapitalska družba, d. d. Due to the low liquidity of the Slovenian capital market, liquidity risk is encountered in a major portion of investments of Kapitalska družba, d. d., in association with do-

mestic equity and debt securities, with the highest risk posed by non-listed investments. By dispersing a portion of investments abroad, Kapitalska družba, d. d., is able to reduce liquidity risk by investing only in highly liquid foreign instruments. Investment liquidity requirements have been adopted and an illiquid investment limit has been set. Moreover, liquidity risk is managed by daily monitoring of the inflows and outflows of the Company and precise matching of maturity of assets and liabilities.

Operational risk

Operational risk is the risk of a loss due to inappropriate internal processes or incorrect action by people or defective functioning of systems within the Company or as a result of external events and actions. Operational risk also includes legal and documentary risk as well as the risks arising from trading procedures, settlement and valuation of assets and liabilities.

The Company manages operational risk through a system of authority, internal controls and by defining business processes and ensuring the suitable employee qualifications. In order to minimise operational risk, Kapitalska družba established a system of recording loss events and regular monitoring of the implementation of measures adopted. The Internal Audit Department conducts regular audits of business processes and by making recommendations contributes to the improved internal controls and risk mitigation.

Operational risks are mostly assessed as materially insignificant, except for some risks related to the operation of information systems and incorrect actions by people, which are assessed as materially low-risk (possible impact on total equity from 0.2% to 0.5%).

Strategic risk

Strategic risk is the risk of a loss owing to incorrect business decisions, inappropriate organisation and strategy of the Company and insufficient response to the changes in the business environment. Significant strategic risks include legislative, tax and political risks, resulting from the state's discretionary right to adopt decisions, and may lead to changes in the business and tax environment. These risks also influence the processes involved in the sale of companies where Kapitalska družba, d. d., holds interests, the amount of liabilities to the pension budget and consequently the management of financial assets.

The Management Board, who is in charge of formulating appropriate organisation and strategy of the Company, must adopt all measures suitable for achieving the strategic goals as well as to preserve and strengthen the Company's reputation. An appropriate supervision system is provided for managing this risk, enabling monitoring of the implementation of business objectives defined in the business strategy. Good communication is ensured with all stakeholders and works in accordance with the contractual provisions. Strategic risks are also managed by regular monitoring and participation in the drafting of legal bases and by outsourcing external consultants (tax consultants, auditors, legal consultants, IT consultants, etc.).

Strategic risks are mostly assessed as materially insignificant, except for some risks related to the Company's organisation and strategy, which are assessed as materially low-risk (possible impact on total equity from 0.2% to 0.5%), and legislative, tax and political risk, which is assessed as a materially moderate (possible impact on total equity of 0.5% to 0.7%).

Risks related to investments where Kapitalska družba, d. d. holds a significant share

Kapitalska družba, d. d. devotes special attention to the management of risks, which arise from investments where the Company holds a significant share. Kapitalska družba, d. d., for the first time adopted the Corporate Governance Code of the Group in March 2012, which includes the Group's governance policies and as such provides the basis for efficient management of the Group. The adopted Corporate Governance Code of the Group, which defines new standards that are complied with and abided by all

companies in the Kapitalska družba Group¹⁸, lays down new guidelines on risk management. Corporate governance of the Kapitalska družba Group is carried out by functional areas. Also adopted were the Guidelines on Subsidiary's Reporting to the Parent Company, which specifically define the reporting type and method as well as deadlines. The operations of the companies constituting the Kapitalska družba Group are monitored by the Asset Management Department. Among other, the manager monitors the content and method of reporting as well as reporting deadlines defined in the Guidelines on Subsidiaries' Reporting to the Parent Company. The manager may report to the Management Board, at its meeting, or to the Kapitalska družba Group college about any specificities in the operations and/or major deviations from the planned results and, if needed, propose appropriate measures to the Management Board.

In December 2014, the Slovenian Sovereign Holding adopted and in May 2017, November 2019, and June 2022, supplemented the Corporate Governance Code for Companies with State Capital Investment (current Corporate Governance Code for State-Owned Enterprises), which has been reasonably applied also by Kapitalska družba, d. d., due to unification. Every year Kapitalska družba, d. d., adopts at the general meetings of shareholders of companies the Voting Positions of Kapitalska družba, d. d. The purpose of these positions is to increase the efficiency and transparency of equity investment management and they form an element of reducing risks arising from equity investments.

¹⁸ The Corporate Governance Code of the Group does not include FINAP, d. d. – in liquidation.

15.3 Notes and Disclosures to the Financial Statements

15.3.1 Notes to the Statement of Profit or Loss

All notes and disclosures to the 2021 financial statements apply to the adjusted financial statements.

Note No. 1

Net sales revenue

| | 2022 | 2021 |
|----------------------------------------------|---------------|---------------|
| | | in EUR 000 |
| Income from managing | 8.860 | 8.862 |
| - management fee | 7.453 | 7.566 |
| - entry fee | 1.379 | 1.263 |
| - exit fee | 7 | 8 |
| - income from costs of occupational pensions | 21 | 25 |
| Revenue from lease payments | 2.039 | 1.943 |
| Other income | 113 | 110 |
| Total | 11.012 | 10.915 |

All net sales revenue of EUR 11,012 thousand was generated on the domestic market (2021: EUR 10,915 thousand).

Income from managing

Income from managing is income from managing the SODPZ fund assets in the amount of EUR 8,860 thousand (2021: EUR 8,862 thousand).

Revenue from lease payments

The majority of revenue from lease payments represents lease payments for investment property.

Other income

Other revenue mainly includes revenue from IT services provided to Modra zavarovalnica, d. d. and Hotelske nepremičnine, d. o. o.

Note No. 2

Other operating revenue

| | 2022 | 2021 |
|-------------------------------------|------------|------------|
| | | in EUR 000 |
| Other operating revenue | 12 | 6 |
| Revenue from reversal of provisions | 12 | 0 |
| Other items | 114 | 82 |
| Total | 138 | 88 |

Other operating expenses in 2022 are revenue from refunds in the amount of EUR 3 thousand, revenue from the sale of fixed assets in the amount of EUR 2 thousand, and a partial reimbursement in the amount of EUR 7 thousand based on the tender of the public agency SPIRIT Slovenia for the introduction of the EFQM business excellence for large companies.

Revenue from reversal of provisions in the amount of EUR 12 thousand in 2022 means the reversal of provisions for jubilee benefits.

Other items in 2022 comprise revenue from compensations in the amount of EUR 64 thousand, revenue from previous periods totalling EUR 33 thousand and revenue amounting to EUR 17 thousand arising from transfers in relation to liabilities of the managed company.

Other operating revenue of EUR 6 thousand in 2021 represents gains from refunds.

Other items in 2021 comprise revenue from compensations in the amount of EUR 62 thousand and revenue from previous periods totalling EUR 20 thousand.

Note No. 3

Costs of materials and services

| | in EUR 000 | |
|-----------------------------------------------------------------------------------|--------------|--------------|
| | 2022 | 2021 |
| Costs of materials | 173 | 100 |
| Costs of energy | 130 | 60 |
| Write-off of small tools | 10 | 7 |
| Costs of office supplies and professional literature | 21 | 23 |
| Other costs of materials | 12 | 10 |
| Costs of services | 1.673 | 1.511 |
| Costs of transport services | 43 | 47 |
| Cost of services in relation to maintenance of business premises and fixed assets | 392 | 377 |
| Costs of leases | 169 | 159 |
| Employees' work-related costs | 39 | 30 |
| Costs of payment transactions and bank services, and insurance premiums | 346 | 312 |
| Costs of intellectual and personal services | 185 | 116 |
| Costs of fairs, advertising and entertainment | 54 | 30 |
| Cost of services rendered by natural persons | 178 | 157 |
| Costs of other services | 267 | 283 |
| Total | 1.846 | 1.611 |

Costs of materials are higher in 2022 compared to 2021 due to higher energy costs, which is the result of higher energy prices.

The costs of services are higher in 2022 compared to 2021 due to higher costs of information hardware and software maintenance, costs of information equipment rental, costs of bank fees and IT costs for the creation of a new website, and higher costs for legal services in relation to the purchase and refinancing of claims and court fees related to the recovery of legal actions costs.

Costs of audit

| | in EUR 000 | |
|-------------------------------|------------|-----------|
| | 2022 | 2021 |
| Auditing of the annual report | 36 | 30 |
| Total | 36 | 30 |

The cost of the 2022 Annual Report audit amounted to EUR 36 thousand with VAT (2021: EUR 30 thousand with VAT). No amount has been paid to the auditor for other assurance, tax advisory or other non-audit services in the 2022 and 2021 financial years.

Note No. 4

Labour costs

| | in EUR 000 | |
|------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| | 2022 | 2021 |
| Payroll costs | 2.648 | 2.656 |
| Compensations for salaries/wages of employees | 45 | 46 |
| Supplementary pension insurance costs | 126 | 125 |
| Holiday allowance, reimbursements and other receipts of employees | 264 | 215 |
| Other employer's contributions on salaries, wage compensation, bonuses, reimbursements and other receipts of employees | 428 | 430 |
| Provisions for termination benefits upon retirement and jubilee benefits | 27 | 26 |
| Total | 3.538 | 3.498 |

In 2022, the Company created EUR 10 thousand (2021: EUR 8 thousand) of provisions for severance pay upon retirement and EUR 17 thousand (2021: EUR 18 thousand) of provisions for jubilee benefits. The labour costs in 2022 were comparable to the labour costs of the previous year.

Table 28: No. of employees as at 31 December 2022 and average number of employees in 2022 according to level of education

| Education level | Number of employees as at 31 Dec 2022 | Average no. of employees in 2022 |
|--------------------|------------------------------------------|-------------------------------------|
| Level 8 (8/1, 8/2) | 11 | 11 |
| Level 7 | 25 | 25 |
| Level 6 (6/1, 6/2) | 16 | 16 |
| Level 5 | 5 | 5 |
| Level 4 | 1 | 1 |
| Total | 58 | 58 |

Note No. 5

Write-downs in value

| | in EUR 000 | |
|-------------------------------------------|--------------|--------------|
| | 2022 | 2021 |
| Amortisation of intangible fixed assets | 175 | 168 |
| Depreciation of buildings | 160 | 160 |
| Depreciation of equipment and spare parts | 66 | 56 |
| Depreciation of investment property | 752 | 751 |
| Total | 1.153 | 1.135 |

Amortisation of intangible fixed assets

All costs amounting to EUR 175 thousand (2021: EUR 168 thousand) relate to the amortisation of software.

Depreciation of buildings

Depreciation of buildings represents the depreciation of offices owned and used by Kapitalska družba, d. d., in the "Stekleni dvor" commercial building in the amount of EUR 160 thousand (2021: EUR 160 thousand).

Depreciation of equipment and spare parts

A major part of the depreciation of equipment and spare parts represents depreciation of computers and electronic equipment in the amount of EUR 59 thousand (2021: EUR 47 thousand), wooden furniture of EUR 3 thousand (2021: EUR 5 thousand) and other equipment of EUR 4 thousand (2021: EUR 4 thousand).

Depreciation of investment property

Investment property depreciation charge refers to the depreciation of business premises leased out in the amount of EUR 663 thousand (2021: 663 thousand), EUR 39 thousand of depreciation expense relating to leased out parking spaces (2021: EUR 39 thousand) as well as depreciation of part of investment property totalling EUR 50 thousand (2021: EUR 49 thousand).

Note No. 6

Other operating expenses

| | in EUR 000 | |
|--------------|--------------|----------|
| | 2022 | 2021 |
| Provisions | 7.864 | 0 |
| Other items | 16 | 2 |
| Total | 7.880 | 2 |

In 2022, the Company created provisions for failure to achieve the guaranteed return for the SODPZ fund in the amount of EUR 7,864 thousand. Other items in 2022 in the amount of EUR 15 thousand represent an additional payment to SODPZ for the pay-out of surrender value of assets whose surrender value is lower than the guaranteed asset value of the insured member of SODPZ, and EUR 1 thousand of tax on foreign dividend revenue.

Other items in 2021 represent expenses arising in the previous years.

Note No. 7

Financial revenue

| | | in EUR 000 | |
|------------------------------------------------------------------------------------------------|----------|---------------|----------------|
| | Note | 2022 | 2021 |
| Financial revenue from shares and interests in group companies, associates and other companies | 7.1 | 62.745 | 100.656 |
| Financial revenue from other investments and from loans | 7.2 | 5.777 | 4.374 |
| Total | 7 | 68.522 | 105.030 |

Financial revenue from shares decreased in 2022 compared to 2021, because in 2021 the effects of the reclassification of ETF units, which in previous years were measured at fair value through other comprehensive income, were recognised into the group at fair value through profit in the amount of EUR 35,494 thousand.

Each of the items is presented in more detail below.

Note No. 7.1**Financial revenue from shares and interests in group companies, associates and other companies**

| | in EUR 000 | |
|----------------------------------------------------------------------------|---------------|----------------|
| | 2022 | 2021 |
| Dividends and shares in profits | 37.395 | 30.307 |
| Exchange rate gains | 7.052 | 9.224 |
| Revenue from valuation of investments at fair value through profit or loss | 5.666 | 55.724 |
| Revenue from disposal of investments at fair value through profit or loss | 302 | 5.392 |
| Revenue from acquisition of abandoned securities | 10 | 9 |
| Revenue from acquisition of securities from registry accounts | 12.320 | 0 |
| Total | 62.745 | 100.656 |

Revenue from dividends and shares in profits amounting to EUR 37,395 thousand (2021: EUR 30,307 thousand) include domestic and foreign dividends and dividends from shares in companies.

Exchange rate gains amount to EUR 7,052 thousand (2021: EUR 9,224 thousand).

Revenue amounting to EUR 5,666 thousand (2021: EUR 55,724 thousand) constitutes the valuation of investments measured at fair value through profit or loss.

Revenue from disposal of investments amounting to EUR 302 thousand (2021: EUR 5,392 thousand) represents revenue from realized investment gains, distributed at fair value through profit or loss.

Revenue from acquisition of abandoned securities amounting to EUR 10 thousand (2021: EUR 9 thousand) is recognised in accordance with Article 48a of ZNVP-1, which stipulates that KDD shall credit all dematerialised securities cancelled by the holders to a special account held by Kapitalska družba, d. d.

Revenues from acquisition of securities from registry accounts in the amount of EUR 12,320 thousand are recognised in accordance with paragraph 5 of Article 48.a of ZNVP-1, on the basis of which as at 1 January 2022, the Company became the owner of the securities that the beneficiaries did not request to be transferred to their trading accounts with a member of the central securities depository by 31 December 2021.

Note No. 7.2**Financial revenue from other investments and from loans**

| | in EUR 000 | |
|----------------------------------------------------------------------------------------------|--------------|--------------|
| | 2022 | 2021 |
| Interest revenue | 5.590 | 4.105 |
| - thereof interest income calculated using the effective interest method | 492 | 503 |
| Exchange rate gains | 126 | 182 |
| Revenue from valuation of investments at fair value through profit or loss | 0 | 53 |
| Revenue from decrease in credit losses | 61 | 34 |
| Revenue from decrease in credit losses on assets measured at amortised cost | 55 | 20 |
| Revenue from decrease in credit losses on assets measured through other comprehensive income | 6 | 14 |
| Total | 5.777 | 4.374 |

Interest revenue

| | | in EUR 000 | |
|-------------------------------------------------------|--|--------------|--------------|
| | | 2022 | 2021 |
| Bonds, commercial papers | | 2.252 | 2.286 |
| - through other comprehensive income | | 1.289 | 1.300 |
| - at amortised cost (using effective interest method) | | 492 | 503 |
| - at fair value through profit or loss | | 471 | 483 |
| Other investments | | 3.337 | 1.819 |
| - at fair value through profit or loss | | 3.337 | 1.819 |
| Cash | | 1 | 0 |
| Total | | 5.590 | 4.105 |

Note No. 8

Financial expenses

| | | in EUR 000 | |
|-------------------------------------------------------------------|----------|----------------|---------------|
| | Note | 2022 | 2021 |
| Financial expenses due to write-off and impairment of investments | 8.1 | 70.268 | 3.460 |
| Financial expenses for financial liabilities | 8.2 | 50.009 | 50.009 |
| Total | 8 | 120.277 | 53.469 |

Note No. 8.1

Financial expenses due to write-off and impairment of investments

| | | in EUR 000 | |
|-----------------------------------------------------------------------------|--|---------------|--------------|
| | | 2022 | 2021 |
| Interest expenses | | 12 | 12 |
| Expenses from valuation of investments at fair value through profit or loss | | 65.108 | 3.338 |
| Expenses from disposals | | 5.148 | 110 |
| - Expenses from disposals of investments measured through profit or loss | | 5.148 | 110 |
| Total | | 70.268 | 3.460 |

Expenses from valuation of investments at fair value through profit or loss in the amount of EUR 65,108 thousand (2021: EUR 3,338 thousand) increased in 2022 compared to 2021 due to unfavourable trends in the financial markets.

Expenses from disposal of investments amounting to EUR 5,148 thousand (2021: EUR 110 thousand) are expenses from realised investments losses distributed at fair value through profit or loss.

Note No. 8.2

Financial expenses for financial liabilities

| | in EUR 000 | |
|----------------------------------------------------------------------------|---------------|---------------|
| | 2022 | 2021 |
| Interest expenses | 9 | 9 |
| - thereof interest expenses calculated using the effective interest method | 7 | 5 |
| Expenses for the Pension and Disability Insurance Institute | 50.000 | 50.000 |
| Total | 50.009 | 50.009 |

Kapitalska družba, d. d., credited EUR 50 million to the Pension and Disability Insurance Institute in 2022 (2021: EUR 50 million). These payments were stated under financial expenses from other financial liabilities in the income statement.

Exchange rate differences

| | in EUR 000 | |
|---------------------------------------|--------------|--------------|
| | 2022 | 2021 |
| Exchange rate gains | 8.180 | 9.893 |
| Exchange rate losses | -1.002 | -487 |
| Net exchange rate gains/losses | 7.178 | 9.406 |

In 2022, net exchange rate differences were positive, in the amount of EUR 7,178 thousand (2021: EUR 9,406 thousand) and are mainly a result of the appreciation of US dollar against Euro, similar to the previous year.

Gains/losses on financial assets

| | in EUR 000 | |
|---------------------------------------------|----------------|---------------|
| | 2022 | 2021 |
| Revenue from investments | 68.522 | 105.030 |
| Expenses from investments | -120.277 | -53.469 |
| Net gains or losses from investments | -51.755 | 51.561 |

Note no. 9

Corporate income tax

| | in EUR 000 | |
|--------------------------------|---------------|---------------|
| | 2022 | 2021 |
| Profit or loss before tax | -55.022 | 56.318 |
| Increases in retained earnings | 82.977 | 0 |
| Decreases in retained earnings | -245 | -25.061 |
| Total | 27.710 | 31.257 |
| Non-deductible expenses | 1.966 | 1.670 |
| Provisions creation | 9 | -35 |
| Non-taxable revenue | -35.027 | -28.490 |
| Tax allowance | 0 | -257 |
| Tax loss | 0 | -2.201 |
| Total | -5.342 | 1.944 |
| Tax rate | 19 % | 19 % |
| Corporate income tax | 0 | 369 |

The largest item of untaxed revenue are the excluded received and paid domestic dividends in 2022.

As at 31 December 2022, Kapitalska družba, d. d., reported no corporate income tax liabilities because it disclosed a tax loss; as at 31 December 2021 its liabilities amounted to EUR 369 thousand.

The Management Board believes that the calculation of the tax liability for 2022 is appropriate, based on the views presented below and in accordance with the opinions of tax advisors. It is however possible that the competent tax authorities would have a different position on certain issues, which could result in a difference between the tax liabilities disclosed in the financial statements and the amount assessed by the tax authorities. Kapitalska družba credited EUR 50 million to the Pension and Disability Insurance Institute in 2022. These payments were recognised in the income statement under other financial expenses and as tax deductible expenses in the calculation of the tax liability.

The effective tax rate as the ratio between the corporate income tax and profit or loss before tax was not calculated because in 2022, Kapitalska družba, d. d. disclosed a tax loss (in 2021 in amounted to 1.2%).

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

| | in EUR 000 | |
|----------------------------------------------------------------------------|---------------|---------------|
| | 2022 | 2021 |
| Profit or loss before tax | -55.022 | 56.318 |
| Increases in retained earnings | 82.977 | 0 |
| Decreases in retained earnings | -245 | -25.061 |
| Total | 27.710 | 31.257 |
| Tax calculated at the general tax rate | 5.265 | 5.939 |
| Change in tax based on: | | |
| 1. Revenue exempt from the tax base | 6.660 | 5.420 |
| Untaxed dividends received | 6.616 | 5.393 |
| Adjustment of revenue to the level recognised for tax purposes (decrease) | 44 | 27 |
| 2. Expenses exempt from the tax base | 380 | 317 |
| Increase in expenses (unrecognised in previous periods) | 6 | 10 |
| Adjustment of expenses to the level recognised for tax purposes (decrease) | 374 | 307 |
| 3. Tax reliefs used in current year | 0 | 49 |
| 4. Utilisation of tax losses from previous years | 0 | 418 |
| Total corporate income tax in the income statement | 0 | 369 |
| Effective tax rate | / | 1,2 |

Note No. 10

Deferred tax

Deferred income tax liabilities as at 31 December 2022 include:

in EUR 000

| | Statement of financial position | | Income statement | |
|--------------------------------------------------|---------------------------------|---------------|------------------|--------------|
| | 31 Dec 2022 | 31 Dec 2021 | 2022 | 2021 |
| Deferred income tax liabilities | 32.478 | 60.338 | 0 | 0 |
| Total deferred income tax liabilities | 32.478 | 60.338 | 0 | 0 |
| Deferred income tax assets | 16.497 | 30.461 | -13.964 | 9.913 |
| Loss brought forward to be used as tax allowance | 15.980 | 29.876 | -13.896 | 9.942 |
| Value adjustment of receivables | 0 | 0 | 0 | 0 |
| Value adjustment of investments | 498 | 565 | -67 | -25 |
| Provisions | 19 | 20 | -1 | -4 |
| Total deferred income tax assets | 16.497 | 30.461 | -13.964 | 9.913 |
| Netting of assets and liabilities | 498 | 565 | - | - |
| Deferred income tax assets after netting | 15.999 | 29.896 | - | - |
| Deferred income tax liabilities after netting | 31.980 | 59.773 | - | - |

The decrease in deferred income tax in the income statement amounting to EUR -13,964 thousand (2021: increase of EUR 9,913 thousand) is due to decreased deferred tax from unused tax losses of EUR -13,896 thousand (2021: increase of EUR 9,942 thousand), decreased credit losses of EUR 67 thousand (2021: EUR 25 thousand), and decreased provisions amounting to EUR 1 thousand (2021: EUR 4 thousand). As at 31 December 2022, unused tax loss totalled EUR 551,158 thousand (2021: EUR 545,816 thousand) and is freely transferable.

Disclosure of changes in deferred tax recognised directly in equity

in EUR 000

| Changes in deferred tax | 2022 | 2021 |
|-----------------------------|---------------|---------------|
| Balance as at 1 Jan | 60.338 | 40.481 |
| Changes as at 1 Jan | 0 | 0 |
| Changes during the year | -12.094 | 19.857 |
| Adjustment of deferred tax | -15.766 | 0 |
| Balance as at 31 Dec | 32.478 | 60.338 |

The change in deferred tax liabilities of EUR -12,094 thousand in 2022 to EUR 32,478 thousand as at 31 December 2022 arose from revaluation of investments measured at fair value through other comprehensive income and reclassification of ETF units to the fair value through profit or loss category.

15.3.2 Notes to the Statement of Financial Position

Note No. 11

Intangible assets and non-current deferred costs and accrued revenue

Table 29: Changes in intangible assets and non-current deferred costs and accrued revenue in 2022

in EUR 000

| 31 Dec 2022 | Software and other intangible assets | Non-current accrued revenue and deferred costs | Total |
|------------------------------------|-----------------------------------------------------|---------------------------------------------------------------|--------------|
| Cost | | | |
| Cost as at 31 Dec 2021 | 1.870 | 50.031 | 51.901 |
| Additions | 8 | 65.029 | 65.037 |
| Disposals | -16 | -50.031 | -50.047 |
| Cost as at 31 Dec 2022 | 1.862 | 65.029 | 66.891 |
| Value adjustment | | | |
| Value adjustment as at 31 Dec 2021 | 1.546 | 0 | 1.546 |
| Additions, transfers | 0 | 0 | 0 |
| Disposals, write-offs | -16 | 0 | -16 |
| Depreciation/amortisation | 175 | 0 | 175 |
| Value adjustment as at 31 Dec 2022 | 1.705 | 0 | 1.705 |
| Carrying amount | | | |
| Carrying amount as at 31 Dec 2021 | 324 | 50.031 | 50.355 |
| Carrying amount as at 31 Dec 2022 | 157 | 65.029 | 65.186 |

Intangible assets refer to software applications and licences. Intangible assets have not been pledged as security.

The amount of EUR 65,000 thousand refers to the deferred liability to the Pension and Disability Insurance Institute, which falls due in 2024, and the rest to the deferred liability to pay the variable part of the income of the Management.

Table 30: Changes in intangible assets and non-current deferred costs and accrued revenue in 2021

in EUR 000

| 31 Dec 2021 | Software and other intangible assets | Non-current accrued revenue and deferred costs | Total |
|------------------------------------|-----------------------------------------------------|---------------------------------------------------------------|--------------|
| Cost | | | |
| Cost as at 31 Dec 2020 | 1.735 | 50.049 | 51.784 |
| Additions | 135 | 50.045 | 50.180 |
| Disposals | 0 | -50.063 | -50.063 |
| Cost as at 31 Dec 2021 | 1.870 | 50.031 | 51.901 |
| Value adjustment | | | |
| Value adjustment as at 31 Dec 2020 | 1.378 | 0 | 1.378 |
| Additions, transfers | 0 | 0 | 0 |
| Disposals, write-offs | 0 | 0 | 0 |
| Depreciation/amortisation | 168 | 0 | 168 |
| Value adjustment as at 31 Dec 2021 | 1.546 | 0 | 1.546 |
| Carrying amount | | | |
| Carrying amount as at 31 Dec 2020 | 357 | 50.049 | 50.406 |
| Carrying amount as at 31 Dec 2021 | 324 | 50.031 | 50.355 |

Intangible assets refer to software applications and licences. Intangible assets have not been pledged as security.

The amount of EUR 50,000 thousand refers to the deferred liability to the Pension and Disability Insurance Institute and the rest to the deferred liability to pay the variable part of the income of the Management.

Note No. 12

Property, plant and equipment

Table 31: Changes in property, plant and equipment in 2022

in EUR 000

| 31 Dec 2022 | Buildings | Other plant and equipment | Total |
|------------------------------------|-----------|------------------------------|-------|
| Cost | | | |
| Cost as at 31 Dec 2021 | 5.029 | 1.439 | 6.468 |
| New acquisitions, transfers | 0 | 74 | 74 |
| Disposals, transfers | 0 | -69 | -69 |
| Cost as at 31 Dec 2022 | 5.029 | 1.444 | 6.473 |
| Value adjustment | | | |
| Value adjustment as at 31 Dec 2021 | 2.707 | 1.280 | 3.987 |
| Additions, transfers | 0 | 0 | 0 |
| Disposals, write-offs | 0 | -69 | -69 |
| Depreciation/amortisation | 160 | 66 | 226 |
| Value adjustment as at 31 Dec 2022 | 2.867 | 1.277 | 4.144 |
| Carrying amount | | | |
| Carrying amount as at 31 Dec 2021 | 2.322 | 159 | 2.481 |
| Carrying amount as at 31 Dec 2022 | 2.162 | 167 | 2.329 |

The items of property, plant and equipment have not been pledged as security.

Table 32: Changes in property, plant and equipment in 2021

in EUR 000

| 31 Dec 2021 | Buildings | Other plant and equipment | Total |
|------------------------------------|-----------|------------------------------|-------|
| Cost | | | |
| Cost as at 31 Dec 2020 | 5.003 | 1.532 | 6.535 |
| New acquisitions, transfers | 26 | 100 | 126 |
| Disposals, transfers | 0 | -193 | -193 |
| Cost as at 31 Dec 2021 | 5.029 | 1.439 | 6.468 |
| Value adjustment | | | |
| Value adjustment as at 31 Dec 2020 | 2.545 | 1.417 | 3.962 |
| Additions, transfers | 2 | 0 | 2 |
| Disposals, write-offs | 0 | -193 | -193 |
| Depreciation/amortisation | 160 | 56 | 216 |
| Value adjustment as at 31 Dec 2021 | 2.707 | 1.280 | 3.987 |
| Carrying amount | | | |
| Carrying amount as at 31 Dec 2020 | 2.458 | 115 | 2.573 |
| Carrying amount as at 31 Dec 2021 | 2.322 | 159 | 2.481 |

The items of property, plant and equipment have not been pledged as security.

Note No. 13

Investment property

Table 33: Changes in investment property in 2022

| | | in EUR 000 |
|------------------------------------|-----------|------------|
| 31 Dec 2022 | Buildings | Total |
| Cost | | |
| Cost as at 31 Dec 2021 | 26.402 | 26.402 |
| New acquisitions, transfers | 0 | 0 |
| Disposals, transfers, impairment | 0 | 0 |
| Cost as at 31 Dec 2022 | 26.402 | 26.402 |
| Value adjustment | | |
| Value adjustment as at 31 Dec 2021 | 9.486 | 9.486 |
| Additions, transfers | 0 | 0 |
| Disposals, write-offs | 0 | 0 |
| Depreciation/amortisation | 753 | 753 |
| Value adjustment as at 31 Dec 2022 | 10.239 | 10.239 |
| Carrying amount | | |
| Carrying amount as at 31 Dec 2021 | 16.916 | 16.916 |
| Carrying amount as at 31 Dec 2022 | 16.163 | 16.163 |

In 2022, Kapitalska družba, d. d. impaired no investment property. The valuation of investment property as at 31 October 2021 was made by a certified appraiser.

Given that the fair value of investment property as at 31 October 2021 was estimated based on an external evaluation amounting to EUR 20,100 thousand, we estimate that the fair value of investment property as at 31 December 2022 does not significantly deviate from the fair value of investment property as at 31 October 2021. The Company verified that the estimated values of investment property could also be used as at 31 December 2022.

The investment property's fair value does not significantly deviate from its carrying amount as at 31 December 2022, with the exception of the Nebotičnik office building, whose fair value greatly exceeds its carrying amount. The fair value of the office building "Nebotičnik" investment property as at 31 October 2021 amounted to EUR 1,350 thousand, while the carrying amount as at 31 December 2022 equalled EUR 100 thousand.

The valuation was performed applying the market comparison method, the income approach, the discounted free cash flow method and the direct capitalisation method, which includes the following assumptions: a 7.62% capitalisation rate, a 5% deduction for vacancy and a 8% deduction for irrecoverability.

Investment property is not pledged.

Table 34: Changes in investment property in 2021

| | in EUR 000 | |
|-------------------------------------------|------------------|---------------|
| 31 Dec 2021 | Buildings | Total |
| Cost | | |
| Cost as at 31 Dec 2020 | 26.394 | 26.394 |
| New acquisitions, transfers | 34 | 34 |
| Disposals, transfers, impairment | -26 | -26 |
| Cost as at 31 Dec 2021 | 26.402 | 26.402 |
| Value adjustment | | |
| Value adjustment as at 31 Dec 2020 | 8.737 | 8.737 |
| Additions, transfers | 0 | 0 |
| Disposals, write-offs | -2 | -2 |
| Depreciation/amortisation | 751 | 751 |
| Value adjustment as at 31 Dec 2021 | 9.486 | 9.486 |
| Carrying amount | | |
| Carrying amount as at 31 Dec 2020 | 17.657 | 17.657 |
| Carrying amount as at 31 Dec 2021 | 16.916 | 16.916 |

Investment property is not pledged.

Table 35: Rental income from investment property and costs related to investment property

| | in EUR 000 | |
|----------------------------------------|-------------|-------------|
| | 2022 | 2021 |
| Rental income from investment property | 2.039 | 1.943 |
| Costs related to investment property | 792 | 805 |

Information about encumbrances

Pursuant to paragraph 5 of Article 48.a of ZNVP-1, Kapitalska družba, d. d., also acquired registry securities that were encumbered with a pledge, which has two legal bases: firstly, on the basis of a legal transaction with entry in the central register of dematerialised securities, and secondly, on the basis of a seizure or entry of an enforcement order in the central register of dematerialised securities, all in the amount of EUR 18 thousand.

The renaming assets owned by Kapitalska družba, d. d., are free from mortgages, pledges or other encumbrances.

Fixed assets are not under finance lease not have they been acquired for the purpose of trading.

Note No. 14

Investments in subsidiary, associated companies and joint venture

Investments in subsidiary as at 31 December 2022 include:

in EUR 000

| No. | Subsidiary | Registered office of the company | Equity stake in % | Voting rights in % | Equity as at 31 Dec 2022 | Net profit/loss for 2022 |
|-----|---------------------------------------------|----------------------------------|-------------------|--------------------|--------------------------|--------------------------|
| 1. | Modra zavarovalnica, d. d. | Dunajska cesta 119, Ljubljana | 100,00 | 100,00 | 295.941 | -15.901 |
| 2. | FINAP, d. d. – in liquidation ¹⁹ | Rimska cesta 11, Ljubljana | 66,08 | 66,08 | - | - |

in EUR 000

| | 31 Dec 2022 | 31 Dec 2021 |
|-----------------------------------------|----------------|----------------|
| Shares and interests in Group companies | 152.200 | 152.200 |
| Total | 152.200 | 152.200 |

The investment in the shares of Modra zavarovalnica, d. d., is stated at cost. An impairment test was carried out, showing that the investment need not be impaired.

Investments in associates as at 31 December 2022 include:

in EUR 000

| No. | Associate | Registered office of the company | Equity stake in % | Voting rights in % | Equity as at 31 Dec 2022 | Net profit/loss for 2022 |
|-----|-----------------------------------|-------------------------------------------|-------------------|--------------------|--------------------------|--------------------------|
| 1. | Gospodarsko razstavišče, d. o. o. | Dunajska cesta 18, Ljubljana | 29,51 | 29,51 | 17.482 | -383 |
| 2. | Hit, d. d. | Delpinova ulica 7a, Nova Gorica | 20,32 | 20,32 | 59.287 | 11.157 |
| 3. | Loterija Slovenije, d. d. | Gerbičeva ulica 99, Ljubljana | 25,00 | 25,00 | 21.106 | 6.320 |
| 4. | Sava, d. d. | Dunajska cesta 152, Ljubljana | 28,05 | 28,05 | 115.042 | 6.339 |
| 5. | Terme Čatež, d. d. | Čatež ob Savi, Topliška cesta 35, Brežice | 23,82 | 23,79 | 98.418 | 986 |
| 6. | Terme Olimia, d. d. | Zdraviliška cesta 24, Podčetrtek | 24,79 | 24,79 | 44.477 | 3.200 |

in EUR 000

| | 31 Dec 2022 | 31 Dec 2021 |
|----------------------------------------------|---------------|---------------|
| Shares and interests in associated companies | 49.189 | 48.986 |
| Total | 49.189 | 48.986 |

Table 36: Changes in investments in associated companies in 2022

in EUR 000

| | 31 Dec 2021 | Acquisitions and transfers | Disposals, maturity | Revaluation | 31 Dec 2022 |
|--------------------------------------------------------------|---------------|----------------------------|---------------------|-------------|---------------|
| Investments at fair value through other comprehensive income | 48.986 | 0 | 0 | 203 | 49.189 |
| Total | 48.986 | 0 | 0 | 203 | 49.189 |

¹⁹ Acquired in line with Article 48.a of the Book-Entry Securities Act (ZVNP-1).

Table 37: Changes in investments in associated companies in 2021

in EUR 000

| | 31 Dec 2020 | Acquisitions and transfers | Disposals, maturity | Revaluation | 31 Dec 2021 |
|--------------------------------------------------------------|---------------|----------------------------|---------------------|--------------|---------------|
| Investments at fair value through other comprehensive income | 49.911 | 0 | -3.056 | 2.131 | 48.986 |
| Total | 49.911 | 0 | -3.056 | 2.131 | 48.986 |

Investments in joint ventures as at 31 December 2022 include:

in EUR 000

| No. | Joint venture | Registered office of the company | Equity stake in % | Voting rights in % | Equity as at 31 Dec 2022 | Net profit/loss for 2022 |
|-----|---------------------------------|----------------------------------|-------------------|--------------------|--------------------------|--------------------------|
| 1. | Hotelske nepremičnine, d. o. o. | Dunajska cesta 119, Ljubljana | 50,00 | 50,00 | 12.795 | 546 |

in EUR 000

| | 31 Dec 2022 | 31 Dec 2021 |
|--------------------------|--------------|--------------|
| Stakes in joint ventures | 5.963 | 5.963 |
| Total | 5.963 | 5.963 |

The investment in Hotelske nepremičnine, d. o. o., is carried at cost. An impairment test was carried out, showing that the investment need not be impaired.

Table 38: Changes in investment in joint venture in 2022

in EUR 000

| | 31 Dec 2021 | Acquisitions and transfers | Disposals, maturity | Revaluation | 31 Dec 2022 |
|---------------------|--------------|----------------------------|---------------------|-------------|--------------|
| Investments at cost | 5.963 | 0 | 0 | 0 | 5.963 |
| Total | 5.963 | 0 | 0 | 0 | 5.963 |

Table 39: Changes in investment in joint venture in 2021

in EUR 000

| | 31 Dec 2020 | Acquisitions and transfers | Disposals, maturity | Revaluation | 31 Dec 2021 |
|---------------------|--------------|----------------------------|---------------------|-------------|--------------|
| Investments at cost | 5.963 | 0 | 0 | 0 | 5.963 |
| Total | 5.963 | 0 | 0 | 0 | 5.963 |

Kapitalska družba, d. d., is not exposed to any risks arising from ownership stakes in the subsidiary, associated companies or joint venture, such as:

- | the risk concerning the provision of funds for the operations/capital adequacy of the subsidiary, associated companies or joint venture;
- | the risk related to participation in covering contingent liabilities of the subsidiary, associated companies or joint venture.

At the end of 2022, on the basis of external appraisals, Kapitalska družba, d. d., used internal valuation models and external valuations to verify, assess and appraise the companies' value as at 31 December 2022, taking into account the most recent available data on companies' performance in 2022.

Note No. 15

Assets held for sale

| | in EUR 000 | |
|----------------------|--------------|---------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| Assets held for sale | 5.074 | 11.543 |
| Total | 5.074 | 11.543 |

Non-current assets available for sale in the amount of EUR 5,074 thousand as at 31 December 2022 include an equity investment held for sale. Non-current assets held for sale as at 31 December 2021 in the amount of EUR 11,543 thousand included an equity investment held for sale, which is reclassified once again to investments, due to a business decision not to dispose of the investment.

Note No. 16

Investments, excluding loans

| | Non-current | | Current | |
|----------------------------|----------------|------------------|---------------|---------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| Other shares and interests | 794.658 | 938.145 | 0 | 0 |
| Other investments | 71.099 | 83.490 | 40.039 | 24.827 |
| Total | 865.757 | 1.021.635 | 40.039 | 24.827 |

Carrying amounts of financial assets

Kapitalska družba, d. d., classifies financial assets into one of the following groups according to IFRS 9: financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. In addition, financial assets are classified as non-current and current.

Financial assets also include investments in associated companies and assets held for sale, which are disclosed in Notes No. 14 and 15.

| | Non-current | | Current | | Total | |
|---------------------------------------------------------|----------------|------------------|---------------|---------------|----------------|------------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| At fair value through profit or loss | 365.009 | 422.590 | 39.287 | 22.622 | 404.296 | 445.212 |
| Debt instruments | 346.916 | 414.504 | 34.213 | 22.622 | 381.129 | 437.126 |
| Equity instruments | 18.093 | 8.086 | 5.074 | 0 | 23.167 | 8.086 |
| At fair value through other comprehensive income | 541.216 | 637.886 | 2.054 | 12.199 | 543.270 | 650.085 |
| Debt instruments | 29.358 | 35.353 | 2.054 | 656 | 31.412 | 36.009 |
| Equity instruments | 511.858 | 602.533 | 0 | 11.543 | 511.858 | 614.076 |
| At amortised cost | 8.721 | 10.145 | 3.772 | 1.549 | 12.493 | 11.694 |
| Debt instruments | 8.721 | 10.145 | 3.772 | 1.549 | 12.493 | 11.694 |
| Total | 914.946 | 1.070.621 | 45.113 | 36.370 | 960.059 | 1.106.991 |

Changes in investments in 2022

The table also includes investments in associated companies and assets held for sale.

in EUR 000

| | 31 Dec 2021 | Acquisitions | Disposals | Maturity | Revaluation | 31 Dec 2022 |
|--------------------------------------------------------------|------------------|---------------|----------------|---------------|-----------------|----------------|
| Investments at fair value through profit or loss | 445.212 | 63.648 | -53.135 | -428 | -51.001 | 404.296 |
| Investments at amortised cost | 11.694 | 1.981 | 0 | -1.729 | 547 | 12.493 |
| Investments at fair value through other comprehensive income | 650.085 | 0 | -2.558 | -1.092 | -103.165 | 543.270 |
| Total | 1.106.991 | 65.629 | -55.693 | -3.249 | -153.619 | 960.059 |

Changes in investments in 2021

The table also includes investments in associated companies and assets held for sale.

in EUR 000

| | 31 Dec 2020 | Acquisitions | Disposals | Maturity | Revaluation | 31 Dec 2021 |
|--------------------------------------------------------------|----------------|---------------|----------------|----------------|----------------|------------------|
| Investments at fair value through profit or loss | 385.090 | 42.284 | -27.595 | -2.300 | 47.733 | 445.212 |
| Investments at amortised cost | 20.526 | 3.189 | 0 | -12.543 | 522 | 11.694 |
| Investments at fair value through other comprehensive income | 519.403 | 2.536 | -22.907 | -10.647 | 161.700 | 650.085 |
| Total | 925.019 | 48.009 | -50.502 | -25.490 | 209.955 | 1.106.991 |

Investments by type of interest rate as at 31 December

in EUR 000

| | 31 Dec 2022 | 31 Dec 2021 |
|---------------------------|----------------|----------------|
| Debt investments | 111.138 | 108.316 |
| Fixed interest rate | 111.138 | 108.316 |
| Variable interest rate | 0 | 0 |
| Cash and cash equivalents | 9.955 | 26.535 |
| ETF units | 313.896 | 376.512 |
| Total | 434.989 | 511.363 |

Investments in equity instruments measured at fair value through other comprehensive income by size as at 31 December 2022, excluding abandoned securities and securities from registry accounts

The items in the table below are not rounded to the nearest thousand and are presented in the Euro. The table also includes the associated companies of Kapitalska družba, d. d.

| ISIN code | Value in EUR | Market/non-market |
|--------------|--------------|-------------------|
| SI0031102120 | 321,358,760 | Market |
| SI0031102153 | 69,055,600 | Market |
| SI0031101346 | 17,275,159 | Market |
| SI0031104290 | 17,236,260 | Market |
| SI0031117813 | 16,821,050 | Market |
| SI0031117318 | 16,231,871 | Non-market |
| SI0031105024 | 12,096,498 | Non-market |

| ISIN code | Value in EUR | Market/non-market |
|-----------------------------------|--------------------|-------------------|
| SI0031113143 | 11,201,248 | Non-market |
| SI0031107954 | 4,859,667 | Non-market |
| SI0031100637 | 3,949,951 | Market |
| SI0031103706 | 3,176,000 | Market |
| SI0031104829 | 2,387,714 | Non-market |
| SI0031108580 | 1,597,645 | Non-market |
| SI0031108994 | 1,591,477 | Market |
| SI0031117821 | 1,278,400 | Market |
| SI0031107673 | 1,248,286 | Non-market |
| SI0031105677 | 1,038,331 | Non-market |
| GOSPODARSKO RAZSTAVIŠČE, D. O. O. | 845,300 | Non-market |
| SI0031105529 | 559,968 | Non-market |
| SI0031104597 | 541,354 | Non-market |
| SI0031109646 | 410,604 | Non-market |
| PS ZA AVTO, D. O. O. | 304,710 | Non-market |
| SI0031200239 | 129,654 | Non-market |
| SM STROJKOPLAST MARIBOR, D. O. O. | 91,243 | Non-market |
| SI0031104621 | 60,720 | Non-market |
| PLINHOLD, D. O. O. | 55,468 | Non-market |
| SI0021110513 | 18,816 | Market |
| SI0031110248 | 9,879 | Non-market |
| SI0031108846 | 1,877 | Non-market |
| Total | 505,433,510 | |

Top 10 largest investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2022 for abandoned securities

The items in the table below are not rounded to the nearest thousand and are presented in the Euro.

| ISIN code | Value in EUR | Market/non-market |
|--------------|----------------|-------------------|
| SI0031114455 | 23,898 | Non-market |
| SI0031105271 | 20,382 | Non-market |
| SI0031107772 | 16,625 | Non-market |
| SI0031113184 | 15,407 | Non-market |
| SI0031117268 | 14,280 | Non-market |
| SI0031102120 | 11,960 | Market |
| SI0021113111 | 10,374 | Non-market |
| SI0031117144 | 9,931 | Non-market |
| SI0031114604 | 9,528 | Non-market |
| SI0031114984 | 9,463 | Non-market |
| Other | 68,968 | |
| Total | 210,816 | |

Kapitalska družba, d. d. may not exercise the voting rights arising from dematerialised securities acquired in line with Article 48. a of the Book Entry Securities Act (ZNVP-1) that represent the target company's securities as at the day of transfer in line with paragraph 2 of Article 48. b of the said act.

Top 10 largest investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2022 for securities from registry accounts

The items in the table below are not rounded to the nearest thousand and are presented in the Euro.

| ISIN code | Value in EUR | Market/non-market |
|------------------|---------------------|--------------------------|
| SI0031102120 | 1,357,920 | Market |
| SI0021111651 | 1,310,931 | Market |
| SI0031102153 | 808,800 | Market |
| SI0021113111 | 374,994 | Non-market |
| SI0031101346 | 148,527 | Market |
| SI0031114984 | 140,642 | Non-market |
| SI0021113855 | 140,604 | Market |
| SI0031117813 | 123,250 | Market |
| SI0031114604 | 101,020 | Non-market |
| SI0031116138 | 94,134 | Non-market |
| Other | 1,613,221 | |
| Total | 6,214,043 | |

Pursuant to paragraph 5 of Article 48.a of the Book Entry Securities Act, as at 1 January 2022, the Company became the owner of the securities that the beneficiaries did not request to be transferred to their trading accounts with a member of the central securities depository by 31 December 2021. In accordance with and under the conditions referred to in Article 48. b of ZNVP-1, when establishing the share of voting rights of Kapitalska družba, d. d., and persons who, in compliance with the law governing takeovers, act in coordination with Kapitalska družba in the target company, the voting rights deriving from the shares of the target company, which Kapitalska družba acquired in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1, are not taken into account. Kapitalska družba, d. d., may also not exercise voting rights arising from the shares of target companies which it acquires in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1. Kapitalska družba, d. d., is entitled to exercise voting rights from all those dematerialised securities of companies acquired in accordance with the first and fifth paragraphs of Article 48.a of ZNVP-1, for which, taking into account the balance given on the date of transfer of the dematerialised securities to a special account of Kapitalska družba from the first paragraph of Article 48.a of ZNVP-1, the provisions of the Takeovers Act (ZPre-1) do not apply.

In 2022, Kapitalska družba, d. d., disposed of equity instruments with the total fair value of EUR 2,195 thousand as at the date of sale. The cumulative effect of the sale of equity instruments measured at fair value through other comprehensive income is EUR -360 thousand and is recognised under profit/loss brought forward. Dividends recognised on investments measured at fair value through other comprehensive income equal EUR 34,252 thousand.

Overview of financial assets at carrying amount and fair value as at 31 December 2022

| Asset | in EUR 000 | |
|-------------------------------------------------------------------|-----------------|----------------|
| | Carrying amount | Fair value |
| Financial assets at fair value through profit or loss | 404.296 | 404.296 |
| Financial assets at amortised cost | 12.493 | 12.356 |
| Financial assets at fair value through other comprehensive income | 543.270 | 543.270 |
| Cash and cash equivalents | 9.955 | 9.955 |
| Total | 970.014 | 969.877 |

Overview of financial assets at carrying amount and fair value as at 31 December 2021

| Asset | in EUR 000 | |
|-------------------------------------------------------------------|------------------|------------------|
| | Carrying amount | Fair value |
| Financial assets at fair value through profit or loss | 445.212 | 445.212 |
| Financial assets at amortised cost | 11.694 | 13.377 |
| Financial assets at fair value through other comprehensive income | 650.085 | 650.085 |
| Cash and cash equivalents | 26.535 | 26.535 |
| Total | 1.133.526 | 1.135.209 |

In line with its accounting policy, Kapitalska družba, d. d., measures its financial assets at fair value, which equals the market value of the investment. The difference between the carrying amount and fair value appears on investments measured at amortised cost. The assumptions applied in fair value estimates of Level 3 investments are presented in the fair value hierarchy.

Fair value hierarchy as at 31 December 2022

| Item | in EUR 000 | | | |
|------------------------------------------------------------------------------|----------------|----------------|---------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value | 742.642 | 121.454 | 83.470 | 947.566 |
| Investments valued at fair value through profit or loss | 318.636 | 53.079 | 32.581 | 404.296 |
| Equity instruments | 18.093 | 5.074 | 0 | 23.167 |
| Debt securities | 35.774 | 1.900 | 1.143 | 38.817 |
| ETF units | 264.769 | 46.104 | 3.022 | 313.895 |
| Investment in financial receivable | 0 | 0 | 28.416 | 28.416 |
| Investments at fair value through other comprehensive income | 424.006 | 68.375 | 50.889 | 543.270 |
| Equity instruments | 392.594 | 68.375 | 50.889 | 511.858 |
| Debt securities | 31.412 | 0 | 0 | 31.412 |
| Financial assets measured at amortised cost with fair value disclosed | 6.342 | 4.011 | 2.003 | 12.356 |
| Debt securities | 6.342 | 4.011 | 2.003 | 12.356 |
| Total | 748.984 | 125.465 | 85.473 | 959.922 |

The valuation of certain shares at Level 2 of the fair value hierarchy was made using the method involving a comparison with the comparable listed companies.

Tangible investments were evaluated by external certified appraisers of companies and qualified persons.

Smaller intangible investments were evaluated by qualified persons based on the comparable companies method and the net asset value method.

The fair value valuation of Level 3 investments (shares and equity stakes) was made by applying the income approach, the discounted free cash flow method, and the asset-based approach according to the net asset method (adjusted carrying amount).

The fair value of certain shares is determined using the valuation models taking into account subjective variables that are not publicly available on markets. Certain data for valuation are obtained from the Bloomberg system and other financial sources, whereas in some cases an important source is the data and documents about the past and expected future performance provided by companies.

| Item | Non-market investment | Valuation method | Discount rate/ yield capitalisation rates in % |
|------------------------------------|-----------------------------------|---------------------------------------------------------|------------------------------------------------------|
| Equity instruments | Elektro Ljubljana, d. d. | Discounted free cash flow method | 5.59 |
| Equity instruments | Elektro Celje, d. d. | Discounted free cash flow method | 5.45 |
| Equity instruments | Elektro Gorenjska, d. d. | Discounted free cash flow method | 5.47 |
| Equity instruments | Elektro Maribor, d. d. | Discounted free cash flow method | 5.48 |
| Equity instruments | Elektro Primorska, d. d. | Discounted free cash flow method | 5.61 |
| Equity instruments | HIT, d. d. | Discounted free cash flow method | 12.48 |
| Equity instruments | Terme Olimia, d. d. | Discounted free cash flow method | 10.17 |
| Equity instruments | Loterija Slovenije, d. d. | Discounted free cash flow method | 13.5 and 12.9 |
| Equity instruments | Sava, d. d. | Net asset value method | |
| Equity instruments | Gospodarsko razstavišče, d. o. o. | Discounted free cash flow method | 10.20 |
| Equity instruments | PS za avto, d. o. o. | Net asset value method | |
| Equity instruments | Sava turizem, d. d. | Discounted free cash flow method | 12.48 |
| Equity instruments | Casino Bled, d. d. | Fair value of consideration for prohibition of disposal | |
| Equity instruments | Casino Portorož, d. d. | Impairment testing | |
| Equity instruments | Delavska hranilnica, d. d. | Impairment testing | |
| Debt securities | Bond POSRSV 3 3/4 11/07/39 | Bloomberg BVAL | |
| ETF units | ALFI PE | Quarterly publication of fund unit value | |
| ETF units | GENERALI GROWTH SIS D.O.O. K.D | Quarterly publication of fund unit value | |
| Investment in financial receivable | Sava ins. receivables | Present principal value estimate | 3.4 |

The fair value of investment in account receivable is determined on the basis of the estimated fair value of pledged assets by taking into account the nominal amount of individual account receivable. The fair value of pledged assets was assessed based on the income approach, the discounted free cash flow method, the market approach, and the comparable listed companies approach.

As at 31 December 2022 the principal of the investment in financial receivable amounts to EUR 28,416 thousand).

Gains from the Level 3 investments comprise dividends, coupons received from bonds and profits from the sale of investments.

Fair value hierarchy as at 31 December 2021

in EUR 000

| Item | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------------------------------------------------|----------------|---------------|---------------|------------------|
| Financial assets measured at fair value | 913,664 | 91,369 | 90,264 | 1,095,297 |
| Investments valued at fair value through profit or loss | 377,760 | 41,135 | 26,317 | 445,212 |
| Equity instruments | 6,510 | 1,576 | 0 | 8,086 |
| Debt securities | 36,612 | 2 | 1,572 | 38,186 |
| ETF units | 334,638 | 39,556 | 2,318 | 376,512 |
| Investment in financial receivable | 0 | 0 | 22,427 | 22,427 |
| Investments at fair value through other comprehensive income | 535,904 | 50,234 | 63,947 | 650,085 |
| Equity instruments | 499,895 | 50,234 | 63,947 | 614,076 |
| Debt securities | 36,009 | 0 | 0 | 36,009 |
| Financial assets measured at amortised cost with fair value disclosed | 7,258 | 3,968 | 2,151 | 13,377 |
| Debt securities | 7,258 | 3,968 | 2,151 | 13,377 |
| Total | 920,922 | 95,337 | 92,415 | 1,108,674 |

The valuation of certain shares at Level 2 of the fair value hierarchy was made using the method involving a comparison with the comparable listed companies.

Tangible investments were evaluated by external certified appraisers of companies and qualified persons.

Smaller intangible investments were evaluated by qualified persons based on the comparable companies method and the net asset value method.

The fair value valuation of Level 3 investments (shares and equity stakes) was made by applying the income approach, the discounted free cash flow method, and the asset-based approach according to the net asset method (adjusted carrying amount).

The fair value of certain shares is determined using the valuation models taking into account subjective variables that are not publicly available on markets. Certain data for valuation are obtained from the Bloomberg system and other financial sources, whereas in some cases an important source is the data and documents about the past and expected future performance provided by companies.

| Item | Non-market investment | Valuation method | Discount rate/ yield capitalisation rates in % |
|--------------------|---------------------------|----------------------------------|------------------------------------------------------|
| Equity instruments | Elektro Ljubljana, d. d. | Discounted free cash flow method | 6.41 |
| Equity instruments | Elektro Celje, d. d. | Discounted free cash flow method | 6.80 |
| Equity instruments | Elektro Gorenjska, d. d. | Discounted free cash flow method | 6.43 |
| Equity instruments | Elektro Maribor, d. d. | Discounted free cash flow method | 6.77 |
| Equity instruments | Elektro Primorska, d. d. | Discounted free cash flow method | 6.92 |
| Equity instruments | HIT, d. d. | Discounted free cash flow method | 7.6-7.9 and 8.7 |
| Equity instruments | Terme Olimia, d. d. | Discounted free cash flow method | 7.4 |
| Equity instruments | Loterija Slovenije, d. d. | Discounted free cash flow method | 8.7 |
| Equity instruments | Sava, d. d. | Net asset value method | |
| Equity instruments | Equinox, d. d. | Net asset value method | |

| | | | |
|------------------------------------|-----------------------------------|---------------------------------------------------------|------|
| Equity instruments | Gospodarsko razstavišče, d. o. o. | Discounted free cash flow method | 9.21 |
| Equity instruments | Elan inventa, d. o. o. | Discounted free cash flow method | 8.8 |
| Equity instruments | PS za avto, d. o. o. | Net asset value method | |
| Equity instruments | TKI Hrastnik, d.d. | Discounted free cash flow method | 8.2 |
| Equity instruments | Sava turizem, d. d. | Discounted free cash flow method | 9.9 |
| Equity instruments | Casino Bled, d. d. | Fair value of consideration for prohibition of disposal | |
| Equity instruments | Casino Portorož, d. d. | Fair value of consideration for prohibition of disposal | |
| Debt securities | Bond POSRSV 3 3/4 11/07/39 | Bloomberg BVAL | |
| ETF units | ALFI PE | Quarterly publication of fund unit value | |
| ETF units | GENERALI GROWTH SIS D.O.O. K.D | Quarterly publication of fund unit value | |
| Investment in financial receivable | Sava ins. receivables | Fair value of pledged assets | |

The fair value of investment in account receivable is determined on the basis of the estimated fair value of pledged assets by taking into account the nominal amount of individual account receivable. The fair value of pledged assets was assessed based on the income approach, the discounted free cash flow method, the market approach, and the comparable listed companies approach.

As at 31 December 2021 the principal of the investment in financial receivable amounts to EUR 22,427 thousand).

Gains from the Level 3 investments comprise dividends, coupons received from bonds and profits from the sale of investments.

Table 40: Changes in Level 3 investments in 2022

| Item | in EUR 000 | | | | |
|---------------------------|--------------------|-----------------|-----------|------------------------------------|---------|
| | Equity instruments | Debt securities | ETF units | Investment in financial receivable | Total |
| Balance as at 31 Dec 2021 | 63.947 | 3.723 | 2.317 | 22.427 | 92.415 |
| Disposals/maturity | -602 | 0 | 0 | 0 | -602 |
| Acquisitions | 162 | 0 | 608 | 5.989 | 6.759 |
| Revaluation | -488 | -577 | 96 | 0 | -969 |
| Reclassifications | -12.130 | 0 | 0 | 0 | -12.130 |
| Balance as at 31 Dec 2022 | 50.889 | 3.147 | 3.021 | 28.416 | 85.473 |

The reclassification in the category Equity instruments totalling EUR 12,130 thousand refers to (EUR 11.543 thousand) the reclassification of the Equinox, d. d. shares which began to be listed on the regulated stock exchange market in 2022. Acquisitions in the category Investment in financial receivable totalling EUR 5.989 thousand refers to the already acquired financial receivable from Sava, d. d.

In the case of investment in financial receivable, the receivable for accrued interest amounts to EUR 6.449 thousand, which are recognized and disclosed in Note no. 17 Operating receivables (current).

Table 41: Changes in Level 3 investments in 2021

in EUR 000

| Item | Equity instruments | Debt securities | ETF units | Investment in financial receivable | Total |
|---------------------------|--------------------|-----------------|-----------|------------------------------------|--------|
| Balance as at 31 Dec 2020 | 50.753 | 3.737 | 818 | 22.427 | 77.735 |
| Disposals/maturity | -2.284 | 0 | 0 | 0 | -2.284 |
| Acquisitions | 11.543 | 0 | 1.259 | 0 | 12.802 |
| Revaluation | 1.111 | -13 | 240 | 0 | 1.338 |
| Reclassifications | 2.823 | 0 | 0 | 0 | 2.823 |
| Balance as at 31 Dec 2021 | 63.947 | 3.723 | 2.317 | 22.427 | 92.415 |

In the case of investment in financial receivable, the receivable for accrued interest amounts to EUR 3.112 thousand, which are recognized and disclosed in Note no. 17 Operating receivables (current).

Table 42: Transition between asset fair value hierarchy levels as at 31 December 2022

in EUR 000

| Transition between hierarchy levels, portfolio as at 31 December 2022 | From Level 1 to Level 2 | From Level 3 to Level 2 |
|-----------------------------------------------------------------------|-------------------------|-------------------------|
| Investments at fair value through profit or loss | 16.304 | 0 |
| ETF units | 16.304 | 0 |
| Investments at fair value through other comprehensive income | 0 | 17.233 |
| Equity instruments | 0 | 17.233 |
| Total | 16.304 | 17.233 |

Table 43: Transition between asset fair value hierarchy levels as at 31 December 2021

in EUR 000

| Transition between hierarchy levels, portfolio as at 31 Dec 2021 | From Level 1 to Level 2 | From Level 2 to Level 1 | From Level 2 to Level 3 | From Level 3 to Level 2 |
|------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Investments at fair value through profit or loss | 0 | 2.477 | 0 | 0 |
| ETF units | 0 | 2.477 | 0 | 0 |
| Investments at fair value through other comprehensive income | 2 | 0 | 4.608 | 1.918 |
| Equity instruments | 2 | 0 | 4.608 | 1.918 |
| Total | 2 | 2.477 | 4.608 | 1.918 |

Effective interest rate by investment groups

| | 2022 | 2021 |
|-----------------------------------------------------------------------|--------|--------|
| Investments measured at amortised cost | 4,58 % | 4,57 % |
| Investments measured at fair value through other comprehensive income | 3,35 % | 4,23 % |

Note No. 17

Operating receivables

in EUR 000

| | Non-current | | Current | | Total | |
|------------------------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| Operating receivables due from Group companies | 0 | 0 | 30 | 22 | 30 | 22 |
| Operating receivables due from local customers | 0 | 0 | 1.090 | 1.151 | 1.090 | 1.151 |
| Operating receivables due from others | 248 | 197 | 7.085 | 3.448 | 7.333 | 3.645 |
| Other operating receivables | 0 | 0 | 65.087 | 50.154 | 65.087 | 50.154 |
| Total | 248 | 197 | 73.292 | 54.775 | 73.540 | 54.972 |

Non-current operating receivables due from others in the amount of 248 thousand of EUR represent payments into the reserve fund for the maintenance of property (31 December 2021: EUR 197 thousand).

Current operating receivables due from others in the amount of EUR 7,085 thousand (2021: EUR 3,448 thousand) contain recognised accrued interest from the investment in a financial receivable in the amount of EUR 6,449 thousand (2021: EUR 3,112 thousand).

Other current operating receivables equalled EUR 65,087 thousand (31 Dec 2021: EUR 50,154 thousand), most of which refer to current deferred expenses arising from the payment to the Pension and Disability Insurance Institute for 2023 in the amount of EUR 65,000 thousand.

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

As at 31 December 2022 and 31 December 2021, Kapitalska družba, d. d., had no credit losses from operating receivables.

Breakdown of operating trade receivables by maturity

in EUR 000

| 31 Dec 2022 | Not due | Up to 30 days | From 31 to 60 days | From 61 to 90 days | From 91 to 180 days | From 181 to 365 days |
|-------------|---------|---------------|--------------------|--------------------|---------------------|----------------------|
| 1.090 | 1.086 | 1 | 0 | 0 | 1 | 2 |

Note No. 18

Cash and cash equivalents

in EUR 000

| | 31 Dec 2022 | 31 Dec 2021 |
|--------------------------|--------------|---------------|
| Bank balances | 8.155 | 19.535 |
| Euro redeemable deposits | 1.800 | 7.000 |
| Total | 9.955 | 26.535 |

Redeemable deposits are classified as cash and cash equivalents in the category of financial assets at amortised cost with a maturity of less than 3 months. Redeemable deposit is not pledged.

Note No. 19***Called-up capital***

| | 31 Dec 2022 | 31 Dec 2021 |
|--------------------------|-------------|-------------|
| Share capital (000 EUR) | 364.810 | 364.810 |
| Ordinary shares (number) | 874.235 | 874.235 |

Kapitalska družba, d. d., has no treasury shares. The share capital of EUR 364,810 thousand is represented by 874,235 ordinary registered non-par value shares. Each share has the same interest and the attributed amount in the share capital.

Note No. 20***Capital surplus***

in EUR 000

Capital surplus

| | |
|-----------------------------|---------|
| 31 Dec 2021 | 217.839 |
| Increase in capital surplus | 207 |
| 31 Dec 2022 | 218.046 |

In 2022, the capital surplus increased by EUR 207 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2022, capital surplus totalled EUR 218,046 thousand.

in EUR 000

Capital surplus

| | |
|-----------------------------|---------|
| 31 Dec 2020 | 217.625 |
| Increase in capital surplus | 214 |
| 31 Dec 2021 | 217.839 |

In 2021, the capital surplus increased by EUR 214 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2021, capital surplus totalled EUR 217,839 thousand.

Note No. 21***Reserves arising from valuation at fair value***

in EUR 000

Changes in reserves arising from valuation at fair value and deferred taxes in equity

| | 2022 | 2021 |
|---------------------------------------------------------------|----------------|----------------|
| Gross reserves from valuation at fair value as at 1 January | 455.686 | 305.192 |
| Deferred taxes | 44.572 | 28.124 |
| Net fair value reserves as at 1 January | 411.114 | 277.068 |
| Deferred tax adjustment | 15.766 | 0 |
| Total deferred tax as at 1 January | 60.338 | 0 |
| Changes during the year – gross increase in reserves | 0 | 188.123 |
| Changes during the year – gross decrease in reserves | -113.282 | -37.629 |
| Gross reserves from valuation at fair value as at 31 December | 342.404 | 455.686 |

| Changes in reserves arising from valuation at fair value and deferred taxes in equity | 2022 | 2021 |
|----------------------------------------------------------------------------------------------|-------------|-------------|
| Adjustments (criteria: 8%, 6 months) | -171.468 | -221.095 |
| Gross balance as at 31 December after adjustment | 170.936 | 234.591 |
| Deferred tax adjustment | 0 | 15.766 |
| Deferred tax as at 31 December | 32.478 | 60.337 |
| Net balance as at 31 December | 309.926 | 411.114 |

Note No. 22

Provisions

in EUR 000

| | Provisions for pensions and similar liabilities | Other provisions | Total |
|--------------------------|--------------------------------------------------------|-------------------------|--------------|
| 31 Dec 2021 | 302 | 40 | 342 |
| Newly created provisions | 43 | 7.863 | 7.906 |
| Utilisation | -6 | 0 | -6 |
| Reversal | -78 | 0 | -78 |
| 31 Dec 2022 | 261 | 7.903 | 8.164 |

In 2022, the Company created EUR 43 thousand of provisions for termination benefits upon retirement and jubilee benefits, utilised EUR 6 thousand and reversed EUR 78 thousand of provisions. At the end of 2022, provisions for termination benefits and jubilee awards amounted to EUR 261 thousand.

An actuary calculation for provisions for termination benefits upon retirement and jubilee benefits is made under the following assumptions:

- | 4.41% annual discount rate, which was the yield of 10-year corporate bonds with high rating in the Euro area at the end of December 2022 (0.95% in 2021),
- | the currently applicable amount of post-employment and jubilee benefits specified in internal acts;
- | staff turnover, primarily depending on their age (up to 30 years old: 6.0%; 31-40 y.o.: 6.0%; 41-50 y.o.: 2.0%; 51-60 y.o.: 1.0%),
- | mortality based on the most recent mortality tables for the Slovene population,
- | 2.50% growth in salaries (2.00% in 2021).

In 2022, the Company created provisions for failure to achieve the guaranteed return for the SODPZ fund in the amount of EUR 7,863 thousand. Thus, at the end of 2022, the balance of provisions for failure to achieve the guaranteed return for SODPZ and for onerous contracts and legal disputes amounts to EUR 7,903 thousand.

in EUR 000

| | Provisions for pensions and similar liabilities | Other provisions | Total |
|--------------------------|--------------------------------------------------------|-------------------------|--------------|
| 31 Dec 2020 | 226 | 40 | 266 |
| Newly created provisions | 88 | 3 | 91 |
| Utilisation | -12 | 0 | -12 |
| Reversal | 0 | -3 | -3 |
| 31 Dec 2021 | 302 | 40 | 342 |

In 2021, the Company created EUR 88 thousand of provisions for termination benefits upon retirement and jubilee benefits and utilised EUR 12 thousand of provisions. At the end of 2021, provisions for termination benefits and jubilee awards amounted to EUR 302 thousand. Provisions for retirement benefits and long-service awards are calculated according to the expected staff turnover, period of service and an estimated number of years until retirement, taking into account the regulations of individual and collective employment agreements as well as the company's internal rules.

In 2021, the Company created and reversed EUR 3 thousand of provisions for the non-achievement of the guaranteed return of the SODPZ fund, so at the end of 2021, the Company does not have these provisions. At the end of 2021, provisions for onerous contracts and legal disputes reached EUR 40 thousand.

Note No. 23

Financial and operating liabilities

in EUR 000

| | Non-current | | Current | | Total | |
|-------------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| Financial liabilities | 65.000 | 50.000 | 0 | 0 | 65.000 | 50.000 |
| Trade payables | 0 | 0 | 125 | 128 | 125 | 128 |
| Operating liabilities from advances | 3 | 3 | 0 | 0 | 3 | 3 |
| Liabilities to the state | 0 | 0 | 65.023 | 50.022 | 65.023 | 50.022 |
| Other operating liabilities | 29 | 30 | 447 | 456 | 476 | 486 |
| Total | 65.032 | 50.033 | 65.595 | 50.606 | 130.627 | 100.639 |

As at 31 December 2022, Kapitalska družba, d. d., discloses EUR 65,000 thousand (31 Dec 2021: EUR 50,000 thousand) of non-current financial liabilities, which relate to settling the liabilities of Kapitalska družba to the Pension and Disability Insurance Institute for 2024 in accordance with Article 68 of ZIPRS2324.

Non-current operating liabilities from advances relate to security deposits received from lessees of business premises the amount of EUR 3 thousand (31 December 2021: EUR 3 thousand). Other operating liabilities in the amount of EUR 29 thousand (31 Dec 2021: EUR 30 thousand) represent a liability for the payment of variable remuneration of the Management Board for business performance.

Current operating liabilities include trade payables amounting to EUR 125 thousand (31 Dec 2021: EUR 128 thousand), liabilities to the state of EUR 65,023 thousand (31 Dec 2021: EUR 50,022 thousand), of which the largest part, EUR 65,000 thousand, refers to payment obligation to the Pension and Disability Insurance Institute in 2023, and other operating liabilities amounting to EUR 477 thousand (31 Dec 2021: EUR 456 thousand), which are mostly liabilities for salaries.

Maturity structure of financial and operating liabilities

in EUR 000

| 31 Dec 2022 | Financial liabilities | Trade payables | Operating liabilities from advances | Liabilities to the state | Other operating liabilities | Total |
|-----------------------|-----------------------|----------------|-------------------------------------|--------------------------|-----------------------------|----------------|
| Maturity up to 1 year | 0 | 125 | 0 | 65.023 | 447 | 65.595 |
| From 1 to 2 years | 65.000 | 0 | 3 | 0 | 29 | 65.032 |
| From 2 to 5 years | 0 | 0 | 0 | 0 | 0 | 0 |
| Over 5 years | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 65.000 | 125 | 3 | 65.023 | 476 | 130.627 |

Secured loans

As at 31 December 2022, Kapitalska družba, d. d., had no loans.

15.3.3 Risk management of financial assets

Important risks that Kapitalska družba, d. d., is exposed to, along with risk management measures and criteria, are detailed in chapter 15.2 "Accounting policies". It is estimated that financial assets give rise to exposure to credit, market (interest, currency, price) and liquidity risk.

Credit risk

Credit risk refers to debt securities, money-market instruments and deposits and entails the possibility of investments being repaid only in part or not at all. The credit rating of investments and business partners is determined by taking into account the credit ratings of the agencies Standard & Poor's, Fitch, and Moody's, and in-house analyses. The highest exposure equals the book value of financial instruments. Equity securities are exempt from the analysis, because they do not entail direct credit risk.

Table 44: Net exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2022

in EUR 000

| Internal rating | Method of measuring expected losses | Credit rating | Bonds | Others | Total |
|-------------------------|-------------------------------------|-----------------------|---------------|----------------|----------------|
| Low-risk investments | 12-month expected losses | AAA | 11.135 | 0 | 11.135 |
| | | AA | 14.167 | 1.954 | 16.121 |
| | | A | 29.222 | 0 | 29.222 |
| | | BBB | 17.082 | 2.147 | 19.229 |
| Less secure investments | 12-month / lifetime expected losses | BB | 7.539 | 1.493 | 9.032 |
| | | B | 0 | 0 | 0 |
| | | without credit rating | 129 | 36.224 | 36.353 |
| ETF units | | | 0 | 313.896 | 313.896 |
| Total | | | 79.275 | 355.714 | 434.988 |

Financial assets were classified into the stated groups based on credit ratings. Secure investments include all AAA to BBB rated investments, while less secure investments comprise investments with a credit rating below BB to C and investments that do not have a rating assigned to them by a recognised credit rating agency. Investments in ETF units do not have a credit rating and amount to EUR 313,896 thousand.

Table 45: Net exposure of financial assets to credit risk, excluding any collaterals, as at 31 December 2021

in EUR 000

| Internal rating | Method of measuring expected losses | Credit rating | Bonds | Others | Total |
|-------------------------|-------------------------------------|-----------------------|---------------|----------------|----------------|
| Low-risk investments | 12-month expected losses | AAA | 10.306 | 0 | 10.306 |
| | | AA | 17.178 | 0 | 17.178 |
| | | A | 32.164 | 0 | 32.164 |
| | | BBB | 19.162 | 5.628 | 24.791 |
| Less secure investments | 12-month / lifetime expected losses | BB | 3.934 | 0 | 3.934 |
| | | B | 1.974 | 1.168 | 3.142 |
| | | without credit rating | 2 | 43.334 | 43.337 |
| ETF units | | | 0 | 376.512 | 376.512 |
| Total | | | 84.721 | 426.642 | 511.364 |

Table 46: Allowance for loss in 2022

in EUR 000

| | Stage 1 | Stage 2 | Total |
|---------------------------------------------|---------|---------|-------|
| Loss allowance as at 31 Dec 2021 | 68 | 5 | 73 |
| Transfer from stage 1 to stage 2 | 0 | 0 | 0 |
| - bonds | 0 | 0 | 0 |
| - deposits | 0 | 0 | 0 |
| - other | 0 | 0 | 0 |
| Financial assets derecognised in the period | -21 | 0 | -21 |
| - bonds | 0 | 0 | 0 |
| - deposits | 0 | 0 | 0 |
| - other | -21 | 0 | -21 |
| Financial assets acquired in the period | 1 | 0 | 1 |
| - bonds | 0 | 0 | 0 |
| - deposits | 0 | 0 | 0 |
| - other | 1 | 0 | 1 |
| Other changes | -35 | -5 | -40 |
| Loss allowance as at 31 Dec 2022 | 13 | 0 | 13 |

Other changes are the result of changes in estimates of risk parameters in accordance with the methodology, a decrease in the value of adjustments due to reduced maturity of the existing investments and due to changes related to accrued interest and exchange rate differences.

Table 47: Allowance for loss in 2021

| | in EUR 000 | | |
|---------------------------------------------|------------|---------|-------|
| | Stage 1 | Stage 2 | Total |
| Loss allowance as at 31 Dec 2020 | 92 | 15 | 107 |
| Transfer from stage 1 to stage 2 | 0 | 0 | 0 |
| - bonds | 0 | 0 | 0 |
| - deposits | 0 | 0 | 0 |
| - other | 0 | 0 | 0 |
| Financial assets derecognised in the period | -30 | 0 | -30 |
| - bonds | -2 | 0 | -2 |
| - deposits | 0 | 0 | 0 |
| - other | -28 | 0 | -28 |
| Financial assets acquired in the period | 23 | 0 | 23 |
| - bonds | 2 | 0 | 2 |
| - deposits | 0 | 0 | 0 |
| - other | 21 | 0 | 21 |
| Other changes | -17 | -10 | -27 |
| Loss allowance as at 31 Dec 2021 | 68 | 5 | 73 |

Table 48: Changes in the gross carrying amount and the allowance cost in 2022

| | in EUR 000 | |
|---------------------------------------------|-----------------------|-----------------------|
| Category | Gross carrying amount | Allowances for losses |
| 31 Dec 2021 | 54.767 | 73 |
| Transfer from stage 1 to stage 2 | 0 | 0 |
| Financial assets derecognised in the period | -6.490 | -21 |
| Financial assets acquired in the period | 1.996 | 1 |
| Other changes | -4.558 | -41 |
| 31 Dec 2022 | 45.715 | 13 |

Table 49: Changes in the gross carrying amount and the allowance cost in 2021

| | in EUR 000 | |
|---------------------------------------------|-----------------------|-----------------------|
| Category | Gross carrying amount | Allowances for losses |
| 31 Dec 2020 | 78.066 | 107 |
| Transfer from stage 1 to stage 2 | 0 | 0 |
| Financial assets derecognised in the period | -25.060 | -30 |
| Financial assets acquired in the period | 3.209 | 23 |
| Other changes | -1.447 | -27 |
| 31 Dec 2021 | 54.767 | 73 |

Table 50: Geographical concentration of credit exposure of financial assets

| Region | in EUR 000 | |
|-------------------------|----------------|----------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| Slovenia | 74.682 | 85.651 |
| EU (excluding Slovenia) | 43.738 | 46.191 |
| Other | 2.673 | 3.010 |
| ETF units | 313.896 | 376.512 |
| Total | 434.988 | 511.364 |

Without taking into account the ETF units, the share of financial assets exposed to credit risk in Slovenia decreased from 63.5 % to 61.7 % in 2022. Exposure to EU countries increased by approximately the same percentage and amounted to 36.1% at the end of 2022.

Currency risk

Table 51: Currency structure of financial assets

| Currency | in EUR 000 | |
|----------------------------------------|------------------|------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| Assets denominated in EUR | 979.959 | 1.117.282 |
| Assets denominated in USD | 138.525 | 170.156 |
| Assets denominated in other currencies | 9.693 | 4.251 |
| Total | 1.128.177 | 1.291.689 |

As at 31 December 2021, 86.9% of financial assets were denominated in Euro, 12.3 % in US dollar, and 0.1% in other currencies. The currency structure of financial assets is presented considering the currency in which the underlying instrument is denominated. Currency risk decreased due to a lower exposure of investments in USD. As regards investments in investment fund units, the effect of currency fluctuation in securities representing investments of ETFs was not taken into account.

Table 52: Currency risk of financial assets

| USD exchange rate fluctuation by +/- 10% | in EUR 000 | |
|------------------------------------------|-------------------|-------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| Impact on the income statement | +/- 13.810 | +/- 16.562 |
| Effect on equity | +/- 0 | +/- 0 |
| Total | +/- 13.810 | +/- 16.562 |

Interest rate risk

Interest rate risk is related to investments in debt instruments that respond to changes in market interest rates. These include assets of which revenue is related to the variable interest rate as well as debt instruments of which interest revenue is related to a fixed interest rate, but their market value changes upon the change in the market interest rates. The exposure to interest rate risk is regularly measured by the modified duration indicator.

Table 53: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2022 – change of 100 basis points in interest rates.

| in EUR 000 | | | | |
|----------------------------------------------------------------------------|--------------------------------|----------------------------------------|-----------------------------|------------------|
| Financial asset group | Change in interest rate | Sensitivity of interest revenue | Impact on fair value | Total |
| Financial assets measured at fair value through profit or loss | +/- 1 % | +/- 0 | -/+ 6.537 | '-/+ 6.537 |
| Financial assets measured at amortised cost | +/- 1 % | +/- 0 | -/+ 0 | -/+ 0 |
| Financial assets measured at fair value through other comprehensive income | +/- 1 % | +/- 0 | -/+ 993 | -/+ 993 |
| Total | | +/- 0 | -/+ 7.531 | -/+ 7.531 |

Table 54: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2021 – change of 100 basis points in interest rates.

| in EUR 000 | | | | |
|----------------------------------------------------------------------------|--------------------------------|----------------------------------------|-----------------------------|------------------|
| Financial asset group | Change in interest rate | Sensitivity of interest revenue | Impact on fair value | Total |
| Financial assets measured at fair value through profit or loss | +/- 1 % | +/- 0 | -/+ 8.136 | -/+ 8.136 |
| Financial assets measured at amortised cost | +/- 1 % | +/- 0 | -/+ 0 | -/+ 0 |
| Financial assets measured at fair value through other comprehensive income | +/- 1 % | +/- 0 | -/+ 1.532 | -/+ 1.532 |
| Total | | +/- 0 | -/+ 9.668 | -/+ 9.668 |

The calculation of the sensitivity of interest revenue was made by taking into account the investments subject to variable interest rate, whereas the impact on fair value was calculated by taking into account the investments subject to fixed interest rate, including investments in bond investment funds. If market interest rates had changed by 100 basis points, the value of the investments as at 31 December 2022 would have changed by EUR 7,531 thousand. Interest rate risk decreased in 2022 thanks to decreased exposure arising from the investments sensitive to changes in market interest rates and due to a decrease in the average duration of the debt investment portfolio.

Market risk

Market risk represents the possibility of the value of equity securities to change due to the changes in market indexes and market prices of specific equity instruments. For equity securities, beta indicator is calculated as a measure of systematic risk. The value at risk indicator (VaR) is also monitored.

Table 55: Market risk of equity securities portfolio and ETFs with diversified investments in equity securities

| in EUR 000 | | |
|-----------------------------------|--------------------|--------------------|
| Change of index by +/- 10% | 31 Dec 2022 | 31 Dec 2021 |
| Impact on the income statement | +/- 25.483 | +/- 28.360 |
| Effect on equity | +/- 16.413 | +/- 1.679 |
| Total | +/- 41.896 | +/- 30.039 |

The table takes into account market equity investments, excluding bond ETFs. The impact on profit or loss arises from investments measured at fair value through profit or loss, whilst the impact on equity arises from investments measured at fair value through other comprehensive income. The risk was calculated using the beta indicator of the world stock index. The market risk of equity securities and ETFs with diversified investments in equity securities increased in 2022 due to a higher beta compared to 2021.

Table 56: Overview of financial assets according to marketability

| Asset | in EUR 000 | |
|--------------------------------------------------------------|------------------|------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| Securities traded on the regulated market | 850.286 | 1.002.202 |
| Investments at fair value through profit or loss | 353.690 | 397.686 |
| Investments at amortised cost | 9.275 | 8.978 |
| Investments at fair value through other comprehensive income | 487.321 | 595.538 |
| Securities not traded on the regulated market | 267.936 | 262.952 |
| Investments at fair value through profit or loss | 50.605 | 47.527 |
| Investments at amortised cost | 3.218 | 2.715 |
| Investments at fair value through other comprehensive income | 214.113 | 212.710 |
| Cash and cash equivalents | 9.955 | 26.535 |
| Total | 1.128.177 | 1.291.689 |

At the end of 2022, investments traded on the regulated securities markets accounted for 75.4% of all financial assets of Kapitalska družba, d. d. (this group includes OTC investments and investments on the interbank market). Available-for-sale financial assets measured at fair value through other comprehensive income not traded on regulated market include non-marketable shares and stakes.

Liquidity risk

Liquidity risk represents the possibility of liabilities not being settled upon maturity. Risk is managed by daily monitoring of the inflows and outflows, and precise matching of maturity of assets and liabilities. As at 31 December 2022, Kapitalska družba, d. d. recorded a total of EUR 1,089,778 thousand of surplus of expected non-discounted cash inflows over outflows. The deficit of expected undiscounted cash flows in the period of over 1 up to 5 years will be covered by the surplus of expected undiscounted cash flows from the period of less than 1 year or by the sale of investments with a maturity of over 5 years.

Table 57: Expected actual non-discounted cash flows as at 31 December 2022

| Item | in EUR 000 | | | |
|----------------------------------------------------------------|--------------|----------------------|--------------|-----------|
| | Up to 1 year | Over 1 up to 5 years | Over 5 years | Total |
| Investments in securities | 1.019.823 | 56.525 | 32.146 | 1.108.494 |
| - Investments at fair value through profit or loss | 343.356 | 23.063 | 23.200 | 389.619 |
| - Investments at amortised cost | 3.955 | 9.986 | 0 | 13.940 |
| - Investments at fair value through other comprehensive income | 514.349 | 23.476 | 8.946 | 546.772 |
| - Investments at cost | 158.163 | 0 | 0 | 158.163 |

| | | | | |
|--------------------------------------------------|------------------|---------------|---------------|------------------|
| Investment in financial receivable | 28.416 | 0 | 0 | 28.416 |
| Loans and deposits given | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 9.955 | 0 | 0 | 9.955 |
| Operating receivables | 73.292 | 248 | 0 | 73.540 |
| Total assets | 1.131.486 | 56.773 | 32.146 | 1.220.405 |
| Operating liabilities | 65.595 | 32 | 0 | 65.627 |
| Financial liabilities | 0 | 65.000 | 0 | 65.000 |
| Total operating and financial liabilities | 65.595 | 65.032 | 0 | 130.627 |
| Difference | 1.065.891 | -8.259 | 32.146 | 1.089.778 |

Table 58: Expected actual non-discounted cash flows as at 31 December 2021

| Item | in EUR 000 | | | |
|----------------------------------------------------------------|------------------|----------------------|---------------|------------------|
| | Up to 1 year | Over 1 up to 5 years | Over 5 years | Total |
| Investments in securities | 1.160.086 | 48.075 | 44.108 | 1.252.269 |
| - Investments at fair value through profit or loss | 385.027 | 14.125 | 31.287 | 430.439 |
| - Investments at amortised cost | 1.729 | 9.826 | 2.033 | 13.587 |
| - Investments at fair value through other comprehensive income | 615.167 | 24.125 | 10.788 | 650.080 |
| - Investments at cost | 158.163 | 0 | 0 | 158.163 |
| Investment in financial receivable | 22.427 | 0 | 0 | 22.427 |
| Loans and deposits given | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 26.535 | 0 | 0 | 26.535 |
| Operating receivables | 54.775 | 197 | 0 | 54.972 |
| Total assets | 1.263.823 | 48.272 | 44.108 | 1.356.203 |
| Operating liabilities | 50.975 | 33 | 0 | 51.008 |
| Financial liabilities | 0 | 50.000 | 0 | 50.000 |
| Total operating and financial liabilities | 50.975 | 50.033 | 0 | 101.008 |
| Difference | 1.212.848 | -1.761 | 44.108 | 1.255.195 |

Shares, stakes and investment coupons are disclosed under item Up to 1 year.

Contingent assets and liabilities

Table 59: Contingent liabilities

| | in EUR 000 | |
|------------------------|-------------|-------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| Contingent liabilities | 1.615 | 2.085 |

Contingent liabilities relate to the commitment of Kapitalska družba, d. d. to purchase ETF units. Kapitalska družba, d. d. has no contingent assets.

15.4 Other Disclosures

Information on employee groups

The members of the Company bodies are listed in the introductory part of the Annual Report, under section Presentation of Kapitalska družba, d. d. In 2022, Kapitalska družba, d. d., approved no advance payments or loans to the members of the management and supervisory bodies nor assumed any liabilities on their behalf.

Receipts of the members of the Management Board, Supervisory Board and staff with executive employment contracts

In 2022, remunerations paid for carrying out of the responsibilities and duties of members of the Management Board, Supervisory Board and employees with executive employment contracts to which the tariff section of the collective agreement does not apply, amounted to EUR 911 thousand.

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

Table 60: Receipts by category of beneficiaries in 2022

| Category of beneficiaries | in EUR 000 |
|----------------------------------------------|------------|
| Members of the Management Board | 318 |
| Members of the Supervisory Board | 136 |
| Employees with executive employment contract | 457 |
| Total | 911 |

No advances, loans or collateral were approved to members of the Management Board, the Supervisory Board and employees under individual contracts by Kapitalska družba, d. d., in 2022.

Receipts of the members of management and supervisory bodies

Receipts of the members of the Management Board are regulated by ZSDH-1. Pursuant to Article 51(5) of ZSDH-1, the same conditions and criteria as apply to the members of the Management Board of SDH, d. d., apply to the members of the Management Board of Kapitalska družba, d. d. By mutatis mutandis application of Article 46(7) of ZSDH-1, the receipts of the Management Board members are set by the Supervisory Board, without considering the provisions of the act governing the remuneration of supervisory body members of companies with majority ownership held by the Republic of Slovenia or self-governing local communities. The employment contracts made with the Management Board members are consistent with the said legal basis. The basic pay of the Management Board members is set as a multiple of 5 of the average gross salary paid in the Kapitalska družba Group in the previous business year, however, the basic pay of the Chairman of the Board calculated that way may not exceed 95% of the basic pay of the Chairman of the Board of SDH, d. d., as published, while the basic pay of members of the Management Board amounts to 95% of individual basic pay of the Chairman of the Board of Kapitalska družba, d. d. All bonuses were included in the basic pay. The basic pay is revised annually when data on the average salary in the Kapitalska družba Group in the previous financial year are published. The revised basic pay is applicable from 1 July of the current year. If the basic pay of the Chairman of the Board of the Slovenian Sovereign Holding, d. d., changed after the harmonisation was carried out, the basic pay of the Chairman and Member of the Board of Kapitalska družba, d. d., was also adjusted each time, namely on the first day of the following month after the information on the changed basic pay of the Chairman of the Board of Slovenian Sovereign Holding, d. d., publicly announced. The basic pay of the members of the Management Board of Kapitalska družba, d. d., was calculated and paid in 2022 in line with the aforementioned criteria. Pursuant to the contract, each member of the Management Board is entitled to attend training at home and abroad of up to 15 days per year paid by Kapitalska družba, d. d., as specified in the adopted Business and Financial Plan of Kapitalska družba, d. d.

Table 61: Remuneration of members of the Management Board in 2022

| Name and surname | EUR | | | | | | | | | | | | |
|-----------------------------------------------------------------|--------------------|-----------------|-----------------|--------------------|---------------------------|----------|-------------------------|----------|---------------|----------------|----------------|----------------|-----------------------|
| | Fixed remuneration | Variable income | Fringe benefits | Cost reimbursement | Insurance premiums (PDPZ) | Fees | Participation in profit | Options | Other bonuses | Other payments | Total gross | Total net | Deferred remuneration |
| Bachtiar Djalil (Chairman of the Management Board) | 129.069 | 22.204 | 514 | 1.808 | 2.904 | - | - | - | - | 2.000 | 158.499 | 85.033 | 26.299 |
| Gregor Bajraktarević (Member of the Management Board) | 123.089 | 28.685 | 514 | 2.154 | 2.904 | - | - | - | - | 2.000 | 159.346 | 86.384 | 25.011 |
| Total | 252.158 | 50.889 | 1.028 | 3.962 | 5.808 | - | - | - | - | 4.000 | 317.845 | 171.417 | 51.310 |

Fixed income of the Members of the Management Board includes gross salary receipts. Variable income includes performance bonus, which equals up to 30% of the annual basic gross salary for the business year, taking into account the performance criteria. The variable part of the income received by the Management Board refers to the first part of the bonus for business performance for 2021 and the second part of the bonus for business performance for 2019, both on the basis of a combination of quantitative and qualitative criteria. Fringe benefits include benefits from the collective casualty insurance as well as liability insurance of the Members of the Management Board. Cost reimbursements include reimbursement of meal and travel and/or accommodation expense and/or per diems. Insurance premiums (PDPZ) represent payments for voluntary supplementary pension insurance. Other payments include pay for annual leave. Deferred remuneration comprises a part of the payment of variable remuneration for 2020, which will be paid in 2023, and a part of the payment of variable remuneration for 2021, which will be paid in 2024.

Table 62: Receipts of Members of the Supervisory Board in 2022

| Name and surname | EUR | | | | | | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------|-----------------|-----------------|--------------------|--------------------|------|-------------------------|---------|---------------|----------------|-------------|-----------|
| | Fixed remuneration – payment for performance of duties | Fixed remuneration – attendance fees | Fringe benefits | Variable income | Cost reimbursement | Insurance premiums | Fees | Participation in profit | Options | Other bonuses | Other payments | Total gross | Total net |
| Janez Tomšič (Chairman of the Supervisory Board) | 16.500 | 4.125 | 459 | - | - | - | - | - | - | - | - | 21.084 | 14.875 |
| Boriš Žnidarič, PhD (Deputy Chairman of the Supervisory Board and Chairman of the Accreditation Committee) | 16.224 | 4.741 | 459 | - | 58 | - | - | - | - | - | - | 21.482 | 15.165 |
| Aleksander Mervar, MSc (Member of the Supervisory Board, Member of the Audit Committee, Member of the Accreditation Committee and Member of the HR Committee until 30 Aug 2022) | 12.760 | 3.806 | 459 | - | 28 | - | - | - | - | - | - | 17.053 | 11.944 |
| Ladislav Rožič, MSc (Member of the Supervisory Board, Member of the Accreditation Committee, Chairman of the Audit Committee until 14 Sep 2022, afterwards Member of the Audit Committee from 15 Sep 2022) | 16.500 | 5.500 | 459 | - | - | - | - | - | - | - | - | 22.459 | 15.875 |

| Name and surname | Fixed remuneration – payment for performance of duties | Fixed remuneration – attendance fees | Fringe benefits | Variable income | Cost reimbursement | Insurance premiums | Fees | Participation in profit | Options | Other bonuses | Other payments | Total gross | Total net |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------|-----------------|-----------------|--------------------|--------------------|----------|-------------------------|----------|---------------|----------------|----------------|---------------|
| Boštjan Leskovar, MSc (Member of the Supervisory Board, Chairman of the HR Committee, Member of the Accreditation Committee from 15 Sep 2022) | 15.709 | 5.500 | 459 | - | 738 | - | - | - | - | - | - | 22.406 | 15.837 |
| Mirko Miklavčič (Member of the Supervisory Board, Member of the Audit Committee and Member of the HR Committee) | 16.500 | 5.500 | 459 | - | 1.245 | - | - | - | - | - | - | 23.704 | 16.781 |
| Andreja Cedilnik (Member of the Supervisory Board from 31 Aug 2022, Chairwoman of the Audit Committee from 15 Sep 2022, Member of the HR Committee from 15 Sep 2022) | 4.250 | 3.025 | - | - | 78 | - | - | - | - | - | - | 7.353 | 5.348 |
| Total | 98.443 | 32.197 | 2.754 | - | 2.147 | - | - | - | - | - | - | 135.541 | 95.825 |

Fixed receipts of the Supervisory Board members include payment for the performance of duties of the Supervisory Board (basic and extra pay for participation in the Supervisory Board committees) and session fees for attending the meetings of the Supervisory Board and its committees. Fringe benefits include the benefit arising from the liability insurance of the Members of the Supervisory Board. Cost reimbursements include reimbursement of travel expenses.

Table 63: Receipts of external members of the Supervisory Board's committees in 2022

| Name and surname | Fixed remuneration – payment for performance of duties | Fixed remuneration – attendance fees | Fringe benefits | Variable income | Cost reimbursement | Insurance premiums | Fees | Participation in profit | Options | Other bonuses | Other payments | Total gross | Total net |
|--------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------|-----------------|-----------------|--------------------|--------------------|----------|-------------------------|----------|---------------|----------------|---------------|---------------|
| Mojca Verbič (External Member of the Audit Committee) | 3.600 | 1.672 | - | - | 48 | - | - | - | - | - | - | 5.320 | 3.869 |
| Natalija Stošički (External Member of the Audit Committee) | 3.600 | 1.232 | - | - | 160 | - | - | - | - | - | - | 4.992 | 3.631 |
| Irena Prijović, MSc (External Member of the Accreditation Committee) | 3.600 | 616 | - | - | - | - | - | - | - | - | - | 4.216 | 3.066 |
| Alenka Stanič, PhD (External Member of the Accreditation Committee) | 3.600 | 396 | - | - | - | - | - | - | - | - | - | 3.996 | 2.906 |
| Gorazd Žmavc (External Member of the Accreditation Committee) | 3.600 | 616 | - | - | 224 | - | - | - | - | - | - | 4.440 | 3.229 |
| Total | 18.000 | 4.532 | - | - | 432 | - | - | - | - | - | - | 22.964 | 16.701 |

Fixed income of the external members of the Supervisory Board committees consists of the remuneration for the work performed in the relevant committee of the Supervisory Board and attendance fees for attendance at the Supervisory Board committees' meetings. Cost reimbursements include reimbursement of travel expenses.

Table 64: Receipts of the members of management and supervisory bodies arising from the performance of functions in the subsidiary Modra zavarovalnica, d. d., in 2022

| Name and surname | | | | | | | | | | | | EUR | |
|------------------|--------------------------------------------------------|--------------------------------------|-----------------|-----------------|--------------------|--------------------|----------|-------------------------|----------|---------------|----------------|---------------|---------------|
| | Fixed remuneration – payment for performance of duties | Fixed remuneration – attendance fees | Fringe benefits | Variable income | Cost reimbursement | Insurance premiums | Fees | Participation in profit | Options | Other bonuses | Other payments | Total gross | Total net |
| Bachtiar Djalil | 10.537 | 3.520 | - | - | - | - | - | - | - | - | - | 14.057 | 10.224 |
| Total | 10.537 | 3.520 | - | - | - | - | - | - | - | - | - | 14.057 | 10.224 |

Fixed income consists of the remuneration for the work performed in the Supervisory Board and attendance fees for attendance at the meetings.

Activities of the Supervisory Board and committees of Kapitalska družba, d. d.

The Supervisory Board held 17 meetings in 2022. The Members attended the Supervisory Board meetings regularly; Aleksander Mervar, Msc, was not able to attend two meetings for justifiable reasons.

The Audit Committee of the Supervisory Board held eight meetings. Its Members attended the meetings regularly, while Aleksander Mervar, MSc, was absent from one meeting for justifiable reasons, and Natalija Stošicki was absent twice for justifiable reasons.

The Accreditation Committee held three meetings. Its Members attended the meetings regularly; Alenka Stanič, PhD, was not able to attend one meeting for justifiable reasons.

The HR Committee held nine meetings, which were attended by all Members.

Related-party transactions

In 2022 Kapitalska družba, d. d., made no significant transactions with its related parties that were concluded under other than normal market conditions.

Significant events after the date of the statement of financial position

At the end of 2022, the Implementation of the Republic of Slovenia Budget for 2023 and 2024 Act (ZIPRS2324) was adopted, obliging Kapitalska družba, d. d., notwithstanding paragraph 3 of Article 52 of ZSDH-1, to credit EUR 65 million per year to the Pension and Disability Insurance Institute in 2023 and 2024 by 29 September of the current year. Based on the Act, Kapitalska družba, d. d., and the Pension and Disability Insurance Institute concluded an agreement in March 2023 obliging Kapitalska družba, d. d., to cover the liabilities due to the Institute in 2023 and 2024.

Bachtiar Djalil was reappointed Chairman of the Board and began a new four-year term on 4 January 2023. Gregor Bajraktarevič was reappointed Member of the Board and began a new four-year term on 9 February 2023.

On 2 February 2023, the General Meeting of Shareholders reappointed Boris Žnidarič, PhD, and Mirko Miklavčič for a four-year term as Members of the Supervisory Board, at the proposal of the pensioners' organisations at the state level and, Ladislav Rožič, MSc, at the proposal of trade union associations or confederations which are representative of the country. The new term of office for the Members of the Supervisory Board began on 2 February 2023.

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