



KAPITALSKA DRUŽBA

ANNUAL REPORT 2023

Kapitalska družba d. d.

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LIST OF USED ABBREVIATIONS

ISA	Insurance Supervision Agency
GDP	Gross domestic product
BVAL	Bloomberg Valuation Service
CBBT	Composite Bloomberg Bond Trader
ECB	European Central Bank
ESS	Economic and Social Council
EU	European Union
EUR	Euro – currency of the European Monetary Union
FURS	Financial Administration of the Republic of Slovenia
G20	The G20 group
IMF	International Monetary Fund
KDD	Centralna klirinško depotna družba, d. o. o.
MDDSZ	Ministry of Labour, Family, Social Affairs and Equal Opportunities
MKPS	Life-Cycle Pension Fund (MKPS)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
OECD	Organisation for Economic Cooperation and Development
OdSUKND	Ordinance on the strategy for the governance of the State's capital assets (Official Gazette of the Republic of Slovenia, No. 53/2015)
IASB	International Accounting Standards Board
IFRIC	The International Financial Reporting Interpretations Committee
OTC	Over The Counter
OVP	Abandoned securities
PDPZ	Voluntary supplementary pension insurance
RS	Republic of Slovenia
RVP	Securities from registry accounts
SBI TOP	Central Slovenian stock market index
SSH	Slovenian Sovereign Holding, d.d.
SODPZ	Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia
SURS	Statistical Office of the Republic of Slovenia
IMAD	Office of the Government of the Republic of Slovenia for Macroeconomic Analysis and Development
USD	US dollar – Currency of the United States of America
VaR	Value At Risk

ZFPPIPP	Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (Official Gazette of the Republic of Slovenia no. 126/07, 40/09, 59/09, 52/10, 106/10 – Official Gazette of the RS, No. 126/07, 40/09, 59/09 and 52/10, 26/11, 47/11 – ORZFPPIPP21-1, 87/11 – ZPUOOD, 23/12 – Constitutional Court decision, 48/12 – Constitutional Court decision 47/13, 56/13 – ZPre-1E, 100/13, 10/15, 27/16, 31/16 – Constitutional Court decision, 38/16 – Constitutional Court decision, 63/16 – ZD-C, 30/18 – ZPPDID, 54/18 – Constitutional Court decision, 69/19 – Constitutional Court decision, 49/20 – ZIUZEOP, 61/20 – ZIUZEOP-A, 36/20 – ZZUSUDJZ, 74/20 – Constitutional Court decision, 85/20 – Constitutional Court decision, 203/20 – ZIUOPDVE, 178/21, 196/21 – Constitutional Court decision, 157/22 – Constitutional Court decision, 35/23 – Constitutional Court decision, 57/23 – Constitutional Court decision, 102/23)
ZGD-1	Companies Act (Official Gazette of the Republic of Slovenia, No. 42/2006, 60/2006 – corr., 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 decision, 32/2012, 57/2012, 44/2013 – Constitutional Court decision, 82/2013, 55/2015, 15/2017, 22/2019 – ZPosS, 158/2020 – ZIntPK-C, 175/2020 – ZIUOPDVE, 18/2021, 74/2021 – ZIPRS2122-A, 29/2022 – ZUOP-DCE, 18/2023 – ZDU-10, 75/2023)
ZIPRS2324	Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2023 and 2024 (Official Gazette of the Republic of Slovenia no. 150/2022)
ZIPRS2425	Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2024 and 2025 (Official Gazette of the Republic of Slovenia no. 123/2023, 12/2024)
ZIUZDS	Act on Intervention Measures in the Field of Health, Labour and Social Affairs and Health-Related Content (Official Gazette of the Republic of Slovenia, No 136/2023)
ZNVP-1	Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 75/2015, 74/2016 – ORZNVP48, 5/2017, 15/2018 – Constitutional Court decision 43/2019)
ZODPol	Organisation and Work of the Police Act (Official Gazette of the Republic of Slovenia, No. 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 of Slovenia
ZPIZ-1	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 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 decision, 63/2003 – ZIPRS0304-A, 63/2003 – Constitutional Court decision, 133/2003, 135/2003, 25/2004, 63/2004 – ZZRZI, 136/2004 – Constitutional Court decision, 2/2004 – ZDSS-1, 54/2004 – ZDoh-1, 8/2005, 72/2005, 111/2005, 23/2006, 69/2006, 112/2006 – Constitutional Court decision, 114/2006 – ZUTPG, 17/2007, 5/2008, 5/2008, 10/2008 – ZVarDod, 73/2008, 53/2009, 98/2009 – ZIUZGK, 27/2010 – Constitutional Court decision, 38/2010 – ZUKN, 56/2010, 79/2010 – ZPKDPIZ, 94/2010 – ZIU, 57/2011, 94/2011 – Constitutional Court decision, 105/2011 – Constitutional Court decision, 61/2010 – ZSVarPre, 40/2011 – ZSVarPre-A, 110/2011 – ZDIU12, 40/2012 – ZUJF, 96/2012 – ZPIZ-2, 9/2017 – Constitutional Court decision, 121/2021, 171/2021 – Constitutional Court decision)

ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the RS, No 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 decision, 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, 40/2023 – ZČmIS-1, 78/2023 – ZORR, 84/2023 – ZDOsk-1, 125/2023 – Constitutional Court decision, 133/2023)
ZPPOGD	Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, No. št. 21/2010, 8/2011, 23/2014 – ZDIJZ-C)
ZSDH-1	The Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014, 96/2015 – ZIPRS1617, 80/2016 – ZIPRS1718, 71/2017 – ZIPRS1819, 51/2018 – ZIUJGT, 174/2020 – ZIPRS2122, 187/2021 – ZIPRS2223, 140/2022)
ZUJIK	Exercising of the Public Interest in Culture Act (Official Gazette of the Republic of Slovenia no. 96/2002, 123/2006 – ZFO-1, 7/2007 – Constitutional Court decision, 53/2007, 65/2007 – Constitutional Court decision, 56/2008, 4/2010, 20/2011, 100/2011 – Constitutional Court decision, 111/2013, 68/2016, 61/2017, 21/2018 – ZNOrg, 49/2020 – ZIUZEOP, 3/2022 – ZDeb, 105/2022 – ZZNŠPP)
ZZavar-1	Insurance Act (Official Gazette of the Republic of Slovenia, No. 93/2015, 9/2019, 49/2020 – ZIUZEOP, 102/2020, 48/2023, 78/2023 – ZZVZZ-T)
ZZZS	Health Insurance Institute of Slovenia

1 HIGHLIGHTS OF THE ANNUAL REPORT

THE VALUE OF THE COMPANY'S ASSETS

reached

EUR 1.5

billion

at the end of
2023

THE COMPREHENSIVE INCOME

for 2023 would be

EUR 208.5

million

excluding the transfer to the Pension and Disability Insurance Institute of Slovenia (ZPIZ), and

EUR 143.5

million

after the transfer to ZPIZ and including deferred taxes.

THE RETURNS OF THE COMPANY'S ASSETS

in 2023 amounted to

↑ 18,3 %

THE VALUE OF THE COMPANY'S CAPITAL

reached at the
end of 2023

EUR 1.3

billion

OPERATING PROFIT OR LOSS

for 2023
amounted to

EUR 12

million

THE VALUE OF THE ASSETS OF SODPZ

(Compulsory Supplementary Pension

Insurance Fund of the Republic of Slovenia)

managed by Kapitalska družba, d. d. reached

EUR 931.2

million

at the end of 2023

At the end of 2023,
there were

50,622

insured members

saving in the
SODPZ

**KAPITALSKA
DRUŽBA, D. D.,**
paid

EUR 65

million

to ZPIZ in 2023

NET PROFIT OR LOSS

Excluding the transfer to
the ZPIZ would have been

EUR 114,9

million

and EUR 49.9 million after
the transfer to ZPIZ and
including deferred taxes

EUR 49,9

million

FINANCIAL REVENUE

reached

EUR 99.5

million

in 2023

OPERATING REVENUE

reached

EUR 11.4

million

in 2023

GROWTH.

INTRODUCTION
TO THE ANNUAL REPORT

2 PRESENTATION OF THE COMPANY KAPITALSKA DRUŽBA, D. D.

2.1 GENERAL DATA

2.1.1 Company

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

Shortened company name: Kapitalska družba, d. d.

The name of the company in English shall read: Pension Fund Management

Registered office: Dunajska cesta 119, Ljubljana

Company ID number: 5986010000

VAT ID: SI59093927

Entry in company register: District Court in Ljubljana, entry no. 1/28739/00

2.1.2 Ownership Structure and Equity

As at 31 December 2023, the sole shareholder of Kapitalska družba d. d. is the Republic of Slovenia.

The Company's share capital amounts to EUR 364,809,523.15, and is divided into 874,235 registered no-par value ordinary shares. Each no-par value share shall account for the same proportion and corresponding amount in the share capital.

2.1.3 Activities of the company

The main activity of Kapitalska družba, d. d. is the management of its own assets and the management of the Compulsory Supplementary Pension Insurance Fund (SODPZ) with the aim of providing additional funds for pension and disability insurance. Kapitalska družba, d. d. also performs other activities related to asset management and services related to support to asset management.

The activities of Kapitalska družba d. d. are defined by law and by the Company's Articles of Association. According to its Articles of Association, Kapitalska družba, d. d. carries out the following activities in accordance with its purpose:

- 58.110 Book publishing
- 58.120 Issuing of directories and address books
- 58.130 Newspapers publishing
- 58.140 Publishing of journals and other periodicals
- 58.190 Other publishing activities
- 58.290 Other software publishing

59.200	Recording and publishing of sound recordings and musicals
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	Activity of trust and other funds and similar financial entities
64.990	Other unclassified financial service activities, except insurance and pension fund activities
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 audit activities, tax consultancy (except audit activities)
70.100	Company management activities
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 Bodies of the Company

2.1.4.1 Management Board



Bachtiar Djalil, President



Gregor Bajraktarević, member

In 2023, Kapitalska družba d. d., was run by the Management Board composed of:

- | Bachtiar Djalil, Chairman of the Board
- | Gregor Bajraktarević, Member.

The Chairman of the Management Board and a member of the Management Board of Kapitalska družba, d. d. were appointed by the Supervisory Board on the basis of a public tender, in accordance with the Company's Articles of Association and the provisions of ZSDH-1. One of the Members is appointed Chairman of the Management Board. The term of office of the board members lasts four years with the possibility of reappointment.¹

The Company's Management Board is not authorised to issue or purchase treasury shares.

¹ The Chairman of the Board, Bachtiar Djalil, began his new four-year term on 4 January 2023, and the member of the Board, Gregor Bajraktarević, began his new four-year term on 9 February 2023.

2.1.4.2 Supervisory Board

In 2023, the Supervisory Board of Kapitalska družba d. d. operated in the following composition:

- | Janez Tomšič, Chairman,
- | Boris Žnidarič, Deputy chairman²,
- | Ladislav Rožič, Member,
- | Mirko Miklavčič, Member,
- | Boštjan Leskovar, Member,
- | Andreja Cedilnik, Member.

On 1 February 2023, the four-year term of office of three members of the Supervisory Board expired: Boris Žnidarič, Miro Miklavčič and Ladislav Rožič. At the General Meeting of 2 February 2023, Boris Žnidarič, Mirko Miklavčič and Ladislav Rožič were reappointed as members of the Supervisory Board. The term of office of these three members of the Supervisory Board lasts four years and began on 2 February 2023. At the Supervisory Board meeting on 9 March 2023, Boris Žnidarič was re-elected Deputy Chairman of the Supervisory Board.

The Supervisory Board of Kapitalska družba, d. d. is appointed by the General Meeting of the Company. 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 – SSH), 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 proposal of candidates for shareholder representatives is drawn up by SSH, which informs the Supervisory Board about the selection, while the proposal of candidates representing pensioners is formulated by federations or organizations of pensioners at the state level, which also 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.

2.1.4.3 General Meeting

The rights of the sole shareholder are exercised by the Government of the Republic of Slovenia.

2.1.5 Diversity policy

In 2023, Kapitalska družba, d. d. adopted a Diversity Policy for the Management and the Supervisory Board, which sets out the main principles for ensuring diversity in the Management Board and the Supervisory Board of Kapitalska družba, d. d. with regard to representation in both bodies. The Diversity Policy promotes diversity in the membership of both bodies. Differences in knowledge, experience, professional qualifications, age, gender and other aspects of the members of the Management Board and the Supervisory Board can be used to the benefit of the company by the diverse composition of

² Boris Žnidarič held the position of Deputy Chairman of the Supervisory Board until the end of his term on 1 February 2023, and again in the new term from 9 March 2023.

the bodies. The Diversity Policy aims to achieve greater diversity in the composition of the Management Board and the Supervisory Board, which will contribute to the effectiveness of both bodies and will have a positive impact on the development of the Company's business and reputation. Ensuring diversity in terms of gender, age, educational and professional background, professional profile, tenure allows for the exchange of different views and perspectives and a good understanding of current developments, with the aim of ensuring the long-term success and sustainability of the Company's business. The Management Board and the Supervisory Board and its human resource committee strive to achieve the goals of the Diversity Policy, each within the scope of their responsibilities. The commitment to the implementation of the Diversity Policy is also followed by the sole shareholder and other stakeholders, in particular when proposing the members of the Supervisory Board, as Article 51(6) of the Slovenian Sovereign Holding Act (ZSDH-1) provides for a legally defined interest-based composition of the Supervisory Board, according to which, out of a total of six members of the Supervisory Board, three members are appointed on the proposal of SSH, two members are appointed on the proposal of national pensioners' federations or organisations, and one member is appointed on the proposal of trade union federations or confederations, representative of the country. The aim shall be to have as equal a gender balance as possible and continuity of orientation so that not all members of the Management Board or Supervisory Board are replaced at the same time. The complementarity of the two bodies is also important. Gender diversity is skewed in favour of the male gender, with a ratio of 83.3% : 16.7% on the Supervisory Board and 100% : 0% on the Management Board.

2.1.6 Other

Kapitalska družba, d. d. is a public interest entity (PIE), but it does not meet the average number of employees criterion under Article 70c of the Companies Act (i.e. the average number of employees in the financial year as at the balance sheet cut-off date is not greater than 500), and is therefore not obliged to prepare a statement of its non-financial operations.

3 STATEMENT BY THE MANAGEMENT BOARD

We live in a world increasingly prone to shocks and crises: 2023 was marked by old and new geostrategic tensions, uncertainty in global politics and increased macroeconomic risks. A globalised world, where political and economic challenges are intertwined with humanitarian, ecological and natural disasters, is also facing the increasingly evident consequences of climate change. New hotspots have joined the existing wars. In 2023, Slovenia was hit by floods, the worst natural disaster in the country's history and the economic growth was weak. With many challenges coming from the external environment, the accelerating ageing of Slovenian society is becoming increasingly important. Slovenia's maladjustment to its own demographic picture is also creating a growing challenge for Kapitalska družba, d. d.

At a time of severe and unpredictable shocks in the external environment, we at Kapitalska družba, d. d. have become even more focused on long-term sustainable objectives that support balanced social and economic development. Despite many unfavourable circumstances, Kapitalska družba, d. d. continued to successfully pursue its dual mission in 2023: to provide additional resources for the public pension and disability insurance system and to effectively implement occupational pension insurance. Responsible corporate governance and transparency, which represent a permanent commitment of Kapitalska družba, d. d., have become more important than ever before in such demanding circumstances.

In line with a balanced and cost-effective management policy, Kapitalska družba, d. d. achieved a positive operating profit of EUR 12 million in 2023, with a significant impact from the recognition of revenue from elimination of provisions for failure to achieve the guaranteed return of the SODPZ. The comprehensive income amounted to EUR 143.5 million; excluding the transfer to the Pension and Disability Insurance Institute of Slovenia (ZPIZ), it would have amounted to EUR 208.5 million. The net profit for the financial year 2023 was EUR 49.9 million, which would have been EUR 65 million higher without the transfer to ZPIZ and would have amounted to EUR 114.9 million (excluding tax consequences). The returns of the company's assets in 2023 amounted to 18.3%.

As a demographic reserve fund, Kapitalska družba, d. d. makes regular contributions to the public pension system, thus helping to cover the cost of pensions paid by ZPIZ. We transferred EUR 65 million to ZPIZ in 2023. By delivering on our commitments in a sustainable way, we contribute to the reliability of the Slovenian pension system, even though the amount of these contributions exceeds the characteristics of the assets held by Kapitalska družba, d. d. A significant proportion of investments are defined as strategic or significant by the country's capital investment management strategy and therefore represent hard-to-sell assets.

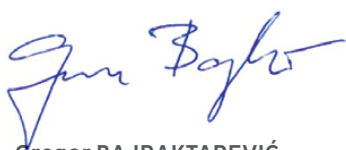
Since our mission is to serve the sustainable development of a long-lived Slovenian society, our efforts are focused not only on the well-being of the public pension system, but also on providing company pensions for employees in more demanding jobs. Occupational insurance, based on the actual savings of the insured, replaces pay-as-you-go pensions over a period of time and therefore represents a modern form of pension payment based on a funded basis. Employees who perform particularly difficult and health-damaging work, as well as work that cannot be successfully performed after a certain age, are given early retirement that does not encroach on public finance and budget resources. These pensions are one of the possible sustainable forms that will become increasingly important in the light of the unfavourable demographic characteristics of Slovenian society.

The Compulsory Supplementary Pension Insurance Fund, which is the second largest pension fund in Slovenia, has accumulated savings of more than 50,000 insured persons totalling EUR 931 million. The returns on their assets was 5.4% in 2023.

The strong business performance is due to our employees and the favourable conditions in the financial markets. We recognise that a key driver that motivates our employees is an inclusive and purpose-driven organisational culture. This is reflected in our success in managing our assets (our own and those of the SODPZ) and in the services we provide to our current and future occupational pensioners.

Our organisational culture is becoming more and more permeated day by day with the holistic aspects of sustainable business practices (ESG), which pursues long-term sustainable positive performance. This means supporting responsible business practices, expanding connectivity, promoting integrity and responsible business practices, and empowering employees. This is how we live our core values: safety, professionalism, accountability, honesty, teamwork and customer focus. We build our advantages on business excellence and dedicated, highly professional colleagues. Empowered and motivated employees, characterised by strong work discipline, knowledge and creativity, are the guarantee for the successful further development of Kapitalska družba, d. d. and its growing role in the Slovenian pension system.

Challenging external circumstances are forcing us to operate prudently and manage risks even more effectively. This is becoming more and more demanding and is changing from a traditional form to a key strategic function. Building a strong internal culture of integrated risk management is emerging as a core component of modern corporate governance. In addition to the great responsibility with which we co-create Slovenia's pension future, we are also aware of the opportunities. Goal-oriented and committed to business excellence, we want to play an active role in shaping Slovenia's pension future, to continue to be a professional and successful asset manager of the company and the pension fund, and to operate as a socially responsible and sustainable company. In the context of continued uncertainty facing global and Slovenian society, we continue to pursue our mission and vision as an increasingly important pension institution. Our success is the satisfaction of all our stakeholders, with whom we are working to improve the pensions of current and future Slovenian pensioners, even in the context of the current crisis.



Gregor BAJRAKTAREVIĆ

Member of the Management Board



Bachtiar DJALIL

Chairman of the Management Board

4 **2023 REPORT**

OF THE SUPERVISORY BOARD OF KAPITALSKA DRUŽBA, D. D.

REPORT OF THE SUPERVISORY BOARD OF KAPITALSKA DRUŽBA FOR 2023

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 in 2023: Janez Tomšič (Chairman), Dr Boris Žnidarič (Deputy Chairman), Andreja Cedilnik (member), Boštjan Leskovar, MSc (member), Mirko Miklavčič (member) and Ladislav Rožič, MSc (member). The terms of office of the following three members of the Supervisory Board expired on 1 February 2023: Dr Boris Žnidarič, Mirko Miklavčič and Ladislav Rožič, MSc. At the Company's General Meeting held on 2 February 2023, Dr Boris Žnidarič, Mirko Miklavčič and Ladislav Rožič, MSc were reappointed as members of the Supervisory Board. The four-year term of office of the three aforementioned members of the Supervisory Board began on 2 February 2023. Dr Boris Žnidarič was reappointed Deputy Chairman of the Supervisory Board at the 229th session of the aforementioned body held on 9 March 2023, the first session following the start of his new term of office.

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 nine sessions during the 2023 financial year as follows: six regular session and three correspondence sessions. Particular attention in the monitoring of Kapitalska družba's operations in 2023 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 230th session of 2 June 2023, the Supervisory Board approved the annual report of Kapitalska družba for the 2022 financial year, adopted the report on the verification of the Company's annual report for 2022 and approved the proposal on the use of distributable profit. At the same session, the Supervisory Board was also briefed on the audited annual report of the SODPZ for 2022. At its 232nd session of 7 July 2023, the Supervisory Board approved the consolidated annual report of the Kapitalska Družba Group for the 2022 financial year, and adopted the report on the verification of the consolidated annual report of the Kapitalska

Družba Group for 2022. At the same session, the Supervisory Board also confirmed the convening of the Company's General Meeting.

The Supervisory Board was regularly briefed on the operations of the subsidiary Modra zavarovalnica, d. d. Special attention was given to that 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. With regard to those investments, the Supervisory Board was also briefed on the voting positions of the Management Board prior to that company's general meeting. 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 decisions in 2023, the Supervisory Board consented to the extension of the rescheduling agreement with Sava, d. d. and, based on opposition to delist shares from the regulated market, consented to the demand that Kompas Shop, d. d. acquire shares held by Kapitalska družba for appropriate monetary compensation.

At its 229th session held on 9 March 2023, the Supervisory Board adopted a new methodology for calculating variable remuneration based on the performance and effectiveness of the work of Kapitalska družba's Management Board. At its 230th session held on 2 June 2023, the Supervisory Board gave its consent to amendments to the Rules on the internal organisation of Kapitalska družba, relating to the reorganisation of one sector and the discontinuation of a department as an independent organisational unit at the second management level with the aim of rationalising and optimising the Company's operations. At its 234th session held on 21 September 2023, the Supervisory Board adopted the Diversity Policy for the Company's Management Board and Supervisory Board, which is being implemented with the aim of ensuring the diversity of management and supervisory bodies, in part through an appropriate composition in terms of expertise, gender and age. That policy defines separately diversity objectives in the composition of the Supervisory Board and Management Board. At its 236th session of 21 December 2023, the Supervisory Board gave its consent to Kapitalska družba's business-financial plan for the 2024 financial year.

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. The Supervisory Board performed an analysis on the basis of a self-assessment and, at its 235th session held on 30 November 2023, adopted an action plan for 2024 with objectives for further improvements to its work.

An Audit Committee, Accreditation Committee (until 9 March 2023) and HR Committee functioned as advisory bodies to the Supervisory Board in 2023. The Supervisory Board finds that it cooperated with the committees, Management Board and the Company's expert departments effectively, properly and professionally.

The earnings of members of the Supervisory Board and the external members of its committees are disclosed in the annual report in Tables 58 and 59.

Work of the Supervisory Board's Audit Committee

In 2023, the Supervisory Board's Audit Committee functioned in the following five-member composition until 9 March 2023: Andreja Cedilnik (chair), Ladislav Rožič, MSc and Mirko Miklavčič (members, until 1 February 2023), and Natalija Stošički and Mojca Verbič (external members). The Audit Committee functioned in the following four-member composition from 10 March 2023 on: Andreja Cedilnik (chair), Boštjan Leskovar, MSc and Mirko Miklavčič

(members), and Natalija Stošicki (external member). 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 Audit Committee met at ten sessions, three of which were correspondence sessions. One session was held in the composition of members that functioned until 9 March 2023, while nine sessions were held in the composition of members that functioned from 10 March 2023 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. In 2023, the Audit Committee consented to the conclusion of agreements with the certified auditor that encompassed permitted non-audit services. 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 Supervisory Board's Accreditation Committee functioned in the following composition until 9 March 2023: Dr Boris Žnidarič (chair until 1 February 2023), Boštjan Leskovar, MSc (member) and Ladislav Rožič, MSc (member until 1 February 2023), and Dr Alenka Stanič, Irena Prijović, MSc and Gorazd Žmavc (external members). The aforementioned committee did not meet in 2023. 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. At its 229th session held on 9 March 2023, the Supervisory Board adopted a resolution to discontinue the work of the Accreditation Committee because it assessed that the Company's Management Board is responsible for the selection of competent candidates for members of the Supervisory Board and thus responsible for formulating, if required, an appropriate HR Committee that will report to the Management Board.

Work of the HR Committee

The Supervisory Board's HR committee functioned in the following composition until 8 March 2023: Boštjan Leskovar, MSc (chair), and Andreja Cedilnik (member) and Mirko Miklavčič (member until 1 February 2023). From 9 March 2023 on, the HR Committee functioned in the following composition: Boštjan Leskovar, MSc (chair), and Ladislav Rožič, MSc 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.

The Supervisory Board's HR Committee met at two sessions. One session was held in the composition of members that functioned until 8 March 2023, while one session was held in the composition of members that functioned from 9 March 2023 on. The committee's main tasks in 2023 were as follows: support for the Supervisory Board in the formulation of a revised methodology for calculating variable remuneration based on the performance and

effectiveness of the work of the Company's Management Board, cooperation in the formulation of the Diversity Policy of the Company's Management Board and Supervisory Board, and the formulation of a proposal for the setting of the variable remuneration of the Company's Management Board for 2022.

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 managed the Company's transactions during the 2023 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 at sessions of the Supervisory Board. 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 2023.

In conclusion, the Supervisory Board finds that Kapitalska družba once again achieved its dual mission in 2023: 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 regarding 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 2023, 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 2023, 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 2023

The audited annual report for 2023 was discussed by the Audit Committee at its 99th session held on 9 May 2024, and by the Supervisory Board at its 238th session held on 16 May 2024. 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 2023.

Janez Tomšič
Chairman of the Supervisory Board



Ljubljana, 16 May 2024

STABILITY.

BUSINESS
REPORT

5 ORGANISATION OF THE COMPANY KAPITALSKA DRUŽBA, D. D.

The organisational structure of the Company was changed in the second half of 2023, with the abolition of the organisational unit responsible for the management of general affairs as an independent organisational unit. Its activities were transferred to the former Legal and Human Resources Division, which, in order to expand its activities, was renamed the Legal, Human Resources and General Affairs Division. The existing organisational structure allows the company to carry out all its business processes with adequate number of employees and flexibility to adapt to changes in the environment. A Division is the central internal organisational unit for the implementation of the Company's key processes, while the departments and consultants of the Management Board are responsible for the implementation of the supporting business processes. The Management Board's divisions, services and consultants are placed directly under the Company's Management Board.

In 2023, the organizational structure by individual divisions and departments was as follows:

- | Asset Management Division,
- | Occupational Insurance Division:
 - Insurance Implementation Department,
 - Contribution Control and Development Department,
- | Back-office Support:
 - Department for Controlling and Settlements,
 - Risk Management and Analysis Department,
- | Legal, Human Resources and General Affairs Division:
 - Legal and Human Resources Department,
 - General Affairs Department³,
- | The Internal Audit Department,
- | Accounting Department and
- | IT Support and Business Process Organisation Department.

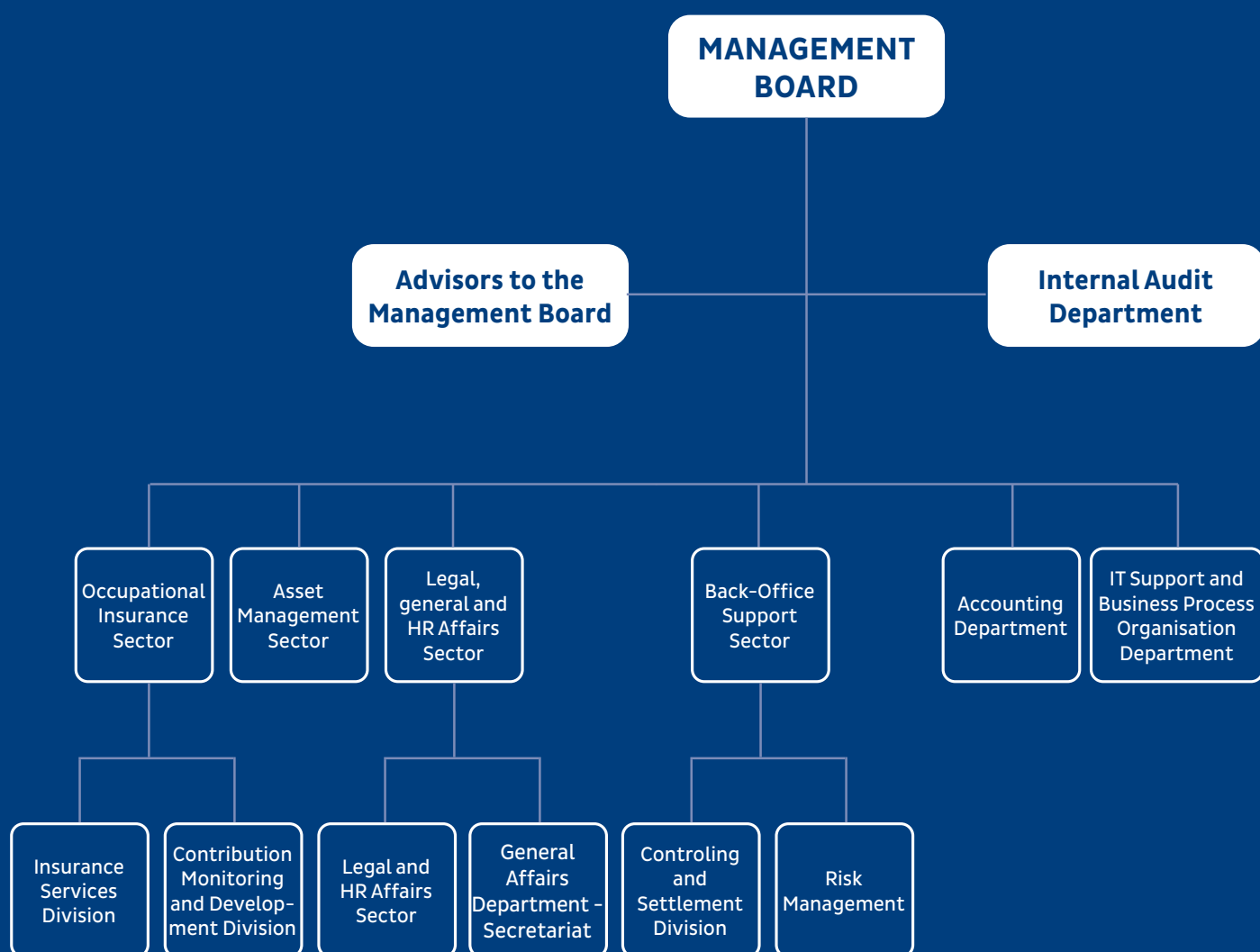
The implementation of supporting business processes is also the responsibility of the Management consultants, who are also placed directly under the Company's Management Board.

The work of a Division is managed by the division executive director and the work of a department by the department manager, with division executive directors retaining some of the responsibility and authority for decision-making.

The Management Board has also appointed an Access to Public Information Officer, an Anti-Money Laundering Officer, a Corporate Integrity Officer and a Data Protection Officer, who report directly to the Management Board in the performance of their duties.

³ Until 30 June, general affairs activities were carried out in an independent organizational unit, the General Affairs Department - Secretariat.

Figure 1: Organisational structure of
Kapitalska družba, d. d.



5.1 REPORTING ON OUR EMPLOYEES

As at 31 December 2023, Kapitalska družba, d. d. had 62 employees, of whom one had a fixed-term employment contract. In 2023, five new or alternative employment opportunities were created. One employee left his post in the first half of the year due to retirement.

Table 1: Number of employees by organizational units as at 31 December 2023 and 31 December 2022

Organisational unit	31 Dec 2023	31 Dec 2022
Management Board	2	2
Management consultants	4	3
Asset management division	10	10
Occupational Insurance Division	14	14
Legal, Human Resources and General Affairs Division	13	7
General Affairs Department - Secretariat ⁴	/	6
Back-office support	8	7
The Internal Audit Department	2	2
Accounting Department	5	4
IT Support and Business Process Organisation Department	4	3
Total	62	58

Due to the nature of its work, Kapitalska družba, d. d. employs mainly highly professional staff. As at 31 December 2023, 42% of all employees had a level 7 education, 18% had an education level 8/1, and 5% had an education level 8/2.

There were 68% of women and 32% of men. The average length of service of employees, as at 31 December 2023, was 21 years and 6 months for men and 22 years and 5 months for women. The average age for men was 48, and for women 47.

⁴ As part of the internal reorganisation, the General Affairs Department - Secretariat was abolished as an independent organisational unit as at 30 June 2023 and its activities and employees were assigned to the Legal, Human Resources and General Affairs Division.

6 BUSINESS OPERATIONS OF KAPITALSKA DRUŽBA, D. D.

6.1 MACROECONOMIC OPERATING FRAMEWORK

6.1.1 Gross domestic product, inflation and unemployment

In 2023, after the Russian invasion of Ukraine, the end of the Covid-19 pandemic and the intensification of the monetary tightening policies of the major central banks, the world economy has shown considerable resilience at the global level, with major divergences between individual countries. Economic growth surprised positively, especially in the US and some other developed and developing countries, while growth in Europe was weak and negative in some countries.

In the fight against inflation, the largest central banks continued their restrictive monetary policy and increased interest rates in 2023. The historically extreme intensity of interest rate hikes by the American, European and English central banks has influenced (financial analysts') expectations of a recession in 2023, which have not materialised. Government and household consumption have been the main contributors to economic growth, helped by lower energy prices and the opening up of the Chinese economy after the Covid-19 pandemic. The banking crisis that emerged in early 2023 was limited to individual banks and did not trigger a broader financial crisis, thanks to the swift reaction of the American and Swiss supervisory institutions. Governments are facing fiscal pressures from high debt levels, higher expenditures due to an ageing population, increased defence spending, and climate change and extreme weather events, which hit Slovenia hard in 2023.

In the fight against inflation, the European Central Bank (ECB) was more successful than the US Federal Reserve System. Core inflation in the US gradually declined from 5.7% in December 2022 to 3.9% in December 2023, while in the Euro area it rose from 5.2% in December 2022 to 5.7% in March, ending 2023 at 3.4%.

Both the OECD and the IMF expect a further moderation in the inflation rate, but in most countries these will remain higher than the target levels of the central banks in 2024 as well. Despite the decline in the inflation rate, core inflation and, within it, especially services inflation, have been sustained at high levels in many countries by cost (wage) pressures and high margins in some industries. In its February forecast, the OECD predicts that core inflation in countries of the G20 group will fall from 4.2% in 2023 to 2.5% in 2024, and should reach target levels in most countries towards the end of 2025. Core inflation in the Euro area is forecast to fall from 3.4% in 2023 to 2.6% in 2024, according to their forecasts, and to 2.8% according to the IMF.

Unemployment remains low in both the US and Europe. Financial analysts describe in particular the robustness of the labour market in the US, where the unemployment rate reached 3.7% at the end of 2023, and 6.4% in the Euro area. Wage pressures from high inflation, which have eroded workers' real incomes, and shortages of skilled labour in certain industrial and technological sectors have posed important challenges for the conduct of national economic policies.

In 2023, Slovenia had a 1.6% growth in economic activity⁵, which mostly stems from the growth of gross fixed investments in fixed assets and final household consumption. The foreign trade surplus also contributed to the growth in economic activity, while the reduction in inventory had a negative impact. The unemployment rate stood at 3.4% at the end of 2023 and decreased by 0.1 percentage points compared to the previous year. The annual inflation rate has decreased from 10.3% to 4.2% in 2023 and is much higher than the average level in the Euro area. The prices of food and soft drinks contributed the most to the annual inflation in Slovenia⁶.

The OECD and IMF forecast below-average but positive global economic growth of 2.9% or 3.1% respectively in 2024, and weak growth of 0.6% or 0.9% in the Euro area. In their forecasts, they highlight the risks associated with potential geopolitical tensions, fluctuations in commodity prices (especially energy prices) and possible financial turmoil due to high debt levels in many countries. They also warn of the possibility of persistent inflation and of the consequences of current monetary policies, which will affect individual countries at different speeds and with different strengths.

The table below shows the macroeconomic aggregates (gross domestic product, inflation and unemployment rate) for Slovenia and major world countries or regions for 2023.

Table 2: Gross domestic product, inflation and unemployment rate, data for 2023

	Annual inflation rate, in %	Annual GDP growth, in %	Unemployment rate, in %
Slovenia	4.2	1.6	3.4
Germany	3.7	-0.2	5.8
Euro area	2.9	0.1	6.4
USA	3.4	3.1	3.7
China	-0.3	5.2	5.1

Source: Bloomberg (6 February 2024), IMAD, SURS (29 February 2024).

6.1.2 Interest rates

In 2023, most central banks in developed countries, with the exception of the Bank of Japan, continued with restrictive monetary policy and interest rate hikes. In 2023, the ECB raised basic interest rates six times, by a total of 2.0 percentage points. The last increase was in September, when the main refinancing operations rate was raised by 25 basis points to 4.5%. The Federal Reserve raised the interest rates four times, by a total of 1.0 percentage points. The last increase was in July to a value of 5.25% to 5.50%. Both central banks managed to reduce inflation rates significantly in 2023, but they were still higher than the central banks' targets at the end of 2023. At the last meeting of the two central banks in December, there was already a change in rhetoric from the Federal Reserve and a mention of interest rate reductions, in contrast to the ECB, which had not yet discussed this at its meeting.

Despite the fact that peaks have probably been reached in this interest rate cycle, central banks will continue monetary tightening through activities to reduce the value of their balance sheets, notably by reducing the amount of reinvestment and by selling bonds.

⁵ First estimate from SURS, calculated from quarterly data.

⁶ Data from SURS and IMAD.

Table 3: Basic interest rates of major central banks

	The level of the basic interest rate as at 31 Dec 2023
Euro area	4.5% (basic interest rate) 4.0% (deposits interest rate)
USA	5.25– 5.50%
England	5.25%
Japan	-0.10%
Canada	5.00%
China	4.35%

Source: Bloomberg (7 February 2024)

6.2 TRENDS ON FINANCIAL MARKETS

In 2023, significant increases in the prices of equity and debt securities were recorded, the rare exception of negative returns were Chinese stocks, prices of industrial raw materials and the value of the dollar in EUR. Despite the slowdown in economic growth and the intensity of interest rate hikes by major central banks (with the exception of the Bank of Japan and the Bank of China), which exceeded analysts' expectations at the beginning of the year, the global stock index posted record returns. Debt markets also recorded high returns, but mainly at the expense of a strong rebound in the last two months of 2023. In the final months of the year, data on a stronger decline in inflation rates were released, which, together with data on a robust labour market, meant that financial market expectations of intensive central bank interest rate cuts in 2024 and the possibility of a reduction in inflation without the onset of a recession – the so-called soft landing – were reflected in financial instrument prices.

The year 2023 did not pass without major upheavals, which did not have a long-term impact on the financial markets. The first was the banking crisis in the first half of March, which caused some short-term corrections, notably in the value of corporate shares in the US and European financial sectors, and a significant widening of credit spreads on both corporate and government bonds. The second was the US debt ceiling. A last-minute political agreement on a statutory debt ceiling prevented a default on maturing US debt, but in August the rating agency Fitch downgraded the US credit rating by one notch – from the highest possible rating of AAA to AA+.

The six-month (6m) Euribor rose from 2.7% at the beginning of the year to 4.14% in October 2023, reaching the 2008 level, and ended the year at 3.86%. The yield to maturity of the 10-year German government bond started 2023 at 2.57%, flirted with 3% in October and ended the year at 2%.

The average price growth of government bonds (+7.2%) was lower than that of corporate bonds (+8.2%), despite the longer average maturity of these investments, as we also saw a reduction in credit spreads in the bond market.

The Global Stock Index MSCI World (MSCI Daily TR Gross World) gained 20.5% in Euro currency terms, with developed markets contributing the most to returns and a handful of high-tech companies making the biggest contribution to growth. Together with the dividend yield, the Slovenian share index of the first listing achieved a 27.1% increase in value.

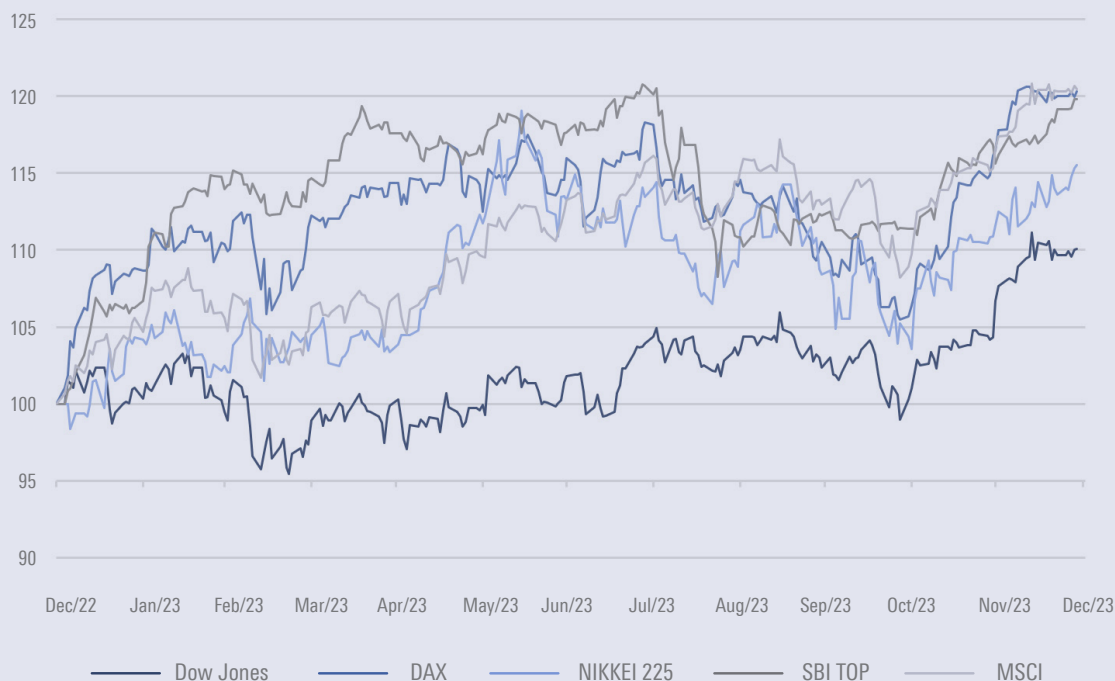
The reduction in required rates of return on debt investments and the increase in geopolitical risk in the Middle East have contributed to the rise in the gold price. It is the only one to gain 9.5% in 2023, measured in EUR, against a general fall in the prices of other raw materials.

Table 4: The returns of the most important financial markets

	Returns in 2023, measured in EUR, including dividend yield
Stock indexes	
SBITOP – Slovenia	27.1%
DAX - Germany	20.3%
Dow Jones – USA	12.5%
NIKKEI 225 – Japan	17.9%
MSCI World TR – global	20.5%
Bond indexes	
IBOXX EUR Sovereigns TR index – government EUR bonds	7.2%
IBOXX EUR Corporates TR Index – corporate EUR bonds	8.2%
Exchange rate and raw materials	
EUR/USD	3.1%
Crude petroleum - BRENT	-3.9%
Gold	9.5%

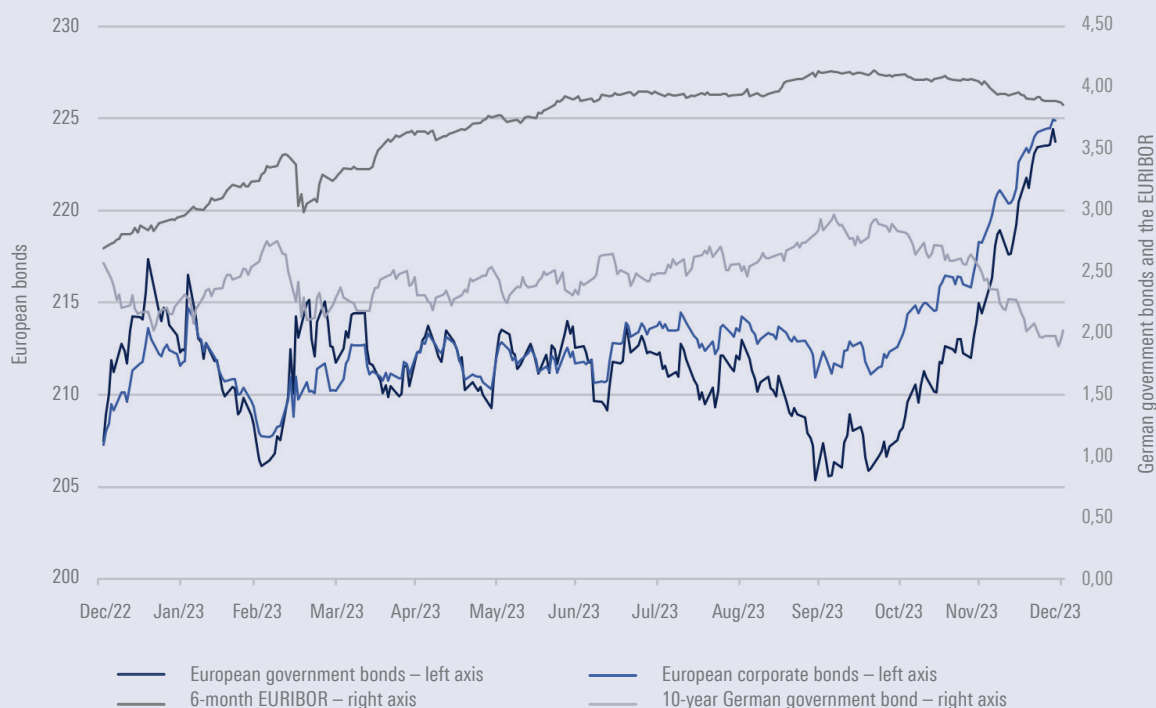
Source: Bloomberg (7 February 2024)

Figure 2: Changes of the Slovenian stock index SBI TOP and some foreign stock indices in 2023, in Euro (index: 31 December 2022 = 100)



Source: Bloomberg (5 February 2024).

Figure 3: Changes of the index of the total yield of European government bonds (IBOXX EUR Sovereigns TR Index), the index of total yield of European corporate bonds (IBOXX EUR Corporates TR Index), the yield to maturity of the 10-year German government bond and the value of the 6-month EURIBOR in 2023



Source: Bloomberg (5 February 2024).

6.3 MANAGEMENT OF INVESTMENT

Kapitalska družba d. d. classifies its investments into four groups, namely:

- | Equity investment,
- | Abandoned securities⁷,
- | Securities from registry accounts⁸ and
- | Portfolio investments.

The composition of financial assets is presented in the following table, followed by a more detailed description of the mentioned groups.

⁷ Abandoned securities acquired under Article 48a of ZNVP-1.

⁸ Securities from registry accounts acquired under Article 48a of ZNVP-1.

Table 5: Financial assets of Kapitalska družba, d. d., as at 31 December 2023 and 31 December 2022

Investment type	Value (in 000 EUR) Share (in %)		Value (in 000 EUR) Share (in %)	
	31 Dec 2023		31 Dec 2022	
Equity investment	780,006	61.3	668,591	59.3
Strategic investments ⁹	196,599	15.4	189,000	16.8
Important investments	500,250	39.4	411,535	36.5
Portfolio investments	83,157	6.5	68,056	6.0
Abandoned securities	255	0.0	213	0.0
Securities from registry accounts	7,736	0.6	6,420	0.6
Portfolio investments	485,298	38.1	452,953	40.1
Portfolio equity investments	17,131	1.3	18,094	1.6
Portfolio debt investments ¹⁰	437,842	34.5	396,488	35.1
Cash and cash equivalents	1,909	0.1	9,955	0.9
Investment in financial receivable	28,416	2.2	28,416	2.5
Total financial assets	1,273,295	100.0	1,128,177	100.0

6.3.1 Management of capital investments

6.3.1.1 Composition of capital investments

Capital investments of Kapitalska družba d. d., represent domestic equity investments, namely investments in shares and interests in companies.

The total number of these investments as at the last day of 2023 was 38, comprising 30 investments in stock corporations and 8 investments in limited liability companies.

The value of equity investments as at 31 December 2023 amounted to EUR 780,006 thousand and compared to the previous year increased by EUR 111,415 thousand.

In accordance with the classification of investments in the Ordinance on the strategy for the governance of the State's capital assets (OdSUKND), adopted by the National Assembly of the Republic of Slovenia in July 2015, Kapitalska družba, d. d. classifies its capital investments into strategic, significant and portfolio investments.

Table 6: Classification of capital investments of Kapitalska družba d. d. as at 31 December 2023 and 31 December 2022 in accordance with the Ordinance on the strategy for the governance of the State's capital assets

Investment type	Number of investments	Value (in 000 EUR)	Share in capital investment portfolio (in %)	Number of investments	Value (in 000 EUR)	Share in capital investment portfolio (in %)
		2023			2022	
Strategic investments	10	196,599	25.2	10	189,000	28.2
Important investments	6	500,250	64.1	6	411,535	61.6
Portfolio investments	22	83,157	10.7	16	68,056	10.2
Total capital investment	38	780,006	100.0	32	668,591	100

⁹ The classification of strategic, important and portfolio investments is in accordance with the Ordinance on the strategy for the governance of the State's capital assets

¹⁰ Portfolio debt investments also include units of target funds.

Table 7: The ten largest capital investments of Kapitalska družba, d. d., by value as at 31 December 20223

No.	Company name	Share in the issuer's capital (in %)
1.	Krka, d. d.	10.65
2.	Modra zavarovalnica, d. d.	100.00
3.	Petrol, d. d.	8.27
4.	Sava, d. d.	28.05
5.	Luka Koper, d. d.	4.98
6.	Telekom Slovenije, d. d.	5.59
7.	Equinox, d. d.	18.75
8.	HIT, d. d.	20.32
9.	Loterija Slovenije, d. d.	25.00
10.	Terme Olimia, d. d.	24.79

The composition of capital investments is dominated by investments in which Kapitalska družba, d. d. has an ownership interest of less than 20%, i.e. 30 such investments. A more detailed overview of the composition of investments according to the size of the ownership interest can be found in the table below.

Table 8: Composition of company's capital investments according to the size of the ownership interest as at 31 December 2023

Ownership interest in the share capital of companies	Active investments
Up to and including 9.99%	24
From 10.00% up to and including 19.99%	6
From 20.00% up to and including 49.99% (associates)	6
From 50.00% up to and including 100.00% (subsidiary and joint ventures)	2
Total number of investments	38

6.3.1.2 Sales and deletions of companies

In order to ensure transparency of the sale procedures and equal treatment of bidders, sales of equity investments were conducted through public announcements of invitations to bids. In 2023, Kapitalska družba, d. d., for its assets, published four public invitations to make offers for the purchase of shares and business shares, namely for the sale of shares acquired on the basis of Article 48.a of ZNVP-1, for the sale of shares of the company Frizarti, družba za upravljanje, d. d., for the sale of shares in the company Kongrad, d. d., and a joint public solicitation of bids with Slovenian Sovereign Holding in three lots (joint investments in the ownership of Slovenian Sovereign Holding or RS and Kapitalska družba, d. d., investments in the ownership of Kapitalska družba, d. d., and investments in the ownership Slovenian Sovereign Holding, d. d., and RS).

In the financial year 2023, we received purchase consideration or cash consideration of EUR 96 thousand arising from sale, squeeze-outs and acquisitions. In total, we disposed of 18 investments from the OVP and RVP portfolios, of which one was a squeeze-out (Lepenka, d. d.), one was an acquisition (Datalab, d. d.), and we sold 16 investments on the basis of public invitations to bids.

Two companies, Alpdom, d. d. and Nivo investicije, d. d., were deleted from the court register after the bankruptcy proceedings were completed.

6.3.1.3 Acquisitions of companies

Kapitalska družba, d. d., did not receive any offers from sellers to purchase shares or interests in 2023.

In 2023, Kapitalska družba, d. d. realised the purchase of 2 investments from Slovenian Sovereign Holding or RS, namely the shares of the companies KS naložbe, d. d., and Vipa Holding, d. d., for a total value of EUR 313.

6.3.1.4 Dividends of domestic companies

In 2023, Kapitalska družba, d. d. achieved receipts from dividends of EUR 35,765 thousand from dividends of domestic companies and dividends of investments of abandoned securities and securities from registry accounts, representing an increase of EUR 945 thousand compared to 2022, when the total amounted to EUR 34,820 thousand. Here, the top ten equity investments in terms of dividends received accounted for 99% of the total dividends of domestic companies held by Kapitalska družba d. d.

The payment of dividends was voted in 2023 at the general meetings of 43 equity investments in which Kapitalska družba, d. d., has an ownership interest. In 2022, dividends were voted at the general meetings of 62 equity investments in which Kapitalska družba, d. d., had an ownership interest.

Table 9: 10 highest receipts from dividends from equity investments in 2023

No.	Issuer	Dividend per share in 2023 (in EUR)	Total dividend in 2023 (in 000 EUR)
1.	Krka, d. d.	6.60	23,152
2.	Petrol, d. d.	1.50.	5,240
3.	Modra zavarovalnica, d. d.	0.0216	3,298
4.	Luka Koper, d. d.	2.50	1,756
5.	Loterija Slovenije, d. d.	85.00	1,578
6.	Equinox, d. d.	1.43	485
7.	Zavarovalnica Triglav, d. d.	2.50	95
8.	Alfi PE, d. o. o., SIS, k. d.	2.1258	71
9.	Alfi PE Growth SIS, d. o. o.	39.7943	52
10.	SŽ - ŽGP Ljubljana, d. d.	2.65	9

Table 10: 10 highest receipts from dividends from equity investments in 2022

No.	Issuer	Dividend per share in 2022 (in EUR)	Total dividend in 2022 (in 000 EUR)
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.	Alfi PE, d. o. o., SIS, k. d.	3.7879	100

6.3.1.5 The Code of Management of Capital Investments and the Enforcement of Ownership Rights at General Meetings of Companies

In the period from 1 January 2023 to 31 December 2023, Kapitalska družba, d. d. reasonably applied the Corporate Governance Code for Companies with State Capital Investment (hereinafter: the Code) adopted by Slovenian Sovereign Holding on 19 December 2014 and amended several times thereafter in relation to the management of its capital investments.

Kapitalska družba, d. d., as an active participant in the Slovenian capital market, is striving to introduce modern corporate governance methods into practice, with the aim of ensuring that the principles, procedures and criteria for the exercise of its ownership rights are clearly and publicly defined in advance. To this end, from 2009 to December 2014, it applied its own Corporate Governance Code of Kapitalska družba, d. d., which set out the policy and procedures for the exercise of Kapitalska družba, d. d.'s management rights in companies in which it has an ownership interest. In December 2014, following the adoption of the Code, Kapitalska družba, d. d. also started to apply the Code in a meaningful way, due to unification with the SSH. The text of the Code currently in force is published on the website of Slovenian Sovereign Holding.

In addition to the Code, Kapitalska družba, d. d. has also taken into account its own Guidelines for Voting Positions at General Meetings in 2023 when managing its capital (equity) investments. Kapitalska družba, d. d., every year before the start of the general meeting season, updates the starting points for voting at general meetings of companies. These starting points define, inter alia, the remuneration policy for supervisory boards, boards of directors and management boards, the dividend policy, the use of distributable profit, recapitalisation with authorised share capital, the acquisition of own shares and the introduction of a one-tier management system. The document is published on the website of Kapitalska družba, d. d.

With regard to the remuneration of the members of the Supervisory Boards and Management Boards, Kapitalska družba, d. d. reasonably applied with the recommended levels of remuneration for the performance of functions and the amount of attendance fees set out in the Code, with regard to the receipts and other rights of the management boards, executive directors and management of companies, it complied with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD).

Kapitalska družba, d. d. acted in accordance with the adopted Code at all General Meetings attended by its representatives in 2023. Disclosures of the activities of Kapitalska družba, d. d. at general meetings of companies are published on the website of Kapitalska družba, d. d.

6.3.1.6 Attendance at general meetings of companies

In 2023, Kapitalska družba, d. d. was entitled to attend 170 general meetings of shareholders or members of companies in its name and on behalf of the pension fund under management. Representatives of Kapitalska družba, d. d., attended 21 general meetings at which Kapitalska družba, d. d., independently exercised its voting rights Pursuant to Article 53 of ZSDH1, the voting rights of Kapitalska družba d. d., were exercised by the Slovenian Sovereign Holding in the name and on behalf of Kapitalska družba d. d. at 34 General Meetings, and the employees of Kapitalska družba d. d. were authorised to attend and exercise all the rights of a shareholder, except for the exercise of the voting rights. Kapitalska družba d. d., did not attend the 106 General Meetings in respect of the investment of abandoned securities and securities from registry accounts, as there were no business reasons in the interest of Kapitalska družba d. d., in addition to the insignificant share in the capital. Two general meetings were cancelled before the start of the meeting.

Table 11: Attendance at general meetings of companies

Form of attendance	Number of the general meetings
Attendance and voting by employees of Kapitalska družba, d. d.	21
Attendance of employees of Kapitalska družba, d. d., voting by SSH.	34
Total	55

6.3.1.7 Corporate governance of the Kapitalska družba Group

In addition to Kapitalska družba, d. d., the Kapitalska družba Group also includes the subsidiaries Modra zavarovalnica, d. d. and FINAP, d. d. – in liquidation, as well as the joint venture Hotel nepremičnine, d.o.o.. Kapitalska družba, d. d., manages the Group, except FINAP, d. d., – in liquidation, in accordance with the Corporate governance of the Kapitalska družba Group, which represents the minimum standard for all companies included in the Group.

An integral part of the Group Code are also the Guidelines on Subsidiary's Reporting to the Parent Company in the Group, which define the contents, deadlines and methods of Subsidiary's Reporting to the Parent Company in the Group.

6.3.1.8 Governance in relation to systemic regulation

At the end of April 2014, The Slovenian Sovereign Holding Act (ZSDH-1) came into force. With the implementation of ZSDH-1, the management of the Republic of Slovenia's investments on behalf of and for the account of the Republic of Slovenia remained the responsibility of SSH. The latter also on behalf of Kapitalska družba, d. d., exercises voting rights and conducts sales procedures in the case of joint investments.

ZSDH-1 defined the maximum annual liability of Kapitalska družba, d. d., for the provision of ZPIZ funds. Namely, Kapitalska družba, d. d., on the basis of the provisions of the third paragraph of Article 52 of ZSDH-1, is obliged to transfer, every year by September 29 at the latest, EUR 50 million to ZPIZ, mainly for the coordination of pensions, or a proportionally lower amount, if the amount for the coordination of pensions is lower. Kapitalska družba, d. d., based on the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2023 and 2024 (ZIPRS2324), regardless of the third paragraph of Article 52 ZSDH-1, had to transfer EUR 65 million to ZPIZ in 2023.

SSH manages investments in accordance with ZSDH-1, OdSUKND, investment management policy, corporate governance code and based on the annual investment management plan. The adopted OdSUKND also contains the so-called classification of investments (definition and classification of capital investments into strategic, important and portfolio investments). The annual investment management plan, which must be adopted no later than the end of November for the following calendar year, defines the detailed goals of SSH in the management of individual investments and measures and guidelines for achieving these goals.

6.3.2 Abandoned securities and securities held in registry accounts

On 25 September 2015, Book-Entry Securities Act (ZNVP-1) was adopted, which, in its transitional and final provisions, stipulated that the Central Securities Depository (CSD) would close the registry accounts of legal entities by 30 September 2016 and the registry accounts of other persons by 1 January 2017. The book-entry securities in the registry accounts which have not been transferred to other accounts by the expiry of the deadline for the termination of the registry accounts would be transferred to the account of the competent jurisdiction in accordance with the rules of the CSD, subject to the

provisions of the Acts governing the deposit of things with court. Further amendments and supplements to the Book-Entry Securities Act (ZNVP-1A) provided that, notwithstanding the provisions of the Act regulating the court deposit procedure, the book-entry securities that would otherwise have belonged to the Republic of Slovenia belong to Kapitalska družba, d. d.. On 18 June 2019, the Act was amended for the second time in this respect by the Act amending the Book-Entry Securities Act (ZNVP-1B), which further regulated the transfer of the book-entry securities that remained registered in the closed registry accounts until 31 August 2019, to the credit of a joint dedicated account for the transfer to Kapitalska družba, d. d..

The transfer of securities from a joint dedicated account for transfer to Kapitalska družba, d. d., to a special account of Kapitalska družba, d. d., is governed by Article 48a of ZNVP-1. Pursuant to Article 48a(3) of ZNVP-1, the persons whose book-entry securities have been transferred to the joint dedicated account for transfer to Kapitalska družba, d. d. 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 with a member of the central securities depository company. After the expiry of this deadline, the securities for which no claim had been made by the beneficiaries were transferred from the joint dedicated account for transfer to Kapitalska družba, d. d. to a special account of Kapitalska družba, d. d..

As of 1 January 2022, Kapitalska družba, d. d. thus became the legal holder of these securities, entitling it to exercise all rights attaching to the securities so acquired, without Kapitalska družba, d. d. having voting rights in certain of them. As of that date, the former holders thus lost all rights under these securities. Kapitalska družba, d. d. thus acquired shares and interests in 153 companies in 2022 based on the Article 48a of ZNVP-1.

In addition to the above, the Central Securities Depository, pursuant to Article 48a(5) of ZNVP-1, delivered to Kapitalska družba, d. d., within 15 days from the date of transfer of the book-entry securities, all returns, pay-outs and monetary compensations received in respect of the book-entry securities transferred to the credit of the joint dedicated account for transfer to Kapitalska družba, d. d. pursuant to Article 48a(2) of ZNVP-1, without any additional interest up to the expiry of the aforementioned 15-day period.

Revenue from the acquisition of these securities are recognised in the income statement as financial income from interests in group companies, associates and other companies for a total amount of EUR 23 thousand.

As at 31 December 2023, Kapitalska družba, d. d. holds investments in 141 issuers, divided into two portfolios (some of the investments are in both portfolios), 90 in abandoned securities and 125 in securities from registry accounts, of which 3 investments are in liquidation and 8 investments are in bankruptcy, on account of abandoned securities and securities from registry accounts acquired based on the Article 48a of ZNVP-1. The total value of both portfolios as at 31 December 2023 was EUR 7,991 thousand.

6.3.3 Management of portfolio investments

In managing its portfolio investments, Kapitalska družba, d. d. uses an active and passive management strategy, using a combination of top-down and bottom-up approaches. Decisions on the composition of the portfolio by investment class approach ("top down") are taken by the Investment Committee, which meets at least twice a year. The portfolio of equity securities is managed according to a index of a globally diversified share portfolio, the bond portfolio according to an index of European government bonds and an index of corporate bonds issued in the Euro currency.

The total value of portfolio managed investments increased by EUR 32.3 million in 2023 as a result of rise in the prices in both debt and equity investments, with equity investment returns well outpacing those of debt investments. The majority of investments in equity securities are investments in investment funds, which consequently also recorded the largest increase in value in 2023. With interest rates rising in 2023, the share of cash resources has fallen and the share of investments in commercial bills, bonds and bond investment funds has increased.

The five largest portfolio-managed investments as at 31 December 2023 are equity index funds tracking the US S&P 500 index (SPY US) and index funds tracking the MSCI World equity index (XDWD GY, IWDA LN, SMSWLD GY and XMWO GY,). The five largest bond investments as at 31 December 2023 are two bonds of the Republic of Slovenia, two bonds of France and a bond of Germany. The investment in a financial receivable of EUR 28.4 million represents a secured receivable from Sava, d. d. The five largest investments among stocks are investments in the shares of companies, namely, Novo Nordisk A/S, Cie de Saint Gobain, Vinci SA, Astrazeneca Plc and Shell Plc.

Table 12: Composition of portfolio-managed financial investments as at 31 December 2023 and 31 December 2022

Investment type	Value (in 000 EUR) Share (in %)		Value (in 000 EUR) Share (in %)	
	31 Dec 2023		31 Dec 2022	
Investment funds	355,912	73.3	313,896	69.3
Bonds	76,059	15.7	79,145	17.5
Shares	17,131	3.5	18,094	4.0
Commercial paper	0	0.0	1,493	0.3
Investment in financial receivable	28,416	5.9	28,416	6.3
Treasury bills	5,871	1.2	1,954	0.4
Cash and cash equivalents	1,909	0.4	9,955	2.2
Total portfolio managed financial investments	485,298	100.0	452,953	100.0

6.4 INVESTMENT PROPERTY

In 2023, Kapitalska družba, d. d. held investment property in the following business premises:

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

As at 31 December 2023, most of the investment properties were rented out.

6.5 RISK MANAGEMENT

Risk management is explained in the accounting report of the Annual Report of Kapitalska družba, d. d., in chapters 15.2 *Important information on Accounting policies* and 15.3.3 *Risk management of financial assets*.

6.6 MANAGEMENT OF SODPZ

6.6.1 SODPZ operations

Kapitalska družba d. d., based on the Pension and Disability Insurance Act (ZPIZ-1), has been the manager of SODPZ since its establishment in 2001. SODPZ is a mutual pension fund that provides occupational pension 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 Exercising of the Public Interest in Culture Act (ZUJIK).

Occupational pension insurance, which in 2001 replaced the calculation of the insurance period with an increase, includes insured persons who perform particularly difficult and health-damaging work, as well as insured persons who perform work that cannot be successfully and professionally performed after a certain age. Occupational pension insurance is a part of compulsory social insurance.

SODPZ comprises the assets financed by the funds collected through the payment of occupational pension insurance contributions (and any default interest on contributions not paid by the due date), as well as the returns generated by the management of these assets. The assets of the SODPZ are owned by the insured members of the occupational pension insurance scheme and are intended exclusively for the purpose of covering liabilities towards the insured members or other beneficiaries. The SODPZ is managed by Kapitalska družba, d. d. on behalf and for the account of the insured members and other beneficiaries.

Occupational insurance is implemented based on the Occupational insurance pension scheme, prepared based on the provisions of ZPIZ-2, approved by the Minister of Labour, Family, Social Affairs and Equal Opportunities.

As at 31 December 2023, 50,622 insured members were included in SODPZ, which is 321 more than at the end of 2022. The actual return of SODPZ in 2023 was 5.40% and the guaranteed return of SODPZ was 0.60%. The balance of solidarity reserves as at 31 December 2023 amounts to EUR 5,642 thousand, of which unallocated solidarity reserves amount to EUR 5,547 thousand and allocated solidarity reserves to EUR 95 thousand. As at the last cut-off date in 2023 (29 December 2023), the net asset value of the SODPZ amounted to EUR 923,232 thousand, exceeding the guaranteed asset value of the SODPZ of EUR 878,775 thousand by EUR 44,457 thousand.

In 2023, Kapitalska družba d. d., was entitled to reimbursement of entry and exit fees, the annual management fee of the SODPZ and the costs of occupational pensions payout. Entry fees were 2.0%, exit fees were 0.5%, and occupational pension payout costs were 0.5% of the occupational pension. The annual management fee until 30 November 2023, taking into account the amount of the net value of SODPZ assets, was 0.88% of the average annual net value of SODPZ assets, and from 1 December 2023 onwards 0.85% of the average annual net value of SODPZ assets. The amount of the SODPZ management fee depends on the monthly net asset value of the SODPZ.

The revenue of Kapitalska družba, d. d., from the management of SODPZ was slightly higher in 2023 compared to the revenue of the previous year. Compared to the previous year, the management fee increased due to the higher net value of SODPZ assets.

Table 13: Revenue of Kapitalska družba, d. d., from SODPZ management in 2023 and 2022

in EUR 000		
Income from managing	2023	2022
Management fee	7,664	7,453
Entry fee	1,369	1,379
Exit Fee	10	7
Occupational pension payout costs	26	21
Total	9,069	8,860

6.6.2 SODPZ investments

The fund manager shall manage the fund's assets in such a way as to provide at least a guaranteed return with minimum risk and subject to liquidity criteria. The fund manager directs the fund's investments so that they are appropriately diversified.

The primary management objective in 2023 was to maximise the excess of the actual value of assets over the guaranteed value of assets, while at the same time maximising the amount of the expected excess at the target risk level.

The manager has used an active management strategy to achieve its objectives at the whole-fund level and a combination of active and passive investment strategies at the investment class level. A top-down approach is used in the management of the fund's assets.

In evaluating the performance of the fund's asset management, the manager compared the performance of the fund with its guaranteed rate of return, with benchmarks by investment class, and also with the performance of other mutual pension funds managers with guaranteed rates of return, adjusted for the solidarity reserve built up.

The value of SODPZ assets amounted to EUR 931,220 thousand as at 31 December 2023 and increased by 9.2% compared to 2022. The portfolio consists of a globally diversified portfolio of equity and debt investments, and the largest part of the assets consists of investments in debt securities (bonds and units of bond investment funds).

Table 14: Composition of SODPZ investments as at 31 December 2023 and 31 December 2022

Class	Value (in 000 EUR)	Share (in %)	Value (in 000 EUR)	Share (in %)
	2023		2022	
Shares	8,981	1.0	7,217	0.8
Debt securities	341,146	36.6	307,839	36.2
Deposits and Loans	80,017	8.6	100,987	11.8
Investment funds	472,745	50.8	384,820	45.1
Cash and cash equivalents	6,879	0.7	20,161	2.4
Money-market instruments	21,420	2.3	31,367	3.7
Receivables	32	0.0	15	0.0
Total	931,220	100.0	852,406	100.0

6.6.3 Activities in the provision of occupational pension insurance in 2023

In 2023, Kapitalska družba, d. d. continued to implement and improve the processes already in place to control the payment of occupational pension insurance contributions. Regular monthly reminders were issued to payers who calculate their contributions but do not pay them within the prescribed deadlines, and to payers who have registered employees but do not send and pay their contributions. The exchange of information on the contribution bases with the FURS was ongoing, as was the preparation of the manager's accounts by Kapitalska družba, d. d. For non-payers who did not respond to reminders, enforcement proposals were submitted to FURS and enforcement orders initiated.

In the past year, the exchange of data between FURS and Kapitalska družba d. d., was finally established via the G2G online service, which means that in the future the exchange of data will only take place via this online service. The establishment of a connection via the CRP base services was also completed, which will improve the correctness and currentness of data on the life and addresses of insured persons.

Kapitalska družba, d. d. will continue its activities to improve processes and tools to enable more efficient and thorough control over the payment of contributions as well as the correctness of the contributions charged.

The online service kept stakeholders of the occupational pension insurance scheme regularly informed about the activities of the SODPZ and about new developments in occupational pension insurance. In accordance with ZPIZ-2, the audited annual report of SODPZ and a summary of the annual report of SODPZ for the previous financial year were published on the website. The SODPZ committee was also regularly informed about occupational pension insurance activities, which held four sessions in 2023.

6.7 INFORMATICS

The IT Service, in cooperation with the management, successfully pursued the tasks and objectives stemming from the company's business strategy. Strengthening the link between business strategy and IT operations has further enabled agility in implementing the necessary changes and adjustments. Kapitalska družba, d. d., successfully continued the provision of services in the field of information technologies for the Kapitalska družba Group in 2023. Through high-quality maintenance and updating of the information infrastructure, it ensured a high level of availability and reliability of information systems. Real-time support, optimization and computerization of work processes are still important guides on the way to achieving the company's set business goals and to maintaining and improving the company's competitive position.

In the area of providing software support for business processes, Kapitalska družba, d. d. continued the development of business intelligence, the added value of which is to support decision-making, while also providing useful information for business analysis purposes. Using current information, Kapitalska družba, d. d. will be empowered to create new strategic business opportunities. In 2023, it also continued the digitisation of important business processes using the document system, which, in addition to paperless environment and optimisation of business processes, also allows for optimisation of operating costs and increased security in the area of document management.

In addition to ensuring the availability and reliability of the IT system, informatics pays more and more attention to information security. In addition to ongoing employee cyber security awareness and regular security checks, the company has introduced additional security measures in 2023 to mitigate the risks associated with cyber threats.

6.8 IMPORTANT BUSINESS EVENTS AFTER 2023

At the end of 2023, the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2024 and 2025 (ZIPRS2425) was adopted, pursuant to which Kapitalska družba, d. d., notwithstanding Article 52(3) of the ZSDH-1, is required to remit EUR 65 million to the ZPIZ each year in the years 2024 and 2025, no later than 29 September of the current year. Based on the aforementioned Act, in February 2024, Kapitalska družba, d. d. and ZPIZ concluded a contract on the coverage of Kapitalska družba, d. d.'s liabilities towards the Pension and Disability Insurance Institute of Slovenia in the years 2024 and 2025.

The new Occupational insurance pension scheme applies from 1 January 2024. The amendments concern the extension of the transitional period during which the new differentiated contribution rate applies, the extension of the transitional period during which the proportion of the net asset value of the SODPZ up to which unallocated solidarity reserves are built up is taken into account, and the introduction of a compulsory health contribution for occupational pensioners.

Based on the Act on Intervention Measures in the Field of Health, Labour and Social Affairs and Health-Related Content (ZIUZDS), which was adopted on 30 December 2023, Kapitalska družba, d. d., concluded an agreement with the Health Insurance Institution of Slovenia (ZZSZ) on the electronic transmission of data on war beneficiaries for the purpose of calculating the compulsory health contribution to beneficiaries of occupational pensions.

Subsidiary company FINAP, storitve in posredovanje, d. d. – in liquidation was based on the decision ref. no. Srg 2024/8280 as at 7 March 2024 deleted from the court register of the registration court.

7

EXPECTED DEVELOPMENT OF KAPITALSKA DRUŽBA, D. D., IN 2024

The effective implementation of Kapitalska družba, d. d.'s mission to date, which is to provide funds for both the public pension system and the insured persons of the SODPZ, enables us to create long-term value for the pension system, the insured persons and the occupational pensioners, which is the core business of demographic funds. Kapitalska družba, d. d., represents an important pillar of the stability of the pension system by managing its own assets for the purpose of providing funds to the pension budget and by managing SODPZ. Kapitalska družba Group, with its subsidiary Modra zavarovalnica, d. d., is also the largest provider of voluntary supplementary pension insurance in Slovenia.

Business continues in 2024 in uncertain circumstances conditioned by risky geopolitical conditions, excessively high inflation and weak economic growth. Despite the unfavourable business conditions, we are also firmly determined to fulfil our mission in 2024, which guides us in dealing with an extremely demanding external environment and ensures our focus on important stakeholders.

The primary objective of Kapitalska družba, d. d.'s asset management is to pay the statutory liabilities that define the overall investment strategy. An increased payment of EUR 65 million is planned for the public pension system in 2024. In this way, Kapitalska družba, d. d., at a time of high budgetary challenges, will contribute to greater relief of pressure on the State budget.

We want to operate as a socially responsible and sustainable company, focused on achieving business excellence. By agilely responding to changes in an extremely risky external environment, we will continue to contribute to the strengthening and modernization of the Slovenian pension system. That is why we will accelerate the digitization of business and paperless environments and improve new forms of communication. Comprehensive risk management combined with cost efficiency will ensure a successful, sustainable business in 2024. In doing so, we will pay even greater attention to cyber security and the challenges associated with the ever-increasing level of digitization of business. That is why we have included the dimension of risks in the processes of everyday decision-making.

Our goal is to accelerate innovation and business changes that generate a holistic, sustainable and long-term sustainable ecosystem. It involves all stakeholders, from the owner, through the partner organisations and supervisory and regulatory systems, to insured persons and their employers, to current and future pensioners, social partners and employees. The sustainability agenda guides our leadership and operations and remains a key priority at a time when the entire world is facing difficult geopolitical, macroeconomic and climate challenges. Although we have already introduced many approaches that ensure sustainable and future-oriented operations, in 2024 we will pay even greater attention to the environmental, social and management aspects of business. In this way, we will pursue solutions in several areas of our work that are geared towards the well-being of society at large, the well-being of our employees and the preservation of the environment.

In 2024, we will again, for the third time, measure our carbon footprint, in scope 1 and 2. In the context of the extensive ESG-related regulation, we will focus our efforts on introducing approaches related to sustainability reporting and the mandatory content it entails. We will strive for innovative solutions in the direction of positive changes for all our stakeholders, the wider community and the environment. After 2025, reporting on sustainable business operations will become part of regular business reporting.

The sustainability report will need to comply with ESRS standards and will include quantitative and qualitative disclosures, presented through a 'dual materiality matrix'. In this way, we will verify the impact of our business on the economy, nature and society at large. We will therefore start to gradually develop strategic orientations and objectives in all three ESG areas as early as 2024. With the aforementioned activities, we will achieve an ever-higher level of compliance with ESG criteria and co-create a sustainable future through our operations.

In 2024, we will pay special attention to the further development of data analytics. Effective connection and coordination of data from different sources and their analytical processing enable greater business efficiency. We pursue the goal that data and its advanced analyses become part of our business strategy, our operating systems, daily business processes and organizational culture. It is about creating a mindset in which data operations are the basis for decisions at all levels of society.

As a result, we will introduce good practices, innovative approaches and techniques in portfolio management into our day-to-day business and actively participate in the further development of occupational pension insurance. The business goals of the SODPZ Fund in 2024 are focused on the process of optimal management of insured persons' assets, where an important part of the focus will be on security and liquidity. The primary objective will be to achieve a return higher than the guaranteed return at an acceptable level of risk. That is why we will continue to strive to be among the most successful managers of pension savings in Slovenia, and to ensure that systemic pension solutions are aimed at higher quality and security of insurance. This will make a major contribution to improving the pension stability of occupational pensioners and pensioners.

We are aware that we can play a very important role in solving Slovenia's demographic challenges. We have the right objectives, a successful business model and many years of experience in asset management and supplementary pension insurance. That's why we set long-term strategic goals that, with the cooperation of key stakeholders, lead to a fairer and sustainable pension future. We will continue to strive to be the best and indispensable partner for all important stakeholders. We will achieve the set goals and the outlined business and financial plan with the joint work and knowledge of our employees. With targeted development of their competences and high motivation, we will use all potentials and internal resources of our company even more successfully.

All this ensures that Kapitalska družba, d. d. remains a well-capitalised and stable company in 2024, which is a reliable and trustworthy partner for its stakeholders. We firmly believe that together we can achieve more and thus positively influence the Slovenian pension system and Slovenian society as a whole.

8 SUSTAINABLE BUSINESS PRACTICES

For many years, Kapitalska družba, d. d. 's strategic direction for business excellence has also included measures to achieve sustainable business practices. In recent years, when many gaps and weaknesses in society have become apparent, both in the global economic system and in social norms, and in the relationship between man and the environment, such efforts have become even more important. Kapitalska družba, d. d., therefore adopted the Sustainable Business Policy of Kapitalska družba, d. d., and the Kapitalska družba Group in 2023.

At Kapitalska družba, d. d., we do not see sustainable business as a "hygiene factor", but as a key element of successful future development, necessary to effectively cope with fundamental changes in the business and geopolitical environment. Understanding the effects of business activities on society and the environment is becoming a greater challenge every day, which requires the identification of sustainable risks and their effective management. Achieving social, economic and environmental sustainability, which includes all stakeholders and contributes to the positive development of the entire society, is becoming the biggest challenge of modern times.

We perceive both great challenges and new business opportunities in sustainable business practices. As a responsible financial institution, we are committed to promoting sustainable business and creating long-term value for our stakeholders. We are aware that our actions have an impact on the environment, society and the economy, so we want to manage these impacts in a responsible and transparent manner.

8.1 RESPONSIBILITY TO THE BROADER SOCIAL COMMUNITY

Kapitalska družba, d. d., is an important building block of 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. The mission of Kapitalska družba, d. d. is to provide additional funds for compulsory pension and disability insurance.

In 2023, Kapitalska družba, d. d., managed the assets of 50,622 insured persons and paid occupational pension insurance to 458 occupational pensioners.

8.2 RESPONSIBILITY TOWARDS EMPLOYEES

8.2.1 Concern for employee training and education

We are aware that employees are the company's key share capital and that qualified and motivated employees contribute the most to the company's successful operations. Existing work areas and the development of new business functions at Kapitalska družba, d. d. are also upgraded through various forms of pre-planned training, tailored to the requirements of individual jobs, the specific areas of knowledge required by each employee and the company's development tasks. Employees received additional training by attending live lectures, workshops and seminars, by participating in online seminars (webinars) and by internal training, which we regularly provide for all employees. We also place special emphasis on training for obtaining and maintaining licenses, especially in the field of asset management and company valuation.

In 2023, employees attended training courses in finance, accounting, corporate governance, portfolio asset management, pensions and disability insurance, personal data protection, public procurement, anti-money laundering and terrorist financing, quality management systems, legal, human resources, management skills, document management, data management and data analytics, sustainable business, the use of artificial intelligence, information and cyber security, and risk management.

In accordance with the training plan, in 2023 Kapitalska družba, d. d. also carried out internal trainings in the areas of prevention of money laundering and terrorist financing, information security in the workplace, financial reporting, legal, compliance and alternative investment funds. All employees attended cyber security training.

Kapitalska družba, d. d. encourages the continuation of studies to obtain a higher level of professional education and the acquisition and maintenance of various licences in the interest of the employer, thus improving the quality of work processes and increasing the competence of employees for the job in question, thus ensuring their professional development.

8.2.2 Caring for a safe and healthy working environment

At Kapitalska družba d. d., we take care of a safe, flexible and healthy working environment and in doing so comply with all regulations in the field of occupational safety and health and thus ensure adequate working conditions. We regularly carry out tasks in the fields of occupational safety and health, fire protection and health management at work. Among the most important tasks carried out in this area, it is worth highlighting the regular training of employees in occupational safety and health, the participation in risk assessments of the workplace and the working environment, the regular periodic preventive medical check-ups, the revision of the occupational safety declaration and the monitoring of compliance with fire protection measures.

We are aware that maintaining and improving the health of employees is important, because only healthy and satisfied employees who work in a safe and stimulating work environment can be efficient and innovative and less likely to go on sick leave. That is why we implement systematic targeted activities and measures to maintain and strengthen the physical and mental health of employees. This is achieved through a combination of improving work organisation and the working environment, with good interpersonal relations at the top of the agenda, as these have a decisive impact on employees' health and well-being. We encourage employees to participate in activities to protect and strengthen health, including the possibility of organized recreation, and we encourage the personal development of employees through trainings. In 2023, we became involved in the Work and recreation project, which enabled employees to have a short daily workout, with specially adapted exercises for sedentary work.

Another important aspect of ensuring and enhancing the future social security of employees is collective supplementary pension insurance, which Kapitalska družba, d. d., as a responsible company that cares for its employees, provides to all employees on equal terms by paying monthly premiums for all employees into the Life-Cycle Pension Fund (MKPS) operated by Modra zavarovalnica, d. d. Among employees, this is considered one of the most valued forms of motivation.

Kapitalska družba, d. d., pays all employees a maximum collective supplementary pension insurance premium in the amount of 5.844% of the gross salary, or a maximum of EUR 241.97 per month.

The cost of premiums paid to employees for voluntary supplementary pension insurance in MKPS for 2023 reached EUR 135 thousand.

A good 80% of employees are included in voluntary collective healthcare insurance. 92% of employees are included in collective accident insurance.

Family friendly company

At Kapitalska družba, d. d., we are aware of the importance and benefits of an active, family-friendly policy in society that enables work-life balance of employees. We are a diverse workforce, the average age of employees is 48, including parents with young children and school-age children, who benefit most from the effects of the certificate. Balancing career development and family life has become part of our organizational culture, which is often a challenge today, as business and private life are increasingly intertwined. Kapitalska družba, d. d. received the Family Friendly Company certificate in 2010, upgraded it with a full certificate, and after a successful audit of the three-year period since obtaining the full certificate, we received a special certificate of appreciation for spreading the culture of a family-friendly company in Slovenia. With the measures taken, we want to ensure short-term and long-term positive effects on the lives of employees. Kapitalska družba, d. d., has adopted 13 measures within the framework of the Family Friendly Company certificate: communication with employees, opinion polls among employees, public relations, time account, children's time bonus, additional leave, management philosophy and concept, reintegration plan after a long absence from work, socialising between employees and management board, participation of relatives in the company's occasional work, gifting of a newborn child, children's New Year's Eve gifts, and training for managers in the area of work-life balance. Among the most popular measures are the time account, children's time bonus (a day off on the first day of school in the first triad of primary school), gifting children and measures that have a direct immediate effect.

8.3 ENVIRONMENTAL RESPONSIBILITY

Electricity from renewable resources

The tender for the supply of electricity in 2023 was carried out in accordance with The Decree on green public procurement. We have concluded a contract for the supply of electricity produced 100% from renewable resources, subject to the provisions of the Decree. Energy obtained from environmentally friendly, renewable resources does not use fossil fuels in its production, and the capture of renewable energy sources does not deplete the resource. Thus, the environment is less burdened with greenhouse gases, harmful emissions and radioactive waste.

Procurement of material

When purchasing goods, we strive to comply with the provisions of The Decree on green public procurement, not only in procurement procedures but also in record-keeping procedures. Accordingly, we design tendering conditions for the purchase of goods that have a lower environmental impact over their entire life cycle compared to conventional goods, that conserve natural resources, materials and energy, and that have the same or better functionalities. In 2023, when purchasing sanitary materials, we ordered environmentally friendly products. We also make every effort to ensure that the paper we buy is as environmentally friendly as possible (FSC-certified). In order to reduce the consumption of paper, we are introducing electronic commerce for work with the aim of fully introducing a paperless environment. We took the biggest step towards realizing this goal with the purchase of software support for the document system, which was introduced in early 2021. We strive to introduce electronic business even more widely through electronic confirmation and signing of documents, not only to reduce paper consumption, but also to optimise certain processes and minimise our carbon footprint. We will continue to build on the digitisation of our business with the introduction of a document system.

8.4 COOPERATION WITH STAKEHOLDERS

Kapitalska družba, d. d. places particular emphasis on cooperation with its main stakeholder groups: the RS as an owner, SSH, trade unions, pensioners' associations, employers' associations, professional associations, investments, but also employees.

In the area of pension insurance, Kapitalska družba, d. d., in cooperation with stakeholders such as the Ministry of Labour, Family, Social Affairs and Equal Opportunities, Economic and Social Council, trade unions, employers' associations, the Government of the Republic of Slovenia, FURS, the CRP and the ZPIZ, sets standards for quality and reliability. In the field of asset management, the company works closely with stakeholders: SSH, companies with capital assets of the State in Kapitalska družba, d. d., the Slovenian Directors' Association, regulators and various financial institutions. The Government of the Republic of Slovenia also plays a special role as the legal representative of the owner, the Republic of Slovenia.

The Company strives to maintain constructive relationships with all these stakeholders, based on professionalism, flexibility, punctuality and transparency.

Stakeholders are involved in the operation of the company at various levels, including in the company's supervisory board and its commissions and the SODPZ board.

Kapitalska družba, d. d. strives to maintain smooth 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 video conference calls and by introducing electronic commerce.

Kapitalska družba, d. d. strives to establish mutually beneficial relationships based on a high level of trust with stakeholders, partners and suppliers.

Based on the systematic monitoring of the responses of key partners and suppliers, Kapitalska družba, d. d. introduces improvements and corrective measures. Based on the annual assessment of suppliers, business decisions are made regarding further relations with them, and new approaches to monitoring, implementing and optimizing individual processes are introduced.

8.5 SOCIALLY RESPONSIBLE INVESTING ACTIVITIES

In managing its assets, Kapitalska družba, d. d. also takes into account, to a reasonable extent in the process of selecting financial investments, the sustainability aspect of the activities of the issuers of financial investments, i.e. long-term sustainable operations with a positive attitude towards the environment, towards social issues and/or towards corporate governance.

For investments in shares or debt securities of companies and financial institutions, Kapitalska družba, d. d. 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 sustainability criterion. When investing in government debt securities, Kapitalska družba, d. d. takes into account, from a sustainability perspective, the level of governance of the issuing country, as expressed by the Worldwide Governance Indicators (WGI).

The sustainability aspect is taken into account in the case of purchases of financial investments, provided that an external source is available to Kapitalska družba, d. d. to measure it. If several different investments with similar characteristics and expected returns are available, when choosing an investment, priority is given to the investment with a better indicator of sustainable development, or in the case of the purchase of units of collective investment undertakings, to the undertaking which, as part of its investment policy, defines that it also takes into account sustainable development aspect.

8.6 CORPORATE INTEGRITY AND WHISTLEBLOWER PROTECTION

By adopting the Corporate Integrity Plan in July 2021, Kapitalska družba, d. d. is committed to the highest standards of corporate integrity. With the plan, it rounded off the integrity system, which it started building in 2019 by establishing a system for preventing, detecting and investigating fraud and other harmful practices and whistleblower protection.

In 2023, after becoming subject to the Whistleblower Protection Act, Kapitalska družba, d. d. upgraded its corporate integrity system with legislative requirements on whistleblower protection, internal whistleblowing channels for fraud, misconduct and other harmful practices, and the appointment of a trustee to receive and handle internal reports.



In the design and implementation of corporate integrity activities Kapitalska družba d. d., in addition to the Whistleblower Protection Act and the Code of Management of Governance Code for Companies with Capital Assets of the State, is also guided by reference documents, namely 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 corporate integrity risks specific to the Company's business, defining measures to mitigate these risks, appointing a Corporate Integrity Officer and putting in place measures to protect whistleblowers, including the appointment of a trustee to receive and deal with internal fraud, the Company demonstrates zero tolerance for corruption and illegal and unethical conduct by its employees, the Company's management and members of the Supervisory Board.



We also upgraded our operation as a socially responsible company by signing the Commitment to respect human rights in business operations.


8.7 DEMONSTRATION OF THE IMPLEMENTATION OF THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Table 15: Demonstration of the implementation of the United Nations (main) Sustainable Development Goals (SDGs)

Environmental aspect (E - Environment)	Activities in ESG	Comment	UN goals
Pollution prevention and control	Carbon footprint	In 2023, we measured the carbon footprint in scope 1 and 2 for the second time.	
	Continuing the roll-out of digitisation and paperless business	With the introduction of the document system, we have established the conditions for a gradual transition to paperless business (environment).	
	Compliance with the Green Procurement Decree	We follow the rules of the Green Procurement Decree in our procurement and record-keeping procedures and procure environmentally friendly products. We use paper made from responsibly sourced wood fibres.	
	Consistent separation of waste	The collection and separation of waste has been established by raising awareness among employees.	
	Energy consumption	The tender for the supply of electricity in 2023 was carried out in accordance with The Decree on green public procurement. We have concluded a contract for the supply of electricity produced 80% from renewable resources, subject to the provisions of the Decree.	

Social aspect (S - Social)	Activities in ESG	Comment	UN goals
	Responsible attitude towards the Broader Social Community	Kapitalska družba d. d., operates as a demographic fund and co-finances the public pension system. As the operator of SODPZ, Kapitalska družba, d. d. provides occupational pensions and other rights to occupational pensioners, thus making an important contribution to the strengthening and further development of the second pension pillar.	
	Responsible attitude towards external stakeholders and insured persons	We systematically cultivate and strengthen good relations with partner institutions in our ecosystem: trade unions, the Association of Pensioners' Societies (ZDUS), those liable for payment, insured and professional pensioners, and the Slovenian Directors' Association - ZNS. Mutually beneficial relationships are based on professionalism, agility and transparency, as well as on establishing interactive communication channels.	

Social aspect (S - Social)	Activities in ESG	Comment	UN goals
Accountability towards stakeholders, those liable for payment, insured persons, employees and the wider environment	Responsible attitude towards employees	<p>In Kapitalska družba d. d., we cultivate an organizational culture in which employees are successful and feel good. We adapt to the various needs and career expectations of our employees and in this way enable the holistic development of their skills. With the dominant form of employment for an indefinite period, we guarantee a high level of employee safety.</p> <p>Dialogue with employees is carried out through the Workers' Council and the Company's trade union, as well as quarterly meetings with all employees.</p> <p>With activities within the framework of the full „Family friendly company“ certificate, we make it possible to achieve and maintain a good balance between professional and private life.</p> <p>We organize "Open Doors Day" for employees' children. We also invite our retired colleagues to organized employee social gatherings.</p> <p>We are committed to a responsible attitude towards our employees through flexible working hours and the possibility to work from home (hybrid working).</p>	
	Designing current and future financial security	<p>We pay great attention to equal treatment and equal opportunities regardless of gender and other personal circumstances. We follow the Collective Agreement for Insurance in our remuneration policy. Stimulating and fair remuneration is ensured regardless of gender (the proportion of women among employees is 68%).</p> <p>Kapitalska družba, d. d., has also adopted the „Diversity Policy for the Management and the Supervisory Board of Kapitalska družba, d.d.“</p> <p>By enrolling all employees in a supplementary pension scheme and paying the maximum tax-deductible premium, we also ensure the financial security of employees in the third stage of life.</p>	
	Diversity and equal opportunities	<p>We promote lifelong learning, functional and holistic education, knowledge sharing among employees and intergenerational cooperation.</p> <p>Existing work areas and the development of new business functions are also upgraded through various forms of pre-planned training, tailored to the requirements of individual jobs, the specific areas of knowledge required by each employee and the development tasks of Kapitalska družba d. d.</p>	
	Safety and health of employees	<p>The health and well-being of employees are the fundamental maxims that Kapitalska družba, d. d. implements with a wide range of measures in the field of occupational safety and health. Based on the „Workplace Health Promotion Plan“, we promote healthy and sustainable lifestyles and implement systematic, targeted activities and measures to maintain and improve the physical and mental health of our employees. This is achieved through a combination of improving work organisation and the working environment, with good interpersonal relations at the top of the agenda, as these have a decisive impact on employees' health and well-being.</p> <p>Regular preventive medical examinations are organized with a wide range of tests and the possibility of additional examinations.</p> <p>We implement measures to strengthen health, including organized recreation for employees and organizing trainings about a healthy lifestyle.</p> <p>80% of employees are included in collective supplementary healthcare insurance.</p> <p>As part of preventive health care, employees receive free vaccinations against influenza and tick-borne encephalitis (TBE).</p>	

Management aspect (G - Governance)	Activities in ESG	Comment	UN goals
Business compliance and integrity	High standards of corporate governance	<p>The management of Kapitalska družba, d. d., is based on: Corporate Governance Code for Companies with Capital Assets of the State, Recommendations and Expectations of SSH, Corporate Governance Code of the Kapitalska družba Group, Guidelines of the Commission for the Prevention of Corruption, Slovenian Corporate Integrity Guidelines and Anti-Corruption Principles for State-Owned Companies.</p> <p>Kapitalska družba, d. d., committed itself to respecting the highest standards of corporate integrity by adopting the Corporate Integrity Plan. By identifying corporate integrity risks specific to the Company's business, defining measures to mitigate these risks and appointing a Corporate Integrity Officer, we demonstrate zero tolerance for corruption and illegal and unethical conduct by employees, management and members of the Supervisory Board.</p> <p>Kapitalska družba, d. d., also joined the Agreement on cooperation in the organization of the International Fraud Awareness Week in 2021, 2022 and 2023 as a partner. In this way, too, we want to participate in the exchange of good practices and the awareness of all stakeholders with the common goal of all signatories to reduce corruption, financial crime and fraud in the Republic of Slovenia.</p> <p>Kapitalska družba, d. d., has also been participating for many years as a sponsor of the corporate governance conference of the Slovenian Directors' Association - ZNS.</p>	
	Effect risk management	Risk management is integrated into business decision-making at all levels and takes place in accordance with the Rules on risk management of the Kapitalska družba Group.	
	Non-discrimination and respect for human rights and ethical principles and values of society	<p>We do business in accordance with our values. We use the creativity and innovation of our employees to solve challenges related to sustainable development.</p> <p>Kapitalska družba d. d., is also a signatory to the Commitment to respect human rights in business operations. By signing the Commitment to respect human rights in business operations, we have further strengthened our commitment to socially responsible corporate governance.</p> <p>We consistently implement measures to prevent unethical activity and act in accordance with our Corporate Integrity Plan.</p>	

9 REPORT ON RELATIONS WITH SUBSIDIARIES

Kapitalska družba, d. d., is the parent company in the insurance group, which includes the subsidiaries Modra zavarovalnica, d. d., Hotelske nepremičnine, d. o. o.¹¹, and FINAP, d. d. – in liquidation¹². Kapital-ska družba d. d., as the controlling company, is the 100% owner of Modra zavarovalnica, d. d. In the year 2023, there were no transactions between the controlling company and the subsidiary carried out under unusual market conditions. Kapitalska družba d. d., as the controlling company, is the 50% owner of the company Hotelske nepremičnine, d. o. o. In the year 2023, there were no transactions between the controlling company and the joint venture under unusual market conditions.

Leases of business premises

Modra zavarovalnica, d. d., is a tenant of business premises owned by Kapitalska družba, d. d. The lease was signed in 2019 and runs until September 2024. The monthly rent as at 31 December 2023 amounts to EUR 32,213.86, the rent price also includes electricity costs.

Provision of services in the field of information technology

Modra zavarovalnica, d. d. and Hotel nepremičnine, d.o.o. use system infrastructure (servers, communication equipment, printing devices, system software, disk capacities, etc.) owned by Kapitalska družba, d. d. In addition, Kapitalska družba, d. d., provides services related to information technology to its subsidiaries. The rental of system infrastructure and the provision of services in the field of information technology management are regulated in the contract on the provision of services in the field of information technology.

Pension plan funding contract

Kapitalska družba, d. d. has a contract with Modra zavarovalnica, d. d. on the financing of the pension plan for collective supplementary pension insurance implemented by the open-ended Life-Cycle Pension Fund (MKPS).

¹¹ In accordance with International Financial Reporting Standards and Accounting Policies, Hotelske nepremičnine, d. o. o., is treated as a joint venture.

¹² Kapitalska družba, d. d. holds a 66.08% stake in FINAP, d. d., – in liquidation, which it acquired pursuant to Article 48a ZNVP-1.

10 INDICATORS¹³

	Value as at 2023	Value as at 2022	Indicators in 2023	Indicators in 2022
in EUR 000				
1. FINANCING STATUS INDICATORS				
a) Ownership financing rate				
equity	1,274,968	1,130,623	0.87	0.87
liabilities	1,458,709	1,301,394		
b) Long-term financing rate				
Equity + long-term debts (including provisions) + long-term accrued and deferred liability items	1,392,403	1,235,799	0.95	0.95
Liabilities	1,458,709	1,301,394		
2. INVESTMENT STATUS INDICATORS				
a) Basic assets rate				
Fixed assets (at book value)	2,308	2,486	0.00	0.00
Assets	1,458,709	1,301,394		
b) Long-term assets rate				
fixed assets + non-current accrued revenue and deferred costs (at book value) + investment property + long-term investments + non-current operating receivables	1,302,705	1,157,035	0.89	0.89
assets	1,458,709	1,301,394		
3. HORIZONTAL FINANCIAL STRUCTURE RATIOS				
a) Capital coverage of fixed assets				
equity	1,274,968	1,130,623	552.41	454.80
fixed assets (at book value)	2,308	2,486		
b) Direct coverage of current liabilities				
Liquid assets	1,909	9,955	0.03	0.15
Current liabilities	65,688	65,595		
c) Accelerate coverage of current liabilities				
Liquidity assets + current receivables	78,539	83,247	1.20	1.27
Current liabilities	65,688	65,595		
d) Short-term coverage of current liabilities				
Short-term assets	130,232	128,360	1.98	1.96
Current liabilities	65,688	65,595		

13 Indicators are not audited.

v 000 EUR

	Value as at 2023	Value as at 2022	Indicators in 2023	Indicators in 2022
4. OPERATING EFFICIENCY RATIOS INDICATORS				
a) Economy of operation				
Operating revenue	18,800	11,150	2.75	0.77
Operating expenses	6,841	14,417		
5. RETURN RATIOS				
a) Net return on capital				
Net earnings of the accounting period	49,927	-68,986	0.04	-0.06
Average capital (without net profit or loss for the period)	1,212,325	1,209,467		
b) Dividends to share capital ratio				
Total dividends paid for the financial year	0	0	0.00	0.00
Average share capital	364,810	364,810		
C) Net return of assets				
Net earnings of the accounting period	49,927	-68,986	0.04	-0.05
Average assets	1,380,052	1,373,852		

11 CORPORATE GOVERNANCE STATEMENT

Pursuant to the fifth paragraph of Article 70 of the Companies Act (ZGD-1) and point 3.4 of the Corporate Governance Code for Companies with Capital Assets of the State, Kapitalska družba, d. d., hereby declares the corporate governance statement for the period from 1 January 2023 to 31 December 2023.

I. Kapitalska družba, d. d., as a public limited company in which the Republic of Slovenia is a 100% shareholder, voluntarily complies with the Corporate Governance Code for Companies with State Capital Investment (hereinafter: the Code), which contains principles, procedures and criteria for the conduct of members of management and supervisory bodies of companies in which the Republic of Slovenia is a stakeholders. In addition, Kapitalska družba, d. d., follows the valid Recommendations and expectations of Slovenian Sovereign Holding.

Kapitalska družba, d. d., provides a declaration of compliance with the Code adopted by SSH and was valid in 2023. The Code contains the principles and recommendations of good practice for the corporate governance code for companies with capital assets of the state. The text of the Code currently in force is publicly available on the website of Slovenian Sovereign Holding <http://www.sdh.si/sl-si/upravljanje-nalozb/kljucni-dokumenti-upravljanja>.

Management and Supervisory Board of Kapitalska družba, d. d., declare that they voluntarily comply with the Code in their work and operations. Deviations from the individual recommendations of the Code are indicated and explained below:

Article 3.1 of the Code: The fundamental goal of a company with capital assets of the State is to maximise its value and generate the maximum possible return for owners in the long term, unless laid down otherwise by the law or its Memorandum of Association. In order to ensure higher transparency in relation to the company goals, companies are obliged to make sure that all such goals are clearly defined in the company's documents on incorporation.

Clarification: Given the specific purpose of its establishment and the envisaged transformation into a demographic fund, and taking into account the strategy for the governance of the State's capital assets in the performance of its activities, Kapitalska družba, d. d. is primarily responsible for fulfilling the legal obligation to provide funds to the ZPIZ and for the management of the SODPZ.

Article 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 management policies, taking into account the company's objectives, values and responsibilities towards the wider social environment,
- | an indication of which management code the company has adopted as a reference code,
- | 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 of familiarizing subsidiaries, shareholders or members with the group's strategy and management standards,

- | the policy of transactions between the company and related companies, including their members of management bodies and controls,
- | a commitment by the Supervisory Board to establish a system for identifying conflicts of interest and the independence of members of the management and supervisory bodies, which includes provisions for action in the event of circumstances that materially alter their status vis-à-vis the company,
- | the commitment that the supervisory board will evaluate its own effectiveness,
- | the intention to form possible committees of the supervisory board and the definition of their roles,
- | a clear system of distribution of responsibilities and powers between the members of the company's management and control bodies,
- | rules between the company and its related entities, including their members of the management or supervisory boards, that are not governed by conflict of interest laws,
- | defining the company's communication policy, which includes high-quality standards for the design 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 in the Company, including the prevention of discrimination.

Clarification: Kapitalska družba d. d., in which SSH does not exercise a dominant influence, in 2023 it has not yet adopted the Corporate Governance Policy as an independent document. Regardless of the above, Kapitalska družba, d. d., materially respects all essential guidelines of the provision in question regarding the management of the company.

Article 4.3 of the Code: On matters relating to the exercise of membership rights from the capital investment of the state in a company with a capital assets of the state, the management and supervisory bodies of companies with capital assets shall refrain from any communication with representatives of the Ministries.

Clarification: Kapitalska družba d. d., does not fully comply with the stated provisions of the Code, since Kapitalska družba, d. d., is not a company managed by SSH, Kapitalska družba, d. d., based on the law, is the manager of SODPZ, which is part of the compulsory pension insurance, which makes communication with representatives of the ministries necessary regarding the implementation of occupational insurance.

Article 6.2 of the Code: The Supervisory Board, in cooperation with the management, shall establish a succession policy to ensure or manage the risk of a smooth transfer of management rights in the event of the termination of the term of office of the members of the Management Board. The aim of the policy is to train potential candidates from among the employees who would be suitable candidates for assuming managerial positions in the company.

Clarification: In 2024, Kapitalska družba, d. d. will adopt a succession policy in the form of a single document to identify, register and train potential candidates from the ranks of its employees who may be suitable candidates to take over management and leadership positions in the company (key personnel). The succession policy was adopted by the company's management board in December 2023, and it came into effect after its adoption by the company's supervisory board in 2024.

Article 6.5 of the Code: The supervisory board is composed in such a way as to ensure responsible supervision and decision-making for the benefit of the company. Regardless of whether the company has adopted a diversity policy, the composition of the supervisory board must take into account the expertise, experience and skills that are complementary among the individual members of the supervisory board (complementarity of knowledge and experience). The continuity and diversity of the

composition of the supervisory board should also be ensured to a greater extent in terms of characteristics such as age, international composition and gender representation in supervisory boards (heterogeneity of composition).

Subsection 6.5.1: The supervisory board prepares a competence profile for the members of the supervisory board from the point of view of the optimal size and composition of the supervisory board and publishes 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 Article 21(2) of the ZSDH-1. The supervisory board should review the competence profile once a year and, if necessary, update it accordingly.

Clarification: Kapitalska družba, d. d. shall comply with the above-mentioned provisions of article 6.5 and sub-section 6.5.1 of the Code accordingly, taking into account the mandatory provisions of the sixth paragraph of Article 51 of ZSDH-1 and the Articles of Association of the Company, which regulate the specific composition of the Supervisory Board of Kapitalska družba, d. d. Taking into account the aforementioned legal restrictions, the supervisory board could not prepare a competence profile for the members of the supervisory board from the point of view of the optimal size and composition of the supervisory board, and the Diversity Policy also pursues the goal of complementarity of knowledge and experience and heterogeneity of the composition of the supervisory board.

Article 6.8 of the Code: If the General Meeting elects the members of the Supervisory Board on a proposal from the Supervisory Board, the Supervisory Board shall, in addition to the information required by law, include for each proposed candidate, in the justification of the proposals for the adoption of resolutions, at least information on membership of other management or supervisory bodies and an assessment of potential conflicts of interest, where the assessment of a candidate's potential conflicts of interest shall also take into account the individual circumstances set out in Annex 1 to this Code. The supervisory board must also disclose information on whether the proposed candidate is independent as defined by this Code and whether the supervisory board followed the procedures defined by this Code when selecting the candidate.

Subsection 6.8.1 of the Code: In justifying its (election) proposal, the supervisory board also provides a description of the competence profile for the member of the supervisory board, as well as information about the candidate, which enables shareholders to assess the extent to which the candidate meets the characteristics of the required profile.

Clarification: The Company does not fully comply with the above provisions of article 6.8 and sub-section 6.8.1 of the Code due to the mandatory provisions of ZSDH-1 and the Company's Articles of Association, which provide for a special nomination procedure for members of the Company's Supervisory Board in the case of Kapitalska družba, d. d., as explained in the Transitional Explanatory Note under article 6.5 of the Code.

Article 6.9 of the Code: The process of selecting candidates for members of the supervisory board and drafting a proposal for a general meeting's resolution on the appointment of members of the supervisory board should be transparent and defined in advance.

Subsection 6.9.8 of the Code: Immediately after the announcement of the convening of the general meeting, which will elect new members of the supervisory board on the proposal of the supervisory board of the company with capital assets of the state, the chairman of the supervisory board of the company calls on the candidates proposed for election by the supervisory board to submit an application to the Human Resources Committee of SSH for accreditation and nomination. Candidates may also be invited to apply for accreditation and nomination by the Human Resources Committee of the SSH. The recommendation does not apply if the proposal of SSH candidates was the only recruitment route.

Clarification: Kapitalska družba, d. d., does not fully comply with the recommendations from subsection 6.9.8 of the Code, since the general meeting of Kapitalska družba, d. d., is represented by the Government of the Republic of Slovenia. In accordance with the provisions of ZSDH-1, three members of the supervisory board are appointed at the proposal of SSH, therefore, in accordance with the statute, the candidates from among the representatives of SSH are proposed by the Management Board of the Slovenian Sovereign Holding, which informs the Supervisory Board about the selection. Two members are appointed on the proposal of national federations or organizations of pensioners and one member on the proposal of trade unions or confederations representative of the country. The procedure for the selection of shareholder candidates and their proposers is set out in detail in the Company's Articles of Association.

Article 7.4 of the Code: At least in large companies, the culture of talent recognition and skills development should be present not only at the second level, but also deeper in the organisation. The development plan of an individual employee should define the direction of their career and the definition of critical competencies that are necessary for the current and future success of the organization. Management is responsible for motivating employees, strengthening the sense of responsibility among employees and for strengthening the desired leadership. The reward system is based on knowledge, performance, education and complexity of work.

Clarification: Kapitalska družba, d. d., partially complies with the stated provision of the Code, as it has not yet adopted a development plan for all employees, but respects the other essential directions of the provision in question. As already explained in article 6.2 of the Code, in 2024 Kapitalska družba, d. d. will adopt a succession policy in the form of a single document for the Management Board and leadership personnel of the Company, which has already been adopted by the Management Board in December 2023, insofar as it relates to the heads of the organisational units.

Article 7.5 of the Code: The management formulates the company's strategy, taking into account the company's fundamental goals, vision and aspects of sustainable business. Based on the strategy, it creates a business plan for each financial year, which includes an investment plan, a financial plan, a personnel plan, and a success plan based on various indicators and a risk assessment.

Clarification: Kapitalska družba d. d., partially complies with the stated provision of the Code, as it does not have a multi-year company strategy, but only an annual business plan that contains all the required elements. Regardless of the above, the company has adopted strategies for the management of its own assets and for the management of SODPZ.

Article 8.5 of the Code: Large and medium-sized companies draw up a financial calendar before the start of the year, which includes the expected dates of the company's major announcements (general shareholders meetings, dividend payment dates, annual and interim reports) for the financial year. The financial calendar is published and accessible to the public on the company's website.

Clarification: The Company cannot comply with this provision of the Code due to the specifics provided for Kapitalska družba, d. d. by the ZSDH-1 (in accordance with Article 52(2) of the ZSDH-1, the Company's distributable profit cannot be used for distribution to shareholders, and the duties of the Company's General Meeting are performed by the General Meeting of SSH i.e., the Government of the Republic of Slovenia, in accordance with Article 51 of the ZSDH-1).

Article 11.2 of the Code:

II. Description of the company's main characteristics of internal control and risk management systems relating to the accounting reporting procedure

Clarification: Kapitalska družba, d. d. manages risks and carries out internal control procedures at all levels. The purpose of internal controls is to ensure the accuracy, reliability, transparency and clarity of all processes and risk management related to accounting reporting.

The controls carried out in the Accounting Department, which is in charge of keeping books of account and compiling financial statements pursuant to the applicable accounting, tax and other regulations, include procedures ensuring that:

- | business events are recorded based on authentic bookkeeping documents, which serve for the accurate and fair recording of these events and provide a guarantee that the Company disposes of its assets with integrity,
- | business events are recorded, and financial statements prepared in compliance with applicable legislation.

The financial statements of Kapitalska družba, d. d. for each financial year are also examined and audited by an external audit. Pursuant to the resolution of the General Meeting as at 26 August 2022, the Company's financial statements for 2023 are audited by the audit company PricewaterhouseCoopers d. o. o., Ljubljana, which has been appointed as the Company's auditor for the financial years 2022, 2023 and 2024.

The internal audit department is located in the organizational structure of the company as an independent organizational unit, directly subordinate to the management board, but also functionally subordinate to the audit committee and the supervisory board. This provides the independence of its operations and separation from executive functions that are the subject of audit. The fundamental focus of Internal Auditing is to examine and provide assurance on the operations of the Company's internal control systems. An internal auditor assesses the efficiency of internal controls in terms of the management of risks that the Company is exposed to. In accordance with the annual work program adopted by the company's management and supervisory board, the internal audit carries out audits for individual areas of the company's operations. By proposing improvements to business processes and procedures in the company, the internal audit contributes to increasing the performance of the company's operations.

III. Important direct and indirect ownership of the Company's securities in terms of achieving a qualifying holding as laid down by the act regulating takeovers

Clarification: The sole shareholder of Kapitalska družba d. d., is the Republic of Slovenia, which is the holder of all 874,235 ordinary registered no-par value shares (100% holding in the share capital).

IV. Holders of securities that carry special control rights

Clarification: The Company has issued no securities that would grant special control rights.

V. Restrictions on voting rights

Clarification: The sole shareholder of Kapitalska družba d. d., is the Republic of Slovenia, which is the holder of all 874,235 ordinary registered no-par value shares and has no restrictions on voting rights.

VI. The company rules on the appointment or replacement of members of the management/supervisory bodies and amendments to Articles of Incorporation

Clarification: The Company's rules on the appointment and replacement of the members of the management and supervisory bodies and amendments to articles of association are set out in the company's Articles of Association.

The Supervisory Board of Kapitalska družba, d. d. is appointed by the General Meeting of the Company. 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 – SSH), 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 area of the country. If stakeholders do not formulate a proposal for the ap-

pointment of Supervisory Board members as defined below, the missing members of the Supervisory Board are appointed at the discretion of the General Meeting of the Company. The candidates from among the representatives of SSH 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.

Members of the Management Board are appointed by the Supervisory Board on the basis of a public job announcement. One of the Members is appointed Chairman of the Management Board. The term of office of the Management Board members is four years with the possibility of re-appointment. The Management Board or one of its Members may be dismissed early, solely for the reasons laid down in paragraph 2 of Article 268 of the Companies Act (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 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.

VII. Authorisations to the Management, particularly authorisations to issue or purchase own shares

Clarification: The powers held by members of the management are laid down in the Company's Articles of Association. The Company's Management Board is not authorised to issue or purchase treasury shares.

VIII. Information on the operations and key competences of the Company's General Meeting and a description of the shareholders' rights and method of their enforcement

Clarification: The sole shareholder of the company exercises its rights arising from the ownership of shares at the company's general meeting. The General Meeting is the highest body of the Company and acts pursuant to the provisions of ZGD-1, ZSDH-1 and Company's Articles of Association. The General Meeting is convened by the company's management board, as laid down to by the law and Articles of Association when it 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 by the Management Board at the request of the shareholder. A shareholder's request to convene a general meeting shall be accompanied in writing by the agenda, a draft resolution for each proposed agenda item on which the general meeting is to make a decision, or, if the general meeting does not take a decision on a particular agenda item, by a statement of the reasons for the agenda item. The convening of the general meeting must be published at least 30 days before the day of the general meeting. The convocation of the General Meeting is published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) and on the website of Kapitalska družba, d. d. The published convocation of the General Meeting must also contain proposals for resolutions and an indication of the place where the entire material to be submitted for decision-making at the General Meeting must be made available at the same time the convocation is published. The right to participate in the general meeting and exercise the voting rights belongs to a shareholder who, as a holder of shares, is registered in the central register of book-entry securities at the end of the fourth day before the gathering of the general meeting.

The General Meeting decides on the fundamental affairs of Kapitalska družba, d. d., and in particular: adopts the Company's Articles of Association and its amendments; adopts the annual report in the event that the Supervisory Board has not approved it or if the Supervisory Board leaves the decision on the adoption of the annual report to the General Meeting; takes decisions regarding the use of distributable profit at the proposal of the Management and Supervisory Boards; takes decisions on discharging members of the Management and Supervisory Boards; appoints and dismisses members of the Company's Supervisory Board; appoints the Company's auditor; takes decisions regarding measures to increase or decrease share capital, unless laid down otherwise by the Articles of Association or the law; takes decisions on the dissolution of Kapitalska družba, d. d. and its status changes, as well as on other matters in line with the law and Articles of Association.

IX. Information about the composition and operations of the management and supervisory bodies and their committees

Clarification: The governance and management of Kapitalska družba, d. d. are based on legal provisions and the provisions of the Articles of Association. The Company has a two-tier governance system, with the Management Board managing the Company and the Supervisory Board supervising its operations.

a) Supervisory Board

The powers of the Supervisory Board are laid down in the Company's Articles of Association, while the method of its work is governed by the Supervisory Board's Rules of Procedure. A detailed description of the activities and the method of Supervisory Board operations in 2023 is provided in the Report of the Supervisory Board. In 2023, the Supervisory Board of Kapitalska družba d. d. operated in the following composition:

- | Janez Tomšič, Chairman,
- | Boris Žnidarič, Deputy chairman,
- | Ladislav Rožič, Member,
- | Mirko Miklavčič, Member,
- | Boštjan Leskovar, Member,
- | Andreja Cedilnik, Member.

In 2023, three Supervisory Board Committees (Audit Committee, Accreditation Committee (until 9 March 2023) and Human Resources Committee) were active. Their work is presented in the Report of the Supervisory Board.

The Audit Committee of the Supervisory Board of Kapitalska družba, d. d., in the year 2023 until 9 March 2023 was composed of five members: Andreja Cedilnik, Chairman, Ladislav Rožič, Member (until 1 February 2023), Mirko Miklavčič, Member (until 1 February 2023), Natalija Stošicki, External member, and Mojca Verbič, External member. From 10 March 2023, the audit committee was composed of four members: Andreja Cedilnik, Chairman, Boštjan Leskovar, Member, Mirko Miklavčič, Member, and Natalija Stošicki, External member. The members of the Audit Committee appointed from among the members of the Supervisory Board shall be appointed for the period until the expiry of the term of office of the member of the Supervisory Board, unless the Supervisory Board decides otherwise by resolution. The term of the independent expert (external member) is not tied to the term of office of the members of the supervisory board, and the supervisory board can replace him at any time.

In 2023, the Accreditation Committee of the Supervisory Board worked until 9 March 2023, and was composed of: Boris Žnidarič, Chairman (until 1 February 2023), Boštjan Leskovar, Member, Ladislav Rožič, member (until 1 February 2023), Alenka Stanič, External member, Irena Prijović, External member, and Gorazd Žmavc, External member.

In the year 2023, until 8 March 2023, the Human Resources Committee of the Supervisory Board was composed of: Boštjan Leskovar, Chairman, Andreja Cedilnik, Member, and Mirko Miklavčič, Member (until 1 February 2023). As at 9 March 2023, the Human Resources Committee was composed of: Boštjan Leskovar, Chairman, Ladislav Rožič, Member, and Andreja Cedilnik, Member. Members of the Human Resources Committee, all of whom are also members of the Supervisory Board, are appointed for the period until the expiry of the term of office of the member of the Supervisory Board, unless the Supervisory Board decides otherwise by resolution.

b) Management Board

In accordance with ZSDH-1 and the company's articles of association, the management board has a minimum of two and a maximum of three members. Members of the Management Board are appointed by the Supervisory Board on the basis of a public job announcement for the period of four years. In 2023, Kapitalska družba d. d., was run by the Management Board composed of:

- | Bachtar Djalil, Chairman of the Board,
- | Gregor Bajraktarević, Member.

The Chairman of the Management Board and a member of the Management Board of Kapitalska družba, d. d. were appointed by the Supervisory Board on the basis of a public tender, in accordance with the Company's Articles of Association¹⁴ and the provisions of ZSDH-1.14

The management runs the company for the good of the company, independently and at its own responsibility. The members of the Management Board shall represent the Kapitalska družba d. d., independently and without limitation. The Company's Articles of Association lay down the transactions and decisions for which the Management board must obtain the approval of the Supervisory Board. The Management Board of Kapitalska družba, d. d. is accountable to the Supervisory Board and the General Meeting, and in the conduct of its business it must act with the professional care of a good businessperson, protect business secrets of Kapitalska družba, d. d. and comply with the non-competition clause.

In 2023, the Management Board exercised its responsibilities in accordance with the Management's Rules of Procedure, reported regularly to the Supervisory Board and, in accordance with the Articles of Association, fulfilled its obligations towards the shareholder, as defined by ZGD1 in ZSDH-1.

Table 16: Management's composition in the financial year 2023

Name and surname	Function (chairman, member)	Areas of work within the Management Board	First appointment to the function	Completion of the function/term of office	Gender	Citizenship	Year of birth	Education	Professional profile	Membership in the supervisory boards of companies not related to the Company
Bachtar Djalil	Chairman	Legal and Human Resources, Internal Audit, Risk Management, Finance and Accounting, General Affairs	1 January 2010	4 January 2027	M	RS	1975	Bsc (Law), LL.M. (Groningen)	Corporate governance, pension and investment fund management, commercial and financial law	Loterija Slovenije, d. d. (until 04 April 2023)
Gregor Bajraktarević	Member	Asset Management, IT and Business Processes, Pension Fund Management	6 February 2017	9 February 2027	M	RS	1975	Msc (Science)	Asset management, corporate governance, investment banking and corporate restructuring	HIT, d. d. (until 1 September 2023)

¹⁴ On 4 January 2023, Bachtar Djalil took up a new four-year term as Chairman of the Management Board and on 9 February 2023, Gregor Bajraktarević took up a new four-year term as Member of the Management Board.

Table 17: Composition of the Supervisory Board and committees in financial year 2023

Name and surname	Function (chairman, deputy chairman, member of the SB)	First appointment to the function	Completion of the function/term of office	Representative of capital/employees	Attendance in SB meetings compared to the total number of SB meetings (e.g. 5/7)			Gender	Citizenship	Year of birth	Education	Professional profile	Independence under point 6.6 of the Code (YES/NO)		Existence of a conflict of interest during the financial year (YES/NO)		Membership in supervisory bodies of other companies	Membership in committees (audit, HR, remuneration committee, etc.)	Chairman/Member	Attendance in committee meetings compared to the total number of meetings (e.g. 5/7)
Janez Tomšič	Chairman	21 October 2021	21 October 2025	Representative of capital	9/9	M	RS	1979	Bsc (Law)		corporate governance, real estate management, commercial law	Yes	No	SID , d.d.	/		/		/	
Boris Žnidaršič	Deputy (from 1 January 2023 to 1 February 2023 and from 9 March 2023 onwards)	1 February 2015	1 February 2027	Representative of pensioners	9/9	M	RS	1948	Sc.D.		Master of Laws and PhD in Social Sciences, qualified university teacher	Yes	No	Krka, d. d.,	Accreditation		Chairman (until 1 February 2023)	there were no meetings		
Ladislav Rožič	Member	31 January 2011	1 February 2027	Representative of the trade unions	9/9	M	RS	1957	Msc (Science)	finance, corporate governance	Yes	No	/	Audit	Member (Until 1 February 2023)	there were no meetings				
														Accreditation	Member (Until 1 February 2023)	there were no meetings				
														HR	Member (Until 9 March 2023)	0/1				
Mirko Miklavčič	Member	2 February 2019	1 February 2027	representative of pensioners	9/9	M	RS	1947	Bsc in labour relations	finance, corporate governance, insurance	Yes	No	/	Audit	Member (until 1 February 2023 and from 9 March 2023)	9/9				
														HR	Member (Until 1 February 2023)	there were no meetings				
Boštjan Leskovar	Member	21 October 2021	21 October 2025	Representative of capital	9/9	M	RS	1973	Msc (Science)	finance, governance systems, corporate governance	Yes	No	Elektro Celje, d. d. (until 31 August 2023)	HR Accreditation	Chairman (Until 9 March 2023)	2/2				
														Audit	Member (Until 9 March 2023)	9/9				
Andreja Cedilnik	Member	31 August 2022	31 August 2026	Representative of capital	9/9	F	RS	1974	Bsc (Economics)	finance, accounting, controlling, corporate governance	Yes	No	/	Audit	HR	Chairman Member	10/10 2/2			

Table 18: External members of Supervisory Board committees in the financial year of 2023

Name and surname	Committee	Attendance in committee meetings compared to the total number of meetings (e.g. 5/7)	Gender	Citizenship	Education	Year of birth	Professional profile	Membership in the supervisory boards of companies not related to the Company
Mojca Verbič (until 9 March 2023)	Audit	1/1	F	RS	Bsc (Economics)	1975	Expert in finance and business support	/
Irena Prijović (until 9 March 2023)	Accreditation	there were no meetings	F	RS	Msc (Science)	1968	Corporate governance	Uradni list, d. o. o., Športna loterija, d. d. (until 26 August 2023)
Alenka Stanič (until 9 March 2023)	Accreditation	there were no meetings	F	RS	Sc.D.	1963	Key Personnel Consultant	/
Gorazd Žmavc (until 9 March 2023)	Accreditation	there were no meetings	M	RS	law	1947	legal field	/
Natalija Stošicki	Audit	9/10	F	RS	Bsc (Economics)	1966	financial services expert	/

X. Description of the diversity policy regarding representation in the company's management and supervisory bodies

Kapitalska družba, d. d. has adopted a diversity policy in 2023 with regard to representation in the company's management or supervisory bodies in terms of gender and other aspects such as age or education and professional experience. The Diversity Policy of the Management Board and Supervisory Board sets out the main principles for ensuring diversity in the Management Board and Supervisory Board of Kapitalska družba, d. d. The Diversity Policy promotes diversity in the membership of both bodies. Differences in knowledge, experience, professional qualifications, age, gender and other aspects of the members of the Management Board and the Supervisory Board can be used to the benefit of the company by the diverse composition of the bodies. The Diversity Policy aims to achieve greater diversity in the composition of the Management Board and the Supervisory Board, which will contribute to the effectiveness of both bodies and will have a positive impact on the development of the Company's business and reputation. Ensuring diversity in terms of gender, age, educational and professional background, professional profile, tenure allows for the exchange of different views and perspectives and a good understanding of current developments, with the aim of ensuring the long-term success and sustainability of the Company's business. The Management Board and the Supervisory Board and its human resource committee strive to achieve the goals of the Diversity Policy, each within the scope of their responsibilities. The commitment to the implementation of the Diversity Policy is also followed by the sole shareholder and other stakeholders, in particular when proposing the members of the Supervisory Board, as Article 51(6) of the Slovenian Sovereign Holding Act (ZSDH-1) provides for a legally defined interest-based composition of the Supervisory Board, according to which, out of a total of six members of the Supervisory Board, three members are appointed on the proposal of SSH, two members are appointed on the proposal of national pensioners' federations or organisations, and one member is appointed on the proposal of trade union federations or confederations.

tions, representative of the country. The aim shall be to have as equal a gender balance as possible and continuity of orientation so that not all members of the Management Board or Supervisory Board are replaced at the same time. The complementarity of the two bodies is also important. Gender diversity is skewed in favour of the male gender, with a ratio of 83.3% : 16.7% on the Supervisory Board and 100% : 0% on the Management Board.



Gregor BAJRAKTAREVIĆ

Member of the Management Board



Bachtiar DJALIL

Chairman of the Management Board

Ljubljana, 18 April 2024

TRUST.

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 2023 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 2023.

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, 18 April 2024

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 2023, 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 April 2024.

What we have audited

The Company's separate financial statements comprise:

- the separate Statement of Financial Position as at 31 December 2023;
- the separate Income Statement 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 material accounting policy information 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.

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

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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:

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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 and its subsidiaries 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 and its subsidiaries, in the period from 01 January 2023 to 31 December 2023 are disclosed in the Note No. 3 Audit fees.

Our audit approach

Overview

Materiality	Overall Company materiality: EUR 14,587 thousand, which represents 1% of the Company's total assets.
Key audit matter	Fair Value of Investments in Level 3 of the 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.

Overall Company materiality	EUR 14,587 thousand
How we determined it	1% of total assets

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Rationale for the materiality benchmark applied

The amount of the Company's total assets is an important indicator of operations for the key stakeholders. Based on 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.

We chose the threshold of 1% which is consistent with quantitative materiality thresholds used for public interest entities.

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>Fair Value of Investments in Level 3 of the fair value hierarchy</p> <p>Refer to note 15.2 Significant information on Accounting policies and 16 Investments, excluding loans of the financial statements:</p> <ul style="list-style-type: none"> 15.2 Significant information on accounting policies – Significant accounting judgements and estimates 15.2. Significant information on accounting policies – Classification and valuation of financial assets and fair value measurement of non-marketable financial and non-financial assets, 15.2. Significant information on accounting policies – Financial assets: Classification and measurement of financial assets, 15.2 Significant information on accounting policies – Financial assets: Determining fair value of investments 15.2 Significant information on accounting policies – Financial assets: Criteria for classification of investments based the level of the fair value hierarchy, Note No. 16 - Investments, excluding loans: Fair value hierarchy as at 31 December 2023 Note No. 16 - Investments, excluding loans: Table 36: Changes in Level 3 investments in 2023. <p>The total value of investments in level 3 of the fair value hierarchy amounts to EUR 110,520 thousand as at 31 December 2023 (as at 31 December 2022: EUR 85,473 thousand).</p>	<p>Given the high level of complexity and estimation involved within the valuation process we engaged in-house valuation experts for their assistance and involvement within our audit work. During the course of our audit, we have performed the following procedures;</p> <ul style="list-style-type: none"> testing the design and implementation of selected internal controls in the process of 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 at level 3 of fair value hierarchy, Verification of the methods and models used in the determination of the fair value of the investment at level 3 of the fair value hierarchy in line with the requirements of IFRS 13 verification of the accuracy and reasonableness of the assumptions applied (discount rates, financial projections / plans and Collateral) in the models used in estimating fair value of the investment at level 3 of fair value hierarchy, Performed testing over a sample of inputs used in the valuation process for Level 3 investments as of 31 December 2023 and assessed the methodology used for fair value adjustments, in light of available market data and industry trends,

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Significant estimates are applied in the valuation of financial assets in level 3. These include interest rates, future expected cashflows, required rate of return on debt and equity as well as the prevailing market conditions within the EU and global markets which it operates.

The Company has the following types of investments at level 3 of the fair value hierarchy as of 31 December 2023:

- equity instruments representing 68.0 % or EUR 75,133 thousand of level 3,
- Account receivable representing 25.7 % or EUR 28,416 thousand of level 3,
- Exchange traded funds (ETF) representing 3.5 % or EUR 3,840 thousand of level 3 and
- other debt instruments representing remaining 2.8 % or EUR 3,130 thousand of level 3.

The assessment of the fair value of equity instruments in level 3 was carried out using the yield-based method of assessing the value of the company, using the method of discounting free cash flows and the method of discounted dividends, and using the asset-based method of assessing the value of the company, using the method of net asset value (adjusted book values).

The estimated fair value of account receivable is determined on the basis of the estimated fair value of the principal collateral using the return-based method of valuation using the method of discounting free cash flows..

Estimating the fair value of investments in level 3 of the fair value hierarchy is based on valuation models that consider significant observable and unobservable inputs that are not publicly available in the markets (discount rates, WACC). Certain data for the valuation is obtained from the Bloomberg and other financial sources, and for some companies, an important source is data and documents about their past and future operations, which the management obtained from the companies that were the subject of the evaluation.

Given the the complexity of the accounting estimates and assumptions in the fair value valuation models of financial assets in level 3, which represent an important item from the point of view of the audit of the company's separate financial statements, we determined this area as significant for our audit and as a key audit matter

- assessment of the completeness of the presentation and disclosures in the separate financial statements as at 31 December 2023.

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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.

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

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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.
- 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.

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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 two years.

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
18 April 2024
Ljubljana, Slovenia

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14 SEPARATE FINANCIAL STATEMENTS FOR 2023

14.1 SEPARATE STATEMENT OF PROFIT OR LOSS

in EUR 000

Item	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
1. Net sales revenue	1	11,413	11,012
2. Other operating revenue	2	7,387	138
Total operating revenue		18,800	11,150
3. Costs of materials and services	3	-1,732	-1,846
4. Labour costs	4	-3,936	-3,538
5. Write-downs in value	5	-1,123	-1,153
6. Other operating expenses	6	-50	-7,880
Total costs		-6,841	-14,417
Results from operating activities		11,959	-3,267
7. Financial revenue			
a) Financial revenue from shares in group companies	7. 1	3,298	4,700
b) Financial revenue from shares in associates	7. 1	1,578	1,726
c) Financial revenue from shares in other companies	7. 1	86,706	56,319
d) Financial revenue from other investments and from loans	7. 2	7,888	5,777
Total financial revenue	7	99,470	68,522
8. Financial expenses			
b) Financial expenses due to impairment and write-off of other investments	8.1.	-5,726	-70,268
c) Financial expenses from financial liabilities	8.1.	-65,010	-50,009
Total financial expenses	8	-70,736	-120,277
Profit/loss before tax		40,693	-55,022
9. Corporate income tax	9	-618	0
10. Deferred tax	10	9,852	-13,964
11. Net profit or loss for the period		49,927	-68,986

The disclosures and notes on pages 87 to 153 form an integral part of the financial statements.

14.2 SEPARATE STATEMENT OF COMPREHENSIVE INCOME

in EUR 000

	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Profit or loss for the year	49,927	-68,986
Other comprehensive income for the financial year	93,610	-101,188
Items not to be later reclassified subsequently to profit or loss	93,462	-97,309
Actuarial gains/losses within defined employee benefits plans	-44	54
Gains/losses in relation to changes in fair value of investments in equity, measured at fair value through other comprehensive income	113,083	-108,546
Tax on items subsequently not to be reclassified to profit or loss	-19,577	11,183
Items that may be reclassified subsequently to profit or loss	148	-3,879
Gains/losses in relation to investments in debt instruments, measured at fair value through other comprehensive income	195	-4,789
Tax on items that may be reclassified subsequently to profit or loss	-47	910
Total comprehensive income for the year	143,537	-170,174

The disclosures and notes on pages 87 to 153 form an integral part of the financial statements.

14.3 SEPARATE STATEMENT OF FINANCIAL POSITION

in EUR 000

Item	Note	31 Dec 2023	31 Dec 2022
ASSETS			
A. Non-current assets			
I. Intangible assets and non-current deferred costs and accrued revenue	11	65,084	65,186
II. Property, plant and equipment	12	2,224	2,329
III. Investment property	13	15,424	16,163
IV. Long-term investments			
1. Long-term investments, except loans			
a. Shares and interests in Group companies	14	152,200	152,200
b. Shares and interests in associated companies	14	73,413	49,189
c. Joint ventures	14	5,963	5,963
d. Other shares and interests	16	929,336	794,658
e. Other long-term investments	16	58,781	71,099
Total long-term investments, excluding loans		1,219,693	1,073,109
Total long-term investments		1,219,693	1,073,109
V. Non-current operating receivables	17	280	248
VI. Deferred tax assets	10	25,772	15,999
Total non-current assets		1,328,477	1,173,034
B. Current assets			
I. Assets held for sale	15	0	5,074
III. Short-term investments			
1. Short-term investments, except loans	16	51,693	40,039
Total short-term investments		51,693	40,039
IV. Current operating receivables			
1. Current operating receivables due from Group companies		33	30
2. Current trade receivables		1,106	1,090
3. Current operating receivables due from others		10,430	7,085
4. Other current operating receivables		65,061	65,087
Total current operating receivables	17	76,630	73,292
V. Cash and cash equivalents	18	1,909	9,955
Total current assets		130,232	128,360
Total assets		1,458,709	1,301,394

in EUR 000

Item	Note	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
A. Equity			
I. Called-up capital	19	364,810	364,810
II. Capital surplus	20	218,801	218,046
V. Reserves arising from valuation at fair value	21	403,536	309,926
VI. Net profit or loss brought forward		237,894	306,827
VII. Net profit or loss for the year		49,927	-68,986
Total equity		1,274,968	1,130,623
B. Provisions			
I. Provisions for pensions and similar obligations		326	261
II. Other provisions		583	7,903
Total provisions	22	909	8,164
C. Non-current liabilities			
I. Non-current financial liabilities		65,000	65,000
II. Non-current operating liabilities		2	32
Total non-current liabilities	23	65,002	65,032
III. Deferred tax liabilities	10	51,524	31,980
Total non-current liabilities		116,526	97,012
D. Current liabilities			
III. Current operating liabilities			
2. Current trade payables		151	125
5. Current liabilities to the state		65,027	65,023
7. Other current operating liabilities		510	447
Total current operating liabilities	23	65,688	65,595
IV. Current tax liabilities	9	618	0
Total current liabilities		66,306	65,595
Total equity and liabilities		1,458,709	1,301,394

The disclosures and notes on pages 87 to 153 form an integral part of the financial statements.

14.4 SEPARATE CASH-FLOW STATEMENT

in EUR 000

	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
A. Cash flows from operating activities		
a) Net profit or loss, and adjustments		
Net profit or loss	49,927	-68,986
Tax adjustment	-9,234	13,964
Adjustments for depreciation of property, plant and equipment, amortisation of intangible assets, and depreciation of investment property	1,122	1,153
Adjustments for financial income	-99,470	-68,522
Adjustments for financial expenses	70,736	120,277
Adjustments for profit/loss on sale of property, plant and equipment	0	-2
Operating profit before changes in net current assets and taxes	13,081	-2,116
b) Changes in net current assets and provisions		
Opening less closing operating receivables	-3,370	-18,568
Opening less closing assets (disposal groups) held for sale	0	6,469
Closing less opening operating debts	711	14,620
Closing less opening operating liabilities	-7,255	7,822
Cash generated from operating activities	-9,914	10,343
c) Net cash (disbursements) from operating activities	3,167	8,227
B. Cash flows from investing activities		
a) Net receipts from investing activities		
Receipts from interest	1,412	602
Receipts from dividends	39,130	37,196
Cash receipts from disposal of property, plant and equipment	0	2
Receipts from decrease of long-term investments	18,728	27,643
Receipts from decrease of short-term investments	71,687	28,048
Total receipts from investing activities	130,957	93,491
b) Cash disbursements from investing activities		
Cash disbursements to acquire intangible assets	-34	-8
Disbursements to acquire property, plant and equipment	-158	-74
Cash disbursements to acquire investment property	-13	0
Disbursements to acquire long-term investments	-3,961	-1,981
Disbursements to acquire short-term investments	-73,758	-66,442
Total cash disbursements for investing activities	-77,924	-68,505
Cash from investing activities	53,033	24,986
C. Cash flows from financing activities		
a) Cash receipts from financing activities		
Cash receipts from paid-in capital	754	207
Total cash receipts from financing activities	754	207
b) Cash disbursements for financing activities		
Cash disbursements for repayment of current financial liabilities	-65,000	-50,000
Total cash disbursements for financing activities	-65,000	-50,000
c) Cash from financing activities	-64,246	-49,793
D. Closing balance of cash		
a) Net cash flow for the period	-8,046	-16,580
b) Opening balance of cash	9,955	26,535
c) Total closing balance of cash	1,909	9,955

The disclosures and notes on pages 87 to 153 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 December 2022	364,810	218,046	309,926	306,827	-68,986	1,130,623
A. 2. Balance as at 1 January 2023	364,810	218,046	309,926	306,827	-68,986	1,130,623
B. 1. Changes in equity – transactions with owners	0	755	0	0	0	755
d) Entry of additional paying-up of the capital	0	755	0	0	0	755
B. 2. Total comprehensive income for the period	0	0	93,610	0	49,927	143,537
a) Net profit or loss for the reporting period	0	0	0	0	49,927	49,927
d) Changes in reserves arising from valuation of investments at fair value	0	0	93,654	0	0	93,654
d) Other components of the comprehensive income of the period	0	0	-44	0	0	-44
B. 3. Changes in equity	0	0	0	-68,933	68,986	53
a) Distribution of the remaining part of the net profit of the comparative reporting period to other components of equity	0	0	0	-68,986	68,986	0
f) Profits/losses from derecognition of equity investments measured at fair value through other comprehensive income to retained earnings	0	0	0	53	0	53
C. Closing balance as at 31 December 2023	364,810	218,801	403,536	237,894	49,927	1,274,968

The disclosures and notes on pages 87 to 153 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 December 2021 (adjusted)	364,810	217,839	411,114	225,561	65,862	1,285,186
A. 2. Balance as at 1 January 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 December 2022	364,810	218,046	309,926	306,827	-68,986	1,130,623

The disclosures and notes on pages 87 to 153 form an integral part of the financial statements.

14.7 STATEMENT OF ACCUMULATED PROFIT

in EUR 000

		2023	2022
a	Net profit or loss for the year	49,927	-68,987
b	+	Retained net profit/loss	237,894
e	Distributable profit (a+b) distributed by the General Meeting of Shareholders	287,821	237,841

As at 31 December 2023, Kapitalska družba, d. d. disclosed distributable profit in the amount of EUR 287,821,239,21. 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 Company's share capital amounts to EUR 364,809,523.15, and is divided into 874,235 registered no-par value ordinary shares. Each no-par value share shall account for the same proportion and corresponding 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 of the Members is appointed Chairman of the Management Board. The term of office of the Management Board members is four years with the possibility of re-appointment. The Management Board or one of its Members may be dismissed early, solely for the reasons laid down in paragraph 2 of Article 268 of the Companies Act (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 Company's Management Board is not authorised to issue or purchase treasury shares.

The Supervisory Board of Kapitalska družba, d. d. is appointed by the General Meeting of the Company. 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 – SSH), 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 area of the country. If stakeholders do not formulate a proposal for the ap-

pointment 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 SSH 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 company

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 2023, 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 represents an equal stake and an associated 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. – in liquidation

Registered office: Rimska cesta 11, Ljubljana

Company ID number: 5001927000

Tax number: 37429043

As at 31 December 2023, 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.¹⁵

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, d. d., is, as the controlling company, obligated to prepare consolidated financial statements. The consolidated financial statements of the Kapitalska družba Group for 2023 have not yet been prepared as of the date of approval of the separate financial statements. When they are prepared and approved, they will be presented in a special document, the Consolidated Annual Report of the Kapitalska družba Group for 2023.

The Annual Report of Kapitalska družba, d. d. for 2023 has to be read in conjunction with the Consolidated Annual Report of the Kapitalska družba Group for 2023, which will be prepared upon the drafting of the Annual Report of Kapitalska družba, d. d., for 2023 and the annual report of its subsidiary for 2023.

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 2024.

¹⁵ On 7 March 2024, FINAP, storitve in posredovanje, d. d. – in liquidation was deleted from the court register on the basis of the following sequence of decisions of the registration court. By order ref. no. Srg 2023/37549 of 6 November 2023 the Court decided to initiate the procedure for the cancellation of the registration of the subject of entry. As no objection was lodged against the aforementioned decision within the time limit laid down in Article 436 of the ZFPPIPP, the court, by decision ref. no. Srg 2024/2474 of 25 January 2024, decided that there was a ground for cancellation (Article 439(1)(1) of the ZFPPIPP). Then, by order ref. no. Srg 2024/8280 of 7 March 2024, the court decided to delete FINAP, storitve in posredovanje, d. d. – in liquidation from the court register.

Employees

At the end of 2023, Kapitalska družba, d. d., had 62 employees inclusive of the two members of the Management Board. In 2023, the Company had 58 employees on average. The number of employees as at 31 December 2023 and the average number of employees in 2023 according to the level of education are presented in the table below.

Table 19: No. of employees as at 31 December 2023 and average number of employees in 2023 according to level of education

Education level	Number of employees as at 31 Dec 2023	The average no. of employees in 2023
Level 8 (8/1, 8/2)	14	12
Level 7	26	25
Level 6 (6/1, 6/2)	16	16
Level 5	5	4
Level 4	1	1
Total	62	58

15.2 IMPORTANT INFORMATION ON ACCOUNTING POLICIES

Basis for preparation

Separate financial statements for 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, and the Companies Act. The consolidated financial statements of the Kapitalska družba Group for 2023 have not yet been prepared as of the date of approval of the separate financial statements.

Subsidiaries will be fully consolidated in the consolidated Financial Statements of the Kapitalska družba Group. Subsidiaries are companies controlled by Kapitalska družba, d. d.

The separate financial statements for 2023 must be read together with the consolidated financial statements when they will be published, in order to provide complete information about the financial position of the Kapitalska družba Group as at 31 December 2023 and about its financial performance and cash flows for the year then ended.

The data in the financial statements is based on book-keeping documents and books of account kept in accordance with the International Financial Reporting Standards as adopted by the EU. The following general accounting assumptions have been observed in the preparation: going concern, systematic consistency and accrual basis. The following quality characteristics have been observed in the formulation of accounting policies: comprehensibility, suitability, reliability, and comparability.

Significant accounting judgements and estimates

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 assets and fair value measurement of non-marketable financial and non-financial assets.

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 are 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 assets and fair value measurement of non-marketable financial and non-financial assets

Investments at fair value are classified based on the fair value level pursuant to IFRS 13. The said standard defines a hierarchy for compliance and comparability purposes, whereby it classifies the inputs used for fair value valuation into three levels, i.e.:

- | 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:
 - 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.

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.

For investments in alternative funds, the market value of the investment is not available, therefore, valuation based on market data is not possible. The value of the investment in the alternative fund is given by the manager of the alternative fund as the value of the fund unit or as the value of the payment to the fund which represents the best approximation of the market value. The evaluation is based on material non-public information. The Company has limited access to the data used by the alternative fund manager, so we do not carry out our own valuation, nor is it possible to do a sensitivity analysis. The alternative fund manager usually uses IPEV-compliant (International Private Equity and Venture Capital Valuation) valuation methods, such as discounted cash flows method or market multiples method. In accordance with the criteria for classifying investments in fair value hierarchies, the listed investments are classified in level 3.

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.

As at the date of statement of financial position, the management assesses whether there is objective evidence of the need for 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.

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 2023. It did not apply any standard or interpretation before its application became obligatory in 2023.

Amendments to standards and interpretations

The International Accounting Standards Board (IASB) Standards or Interpretations effective for the first time for the year ending 31 December 2023

- | 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),
- | 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 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),
- | Amendments to IAS 12 Income taxes: International Tax Reform – Pillar 2 Rules (issued on 23 May 2023).

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 2024 or later

- | 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),
- | Classification of liabilities as current or non-current (long-term) – 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),
- | Amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosures: Supplier finance arrangements (issued 25 May 2023) – not yet adopted by the EU,
- | Amendments to IAS 21 Lack of Exchangeability (issued on 15 August 2023) – not yet adopted by the EU.

The Company anticipates that the adoption of these new standards will have no material impact on the separate financial statements of the Company.

Amendments that have been published but rejected or deferred by the EU

- | 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.

The Company anticipates that the adoption of these new 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 from 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.

Procedure for the Adoption of the Annual Report

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 Companies Act. 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. 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	20.00-30.33

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.

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 of.

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	16.67-30.33
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 recoverable amount is the higher of fair value less costs of disposal and value in use. 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 expensed in the period in which they are incurred.

Maintenance costs and increase in fixed assets value

Maintenance costs relate mainly to buildings. 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. Maintenance costs are recognised in profit or loss in the period in which they are incurred.

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 is property held with the intention of yielding rental income or capital appreciation, or both, but not for:

- | use in the supply of goods or services or for administrative purposes or
- | sales in the ordinary course of business.

Investment property is recognised as an asset when it is probable that future economic benefits associated with it will flow to the Company and its cost can be measured reliably.

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 values investment property using the cost model, less 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 recoverable amount is the higher of fair value less costs of disposal and value in use. 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 upon acquisition are 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 makes an irrevocable election upon initial recognition to present subsequent changes in fair value in other comprehensive income. It therefore measures such financial assets 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.

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. 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*).

A contractual cash flow feature does not affect the classification of a financial asset if it could have only a negligible effect on the contractual cash flows from the financial asset. To make this determination, a Company shall consider the potential effect of the contractual cash flow characteristics in a single reporting period and cumulatively over the entire duration of the financial instrument. If, in addition, 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.

Gains and losses on financial assets

A gain or a loss on a financial asset that is measured at fair value through profit or loss is recognised in profit or loss. Restatements of financial assets expressed in foreign currencies are also recognised in profit or loss.

Gain or a loss on debt instruments designated at fair value through other comprehensive income are recognised directly in equity as increases or decreases in the fair value reserve. Recalculation effects on debt instruments denominated in foreign currencies are recognised in profit or loss. Upon derecognition of a debt instrument measured at fair value through other comprehensive income, the gain or loss accumulated in the fair value reserve is 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.

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. Recalculation effects on financial assets denominated in foreign currencies are also recognised in profit or loss.

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, 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.

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. A company controls an entity only if all of the following conditions are to be met:

- | the investor has influence over the investee company,
- | the investor is exposed to variable returns or has rights to variable returns from its interest in the investee and
- | the investor can influence the amount of its return through its influence over the investee.

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, in accordance with the Act on Takeovers, 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 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.

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 and the transfer qualifies for derecognition.

If a new agreement has been concluded on the contractual cash flows of a financial asset or these have changed in some other way and the renegotiation or changes do not lead to derecognition, the Company must recalculate the gross carrying amount of the financial asset and recognise the profit or loss from the change in the profit or loss.

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 for all expenses and commissions that are amortised over the remaining period of the financial asset's life.

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

An entity shall, for the purpose of assessing credit losses subject to impairment requirements, be classified into one of our following groups by balance 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, for which valuation allowances or provisions for credit losses are measured on the basis of expected credit losses over the entire duration period (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 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.

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

The Company assesses significant increase in credit risk considering all reasonable and supportable information at the level of an exposure. A significant increase in credit risk can also be assessed by the Company at the exposure group level, but only when appropriate and demonstrable information (factors or indicators) cannot be obtained at the individual exposure level without excessive cost and effort, or cannot be assessed at the individual exposure level.

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 adjusted for the impact of macroeconomic risk factors.

EAD risk parameter represents an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including the repayments of principal and interest. It 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) or
- | over-the-counter market or OTC¹⁶ (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

¹⁶ 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. In other cases, the fair value of an investment is determined using a valuation technique.

In case of an OTC market, the assumption of an active market is met if the CBBT¹⁷ 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 BVAL price¹⁸, if available. In other cases, the fair value of an investment is determined using a 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 measuring fair value, the Company uses the quoted price, net of adjustments, when an active market exists.

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. The said standard defines a hierarchy for compliance and comparability purposes, whereby it classifies the inputs used for fair value valuation into three levels, i.e.:

- | 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; level 2 inputs include the following:
 - quoted prices for similar investments in active markets,
 - quoted prices for identical or similar assets in less liquid markets,

17 Composite Bloomberg Bond Trader is Bloomberg's real-time data on individual bond prices. Bloomberg calculates the price of an individual bond based on a weighted average of prices (indicative as undertaking) from a large number of quote providers.

18 Bloomberg Valuation Service is Bloomberg's data on the end-of-day value of an individual bond. Bloomberg calculates the value of the bond based on trade price data and binding quotes, with most BVAL prices determined using a model.

- 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, 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 20: Classification of equity investments when the stock market is the principal market (listed equity investments)

Level 1	Equity investments with fair value measured on the basis of the quoted prices in active markets
Level 2	Equity investments with fair value measured on the basis of the quoted prices in less liquid markets
Level 2	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
	A quoted price older than 90 days can be used if the materiality criterion is not met

Table 21: Classification of unlisted 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 22: Classification of target funds

Level 1	Target funds with fair value measured on the basis of quoted prices in active markets or on the basis of the published value of the asset unit, which is determined on the basis of market prices
Level 2	Target funds with fair value measured on the basis of quoted prices in less liquid markets
Level 3	Target funds for which the stock market price is not achievable and whose fair value is measured on the basis of the published asset unit value, which is not determined on the basis of market prices

Classification of Debt Investments

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

Table 23: Classification of debt investments if the stock market is 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 the 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 met

Table 24: Classification of debt investments if the OTC market is the principal market

Level 1	Debt investments with fair value measured on the basis of CBBT price in active markets
Level 2	Debt investments with fair value measured on the basis of CBBT price in less liquid markets
	Debt investments with fair value measured on the basis of transaction price 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 paper of Slovenian issuers which are valued at the amortized value model, are placed in level 2 of the value hierarchy.

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 cases, 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.

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 and not through further use. This is the case when the asset (or disposal group) is available for immediate sale in its present condition, subject only to normal conditions for the sale of such assets (or disposal groups), and the sale must be highly probable (including, but not limited to, the sale being expected to be completed within one year after the asset or disposal group is classified).

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 a non-current asset or disposal group classified as held for sale is measured at the lower of its carrying amount before classification and its 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

The company's sole shareholder is the Republic of Slovenia. Kapitalska družba, d. d., has no treasury shares.

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

The Company's share capital is made up entirely of ordinary shares. The share capital of EUR 364,810 thousand is represented by 874,235 ordinary registered non-par value shares. Each no-par value share shall account for the same proportion and corresponding amount in the share capital.

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

The costs directly related to the issue of new shares, net of tax effects, are charged to capital.

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, d. d., or if the Company estimates a claim is very probable and it is more likely than not that the Company will be unsuccessful in the claim,
- | 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.

Provisions for jubilee rewards and termination benefits are made at the value of the estimated future payments for gratuities and jubilee rewards discounted at the reporting date. The projected unit method is used in the calculation.

Provisions are derecognised when the options that led to the creation of the provisions have been used up, or there is no longer a need for them. 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 on a straight-line basis over the duration of individual lease contract.

Financial revenue

3. Interests

Interest income and expense on financial instruments measured at amortised cost and financial assets at fair value through other comprehensive income is recognised in profit or loss for all debt instruments using the effective interest method. Interest income on financial assets at fair value through profit or loss is recognised in profit or loss using the contractual 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.

6. Revenue from revaluation investments

Investment revaluation gains relate to investments measured at fair value through profit or loss from increases in fair value or reversals of impairment.

Costs

Costs of materials and services

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

Employee benefits

Labour costs include gross wages and salaries payable to employees, gross wage and salary compensation charged to the enterprise, benefits in kind, gifts and gratuities to employees, termination benefits paid to employees, and all benefits charged to the payer in respect of the items listed above. The Company recognises these costs as current period expenses.

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 are thus recognised together with decrease of assets or increase of 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.

Financial expenses are also recognised in the financial year to which they relate, in accordance with the law, as contributions payable by the Company to ZPIZ.

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 or receive from the tax authorities. 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 is charged or credited directly to equity if it relates to items that are credited or charged directly to 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 as at 31 December 2023 and as at 31 December 2022, income statement data for the year 2023, and additional data necessary for the adjustment of revenue and expenditure and for the appropriate breakdown of significant items.

Risk Management

Risk management is a key element in the execution of Kapitalska družba, d.d.'s activities. 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 2023 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, d. d.,'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 a portion of its underlying assets invested in foreign currencies, Kapitalska družba, d. d. is also exposed to the risk of changes in foreign exchange rates. 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, and also monitoring changes in the exchange rates of the securities that make up a particular 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) is determined.

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 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 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 domestic 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, d. d., 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%) and the risk of cyber-attacks, which is assessed as a material moderate risk (possible impact on total equity of 0.5% to 0.7%).

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 0.3%), 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 standards that are complied with and abided by all companies in the Kapitalska družba Group,¹⁹ lays down new guidelines on risk management.

¹⁹ The Corporate Governance Code of the Group does not include FINAP, d. d. – in liquidation.

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, June 2022, and December 2023, supplemented the Corporate Governance Code for Companies with State Capital Investment, 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.

15.3 NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS

15.3.1 Notes to the Statement of Profit or Loss

Note No. 1

Net sales revenue

	in EUR 000	
	2023	2022
Income from managing	9,069	8,860
management fee	7,664	7,453
entry fee	1,369	1,379
exit fee	10	7
income from costs of occupational pensions	26	21
Revenue from lease payments	2,235	2,039
Other income	109	113
Total	11,413	11,012

All net sales revenue of EUR 11,413 thousand was generated on the domestic market (2022: EUR 11,012 thousand).

Income from managing

Income from managing represents the income from managing the SODPZ fund assets.

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

	in EUR 000	
	2023	2022
Provisions	7,320	12
Other items	67	126
Total	7,387	138

The Company has reversed provisions for failing to achieve the guaranteed rate of return of SODPZ by EUR 7,320 thousand in 2023. Revenue from reversal of provisions in the amount of EUR 12 thousand in 2022 means the reversal of provisions for jubilee benefits.

The largest part of other items in 2023 is revenue from compensation received amounting to EUR 62 thousand (2022: EUR 64 thousand). The rest of the other items mainly relate to revenue from previous periods.

Note No. 3

Costs of materials and services

	in EUR 000	
	2023	2022
Cost of materials	148	173
Costs of energy	102	130
Write-off of small tools	12	10
Costs of office supplies and professional literature	25	21
Other costs of materials	9	12
Costs of services	1,584	1,673
Costs of transport services	45	43
Cost of services in relation to maintenance of business premises and fixed assets	431	392
Rental costs	210	169
Employees' work-related costs	50	39
Costs of payment transactions and bank services, and insurance premiums	173	346
Costs of intellectual and personal services	181	185
Costs of fairs, advertising and entertainment	52	54
Cost of services rendered by natural persons	148	178
Costs of other services	294	267
Total	1,732	1,846

Costs of materials are lower in 2023 compared to 2022 due to lower energy (electricity) prices.

The decrease in the cost of services in 2023 compared to 2022 is mainly due to lower costs for payment transactions and banking services as a result of the cost of refunds on transaction account balances in 2022, which did not exist in 2023.

Costs of audit

	in EUR 000	
	2023	2022
Auditing of the annual report	46	36
Total	46	36

The cost of the 2023 Annual Report audit amounted to EUR 46 thousand with VAT (2022: EUR 36 thousand with VAT). No amount has been paid to the auditor for other assurance, tax advisory or other non-audit services in the 2023 and 2022 financial years.

Note No. 4

Labour costs

	in EUR 000	
	2023	2022
Payroll costs	2,949	2,648
Compensations for salaries/wages of employees	41	45
Costs of supplementary pension insurance of employees	135	126
Holiday allowance, reimbursements and other receipts of employees	315	264
Other employer's contributions on salaries, wage compensation, bonuses, reimbursements and other receipts of employees	474	428
Provisions for termination benefits upon retirement and jubilee benefits	22	27
Total	3,936	3,538

In 2023, the Company created EUR 7 thousand (2022: EUR 10 thousand) of provisions for severance pay upon retirement and EUR 15 thousand (2022: EUR 17 thousand) of provisions for jubilee benefits. Labour costs were higher in 2023 compared to 2022 due to the adjustment of salaries for all employees and due to the successful implementation of alternative employments only in 2023 for certain employees whose employment relationship with Kapitalska družba, d. d. was terminated in previous years.

No. of employees as at 31 December 2023 and average number of employees in 2023 according to level of education is shown in Section 15.1 *General disclosures under Employee data*.

Note No. 5

Write-downs in value

	in EUR 000	
	2023	2022
Amortisation/Depreciation	1,122	1,153
Amortisation of intangible fixed assets	107	175
Depreciation of buildings	160	160
Depreciation of equipment and spare parts	103	66
Computers and its equipment	94	59
Other equipment	9	7
Depreciation of investment property	752	752
Commercial property	663	663
Parking spots	39	39
Parts of investment property	50	50
Revaluation operating expenses of fixed assets	1	0
Total	1,123	1,153

All costs of amortisation of intangible fixed assets relate to the amortisation of software.

Depreciation of buildings represents the depreciation of offices owned and used by Kapitalska družba, d. d., in the "Stekleni dvor" commercial building, which the company uses for its own activities.

Note No. 6

Other operating expenses

	in EUR 000	
	2023	2022
Provisions	0	7,864
Other items	50	16
Total	50	7,880

The Company has not made any provisions for failure to achieve the guaranteed return of SODPZ in 2023 and has made provisions for the same in 2022 for EUR 7,864 thousand.

Other items in 2023 in the amount of EUR 50 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 (2022: EUR 15 thousand) and EUR 1 thousand of income tax on foreign dividends in 2022.

Note No. 7

Financial revenue

		in EUR 000	
	Note	2023	2022
Financial revenue from shares and interests in group companies, associates and other companies	7.1.	91,582	62,745
Financial revenue from other investments and from loans	7.2.	7,888	5,777
Total	7	99,470	68,522

Financial revenue from shares increased in 2023 compared to 2022 mainly due to higher revenue recognised from the valuation of financial investments at fair value through profit or loss.

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	
	2023	2022
Dividends and shares in profits	39,325	37,395
Exchange rate gains	0	7,052
Revenue from valuation of investments at fair value through profit or loss	48,788	5,666
Revenue from disposal of investments at fair value through profit or loss	3,446	302
Revenue from acquisition of abandoned securities	14	10
Revenue from acquisition of securities from registry accounts	9	12,320
Total	91,582	62,745

Revenue from dividends and shares in company profits amounting to EUR 39,325 thousand (2022: EUR 37,395 thousand) include domestic and foreign dividends and dividends from shares in companies.

Revenue from the valuation of investments at fair value through profit and loss in the amount of EUR 48,788 thousand (2022: EUR 5,666 thousand) is the result of positive returns on investments in the financial markets in 2023.

Revenue from acquisition of abandoned securities amounting to EUR 14 thousand (2022: EUR 10 thousand) is recognised in accordance with Article 48a of ZNVP-1, which stipulates that KDD shall credit all book-entry 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 9 thousand (2022: EUR 12,320 thousand) are recognised in accordance with paragraph 5 of Article 48.a of the 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	
	2023	2022
Interest revenue	5,919	5,590
thereof interest income calculated using the effective interest method	1,752	1,781
Exchange rate gains	54	126
Revenue from valuation of investments at fair value through profit or loss	1,647	0
Revenue from sales and investment maturities	268	0
at fair value through profit or loss	115	0
through other comprehensive income	153	0
Revenue from decrease in credit losses	0	61
at amortised cost	0	55
through other comprehensive income	0	6
Total	7,888	5,777

Interest income

	in EUR 000	
	2023	2022
Bonds, commercial papers	2,429	2,252
through other comprehensive income (using effective interest method)	1,208	1,289
at amortised cost (using effective interest method)	544	492
at fair value through profit or loss	677	471
Other financial investments	3,358	3,337
at fair value through profit or loss	3,358	3,337
Cash	132	1
Total	5,919	5,590

Note No. 8

Financial expenses

in EUR 000

	Note	2023	2022
Financial expenses due to impairment and write-down of investments	8.1.	5,726	70,268
Financial expenses for financial liabilities	8.2.	65,010	50,009
Total	8	70,736	120,277

Note No. 8.1

Financial expenses due to impairment and write-down of investments

in EUR 000

	2023	2022
Interest expenses	7	12
thereof interest expenses calculated using the effective interest method	7	12
Expenses from valuation of investments at fair value through profit or loss	1,261	65,108
Expenses from disposals	1,043	5,148
at fair value through profit or loss	429	5,148
through other comprehensive income	614	0
Expenses from credit losses	2	0
through other comprehensive income	2	0
Expenses from exchange differences	3,413	0
Total	5,726	70,268

Expenses from valuation of investments at fair value through profit or loss in the amount of EUR 1,261 thousand (2022: EUR 65,108 thousand) decreased in 2023 compared to 2022 due to positive trends on the financial markets.

Note No. 8.2

Financial expenses for financial liabilities

in EUR 000

	2023	2022
Interest expenses	10	9
thereof interest expenses calculated using the effective interest method	0	7
Expenses for the Pension and Disability Insurance Institute	65,000	50,000
Total	65,010	50,009

Kapitalska družba, d. d., credited EUR 65 million to the Pension and Disability Insurance Institute in 2023 (2022: EUR 50 million). These payments were stated under financial expenses from other financial liabilities in the income statement.

Exchange rate differences

	in EUR 000	
	2023	2022
Exchange rate gains	369	8,180
Exchange rate losses	-3,728	-1,002
Net exchange rate gains/losses	-3,359	7,178

Net exchange rate gains/losses in 2023 were negative in the amount of EUR -3,359 thousand and are mainly the result of the decrease in the value of the US dollar against the Euro, while in 2022 they were positive in the amount of EUR 7,178 thousand due to the increase in the value of the US dollar against the Euro.

Funding outcome

	in EUR 000	
	2023	2022
Financial revenue	99,470	68,522
Financial expenses	-70,736	-120,277
Net result from financing	28,734	-51,755

Note No. 9

Income tax

	in EUR 000	
	2023	2022
Profit or loss before tax	40,693	-55,022
Increases in retained earnings	77	82,977
Decreases in retained earnings	-8	-245
Total	40,762	27,710
Expenses not recognised for tax	2,025	1,966
Provisioning	-53	9
Untaxed revenue	-35,772	-35,027
Tax relief	-227	0
Tax losses	-3,481	0
Total	3,254	-5,342
Tax rate	19%	19%
Income tax	618	0

The largest item of untaxed revenue are the excluded received and paid domestic dividends in 2023.

As at 31 December 2023, Kapitalska družba, d. d. had a liability for corporate income tax of EUR 618 thousand, and as at 31.12.2022 it had no liability for tax losses.

The Management Board believes that the calculation of the tax liability for 2023 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, d. d., credited EUR 65 million to the Pension and Disability Insurance Institute in 2023. These payments were stated under financial expenses from other financial liabilities in the income statement and as tax allowable expenses in the calculation of tax liability.

The effective tax rate as the ratio between the corporate income tax and profit or loss of the period before taxes, was 1.5% (it was not calculated in 2022 due to the tax loss).

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

	in EUR 000	
	2023	2022
Profit or loss before tax	40,693	-55,022
Increases in retained earnings	77	82,977
Decreases in retained earnings	-8	-245
Total	40,762	27,710
Tax calculated at the general tax rate	7,745	5,265
Change in tax based on:		
1. Revenue exempt from the tax base	6,807	6,660
Untaxed dividends received	6,795	6,616
Adjustment of revenue to the level recognised for tax purposes (decrease)	12	44
2. Expenses exempt from the tax base	385	380
Increase in expenses (unrecognised in previous periods)	2	6
Adjustment of expenses to the level recognised for tax purposes (decrease)	383	374
3. Tax reliefs used in current year	43	0
4. Utilisation of tax losses from previous years	662	0
Total corporate income tax in the income statement	618	0
Effective tax rate	1.5%	/

Note No. 10

Deferred tax

Deferred income tax liabilities as at 31 December 2023 include:

in EUR 000

	Statement of financial position		Income statement	
	31 Dec 2023	31 Dec 2022	2023	2022
Deferred income tax liabilities	52,101	32,478	0	0
Total deferred income tax liabilities	52,101	32,478	0	0
Deferred income tax assets	26,349	16,497	9,852	-13,964
Loss brought forward to be used as tax allowance	25,751	15,980	9,771	-13,896
Value adjustment of receivables	0	0	0	0
Value adjustment of investments	577	498	79	-67
Provisions	21	19	2	-1
Total deferred income tax assets	26,349	16,497	9,852	-13,964
Netting of assets and liabilities	577	498	-	-
Deferred income tax assets after netting	25,772	15,999	-	-
Deferred income tax liabilities after netting	51,524	31,980	-	-

The increase in deferred income tax in the income statement in the amount of EUR 9,852 thousand (2022: decrease EUR -13,964 thousand) is the result of an increase in deferred taxes from unused tax losses in the amount of EUR 9,771 thousand (2022: decrease EUR -13,896 thousand), an increase in credit losses in the amount of EUR 79 thousand (2022: decrease EUR -67 thousand) and increases in provisions in the amount of EUR 2 thousand (2022: decrease EUR -1 thousand). As at 31 December 2023, the unused tax loss totals EUR 547,677 thousand (2022: EUR 551,158 thousand) and can be carried forward unlimited.

Disclosure of changes in deferred tax recognised directly in equity

in EUR 000

Changes in deferred tax	2023	2022
Balance as at 1 January	32,478	60,338
Changes as at 1 January	0	0
Changes during the year	19,623	-12,094
Adjustment of deferred tax	0	-15,766
Balance as at 31 December	52,101	32,478

The increase in deferred tax liabilities in 2023 in the amount of EUR 19,623 thousand is the result of the revaluation of investments valued at fair value through other comprehensive income.

15.3.2 Notes to the Statement of Financial Position

Note No. 11

Intangible assets and non-current deferred costs and accrued revenue

Table 25: Changes in intangible assets and non-current deferred costs and accrued revenue in 2023

in EUR 000

31 Dec 2023	Software and licences	Non-current accrued revenue and deferred costs	Total
Cost			
Cost as at 31 Dec 2022	1,862	65,029	66,891
Additions	34	65,000	65,034
Disposals	0	-65,029	-65,029
Cost as at 31 Dec 2023	1,896	65,000	66,896
Value adjustment			
Value adjustment as at 31 Dec 2022	1,705	0	1,705
Additions, transfers	0	0	0
Disposals, write-offs	0	0	0
Amortisation/Depreciation	107	0	107
Value adjustment as at 31 Dec 2023	1,812	0	1,812
Carrying amount			
Carrying amount as at 31 Dec 2022	157	65,029	65,186
Carrying amount as at 31 Dec 2023	84	65,000	65,084

Intangible assets have not been pledged as security.

The amount of non-current deferred costs and accrued revenue in the amount of EUR 65,000 thousand refers to the accrued liability to the Pension and Disability Insurance Institute, which is due in 2025.

Table 26: Changes in intangible assets and non-current deferred costs and accrued revenue in 2022

in EUR 000

31 Dec 2022	Software and licences	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
Amortisation/Depreciation	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 have not been pledged as security.

The amount of non-current deferred costs and accrued revenue in the amount of EUR 65,000 thousand refers to the accrued liability to the Pension and Disability Insurance Institute, which is due in 2024, and the rest to the accrued liability for the payment of the variable remuneration of the management board, which will also be paid in 2024.

Note No. 12

Property, plant and equipment

Table 27: Changes in property, plant and equipment in 2023

in EUR 000

31 Dec 2023	Buildings	Other plant and equipment	Total
Cost			
Cost as at 31 Dec 2022	5,029	1,444	6,473
New acquisitions, transfers	0	158	158
Disposals, transfers	0	-3	-3
Cost as at 31 Dec 2023	5,029	1,599	6,628
Value adjustment			
Value adjustment as at 31 Dec 2022	2,867	1,277	4,144
Additions, transfers	0	0	0
Disposals, write-offs	0	-3	-3
Amortisation/Depreciation	160	103	263
Value adjustment as at 31 Dec 2023	3,027	1,377	4,404
Carrying amount			
Carrying amount as at 31 Dec 2022	2,162	167	2,329
Carrying amount as at 31 Dec 2023	2,002	222	2,224

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

Table 28: 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
Amortisation/Depreciation	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.

Note No. 13

Investment property

Table 29: Changes in investment property in 2023

	in EUR 000
31 Dec 2023	Buildings
Cost	
Cost as at 31 Dec 2022	26,402
New acquisitions, transfers	13
Disposals, transfers, impairment	0
Cost as at 31 Dec 2023	26,415
Value adjustment	
Value adjustment as at 31 Dec 2022	10,239
Additions, transfers	0
Disposals, write-offs	0
Amortisation/Depreciation	752
Value adjustment as at 31 Dec 2023	10,991
Carrying amount	
Carrying amount as at 31 Dec 2022	16,163
Carrying amount as at 31 Dec 2023	15,424

In 2023, 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 2023 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 2023.

The investment property's fair value does not significantly deviate from its carrying amount as at 31 December 2023, 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 2023 equalled EUR 88 thousand.

The valuation of investment properties was carried out using the market comparisons method, the return-based method and the direct capitalisation method, which includes the following assumptions: a 7.62% capitalisation rate, the deduction for vacancy and recoverability is 5% for parking spaces and 8% for office premises.

Investment property is not pledged.

Table 30: Changes in investment property in 2022

		in EUR 000
31 Dec 2022		Buildings
Cost		
Cost as at 31 Dec 2021		26,402
New acquisitions, transfers		0
Disposals, transfers, impairment		0
Cost as at 31 Dec 2022		26,402
Value adjustment		
Value adjustment as at 31 Dec 2021		9,486
Additions, transfers		0
Disposals, write-offs		0
Amortisation/Depreciation		753
Value adjustment as at 31 Dec 2022		10,239
Carrying amount		
Carrying amount as at 31 Dec 2021		16,916
Carrying amount as at 31 Dec 2022		16,163

Investment property is not pledged.

Table 31: Rental income from investment property and costs related to investment property

		in EUR 000
	2023	2022
Rental income from investment property	2,235	2,039
Costs related to investment property	797	792

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 book-entry securities, and secondly, on the basis of a seizure or entry of an enforcement order in the central register of book-entry securities, all in the amount of EUR 21 thousand.

The remaining 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 2023 include:

in EUR 000

No.	Subsidiary	Registered office	Equity stake (%)	Voting rights (%)	Equity as at 31 Dec 2023	Net profit/loss for 2023
1.	Modra zavarovalnica, d. d.	Dunajska cesta 119, Ljubljana	100.00	100.00	349,582	22,742
2.	FINAP, d. d. – in liquidation ²⁰	Rimska cesta 11, Ljubljana	66.08	66.08	-	-

in EUR 000

	31 Dec 2023	31 Dec 2022
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 2023 include:

in EUR 000

No.	Associate	Registered office	Equity stake (%)	Voting rights (%)	Equity as at 31 Dec 2023 ²¹	Net profit/loss for 2023 ²²
1.	Gospodarsko razstavišče, d. o. o.	Dunajska cesta 18, Ljubljana	29.51	29.51	17,496	14
2.	HIT, d. d.	Delpinova ulica 7a, Nova Gorica	20.32	20.32	69,313	10,664
3.	Loterija Slovenije, d. d.	Gerbičeva ulica 99, Ljubljana	25.00	25.00	21,112	6,123
4.	Sava, d. d.	Dunajska cesta 152, Ljubljana	28.05	28.05	116,559	2,050
5.	Terme Čatež, d. d.	Čatež ob Savi, Topliška cesta 35, Brežice	23.82	23.79	n.a.	n.a.
6.	Terme Olimia, d. d.	Zdraviliška cesta 24, Podčetrtek	24.79	24.79	50,371	6,276

in EUR 000

	31 Dec 2023	31 Dec 2022
Shares and interests in associates	73,413	49,189
Total	73,413	49,189

Investments in shares and interests in associates are carried at fair value through other comprehensive income.

Table 32: Changes in investments in associated companies in 2023

in EUR 000

	31 Dec 2022	Acquisitions and transfers	Disposals	Revaluation	31 Dec 2023
Investments at fair value through other comprehensive income	49,189	0	0	24,224	73,413
Total	49,189	0	0	24,224	73,413

²⁰ Ownership is acquired on the basis of Article 48a of ZNVP-1. Subsidiary company FINAP, storitve in posredovanje, d. d. – in liquidation was based on the decision ref. no. Srg 2024/8280 as at 7 March 2024 deleted from the court register of the registration court.

²¹ The data for the equity of Hit, d.d., Loterija Slovenije, d.d. and Sava, d.d. are unaudited.

²² The data for the net profit or loss of Hit, d.d., Loterija Slovenije, d.d. and Sava, d.d. are unaudited.

Table 33: Changes in investments in associated companies in 2022

in EUR 000

	31 Dec 2021	Acquisitions and transfers	Disposals	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

Investments in joint ventures as at 31 December 2023:

in EUR 000

No.	Joint venture	Registered office	Equity stake (%)	Voting rights (%)	Equity as at 31 Dec 2023	Net profit/loss for 2023
1.	Hotelske nepremičnine, d. o. o.	Dunajska cesta 119, Ljubljana	50.00	50.00	13,015	221

in EUR 000

	31 Dec 2023	31 Dec 2022
Shares 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 34: Changes in investment in joint venture in 2023

in EUR 000

	31 Dec 2022	Acquisitions and transfers	Disposals	Revaluation	31 Dec 2023
Investments at Cost	5,963	0	0	0	5,963
Total	5,963	0	0	0	5,963

Table 35: Changes in investment in joint venture in 2022

in EUR 000

	31 Dec 2021	Acquisitions and transfers	Disposals	Revaluation	31 Dec 2022
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 due to its ownership in subsidiaries, associates and joint ventures to:

- | 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 2023 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 2023 taking into account the most recent available data on companies' performance in 2023.

Note No. 15

Assets held for sale

	in EUR 000	
	31 Dec 2023	31 Dec 2022
Assets held for sale	0	5,074
Total	0	5,074

There were no non-current assets held for sale as at 31 December 2023, and as at 31 December 2022 they included an equity investment held for sale of EUR 5,074 thousand, which is reclassified to investments in 2023 due to a business decision not to dispose of the investment.

Note No. 16

Investments, excluding loans

	in EUR 000			
	Non-current		Current	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Other shares and interests	929,336	794,658	0	0
Other investments	58,781	71,099	51,693	40,039
Total	988,117	865,757	51,693	40,039

The item Other shares and investments also includes units of target funds in the amount of EUR 355,912 thousand (as at 31 December 2022: EUR 313,896 thousand).

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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
At fair value through profit or loss	409,235	365,009	47,746	39,287	456,981	404,296
Debt instruments	387,316	346,916	47,746	34,213	435,062	381,129
Equity instruments	21,919	18,093	0	5,074	21,919	23,167
At fair value through other comprehensive income	642,738	541,216	2,960	2,054	645,698	543,270
Debt instruments	17,821	29,358	2,960	2,054	20,781	31,412
Equity instruments	624,917	511,858	0	0	624,917	511,858
At amortized cost	9,557	8,721	987	3,772	10,544	12,493
Debt instruments	9,557	8,721	987	3,772	10,544	12,493
Total	1,061,530	914,946	51,693	45,113	1,113,223	960,059

Changes in investments in 2023

The table also includes investments in associated companies.

in EUR 000

	31 Dec 2022	Acquisitions	Disposals	Maturity	Revaluation	31 Dec 2023
Investments at fair value through profit or loss	404,296	73,758	-53,739	-16,967	49,633	456,981
Investments at amortized cost	12,493	3,961	0	-6,455	545	10,544
Investments at fair value through other comprehensive income	543,270	0	-9,173	-2,485	114,086	645,698
Total	960,059	77,719	-62,912	-25,907	164,264	1,113,223

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 amortized 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

Investments by type of interest rate as at 31 December

in EUR 000

	31 Dec 2023	31 Dec 2022
Debt investments	110,474	111,138
Fixed interest rate	110,474	111,138
Variable interest rate	0	0
Cash and cash equivalents	1,909	9,955
Units of target funds	355,912	313,896
Total	468,295	434,989

Top ten investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2023 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	384,233,300	Market
SI0031102153	80,449,774	Market
SI0031117318	23,817,619	Non-market
SI0031101346	22,499,502	Market

ISIN code	Value in EUR	Market/non-market
SI0031104290	22,093,088	Market
SI0031117813	17,662,103	Market
SI0031113143	16,564,269	Non-market
SI0031105024	13,184,700	Non-market
SI0031107954	11,672,300	Non-market
SI0031100637	7,332,244	Market
Other	17,620,278	
Total	617,129,177	

Top 10 largest investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2023 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
SI0031117268	27,014	Non-market
SI0031113184	20,321	Non-market
SI0031107772	18,575	Non-market
SI0031105271	17,770	Non-market
SI0021111313	17,690	Market
SI0031102120	14,300	Market
SI0031107293	14,048	Non-market
SI0021113855	11,722	Market
SI0021113111	11,379	Non-market
SI0031114604	10,640	Non-market
Other	89,136	
Total	252,595	

Top 10 largest investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2023 for abandoned 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	1,623,600	Market
SI0021111651	1,318,531	Market
SI0031102153	942,252	Market
SI0021113111	391,065	Non-market
SI0021113855	384,810	Market
SI0021111313	290,515	Market
SI0031101346	193,445	Market
SI0031114984	148,066	Non-market
SI0031116138	147,099	Non-market
SI0031117813	129,413	Market
Other	1,966,600	
Total	7,535,396	

In 2023, Kapitalska družba, d. d. disposed of equity instruments with a total fair value of EUR 53 thousand at the date of sale (as at 31 December 2022: EUR 2,195 thousand). The total effect from the sale of equity instruments at fair value through other comprehensive income amounts to EUR 55 thousand (31 December 2022: EUR -360 thousand) and is recognised in profit or loss carried forward. Dividends recognised on investments measured at fair value through other comprehensive income equal EUR 35,641 thousand (31 December 2022: EUR 34,252 thousand).

Overview of financial assets according to carrying amount and fair value as at 31 December 2023

in EUR 000

Financial asset	Carrying amount	Fair value
Financial assets at fair value through profit or loss	456,981	456,981
Financial assets at amortised cost	10,544	10,919
Financial assets at fair value fair value through other comprehensive income	645,698	645,698
Cash and cash equivalents	1,909	1,909
Total	1,115,132	1,115,507

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

in EUR 000

Financial asset	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 fair value through other comprehensive income	543,270	543,270
Cash and cash equivalents	9,955	9,955
Total	970,014	969,877

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 Level3 investments are presented in the fair value hierarchy.

Fair value hierarchy as at 31 December 2023

in EUR 000

Item	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	793,996	198,163	110,520	1,102,679
Investments valued at fair value through profit or loss	363,897	57,696	35,387	456,981
Equity instruments	17,109	4,809	0	21,918
Debt securities	47,474	129	3,130	50,733
Units of target funds	299,314	52,757	3,841	355,912
Investment in financial receivable	0	0	28,416	28,416
Financial investments at fair value through other comprehensive income	430,099	140,467	75,133	645,698
Equity instruments	409,318	140,467	75,133	624,917
Debt securities	20,781	0	0	20,781
Financial assets measured at amortised cost with fair value disclosed	6,203	4,716	0	10,919
Debt securities	6,203	4,716	0	10,919
Total	800,199	202,879	110,520	1,113,598

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.

Assessment of fair value of individual investments in level 3 of fair value for shares or business stakes was carried out applying return-based method of assessing the value of the Company, by applying the discounted cash flow method and dividend discount model, 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).

The assessment of the fair value of certain shares is made on the basis of valuation models that take into account subjective variables 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.	Dividend discount model	6.46
Equity instruments	Elektro Celje, d. d.	Dividend discount model	6.46
Equity instruments	Elektro Gorenjska, d. d.	Dividend discount model	6.46
Equity instruments	Elektro Maribor, d. d.	Dividend discount model	6.46
Equity instruments	Elektro Primorska, d. d.	Dividend discount model	6.46
Equity instruments	HIT, d. d.	Discounted free cash flow method	11.40
Equity instruments	Terme Olimia, d. d.	Discounted free cash flow method	8.80
Equity instruments	Loterija Slovenije, d. d.	Discounted free cash flow method	10.70
Equity instruments	Sava, d. d.	Net asset value method	
Equity instruments	Gospodarsko razstavišče, d. o. o.	Discounted free cash flow method	9.20
Equity instruments	PS za avto, d. o. o.	Net asset value method	
Equity instruments	Sava turizem, d. d.	Discounted free cash flow method	8.60
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	
Equity instruments	TKI Hrastnik, d. d.	Discounted free cash flow method	13.00
Equity instruments	Plinhold, d. o. o.	Net asset value method	
Debt securities	Bond NOVAKR 1 7/8 01/27/25	Bloomberg BVAL	
Debt securities	Bond POSRSV 3 3/4 11/07/39	Bloomberg BVAL	
Units of target funds	ALFI PE	Quarterly publication of fund unit value	
Units of target funds	ALFI PE GROWTH SIS D.O.O.	Quarterly publication of fund unit value	
Investment in financial receivable	Sava ins. receivables	Estimation of the value of the principal collateral using the discounted free cash flow method	8.60

The estimated fair value of the investment in the financial receivable is determined on the basis of the estimated fair value of the principal collateral using the return-based valuation method using the discounted free cash flow method.

As at 31 December 2023 the principal of the investment in financial receivable amounts to EUR 28,416 thousand.

Gains on investments classified in Level 3 of the fair value hierarchy relate to dividends, coupons received and profits from the sale of investments.

Fair value hierarchy as at 31 December 2022

in EUR 000				
Item	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
Units of target funds	264,769	46,104	3,022	313,895
Investment in financial receivable	0	0	28,416	28,416
Financial 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.

Assessment of fair value of individual investments in level 3 of fair value for shares or business stakes 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).

The assessment of the fair value of certain shares is made on the basis of valuation models that take into account subjective variables 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.	Verification of signs of impairment	
Equity instruments	Delavska hranilnica, d. d.	Verification of signs of impairment	
Debt securities	Bond POSRSV 3 3/4 11/07/39	Bloomberg BVAL	
Units of target funds	ALFI PE	Quarterly publication of fund unit value	
Units of target funds	GENERALI GROWTH SIS D.O.O. K.D	Quarterly publication of fund unit value	
Investment in financial receivable	Sava ins. receivables	Estimated present value of the principal	3.4

The estimated fair value of the investment in the financial receivable is determined on the basis of the estimated fair value of the pledged assets by taking into account the nominal amount of the individual financial receivable. 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.

As at 31 December 2022 the principal of the investment in financial receivable amounts to EUR 28,416 thousand.

Gains on investments classified in Level 3 of the fair value hierarchy relate to dividends, coupons received and profits from the sale of investments.

Table 36: Changes in Level 3 investments in 2023

in EUR 000

Item	Equity instruments	Debt securities	Units of target funds	Investment in financial receivable	Total
Balance as at 31 Dec 2022	50,889	3,147	3,021	28,416	85,473
Disposal/maturity	0	-2,003	0	0	-2,003
Acquisitions	1	0	836	0	837
Revaluation	22,575	60	-17	0	22,619
Reclassifications	1,668	1,926	0	0	3,594
Balance as at 31 Dec 2023	75,133	3,130	3,840	28,416	110,520

The reclassification in the category of Equity Instruments totalling EUR 22,575 thousand relates mainly (EUR 20,850 thousand) to the higher valuation of significant investments carried out by external certified appraisers of companies and qualified persons.

In the case of investment in financial receivable, the receivable for accrued interest amounts to EUR 9,807 which are recognized and disclosed in Note no. 17 Operating receivables (non-current).

Table 37: Changes in Level 3 investments in 2022

in EUR 000

Item	Equity instruments	Debt securities	Units of target funds	Investment in financial receivable	Total
Balance as at 31 Dec 2021	63,947	3,723	2,317	22,427	92,415
Disposal/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 which are recognized and disclosed in Note no. 17 Operating receivables (non-current).

Table 38: Transition between asset fair value hierarchy levels as at 31 December 2023

in EUR 000

Transition between hierarchy levels, portfolio as at 31 Dec 2023	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	8,399	16,747	0	0
Units of target funds	8,399	16,747	0	0
Investments at fair value through other comprehensive income	81,393	23,446	3,599	4
Equity instruments	81,393	23,446	1,673	4
Debt securities	0	0	1,926	0
Total	89,792	40,194	3,599	4

Transitions between levels of the fair value hierarchy were mainly due to changes in the average value of investment turnover on stock markets in the last six months of 2023.

Table 39: 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
Units of target funds	16,304	0
Investments at fair value through other comprehensive income	0	17,233
Equity instruments	0	17,233
Total	16,304	17,233

Effective interest rate by investment groups

	2023	2022
Investments measured at amortized cost	5.17%	4.58%
Investments measured at fair value through other comprehensive income	3.82%	3.35%

Note No. 17*Operating receivables*

in EUR 000

	Non-current		Current		Total	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Operating receivables due from Group companies	0	0	33	30	33	30
Operating receivables due from local customers	0	0	1,106	1,090	1,106	1,090
Operating receivables due from others	280	248	10,430	7,085	10,710	7,333
Accrued revenue and deferred costs	0	0	65,061	65,087	65,061	65,087
Total	280	248	76,630	73,292	76,910	73,540

Non-current operating receivables due from others in the amount of EUR 280 thousand represent payments into the reserve fund for the maintenance of property (31 December 2022: EUR 248 thousand).

Current operating receivables due from others in the amount of EUR 10,430 thousand (31 December 2022: EUR 7,085 thousand) contain recognised accrued interest from the investment in a financial receivable in the amount of EUR 9,807 thousand (31 December 2022: EUR 6,449 thousand). Operating receivables arising from accrued interest on an investment in a financial receivable are secured.

Accrued revenue and deferred costs equalled EUR 65,061 thousand (31 Dec 2022: EUR 65,087 thousand), most of which refer to current deferred expenses arising from the payment to the Pension and Disability Insurance Institute for 2024 in the amount of EUR 65,000 thousand.

As at 31 December 2023 and 31 December 2022, Kapitalska družba, d. d., had no credit losses from operating receivables.

The Company's operating receivables are not subject to material risk.

Breakdown of operating trade receivables by maturity

in EUR 000

31 Dec 2023	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
1,106	1,104	1	0	0	0	1

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 2023	31 Dec 2022
Bank balances	1,909	8,155
Euro redeemable deposits	0	1,800
Total	1,909	9,955

Kapitalska družba, d. d. did not have any redeemable deposits as at 31 December 2023. Redeemable deposits as at 31 December 2022 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 as at 31 December 2022.

Note No. 19

Called-up capital

	31 Dec 2023	31 Dec 2022
Share capital (EUR 000)	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 no-par value share shall account for the same proportion and corresponding amount in the share capital.

Note No. 20

Capital surplus

in EUR 000

Capital surplus

31 Dec 2022	218,046
Increase in capital surplus	755
31 Dec 2023	218,801

In 2023, the capital surplus increased by EUR 755 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2023, capital surplus totalled EUR 218,801 thousand.

in EUR 000

Capital surplus

31 Dec 2021	217,839
Increase in capital surplus	207
31 Dec 2022	218,046

In 2023, 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.

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	2023	2022
Gross reserves from valuation at fair value as at 1 January	342,404	455,686
Deferred taxes	32,478	44,572
Net fair value reserves as at 1 January	309,926	411,114
Deferred tax adjustment	0	15,766
Total deferred tax as at 1 January	32,478	60,338
Changes during the year – gross increase in reserves	113,233	0
Changes during the year – gross decrease in reserves	0	-113,282
Gross reserves from valuation at fair value as at 31 December	455,637	342,404
Adjustments (criteria: 8%, 6 months)	-218,815	-171,468
Basis for calculating deferred tax at 31 December	236,822	170,936
Deferred tax as at 31 December	52,101	32,478
Net balance as at 31 December	403,536	309,926

Note No. 22

Provisions

in EUR 000

	Provisions for pensions and similar liabilities	Other provisions	Total
31 Dec 2022	261	7,903	8,164
Newly created provisions	78	0	78
Utilisation	-13	0	-13
Reversal of provisions	0	-7,320	-7,320
31 Dec 2023	326	583	909

An actuary calculation for provision for termination benefits upon retirement and jubilee rewards is made under the following assumptions:

- | 3.51% annual discount rate, which was the yield of 10-year corporate bonds with high rating in the Euro area in the end of December 2023 (4.41% in 2022),
- | 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 Slovenian population from 2007,
- | 2.50% growth in salaries (2.50% in 2022).

In 2023, the Company created provisions for failure to achieve the guaranteed return for the SODPZ fund in the amount of EUR 7,320 thousand. Thus, at the end of 2023, the balance of provisions for failure to achieve the guaranteed return for SODPZ and for onerous contracts and legal disputes amounts to EUR 583 thousand.

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 of provisions	-78	0	-78
31 Dec 2022	261	7,903	8,164

In 2022, the Company formed provisions for EUR 7,863 thousand for failure to achieve the guaranteed return for the SODPZ. Thus, at the end of 2022, the balance of provisions for failure to achieve the guaranteed return and for onerous contracts and legal disputes amounts to EUR 7,903 thousand.

Note No. 23

Financial and operating liabilities

in EUR 000

	Non-current		Current		Total	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Financial liabilities	65,000	65,000	0	0	65,000	65,000
Trade payables	0	0	151	125	151	125
Operating liabilities from advances	2	3	0	0	2	3
Liabilities to the state	0	0	65,027	65,023	65,027	65,023
Other operating liabilities	0	29	510	447	510	476
Total	65,002	65,032	65,688	65,595	130,690	130,627

As at 31 December 2023, Kapitalska družba, d. d., discloses EUR 65,000 thousand (31 December 2022: EUR 65,000 thousand) of non-current financial liabilities, which relate to settling the liabilities of Kapitalska družba, d. d., to the Pension and Disability Institute for 2025 in accordance with Article 65 of ZIPRS2425.

Non-current operating liabilities from advances relate to security deposits received from lessees of business premises in the amount of EUR 2 thousand (31 December 2022: EUR 3 thousand). Other operating liabilities in the amount of EUR 29 thousand as at 31 December 2022 represent a liability for the payment of variable remuneration for the Management Board for business performance.

Current operating liabilities include trade payables amounting to EUR 151 thousand (31 December 2022: EUR 125 thousand), liabilities to the state of EUR 65,027 thousand (31 December 2022: EUR 65,023 thousand), of which the largest part, EUR 65,000 thousand, refers to payment obligation to the Pension and Disability Insurance Institute in 2024, and other operating liabilities amounting to EUR 510 thousand (31 December 2022: EUR 447 thousand), which are mostly liabilities for salaries. This amount also includes a EUR 29 thousand liability for the payment for the deferred part of the variable remunerations for the Management Board for business performance for 2021, which will be paid in 2024 (as at 31 December 2022, included among long-term operating liabilities).

Maturity structure of financial and operating liabilities

in EUR 000

31 Dec 2023	Financial liabilities	Trade payables	Operating liabilities from advances	Liabilities to the state	Other operating liabilities	Total
Maturity up to 1 year	0	151	0	65,027	510	65,688
From 1 to 2 years	65,000	0	0	0	0	65,000
From 2 to 5 years	0	0	0	0	0	0
Over 5 years	0	0	2	0	0	2
Total	65,000	151	2	65,027	510	130,690

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 2023 and 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 Mood's, and in-house analysis. The highest exposure equals the book value of financial instruments. Equity securities are exempt from the analysis because they do not carry direct credit risk.

Table 40: Net exposure of financial assets to credit risk, excluding any collaterals (security) as at 31 December 2023

in EUR 000

Internal credit risk	Method of measuring expected loss rate	Credit risk	Bonds	Other	Total
Low-risk investments	12-month expected losses	AAA	9,721	1,953	11,674
		AA	15,100	3,918	19,018
		A	29,059	0	29,059
		BBB	20,666	1,840	22,506
Less safe investments	12-month / lifetime expected losses	BB	1,511	0	1,511
		no credit rating	129	28,486	28,615
Units of target funds				355,912	355,912
Total			76,186	392,109	468,295

Financial assets were classified into the stated groups based on the credit ratings. Secure investments include all AAA to BBB rated investments, while less secure investments comprise investments with a credit rating below BB and investments without credit rating. Investments in ETF units do not have a rating and amount to EUR 355,912 thousand.

Table 41: Net exposure of financial assets to credit risk, excluding any collaterals (security) as at 31 December 2022

in EUR 000

Internal credit risk	Method of measuring expected loss rate	Credit risk	Bonds	Other	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 safe investments	12-month / lifetime expected losses	BB	7,539	1,493	9,032
		no credit rating	129	36,224	36,353
Units of target funds				313,896	313,896
Total			79,275	355,714	434,988

Table 42: Changes in loss allowance for investments valued at amortized cost and investments valued through other comprehensive income in 2023

	in EUR 000		
	Stage 1	Stage 2	Total
Loss allowance as at 31 Dec 2022	13	0	13
Derecognition of financial assets in the period	-6	0	-6
bonds	-5	0	-5
deposits	0	0	0
other	-1	0	-1
Acquisition of financial assets in the period	5	0	5
bonds	5	0	5
deposits	0	0	0
other	0	0	0
Other changes	3	0	3
Loss allowance as at 31 Dec 2023	15	0	15

Other changes are the result of changes in risk parameter estimates in accordance with the methodology, a decrease in the value of adjustments due to the shortening of the time to maturity of the existing investments, and changes due to exchange rate differences and accrued interest.

Table 43: Changes in loss allowance for investments valued at amortized cost and investments valued through other comprehensive income in 2022

	in EUR 000		
	Stage 1	Stage 2	Total
Loss allowance as at 31 Dec 2021	68	5	73
Derecognition of financial assets in the period	-21	0	-21
bonds	0	0	0
deposits	0	0	0
other	-21	0	-21
Acquisition of financial assets 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

Table 44: Changes in gross carrying amount and loss allowance for investments valued at amortized cost and investments valued through other comprehensive income in 2023

in EUR 000

Category	Gross carrying amount	Loss allowance
31 Dec 2022	45,715	13
Derecognition of financial assets in the period	-15,899	-6
Acquisition of financial assets in the period	1,516	5
Other changes	1	3
31 Dec 2023	31,333	15

Table 45: Changes in gross carrying amount and loss allowance for investments valued at amortised cost and investments valued through other comprehensive income in 2022

in EUR 000

Category	Gross carrying amount	Loss allowance
31 Dec 2021	54,767	73
Derecognition of financial assets in the period	-6,490	-21
Acquisition of financial assets in the period	1,996	1
Other changes	-4,558	-41
31 Dec 2022	45,715	13

Table 46: Geographical concentration of credit risk exposure of financial assets.

in EUR 000

Region	31 Dec 2023	31 Dec 2022
Slovenia	59,489	74,682
EU (excluding Slovenia)	49,312	43,738
USA	822	0
Other	2,760	2,673
Units of target funds	355,912	313,896
Total	468,295	434,988

Without taking the ETF units into account, the share of financial assets exposed to credit risk in Slovenia decreased from 62% to 53% in 2023.

Currency risk

Table 47: Currency composition of financial assets

in EUR 000

Currency	31 Dec 2023	31 Dec 2022
Assets denominated in EUR	1,096,607	979,959
Assets denominated in US dollars	168,517	138,525
Assets denominated in other currencies	8,171	9,693
Total	1,273,295	1,128,177

As at 31 December 2023, 86.1% of financial assets were denominated in Euro, 13.2% in US dollar, and 0.7% in other currencies. The currency structure of financial assets is presented considering the currency in which the underlying instrument is denominated. The currency risk increased due to higher exposure to investments in US dollars, whereby in the case of investments in investment fund units, the effect of changes in exchange rates of securities representing investments of ETFs is not taken into account.

Table 48: Currency risk of financial assets

	in EUR 000	
Change of the USD exchange rate by +/- 10%	31 Dec 2023	31 Dec 2022
Impact on statement of profit or loss	+/- 16,852	+/- 13,810
Impact on comprehensive income	+/- 0	+/- 0
Total	+/- 16,852	+/- 13,810

Interest rate risk

Interest rate risk is associated with debt investments that respond to changes in the level of market interest rates. These include investments, the income from which is linked to variable interest rates, and debt instruments where interest income is linked to a fixed interest rate despite the fact their market value changes upon any fluctuation of the level of market interest rates. The exposure to interest rate risk is regularly measured by the modified duration indicator.

Table 49: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2023 – change of 100 basis points in interest rates

	in EUR 000			
Financial asset group	Interest rate change	Sensitivity of interest income	Effect on fair value	Total
Financial assets measured at fair value through profit or loss	+/- 1 %	+/- 0	-/+ 7.605	-/+ 7.605
Financial assets measured at amortised cost	+/- 1 %	+/- 0	-/+ 0	-/+ 0
Financial assets measured at fair value through other comprehensive income	+/- 1 %	+/- 0	-/+ 511	-/+ 511
Total		+/- 0	-/+ 8.116	-/+ 8.116

Table 50: 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	Interest rate change	Sensitivity of interest income	Effect 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

The calculation of the sensitivity of interest revenue was made by taking into account the investment subject to variable interest rate, whereas the impact on fair value was calculated by taking into account the investment subject to fixed interest rate, including investment in bond investment funds. If market interest rates had changed by 100 basis points, the value of the investment as at 31 December 2023 would have changed by EUR 8,116 thousand. Interest rate risk increased in 2023 due to higher exposure to investments sensitive to changes in market interest rates.

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 (VaR) indicator is also monitored.

Table 51: Market risk of the equity securities portfolio and ETFs with diversified investment in equity securities

	in EUR 000	
Change of the index by +/- 10%	31 Dec 2023	31 Dec 2022
Impact on statement of profit or loss	+/- 27,211	+/- 25,483
Impact on comprehensive income	+/- 14,778	+/- 16,413
Total	+/- 41,989	+/- 41,896

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, and the impact on comprehensive income arises from investments, measured through other comprehensive income. The risk is calculated using the beta indicator relative to the global stock index. The market risk of equity securities and ETFs with diversified investments in equity securities slightly increased in 2023 due to the higher value of the equity securities portfolio.

Table 52: Overview of financial assets according to marketability

	in EUR 000	
Financial asset	31 Dec 2023	31 Dec 2022
Securities traded on the regulated market	971,360	850,286
Investments at fair value through profit or loss	403,763	353,690
Investments at amortized cost	5,815	9,275
Investments at fair value through other comprehensive income	561,782	487,321
Securities not traded on the regulated market	300,026	267,936
Investments at fair value through profit or loss	53,217	50,605
Investments at amortized cost	4,729	3,218
Investments at fair value through other comprehensive income	242,080	214,113
Cash and cash equivalents	1,909	9,955
Total	1,273,295	1,128,177

As at 31 December 2023, investments traded on regulated securities markets comprised 76.3% of the total assets of Kapitalska družba, d. d. (this group also includes OTC investments or interbank market investments). Financial assets measured at fair value through other comprehensive income which are not traded on regulated markets 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 2023, Kapitalska družba, d. d., recorded a total of EUR 1,227,970 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 non-discounted cash flows from the period of less than 1 year or by the sale of investments with a maturity of over 5 years.

Table 53: Expected actual non-discounted cash flows as at 31 December 2023

in EUR 000

Item	Less than 1 year	From 1 to 5 years	Over 5 years	Total
Investments in securities	1,185,024	37,300	29,719	1,252,043
Investments at fair value through profit or loss	397,549	10,321	27,509	435,378
Investments at amortised cost	1,193	9,826	0	11,018
Investments at fair value through other comprehensive income	628,120	17,153	2,210	647,483
Investments at cost	158,163	0	0	158,163
Investment in financial receivable	28,416	0	0	28,416
Cash and cash equivalents	1,909	0	0	1,909
Operating receivables	76,630	280	0	76,910
Total assets	1,291,980	37,580	29,719	1,359,278
Operating liabilities	66,306	2	0	66,308
Financial liabilities	0	65,000	0	65,000
Total operating and financial liabilities	66,306	65,002	0	131,308
Difference	1,225,674	-27,423	29,719	1,227,970

Table 54: Expected actual non-discounted cash flows as at 31 December 2022

in EUR 000

Item	Less than 1 year	From 1 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
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

Shares, stakes, and investment coupons are disclosed under item Up to 1 year.

Potential assets and liabilities

Table 55: Potential assets and liabilities

	in EUR 000	
	31 Dec 2023	31 Dec 2022
Contingent liabilities	960	1,615
Contingent assets	7,674	0

The contingent liabilities relate to the commitment of Kapitalska družba, d. d., to purchase ETF units.

As at 31 December 2023, Kapitalska družba, d. d., had a contingent receivable due from company Kompas Shop, d. d., in the amount of EUR 7,674 thousand, which is being claimed in a non-contentious procedure. As at 31 December 2022 the Company had no contingent assets.

15.4 OTHER DISCLOSURES

Data on groups of persons

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 2023, Kapitalska družba, d. d., approved no advance payments or loans to the members of the management and supervisory bodies not assumed any liabilities on their behalf.

Receipts of the members of the Management Board, Supervisory Board and staff with executive employment contracts

In 2023, remunerations paid for carrying out 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 957 thousand.

Receipts by category of beneficiaries are presented in the table below.

Table 56: Receipts by category of beneficiaries in 2023

Category of beneficiaries	Receipt amounts	in EUR
Board members	358,257	
Members of the Supervisory Board	112,352	
Employees with executive employment contracts	486,041	
Total	956,650	

No advances, loans or collateral were approved to members of the Management Board, the Supervisory Board and employees with individual contracts by Kapitalska družba, d. d., in 2023.

Remuneration of the members of management and supervisory bodies

Receipts of the members are regulated by ZSDH-1. Pursuant to Article 51 of the Companies Act (ZSDH-1), the same conditions and criteria as apply to the members of the Management Board of SSH apply to the members of the Management Board of the Kapitalska družba, d. d. By mutatis mutandis application of Article 46 of the Companies Act (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 members of the Management Board is set by the Supervisory Board and is fixed for the entire term of the contract, and may be adjusted once a year at the proposal of the members of the Management Board, taking into account the change in the average gross salary paid in the Kapitalska družba Group, once the data on the average salary in the Kapitalska družba Group for the previous financial year are known, provided that the Supervisory Board agrees to the adjustment.²³The basic pay of the members of the Management Board

23 This provision applies from the entry into force of the new contracts of employment of the members of the Management Board, i.e. from 4 January 2023 for Bakhtiar Dijel and from 9 February 2023 for Gregor Bajraktarevič. Before that the basic pay of the Management Board was 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 shouldn't exceed 95% of the basic pay of the Chairman of the Board of SSH as published, while the basic pay of members of the Management Board amounted 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 Management Board of the Slovenian Sovereign Holding, d. d., changed after the harmonisation was carried out, the basic pay of the Chairman and members 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., was publicly announced.

of Kapitalska družba, d. d. was calculated and paid in 2023 taking into account the above criteria. Pursuant to the contract, each member of the Management Board is entitled to attend training at home and abroad 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 57: Remuneration of members of the Management Board in 2023

in EUR

Name and surname	Fixed remuneration	Variable income	Benefits	Cost reimbursement	Insurance premiums (PDPZ)	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total gross	Total net	Deferred income
Bachtiar Djalil (Chairman of the Management Board)	163,855	13,463	92	2,176	2,904	-	-	-	-	2,150	184,640	93,892	12,836
Gregor Bajraktarević (Member of the Management Board)	153,026	12,799	85	2,653	2,904	-	-	-	-	2,150	173,617	89,896	12,213
Total	316,881	26,262	177	4,829	5,808	-	-	-	-	4,300	358,257	183,788	25,049

Fixed income of the members of the Management Board includes gross salary receipts. Variable income includes a 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 second part of the bonus for business performance for 2020, 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 of the voluntary supplementary pension insurance premium. Other payments include pay for annual leave. Deferred remuneration comprises the second part of the payment of variable remuneration for 2021, which will be paid in 2024.

Table 58: Receipts of the members of the Supervisory Board in 2023

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Benefits	Variable income	Cost reimbursement	Insurance premiums	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total gross	Total net
Janez Tomšič (Chairman of the Supervisory Board)	16,500	2,310	39	-	-	-	-	-	-	-	-	18,849	13,670
Boris Žnidarič (Deputy Chairman of the Supervisory Board from 1 January 2023 to 1 February 2023 and from 9 March to 31 December 2023; Chairman of the Accreditation Committee until 1 February 2023)	12,695	2,310	39	-	41	-	-	-	-	-	-	15,085	10,932
Ladislav Rožič (Member of the Supervisory Board; Member of the Accreditation Committee until 1 February 2023; Member of the Audit Committee until 1 February 2023; Member of the HR Committee until 1 February 2023)	13,944	2,310	39	-	-	-	-	-	-	-	-	16,293	11,811
Boštjan Leskovar (Member of the Supervisory Board; Chairman of the HR Committee, Member of the Accreditation Committee until 9 March 2023; Member of the Audit Committee until 9 March 2023)	16,500	4,598	39	-	516	-	-	-	-	-	-	21,653	15,709
Mirko Miklavčič (Member of the Supervisory Board; Member of the Audit Committee from 1 January 2023 to 1 February 2023 and from 9 March 2023 to 31 December 2023; Member of the HR Committee until 1 February 2023)	13,944	4,158	39	-	851	-	-	-	-	-	-	18,992	13,774
Andreja Cedilnik (Member of the Supervisory Board, Chairman of the Audit Committee, Member of the HR Committee)	16,500	4,818	39	-	123	-	-	-	-	-	-	21,480	15,583
Total	90,083	20,504	234	-	1,531	-	-	-	-	-	-	112,352	81,479

Fixed receipts of the Supervisory Board members include payments 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 benefits from the liability insurance of members of the Supervisory Board. Cost reimbursements include reimbursement of travel expenses.

Table 59: Receipts of the external members of the Supervisory Board's committees in 2023

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Benefits	Variable income	Cost reimbursement	Insurance premiums	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total Total gross	Total net
Mojca Verbič (External Member of the Audit Committee until 9 March 2023)	991	220	-	-	-	-	-	-	-	-	-	1,211	881
Natalija Stošicki (External Member of the Audit Committee)	3,600	1,848	-	-	224	-	-	-	-	-	-	5,672	4,125
Irena Prijović, (External Member of the Accreditation Committee until 9 March 2023)	991	-	-	-	-	-	-	-	-	-	-	991	721
Alenka Stanič (External Member of the Accreditation Committee until 9 March 2023)	991	-	-	-	-	-	-	-	-	-	-	991	721
Gorazd Žmavc (External Member of the Accreditation Committee until 9 March 2023)	991	-	-	-	-	-	-	-	-	-	-	991	721
Total	7,564	2,068	-	-	224	-	-	-	-	-	-	9,856	7,169

Fixed income of the external members of the Supervisory Board committees consists of the remuneration for the performance of duties and attendance fees for the attendance at the Supervisory Board committees' meetings. Cost reimbursements include reimbursement of travel expenses.

Table 60: Receipts of the members of the management and supervisory bodies arising from the performance of duties in the subsidiary Modra zavarovalnica, d. d., in 2023.

in EUR

Name and surname	Fixed remuneration – payment for performance of duties	Fixed remuneration – attendance fees	Benefits	Variable income	Cost reimbursement	Insurance premiums	Commissions	Participation in profit	Options	Other bonuses	Other additional payments	Total Total gross	Total net
Bachtar Djalil	16,633	3,355	35	-	-	-	-	-	-	-	-	20,023	14,528
Total	16,633	3,355	35	-	-	-	-	-	-	-	-	20,023	14,528

Fixed income consists of the remuneration for the work performed and attendance fees at the meetings. Fringe benefits include benefits from the liability insurance of members of the Supervisory Board.

Activities of the Supervisory Board and committees of Kapitalska družba, d. d.

The Supervisory Board held nine meetings in 2023. All members of the Supervisory Board were present at all meetings.

The Audit Committee of the Supervisory Board held ten meetings. Its Members attended the meetings regularly; external member Natalija Stošicki was not able to attend one meeting for justifiable reasons.

The Accreditation Committee of the Supervisory Board was operational in 2023 until 9 March 2023, but no meetings were held during that period.

The HR Committee held two meetings. Its members attended the meetings regularly; Ladislav Rožič was not able to attend one meeting for justifiable reasons.

Related-party transaction

In 2023, Kapitalska družba, d. d., made no significant transactions with its related parties, that were concluded under other than normal market conditions.

Important events after the date of the statement of financial position

At the end of 2023, the Act Regulating the Implementation of the Budgets of the Republic of Slovenia for 2024 and 2025 (ZIPRS2425) was adopted, pursuant to which Kapitalska družba, d. d., notwithstanding Article 52(3) of the ZSDH-1, is required to remit EUR 65 million to the ZPIZ each year in the years 2024 and 2025, no later than 29 September of the current year. Based on the aforementioned Act, in February 2024, Kapitalska družba, d. d. and ZPIZ concluded a contract on the coverage of Kapitalska družba, d.d.'s liabilities towards the Pension and Disability Insurance Institute of Slovenia in the years 2024 and 2025.

Subsidiary company FINAP, storitve in posredovanje, d. d. – in liquidation was based on the decision ref. no. Srg 2024/8280 as at 7 March 2024 deleted from the court register of the registration court.

Publisher: Kapitalska družba, d. d.

Translation:

Business Report: Amidas, d. o. o.

Accounting Report: PricewaterhouseCoopers d. o. o.

Creative idea and graphic layout: Strategija+, Darja Počič s.p.

Ljubljana, July 2024

