



2018 ANNUAL REPORT

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FINANCIAL AND OPERATIONAL RESTRUCTURING OF SAVA, D.D.

1. Clarifications

The Ljubljana District Court has published that the compulsory settlement proceedings for Sava d.d. conducted under Ref. No. 2868/2015 were finally concluded on 12/11/2016 (public notice at AJPES on 21/11/2016).

According to the provisions of Article 40 of the ZFPPIPP (Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act), when a compulsory settlement has been made final by the court and until the debtor pays the claims of all creditors eligible for repayment under the compulsory settlement, the debtor must ensure that all measures outlined in the Financial Restructuring Plan are carried out. The report must include:

- a description of financial restructuring measures carried out in the period under consideration;
- their effects on the debtor's liquidity and solvency;
- the total amount of all payments of claims of the creditors eligible for repayment under the compulsory settlement and the paid portion of the claims;

- the financial statements for the respective period (balance sheet, P&L statement, cash flow statement) and
- a statement by the management that the debtor has not acted in any way to contribute to the unequal treatment of creditors who are equal vis-à-vis the Company.

The management must draw up the report for each calendar quarter and submit it to the court that decided on the confirmation of compulsory settlement within forty-five days following the expiry of the period to which the report relates.

After the compulsory settlement became final, Sava d.d. submitted nine Reports on the Implementation of Financial Restructuring Measures to the Ljubljana District Court, whereby the reports are available at the AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) online portal.

2. Implementation of financial and operational restructuring measures

2.1. DESCRIPTION OF THE IMPLEMENTED FINANCIAL RESTRUCTURING MEASURES

a) With the compulsory settlement becoming final, the following measures related to the financial restructuring of Sava d.d. were implemented:

- 19 creditors converted their claims of EUR 65,036 thousand into the capital of Sava, d.d.;
- 21,678,535 new shares (SAVR) at the nominal value of EUR 1/share were issued;
- the value of the Company's share capital was EUR 21,679 thousand;
- the additional paid-in capital (share premium account) resulting from the conversion of the creditors' claims amounted to EUR 43,357 thousand;
- the write-off of creditors' ordinary claims was realised in the amount of EUR 9,358 thousand;
- the cumulative positive effects of the final compulsory settlement on the capital of Sava d.d. equalled EUR 74,394 thousand.

b) The litigation procedure that was highlighted as necessary for the successful implementation of the Financial Restructuring Plan was completed:

- The contentious relationships between DUTB d.d. and Sava d.d. regarding the issue related to the ownership of Sava Turizem d.d. shares were resolved by restoring the state of ownership and encumbrance to the state prior to the start of the litigation procedures.

2.2. DESCRIPTION OF THE IMPLEMENTED OPERATIONAL RESTRUCTURING MEASURES

a) Disinvestment measures: sale of non-strategic investments, arrangement of relationships and the resolution of the claim against NFD Holding, d.d. - in bankruptcy

The Financial Restructuring Plan was based on the division of investments into strategic and non-strategic investments. Investments into tourism

activities were classified as strategic investments. Others were classified as non-strategic investments, the biggest of which were the investment into Gorenjska banka d.d. shares and the investment into the Alta.SI fund.

a1) Disposal of non-strategic investments in 2018

The course of the sale of Gorenjska banka d.d. shares

- A conditional consent for the sale of the GBKR shares was issued on 30/01/2018 at the 25th General Meeting of Sava d.d. The buyer failed to submit the required evidence to the Board of Directors of Sava d.d. within 45 days of the adopted General Meeting resolution.
- At the 26th General Meeting held on 16/04/2018, the shareholders of Sava, d.d. decided on the transfer of the Company's assets associated with the sale of the shareholding of Sava, d.d. in Gorenjska banka, d.d. The resolution was passed that stated that the General Meeting approves the sale of the shareholding of Sava, d.d. in Gorenjska banka, d.d. provided that the Board of Directors of Sava, d.d. obtain (prior to the signing of the share purchase agreement and no later than by 30/04/2018, the Board of Directors of Sava, d.d. obtain a statement from the buyer AIK Banka, a.d., Beograd with authentic supporting documents showing that the buyer holds all of the required and valid consents from the National Bank of Serbia, Bank of Slovenia or the ECB for the acquisition of the said shares. AIK Banka failed to submit the supporting documents by the set deadline.
- On 22/06/2018, the 27th General Meeting of Sava, d.d. was held: The Board of Directors of Sava, d.d. proposed that the General Meeting adopt a resolution on the granting of consent for the conclusion share agreements based on which Sava, d.d. would sell and transfer to the creditors with the right to separate satisfaction up to 146,060 registered no-par value shares with the ticker GBKR at the price of EUR 298.00 per share. SDH, d.d. issued a counter-proposal to the proposed resolution, i.e. that the General Meeting should grant its consent to the conclusion and performance of the share purchase agreement for the sale of GBKR shares to the buyer AIK Banka, a.d. which should also include the option to sell of Sava, d.d. and the fiduciary Abanka, d.d. for the sale of GBKR at the price of EUR 298.00 per share. The General Meeting adopted the resolution proposed by SDH, d.d.

- On 22/06/2018, the Agreement on the Sale of GBKR shares to the buyer AIK Banka, a.d. was signed, whereby Sava, d.d., and Abanka, d.d. as the fiduciary obtained the option to sell the shares at the price of EUR 298.00 per share.
- On 22/06/2018, a Delivery-Versus-Payment Agreement was concluded between the sellers Sava, d.d. and Abanka, d.d. and the buyer AIK Banka, a.d., the pledgees and KDD - Centralna klirinška depotna družba, d.d., under which the operational execution of the transaction under the supervision of KDD, d.d. was agreed.
- The transaction was completed in February 2019.

Sale of the last block of investment coupons of Alta.SI

The last block of 6,249,692 investment coupons of Alta.SI was sold for EUR 5,895 thousand, whereby the costs of the exit charges amounted to EUR 177 thousand and the realised financial income came in at EUR 1,896 thousand. EUR 5,718 thousand was repaid to the creditors.

Sale – transfer of the shares of minority shareholders in Kompas Hoteli Bled to the principal (majority) shareholder

In 2017, the General Meeting of Kompas Hoteli Bled d.d. adopted the resolution on the transfer of the shares of minority shareholders to the principal shareholder against payment of the compensation of EUR 10.37 per share. Sava d.d. submitted an application before the court for the setting of a suitable compensation.

In 2018, a court settlement was concluded in relation to the judicial review of the cash compensation whereby an additional compensation of EUR 6.63 per share was imposed. Sava d.d. realised an additional EUR 90 thousand in financial income from the said transaction.

a2) Arrangement of relationships and the resolution of the claim against NFD Holding, d.d. - in bankruptcy

- On 17/04/2018, the District Court in Ljubljana published an invitation for the creditors on NFD Holding, d.d. - in bankruptcy that have the right to separate satisfaction, among them also Sava, d.d., to issue consent for the takeover of the assets, i.e. shares of Hoteli Bernardin, d.d., from the bankruptcy estate of NFD Holding, d.d. - in bankruptcy. Sava, d.d. issued the consent.
- On 3/10/2018, 4,591,743 shares of Hoteli Bernardin, d.d. worth EUR 5,786 thousand (EUR 1.26 per share) were transferred to Sava, d.d.
- In 2018, we redeemed 173,675 investment coupons of Alta.SI, which were received as a pledge to secure the claims against NFD Holding, d.d. - in bankruptcy. The amount of EUR 162 thousand which was paid to Sava, d.d. was allocated to the repayment of the creditors.

- On 5/12/2018, we sold 448 shares of Petrol, d.d. (PETG), which were received as a pledge to secure the claims against NFD Holding, d.d. - in bankruptcy. The amount of EUR 143 thousand which was paid to Sava, d.d. was allocated to the repayment of the creditors.

b) Consolidation of strategic investments in the tourism activity – procedure for the acquisition of the shares of Hoteli Bernardin, d.d.

- Based on the invitation of the District Court in Ljubljana inviting the creditors on NFD Holding, d.d. - in bankruptcy that have the right to separate satisfaction, among them also Sava, d.d., to issue consent for the takeover of the assets, i.e. shares of Hoteli Bernardin, d.d. from the bankruptcy estate of NFD Holding, d.d. - in bankruptcy, Sava, d.d. issued its consent.
- On 3/10/2018, 4,591,743 additional shares of Hoteli Bernardin, d.d. or 28.61%, which were worth EUR 5,786 thousand (EUR 1.26 per share) were transferred to Sava, d.d.
- On 2/10/2018, Sava, d.d. published the notification of a takeover intention for the acquisition of all ordinary no par values shares with a voting right of the issuer Hoteli Bernardin, d.d.
- On 8/10/2018, Sava, d.d. notified the Slovenian Competition Protection Agency of the concentration between Sava, d.d. and Hoteli Bernardin, d.d.
- On 23/10/2018, Sava, d.d. deposited a security deposit of EUR 4,749 thousand to the escrow account of KDD, d.d. for the execution of the takeover.
- On 24/10/2018, KPMG Slovenija, podjetje za revidiranje, d.o.o. issued the Assurance Report on the Suitability of the Share Price in the Takeover Bid of Sava, d.d., for the Shares of Hoteli Bernardin, d.d.
- On 25/10/2018, the Securities Market Agency issued permission for the takeover bid to Sava, d.d. for the acquisition of 16,046,700 shares of Hoteli Bernardin, d.d.
- On 29/10/2018, Sava, d.d. published the takeover bid and prospectus for the acquisition of the offeree company Hoteli Bernardin, d.d.
- On 3/12/2018, the Securities Market Agency issued the decision in which it found that the Takeover Bid for the Acquisition of Hoteli Bernardin, d.d. was accepted by 103 shareholders of the offeree company that held 1,221,161 shares with the ticker HBPN, which represents 7.61% of all shares of the offeree company and further found that the takeover bid was successful.

- The value of the acquired shares was EUR 1,538 thousand (EUR 1.26 per share), whereby the purchase consideration was remitted to the holders of the shares from the security deposit deposited on the escrow account of KDD, d.d.
- The transaction was financed from the cash-based capital increase of EUR 4,718 thousand that was approved by way of the resolution of the shareholders of Sava, d.d. at the 27th General Meeting held on 22/06/2018 and paid in August 2018.

As at 31/12/2018, Sava, d.d. held 7,281,125 HBPB shares representing a 45.37% stake in Hoteli Bernardin, d.d. The value of the investment is EUR 9,350 and is recorded in the books of account as an investment in an associate.

c) Labour cost cutting measures

On 31/12/2016, Sava d.d. had 14 employees whereas it had 9 employees on 31/12/2018. As a result of work process reorganisation, a new and more efficient organisational structure was introduced at the Company at the beginning of 2017. During the Financial Restructuring Plan implementation phase, the performance of individual tasks was optimised also by outsourcing certain functions.

In 2018, labour costs amounted to EUR 932 thousand.

d) Service cost cutting measures

Service costs were lowered significantly in the period from 2016 onwards. They include one-off costs associated with the procedure for the sale of non-strategic investments and the costs of consultants appointed for the continued performance of activities for the realisation of the strategy in the Tourism business as defined in the Financial Restructuring Plan.

Sava d.d. incurred EUR 1,262 thousand in service costs in 2018. These were 13% lower compared to the previous year.

e) Measures related to sales

When it comes to operating revenues, Sava, d.d. is pursuing the planned targets. An essential contribution to the total revenues of the Company comes from the financial portion of the P&L statement, i.e. the positive effects from the sale of non-strategic investments.

Two additional measures were namely envisaged in the Financial Restructuring Plan at the level of operating revenues which have not yet been implemented however. We estimate that Sava, d.d. will implement them partially already in 2019 when the tourism investment management model is set to be upgraded.

2.3. EFFECTS OF THE IMPLEMENTED FINANCIAL RESTRUCTURING MEASURES ON THE DEBTOR'S LIQUIDITY AND SOLVENCY

a) Cumulative positive effects of the final compulsory settlement on the debtor's liquidity and solvency

The cumulative positive effects on the liquidity and solvency of Sava d.d. amounted to EUR 90,415 thousand by the reporting date and comprised the following:

- net gains on sales of pledged assets worth EUR 8,979 thousand and
 - direct effects/write-off of liabilities defined in the Financial Restructuring Plan in the amount of EUR 81,436 thousand.
- a1) The total net gains* on the sale of pledged assets - effects of the implementation of the Financial Restructuring Plan on the Company's capital amounted to EUR 8,979 thousand and were generated as follows:
- EUR 3,554 thousand in 2016: sale of the first block of Alta.SI coupons was carried out based in the court's permission before the finality of compulsory settlement, however, the effect is material and is therefore reported;
 - EUR 3,616 thousand in 2017;
 - EUR 1,809 thousand in 2018.

* financial income less the costs of sales (cost to sell).

Table of net gains on the sale of assets: effects of the implementation of the Financial Restructuring Plan on the capital of Sava d.d. – by reporting periods

Reporting period	Amount in EUR thousands
January–October 2016	3,554
November–December 2016	0
January–March 2017	0
April–June 2017	1,703
July–September 2017	1,896
October–December 2017	17
January–March 2018	1,719
April–June 2018	0
July–September 2018	90
October–December 2018	0
TOTAL	8,979

a2) The cumulative direct positive effects of the final compulsory settlement on the Company's capital amounted to EUR 81,436 thousand and were generated as follows:

- EUR 74,394 thousand in 2016 – upon the finality of the compulsory settlement;
- EUR 7,042 thousand in 2018 – as part of the originally secured claims, the purchase consideration of which that was acquired during the sale of assets pledged as security did not cover the entire value of the secured collateral.

b) Structure of the Company's sources of assets by reporting period

On 31/12/2016, the value of Sava d.d.'s capital amounted to EUR 26,312 thousand. Its share in the sources of assets was 16%, and the share of non-current financial liabilities in the sources of assets was 83%.

On 31/12/2017, the value of Sava d.d.'s capital amounted to EUR 25,073 thousand. Its share in the sources of assets was 16%, and the share of non-current financial liabilities in the sources of assets was 82%.

On 31/12/2018, the value of Sava d.d.'s capital amounted to EUR 35,817 thousand. The amount of capital was affected by both the positive operations and the capital increase in the amount of EUR 4,718 thousand. The share of capital in the sources of assets was 24%, and the share of current financial liabilities in the sources of assets was 75%.

Overview of direct effects of the implementation of the Financial Restructuring Plan on the capital of Sava d.d. – by reporting periods

Reporting period	Amount in EUR thousands
November–December 2016	74,394
January–March 2017	0
April–June 2017	0
July–September 2017	0
October–December 2017	0
January–March 2018	6,946
April–June 2018	0
July–September 2018	0
October–December 2018	96
TOTAL	81,436

2.4. PAYMENTS AND THE SHARE OF REPAYMENTS OF CREDITORS' CLAIMS ELIGIBLE FOR REPAYMENT UNDER THE COMPULSORY SETTLEMENT

In 2016, Sava d.d. began disposing of its assets based on the court's consent (*before the finality of the compulsory settlement*) and repaid EUR 2,150 thousand of recognised claims using the purchase consideration it received for the real estate property.

Using the purchase consideration from the sale of investments, Sava d.d. was able to repay EUR 16,050 thousand of the claims of creditors eligible for repayment under the compulsory settlement in 2016.

Using the purchase consideration from the sale of investments, Sava d.d. was able to repay EUR 11,907 thousand of the claims of creditors eligible for repayment under the compulsory settlement in 2017. Upon the refinancing of the Sava Group companies' liabilities the collateral provided by Sava d.d. was released, thereby reducing the Company's contingent liabilities in the amount of EUR 4,209 thousand.

Using the purchase consideration from the sale of investments, Sava d.d. was able to repay EUR 6,024 thousand of the claims of creditors eligible for repayment under the compulsory settlement in 2018. On 31/12/2018, the share of claims eligible for repayment under the compulsory settlement that was repaid stood at 24.2%.

Overview of repayments of creditors' claims and other changes in claims eligible for repayment under the compulsory settlement

Reporting period	Amount in EUR thousands	Share of paid creditors' claims eligible for repayment under the compulsory settlement
January–October 2016	18,200	10.2%
- from the sale of real estate	2,150	0.0%
- from the sale of investment coupons of ALTA.SI (formerly Alpen.Si)	16,050	10.2%
November–December 2016	0	0.0%
January–March 2017	0	0.0%
April–June 2017	5,749	3.6%
- from the sale of investment coupons of Alpen.Si	5,610	3.5%
- from the sale of Kompas Hoteli Bled shares	139	0.1%
July–September 2017	6,158	3.9%
- from the sale of investment coupons of ALTA.SI (formerly Alpen.Si)	5,767	3.6%
- from the pledged funds	391	0.2%
October–December 2017	0	0.0%
January–March 2018	5,718	3.6%
- from the sale of investment coupons of ALTA.SI	5,718	3.6%
April–June 2018	0	0.0%
July–September 2018	0	0.0%
October–December 2018	305	0.2%
- from the sale of investment coupons of ALTA.SI received as a pledge for the claims against NFD Holding, d.d. – in bankruptcy	162	0.1%
- from the sale of the shares of Petrol, d.d. received as a pledge for the claims against NFD Holding, d.d. – in bankruptcy	143	0.1%
TOTAL REPAYMENTS	36,130	21.5%
Decrease in contingent claims – release of collateral upon the refinancing of the Sava Group companies' liabilities	4,209	2.7%
TOTAL DECREASE IN CREDITORS' CLAIMS	40,339	24.2%

2.5. CALCULATION AND PAYMENT OF INTEREST FOR SECURED CREDITORS' CLAIMS

The Financial Restructuring Plan envisages the secured creditors' claims to accumulate interest as of the finality of the compulsory settlement at the 1% nominal annual interest rate.

Sava d.d. is settling its liabilities arising from interest within the agreed deadlines.

1. Report by the Chairman of the Board of Directors

Dear Stakeholders!

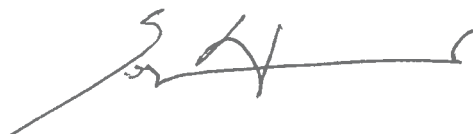
Sava, d.d. made important strides in 2018 towards fulfilling and surpassing the objectives of the Financial Restructuring Plan – both in terms of the development of strategic investments in the Tourism business and in terms of the realisation of the sale of investments that are earmarked for deleveraging and repayment of creditors. The Company will thus successfully implement the Financial Restructuring Plan in 2019.

Effective investment management at the companies performing tourism activities was reflected in 2018 in the continued growth of revenues and the improvement of the operating performance of these companies which was the result of the investment cycle that began in 2017 and the favourable conditions on the market.

Aiming to develop and consolidate tourism investments, Sava, d.d. carried out multi-year activities and finally managed to resolve legal disputes and arrange mutual relationships and consequently acquire an additional shareholding in Hoteli Bernardin, d.d. within the scope of bankruptcy proceedings of NFD Holding, d.d.

This was followed by the takeover after which Sava, d.d. became a 45% owner of Hoteli Bernardin, d.d. at the end of 2018 and then, following the decision of the shareholders of Sava, d.d. on the increase of capital which was adopted both at the 27th and the 28th General Meeting, also laid the foundations for further increases of the shareholding in Hoteli Bernardin, d.d. In 2019, Sava, d.d. thus continues activities aimed at increasing its shareholding in the said company to over 80%. The mentioned activities in the area of strategic investment development represent an important step in the realisation of the Strategy for the Sustainable Growth of Slovenian Tourism for 2017–2021.

The Board of Directors of Sava, d.d. adopted the Strategy of the Sava Group and Sava, d.d. for the 2019–2023 Period in 2019 that provides for the stable further development of the Sava Group. This strategy strengthens the role of Sava, d.d. as the driver of development of Slovenian tourism.



Klemen Boštjančič
Chairman of the Board of Directors of Sava d.d.

2. Report by the Board of Directors

In the 2018 financial year, the Board of Directors in conjunction with the CEO continued the activities for the realisation of the Financial Restructuring Plan. The implemented and successfully completed activities represent important strides towards the successful implementation of the Financial Restructuring Plan at Sava, d.d. in 2019.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors of Sava d.d. comprises five members, four of whom are appointed by the General Meeting and one is the employee representative.

The Board of Directors has quite a diverse composition in terms of academic degrees, age, gender and work experience, enabling it to function efficiently. The Board operated in its full composition of five members, whereby the composition did not change during the course of the year.

The representatives of the shareholders on the Board of Directors as at 31/12/2018 were:

- Klemen Boštjančič, Chairman;
- Dejan Rajbar, Deputy-Chairman;
- Tina Pelcar Bugar, member;
- Aleš Škoberne, member and
- Matej Narat, employee representative.

REPORT ON THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors of Sava d.d. held a total of 24 meetings in 2018, 18 of which were regular meetings and 6 were correspondence meetings. All of its members participated actively in the meetings and adopted decisions for the benefit of the Company. They also attended the meetings regularly.

In the 2018 financial year, the Board of Directors regularly monitored and supervised the operations of Sava, d.d. and the Sava Group and also regularly verified the realisation of the Financial Restructuring Plan which was presented to the Board in the form of monthly, quarterly and semi-annual reports. The realisation of the Financial Restructuring Plan was presented in detail in Quarterly Reports on the Implementation of Financial Restructuring Measures, which Sava d.d. is obliged to draw up under Article 40 of the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP). Its operations monitoring activities were focused on the operations of tourism companies because the Financial Restructuring Plan identifies the Tourism business as a key development activity of the Sava Group.

The Board of Directors called three General Meetings in the 2018 financial year (the 26th General Meeting on 16/04/2018, the 27th General Meeting on 22/06/2018 and the 28th General Meeting on 14/12/2018).

The Board of Directors supervised and directed all activities for the disposal of non-strategic assets and the development and strengthening of the Company's strategic assets as envisaged in the Financial Restructuring Plan. The CEO regularly briefed the Board on the sales activities as well as activities aimed at increasing the value of strategic investments which served as the basis for effective and successful performance of the Board's work.

As part of the activities for the disposal of non-strategic assets, the majority of sales activities were related to the disposal of the shares of Gorenjska banka d.d. as the largest non-strategic investment of the Company. In terms of the sales procedure, the Company's shareholders had the option of deciding on the conclusion of a sales agreement with the buyer AIK Banka a.d. Beograd at the 25th General Meeting held on 30/01/2018, the 26th General Meeting held on 16/04/2018 and the 27th General Meeting held on 22/06/2018. The sales agreement was concluded with AIK Banka, a.d. Beograd based on the resolution adopted at the 27th General Meeting held on 22/06/2018, whereby the resolution stated that Sava, d.d. would enter into and perform the share sale and purchase agreement with AIK banka a.d. so that Sava, d.d. would sell and transfer 111,773 shares of Gorenjska banka, d.d. and Abanka d.d. as the fiduciary would sell and transfer 34,287 shares of Gorenjska banka, d.d. at the price of EUR 298.00 per share. Sava, d.d. and Abanka d.d. would thus also obtain a put option under the said agreement. Following the fulfilment of suspensive conditions by the buyer, the sales transaction was successfully completed in February 2019.

In 2018, the Board of Directors also considered and granted its consent for the following:

- fourth partial sale of the units in the Alta.si sub-fund, whereby Sava, d.d. also finally exited the investment in the Alta.si sub-fund;
- disposal of a portion of the claims against NFD Holding, d.d. - in bankruptcy by liquidating a portion of the shares which were pledged as collateral to secure the claims against NFD Holding, d.d. - in bankruptcy;
- disposal of a portion of the claims against NFD Holding, d.d. - in bankruptcy by transferring the claims, including the partial collateral for the said claims, to the new creditor;
- disposal of the assets of the subsidiary Sava Nepremičnine, d.o.o. (land in Izola and Perovo).

The Board of Directors also focused on the activities for the development of strategic investments, i.e. the development and consolidation of investments in tourism, where the activities were performed with the help of the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism.

In this regard, the Board of Directors was briefed on the information of the receiver of NFD Holding d.d. - in bankruptcy and the invitation of the court for the acceptance of the shares of Hoteli Bernardin d.d. under the bankruptcy proceedings. In order to carry out the activities for the acquisition of the shares of Hoteli Bernardin, d.d., the 27th General Meeting held on 22/06/2018 granted the consent for the increase of the Company's share capital with new in-cash contributions up to the maximum amount of EUR 4,718,272.00 and the 28th General Meeting held on 14/12/2018 granted consent for the increase of share capital with new in-cash contributions up to the maximum amount of EUR 2,686,187.00.

Based on the consent for the handover of the shares of Hoteli Bernardin d.d. and following the multi-year activities for the resolution of disputes and the arrangement of mutual relationships, Sava, d.d. increased its stake in Hoteli Bernardin d.d. in October 2018 from 9.15% to 37.76% and later – following the publication of the takeover intention and takeover bid – increased it additionally to 45.37%.

At its 28th regular meeting held on 8/10/2018, the Board of Directors considered and granted its consent for the conclusion of an agreement under which Sava, d.d. gained the option of acquiring an additional stake in Hoteli Bernardin, d.d.

The activities performed to date confirm that Sava, d.d. is continuing to realise and exceed the objectives of the Financial Restructuring Plan. Effective investment management is also reflected in the improvement of the operating performance of tourism companies which began making CAPEX investments already in 2017 in order to ensure competitiveness and continued growth of operations.

In 2018, the Board of Directors also focused on the consideration of the annual report for the 2017 financial year and the monitoring of the work of the committees of the Board of Directors. In relation to this, the Board devoted its 20th regular meeting held on 5/04/2018 to the consideration of the report of the Audit Committee and the report of the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism on their work in 2017 whereby the Board assessed the work of both committees as successful. At this meeting, it also considered the Company's annual report for the 2017 financial year and in doing so:

- determined that the Executive Director compiled the Annual Report of Sava d.d. and the Sava Group for 2017 and submitted it together with the Auditor's Report of the selected auditor, Deloitte Revizija d.o.o., to the Board of Directors for verification and confirmation;
- determined that the Audit Committee had proposed that the Board of Directors confirm the Audited Annual Report of Sava d.d. and the Sava Group for 2017;
- verified and confirmed the Annual Report of Sava d.d. and the Annual Report of the Sava Group for 2017;

- received information from the Executive Director on the amount of the accumulated loss and the remuneration that the management and supervisory bodies received for the performance of their tasks at the Company in 2017.

In regards to the consideration of the annual report, the Board of Directors (at its 23rd regular meeting) considered and accepted the proposed resolutions for the convocation of the 27th General Meeting related to:

- the briefing on the Audited Annual Report of Sava d.d. for 2017, the Audited Consolidated Annual Report of the Sava Group for 2017 and the written report by the Board of Directors for 2017;
- allocation of the net profit of Sava d.d. and the amount of accumulated loss as at 31/12/2017;
- granting of a discharge to the Board of Directors for its work in the 2017 financial year;
- appointment of the auditor of the financial statements of Sava d.d. and the Sava Group for 2018.

At its 32nd regular meeting held on 19/12/2018, the Board of Directors of Sava, d.d. adopted the Sava, d.d. Business Plan for 2019 and was briefed on the Sava Group Business Plan for 2019; it also adopted the calendar of Board of Directors meetings for 2019. In view of the final phase of the three-year period following the confirmed compulsory composition of Sava, d.d., the Board of Directors also adopted a resolution (at this meeting) on the drafting of a strategic business plan, based on which the Strategy of the Sava Group and Sava, d.d. for the 2019–2023 Period was prepared and adopted in the beginning of 2019. The strategy enables Sava, d.d. to further strengthen its role as the driver of the development of Slovenian tourism.

The members of the Board of Directors are obliged to notify the Board of Directors of the potential existence of conflict of interest, of which there were none in 2018 in respect of any Board member. In 2018, Board of Directors members signed the Statement on the Independence of the Member of the Board of Directors where they declared themselves to be independent members.

The Board of Directors operates in compliance with the applicable legislation, the Articles of Association and the adopted Rules of Procedure.

WORK OF THE BOARD'S COMMITTEES

In 2018, the Audit Committee and the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism operated within the Board of Directors. Both committees regularly briefed the Board of Directors on their respective activities.

In 2018, the Audit Committee met on a quarterly basis, i.e. for a total of four regular meetings. It discussed the Annual Report of Sava d.d. and the

Sava Group for 2017 in the presence of the auditor. In doing so, it was briefed on the additional notes related to the Independent Auditor's Report. The Audit Committee monitored the independence of the auditor of the annual report from the point of view of the additional services of the auditor. It issued a positive assessment of the composition of the 2017 annual report and proposed that the Board of Directors confirm the annual report. It focused mainly on the consideration of the reports on the operations of Sava, d.d. and the Sava Group whereby the objective was the monitoring of the realisation of the Financial Restructuring Plan. At its regular meeting held on 26/11/2018, the Audit Committee considered the Internal Audit Report on the Audit of Risk Management in the Procedure for the Disposal of the Shares of Gorenjska banka d.d.

It proposed to the Board of Directors that Deloitte Revizija d.o.o. be selected as the auditor of the financial statements of the Sava, d.d. and the Sava Group for 2018 and was briefed on the Report on the Work of the Internal Audit of the Sava Group for 2017 and the Action Plan of the Internal Audit of the Sava Group for 2019.

The Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism met at four regular meetings in the 2018 financial year. The committee monitored the progress of the project for the consolidation and development of strategic investments in tourism. The committee also regularly monitored the cooperation with the external independent consulting firm for the area of tourism which presented its final report at the last meeting of the committee (as well as at the meeting of the Board of Directors).

In 2018, committee members signed the Statement on Independence where all of the members declared themselves to be independent members.

ASSESSMENT OF THE WORK OF THE CEO AND THE BOARD OF DIRECTORS

The Board of Directors assesses the communication between the Board and the CEO to be regular and open and that the CEO has performed his work conscientiously, correctly and in a timely manner thus providing the Board with all of the necessary information in the form of high quality reports that the Board used for effective and uninterrupted performance of its function. The Board of Directors believes that all members of the Board of Directors participated in the work constructively. The Board of Directors in conjunction with the CEO has successfully completed all the necessary procedures for the continued successful realisation and fulfilment of the Financial Restructuring Plan.

In the 2018 financial year, the Board of Directors and the external provider carried out an evaluation of the effectiveness of the Board's work or self-evaluation. The results were good in all assessed aspects meaning that the Board is functioning at a high level. In accordance with the Corporate Governance Code

for State-Owned Enterprises, the evaluation of the effectiveness of the Board's work will also be carried out in the 2019 financial year.

The Board finds that the CEO and the Board performed their work well and successfully in 2018.

AUDITOR'S REPORT

The Board of Directors was briefed on the independent auditor's reports containing the opinion that the financial statements provide a true and fair view of the financial position, the profit or loss and the cash flows of Sava d.d. and the Sava Group for 2018 in all material respects. Working with the auditor, the Audit Committee of the Board of Directors verified the interpretation of the definition of material uncertainty and concluded that these indications refer to the risks associated with the fulfilment of commitments to be completed in 2019 as set out in the Financial Restructuring Plan.

APPROVAL OF THE ANNUAL REPORT AND THE CONSOLIDATED ANNUAL REPORT

At its 38th meeting held on 02/04/2019, the Board of Directors verified and confirmed the two annual reports for 2018.

The Board of Directors hereby issues a positive opinion on the independent auditor's reports on the financial statements of Sava d.d. and the Sava Group and confirms without any remarks the Annual Report of Sava d.d. for 2018 and the Consolidated Annual Report of the Sava Group for 2018.

Ljubljana, 02/04/2019

BOARD OF DIRECTORS OF SAVA D.D.:


Klemen Boštjančič, Chairman


Dejan Rajbar, Deputy Chairman


Tina Pelcar Bugar, member


Matej Narat, member


Aleš Škoberne, member

3. Profile of Sava d.d.

Company: Sava, družba za upravljanje in financiranje, d.d.

Abbreviated name: Sava, d.d.

Registered office: Dunajska cesta 152, 1000 Ljubljana, Slovenia

Telephone: +386 4 206 5510

Fax number: +386 4 206 6446

E-mail: info@sava.si

Url: www.sava.si

Chairman of the Board of Directors: Klemen Boštjančič

Executive Director: Gregor Rovnšek

Registration ID number: 5111358

VAT ID: SI75105284

Principal activity: 64.200 Activities of holding companies

Companies registry information: 08/09/1989, file No. 10024800

Share capital as at 31/12/2018: EUR 26,396,807.00

Number of shares (SAVR): 26,396,807 ordinary registered no-par value shares

4. Presentation of the Sava Group and Sava d.d.

Sava, d.d. is the management centre of the Sava Group that is strategically oriented towards investments into the Tourism business. At the end of 2018, the Sava Group consisted of 9 companies, i.e. the parent company Sava, d.d. and 4 controlled undertakings with 4 subsidiaries. The strategic Tourism business is represented by Sava Turizem, d.d. as the parent company and principal activity operator and its subsidiaries: Terme Lendava, d.o.o., diagnostični center Cardial, d.o.o., izobraževalni zavod SEIC Moravske Toplice in Sava Zdravstvo, d.o.o. (suspended operations). As part of the strategic activity and on account of the increase of the ownership stake, Hoteli Bernardin, d.d. became an associated company of Sava, d.d. at the end of 2019. Hoteli Bernardin, d.d. will become a controlled company of the Sava Group in 2019 as a result of the realisation of the planned acquisitions of additional shareholdings. In addition to the mentioned companies, Sava, d.d. and Sava Turizem, d.d. also had the associated company

BLS Sinergije, d.o.o. in 2018. Other investments are classified as non-strategic assets and are subject to disposal activities in accordance with the Financial Restructuring Plan that Sava d.d. has been implementing since the compulsory settlement became final.

Companies that perform other activities include the real estate companies Sava Nepremičnine d.o.o. and Sava Nova d.o.o., while Sava NRS d.o.o. provides internal auditing services in the Sava Group and beyond as well as other business consultancy services.

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5. Management and governing bodies

BOARD OF DIRECTORS

Klemen Boštjančič, Chairman

Dejan Rajbar, Deputy Chairman

Tina Pelcar Burgar, Member

Aleš Škoberne, Member

Matej Narat, Member

EXECUTIVE DIRECTOR

Gregor Rovanšek

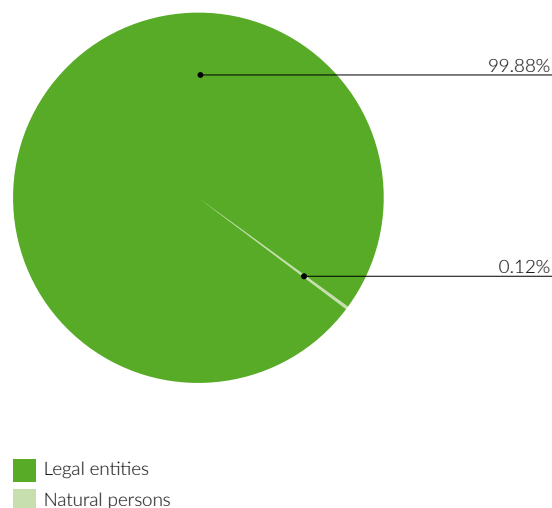
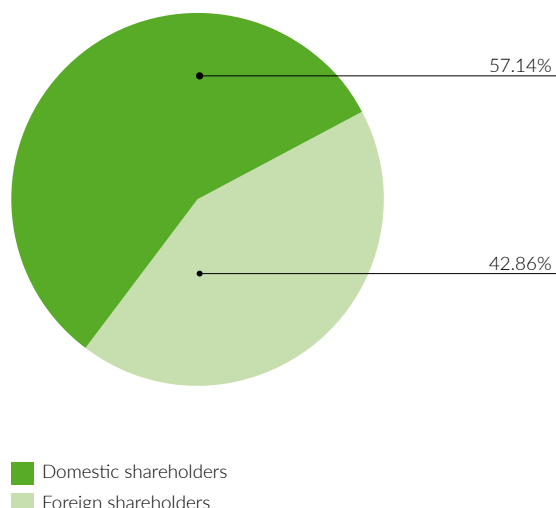
A comprehensive presentation of the management and governing bodies and their committees is provided in the Annual Report of the Sava Group and Sava d.d. for 2018, i.e. in the Report by the Board of Directors for 2018 and in the Statement on Corporate Governance (Composition of the management / Board of Directors in the 2018 financial year).

6. Ownership structure

The ownership structure of Sava d.d. consists of 21 shareholders, 57.1% of which are domestic and 42.9% are foreign shareholders. The foreign shareholder is from Luxembourg. The share of

legal entities represented 99.9% and that of private individuals (natural persons) 0.1% of all of the Company's shareholders. The top 10 shareholders own 99.9% of total Company equity.

Ownership structure by individual categories as at 31/12/2018
(in %)



Top 10 shareholders as at 31/12/2018

Top 10 shareholders	Ownership share	Number of shares
YORK GLOBAL FINANCE OFFSHORE BDH (LUXEMBOURG) S.A.R.L.	42.86%	11,314,442
KAPITALSKA DRUŽBA, D.D.	27.81%	7,341,234
SDH, d.d.	18.53%	4,891,650
SKUPNA POKOJNINSKA DRUŽBA D.D., LJUBLJANA (JOINT BOND PENSION FUND WITH GUARANTEED RETURNS)	3.01%	795,240
ZAVAROVALNICA TRIGLAV, d.d.	2.59%	684,046
RASTODER, d.o.o.	2.30%	607,729
NOVA KBM d.d.	1.88%	496,851
SALUS, Ljubljana, d.d.	0.59%	154,866
Skupna d.d., Ljubljana	0.23%	61,946
VASIN d.o.o.	0.05%	12,586
Top 10 shareholders total	99.86%	26,360,590
Other shareholders	0.14%	36,217
TOTAL	100.00%	26,396,807

MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD MEMBERS WHO OWN THE SHARES OF SAVA

Members of the Board of Directors and the Executive Director do not own shares in Sava d.d.

AUTHORISED CAPITAL AND CONDITIONAL INCREASE OF SHARE CAPITAL

The Articles of Association of Sava d.d. do not contain provisions relating to this.

BOOK VALUE PER SHARE

As at 31/12/2018, the book value of the Sava, d.d. share was EUR 2.28.

7. Operation and performance highlights

Financial operation and performance highlights for the Sava Group

in EUR millions

CONSOLIDATED INCOME STATEMENT	2014	2015	2016	2017	2018
Sales	63.0	66.0	69.1	74.7	76.6
Pre-tax operating profit or loss	-36.0	-27.9	25.3	6.4	5.4
Net profit or loss	-47.0	-27.8	24.5	5.9	4.8
EBITDA*	9.5	12.0	14.2	13.7	15.1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Total assets	285.5	260.3	244.7	231.7	232.5
Non-current assets	255.0	187.7	171.0	164.7	170.0
Current assets	30.5	72.6	73.7	67.0	62.5
Equity	-21.2	-54.0	34.7	37.2	54.1
Long-term debts	57.9	56.6	183.0	174.9	48.0
Short-term debt	248.8	257.7	27.0	19.6	130.4
Fixed capital formation	4.7	6.3	4.2	13.5	12.6
INDICATORS					
Net profit / loss per share – EUR	-23.50	-13.95	1.13	0.27	0.22
Equity financing share (equity / liabilities) – in %	negative	negative	14	16	23
Current ratio (current assets / current liabilities) – %	12	28	173	342	48
ROE - %	n.a.	n.a.	n.a.	17.9	11.1
EBITDA margin - %	14.5	17.8	19.6	18.2	19.1
Net financial debt/EBITDA	26.8	20.7	11.7	11.2	9.2
Share of investments in net sales revenues – %	7.3	9.4	6.0	18.0	16.5
SHARE					
Book value – EUR	negative	negative	1.6	1.7	2.3
NUMBER OF EMPLOYEES					
Number as at the last day of the period	1,003	1,029	1,029	1,029	1,030

* EBITDA – earnings before interest, taxes, depreciation and amortisation

8. Statement on Corporate Governance

In line with the adopted amendments to its Articles of Association, Sava d.d. has a one-tier system of governance as of 28/12/2016: the Company is managed by the Board of Directors, which appoints an Executive Director who is not a member of the Board of Directors. On 28/12/2016, the amendments to the Company's Articles of Association adopted at the 23rd General Meeting on 23/12/2016 entered into force.

NOTES IN ACCORDANCE WITH THE COMPANIES ACT

Based on the 5th paragraph of Article 70 of the Companies Act, which defines the minimum contents of the Statement on Corporate Governance, and based on the recommendations of the Corporate Governance Code for Companies with State Capital Investments, Sava d.d. hereby provides the following notes:

Statement of Compliance with the Corporate Governance Code for Companies with State Capital Investments

Sava d.d. is an unlisted company with a one-tier governance system. In accordance with the resolution of the Board of Directors, Sava, d.d. observes the Corporate Governance Code for Companies with State Capital Investments (hereinafter: the Code) in its management and governance.

The Statement of Compliance with the Code and the Recommendations refers to the period between the release of the former and the present statement, i.e. to the period from 05/04/2018 to 02/04/2019. The Statement forms a constituent part of the 2019 Annual Report, which provides a comprehensive presentation of the management and governance system of Sava d.d. and the Sava Group. In the indicated period, Sava d.d. followed the provisions of the Code version adopted in March 2016 and the latest version adopted in May 2017. The entire text of the Code is available at the website of Slovenian Sovereign Holding d.d. (www.sdh.si).

The Board of Directors is introducing management policies and systems and adopting resolutions to ensure the highest possible compliance of the Company's corporate governance with the Corporate Governance Code for Companies with State Capital Investments. At the same time, the adopted management systems comply with the activities for the implementation of the Financial Restructuring Plan, which sets out the Company's objectives for the next three-year period.

The Board of Directors hereby declares that Sava d.d. has followed the provisions of the Code except for the following deviations, for which it provides the following explanations:

Recommendation 3.2 – Management Policy

The management policy of the Company is not available on the Company's website. Sava d.d. is not a public limited company and therefore does not publish its policy on its website.

Recommendation 6.4.1 – Competence Profile for Supervisory Board Members

The competence profile is defined by the Company's Articles of Association.

Recommendation 6.6.1 – Statement of Independence

The completed and signed Statements of Independence are not published on the Company's public website.

Recommendation 6.9.6 – Payments for the Service of Members of the Board of Directors

Members of the Board of Directors of Sava d.d. do not receive payments higher than those outlined under Item 6.9.2.

Recommendation 8.1.1 – Development of the Company's Business Activities, Current Condition and Achievements in Accordance with the Legislation and Established Practice

The Company deviates from the Code in the part "reporting about the sustainable development of a company or a statement on non-financial operations", which is not applicable to the company. Sava d.d. is in the Financial Restructuring Plan implementation phase.

Recommendation 8.3 – Disclosing Income Received and Other Rights Held by an Individual Member of Management or Supervisory Bodies

Items 1.3.38 and 2.5.7 of the Annual Report disclose the income received by the management and supervisory bodies in accordance with legal provisions.

Recommendation 8.5 – Financial Calendar

The financial calendar for 2018 was not published on the Company's website. The Company notifies its shareholders pursuant to the Policy on Communication with the Shareholders of Sava d.d.

Recommendation 9.2.8 – Internal Assessments Regarding the Quality of the Internal Audit Activity

An internal assessment regarding the quality of the internal audit activity has not yet been performed.

Recommendation 10.1 – Code of Ethics

The Code of Ethics was adopted at the Sava Turizem, d.d. company.

Recommendation 10.2.2 – System of Internal Warning/Whistle-Blower Tools and Whistle-Blower Protection Mechanisms

The system of internal warning/whistle-blower tools and whistle-blower protection mechanisms will be fully established across the Sava Group once the Code is adopted by subsidiaries.

The Board of Directors hereby declares that Sava d.d. has followed the provisions of the Code except for the following deviations, for which it provides the following explanations:

Recommendation 2.1 – Periodic Reporting on Company/Group Performance

Pursuant to the adopted Policy on Communication, periodic reports are available within the deadlines outlined in the Policy.

Recommendation 3.6 – Contracts of Mandate (of a General, Special or Framework Nature) and Service Contracts

These recommendations are not observed due to the protection of business secrets.

Recommendation 4.4 – Publication of the Execution of Payments Referred to in Item 4.3.2

This information is not published on the Company's website. Labour cost figures are disclosed in the Annual Report.

Recommendation 4.5 – Publication of Binding Collective Agreements and Agreements with the Representatives of Employees

This information is not published on the Company's website.

Recommendation 5.1 (in conjunction with 5.2–5.4) – Self-Assessment According to the Proven European EFQM.1 Excellence Model

Sava d.d. is in the Financial Restructuring Plan implementation phase and therefore does not perform the indicated self-assessment.

Description of main characteristics of the internal control and risk management systems at the Company in connection with the financial reporting procedure

The system for the management of internal controls and risk related to financial reporting by Sava d.d. incorporates accounting rules and procedures that enable timely, true and fair reporting on the financial position, changes of assets and liabilities and the profit or loss of Sava d.d. and the Sava Group. The Executive Director of Sava d.d. is responsible for the functioning of the internal control system and for

supervising its efficiency. The purpose of the internal control system of the Sava Group is to ensure that Company or Group assets are secured, and business events correctly performed and documented. The existing structure of the internal control system includes, among others, the internal audit function and selection and training of competent specialists. Standardised accounting policies apply at the Sava Group, which are detailed in the Accounting Rules for Companies. The abovementioned Rules precisely define the duties and responsibilities of individual accounting operations as well as their monitoring and supervision. In this manner, a standardised approach to recording business events, procedure standardisation and in-depth employee expertise are assured. The use of a standardised central management information system supports the system of monthly monitoring and internal financial reporting on operations, of which the Board of Directors is also briefed, and it enables a timely response to any deviations or changes.

Significant direct and indirect ownership of the Company's securities in the sense of achieving a qualifying holding as stipulated by the act regulating takeovers

The holders of qualifying holdings in Sava d.d. as stipulated by the Takeovers Act on 31/12/2018 include: Slovenski državni holding d.d., Ljubljana (qualifying holding: 18.53% or 4,891,650 shares); Kapitalska družba, d.d., Ljubljana (qualifying holding: 27.81% or 7,341,234 shares); York Global Finance Offshore BDH (Luxembourg) s.a.r.l., Luxembourg (qualifying holding: 42.86% or 11,314,442 shares).

Notes on the holders of securities that grant special controlling rights

Individual shareholders of Sava d.d. have no special controlling rights based on the ownership of Sava shares.

Notes on all limitations on voting rights

The shareholders of Sava d.d. have no limitations in exercising their voting rights.

Company rules on the appointment and replacement of the members of the management or supervisory bodies and amendments to the Articles of Association

Appointments and replacements of the members of management or supervisory bodies are set out in the Articles of Association and the Rules of Procedure of the Board of Directors. The Company applies the applicable legislation in full in regard to any amendments to its Articles of Association.

Authorisations of executives, especially those for the issue or purchase of treasury shares

In 2018, Sava d.d. did not have any authorisations for the issue or purchase of treasury shares.

Functioning of the Company's General Meeting and its key competencies

The shareholders of Sava d.d. exercise their rights by way of the General Meeting. Convocation of the General Meeting is regulated by the Company's Articles of Association and complies with the legislation. All shareholders, or their proxies or representatives, may attend provided that they announce their attendance in writing in good time. The General Meeting is convened at least a month before the meeting in the form of an announcement made on the website of the Agency of the Republic

of Slovenia for Public Legal Records and Related Services (AJPES) or in a daily newspaper that is published throughout the territory of the Republic of Slovenia. The call for the General Meeting is also announced on the Company's website. The powers of the General Meeting and the rights of shareholders are stipulated by law and exercised as set out in the Company's Articles of Association and by the chairperson of the General Meeting.

Composition and operation of management or supervisory bodies and their committees

A comprehensive presentation of the management and supervisory bodies and their committees is provided in the Annual Report of the Sava Group and Sava d.d. for 2018 in the following chapters: Management and governing bodies and Report by the Board of Directors.

Composition of the Board of Directors and committees in the 2018 financial year

Name and surname	Position	First appointment to position	End of position / term of office	Shareholder / employee representative	Attendance at SB/BoD meetings compared to the total number of SB/BoD meetings	Gender	Citizenship	Year of birth
KLEMEN BOŠTJANČIČ	Chairman of the Board of Directors	28/12/2016	28/12/2021	Shareholder representative	24/24	Male	Slovenian	1972
DEJAN RAJBAR	Deputy-Chairman of the Board of Directors	28/12/2016	28/12/2021	Shareholder representative	20/24	Male	Slovenian	1976
TINA PELCAR BURGAR	Member of the Board of Directors	28/12/2016	28/12/2021	Shareholder representative	24/24	Female	Slovenian	1976
ALEŠ ŠKOBERNE	Member of the Board of Directors	28/12/2016	28/12/2021	Shareholder representative	24/24	Male	Slovenian	1975
MATEJ NARAT	Member of the Board of Directors	31/10/2017	28/12/2021	Employee representative	24/24	Male	Slovenian	1967
External members in committees								

Name and surname	Committee	Attendance at committee meetings compared to the total number of committee meetings	Gender	Citizenship	Education	Year of birth	Professional profile	Membership in the supervisory bodies of companies not associated with the company
JANKO GEDRIH	Audit Committee	3/4	Male	Slovenian	LLB	1949	Finance	Istrabenz, holdinška družba, d.d.
MILAN MARINIČ	Audit Committee, Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	4/4; 4/4	Male	Slovenian	BEE, BEcon	1952	Corporate governance	Hoteli Bernardin d.d., Istrabenz, holdinška družba, d.d.

Composition of the management in the financial year

Name and surname	Position	Area of work within the management body	First appointment to position	End of position / term of office	Gender	Citizenship	Year of birth	Education	Professional profile	Membership in the supervisory bodies of companies not associated with the company
GREGOR ROVANŠEK	Executive Director	/	28/12/2016	28/12/2021	Male	Slovenian	1981	MBA	Corporate governance	Istrabenz Turizem, d.d.

Education	Professional profile	Independence pursuant to Article 6.6 of the Code	Existence of conflict of interest in the financial year	Membership in the supervisory bodies of other companies	Membership in committees	Chairman/member	Attendance at committee meetings compared to the total number of committee meetings
BEcon	Corporate governance	YES	NO	Sava Turizem d.d.	Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	Member	4/4
BEcon, CFA	Finance	YES	NO	Cinkarna Celje, d.d., Elements Skladi, d.d.	Audit Committee	Chairman	4/4
LLB	Law	YES	NO	Sava Turizem d.d., Elektrooptika d.d.	Audit Committee	Member	4/4
BEcon, BA in International Business	Finance	YES	NO	Sava Turizem d.d., Elements Skladi, d.d.	Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	Member	4/4
MEcon	Investment consolidation	YES	NO	Sava Turizem d.d., Hoteli Bernardin d.d.	Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	Member	4/4

DESCRIPTION OF THE DIVERSITY POLICY

The Board of Directors adopted the Diversity Policy as a stand-alone document in February 2018. This policy on the diversity of the management and supervisory bodies of the Sava Group outlines the companies' commitments regarding a diverse composition of the companies' management and supervisory bodies. The companies' commitments on diversity pertain to representation in the management and supervisory bodies in terms of gender, age and education.

By way of the Diversity Policy, the Sava Group has set up a framework that allows and promotes a diverse composition of the management and supervisory bodies, with each of them acting as a homogeneous whole.

The policy aims to achieve greater diversity in the management and supervisory bodies as a whole, increasing their efficiency for improved operating performance and business reputation of each company and business group.

The statement will be accessible on the Company's website at www.sava.si as of the announcement date.

Ljubljana, 02/04/2019

BOARD OF DIRECTORS OF SAVA D.D.:



Klemen Boštjančič, Chairman



Dejan Rajbar, Deputy Chairman



Tina Pelcar Burgar, member



Matej Narat, member



Aleš Škoberne, member

9. Signing of the Annual Report and its constituent parts for Sava d.d. and the Sava Group for 2018

The Chairman and the members of the Board of Directors of Sava d.d. hereby confirm to have been acquainted with the content of the constituent parts of the Annual Report of Sava d.d. and the Sava Group for 2018.

The Annual Report is herewith adopted and confirmed with respective signatures

Ljubljana, 02/04/2019

BOARD OF DIRECTORS OF SAVA D.D.:


Klemen Boštjančič, Chairman


Dejan Rajbar, Deputy Chairman


Tina Pelcar Burgar, member


Matej Narat, member


Aleš Škoberne, member

1. General economic trends

According to forecasts of the Institute of Macroeconomic Analysis and Development (IMAD), economic growth of 4.4% is expected in Slovenia in 2018; it is also expected to remain relatively high over the next two years (3.7% and 3.4%). The key reasons in 2018 that will contribute to the slowing of the accelerated economic growth of the previous year (4.9%) are lower investment and exports growth. The somewhat lower export growth compared to the previous year will be the result of the slowing of the growth in foreign demand and absence of one-off factors in the automotive industry. Despite the lower investment growth, investment activity in all segments will remain high in the 2018–2020 period and private consumption will remain an important growth factor. Continued growth in private consumption (as a result of favourable trends on the labour market and moderate consumer optimism) and government spending (employment figure growth) will contribute more to economic growth in 2018 than they did in 2017. Continued slowing of economic growth is expected in the coming years which will be affected by the gradually lower growth in foreign demand and increasingly by demographic factors (replacements for an increasing number of retirees, transitions from unemployment to retirement) that limit the number of the active working population. Wage growth, especially in the export sector, coupled with the desire to maintain a competitive position will still not exceed productivity growth significantly.

According to the data from the Statistical Office of the Republic of Slovenia, inflation in 2018 was 1.1% and is somewhat higher than in the previous year on account of the strong rise in oil prices and the gradual strengthening of the growth of the prices of services. Supported by continued growth of demand and stronger price pressures, the gradual rise in prices is set to continue in the future. According to forecasts, inflation will be somewhat more than 2% by 2020.

TOURISM

Global tourism generates about 10.4% of the world's GDP. According to WTTC data, world tourism in 2017 grew by 3.2%, while it is set to increase by 0.4% in 2018 according to forecasts. In the 2018–2028 period, global tourism growth is set to increase by 3.8% per annum and reach 3.6% in 2028.

Tourism generates about 12% of the GDP in Slovenia. According to WTTC forecasts, Slovenian tourism is set to increase by 6.1% in 2018, while it is set to grow by 4.1% per annum in the 2018–2028 period, reaching 4% in 2028. According to the data of the Statistical Office of the Republic of Slovenia, the total number of tourist arrivals in 2018 increased by 19% compared to the previous year, whereby arrivals by domestic guests increased by 7.1% and arrivals by foreign guests by 23.5%. Furthermore, the total number of overnight stays shows an 27.6% improvement on 2017, whereby a 9.9% increase in overnight stays is due to domestic guests and a 36.2% increase is due to foreign guests.

Aimed at promoting tourism development, the Strategy for the Sustainable Growth of Slovenian Tourism for 2017–2021 is based on the current findings about Slovenian tourism and the special features of its development, on developing competitive advantages and promoting systemic solutions in this area, on effective integration of national, local and regional and entrepreneurial interests in the area of tourism development, on promoting global, national and local tourist products where Slovenia has recognisable competitive advantages and on understanding and introducing modern management methods and techniques in strategic planning and in steering entrepreneurial competitive networks.

2. Business operations of the Sava Group

2018 was the second year in which Sava d.d., the controlling company of the Sava Group, began implementing the Financial Restructuring Plan after the compulsory settlement was approved. The activities for the implementation of the plan, the most important of which are the disposal of non-strategic investments (the main ones being the shareholding in Gorenjska banka, d.d. and Alta.SI, resolution of the claims against NFD Holding, d.d. - in bankruptcy, acquisition of an important ownership stake in Hoteli Bernardin, d.d., increasing share capital through in-cash contributions, further lowering of loss brought forward and further lowering of financial liabilities), have brought significant positive changes in the structure of the assets and liabilities of Sava, d.d.

2018 was yet another year in a line of successful financial years for the Sava Turizem group. Sales revenues were 4% higher, operating profit was 9% higher and EBITDA was 3% higher YOY. Net profit was 21% higher than the year before.

In 2018, the Sava Group generated sales revenues of EUR 76.6 million, which is 3% higher YOY. A net profit of EUR 4.8 million was generated.

The balance sheet total of the Sava Group as at 31/12/2018 totalled EUR 232.5 million. The Group's capital was EUR 16.9 million higher than the year before. The value of non-current loans and current financial liabilities of the Sava Group as at 31/12/2018 stood at EUR 152.4 million, which is EUR 16.9 million lower than at the end of 2017.

2.1. BUSINESS PERFORMANCE OF SAVA TURIZEM GROUP COMPANIES

2018 was yet another year in a line of successful years for the Sava Turizem Group. It generated sales revenues of EUR 76.4 million, up 4% YOY. Revenue growth is the result of favourable market conditions, effective sales and marketing activities, constant improvement of the quality of services and the development of innovative products with high value-added.

The operating profit totalled EUR 8.2 million, up 9% YOY; the EBITDA (earnings before interest, taxes, depreciation and amortisation) of EUR 16.2 million was 3% above last year's figure. Net profit was EUR 6.5 million, which is 21% higher than the year before.

Investments in assets in 2018 amounted to EUR 12.6 million and were predominantly geared towards the improvement of energy efficiency, compliance with ecological safety requirements and activities for the introduction of new sales content at destinations.

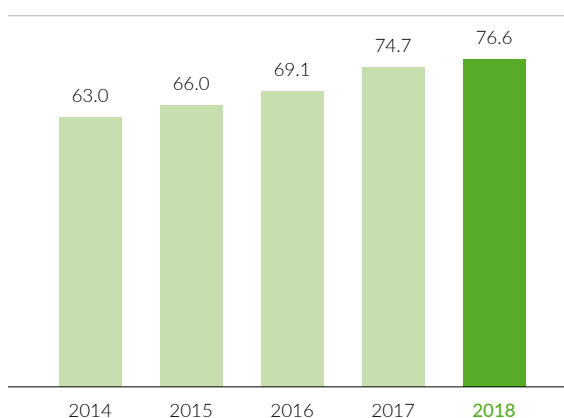
2.2. NOTES TO THE CONSOLIDATED INCOME STATEMENT

SALES REVENUES

In 2018, the Sava Group generated sales revenues of EUR 76.6 million, up 3% YOY.

The Sava Turizem Group generated EUR 76.4 million worth of sales revenues, up 4% YOY.

The Sava Group's sales revenues from 2014 to 2018 – in EUR millions



OTHER OPERATING REVENUES

Other operating revenues amounting to EUR 2.2 million mostly included revenues from the sale of real estate, revenues from the reversal of unused provisions and from drawing on deferred revenues arising from the assets financed through European grants.

OPERATING EXPENSES

The Sava Group's operating expenses of EUR 71.8 million were 2% higher year-on-year along with 3% growth in sales. In the cost structure, the costs of goods, materials and services represented 51%, labour costs represented 35%, amortisation represented 10% and write-downs and other operating expenses represented 4%.

Operating expenses of the Sava Turizem Group stood at EUR 69.5 million and were 3% higher than the year before, whereby operating revenue increased by 4%. EUR 0.6 million of operating expenses are associated with impairments of the Company's assets.

The parent company Sava d.d. generated operating expenses of EUR 2.2 million, which remained at the levels of the previous year despite the costs incurred in the sale of financial assets.

The companies that pursue other activities generated operating expenses of EUR 0.7 million.

The sum of the abovementioned operating expenses is EUR 0.6 million higher than the disclosed operating expenses of the Sava Group which represents the costs of intra-group transactions.

OPERATING PROFIT (EBIT)

In 2018, the Sava Group generated operating profit of EUR 7.0 million, up 30% compared to the year before.

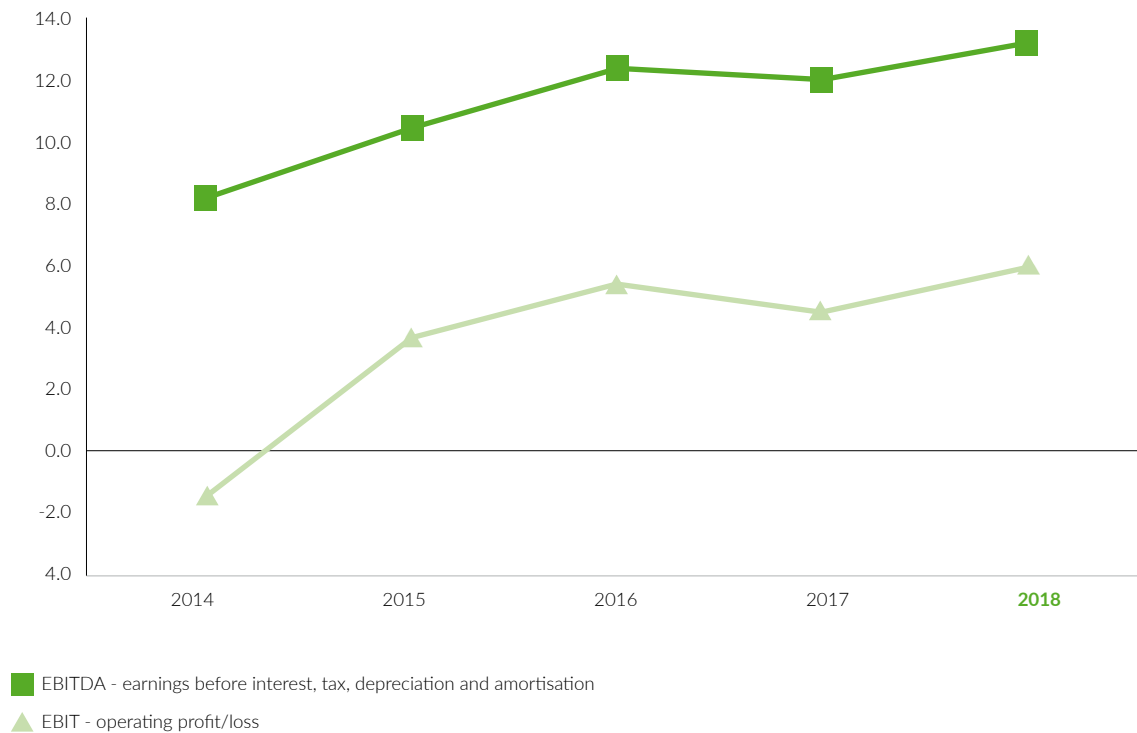
The Sava Turizem Group generated a profit from regular operations in the amount of EUR 8.2 million, which is 8% more than in the previous year.

Sava d.d. generated a loss from regular operations in the amount of EUR 1.5 million, which is 6% lower than the loss from operations of the previous year.

The companies pursuing other activities generated a profit from regular operations of EUR 0.4 million.

The financial statements prepared in accordance with the IFRS additionally disclose extraordinary revenues and extraordinary expenses in the net negative amount of EUR 0.1 million under operating profit.

EBITDA and EBIT at the Sava Group from 2014 to 2018 – in EUR millions



FINANCIAL INCOME

Financial income reached EUR 0.6 million and mostly represent the effects of the favourably concluded litigation proceedings at Sava, d.d.

Additional note relating to the amendment to IFRS 9 - Financial Instruments:

- The amended IFRS 9 entered into force on 01/01/2018. Available-for-sale securities were valued through fair value reserves (reserves resulting from the valuation at fair value) until the end of 2017, while they are considered financial assets measured at fair value through profit or loss as of 01/01/2018. According to the provisions of IFRS 9, fair value reserves as at 01/01/2018 were transferred among retained losses of the Sava Group which is why no effect of the sales of financial assets carried out in 2018 are disclosed among financial income.
- Sava, d.d. prepares individual financial statements according to SAS 2016, in line with the provisions of which it still discloses valuation effects among fair value reserves, while the positive effects from the sale of securities (last block of investment coupons in 2018) are disclosed among financial income.

FINANCIAL EXPENSES

Financing costs of EUR 2.3 million are mostly represented by interest on financial liabilities. Interest expenses at Sava d.d. for the 2018 financial year were charged at a 1% interest rate.

NET FINANCIAL EXPENSES

Net financial expenses of EUR 1.7 million were generated.

SHARE OF THE PROFITS OF ASSOCIATES

As at 31/12/2018, Sava, d.d. held a 45.37% shareholding in Hoteli Bernardin, d.d., which is recorded among investments in associates. Share of the profits of the associated company belonging to the Sava Group amounts to EUR 0.1 million.

PRE-TAX PROFIT

Pre-tax profit of EUR 5.4 million was generated.

Structure of pre-tax profit / loss

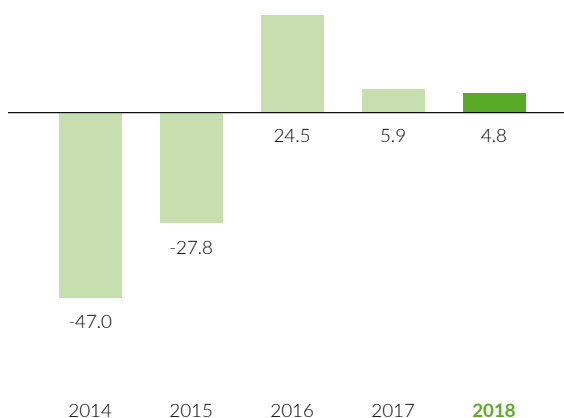
	2014	2015	2016	2017	2018
Operating profit w/o write-downs	1.8	4.7	6.9	6.5	7.7
Financial result from the final compulsory settlement of Sava d.d.	-	-	17.3	-	-
Other financial result w/o impairments	-6.8	-16.1	2.0	1.1	-1.7
Impairments of assets through profit or loss	-31.0	-16.5	-0.9	-1.2	-0.6
PRE-TAX PROFIT / LOSS	-36.0	-27.9	25.3	6.4	5.4

v mio €

NET PROFIT OF THE SAVA GROUP

In 2018, the Sava Group generated a net profit of EUR 4.8 million.

Net profit / loss at the Sava Group from 2014 to 2018 – in EUR millions



2.3. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BALANCE SHEET TOTAL AND STRUCTURE OF ASSETS AND SOURCES OF ASSETS

The Sava Group's balance sheet total stood at EUR 232.5 million as at 31/12/2018, down EUR 0.8 million on the end of 2017.

In the Group's asset structure, property, plant and equipment represented 68%, financial assets and assets held for sale represented 23% and other assets represented 9%.

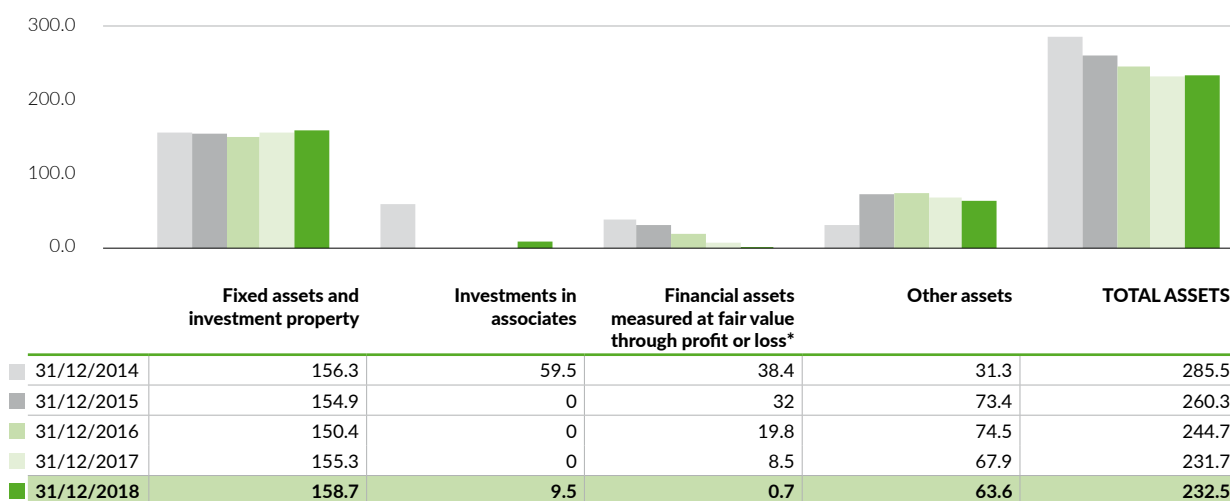
ASSETS

The biggest changes in the assets of the Sava Group in 2018 were as follows:

- the value of *property, plant and equipment*, which was EUR 158.7 million on 31/12/2018, saw a net increase of EUR 3.4 million compared to the end of the previous year. Investments in property, plant and equipment of EUR 12.6 million were fully realised within the scope of the Tourism business, depreciation and amortisation of EUR 7.4 million accounted, a sale of real estate in the amount of EUR 1.2 million was carried out, an impairment of EUR 0.5 million was carried out and other decreases of EUR 0.1 million were also achieved;

- the value of *investments in associates* of EUR 9.5 million represent an investment in a 45.37% stake in Hoteli Bernardin, d.d. Sava, d.d. already held a 9.15% stake in its investment portfolio as at 01/01/2018 and acquired an additional 36.22% stake in Hoteli Bernardin, d.d. in 2018 by resolving the claims against NFD Holding, d.d. - in bankruptcy and the successfully completed takeover procedure;
- the value of *financial assets at fair value through profit or loss* amounted to EUR 0.7 million as at 31/12/2018, whereby the net decrease of EUR 7.8 million compared to the end of the previous year is largely due to the sale of the last block of ALTA. SI investment coupons (EUR 5.7 million) and the transfer of the investment in Hoteli Bernardin, d.d. (EUR 2.0 million) to investments in associates;
- the value of *operating and other receivables and loans granted*, which amounted to EUR 8.7 million as at 31/12/2018, was EUR 7.5 million lower than at the end of the previous year. The change is mostly the result of the resolution of the claims against NFD Holding, d.d. - in bankruptcy;
- the amount of *cash and cash equivalents* amounted to EUR 9.3 million as at 31/12/2018, EUR 2.5 million of which were deposited to the escrow account of a notary for the purpose of continued acquisition of the shares of Hoteli Bernardin, d.d. In 2018, the share capital of Sava, d.d. was increased through in-cash payments of EUR 4.7 million.

Structure of Sava Group assets from 2014 to 2018 – in EUR millions



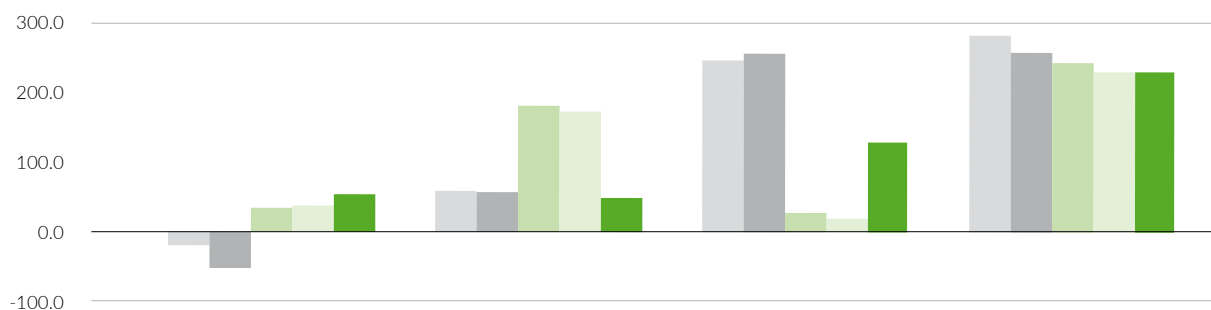
* Up to and including 2017 they were available-for-sale financial assets, while they are financial assets measured at fair value through profit or loss as of 01/01/2018.

EQUITY AND LIABILITIES

The biggest changes in the sources of assets in 2018 were as follows:

- equity amounted to EUR 54.1 million as at 31/12/2018, which is EUR 16.9 million higher YOY:
 - based on the resolution of the General Meeting of Sava, d.d., the Company's share capital was increased through in-cash payments by EUR 4.7 million;
 - fair value reserves decreased by EUR 1.8 million as a result of the amendment to IFRS 9;
 - retained operating loss decreased by EUR 2.1 million as a result of the amendment to the provisions of IFRS 9;
- retained loss decreased by EUR 7.0 million as a result of a 90% write-off of secured financial liabilities of Sava, d.d.;
- the Group posted a profit of EUR 4.8 million;
- other changes amounted to EUR 0.1 million;
- the amount of *non-current loans received and current financial liabilities* of the Sava Group companies amounted to EUR 152.4 million as at 31/12/2018, which is EUR 16.9 million lower than at the end of 2017. The decrease in financial liabilities of EUR 7.0 million relates to the 90% write-off of the secured financial liabilities of Sava, d.d., while the decrease of EUR 9.9 million relates to loan repayments.

Structure of the sources of assets of the Sava Group from 2014 to 2018 – in EUR millions



	Equity	Long-term debts	Short-term debts	Total equity and debts
31/12/2014	-21.2	57.9	248.8	285.5
31/12/2015	-54.0	56.6	257.7	260.3
31/12/2016	34.7	183	27	244.7
31/12/2017	37.2	174.9	19.6	231.7
31/12/2018	54.1	48.0	130.4	232.5

2.4. INVESTMENTS

The Sava Group's investments in assets 2018 totalled EUR 12.6 million and were all carried out within the Tourism business. Investments were predominantly geared towards the improvement of energy efficiency, compliance with ecological safety requirements and activities for the introduction of new sales content at destinations.

2.5. EMPLOYEES IN THE SAVA GROUP

There were a total of 1,030 employees at the Sava Group as at 31/12/2018. The majority of the employees are employed at Sava Turizem, d.d.

The Sava Group companies had 821 employees on average in 2018, compared to 823 in the same period of the previous year.

Educational structure of Sava Group employees

Level of education	2018		2017	
	Number of employees	Average number of employees	Number of employees	Average number of employees
1 st level – incomplete primary school	4	3	4	3
2 nd level – primary school	76	59	76	59
3 rd level – up to 2 years of vocational education	10	7	10	7
4 th level – at least 3 years of vocational education	281	228	281	228
5 th level – secondary education	377	299	378	300
6 th level – higher vocational college	98	78	97	78
7a level – professional college	111	85	111	84
7b level – university degree	61	52	61	53
8 th level – master's degree	9	7	8	7
9 th level – PhD	3	2	3	2
TOTAL	1,030	821	1,029	823

Age structure of Sava Group employees

Age	2018		2017	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Up to 20 years	7	2	7	2
20 - 30	216	160	226	170
31 - 40	269	216	266	215
41 - 50	271	233	270	232
51 - 60	251	198	244	192
Over 60	16	13	16	13
TOTAL	1,030	821	1,029	823

Structure of Sava Group employees by gender

Gender	2018		2017	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Women	607	471	606	471
Men	423	351	423	352
TOTAL	1,030	821	1,029	823

3. Business operations of Sava d.d.

2018 was the second year in which Sava d.d. implemented the Financial Restructuring Plan after the compulsory settlement was approved. The activities for the implementation of the plan, the most important of which are the disposal of non-strategic investments (the main ones being the shareholding in Gorenjska banka, d.d. and Alta. SI, resolution of the claims against NFD Holding, d.d. - in bankruptcy, acquisition of an important ownership stake in Hoteli Bernardin, d.d., increasing share capital through in-cash contributions, further lowering of loss brought forward and further lowering of financial liabilities), have brought significant positive changes in the structure of the assets and liabilities of Sava, d.d.

Pursuant to the provisions of Article 230 of ZGD-1, the net profit of EUR 0.6 million in 2018 was used to cover the loss brought forward at the time this Annual Report was being compiled.

In parallel with the implementation of the abovementioned business activities, Sava, d.d. directed the key activities towards the development of strategic investments in the Tourism business and laid the foundation for their further operational consolidation while also implementing the activities of Sava, d.d. in the role of tourism investment manager.

3.1. NOTES TO THE INCOME STATEMENT

Overview of major performance figures of Sava d.d.

	in EUR millions				
	2014	2015	2016	2017	2018
Net sales revenues	0.9	0.9	0.8	0.6	0.6
Other revenues	0.2	0.1	1.8	0.0	0.1
Operating costs	-3.6	-3.0	-2.8	-2.2	-2.2
OPERATING PROFIT OR LOSS	-2.5	-2.0	-0.2	-1.6	-1.5
FINANCIAL RESULT	-34.7	-34.4	17.0	3.7	2.2
RESULT FROM OTHER ITEMS	0.1	0.1	0.0	-0.5	-0.1
PROFIT OR LOSS BEFORE TAX	-37.1	-36.3	16.8	1.6	0.6
NET PROFIT OR LOSS	-48.0	-36.3	16.8	1.6	0.6

Sava d.d. operating performance indicators

	2014	2015	2016	2017	2018
Equity financing share (equity / liabilities) – in %	-11.1	-35.7	15.8	16.4	23.9
Long-term financing share – in % sum of equity and long-term debts (incl. provisions and deferred taxes) and long-term accrued costs and deferred revenues / liabilities	-10.6	-35.3	99.2	99.0	23.9
Share of fixed assets in the assets – in % fixed assets / assets	1.2	1.3	0.1	0.0	0.1
Share of non-current assets in the assets – in % sum of fixed assets and long-term deferred costs and accrued revenues, investment property, non-current financial assets and non-current operating receivables / assets	90.7	66.7	64.7	63.0	64.8
Cash ratio cash / current liabilities	0.0	0.0	2.0	1.1	0.0
Quick ratio sum of liquid assets, current receivables and current financial assets / current liabilities	0.1	0.1	26.8	33.4	0.1
Current ratio current assets / current liabilities	0.1	0.2	104.1	145.3	0.5
Operating efficiency ratio operating revenues and financial income / operating and financial expenses	neg	neg	4.7	1.5	1.2
Net return on equity net profit / average equity (excluding net profit/loss for the period)	neg	neg	n.a.	6.4	1.8
Dividends to share capital ratio – in % dividends paid in financial year / average share capital	0.0	0.0	0.0	0.0	0.0

OPERATING REVENUES

- Operating revenues amounted to EUR 0.7 million and included EUR 0.6 million in revenues from trademark use royalties, rental income and revenues from other business services, while EUR 0.1 million relates to the reversal of the unused current provision and gains on the sale of fixed assets.
- Net revenues from the sale of services were 4% higher than the net revenues in the previous year.

OPERATING EXPENSES

- Operating expenses of EUR 2.2 million were at the level over the same period of the previous year.
- The structure of operating expenses was as follows: costs of services accounted for 57%, labour costs accounted for 42% and other expenses accounted for 1%.
- The costs of services of EUR 1.2 million were 13% lower than in the previous year. EUR 0.2 million of these are associated with the exit charge on the disposal of the last block of investment coupons of ALTA.SI, EUR 0.1 million are associated with the costs incurred from the sale of Gorenjska banka d.d. shares and EUR 0.4 million are associated with the costs of the consolidation of investments in tourism which is proceeding in line with the Financial Restructuring Plan.
- As at 31/12/2018, Sava d.d. had 9 employees and their number did not change compared to the end of 2017. Labour costs amounted to EUR 932 thousand, EUR 331 thousand of which were provisions for potential liabilities upon the end of the implementation of the Financial Restructuring Plan. Excluding the aforementioned provisions, labour costs were up 19% YOY.

OPERATING PROFIT OR LOSS

- A loss in the amount of EUR 1.5 million was generated and was 6% lower YOY despite the one-off cost related to the sale of investments.

FINANCIAL RESULT

- The financial result of Sava d.d. was positive and came in at EUR 2.2 million.
- Dividends received amounting to EUR 1.2 million and related to the investment in Sava Turizem d.d. represent a return of 1.4%.
- The sale of financial assets generated EUR 2.0 million in financial income.
- Impairments of financial assets in the amount of EUR 0.3 million were carried out.
- Interest on granted loans amounting to EUR 0.1 million related to the loan granted to a subsidiary.
- Interest on loans received and amounting to EUR 1.1 million represents the 1% interest charged on secured financial liabilities. Sava d.d. is settling its liabilities arising from interest within the agreed deadlines.
- Other financial income of EUR 0.3 million came from the favourably completed litigation.

Financial result by type of activity

in EUR millions

	Financial result	Financial result	Financial result	Financial result	Financial income	Financial expenses	Financial result
	2014	2015	2016	2017	JAN-DEC 2018		
Dividends	0.0	0.0	0.0	1.2	1.2	0.0	1.2
Effects of the sale of financial assets	1.3	0.2	4.5	4.0	2.0	0.0	2.0
Impairments of financial assets	-31.1	-20.9	-1.6	-0.3	0.0	-0.3	-0.3
Interest	-5.2	-13.4	0.1	-1.2	0.1	-1.1	-1.0
Other	0.3	-0.3	14.0	0.0	0.3	0.0	0.3
Total	-34.7	-34.4	17.0	3.7	3.6	-1.4	2.2

PROFIT OR LOSS FROM EXTRAORDINARY EVENTS

The loss from extraordinary events amounted to EUR 0.1 million and represents the cost of a new ordinary financial liability of Sava, d.d. based on a recourse claim of Sava Nepremičnine, d.o.o. related to the sale of the property pledged for the financial liabilities of Sava, d.d.

CORPORATE INCOME TAX

Sava d.d. had no corporate income tax liability accounted for 2018 and the identified tax loss was EUR 8.6 million. As at 31/12/2018, the balance of the unsettled tax loss amounted to EUR 335.7 million.

NET PROFIT OR LOSS

Net profit of EUR 0.6 million was generated in 2018. It consisted of an operating loss of EUR 1.5 million and of a positive financial result of EUR 2.2 million as well as of a loss from extraordinary items of EUR 0.1 million.

Pursuant to the provisions of Article 230 of the Companies Act (ZGD-1), the net profit of EUR 0.6 million was used at the time this Annual Report was being compiled to cover the loss brought forward.

ACCUMULATED LOSS

Accumulated loss amounted to EUR 34.1 million as at 31/12/2018, which is EUR 7.6 million lower than at the end of the previous year. Other changes amounting to EUR 7.0 million relate to the 90% write-off of the originally secured creditors' claims, the purchase consideration of which that was received upon the sale of assets pledged as security did not cover the entire secured value of the collateral.

Accumulated loss

	in EUR millions
Net profit or loss for 2018	0.6
Loss brought forward	-41.7
Other changes	7.0
Accumulated loss as at 31/12/2018	-34.1

3.2. NOTES TO THE BALANCE SHEET

BALANCE SHEET TOTAL

Activities defined in the Financial Restructuring Plan were carried out in 2018 and they resulted in positive changes in the structure of assets and liabilities. The balance sheet total as at 31/12/2018 thus totalled EUR 150.0 million.

ASSET STRUCTURE

Non-current financial assets and current available-for-sale assets represented the largest share in the asset structure (93%). Cash accounted for 3% as did loans granted, while other assets accounted for 1% of the assets.

Major substantive and value changes in the assets item:

- decrease in financial assets by EUR 5.7. million as a result of the sale of the last block of Alta.SI coupons;
- decrease in the claim from loans granted and the claim from interest against NFD Holding, d.d. - in bankruptcy by EUR 6.2 million, EUR 5.8 million of which resulted from the liquidation of the shares of Hoteli Bernardin, d.d. which were received in a pledge;
- increase of the investment in the shares of Hoteli Bernardin, d.d. by EUR 5.8 million resulting from the liquidation of the collateral for the claims against NFD Holding, d.d. - in bankruptcy;
- increase of the investment in the shares of Hoteli Bernardin, d.d. by EUR 1.5 million resulting from the successful takeover;
- increase in cash of EUR 4.7 million came from in-cash contributions to the share capital based on the resolution of the General Meeting of Sava, d.d.

Non-current financial assets and current available-for-sale assets totalling EUR 140.0 million comprises the following as at 31/12/2018:

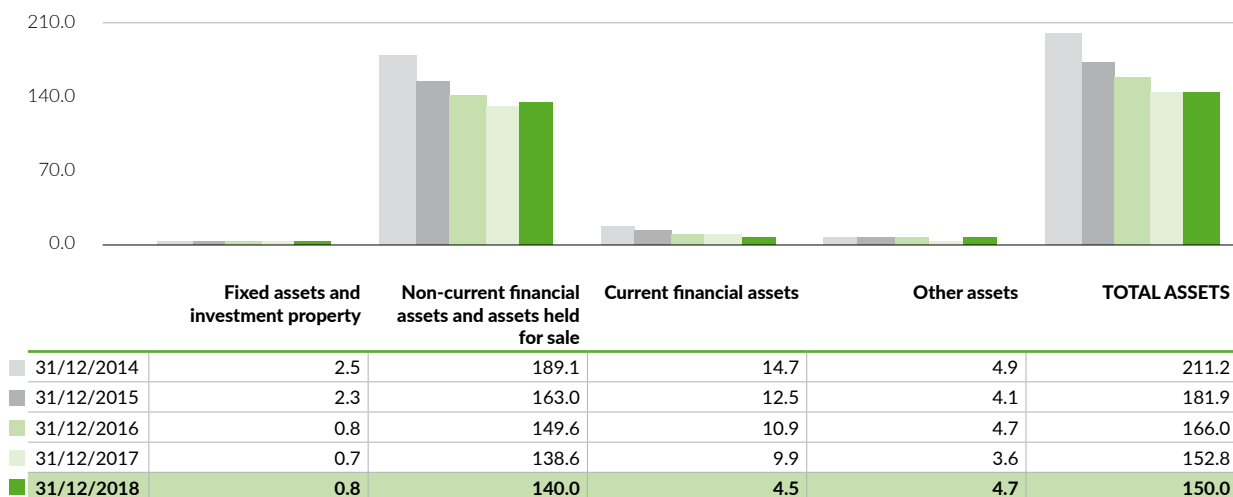
- investments into the shares and participating interests of Group companies in the total amount of EUR 86.5 million, 99.91% of which is represented by the shareholding in Sava Turizem d.d., i.e. EUR 85.1 million;
- investment into a 37.65% shareholding in Gorenjska banka d.d. amounting to EUR 43,5 million. The sales agreement concluded with the buyer AIK banka, a.d. in 2018 was realised in February 2019 with the payment of the purchase consideration;
- investment into a 45.37% shareholding in Hoteli Bernardin, d.d. with the value of EUR 9.4 was classified as at 31/12/2018 as an investment in an associate;
- investment into other shares and participating interests amounting to EUR 0.6 million, the major portion of which is represented by the investment in Pokojninska družba A, d.d.

The loans granted which stood at EUR 4.5 million as at 31/12/2018 comprised:

- loans granted to NFD Holding, d.d. - in bankruptcy in the amount of EUR 2.9 million, where the estimated value of the remaining collateral as at 31/12/2018 ensures the repayment of the claim;
- deposit granted to a commercial bank in the amount of EUR 1.6 million.

The balance of cash and cash equivalents amounted to EUR 4.0 million as at 31/12/2018, EUR 2.5 million of which were deposited to the escrow account of a notary for the purpose of continued acquisition of the shares of Hoteli Bernardin, d.d..

Structure of Sava d.d. assets from 2014 to 2018 – in EUR million



STRUCTURE OF ASSET SOURCES

The Company's share of capital represented 24% of asset sources, while financial liabilities represented 75% and other sources of assets represented 1%.

Major substantive and value changes in the asset sources:

- decrease in secured financial liabilities and losses brought forward by EUR 7.0 million as a result of a 90% write-off of secured financial liabilities as defined in the Financial Restructuring Plan;
- decrease in secured financial liabilities by EUR 6.0 million as a result of the repayment of the creditors' claims;
- increase in the Company's share capital by EUR 4.7 million from in-cash contributions to the share capital based on the resolution of the General Meeting of Sava, d.d.;
- transfer of financial liabilities from non-current to current financial liabilities with maturity on 30/11/2019.

The Company's equity of EUR 35.8 million was up EUR 10.7 million compared to the end of the previous year. The following changes took place:

- the loss brought forward decreased by EUR 7.0 million as a result of a 90% write-off of secured financial liabilities;

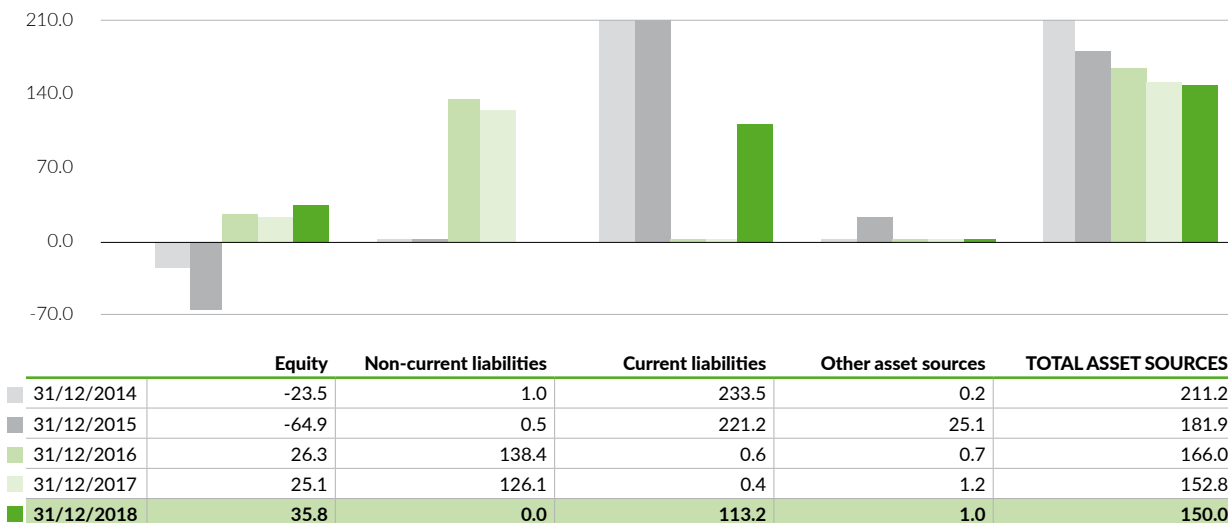
- the Company's share capital was increased through in-cash payments by EUR 4.7 million;
- the fair value reserves decreased by EUR 1.6 million as a result of the disposal of financial assets;
- pursuant to the provisions of Article 230 of the Companies Act (ZGD-1), the net profit for the financial year of EUR 0.6 million was used at the time this Annual Report was being compiled to cover the loss brought forward.

Accumulated loss totalled EUR 34.1 million as at 31/12/2018.

Financial liabilities of EUR 112.9 million were down EUR 13.0 million compared to the end of the previous year:

- they decreased by EUR 7.0 million as a result of a 90% write-off of secured financial liabilities;
- they decreased by EUR 6.0 million as a result of the repayment of creditors' claims;
- they increased by EUR 0.1 million based on a recourse claim of Sava Nepremičnine, d.o.o. in relation to the sale of the property which was pledged for the financial liabilities of Sava, d.d.

Structure of Sava d.d. sources of assets from 2014 to 2018 – in EUR million



3.3. EMPLOYEES

Number of employees as at 31/12/2018

In 2018, Sava d.d. had 9.00 employees on average.

As at 31/12/2018, Sava d.d. had 9 employees and their number did not change compared to the end of the previous year.

Educational structure of employees as at 31/12/2018

Level of education	2018		2017	
	Number of employees	Average number of employees	Number of employees	Average number of employees
- Level 6 – higher vocational college	1	1.00	1	1.00
- Level 7a – professional college	2	2.00	2	1.42
- Level 7b – university degree	2	2.00	2	3.30
Level 8 – master's degree	4	4.00	4	4.00
TOTAL	9	9.00	9	9.72

Age structure of employees as at 31/12/2018

Age	2018		2017	
	Number of employees	Average number of employees	Number of employees	Average number of employees
20 - 30	1	1.00	1	0.67
31 - 40	4	4.00	4	4.77
41 - 50	1	1.00	2	2.00
51 - 60	3	3.00	2	2.28
TOTAL	9	9.00	9	9.72

Structure of employees by gender as at 31/12/2018

Spol	2018		2017	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Women	7	7.00	7	7.72
Men	2	2.00	2	2.00
TOTAL	9	9.00	9	9.72

4. Business plan for 2019

The Business Plan of Sava, d.d. and the Sava Group for 2019 is based on the continued development and consolidation of tourism investments which is in line with the realisation of the Sustainable Development Strategy for Slovenian Tourism 2017–2021. The operating results of the tourism companies of the Sava Group were encouraging and exceeded the set objectives in 2018 thanks to considerable investments. The continuation of the investment cycle and performance improvement are expected in 2019 as well. In addition to the concluded agreement and the decision of the shareholders of Sava, d.d. on the increase in capital, the 2019 Business Plan also envisages the increase of the shareholding of Sava, d.d. in Hoteli Bernardin, d.d. to over 80%. The majority shareholding represents an important basis for the growth of the value of investments in the Tourism business.

In addition to the development of strategic investments and the realisation of the Financial Restructuring Plan (FRP), 2018 was also marked by the disposal of the largest non-strategic investment of Sava, d.d., i.e. the shareholding in Gorenjska banka, d.d. The effect of the sale will be recognised in financial statements in 2019.

The key assumptions of the Business Plan of the Sava Group and Sava, d.d. for 2019 include:

- ✓ successful completion of the FRP;
- ✓ continued development of Sava, d.d. as a manager of tourism investments and the improvement of the employees' competences in the area of tourism company management;
- ✓ successfully completed capital increase of Sava d.d. and increasing the shareholding in Hoteli Bernardin, d.d. to over 80% as well as the integration of the said company in the Sava Group;
- ✓ active role of Sava, d.d. in interconnecting and managing tourism companies;
- ✓ activation of potential synergies in various areas of operation as well as the further development of the strategic investments in the Tourism business;
- ✓ growth of the operating performance of tourism companies;
- ✓ continuation of the increased scope of investments and the associated growth of prices as well as divestment of certain non-strategic capacities of Sava Turizem, d.d. and Hoteli Bernardin, d.d.;
- ✓ optimisation of the organisation structure of the Sava Group;
- ✓ continued disposal of non-strategic assets in line with the FRP.

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1. Financial statements of the Sava Group with notes in accordance with the International Financial Reporting Standards as adopted by the EU

1.1. CONSOLIDATED FINANCIAL STATEMENTS OF THE SAVA GROUP IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

Consolidated statement of financial position

	Notes	31/12/2018	31/12/2017
in EUR thousands			
ASSETS			
Property, plant and equipment	1.3.9.	155,516	150,737
Intangible assets	1.3.10.	858	857
Investment property	1.3.11.	3,246	4,577
Investments in associates	1.3.12.	9,491	5
Financial assets measured at fair value through profit or loss	1.3.13.	712	8,474
Non-current loans and receivables	1.3.14.	26	18
Deferred tax assets		104	0
Non-current assets		169,953	164,668
Assets held for sale	1.3.15.	43,590	43,656
Inventories	1.3.16.	951	971
Operating and other receivables	1.3.17.	4,207	6,422
Liability for income tax		0	0
Current financial assets		0	0
Loans granted	1.3.18.	4,490	9,807
Cash and cash equivalents	1.3.19.	9,281	6,178
Current assets		62,519	67,034
Assets		232,472	231,702
EQUITY AND LIABILITIES			
Share capital		26,397	21,679
Paid-up capital surplus		43,357	43,357
Reserves		0	0
Fair value reserve		284	2,112
Treasury shares		0	0
Foreign currency translation reserve		0	0
Net profit or loss brought forward		-16,083	-30,070
Equity attributable to equity holders of the parent		53,955	37,078
Minority interest		123	120
Equity	1.3.20.	54,078	37,198
Non-current provisions	1.3.21.	1,673	1,684
Deferred government grants	1.3.22.	7,316	7,678
Non-current loans received	1.3.23.	38,997	165,434
Non-current operating liabilities		0	0
Deferred tax liabilities	1.3.24.	0	127
Long-term debts		47,986	174,923
Liabilities for sale		0	0
Current financial liabilities	1.3.23.	113,372	3,856
Current operating liabilities	1.3.25.	11,279	9,513
Current provisions (accrued expenses and deferred income)	1.3.26.	5,757	6,212
Short-term debts		130,408	19,581
Total debts		178,394	194,504
Equity and liabilities		232,472	231,702

The notes form an integral part of these financial statements and should be read in conjunction with them.

Consolidated income statement

		in EUR thousands	
	Notes	JAN-DEC 2018	JAN-DEC 2017
Sales revenues	1.3.27.	76,606	74,734
Changes in the value of inventories		0	-921
Other operating revenues	1.3.28.	2,197	1,669
Operating revenue		78,803	75,482
Costs of goods, materials and services	1.3.29.	-36,451	-34,469
Labour cost	1.3.30.	-25,216	-24,279
Depreciation/amortisation		-7,396	-7,234
Write-downs	1.3.31.	-658	-1,096
Other operating expenses	1.3.32.	-2,056	-3,000
Operating expenses		-71,777	-70,078
Operating profit/loss		7,026	5,404
Financial income		559	4,030
Financial expenses		-2,288	-3,044
Net financial income/expenses	1.3.33.	-1,729	986
Participation in the profit of associated companies	1.3.33.	136	0
Participation in the loss of associated companies		0	0
Impairments of investments in associates		0	0
Net income from associates		136	0
Profit/loss before tax		5,433	6,390
Tax	1.3.34.	-652	-486
Net profit/net loss for the fin. year		4,781	5,904
Net profit/net loss for the fin. year is attributable to:			
Equity holders of the parent		4,778	5,898
- suspended operations		0	0
Minority interest		3	6
Net profit/net loss for the fin. year		4,781	5,904
Basic net profit/net loss per share (in EUR)		0.22	0.27
Diluted net profit/net loss per share (in EUR)		0.22	0.27

The notes form an integral part of these financial statements and should be read in conjunction with them.

Consolidated statement of other comprehensive income

		in EUR thousands	
	Notes	JAN-DEC 2018	JAN-DEC 2017
Net profit for the period		4,781	5,904
Total comprehensive income:			
Items that may be classified in profit or loss subsequently			
- change in fair value of available-for-sale financial assets	1.3.13.	0	844
- deferred tax on change in fair value of available-for-sale financial assets	1.3.24.	0	-108
- change in fair value of available-for-sale financial assets transferred to profit or loss	1.3.13.	0	-3,969
- deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	1.3.24.	0	417
Items that will not be classified in profit or loss subsequently			
- actuarial gains/losses on defined benefit pension plans	1.3.13.	34	-105
- deferred tax on actuarial gains/losses on defined benefit pension plans	1.3.24.	-3	10
- deferred tax on actuarial gains/losses on defined benefit pension plans		10	10
Other comprehensive income less deferred tax for the fin. period		31	-2,911
Total comprehensive income for the fin. period		4,812	2,993
Comprehensive income is attributable to:			
Equity holders of the parent		4,809	2,987
Minority interest		3	6
Total comprehensive income for the fin. period		4,812	2,993

The notes form an integral part of these financial statements and should be read in conjunction with them.

Consolidated cash flow statement

		in EUR thousands	
	Notes	JAN-DEC 2018	JAN-DEC 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/loss		4,781	5,904
Adjustments for:			
Depreciation of property, plant and equipment	1.3.9.	7,206	7,041
Amortisation of intangible assets	1.3.10.	105	101
Depreciation of investment property	1.3.11.	85	92
Write-offs and impairments of property, plant and equipment	1.3.31.	574	877
Impairments of inventories	1.3.16.	0	0
Impairments of receivables	1.3.31.	73	66
Write-offs and impairments of intangible assets	1.3.10.	9	1
Write-offs and impairments of investment property	1.3.11.	0	100
Impairments of financial assets	1.3.13.	5	130
Proceeds from sale of property, plant and equipment	1.3.28.	-35	-414
Loss from disposal of property, plant and equipment	1.3.31.	2	53
Proceeds from sale of investment property	1.3.28.	-877	0
Proceeds from sale of securities	1.3.33.	-254	-4,000
Participation in the profit of associated companies	1.3.33.	-136	0
Dividends and share in profits received	1.3.33.	-38	-18
Impairment of loans granted	1.3.33.	0	12
Interest expenses	1.3.33.	2,215	2,836
Interest income	1.3.33.	0	-1
Corporate income tax liabilities/receivables	1.3.34.	652	486
Operating profit prior to change in operating capital and provisions		14,367	13,266
Change in non-current receivables	1.3.14.	-15	0
Change in current receivables	1.3.17.	352	70
Changes in inventories	1.3.16.	20	915
Change in current operating liabilities and accrued expenses and deferred revenues	1.3.25., 1.3.26.	1,225	2,322
Change in deferred tax liabilities	1.3.24.	0	13
Change in provisions	1.3.21.	23	-39
Change in government grants	1.3.22.	-362	-397
Cash from operating activities		15,610	16,150
Income tax paid	1.3.34.	-659	-473
Net cash flow from operating activities		14,951	15,677

in EUR thousands

	Notes	JAN-DEC 2018	JAN-DEC 2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	1.3.9.	-12,559	-13,245
Proceeds from sale of property, plant and equipment		33	574
Purchase of intangible assets	1.3.10.	-114	-230
Proceeds from sale of investment property		2,121	0
Purchase of subsidiaries		0	-459
Purchase of associates		-1,539	0
Assets held for sale		66	0
Receipts from repaid loans		1,499	4,000
Expenditure on loans granted		0	-2,142
Proceeds from the sale of long-term securities		5,807	12,124
Dividends and share in profits received	1.3.33.	38	18
Interest received		0	1
Net cash flow from investing activities		-4,648	641
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase		4,718	0
Other changes in equity		84	-52
Receipts from non-current loans received		0	47,661
Expenditure on non-current loans received		-9,849	-64,644
Expenditure on current loans received		0	-60
Expenditure on dividends of the Group's shareholders		0	-15
Interest paid		-2,153	-2,946
Net cash flow from financing activities		-7,200	-20,056
Net increase or decrease in cash and cash equivalents		3,103	-3,738
Cash and cash equivalents at the beginning of the year		6,178	9,916
Cash and cash equivalents at the end of the period		9,281	6,178

The notes form an integral part of these financial statements and should be read in conjunction with them.

Consolidated statement of changes in equity

	Share capital	Paid-up capital surplus	Reserves for treasury shares
Balance as at 31/12/2016	21,679	43,357	0
Total comprehensive income			
Profit or loss in the year	0	0	0
Other comprehensive income	0	0	0
Items that will not be reclassified in profit or loss	0	0	0
Change in fair value of available-for-sale financial assets		0	0
Deferred tax on change in fair value of available-for-sale financial assets	0	0	0
Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0
Deferred tax on change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	0
Total comprehensive income	0	0	0
Transactions with owners recorded in equity			
Dividend distribution	0	0	0
Transfer of net loss from previous year to net profit brought forward	0	0	0
Decrease in minority interests due to acquisitions of companies	0	0	0
Total transactions with owners recorded in equity	0	0	0
Changes in equity			
Covering losses	0	0	0
Other changes in equity	0	0	0
Total changes in equity	0	0	0
Balance as at 31/12/2017	21,679	43,357	0

	Share capital	Paid-up capital surplus	Reserves for treasury shares
Balance as at 31/12/2017	21,679	43,357	0
Effects of IFRS 9 – Financial Instruments	0	0	0
Balance as at 01/01/2018	21,679	43,357	0
Total comprehensive income			
Profit or loss in the year	0	0	0
Other comprehensive income	0	0	0
Items that will not be reclassified in profit or loss	0	0	0
Total comprehensive income	0	0	0
Transactions with owners recorded in equity			
Transfer of net loss from previous year to net profit brought forward	0	0	0
Capital increase	4,718		0
Total transactions with owners recorded in equity	4,718	0	0
Changes in equity			
Covering losses	0	0	0
Other changes in equity	0	0	0
Total changes in equity	0	0	0
Balance as at 31/12/2018	26,397	43,357	0

in EUR thousands

Reserve for the fair value of financial assets	Treasury shares	Foreign currency translation reserve	Net profit/loss for the financial year	Net profit or loss brought forward	Equity attributable to equity holders of the parent	Minority interest	Total
5,023	0	0	7,688	-43,985	33,761	954	34,715
0	0	0	5,898	0	5,898	6	5,904
-2,911	0	0	0	0	-2,911	0	-2,911
-95	0	0	0	0	-95	0	-95
844	0	0	0	0	844	0	844
-108	0	0	0	0	-108	0	-108
-3,969	0	0	0	0	-3,969	0	-3,969
417	0	0	0	0	417	0	417
-2,911	0	0	5,898	0	2,987	6	2,993
0	0	0	0	0	0	-11	-11
0	0	0	-7,688	7,688	0	0	0
0	0	0	0	369	369	-829	-459
0	0	0	-7,688	8,057	369	-840	-470
0	0	0	-1,596	1,596	0	0	0
0	0	0	0	-41	-41	0	-41
0	0	0	-1,596	1,555	-41	0	-41
2,112	0	0	4,302	-34,372	37,078	120	37,198

in EUR thousands

Reserve for the fair value of financial assets	Treasury shares	Foreign currency translation reserve	Net profit/loss for the financial year	Net profit or loss brought forward	Equity attributable to equity holders of the parent	Minority interest	Total
2,112	0	0	4,302	-34,372	37,078	120	37,198
-1,858	0	0	0	2,084	226	0	226
254	0	0	4,302	-32,288	37,304	120	37,424
0	0	0	4,778	0	4,778	3	4,781
31	0	0	0	0	31	0	31
31	0	0	0	0	31	0	31
31	0	0	4,778	0	4,809	3	4,812
0	0	0	-4,302	4,302	0	0	0
0	0	0	0	0	4,718	0	4,718
0	0	0	-4,302	4,302	4,718	0	4,718
0	0	0	-551	7,592	7,041	0	7,041
0	0	0	0	84	84	0	84
0	0	0	-551	7,676	7,125	0	7,125
284	0	0	4,227	-20,310	53,955	123	54,078

1.2. COMPOSITION OF THE SAVA GROUP AND PERFORMANCE DATA ON SUBSIDIARY AND ASSOCIATED COMPANIES IN 2018

On 31/12/2018, the Sava Group consisted of 9 companies, i.e. the parent company Sava, d.d. and 8 subsidiaries - subsidiaries and sub-subsidiaries. The financial statements of all these companies are included in the consolidated financial statements of the Sava Group. The equity and controlling interests are in accord in all companies except Cardial d.o.o., where the controlling interests is 99.91% as a result of the 85% ownership and the 15% own share.

CHANGES IN THE COMPOSITION OF SAVA GROUP SUBSIDIARIES IN 2018:

- as a result of the process for the disposal of the Terme Lendava destination which was recognised as a non-strategic destination, Sava Turizem, d.d. established the special purpose vehicle Terme Lendava, d.o.o. it tasking with the spin-out of the assets and activities of the destination and subsequently with the sale of the business share in Terme Lendava, d.o.o.

List of companies included in the Sava Group besides the parent company Sava d.d., with a comparison of ownership stakes as at 31/12/2018 and 31/12/2017:

	% of ownership 31/12/2018	% of ownership 31/12/2017	Percentage change in ownership in 2018
TOURISM DIVISION			
SAVA TURIZEM d.d., Ljubljana	99.91%	99.91%	0.00%
- Terme Lendava, d.o.o. (owned by Sava Turizem, d.d.)	100.00%	0.00%	100.00%
- Sava Zdravstvo d.o.o., Ljubljana (owned by Sava Turizem d.d.)	100.00%	100.00%	0.00%
- Cardial d.o.o., Ljubljana (owned by Sava Turizem d.d.)	85.00%	85.00%	0.00%
- SEIC Institute, Moravske Toplice (owned by Cardial d.o.o.)	50.00%	50.00%	0.00%
- SEIC Institute, Moravske Toplice (owned by Sava Turizem d.d.)	50.00%	50.00%	0.00%
REAL ESTATE DIVISION			
SAVA NEPREMIČNINE d.o.o., Ljubljana	100.00%	100.00%	0.00%
SAVA NOVA d.o.o., Zagreb	100.00%	100.00%	0.00%
OTHER OPERATIONS			
SAVA NRS d.o.o., Ljubljana	100.00%	100.00%	0.00%

CHANGES IN THE COMPOSITION OF SAVA GROUP ASSOCIATED COMPANIES IN 2018:

As at 31/12/2018, Sava, d.d. held 7,281,125 shares or a 45.37% shareholding in Hoteli Bernardin, d.d., whereby the shares include:

- 1,468,221 shares that were already in the portfolio of other shares and stakes;

- 4,591,743 shares acquired in 2018 as a result of the redemption of collateral received for the loan granted to NFD Holding, d.d. - in bankruptcy;
- 1,221,161 shares acquired in 2018 as a result of the completed takeover bid.

List of associated companies included in the Sava Group with a comparison of ownership stakes as at 31/12/2018 and 31/12/2017

	% of ownership 31/12/2018	% of ownership 31/12/2017	Percentage change of ownership in 2018	Controlling stake* 31/12/2018
SAVA, d.d., družba za upravljanje in financiranje, Ljubljana - as the parent company				
- Hoteli Bernardin, d.d., Portorož	45.37%	9.15%	36.22%	45.37%
- BLS Sinergije, d.o.o., Portorož	10.00%	10.00%	0.00%	10.00%
SAVA TURIZEM d.d., Ljubljana - as the parent company				
- BLS Sinergije, d.o.o., Portorož	30.00%	30.00%	0.00%	30.00%

* The controlling stake is calculated as a ratio between the number of shares/stakes owned by Sava d.d. and the total number of issued shares/stakes of the associated company less treasury shares.

INVESTMENT IN THE SHARES OF GORENJSKA BANKA, D.D. - ASSETS HELD FOR SALE:

- On 17/09/2015, the Bank of Slovenia issued a decision withdrawing Sava d.d.'s authorisation to acquire a qualifying holding in Gorenjska banka d.d. and ordered the disposal of Gorenjska banka d.d. shares. The Gorenjska banka d.d. investment was transferred to assets held for sale on 31/12/2015.
- 34,287 shares (10.35%) of Gorenjska banka d.d. is under fiduciary ownership of Abanka d.d, which is holding them as collateral for the financial liabilities of Sava d.d. arising from the bonds issued.
- On 22/06/2018, the 27th General Meeting of Sava, d.d. was held and consent was granted to the conclusion and performance of the purchase agreement for the sale of GBKR shares to the buyer AIK Banka, a.d. which also includes the sale of the option of Sava, d.d. and the fiduciary Abanka, d.d. for the sale of GBKR shares at the price of EUR 298 per share. The agreement was realised in February 2019.

	% of ownership 31/12/2018	% of ownership 31/12/2017	Percentage change of ownership in 2018	Controlling stake 31/12/2018
SAVA, d.d., družba za upravljanje in financiranje, Ljubljana - as the parent company				
- Gorenjska banka d.d., Kranj	37.65%	37.65%	0.00%	0.00%
SAVA TURIZEM d.d., Ljubljana - as the parent company				
- Gorenjska banka d.d., Kranj	0.13%	0.13%	0.00%	0.00%

Sales revenues of subsidiaries in 2018, capital of subsidiaries as at 31/12/2018 and profit/loss of subsidiaries in 2018:

	in EUR thousands		
	Sales revenues	Capital value	Profit or loss
Company/registered office	JAN-DEC 2018	31/12/ 2018	JAN-DEC 2018
TOURISM DIVISION	76,546	106,527	6,483
Terme Lendava, d.o.o., Tomšičeva ulica 2A, 9220 Lendava	0	7	0
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	75,197	106,282	6,487
Cardial d.o.o., Zaloška cesta 69, 1000 Ljubljana	1,229	184	-24
SEIC Moravske Toplice, Kranjčeva ul. 12, 9226 Moravske Toplice	120	47	21
Sava Zdravstvo d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	6	0
REAL ESTATE DIVISION	2	-1,283	504
SAVA NEPREMIČNINE d.o.o., Dunajska cesta 152, 1000 Ljubljana	2	1,933	556
SAVA NOVA d.o.o., Fra Filipa Grabovca 14, 10000 Zagreb, Croatia	0	-3,216	-52
OTHER OPERATIONS	208	-94	-210
Sava NRS d.o.o., Dunajska cesta 152, 1000 Ljubljana	208	-94	-210
SUBSIDIARIES TOTAL	76,756	105,150	6,777

Sales revenues of subsidiaries in 2017, capital of subsidiaries as at 31/12/2017 and profit/loss of subsidiaries in 2017:

	in EUR thousands		
	Sales revenues	Capital value	Profit or loss
Company/registered office	JAN-DEC 2017	31/12/ 2017	JAN-DEC 2017
TOURISM DIVISION	73,451	101,128	5,353
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	72,177	100,886	5,334
Cardial d.o.o., Zaloška cesta 69, 1000 Ljubljana	1,214	209	0
SEIC Moravske Toplice, Kranjčeva ul. 12, 9226 Moravske Toplice	60	27	19
Sava Zdravstvo d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	7	0
REAL ESTATE DIVISION	1,257	-1,787	82
SAVA NEPREMIČNINE d.o.o., Dunajska cesta 152, 1000 Ljubljana	5	1,377	-22
SAVA NOVA d.o.o., Fra Filipa Grabovca 14, 10000 Zagreb, Croatia	1,252	-3,164	104
OTHER OPERATIONS	179	115	-155
Sava NRS d.o.o., Dunajska cesta 152, 1000 Ljubljana	179	115	-155
SUBSIDIARIES TOTAL	74,887	99,456	5,280

Performance highlights of the associated company Hoteli Bernardin, d.d. in 2018:

in EUR thousands

	2018
Assets	76,720
Equity	52,300
Operating revenue	31,500
Net profit	1,590
Total comprehensive income for the financial year after tax	1,690

1.3. NOTES TO THE FINANCIAL STATEMENTS OF THE SAVA GROUP IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

1.3.1. REPORTING COMPANY

The controlling company Sava d.d. has its registered office at Dunajska cesta 152, 1000 Ljubljana. The consolidated financial statements of the Sava Group, which include the controlling company Sava d.d., its subsidiaries and the interests in the associated companies, have been drawn up for the financial year ended on 31/12/2018.

1.3.2. BASIS FOR PREPARATION

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and in compliance with the IFRICs as adopted by the International Accounting Standards Board (IASB) and the Companies Act.

The Executive Director approved the financial statements on 12/03/2019.

b) Basis for measurement

The consolidated financial statements have been prepared on the historical cost basis except for the available-for-sale financial assets and derivatives that are stated at their fair values.

The methods applied in fair value measurement are described under Item 1.3.4. below.

c) Functional and presentation currency

The consolidated financial statements are presented in euros, which is the functional currency of the Company. All financial information is presented in euros and rounded to the nearest thousand. When adding together, minor differences can appear due to rounding.

The Sava Group companies with registered offices outside Slovenia use the HRK currency.

d) Application of estimates and judgements

When compiling financial statements, the management must provide estimates, judgements and assumptions that affect the application of accounting policies and disclosed values of assets, liabilities, revenues and expenses. Actual results can diverge from said estimates.

Estimates and the stated assumptions must be regularly reviewed. Adjustments to accounting estimates are recognised for the period in which the estimate is adjusted and for any future years the adjustment may have an effect on.

The data about important estimates of uncertainties and critical judgments, which the management had prepared in the process of implementing the accounting policies and which have the strongest effect on the amounts in the financial statements, are described under the following items:

- Item 1.3.9. - Property, plant and equipment
- Item 1.3.13. - Valuation of financial instruments
- Item 1.3.21. - Provisions
- Item 1.3.37. - Contingent liabilities

1.3.3. SIGNIFICANT ACCOUNTING POLICIES

The companies in the Sava Group have consistently applied the indicated accounting policies for all the periods presented in the enclosed consolidated financial statements.

a) Basis for Consolidation

Business combinations

There were no business combinations in 2018.

In 2017, the ownership stake in Sava Turizem d.d. was increased to 99.91% through the purchase of an additional 342,302 shares. Sava TMC d.o.o. was absorbed into Sava Turizem d.d. As this was a company under joint management, the merger was carried out according to the carrying amounts of the assets and liabilities of the subsidiary and thus had no effect on the consolidated financial statements. There were no other business combinations.

Composition of the Sava Group

The Sava Group includes the parent company Sava d.d., 8 subsidiaries and 2 associated companies. The financial statements of the indicated subsidiaries are included in their entirety in the Group's consolidated financial statements, whereas the equity accounting method is used for the associated company, i.e. the attributable profit or loss is added to the financial result of the Group, and equity revaluation adjustment is attributed to the equity of the Group. The parent company and subsidiaries prepare separate financial statements in accordance with the SAS, whereas adjustments to IFRSs as adopted by the EU are carried out for the purpose of consolidation.

Subsidiaries

Subsidiaries are entities controlled by Sava d.d. Control exists when the parent company has the power to decide on the financial and operating policies of the entity so as to obtain benefits from

its activities. In assessing control, the existence and effect of voting rights, which can be exercised or exchanged at the time, are considered. The equity and controlling interests are in accord in all companies except Cardial d.o.o., where the controlling interests is 99.91% as a result of the 85% ownership and the 15% own share.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date the control commences to the date the control ceases.

Accounting policies of subsidiaries are harmonised with the policies of the Sava Group. Losses that refer to non-controlling interests in a subsidiary are reallocated under non-controlling interest even if this item shows a negative balance as a result.

Associated companies

Associated companies are those entities in which the Sava Group has a significant, but not a controlling influence over the financial and operating policies. Upon initial recognition, investments are measured at fair value, which equals the trading value (cost); the equity method is used subsequently. Consolidated financial statements include the Sava Group's share of gains or losses and equity revaluation adjustments of the associated companies on an equity accounting basis, from the date that significant influence commences to the date that significant influence ceases. Once the share of the losses attributable to the Group exceed its share in the associated company, the value of such an investment is reduced to zero and no further losses are recognised, except in cases when the company was obliged to settle certain liabilities for the associated company.

Transactions excluded from consolidation

Any balances of receivables and liabilities and any unrealised gains and losses or revenues and expenses arising from intra-group transactions (within the Sava Group) are excluded when preparing the consolidated financial statements. Unrealised losses are excluded in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Transactions in foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency at the reference exchange rate of the ECB as at the date of the transaction. Cash and liabilities denominated in foreign currencies as at the reporting date are translated to the functional currency at the reference exchange rate of the ECB applicable on the last day of the accounting period. Exchange rate gains/losses represent differences between the amortised cost in the functional currency at the beginning of the period adjusted by the amount of the effective interest and payments during the period and the amortised cost in the foreign currency calculated at the reference exchange rate

of the ECB at the end of period. Exchange rate differences are recognised in profit or loss.

Non-monetary assets and liabilities stated at historical cost in a foreign currency are translated to the functional currency at the reference exchange rate of the ECB applicable as at the transaction date. Non-monetary items and liabilities denominated in a foreign currency and stated at fair value are translated to the euro at the reference exchange rate of the ECB applicable as at the date the fair value was determined.

Exchange rate gains/losses are recognised in the income statement, which however is not the case with the gains/losses arising from the restatement of available-for-sale capital instruments or of the non-financial liability classified as a cash-flow hedge against risk, which is recognised directly in equity.

Foreign operations

The assets and liabilities of foreign operations including goodwill and fair value revaluation adjustments upon consolidation are translated to the euro at the reference exchange rate of the ECB applicable as at the reporting date. The revenues and expenses of foreign operations are translated to the euro at the rates applicable as at the transaction dates. Exchange rate gains/losses arising from translation are recognised under other comprehensive income as a translation reserve under the equity item. In the case of a subsidiary that is not wholly owned, a suitable proportionate share of the translation reserve is reallocated under non-controlling interest. Upon disposal of a foreign operation, the translation reserve amount is transferred to the income statement.

c) Financial instruments

Financial assets

Financial assets are recognised if the Group becomes a party to the contractual provisions of the financial instrument. When the Group initially recognises a financial asset, it classifies it into one of the groups below based on the financial asset management business model and based on the characteristics of contractual cash flows:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit or loss.

Financial assets measured at amortised cost are financial instruments that the Group holds as part of the business model the objective of which is to receive contractual cash flows, whereby cash flows are generated on certain dates that represent exclusively the repayment of the principal and interest. The Group records loans, receivables and deposits in this category.

Financial assets are recognised as at the date of their creation (settlement date). After initial recognition, they are measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss:

- provided the financial asset is derecognised;
- provided the asset is reallocated into the at fair value through profit or loss category;
- because of the recognition of impairments.

Loans are recognised as at the date of their creation and are measured at fair value upon initial recognition. After initial recognition, they are measured at amortised cost using the effective interest rate method less impairment losses.

Trade receivables that do not have a significant financing component must be measured according to the transaction price upon initial recognition.

Financial assets measured at fair value through profit or loss are investments held for trading and those not classified in the group of other financial instruments based on the business model. Gains and losses are recognised in profit or loss as financial income and expenses.

Any changes in fair value and exchange rate losses/gains in capital instruments *at fair value* through profit or loss are presented in the income statement. The effects of the change in the fair value are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in transaction accounts and deposits redeemable at notice. Overdrafts on a transaction account held at a bank that can be settled at notice and are a component of cash management in the Group are included under cash and cash equivalents in the statement of financial position.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities as at the date of their creation. All other financial liabilities are recognised initially on the trade date on which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or they expire. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal enforceable right to offset the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: loans arising from issued bonds, loans and credits, trade payables and receivables. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Derivatives

The Group does not hold or issue any derivative financial instruments for trading purposes.

The Group used derivative financial instruments to hedge its exposure to interest rate risk in the past. During the compulsory settlement of Sava d.d., liabilities arising from interest rate hedging were reclassified under non-current financial liabilities.

Derivative financial instruments are initially recognised at fair value; transaction-related costs are recognised in profit or loss upon their creation. After initial recognition, derivative financial instruments are measured at fair value, while related changes are recognised in profit or loss.

Economic hedges

In case of derivative financial instruments used as hedges for monetary assets and liabilities denominated in a foreign currency, economic hedging against risk is not performed. Changes in the fair value of derivative financial instruments are recognised in the income statement as part of foreign exchange gains and losses.

Equity

Total capital of a company is its liability towards its owners, which falls due for payment if the company is closed down. It is determined on the basis of the sums invested by the owners and the sums generated during operation and belonging to the owners. It is reduced by loss incurred during operations, redeemed treasury stock and withdrawals (payouts). Total capital comprises share capital, capital surplus, revenue reserves, retained net profit or loss, fair value reserves and treasury stock as a deductible item.

Ordinary no-par value shares

Additional costs directly attributable to the issue of ordinary shares and stock options are recognised as a decrease in equity.

Repurchase of treasury shares

The repurchase of treasury shares is disclosed as a deductible item of equity. The controlling company has no treasury shares.

Dividends

Dividends are recognised in the financial statements of the Group in the period in which the General Meeting adopts a resolution on dividend payment.

Net earnings/loss per share

The share capital of the Group is divided into ordinary nominal no-par value shares, which is why the Group disclosed the basic earnings per share. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in the financial year.

Diluted net earnings per share equal the basic net earnings per share as the Group has no preference shares or convertible bonds available. There were no changes in the shares issued in 2018.

d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Value at cost includes costs that are directly attributed to the purchase of an asset. Costs include the costs of materials, direct labour costs and other costs directly attributed to bringing the asset to the condition necessary for its intended use, and costs of dismantling and removing property, plant and equipment and restoring the site at which they were located as well as capitalised borrowing costs. Costs may also include transfers from other comprehensive income of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The Group companies determine at least once a year whether there exists evidence for any impairment.

Transfer of real estate from property, plant and equipment to investment property

If an owner-occupied property changes to an investment property, this property is measured at its fair value and reclassified under investment property. The gain that appears in the repeated measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised directly in profit or loss.

Subsequent expenditure

The Group recognises the cost of replacing part of an item of property, plant and equipment in the carrying amount of such an item if it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense in the period in which they are incurred.

Depreciation

Depreciation is calculated and recognised in the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Land is not subject to depreciation. The suitability of the method and useful lives are reviewed as at the reporting day.

e) Intangible assets

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associated companies and joint ventures and refers to a surplus or difference between the acquisition cost and the Group's share in the net fair value of ascertained assets, liabilities and contingent liabilities of the acquiree.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. In respect of equity accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset or goodwill that forms part of the carrying amount of the equity accounted investment.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement under expenses as incurred.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful lives are as follows:

	2018	2017
Hotel buildings	20 to 71 years	20 to 71 years
Office buildings	25 to 40 years	25 to 40 years
Hotel furnishings	5 to 20 years	5 to 20 years
Computer equipment	2 to 5 years	2 to 5 years
Other equipment	6 to 20 years	6 to 20 years

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are recognised in the income statement under expenses as incurred.

Amortisation

Amortisation is accounted and recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful lives for the current and comparative periods for computer software and other patents and licences amount to ten years.

f) Investment property

Investment properties are properties that are held either to earn rental income or for long-term investment appreciation or for both. Investment properties are disclosed according to the cost model. Investment property is initially measured at cost, which includes the purchase price and costs that can be attributed directly to the purchase. These include legal costs, property transfer taxes and other transaction costs.

In cases where it needs to be decided whether an asset is an investment property or a property, the asset is an investment property if more than 20% of its total value is used to earn rental income.

Depreciation is accounted on a straight-line basis over the estimated useful lives of an individual investment property. Land is not subject to depreciation.

The useful lives for investment property are the same as for property, plant and equipment of the same type.

g) Inventories

Inventories are measured at historic cost or net realisable value, i.e. the lower of the two. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling costs.

The inventories of Real Estate also include interest expense on loans hired for a specific project.

h) Impairment of assets

Financial assets

The Group must recognise a loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

As at every reporting date, the Group must measure the loss allowance on a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

For financial assets, a credit loss is the present value of the difference between:

- the contractual cash flows that are due to an entity under the contract; and
- the cash flows that the entity expects to receive.

The measurement of the expected credit loss takes into account:

- probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available at the reporting date.

At each reporting date, an entity must assess whether there is any indication that the credit risk for a financial instrument has increased significantly since initial recognition. The Group must recognise the expected credit loss for the entire lifetime and for all financial instruments, the credit risk of which has increased significantly since initial recognition. In doing so, it must consider all suitable and reasonable and supportable information, including forward looking information.

If the financial assets' credit risk has not increased significantly since the initial recognition, the Group measures the loss allowance for the said instrument as the amount that is equal to expected credit loss over a 12-month period.

The simplified approach is applied for trade receivables, assets from contracts with customers that do not contain a significant financing component, whereby the approach requires the loss allowance to be measured as the amount equal to expected credit loss for the entire lifetime.

Non-financial assets

The residual carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there are indications of impairment. If such indications of impairment exist, the recoverable amount of the assets is estimated. For goodwill and intangible assets that have indefinite useful lives and are not yet available for use, the impairment is assessed at each reporting time.

An impairment of an asset or cash generating unit is recognised when its carrying amount exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates financial inflows that are largely independent of the financial inflows from other assets or groups of assets. Impairment is recognised in the income statement.

Loss recognised in a cash-generating unit arising from an impairment is classified so as to first reduce the carrying amount of the goodwill allocated to the cash-generating unit and then to other assets of the unit (group of units) in proportion to the carrying amount of each item in the group.

The recoverable amount of an asset or a cash-generating unit is its value in use or fair value less the costs to sell, whichever is higher. When determining the value of an asset in use, the expected future cash flows are discounted to their present value using the pre-tax discount rate reflecting the current market estimate of the time value of money and any risks specific to the asset. Impairment is stated in the income statement.

i) Employee benefits

Liabilities for current employee benefits are measured without discounting and are disclosed among expenses when an employee's work relating to a particular short-term benefit has been completed.

j) Provisions

A provision is recognised if the Group has a present legal or constructive obligation as a result of a past event, which can be reliably measured, and if it is probable that an outflow of factors that enable economic benefits will be required to settle the obligation. Provisions are determined by the Group by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties for products and services

A provision for product and service warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and considering all possible outcomes with regard to their probability.

Provisions for severance pay and jubilee benefits

In compliance with the law, the collective agreement and the internal rules, the company is obligated to pay jubilee benefits and severance payment upon retirement to employees for whom it forms non-current provisions. There are no other pension liabilities.

Provisions are formed for employees in those countries where a legal obligation for severance payment upon retirement and jubilee benefits exists, i.e. in the amount of the estimated future severance payment upon retirement and jubilee benefits discounted at the balance sheet date. The calculation includes expenses of severance payment upon retirement and costs of all expected jubilee benefits until retirement. The calculation based on a projected unit has been prepared by a certified actuary. When ascertained, actuarial gains or actuarial losses arising from jubilee benefits and severance payment upon retirement for the current financial year are recognised in the income statement and in equity respectively.

Provisions for reorganisation

Provisions for reorganisation include direct costs of reorganisation and refer to severance pay

to employees in connection with the changed organisational structure of companies.

Provisions for lawsuits

Provisions for lawsuits are formed when legal proceedings begin. The amount of provisions for lawsuits is determined in consideration of the estimated outcome of an individual claim.

k) Government grants

Government grants are recognised in financial statements as deferred revenue when they are received and when there is a reasonable assurance that the conditions attached to them will be complied with. Received assets from government grants are strictly recognised as revenues in the periods in which expenses to be compensated by the received grants are incurred. Grants that compensate the Group for the cost of an asset are strictly recognised in the income statement as other operating revenues over the useful life of the asset.

l) Revenues

Revenue from contracts with customers

Revenue from contracts with customers is recognised based on the contract concluded with the customer. They are recognised when the Group transfers the goods and services to the customer, i.e. in the amount that reflects the compensation that the Group expects to be entitled to in return for such goods and services. Each promised product or service is treated as an independently fulfilled obligation provided they are distinct. They are deemed distinct if the customer can benefit from the product or service. The performance obligation is a promise to provide products or services to the customer. The Group has identified services and goods as independent performance obligations.

Revenue is recognised at the moment the Group fulfils the performance obligation. That moment is when control over the product or service is transferred to the customer. Discounts approved upon the signing of the contract are allocated to performance obligations and deferred over the term of the contract. All subsequently approved discounts are recognised as a decrease in revenue in the period for which they are approved.

The Group has a loyalty programme (Droplets) in place. The company discloses a contractual obligation (deferred revenue) for the unused part of the Droplets.

Revenues from rendered services are recognised in the income statement depending on the level of finality of the transaction as at the reporting date. The level of finality is assessed with a review of the work performed. Revenue from services in the Tourism business is recognised when a service is rendered. When revenue from a tourist arrangement relates to two accounting periods, it is deferred

subject to the number of days in each individual accounting period.

Rental income

Rental income from investment property is recognised under revenues on a straight line basis over the term of the lease.

m) Financial income and financial expenses

Financial income comprises income from interest received from investments, dividend income, income from the disposal of available-for-sale financial assets, positive exchange rate differences and the profit from hedging instruments that are recognised in the income statement. Interest income is recognised upon occurrence using the effective interest rate method. Dividend income is recognised in the income statement on the date when the shareholder's right to payment is exercised.

Financial expenses comprise interest expense on borrowings, expenses from the disposal of available-for-sale financial assets, foreign exchange losses, financial asset impairment losses and losses arising from hedging against risk that are recognised in the income statement. The expense of lease payments is recognised in the income statement using the effective interest rate method, except those that are attributed to intangible assets and property, plant and equipment under construction or preparation.

n) Corporate income tax

Corporate income tax or loss for the financial year comprises the assessed and deferred tax. Corporate income tax is disclosed in the income statement, except where it refers to items directly disclosed in equity, in which case it is disclosed under equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted as at the balance sheet date, and any adjustment to tax payables in respect of previous financial years.

Deferred tax is disclosed according to the balance sheet liability method, whereby temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amounts for tax reporting purposes are observed. The amount of deferred tax provided is based on the expected amount payable in line with the law upon the elimination of temporary differences enacted or substantially enacted as at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Deferred tax assets are decreased by the amount, for which it is no longer probable that it can be claimed as tax relief for the asset. Deferred liability from tax losses was not accounted for.

o) Reporting by segment

A business segment is a recognisable component of the Group that engages in business activities from which it earns revenues and incurs expenses. Separate financial information is available for business segments. All business segments' operating results are reviewed regularly by the management body of Sava d.d. to make decisions about resources to be allocated to each segment and to assess Sava Group's performance.

p) Initial application of new amendments to the existing standards effective in the present accounting period

The following amendments to the existing standards and clarifications issued by the International Accounting Standards Board and adopted by the EU apply in the present reporting period:

- **IFRS 9 – Financial Instruments;** adopted by the EU on 22/11/2016 (effective for annual periods beginning on or after 01/01/2018).
- **IFRS 15 – Revenue from Contracts with Customers;** and further amendments to IFRS 15 – Effective Date of IFRS 15, adopted by the EU on 22/09/2016 (effective for annual periods beginning on or after 01/01/2018).
- **Amendments to IFRS 2 – Share-based Payment;** Classification and measurement of share-based payment transactions, adopted by the EU on 26/2/2018 (effective for annual periods beginning on or after 01/01/2018).
- **Amendments to IFRS 4 – Insurance Contracts;** Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, adopted by the EU on 03/11/2017 (effective for annual periods beginning on or after 01/01/2018 or when first applying IFRS 9 – Financial Instruments).
- **Amendments to IFRS 15 – Revenue from Contracts with Customers;** clarifications to IFRS 15 – Revenue from Contracts with Customers, adopted by the EU on 31/10/2017 (effective for annual periods beginning on or after 01/01/2018).
- **Amendments to IAS 40 – Investment Property;** Transfers of investment property adopted by the EU on 14/03/2018 (effective for annual periods beginning on or after 01/01/2018).
- **Amendments to IFRS 1 and IAS 28 – Annual Improvements to IFRS (2014-2016 cycle);** they ensue from the IFRS annual improvement process (IFRS 1, IFRS 12 and IAS 28), mainly with the intention of eliminating inconsistencies and interpretations – adopted by the EU on 07/02/2018 (amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 01/01/2018).
- **IFRIC 22 – Foreign Currency Transactions and Advance Consideration;** adopted by the EU on 28/03/2018 (effective for annual periods beginning on or after 01/01/2018).

Effects of new standards:

- **IFRS 9** introduces new criteria for the classification of financial instruments into categories based on the Group's business model and the characteristics of the instrument, whereby it introduces the expected loss model for impairments. As a result of the adoption of the new standard, the Group classified investments in the equity instruments of other companies among financial assets measured through profit or loss and therefore reclassified the fair value reserve on 01/01/2018 under retained profit or loss (EUR 2,084 thousand). In accordance with the provisions of IFRS 9, comparative data for 2017 are not adjusted. Fair values of assets did not change as a result of the application of the new standard. Based on the analysis of historical data and the new impairment calculation model, the Group found that the impairments of receivables as disclosed in financial statements are suitable which is why there are no effects of the new IFRS in this area.
- **IFRS 15** introduces a new five-step model to determine when and how much revenue to recognise. The new model states that revenue is recognised when the Group transfers control of the goods and services to the customer, i.e. in the amount that reflects the compensation that the Group expects to be entitled to. Subject to the fulfilled criteria, revenue is recognised over the period or as a criterion is met. Based on the analysis of historical data, the Group has found that IFRS 15 has no effect on financial statements.

r) Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

On the date of the approval of these financial statements, the following new standards and clarifications produced by IASB and adopted by the EU were issued but are not yet effective:

- **IFRS 16 – Leases;** adopted by the EU on 31/10/2017 (effective for annual periods beginning on or after 01/01/2019). The standard lays down the principles for recognition, measurement, presentation and disclosure of leases and requires the lessees to use a uniform model for the majority of items in the balance sheet. In accordance with IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new model states the following in respect of such contracts: upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is amortised and interest is attributed to the liability.

The standard allows the following exceptions for lessees:

- leases for a period of 12 months or less and
- leases where the underlying asset has a low value (roughly below EUR 5,000).

In order to transition to the new standard, the Group will apply the method with the cumulative effect of the first application of the standard on 01/01/2019. The Group therefore did not restate the comparative data for 2018 but rather disclosed all changes resulting from the transition to the new standard as an adjustment of the opening balance in the balance sheet as at the date of first application.

The Group estimates that the right-of-use asset as at 01/01/2019 will amount to EUR 1,410 thousand while the estimated lease liability will also be EUR 1,410 thousand.

- **Amendments to IFRS 9 – Financial Instruments;** Prepayment Features with Negative Compensation, adopted by the EU on 22/03/2018 (effective for annual periods beginning on or after 01/01/2019).
- **IFRIC 23 – Uncertainty over Income Tax Treatments;** adopted by the EU on 23/10/2018 (effective for annual periods beginning on or after 01/01/2019).

s) New standards and amendments to the existing standards issued by the IASB but not yet adopted by the EU

Currently, the IFRS as adopted by the EU do not significantly differ from the regulations adopted by the IASB with the exception of the following new standards and amendments to the existing standards, which were not yet endorsed for use in the EU on the date of approval of the financial statements (the effective dates below apply to IFRS as issued by IASB):

- **IFRS 14 – Regulatory Deferral Accounts 2018** (effective for annual periods beginning on or after 01/01/2016); the European Commission has decided not to begin the validation procedure of this interim standard but will wait for the issuance of its final version.
- **IFRS 17 – Insurance Contracts;** (effective for annual periods beginning on or after 01/01/2021).
- **Amendments to IFRS 3 – Business Combinations** Definition of a Business (effective for business combinations where the takeover date is the same as the start date of the first annual reporting period that starts on or after 01/01/2020, and asset acquisitions that occur at the start of the period or after it).
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures;** Sale or contribution of assets between an investor

and its associate or joint venture and further amendments (effective date postponed indefinitely until the completion of the research project on the equity method).

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of *Material* (effective for annual periods starting on or after 01/01/2020).
- **Amendments to IAS 19 – Employee Benefits;** Plan Amendment, curtailment or settlement (effective for annual periods beginning on or after 01/01/2019).
- **Amendments to IAS 28 – Investments in Associates and Joint Ventures;** Long-term interests in associates and joint ventures (effective for annual periods beginning on or after 01/01/2019).
- **Amendments to various standards – Annual Improvements to IFRS 2015-2017 Cycle;** they ensue from the IFRS annual improvement process (IFRS 3, IFRS 11, IAS 12 and IAS 23), mainly with the intention of eliminating inconsistencies and interpretations (effective for annual periods beginning on or after 01/01/2019).
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 01/01/2020).

The Group expects that the introduction of said new standards and amendments to existing standards will not have a material effect on the Financial Statements of the Sava Group in the period when they are initially applied.

At the same time, the accounting of hedging against risk in relation to the portfolio of financial assets and liabilities whose principles have not yet been adopted by the EU still remains unregulated.

1.3.4. DETERMINATION OF FAIR VALUE

In accordance with the accounting policies applied at the Group and the breakdowns, it is necessary to determine the fair value of both financial and non-financial assets and liabilities. The Group determined the fair values of individual groups of assets for measurement and reporting purposes in accordance with the methods described below. Where additional explanations in respect of assumptions for the determination of fair values are required, these are mentioned in the notes to individual items of assets or liabilities of the Group.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on their respective market values. The market value of property is the estimated amount for which a property can be exchanged on the date of valuation and after proper marketing between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably

and willingly. The market value of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the estimated future discounted royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the respective asset is valued after deducting a fair return on all assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Investment property

The fair value is based on the market value of property, which is the estimated amount for which a property can be exchanged on the date of valuation and after proper marketing between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in the active market, the valuations are prepared by considering the aggregate of the expected cash flows from letting the property. Yield reflecting the specific risks is included in the calculation of the value of real estate property based on the discounted net cash flows on an annual basis.

As appropriate, valuations reflect the type of lessees actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation and the general perception of their creditworthiness as well as the allocation of maintenance and insurance between the Group and the lessee and the remaining economic life of the investment property. When rent reviews or lease renewals are pending with anticipated revisionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and in good time.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Investments in equity and debt securities

The fair value of listed available-for-sale financial assets is their quoted price as at the balance sheet date. The fair value of unlisted shares and stakes is estimated using one of the valuation methods outlined in IFRS 13.

Operating and other receivables

The fair value of operating and other receivables, except construction work in progress whose maturity is longer than one year, is calculated as the present value of future cash flows discounted at the market interest rate as at the reporting date.

Non-derivative financial liabilities

For reporting purposes, the fair value is calculated based on the present value of future payments of the principal and interest discounted at the market interest rate as at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Preparation of the cash flow statement

The cash flow statement has been prepared by considering the data from the income statement for the period from January to December 2018 (for the past period from January to December 2017), the data from the statement of financial position as at 31/12/2018 and 31/12/2017 (for the past period 31/12/2017 and 31/12/2016) and other required data. The cash flow statement excludes the more important values that are not connected with revenues and expenses.

1.3.5. FINANCIAL RISK MANAGEMENT

In the Sava Group, we examine and analyse economic circumstances and monitor the exposure to various financial risks and take measures to manage them. In 2018, the Sava Group was exposed to the following financial risks:

- risk of change in the fair value (price risk);
- credit risk;
- solvency risk;
- interest rate risk;
- foreign exchange risk;
- capital management;
- going concern risk.

Risk of change in the fair value (price risk)

Risk of a change in the fair value is the risk that the company will suffer a loss of economic benefits due to a change in the financial asset value.

The risk of changes in fair value is mitigated by actively supervising the operations of the companies in which Sava d.d. holds a significant ownership stake. In accordance with the Financial Restructuring Plan, Sava, d.d. consistently carries out activities for the disposal of non-strategic investments and increasing the value of strategic investments, i.e. the Tourism business.

In terms of changes in the value of investments, the market conditions are relatively stable, and we

therefore estimate that the risk of fair value change at the Sava Group is low in terms of the existing investment portfolio.

Credit risk

In the area of credit risk, Sava Group companies devote special attention to the maturity matching of liabilities, acquisition of suitable forms of security, acquisition of advance payments, continuous monitoring of customers' solvency and ongoing collection.

A portion of the elevated credit risk relates to past credit transactions with NFD Holding d.d. - in bankruptcy (in bankruptcy proceedings since 6/01/2015), which is managed by Sava d.d. by implementing the activities outlined in the provisions of the Financial Restructuring Plan.

Solvency risk

This involves the risk that a company will not be able to meet its financial obligations on time.

Sava Group companies manage solvency risk through regular planning and subsequent monitoring of realised cash flows, maintenance of a suitable level of the liquidity reserve and adoption of suitable preventive measures. Sava Group companies regularly settle the agreed financial and other operating liabilities.

The Resolution on the confirmation of compulsory settlement envisages the repayment of the financial claims of Sava, d.d. upon maturity. Presuming continued support of the owners and creditors with regard to the development of strategic investments, i.e. investments in the Tourism business, we assess the solvency risk as medium.

Interest rate risk

Interest rate risk involves the risk that the value of a financial instrument and borrowing costs will change as a result of the changed market interest rates.

The majority of the financial liabilities of Sava Turizem d.d. are tied to the variable EURIBOR interest rate which remained negative in 2018 while no major changes are expected in 2019.

Sava, d.d. is in the final interval of the three-year period after the confirmation of compulsory settlement in which secured financial receivables accrue interest at a fixed nominal interest rate of 1% p.a. Interest rate risk is thus increasing in the period after November 2019, which will be taken into account in the drafting of the development strategy for the following five-year period.

Foreign exchange risk

Foreign exchange rate risk involves the risk of losing economic benefits due to changes in the foreign currency exchange rates. Since Sava Group companies

mainly do business in the eurozone, we estimate that exposure to foreign exchange risk is low.

Guarantees and sureties

As at 31/12/2018, the Sava Group companies have no issued any guarantees or sureties.

Capital management

Sava d.d. has no employee stock option scheme. The regulatory bodies do not have any capital requirements towards the parent company or subsidiaries of the Sava Group.

The ratio between the liabilities and adjusted capital of the Sava Group:

	in EUR thousands	
	2018	2017
1. Total debts	178,394	194,504
2. Less cash and cash equivalents	-9,281	-6,178
3. Net liabilities (1. - 2.)	169,113	188,326
4. Total capital	54,078	37,198
5. Decrease/increase by amounts accumulated in equity in connection with elements of cash flow hedging	0	0
6. Adjusted capital amount (4. + 5.)	54,078	37,198
7. Debts to adjusted capital ratio as at 31/12 (3./6.)	3.13	5.06

Going concern risk

The Resolution on the confirmation of compulsory settlement envisages the repayment of the financial claims of the creditors upon maturity, i.e. 30/11/2019. In February 2019, the Board of Directors of Sava, d.d. confirmed the 5-year development strategy of Sava, d.d. and the Sava Group companies which is based exclusively on the continued development of the Tourism business and its management, whereby an important element is the financial consolidation of the Group members. The Board of Directors of Sava d.d. will obtain the consent of the stakeholders of Sava, d.d. for the implementation of the long-term development strategy.

In view of the development strategy, the value of the Group will grow with the continued development of the Tourism business. Taking into account the structure of owners and creditors, the plan is to refinance the liabilities that fall due for payment on 30/11/2019.

1.3.6. SEGMENT REPORTING

The Group reports on information by operating segment. The basic form of reporting that arises from the operating – business segments is based on the internal organisation and management of the Group.

Prices of transfers between the segments are measured on an arm's length basis. Operating performance of individual segments is measured through a segment's profit or loss before corporate income tax.

Profit or loss and assets and liabilities by segment contain items that can be attributed directly to the segment, which is ensured by a suitable legal and formal organisation of the Group.

Operating segments

The Sava Group consists of the following operating segments:

- Investment Finance (Sava d.d.);
- Tourism;
- Real Estate;
- other operations.

1.3.7. DATA BY SEGMENT

Data below is shown in terms of the operating segments represented by the Sava Group's divisions.

Data by operating segment for 2018

in EUR thousands

	TOURISM DIVISION	REAL ESTATE DIVISION	Other operations	INVESTMENT FINANCE DIVISION	Intra-group outsourcing	Total
Revenues from the sale of products	0	0	0	0	0	0
Revenues from services rendered	74,859	0	208	583	-771	74,879
Rental income	885	2	0	44	-6	925
Revenues from merchandise sold	802	0	0	0	0	802
Other operating revenues	1,229	877	9	70	12	2,197
Total operating revenues	77,774	879	217	697	-765	78,803
Interest income	26	0	0	63	-89	0
Interest expenses	-1,119	-63	0	-1,124	91	-2,215
Revenues from shares of the profit/ loss of associates	0	0	0	0	136	136
Net profit/loss for the financial year	6,483	504	-210	551	-2,547	4,781
Assets	174,030	2,612	113	150,098	-94,380	232,472
Investments in associates	5	0	0	9,351	135	9,491
Liabilities	67,503	3,895	207	114,281	-7,491	178,394
Purchase of property, plant and equipment	12,509	0	0	38	0	12,547
Depreciation	7,369	0	3	24	0	7,396
Impairment of property, plant and equipment	452	0	0	0	0	452
Impairment of investment property	0	0	0	0	0	0

Data by operating segment for 2017

in EUR thousands

	TOURISM DIVISION	REAL ESTATE DIVISION	Other operations	INVESTMENT FINANCE DIVISION	Intra-group outsourcing	Total
Revenues from the sale of products	0	1,252	0	0	0	1,252
Revenues from services rendered	71,723	0	179	559	-750	71,711
Net revenue from construction work contracts	0	0	0	0	0	0
Rental income	916	5	0	44	-6	959
Revenues from merchandise sold	812	0	0	0	0	812
Changes in the value of inventories	0	-921	0	0	0	-921
Other operating revenues	1,407	0	2	26	234	1,669
Total operating revenues	74,858	336	181	629	-522	75,482
Interest income	27	0	0	92	-118	1
Interest expenses	-1,556	-91	0	-1,309	120	-2,836
Revenues from shares of the profit/ loss of associates	0	0	0	0	0	0
Net profit/loss for the financial year	5,353	82	-155	1,596	-972	5,904
Assets	170,922	2,580	235	152,801	-94,835	231,702
Investments in associates	5	0	0	0	0	5
Liabilities	69,794	4,367	120	127,728	-7,505	194,504
Purchase of property, plant and equipment	13,229	0	2	0	0	13,231
Depreciation	7,185	0	3	46	0	7,234
Impairment of property, plant and equipment	848	0	0	0	0	848
Impairment of investment property	100	0	0	0	0	100

Data about sales revenues by region

	Slovenia	Other EU countries	Other	Total
2018	76,606	0	0	76,606
2017	73,482	1,252	0	74,734

in EUR thousands

The assets are not segmented by region, since the carrying amount of assets referring to the companies in Slovenia represents 99.99% of the Group's total assets (2017: 99.99%).

Sales to the biggest customer of the Sava Group, i.e. a customer of the Tourism division, amounted to EUR 2,749 thousand in 2017 (2017: a Tourism division customer: EUR 2,433 thousand).

1.3.8. ACQUISITIONS AND DISPOSALS OF OWNERSHIP INTERESTS IN SUBSIDIARIES

2018

There were no such events in 2018. In order to spin out the Terme Lendava destination, the Terme Lendava, d.o.o. company was established. The company is wholly owned by Sava Turizem, d.d. and its operations were suspended as at 31/12/2018.

2017

Sava d.d. purchased 342,302 Sava Turizem d.d. shares in the amount of EUR 459 thousand, for which it obtained all necessary consents in accordance with the provisions of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (ZFPPIPP) and the Financial Restructuring Plan. This means that its share of ownership in Sava Turizem d.d. on 31/12/2017 was 99.91%.

Sava d.d. sold off 100% of its ownership interest in GIP Sava Kranj d.o.o., Ruma, Serbia. The company was established with minimum capital for the purpose of resolving the ownership of the real estate in Ruma. As the real estate was sold off there was no further reason for the existence of the financial asset.

1.3.9. PROPERTY, PLANT AND EQUIPMENT

Overview of the movement of property, plant and equipment of the Sava Group for 2018

in EUR thousands

	Land	Buildings	Production plant and machinery	Other plant and equipment	Assets under preparation	Advances for the acquisition of property, plant and equipment	Total
COST							
Balance as at 01/01/2018	20,478	242,853	43,941	5,128	752	14	313,166
Purchasing	0	1,937	1,417	598	8,595	16	12,563
Decrease in advance payment	0	0	0	0	0	-4	-4
Activation	0	7,807	891	35	-8,733	0	0
Decrease due to sale	0	0	-156	0	0	0	-156
Write-downs	0	-306	-1,276	-341	0	0	-1,923
Impairment	0	-750	-48	-5	0	0	-804
Balance as at 31/12/2018	20,478	251,542	44,768	5,414	613	27	322,842
ACCUMULATED DEPRECIATION							
Balance as at 01/01/2018	0	-121,818	-37,123	-3,488	0	0	-162,429
Decrease due to sale	0	0	156	0	0	0	156
Write-downs	0	249	1,237	315	0	0	1,801
Impairment	0	325	25	2	0	0	352
Depreciation	0	-5,203	-1,450	-553	0	0	-7,207
Balance as at 31/12/2018	0	-126,448	-37,154	-3,724	0	0	-167,326
CARRYING AMOUNT							
Balance as at 01/01/2018	20,478	121,035	6,818	1,640	752	14	150,737
Balance as at 31/12/2018	20,478	125,094	7,614	1,690	613	27	155,516

The equipment with the carrying amount of EUR 124 thousand (31/12/2017: EUR 181 thousand) is under a finance lease. The balance of liabilities under the finance lease equals EUR 96 thousand (31/12/2017: EUR 139 thousand).

Impairment of property, plant and equipment in 2018

In 2018, the value of property, plant and equipment of Sava Turizem d.d. at the destination Terme Banovci was impaired in the total amount of EUR 452 thousand. The impairment was carried out on the basis of the valuation for financial reporting purposes prepared as at 31/12/2018 by a certified real estate valuer. The estimated recoverable amount of the Banovci destination was EUR 4,575 thousand. The valuation applied the income approach and the capitalized returns method.

Presentation of the effects of the impairment of property, plant and equipment in 2018

in EUR thousands

Terme Banovci destination	Cost	Accumulated depreciation	Present value
Before impairment	8,075	-3,049	5,026
After impairment	7,272	-2,697	4,575
Difference	803	-352	452

Overview of movement in property, plant and equipment of the Sava Group for 2017

in EUR thousands

	Land	Buildings	Production plant and machinery	Other plant and equipment	Assets under preparation	Advances for the acquisition of property, plant and equipment	Total
COST							
Balance as at 01/01/2017	20,314	235,076	43,161	4,717	980	0	304,247
Purchasing	221	1,072	1,221	843	9,873	0	13,231
Increase in advance payments	0	0	0	0	0	14	14
Activation	0	8^61	1,563	77		0	0
Decrease due to sale	-57	-184	-431	-4	0	0	-675
Decrease due to sale of subsidiary	0	0	-2	0	0	0	-2
Write-downs	0	0	-1,474	-490	0	0	-1,964
Impairment	0	-1,573	-98	-15	0	0	-1,685
Balance as at 31/12/2017	20,478	242,853	43,941	5,128	752	14	313,166
ACCUMULATED DEPRECIATION							
Balance as at 01/01/2017	0	-117,799	-37,273	-3,550	0	0	-158,622
Decrease due to sale	0	100	359	3	0	0	462
Decrease due to sale of subsidiary	0	0	1	0	0	0	1
Write-downs	0	0	1,454	480	0	0	1,934
Impairment	0	778	52	7	0	0	837
Depreciation	0	-4,898	-1,716	-428	0	0	-7,041
Balance as at 31/12/2017	0	-121,817	-37,123	-3,488	0	0	-162,429
CARRYING AMOUNT							
Balance as at 01/01/2017	20,314	117,278	5,887	1,166	980	0	145,623
Balance as at 31/12/2017	20,478	121,035	6,818	1,640	752	14	150,737

Impairment of property, plant and equipment in 2017

In 2017, the value of property, Plant and equipment of Sava Turizem d.d. at the destination Terme Lendava and Terme Banovci was impaired in the total amount of EUR 373 thousand and EUR 474 thousand respectively.

The impairment was carried out on the basis of the valuation for financial reporting purposes prepared as at 31/12/2017 by a certified real estate valuer.

The estimated recoverable amount of the Lendava destination was EUR 8,239 thousand and that of the Banovci destination was EUR 5,037 thousand. In estimating the value of the property, plant and equipment for both destinations, the income approach was used. In valuing the Terme Lendava destination, the value in use method was used. In valuing the Terme Banovci destination, the fair value less costs to sell method was used.

Table: Presentation of the effects of the impairment of property, plant and equipment in 2017

in EUR thousands

Terme Lendava destination	Cost	Accumulated depreciation	Present value
Before impairment	17,752	-9,140	8,612
After impairment	16,898	-8,659	8,239
Difference	854	-481	373

in EUR thousands

Terme Banovci destination	Cost	Accumulated depreciation	Present value
Before impairment	8,814	-3,303	5,511
After impairment	7,983	-2,946	5,037
Difference	831	-357	474

Overview of mortgages as at 31/12/2018

in EUR thousands

	Carrying amount of mortgaged assets	Value of the mortgage on real estate
Sava Turizem d.d.	109,870	42,696
Total	109,870	42,696

Overview of mortgages as at 31/12/2017

in EUR thousands

	Carrying amount of mortgaged assets	Value of the mortgage on real estate
Sava Turizem d.d.	105,860	46,474
Total	105,860	46,474

1.3.10. INTANGIBLE ASSETS

Overview of movement in intangible assets of the Sava Group for 2018 and 2017

in EUR thousands

	31/12/2018	31/12/2017
Balance as at 01/01	2,140	1,910
Increases, purchases	114	230
Transfers	0	0
Write-downs	-9	-1
Balance at end of period	2,245	2,140
ACCUMULATED AMORTISATION		
Balance as at 01/01	-1,283	-1,182
Transfers	0	0
Write-downs	0	0
Amortisation	-105	-101
Balance at end of period	-1,388	-1,283
CARRYING AMOUNT		
Balance as at 01/01	857	728
Balance at end of period	858	857

In the income statement, amortisation of intangible assets is stated under depreciation/amortisation.

1.3.11. INVESTMENT PROPERTY

Overview of movement in investment property of the Sava Group for 2018

in EUR thousands

	Land - investment property	Buildings - investment property	Total
COST			
Balance as at 01/01/2018	6,930	4,414	11,343
Decrease due to sale	-4,315	0	-4,315
Balance as at 31/12/2018	2,615	4,414	7,028
ACCUMULATED DEPRECIATION			
Balance as at 01/01/2018	-4,111	-2,655	-6,766
Decrease due to sale	3,070	0	3,070
Depreciation	0	-86	-86
Balance as at 31/12/2018	-1,041	-2,741	-3,782
CARRYING AMOUNT			
Balance as at 01/01/2018	2,819	1,759	4,577
Balance as at 31/12/2018	1,574	1,673	3,246

According to our estimate, the fair value of investment property as at 31/12/2018 and 31/12/2017 does not deviate significantly from the carrying amounts. Investment property was free of any encumbrance as at 31/12/2018.

Investment properties put on lease generated revenues of EUR 925 thousand (2017: EUR 959 thousand) and expenses of EUR 215 thousand (2017: EUR 222 thousand). With investment properties not put on lease, expenses of EUR 1 thousand (2017: EUR 12 thousand) were disclosed.

Overview of movement in investment property of the Sava Group for 2017

in EUR thousands

	Land - investment property	Buildings - investment property	Total
COST			
Balance as at 01/01/2017	4,387	4,684	9,071
Transfer	2,543	0	2,543
Impairment	0	-270	-270
Balance as at 31/12/2017	6,930	4,414	11,343
ACCUMULATED DEPRECIATION			
Balance as at 01/01/2017	-1,568	-2,734	-4,302
Transfer	-2,543	0	-2,543
Impairment	0	170	170
Depreciation	0	-92	-92
Balance as at 31/12/2017	-4,111	-2,655	-6,766
CARRYING AMOUNT			
Balance as at 01/01/2017	2,819	1,950	4,769
Balance as at 31/12/2017	2,819	1,759	4,577

In 2017, the investment property – the Jerusalem Hotel in Ljutomer – was impaired in the total amount of EUR 100 thousand.

The impairment was carried out on the basis of the valuation for financial reporting purposes prepared as at 31/12/2017 by a certified real estate valuer. The estimated recoverable amount of Hotel Jerusalem was EUR 941 thousand. In estimating the value of the entire property, the income approach was used. The value of the land was determined using the market approach.

Table: Presentation of the effects of the impairment

Hotel Jeruzalem	in EUR thousands		
	Cost	Accumulated depreciation	Present value
Before impairment	2,688	-1,646	1,041
After impairment	2,417	-1,476	941
Difference	270	-170	100

1.3.12. INVESTMENTS IN ASSOCIATES

The value of the shares held in associated companies of EUR 9,491 thousand (31/12/2017: EUR 5 thousand) is mostly represented by the 45.37% equity interest or 7,281,125 shares of Hoteli Bernardin, d.d. comprising:

- 1,468,221 shares with the value of EUR 2,026 thousand that were already in the portfolio of other shares and stakes of Sava, d.d.;
- 4,591,743 shares with the value of EUR 5,786 thousand acquired in 2018 as a result of the redemption of collateral received for the loan granted to NFD Holding, d.d. - in bankruptcy;

- 1,221,161 shares with the value of EUR 1,538 thousand acquired in 2018 as a result of the completed takeover bid;
- EUR 136 thousand represents the attributed profit of an associated company for 2018.

6,059,964 SHBR shares were pledged for the financial liabilities of Sava d.d., their book value equalling EUR 7,782 thousand.

1.3.13. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The value of financial assets measured at fair value through profit or loss of EUR 712 thousand (31/12/2017: EUR 8,474 thousand) and was lower by EUR 7,762 thousand in comparison with the previous year.

Overview of all financial assets measured at fair value through profit or loss

	in EUR thousands	
	31/12/2018	31/12/2017
Shares of listed companies	164	162
Shares and stakes of unlisted companies	548	2,574
ALTA.SI, a flexible mixed sub-fund	0	5,738
Total	712	8,474

Overview of movement in financial assets measured at fair value through profit or loss

	in EUR thousands	
	31/12/2018	31/12/2017
Balance as at 01/01	8,474	19,855
Acquisitions - shares of Hoteli Bernardin, d.d.	7,324	0
Transfer of the investment in Hoteli Bernardin, d.d. to investments in associates	-9,350	0
Change in fair value	163	844
Disposals – at cost	-5,895	-12,093
Impairments	-5	-131
Balance at end of period	712	8,474

The value of other shares and stakes as at 31/12/2018 only represented 0.3% of total assets. They included 4,987 shares of Pokojninska družba A, d.d. which were pledged for the financial liabilities of Sava d.d., with their carrying amount equalling EUR 498 thousand.

1.3.14. NON-CURRENT LOANS AND OPERATING RECEIVABLES

Balance of non-current loans and receivables

	in EUR thousands	
	31/12/2018	31/12/2017
Non-current loans granted	0	0
Other non-current operating receivables	26	18
TOTAL	26	18

Maturity of non-current loans and receivables

	31/12/2018		31/12/2017	
	1 to 5 years	more than 5 years	1 to 5 years	more than 5 years
Non-current loans granted	0	0	0	0
Other non-current operating receivables	26	0	18	0
TOTAL	26	0	18	0

Overview of movement in non-current loans and receivables

	in EUR thousands	
	2018	2017
Balance as at 01/01	18	18
New loans	8	0
Decrease	0	0
Balance at end of period	26	18

1.3.15 ASSETS HELD FOR SALE

Assets held for sale in the amount of EUR 43,590 thousand (31/12/2017: EUR 43,656 thousand) are entirely related to the investment in the Gorenjska banka d.d. shares, which are owned by:

- Sava, d.d. in the amount of EUR 43,526 thousand (31/12/2017: EUR 43,526 thousand) and
- Sava Turizem, d.d. in the amount of EUR 64 thousand (31/12/2016: EUR 67 thousand).

Sava d.d. pledged 135,870 shares of Gorenjska banka d.d. for the loans received. The carrying amount of the pledged shares is EUR 40,489 thousand while the balance of actual financial liabilities to the creditors is EUR 40,319 thousand.

On 22/06/2018, the 27th General Meeting of Sava, d.d. was held and consent was granted to the conclusion and performance of the purchase agreement for the sale of GBKR shares to the buyer AIK Banka, a.d. which also includes the sale of the option of Sava, d.d. and the fiduciary Abanka, d.d. for the sale of GBKR shares at the price of EUR 298 per share.

Events after the balance sheet date

The purchase agreement for the sale of GBKR shares was realised in February 2019 with the purchase consideration received by Sava, d.d. amounting to EUR 43.5 million, EUR 40.3 million of which was allocated for the repayment of the creditors' claims secured with the GBKR shares. Sava Turizem, d.d. received EUR 154 thousand from the sale of the GBKR shares.

1.3.16. INVENTORIES

in EUR thousands

	Gross value	Write-offs in the year	Net value	Net value
	31/12/2018	31/12/2018	31/12/2018	31/12/2017
Materials	555	0	555	569
Merchandise	75	0	75	83
Unfinished construction projects	320	0	320	320
Total	951	0	951	971

The property – unfinished construction project of Sava Nova d.o.o., Zagreb – is mortgaged for the loans the company received from Sava d.d.

1.3.17 NON-CURRENT OPERATING AND OTHER RECEIVABLES

Overview of non-current operating and other receivables

in EUR thousands

	31/12/2018	31/12/2017
Trade receivables	2,307	2,448
Accrued receivables	761	738
Advances given	0	0
Receivables for VAT and other taxes	818	663
Other receivables	321	2,573
Total	4,207	6,422

1.3.18. CURRENT LOANS GRANTED

Overview of current loans granted

in EUR thousands

	31/12/2018	31/12/2017
Current loans granted	4,490	9,807
Current portion of non-current loans	0	0
Total	4,490	9,807

Loans to others - *NFD Holding, d.d. - in bankruptcy*: in the total gross amount of EUR 7,899 thousand; the balance of the value adjustment equals EUR 5,009 thousand and the net disclosed receivable value is EUR 2,890 thousand. Receivables due from NFD Holding d.d. - in bankruptcy have been pledged in full as collateral to holders of financial claims arising from the loans granted to Sava d.d.

The loans granted to NFD Holding (EUR 2,890 thousand net) and interest (EUR 129 thousand) disclosed under operating receivables are mostly secured with bills of exchange and securities, which include 647,318 shares of Istrabenz, 166,484 shares of Melamin, 5,806 shares of Krka and 445 shares of Petrol. The estimated value of the shares received in a pledge equals EUR 3,350 thousand.

The receivable due from NFD Holding, d.d. - in bankruptcy was lowered by EUR 6,207 thousand in 2018, with the major portion of the decrease relating to the liquidation of the shares of Hoteli Bernardin, d.d. which were received in a pledge.

The remaining *current loans granted* totalling EUR 1,600 thousand are deposits placed with a commercial bank.

1.3.19. CASH AND CASH EQUIVALENTS

EUR 2,469 thousand of the cash and cash equivalents were deposited on the escrow account of a notary public for the purpose of continued acquisition of the shares of Hoteli Bernardin, d.d.

	in EUR thousands	
	31/12/2018	31/12/2017
Bank balances and cash in hand	9,281	6,178
Total	9,281	6,178

1.3.20. EQUITY CAPITAL AND RESERVES

Equity of the Sava Group as at 31/12/2018

The equity of the Sava Group as at 31/12/2018 totalled EUR 54,078 thousand (31/12/2017: EUR 37,198 thousand). It was EUR 16,880 thousand higher year-on-year.

Share capital

At the 27th General Meeting held on 22/06/2018, a resolution was adopted on the increase of the share capital of Sava, d.d. with an in-cash contribution. The full amount was paid in (EUR 4,718) and 4,718,272 ordinary registered no-par value shares were issued. On 31/12/2018, the share capital of Sava, d.d. amounted to EUR 26,397 thousand (31/12/2017: EUR 21,679 thousand), divided into 26,396,807 ordinary registered no-par value shares with the nominal value of EUR 1 per share.

Share premium account

Share premium account in the amount of EUR 43,357 thousand (31/12/2017: EUR 43,357 thousand) was created in 2016 within the scope of the compulsory composition procedure over Sava, d.d. It represents the difference between the registration of share capital and the registration of the creditors' total in-kind contributions in the capital of Sava, d.d.

Fair value reserves

Additional note relating to the amendment to IFRS 9 - Financial Instruments:

- The amended IFRS 9 entered into force on 01/01/2018. Available-for-sale securities were valued through fair value reserves (reserves resulting from the valuation at fair value) until the end of 2017, while they are considered financial assets measured at fair value through profit or loss as of 01/01/2018. According to the provisions of IFRS 9, fair value reserves as at 01/01/2018 were transferred among retained losses of the Sava Group which is why no effect of the sales of financial assets carried out in 2018 are disclosed among financial income.

	in EUR thousands	
Structure of fair value reserves	31/12/2018	31/12/2017
- From items that will not be reclassified in profit or loss	284	254
- From financial assets measured at fair value through profit or loss*	0	1,858
Fair value reserves	284	2,112

* Up to 31/12/2017, they were available-for-sale securities, while they are financial assets measured at fair value through profit or loss as of 01/01/2018.

Retained net loss

in EUR thousands

Movement of retained net loss	31/12/2018	31/12/2017
Retained loss from previous years	-30,070	-36,298
90% write-off of secured financial liabilities of Sava d.d. pursuant to the provisions of the Financial Restructuring Plan*	7,042	
Change in minority interests – purchase SHBR shares	0	369
Amendment to IFRS 9 - transfer of fair value reserves	2,084	0
Other changes	84	-41
Miscellaneous	0	2
Net profit/loss for the period attributable to equity holders of the parent	4,778	5,898
Retained net loss	-16,083	-30,070

* As a result of the disposal of the collateral for financial liabilities, the remainder of the liabilities, i.e. 90% or EUR 7,042 thousand, was written off in accordance with the provisions of the Financial Restructuring Plan thus covering the past retained loss.

Net earnings per share

The share capital is divided into 26,396,807 ordinary registered no-par value shares, all of which provide the voting right and are freely transferrable. All shares are fully paid up. Sava d.d. has no bonds available to be converted into shares.

Weighted average number of ordinary shares

	2018	2017
Total number of shares	26,396,807	21,678,535
Treasury shares	0	0
Weighted average number of shares	23,644,482	21,678,535

Net profit attributable to ordinary shares

in EUR thousands

	2018	2017
Net profit/loss for the period (in EUR thousands)	4,781	5,904
Net profit/loss for the period attributable to equity holders of the parent (in EUR thousands)	4,778	5,898
Weighted average number of ordinary shares outstanding	23,644,482	21,678,535
Basic earnings per share (in EUR)	0.22	0.27

Diluted net earnings per share equal the basic net earnings per share because the capital is composed solely from ordinary shares.

The appropriation of profit is only possible within the scope of the amount determined in accordance with the Slovenian legislation. According to this legislation, a parent company may distribute the accumulated profit as determined in the separate financial statements. Sava d.d. disclosed an uncovered loss of EUR 34,161 thousand on 31/12/2018 and an uncovered loss of EUR 41,753 thousand on 31/12/2017.

in EUR thousands

	2018	2017
Retained loss for the financial year for the Sava Group according to IFRS as adopted by the EU	-16,083	-30,070
Accumulated loss of Sava d.d. for the financial year according to SAS	-34,161	-41,753
Non-distributable difference	-	-

Interest, capital and profit/loss of the owners of non-controlling interests

The interest of non-controlling interest owners, attributable capital and profit/loss for the granddaughter companies is calculated indirectly, through the ownership of the parent company.

Overview of companies with non-controlling interests

in EUR thousands

	Non-controlling interest		Capital attributable to a non-controlling interest		Profit attributable to a non-controlling interest	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Sava Turizem d.d.	0.09%	0.09%	92	87	5	5
Sava Zdravstvo d.o.o.	0.09%	0.09%	0	0	0	0
Cardial d.o.o.	15.07%	15.07%	28	31	-3	0
SEIC Institute	7.58%	7.58%	3	2	1	1
Total			123	120	3	6

1.3.21. NON-CURRENT PROVISIONS

Overview of movement in non-current provisions

in EUR thousands

	Balance as at 01/01/2018	Formation	Reversal	Use	Balance as at 31/12/2018
Provisions for severance payment upon retirement and similar liabilities	1,501	303	-260	-56	1,489
Provisions for lawsuits and other claims	102	0	0	0	102
Warranties	30	0	0	0	30
Other	51	1	0	0	52
TOTAL	1,684	304	-260	-56	1,673

The accrued non-current liabilities to employees represent liabilities for severance payment upon retirement and jubilee benefits. As at 31/12/2018, an actuarial recalculation was produced for Sava d.d. employees and the amount is not material in view of the number of employees. An actuarial account was made at Sava Turizem d.d. with consideration of the following assumptions: severance payment upon retirement and jubilee benefits in accordance with the provisions of collective and individual work contracts,

a 2.5% annual growth in the Company's wages and salaries and severance payment upon retirement and jubilee benefits, employee turnover and the selected discount rate of 2.25% per annum representing nearly a two-year average of interest rates on long-term bonds issued by the Republic of Slovenia.

Provisions for lawsuits and other claims were set aside after consulting the attorneys who estimated the outcome of lawsuits and other claims filed.

1.3.22. DEFERRED GOVERNMENT GRANTS

Overview of movement of deferred government grants

in EUR thousands

	Balance as at 01/01/2018	Increases	Reversal	Use	Balance as at 31/12/2018
Assets of European and other funds	7,678	0	-260	-102	7,316
TOTAL	7,678	0	-260	-102	7,316

The assets obtained from the European and government structural funds were used by Tourism companies to renovate Hotel Radin and Hotel Terapija in Radenci, build the Grand Hotel Primus in Ptuj and the apartment complex in Terme Lendava as well

as Hotel Livada Prestige, renovate the Thermalium healthcare facility in Moravske Toplice and Hotel Savica at Bled as well as to purchase a healthcare programme and renovate the CO₂ bath facility.

1.3.23. NON-CURRENT LOANS RECEIVED AND CURRENT FINANCIAL LIABILITIES

This note also provides information about the terms and conditions applying to borrowings. Further information about the Company's exposure to interest rate and exchange rate risk is contained in Item 1.3.35. – Financial instruments.

As at 31/12/2018, non-current financial liabilities of Sava, d.d. in the amount of EUR 112,947 thousand were transferred in their entirety under current financial liabilities with maturity on 30/11/2019.

The balances of certain claims of the creditors with the right to separate satisfaction and financial liabilities of Sava d.d. were not matched as at 31/12/2018. The differences as at the cut-off date relate to cases where the claim of the creditors with the right to separate satisfaction is secured (collateralised) with several types of assets. They came about as a result of different legal interpretations of the effects of compulsory settlement for the part of the new secured claim that will not be repaid. The debtor Sava d.d. obtained two legal opinions about this issue, whereby it followed the two opinions when compiling accounting records.

Overview of financial liabilities of the Sava Group

	in EUR thousands	
	31/12/2018	31/12/2017
NON-CURRENT LOANS		
Loans with domestic banks	37,679	45,505
Loans with foreign banks	0	0
Loans with banks total	37,679	45,505
Non-current liabilities originating from issued bonds	0	15,198
Loans with others entities	1,318	104,732
Total non-current loans	38,997	165,434
CURRENT FINANCIAL LIABILITIES		
Current portion of non-current loans with banks	3,394	3,394
Current loans with domestic banks	0	33
Current loans with foreign banks	0	0
Total current loans with banks	3,394	3,427
Current liabilities originating from issued bonds	15,198	0
Current loans with other entities	94,781	430
Total current financial liabilities	113,372	3,856
Total loans received and other financial liabilities	152,369	169,291

Terms and conditions for loans

31/12/2018	Interest rate (% p.a.)	Maturity of last instalment	Type of collateral
Financial receivables (receivables on the basis of the Resolution on the confirmation of compulsory settlement and other loans)	1,00% 6M EURIBOR + 2.5 3M EURIBOR + 0.35 to 0.50	2019-2028	bill of exchange, bank guarantee, pledge of real estate, pledge of securities, assignment of claims

The liabilities of Sava d.d. bear interest pursuant to the provisions of the Resolution on the confirmation of compulsory settlement, i.e. 1% p.a.

Overview of the maturity of non-current loans

	in EUR thousands	
	31/12/2018	31/12/2017
Between 1 and 2 years	8,107	130,230
Between 2 and 5 years	15,483	14,003
More than 5 years	15,407	21,202
Total	38,997	165,434

Classification of loans subject to fixed and variable interest rates

	in EUR thousands		
	Fixed interest rate	Variable interest rate	Total
Non-current loans	0	38,997	38,997
Current loans	109,578	3,794	113,372
Total	109,578	42,791	152,369

Loan security

Loans obtained by the Sava Group companies are secured by mortgages on the real estate of Group companies and by pledging shares and stakes owned by Sava d.d.

A note on the security for the loans of the Sava Group by entering mortgages on real estate is provided under Item 1.3.9.

A detailed note on the pledging of assets owned by Sava d.d. is provided under Item 2.5.2 of the financial statements with notes for Sava d.d.

1.3.24. DEFERRED TAX LIABILITIES/ASSETS

Overview of deferred tax liabilities/assets

	in EUR thousands	
	31/12/2018	31/12/2017
Liabilities – revaluation of securities to fair value	0	-227
Receivables – provisions according to actuarial calculation	104	101
TOTAL	104	-127

Overview of movement of deferred tax liabilities/assets

	in EUR thousands	
	31/12/2018	31/12/2017
Balance as at 31/12	-127	-433
Amendment of IFRS 9 - 01/01/2018	226	0
Balance as at 01/01	99	-433
Change in deferred tax liability – through profit or loss	6	-13
Change in receivables for provisions for severance pay	6	-13
Change in deferred tax liability – in other comprehensive income	0	319
Change in liability due to revaluation of securities to fair value	0	309
Other changes in liabilities	0	10
Balance at end of period	104	-127

Deferred tax assets that were not accounted arose from impairments of non-current financial assets in the amount of EUR 5,452 thousand (2017: EUR 5,618 thousand).

Deferred tax assets arising from tax loss are not accounted for. The amount of the unaccounted deferred tax assets arising from the tax loss of the Sava Group companies at a 19% tax rate amounted to EUR 68,140 thousand on 31/12/2018 (2017: EUR 68,596 thousand).

Total deferred tax assets that were not accounted amounted to EUR 73,592 thousand (2017: EUR 74,214 thousand).

1.3.25. CURRENT OPERATING LIABILITIES

Liabilities arising from interests on obtained loans were included under other operating liabilities.

Overview of current operating liabilities

	in EUR thousands	
	31/12/2018	31/12/2017
Trade payables	6,572	5,997
Liabilities for obtained advances	1,220	830
VAT and other taxes	1,395	698
Liabilities to employees	1,792	1,680
Other operating liabilities	300	308
Total	11,279	9,513

1.3.26. CURRENT PROVISIONS

Current provisions in the amount of EUR 5,757 thousand (2017: EUR 6,212 thousand) mostly represent current provisions for severance pay, unused hours and annual leave, performance based bonus payment for 2018, deferred revenues from the loyalty programme and short-term accrued revenues.

1.3.27. REVENUE FROM CONTRACTS WITH CUSTOMERS

Overview of revenue from contracts with customers

	in EUR thousands	
	2018	2017
Revenues from the sale of products	0	1,252
Rental income	925	959
Revenues from services rendered	74,879	71,711
Revenues from merchandise sold	802	812
Total	76,606	74,734

1.3.28. OTHER OPERATING REVENUES

Overview of other operating revenues

	in EUR thousands	
	2018	2017
Reversal of unused provisions	260	116
Revenues from government grants and incentives	727	644
Proceeds from sale of property, plant and equipment	35	414
Proceeds from sale of investment property	877	0
Other operating revenue	299	495
Total	2,197	1,669

1.3.29. COSTS BY FUNCTIONAL GROUPS

Overview of costs by functional group

	in EUR thousands	
	2018	2017
Manufacturing costs of products and services sold	48,639	50,854
Selling costs	6,809	4,784
Costs of general activities	16,328	15,361
TOTAL	71,777	70,999

The manufacturing costs of products and services sold are associated with direct costs in Tourism.

1.3.30. LABOUR COST

Overview of labour costs

	in EUR thousands	
	2018	2017
Wages and salaries	18,107	16,855
Cost of social insurance	2,943	2,776
Other labour cost	4,166	4,648
Total	25,216	24,279

Other labour costs include paid out pay for annual leave and other compensations in accordance with the collective agreement (meals and commuting to/from work).

Over the course of 2018, there were 821 employees employed on average (2017: 823 employees).

1.3.31. WRITE-DOWNS

Overview of write-downs

	in EUR thousands	
	2018	2017
Property, plant and equipment - impairment	452	848
Property, plant and equipment - write-offs	123	29
Property, plant and equipment - loss from sale	2	53
Intangible assets - write-offs	9	1
Investment property - impairment	0	100
Receivables	73	66
Total	658	1,096

In 2018, receivables of the Tourism companies in the amount of EUR 73 thousand were impaired through profit or loss (2017: EUR 66 thousand).

1.3.32. OTHER OPERATING EXPENSES

Overview of other operating expenses

in EUR thousands

	2018	2017
Formation of non-current provisions	304	225
Other operating expenses	1,752	2,775
Total	2,056	3,000

Other operating expenses mainly include compensations for the use of construction land, fees for obtaining various permits and payments of water fees and concessions.

Other data on costs

in EUR thousands

	2018	2017
Costs of research and development	0	0
Direct operating expenses for investment properties	216	234
– Rent-generating	215	222
– Not generating revenue	1	12

1.3.33. NET FINANCIAL INCOME AND SHARE OF THE PROFITS OF ASSOCIATES

Overview of the composition of financial income and expenses

in EUR thousands

	2018	2017
Profit from disposal of financial assets	254	4,000
Revenues from dividends and shares in profit	38	18
Interest income	0	1
Other	267	11
Financial income	559	4,030
Interest expenses	-2,215	-2,836
Impairment of available-for-sale financial assets	-5	-130
Impairment of loans granted	0	-12
Other	-68	-66
Financial expenses	-2,288	-3,044
Net income/expenses	-1,729	986

Share of the profits of associated companies belonging to the Sava Group amounts to EUR 136 thousand and comes from Hoteli Bernardin, d.d.

1.3.34. CORPORATE INCOME TAX

Overview of the income tax recognised in the income statement

in EUR thousands

	2018	2017
Tax assessed for the current year		
- For the current year	-659	-473
Total	-659	-473
Deferred tax		
- Newly arisen and withdrawn temporary differences	6	-13
Total	6	-13
Tax to the debit of profit and loss	-652	-486

Comparison between the actual and the calculated tax rate

in EUR thousands

	rate	2018	rate	2017
Pre-tax profit in accordance with IFRSs		5,433		6,392
Income tax based on the official rate	19.0%	1,032	19.0%	1,214
Expenses not deductible for tax purposes	6.7%	365	6.3%	401
Tax-free revenues	-27.8%	-1,512	-22.1%	-1,410
Tax reliefs not recognised in profit or loss	-2.5%	-134	-2.2%	-141
Effect of companies operating at a loss and effect of losses in consolidation	16.6%	901	6.6%	422
Effective tax rate	12.0%	652	7.6%	486

1.3.35. FINANCIAL INSTRUMENTS

Foreign exchange risk

The Sava Group mainly does business in the eurozone. There were no derivatives to hedge against foreign exchange risk in 2018. Considering the share of operations denominated in foreign currencies, the foreign exchange risk is low.

Overview of values related to foreign exchange risk

in EUR thousands

	31/12/2018					31/12/2017				
	Total in EUR	EUR	USD	CHF	Other currencies	Total in EUR	EUR	USD	CHF	Other currencies
Trade receivables	2,307	2,308	0	0	0	2,448	2,448	0	0	0
Secured bank loans	-41,073	-41,073	0	0	0	-48,897	-48,897	0	0	0
Financial liabilities originating from issued bonds	-15,198	-15,198	0	0	0	-15,198	-15,198	0	0	0
Trade payables and other liabilities	-11,279	-11,277	0	0	-2	-9,513	-9,510	0	0	-3
Other loans received	-96,099	-96,099	0	0	0	-105,194	-105,161	0	0	-33
Balance sheet gross exposure	-161,341	-161,338	0	0	-2	-176,354	-176,319	0	0	-36
Estimated sales forecast (from the 2019 plan)	100,652	100,652	0	0	0	90,747	90,747	0	0	0
Estimated purchasing forecast (from the 2019 plan)	-48,786	-48,786	0	0	0	-41,903	-41,873	0	0	-30
Gross exposure	51,866	51,866	0	0	0	48,844	48,874	0	0	-30
Net exposure	-109,475	-109,472	0	0	-2	-127,510	-127,445	0	0	-66

Interest rate risk

The Sava Turizem d.d. company has financial liabilities tied to the changes in the EURIBOR interest rate. The EURIBOR interest rate remained negative in 2018 and no major changes are expected in 2019.

Sava, d.d. is in the final interval of the three-year period after the confirmation of compulsory settlement in which secured financial receivables accrue interest at a fixed nominal interest rate of 1% p.a. and fall due on 30/11/2019. Interest rate risk is thus increasing in the period after November 2019, which will be taken into account in the drafting of the development strategy for the following five-year period.

The Sava Group companies have not concluded any instruments to hedge interest rate risk.

Solvency risk

Sava Group companies regularly settle the agreed financial and other operating liabilities.

Sava d.d. is settling its financial liabilities pursuant to the final Resolution on the confirmation of compulsory settlement, which envisages repayment upon the disposal of the Company's pledged financial assets or at the end of a three-year period following the final confirmation of the compulsory settlement that ends in November 2019. Presuming continued support of the owners and creditors with regard to the development of strategic investments, i.e. investments in the Tourism business, we assess the solvency risk as medium.

Overview of values related to solvency risk

	in EUR thousands						
31/12/2018	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities	163,648	-164,686	-12,022	-113,651	-3,779	-11,486	-23,748
Secured bank loans (excluding associates)	41,073	-41,073	0	-3,394	-3,394	-10,746	-23,539
Trade payables and other liabilities	11,279	-11,312	-11,312	0	0	0	0
Loans from associates	0	0	0	0	0	0	0
Bonds	15,198	-15,337	-76	-15,261	0	0	0
Other financial liabilities	96,099	-96,964	-634	-94,996	-385	-740	-209
Derivative financial liabilities	0	0	0	0	0	0	0
Total	163,648	-164,686	-12,022	-113,651	-3,779	-11,486	-23,748

	in EUR thousands						
31/12/2017	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities	178,803	-181,209	-10,319	-4,237	-127,661	-11,148	-27,844
Secured bank loans (excluding associates)	48,897	-48,985	-22	-3,416	-7,869	-10,181	-27,498
Trade payables and other liabilities	9,513	-9,507	-9,507	0	0	0	0
Bonds	15,198	-15,498	-75	-75	-15,348	0	0
Other financial liabilities	105,194	-107,219	-715	-746	-104,444	-967	-346
Derivative financial liabilities	0	0	0	0	0	0	0
Total	178,803	-181,209	-10,319	-4,237	-127,661	-11,148	-27,844

Credit risk

We mitigate this risk by regularly monitoring the creditworthiness of our customers and other business partners. We devote special attention to the maturity matching of receivables, acquisition of suitable forms of security or advance payment and ongoing collection.

Overview of trade receivables by geographical region

in EUR thousands

	Carrying amount	
	31/12/2018	31/12/2017
Slovenia	1,857	1,929
Other EU countries	346	461
Other	104	59
TOTAL	2,307	2,448

Overview of the balance and movement of value adjustments in trade receivables

in EUR thousands

	2018	2017
Opening balance	507	597
Increase in the value adjustment	73	66
Decrease in the value adjustment	-180	-156
Closing balance	400	507

Age structure of trade receivables

in EUR thousands

	31/12/2018			31/12/2017		
	Gross receivables	Impairment	Net receivables	Gross receivables	Impairment	Net receivables
Not yet due	2,120	0	2,120	2,060	0	2,060
Past due by 0–30 days	208	23	185	330	0	330
Past due by 31–120 days	74	72	2	157	99	58
Past due by more than 120 days	305	305	0	407	407	0
TOTAL	2,707	400	2,307	2,954	506	2,448

Analysis of sensitivity to financial risks

Analysis of sensitivity to interest rate changes

The financial liabilities of the parent company Sava, d.d. represent 72% of all financial liabilities of the Sava Group and accrue interest at a fixed interest rate of 1% nominally per annum until 30/11/2019. By November 2019, interest rate risk under the financial liabilities of Sava, d.d. will remain low. Interest rate risk is thus increasing in the period after November 2019, which will be taken into account in the drafting of the development strategy for the following five-year period.

The remainder of loan liabilities relates to the Tourism business and most of the liabilities are tied to the EURIBOR reference interest rate which remained negative in 2018 while no major changes are expected in 2019.

The sensitivity of the entire credit portfolio is medium considering the change in the interest rates. Considering the indebtedness at the end of 2018, the annual interest expense would change by EUR 216 thousand if the interest rate on the loan liabilities of the Tourism companies were to change by 50 basis points.

Analysis of the sensitivity to increased indebtedness

At the end of 2018, the Sava Group had EUR 152.4 million worth of current and non-current financial liabilities. Thanks to the activities being carried out in line with the Financial Restructuring Plan and the completed refinancing of the Tourism companies, the risk of increased indebtedness is low.

Analysis of the sensitivity to exchange rate changes

The Sava Group has the majority of its operations tied to the domestic currency, which is why its exposure to exchange rate changes is low.

1.3.36. FAIR VALUES OF FINANCIAL INSTRUMENTS

Overview of fair values of financial instruments

in EUR thousands

	31/12/2018	31/12/2018	31/12/2017	31/12/2017
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value through profit or loss	712	712	8,474	8,474
Assets held for sale	43,590	43,590	43,656	43,656
Current receivables	4,207	4,207	6,422	6,422
Loans granted	4,490	4,490	9,807	9,807
Cash and cash equivalents	9,281	9,281	6,178	6,178
Non-current loans with a fixed interest rate	0	0	-107,540	-107,540
Non-current loans with a fixed interest rate originating from issued bonds	0	0	-15,198	-15,198
Non-current loans with a variable interest rate	-38,997	-38,997	-42,696	-42,696
Current loans	-113,372	-113,372	-3,856	-3,856
Current operating liabilities	-11,279	-11,279	-9,513	-9,513

Fair value hierarchy

Financial instruments valued at fair value are classified in three levels:

- Level 1: assets or liabilities at stock exchange quotation on the last day of the accounting period;
- Level 2: assets or liabilities that are not classified as Level 1, their value being determined directly or indirectly based on market data;
- Level 3: assets or liabilities whose value cannot be obtained from market data.

Overview of the classification of financial instruments subject to fair value calculations

in EUR thousands

	2018				2017			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available-for-sale securities	712	163	0	549	8,474	161	5,738	2,575
Derivative financial instruments – assets	0	0	0	0	0	0	0	0
Derivative financial instruments – liabilities	0	0	0	0	0	0	0	0
Total	712	163	0	549	8,474	161	5,738	2,575

1.3.37. CONTINGENT LIABILITIES

As at 31/12/2018, the Sava Group companies have no significant contingent liabilities except denationalisation claims explained under Item 1.3.40.

The balances of certain claims of the creditors with the right to separate satisfaction and financial liabilities of Sava d.d. were not matched as at 31/12/2018. The differences as at the cut-off date relate to cases where the claim of the creditors with the right to separate satisfaction is secured (collateralised) with several types of assets. They came about as a result of different legal interpretations of the effects of compulsory settlement for the part of the new secured claim that will not be repaid. The debtor Sava d.d. obtained two legal opinions about this issue, whereby it followed the two opinions when compiling accounting records.

1.3.38. RELATED PARTIES

Related parties include subsidiaries in the Sava Group, owners of Sava d.d.*, companies associated with the owners**, members of the Board of Directors, members of the BoD committees and the Company's Executive Director.

* Disclosures of transactions with owners include owners having more than 20% ownership stakes.

** The following criteria were applied in disclosing transactions with companies associated with the owners:

- companies having more than a 20% ownership stake in the company that owns Sava d.d.;
- companies in which the companies owning Sava d.d. have more than a 20% ownership stake;
- the value of transactions for these companies will be disclosed in the total amount;
- to the extent that the total value of transactions is less than EUR 100 thousand, transactions will not be disclosed.

Business relations among companies in the Sava Group

Business relations between Sava Group companies mainly involve mutually provided services: use of trademarks, services provided by professional

services and mutual financial operations involving given and received loans.

Related party transactions are performed under the same conditions as in an ordinary arm's length transaction.

Business relations with the owners of Sava d.d. and with the companies associated with the owners

Outstanding liabilities to the owners in the total amount of EUR 95,427 thousand (31/12/2017: EUR

108,152 thousand) refer to the financial liabilities of Sava d.d. arising from the received loans and to the operating liabilities of Sava d.d. arising from interest for December 2017. Expenses of EUR 960 thousand (2017: EUR 1,140 thousand), which Sava d.d. incurred in 2018, represent interest charged on financial liabilities.

Outstanding liabilities to the owners of related parties in the total amount of EUR 3,124 thousand (31/12/2017: EUR 3,257 thousand) are disclosed within Sava d.d. (99% of the said liabilities) and are mainly associated with the financial liabilities arising from received loans.

Overview of transactions with the owners and with the companies associated with the owners

Related parties	Outstanding receivables as at 31/12/2018	Outstanding liabilities as at 31/12/2018	Revenues in 2018	Expenses in 2018
Transactions with the owners (over 20%)	0	95,427	0	960
York Global Finance Offshore BDH (Luxembourg) S.a r.l.	0	19,733	0	200
Slovenski državni holding d.d.	0	37,847	0	380
Kapitalska družba d.d.	0	37,847	0	380
Transactions with the companies associated with the owners	0	3,124	0	67
Total	0	98,551	0	1,027

Relations with natural persons

Ownership of the share of Sava as at 31/12/2018

Members of the Board of Directors and of the BoD committees, the Executive Director of Sava d.d. and

members of governance bodies and their immediate family members, directors of subsidiaries and members of their supervisory bodies hold no shares of Sava.

Gross remunerations in 2018

	in EUR thousands	
	2018	2017
Executive Director of Sava d.d. and management team members in Group companies	701	566
Other employees with individual contracts in Group companies	6,140	5,862
Members of the Board of Directors of Sava d.d. and Supervisory Board members in Group companies	229	188

Receivables of Group companies due from related parties

As at 31/12/2018, Sava Group companies have no receivables due from related natural persons.

Liabilities of Group companies to related parties

As at 31/12/2018, Sava Group companies disclosed liabilities to related persons arising from regular monthly salaries for December 2018, which were paid in January 2019. The amount does not deviate from the ordinary interim monthly payments.

Disclosures of remunerations of Sava d.d.'s Board of Directors, the Executive Director and employees working under individual contracts at Sava, d.d. are presented in Item 2.5.6. of the financial portion of the Annual Report of Sava d.d.

Disclosures of remunerations of Sava Turizem d.d.'s management, Supervisory Board members and employees working under individual contracts at the Sava Turizem Group are presented in Item 5.4.5.32. of the financial portion of the Annual Report of the Sava Turizem Group.

1.3.39. DISCLOSING BUSINESS WITH AUDITORS

	in EUR thousands	
	2018	2017
Costs of auditing the annual report	77	64
Costs of other auditing services	3	2
TOTAL	80	66

1.3.40. EXPLANATION IN CONNECTION WITH THE STATUS OF DENATIONALISATION CLAIMS AT SAVA TURIZEM D.D.

a) Denationalisation claim – Höhn-Šarič

Zdravilišče Radenci d.o.o. was one of the parties in the Höhn-Šarič denationalisation procedure. The applicants of the denationalisation claim requested that a part of the property within the health resort complex be returned. In 2015, the proceedings were finally decided upon. Based on the application for the issue of a temporary injunction, the property which is the subject of the procedure was excluded from the ownership restructuring of the Company until the completion of the denationalisation procedure, and Sava Turizem d.d. will keep it off the balance sheet until the final completion of the procedure. Following the final completion of the denationalisation case, the denationalisation beneficiaries lodged a constitutional complaint based on which the Constitutional Court set aside (in 2017) the final decisions issued and remanded the case for re-examination.

Two proceedings are currently pending in the case, i.e.:

Denationalisation procedure with Ref. No. 321-195/1993

In this case, the Administrative Court of the Republic of Slovenia passed the judgment with Ref. No. II U 577/2017 on 07/02/2018 in which it sustained the claim of the denationalisation beneficiaries and set aside the decision of 29/01/2013, which rejected their claim for the denationalisation of properties with plot. No. 124, added to entry No. 18 cadastral community Kapelski Vrh, which was seized from Vilma Šarič in its entirety, and plot No. 165, added to entry No. 302 cadastral community Radenci, half of which was seized from Vilma Šarič.

In the repeated procedure, the Administrative Unit issued a notice to the liable person on 08/06/2018 in which it summarised the current legal and actual state-of-affairs in the case in question. The beneficiaries are claiming compensation for the properties which cannot be returned in kind as a result of obstacles to such return. The administrative body stipulates the total compensation in the amount of DEM 272,659.50.

The Administrative Unit issued the Report on the Established Legal and Actual State-of-Affairs of 31/08/2018 and the Partial Decision on Denationalisation of 01/10/2018. According to the Partial Decision, the person liable for the return is the Slovenian Sovereign Holding, which should hand over bonds in the total amount of EUR 139,408.50 because there are obstacle to the return in kind.

Denationalisation procedure with Ref. No. 301-35/1993 (339-33/2009)

The Administrative Court of the Republic of Slovenia issued the judgment with Ref. No. II U

573/2017 of 07/02/2018 in which it sustained the claim of the denationalisation beneficiaries and set aside the decision of the Gornja Radgona Administrative Unit of 27/06/2012, by way of which the denationalisation claim of the beneficiaries was rejected, and remanded the case for reconsideration.

In this case, the beneficiaries are claiming the denationalisation of the nationalised company Kuranstalt Sauberbrun Radein Aktiengesellschaft, a 48% stake of which was owned by Wilhelmina Hoehn Šarič, with the second owner or shareholder being Dr. Ante Šarič with a stake of 48%, but the claim for his share was not the subject of the denationalisation decision under consideration.

The administrative body has not yet decided on the case in the repeated procedure.

b) Denationalisation claim – Wiesler and Purre-Wiesler

On 23/12/2010, the applicants filed an application with the Novo mesto Local Court for the return of confiscated property pursuant to Article 145 of the Enforcement of Criminal Sanctions Act and a land register proposal for a note on the dispute regarding the properties that are the subject of this procedure against 11 opposing parties, with Zdravilišče Radenci d.o.o. being among them; the court noted the dispute by issuing a resolution on 22/02/2011.

The Novo mesto Local Court issued a resolution on 25/03/2013 rejecting the return of confiscated property; this ruling was confirmed by the Ljubljana Higher Court with resolution Ref. No. II Cp 215/2014 dated 19/03/2014. The Supreme Court of the Republic of Slovenia, however, granted the applicants' revision request and issued resolution Ref. No. II Ips 250/2014 dated 28/05/2015, setting aside the resolutions of the Courts of Second and First Instance, and remanded the case to the Court of First Instance for reconsideration.

In the repeated procedure, the court issued a resolution dated 10/05/2016 whereby it re-determined the value of the matter in dispute at EUR 34,200,000.00 and again rejected the application for the return of confiscated property; it also imposed the costs of proceedings on the respective parties.

The applicants filed an appeal against the decision in the part relating to the rejection of the application for the return of confiscated property, supplementing it on 28/09/2016. A response to the appeal in the procedure was filed for Sava Turizem d.d. on 20/10/2016, contesting the applicants' appeal in its entirety.

On 19/07/2017, the Higher Court issued resolution Ref. No. II Cp 3024/2016 rejecting the appeals of the applicants and of the 8th counterparty and confirming the resolution of the Court of First Instance.

The two applicants applied for a review of the issued resolution on 23/08/2017.

The Supreme Court of the Republic of Slovenia rejected the applicant's revision request by way of resolution Ref No. 289/2017 of 15/03/2018.

The applicants filed a constitutional complaint against the issued decision, whereby the complaint is still in the process of being tested.

c) Denationalisation claim – Čeh

A procedure is in progress before the Radovljica Administrative Unit in which Ana Jelka Čeh is requesting land in the area of the Želeče cadastral community to be returned, while Sava Turizem d.d. is a party having interest in this case. With judgment Ref. No. IU 1049/2014-19 dated 23/09/2015, the Administrative Court set aside the decision of the Radovljica Administrative Unit and remanded the case to the same authority for reconsideration. The Radovljica Administrative Unit is managing the repeated procedure under Ref. No. D 321-39/1991. On 14/12/2017, decision No. D-321-39/1991-97 was issued, rejecting the claim of the claimant Ana Jelka Čeh for the return of land in kind.

The decision is definitive as the body of the second instance has rejected the complaint (decision of the Ministry of Agriculture, Forestry and Food, No. 490-3/2017/5 of 01/03/2017), but not yet final as an administrative dispute was lodged. The procedure before the Administrative Court of RS is conducted under Ref. No. I U 623/2017.

In this procedure, the plaintiff – the legal successor of the beneficiary, was not successful with their application for a temporary injunction as the court dismissed it by final judgement.

We have not yet received the judgement of the Administrative Court.

1.3.41. EFFECT OF THE EVENTS AFTER THE BALANCE SHEET DATE ON THE FINANCIAL STATEMENTS OF THE SAVA GROUP

The events that took place after the balance sheet date are not of such nature that they would affect the balance of assets and liabilities presented in the financial statements of the Sava Group or the assumption of going-concern of the Group companies.

However, here is a list of additional significant events that occurred after the balance sheet date:

- On 14/12/2018, the 28th ordinary General Meeting of Sava, d.d. took place where the shareholders adopted the resolution on the issue of a maximum of 2,686,187 new shares with the emission value of an individual new share of EUR 1.00. In February 2019, EUR 2,686 thousand was paid up and 2,686,161 ordinary registered no par value shares were issued in March 2019.

- On 12/10/2018, Sava, d.d. and DUTB, d.d. (BAMC) concluded an agreement on their mutual rights and obligations arising from the following:

- a) sale of 1,652,413 HBPN shares (10.30%) owned by DUTB, d.d. and the sale of a part of the claim of Sava, d.d. against NFD Holding, d.d. - in bankruptcy secured by 54,791 shares of Melamin, d.d. (MKOG). The value of both transactions is EUR 2,082 thousand. The implementing documents were signed on 14/01/2019 and the transaction was completed in February 2019;

and

- b) the purchase of an additional 4,011,676 HBPN shares (25.00%). The transaction involving the purchase of additional shares in the planned amount of EUR 5,055 thousand will be partially financed with the new in-cash payment of share capital which was approved by way of resolution adopted at the 28th General Meeting of Sava, d.d. on 14/12/2018, i.e. in the amount of EUR 2,686 thousand which was paid in its entirety in February 2019, while the remaining necessary funds of EUR 2,369 thousand will be financed from unused funds from the in-cash payment of share capital in 2018.

- Sale of the Gorenjska banka, d.d. shares

On 22/06/2018, the 27th General Meeting of Sava, d.d. was held and consent was granted to the conclusion and performance of the purchase agreement for the sale of GBKR shares to the buyer AIK Banka, a.d. which also includes the sale of the option of Sava, d.d. and the fiduciary Abanka, d.d. for the sale of GBKR shares at the price of EUR 298 per share. The agreement was realised in February 2019.

- Spin out of the Terme Lendava destination

The spin out of the Terme Lendava destination to the newly established company Terme Lendava, d.o.o. was confirmed on 29/01/2019 at the General Meeting of Sava Turizem, d.d.

- Sale of the Terme Banovci destination

The agreement on the sale of the Terme Banovci destination concluded with the buyer on 19/02/2019 was confirmed by the Supervisory Board of Sava Turizem, d.d. on 06/02/2019.

1.4. STATEMENT BY THE BOARD OF DIRECTORS FOR THE SAVA GROUP

The Board of Directors hereby confirms the Consolidated Financial Statements of the Sava Group for the Year Ended on 31/12/2018.

The Board of Directors confirms that the drawing up of the consolidated financial statements consistently applied the corresponding accounting policies and that the consolidated report gives a true and fair view of the Group's assets and of its business results for 2018.

The Board of Directors is also responsible for properly managing its accounting procedures, the establishment, functioning and maintenance of internal control in relation to the preparation and fair presentation of financial statements, which are free from any material misstatements, whether due to fraud or error, and for adopting suitable measures for securing property and other assets. The Board of Directors further confirms that the financial statements and notes have been prepared under the going concern assumption of Group companies and in compliance with the relevant legislation and the International Financial Reporting Standards adopted by the EU.

Ljubljana, 02/04/2019

BOARD OF DIRECTORS OF SAVA D.D.:


Klemen Boštjančič, Chairman


Dejan Rajbar, Deputy Chairman


Tina Pelcar Burgar, member


Matej Narat, member


Aleš Škoberne, member

1.5. INDEPENDENT AUDITOR'S REPORT FOR THE SAVA GROUP



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INDEPENDENT AUDITOR'S REPORT to the owners of Sava d.d.

Opinion

We have audited the consolidated financial statements of the company Sava d.d. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and consolidated cash flow statement for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRSs').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material Uncertainty Related to Going Concern

As disclosed in Note 1.3.5. *Financial risk management, business continuity risk*, pursuant to the Decision on the confirmation of compulsory settlement of the controlling company Sava d.d., the deadline for the repayment of the creditors as specified in the Financial Restructuring Plan is 30 November 2019. The financial liabilities of Sava d.d. in the amount of 112,947 EUR thousand are due in 2019. These circumstances indicate the existence of material uncertainty that could raise serious doubt about the Company's ability to continue as a going concern. Business continuity management risk is explained in more detail in Note 1.3.5. – *Financial risk management*. Our audit opinion is not modified in respect of this matter.

Emphasis of Matter

Contingent Liabilities

As discussed in note 1.3.40 *Explanation regarding the status of denationalisation claims in the company Sava Turizem, d.d.*, this Sava Group company has been a subject of various denationalisation claims. Since it is not possible to estimate reliably the future liabilities or to predict the probability of these liabilities settlement, the criteria for recognition of provisions have not been met. It is expected that the process of resolving these claims will be long-lasting and that the claims may have a material impact on future operations of the Group. Our audit opinion is not modified in respect of this matter.

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podrobni opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na <http://www2.deloitte.com/si/en/pages/about-deloitte/articles/about-deloitte.html>

Družba članica Deloitte Touche Tohmatsu Limited

Deloitte Revizija d.o.o. - Družba vpisana pri Okrožnem sodišču v Ljubljani - Matična številka: 1647105000 - ID št. za DDV: SI62560085 - Osnovni kapital: 74.214,30 EUR

Other Information

Management is responsible for the other information. The other information comprises the business report which is integral part of Annual report, but they do not include financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

- Other information are, in all material respects, consistent with the consolidated financial statements;
- Other information are prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Group and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Management Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Management Board is responsible for overseeing the Group's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 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 Group's internal controls.
- 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 Group'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 consolidated 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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

With Management Board we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

DELOITTE REVIZIJA d.o.o.
Dunajska 165
1000 Ljubljana

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.



DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 22 March 2019

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

2. Financial statements of Sava d.d. with notes in accordance with Slovenian Accounting Standards

2.1. FINANCIAL STATEMENTS OF SAVA D.D. AS AT 31/12/2018

Balance sheet of Sava d.d. as at 31/12/2018

		in EUR thousands	
	Notes	31/12/2018	31/12/2017
ASSETS			
A. NON-CURRENT ASSETS		97,290	96,265
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	2.4.1.	13	15
1. Long-term property rights		11	14
2. Goodwill		0	0
3. Advances for intangible assets		0	0
4. Long-term deferred development costs		0	0
5. Other long-term deferred costs and accrued revenues		2	1
II. PROPERTY, PLANT AND EQUIPMENT	2.4.2.	83	59
1. Land and buildings		0	0
a) Land		0	0
b) Buildings		0	0
2. Production plant and machinery		83	58
3. Other plant and equipment		0	1
4. Property, plant and equipment being acquired		0	0
a) Property, plant and equipment under construction and in production		0	0
b) Advances for the acquisition of property, plant and equipment		0	0
III. INVESTMENT PROPERTY	2.4.3.	725	732
1. Leased to subsidiaries		0	0
2. Leased to other companies		280	287
3. Not leased		445	445
IV. NON-CURRENT FINANCIAL ASSETS	2.4.4.	96,469	95,001
1. Non-current financial assets, excluding loans		96,469	95,001
a) Shares and stakes in Group companies		86,538	86,652
b) Shares and stakes in associated companies		9,350	0
c) Other shares and stakes		581	8,349
d) Other non-current financial assets		0	0
2. Non-current loans		0	0
a) Non-current loans to Group companies		0	0
b) Non-current loans to others		0	0
c) Long-term unpaid called-up capital		0	0
V. NON-CURRENT OPERATING RECEIVABLES	2.4.5.	0	458
1. Non-current operating receivables due from Group companies		0	458
2. Non-current trade receivables		0	0
3. Non-current operating receivables due from others		0	0
VI. DEFERRED TAX ASSETS	2.4.6., 2.4.27.	0	0
B. CURRENT ASSETS		52,793	56,520
I. ASSETS (DISPOSAL GROUPS) HELD FOR SALE	2.4.4.	43,526	43,526
II. INVENTORIES		0	0
1. Materials		0	0
2. Work-in-progress		0	0
3. Products and merchandise		0	0
4. Advances for inventories		0	0
III. CURRENT FINANCIAL ASSETS	2.4.7.	4,511	9,868
1. Current financial assets, excluding loans		0	0
a) Shares and stakes in Group companies		0	0
b) Other shares and stakes		0	0
c) Other current financial assets		0	0

in EUR thousands

	Notes	31/12/2018	31/12/2017
2. Current loans		4,511	9,868
a) Current loans to Group companies		21	160
b) Current loans to others		4,490	9,708
c) Short-term unpaid called-up capital		0	0
IV. CURRENT OPERATING RECEIVABLES	2.4.8.	721	2,690
1. Current operating receivables from Group companies		547	141
2. Current trade receivables		32	27
3. Current operating receivables from others		142	2,522
V. CASH AND CASH EQUIVALENTS	2.4.9.	4,035	436
1. Bank balances and cash in hand		4,035	436
2. Short-term deposits		0	0
a) Short-term deposits at associates		0	0
b) Short-term deposits at affiliates		0	0
c) Short-term deposits at others		0	0
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES		15	16
TOTAL ASSETS		150,098	152,801

in EUR thousands

	Notes	31/12/2018	31/12/2017
LIABILITIES			
A: EQUITY	2.4.10.	35,817	25,073
I. CALLED-UP CAPITAL		26,397	21,679
1. Share capital		26,397	21,679
2. Uncalled capital (as a deduction item)		0	0
II. CAPITAL SURPLUS		43,357	43,357
III. REVENUE RESERVES		0	0
1. Legal reserves		0	0
2. Reserves for treasury shares and stakes		0	0
3. Treasury shares and stakes (as a deductible item)		0	0
4. Statutory reserves		0	0
5. Other revenue reserves		0	0
IV. REVALUATION RESERVE		0	0
- from property, plant and equipment		0	0
- from intangible fixed assets		0	0
V. FAIR VALUE RESERVE		224	1,790
- from non-current financial assets		224	1,790
- from current financial assets (available-for-sale assets – non-current securities according to IFRS)		0	0
- Actuarial gains/losses		0	0
VI. NET PROFIT OR LOSS BROUGHT FORWARD		-34,161	-41,753
VII. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		0	0
B: PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	2.4.12/	45	47
1. Provisions for pensions and similar liabilities		45	47
2. Other provisions		0	0
3. Long-term accrued costs and deferred revenues		0	0
C: NON-CURRENT LIABILITIES	2.4.13.	53	126,141
I. NON-CURRENT FINANCIAL LIABILITIES		0	125,915
1. Non-current financial liabilities to Group companies		0	3,271
2. Non-current financial liabilities to banks		0	4,431
3. Non-current liabilities based on bonds		0	15,198
4. Other non-current financial liabilities		0	103,015
II. NON-CURRENT OPERATING LIABILITIES		0	0
1. Non-current operating liabilities to Group companies		0	0
2. Non-current trade payables		0	0
3. Long-term bills payable		0	0
4. Non-current operating liabilities from advances		0	0
5. Other non-current operating liabilities		0	0
III. DEFERRED TAX LIABILITIES	2.4.27.	53	226
D: CURRENT LIABILITIES	2.4.14.	113,210	389
I. LIABILITIES INCLUDED IN DISPOSAL GROUPS		0	0
II. CURRENT FINANCIAL LIABILITIES	2.4.14	112,947	0
1. Current financial liabilities to Group companies		3,369	0
2. Current financial liabilities to banks		0	0
3. Current liabilities based on bonds		15,198	0
4. Other current financial liabilities		94,380	0
III. CURRENT OPERATING LIABILITIES	2.4.14.	263	389
1. Current operating liabilities to Group companies		12	52
2. Current trade payables		31	87
3. Current bills payable		0	0
4. Current operating liabilities from advances		0	0
5. Other current operating liabilities		220	250
E: SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	2.4.15.	973	1,151
TOTAL LIABILITIES		150,098	152,801

The notes form an integral part of these financial statements and should be read in conjunction with them.

Income statement of Sava d.d. for the period from January to December 2018

		in EUR thousands	
	Notes	2018	2017
1. NET SALES REVENUES	2.4.16.	627	603
a) Revenues on the domestic market		627	603
To Group companies		583	559
To associates		0	0
To others		44	44
b) Revenues on foreign markets		0	0
To Group companies		0	0
To associates		0	0
To others		0	0
2. CHANGE IN THE VALUE OF INVENTORIES OF PRODUCTS AND WORK-IN-PROGRESS		0	0
3. CAPITALISED OWN PRODUCTS AND OWN SERVICES		0	0
4. OTHER OPERATING REVENUE (including operating revenue from revaluation)	2.4.16.	70	26
5. COST OF GOODS, MATERIAL AND SERVICES	2.4.18.	-1,262	-1,450
a) Cost of goods and materials sold and cost of materials used		-24	-15
b) Cost of services		-1,238	-1,435
6. LABOUR COST	2.4.19.	-932	-743
a) Cost of wages and salaries		-637	-599
b) Cost of social security		-115	-110
- Cost of social security		-48	-45
- Cost of pension insurance		-67	-65
c) Other labour cost		-180	-34
7. WRITE-DOWNS	2.4.20.	-24	-46
a) Amortisation and depreciation expense		-24	-46
b) Operating expenses from revaluation of intangible assets and property, plant and equipment		0	0
c) Operating expenses from revaluation of current assets		0	0
8. OTHER OPERATING EXPENSES		-7	-10
9. OPERATING LOSS		-1,528	-1,620
10. FINANCIAL INCOME FROM PARTICIPATING INTERESTS	2.4.21.	3,487	5,228
a) Financial income from participating interests in Group companies		1,209	1,179
b) Financial income from participating interests in associates		0	0
c) Financial income from participating interests in other companies		2,012	3,976
d) Financial income from other investments		266	73
11. FINANCIAL INCOME FROM LOANS GRANTED	2.4.22.	63	92
a) Financial income from loans to Group companies		63	92
b) Financial income from loans to others		0	0
c) Financial income from accrued default interest following the compulsory settlement		0	0
12. FINANCIAL INCOME FROM OPERATING RECEIVABLES		2	3
a) Financial income from operating receivables due from Group companies		2	3
b) Financial income from operating receivables due from others		0	0
13. FINANCIAL EXPENSES FROM IMPAIRMENTS AND WRITE-OFFS OF FINANCIAL ASSETS	2.4.23.	-262	-297
14. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	2.4.24.	-1,124	-1,309
a) Financial expenses for loans received from Group companies		-26	-26
b) Financial expenses from bank loans		-22	-46
c) Financial expenses from issued bonds		-150	-150
d) Financial expenses from other financial liabilities		-926	-1,087
15. FINANCIAL EXPENSES FROM OPERATING LIABILITIES		0	0
a) Financial expenses from operating liabilities to Group companies		0	0
b) Financial expenses from trade payables and bills payable		0	0
c) Financial expenses from other operating liabilities		0	0
16. OTHER INCOME	2.4.25.	11	204
17. OTHER EXPENSES	2.4.25.	-98	-705
18. INCOME TAX	2.4.26.	0	0
19. DEFERRED TAX	2.4.6., 2.4.27.	0	0
20. NET PROFIT OR LOSS FOR THE PERIOD		551	1,596

The notes form an integral part of these financial statements and should be read in conjunction with them.

Statement of other comprehensive income of Sava d.d. for the period from January to December 2018

in EUR thousands

	2018	2017
Net profit for the period	551	1.596
Other comprehensive income:		
Items that may be classified in profit or loss subsequently		
- change in fair value of available-for-sale financial assets	157	819
- deferred tax on change in fair value of available-for-sale financial assets	-16	-103
- change in fair value of available-for-sale financial assets transferred to profit or loss	-1,896	-3,969
- deferred tax from a change in fair value of available-for-sale financial assets transferred to profit or loss	189	417
Items that will not be classified in profit or loss		
Other comprehensive income less deferred tax for the fin. period	-1,566	-2,836
Total comprehensive income for the fin. period	-1,015	-1,240

Cash flow statement of Sava d.d. for the period from January to December 2018

in EUR thousands

	2018	2017
A. Cash flows from operating activities		
a. Net profit or loss	551	1,596
Profit or loss before tax	551	1,596
Corporate income tax and other taxes not included in operating expenses	0	0
b. Adjustments for	-2,210	-3,668
- amortisation/depreciation	24	46
Operating revenues from revaluation in connection with items of investing and financing activities	-70	0
Operating expenses from revaluation in connection with items of investing and financing activities	0	0
Financial income excluding financial income from operating receivables	-3,550	-5,320
Financial expenses excluding financial expenses from operating liabilities	1,386	1,606
c. Changes in net current assets (and deferred and accrued items, provisions and deferred tax assets and liabilities) of the balance sheet operating items	73	595
Opening less closing operating receivables	47	314
Opening less closing deferred costs and accrued revenues	1	-15
Opening less closing deferred tax assets	0	0
Opening less closing assets (disposal groups) held for sale	0	0
Opening less closing inventories	0	0
Closing less opening operating liabilities	-115	-102
Closing less opening accrued costs and deferred revenues and provisions	140	398
Closing less opening deferred tax liabilities	0	0
d. Net cash inflow or outflow from operating activities (a + b + c)	-1,586	-1,477
B. Cash flows from investing activities		
a. Receipts from investing activities	9,224	14,597
Interest and dividends received from investing activities	1,358	2,502
Receipts from the disposal of intangible assets	0	0
Receipts from the disposal of property, plant and equipment	16	2
Receipts from the disposal of investment property	0	0
Receipts from the disposal of financial investments	7,850	12,093
b. Disbursements for investing activities	-1,598	-513
Disbursements for the acquisition of intangible assets	-1	-1
Disbursements for the acquisition of property, plant and equipment	-38	0
Disbursements for the acquisition of investment property	0	0
Disbursements for the acquisition of financial assets	-1,559	-512
c. Net cash inflow or outflow from investing activities (a + b)	7,626	14,084
C. Cash flows from financing activities		
a. Receipts from financing activities	4,718	0
Receipts from paid up capital	4,718	0
Receipts from the increase in financial liabilities	0	0
b. Disbursements for financing activities	-7,159	-13,296
Disbursements for interest paid on financing activities	-1,135	-1,389
Disbursements for repayments of equity	0	0
Disbursements for repayment of financial liabilities	-6,024	-11,907
Disbursements for the payment of dividends and other shares in profit	0	0
c. Net cash inflow or outflow from financing activities (a + b)	-2,441	-13,296
D. Closing balance of cash	4,035	436
a. Net cash inflow or outflow for the period (sum total of net cash Ad, Bc and Cc)	3,599	-690
b. Opening balance of cash	436	1,126

Description of significant non-monetary items that were excluded in 2018:

- EUR 3,514 – reduction of claims from the loan granted to NFD Holding, d.d. - in bankruptcy (redemption of collateral received in the form of shares of Hoteli Bernardin, d.d.);
- EUR 2,272 – reduction of claims from interest on the loan granted to NFD Holding, d.d. - in bankruptcy (redemption of collateral received in the form of shares of Hoteli Bernardin, d.d.);
- EUR 5,786 thousand - increase in the investment in Hoteli Bernardin, d.d.;

- EUR 458 thousand – transfer from current to non-current operating receivables;
- EUR 98 thousand – increase in financial liabilities based on a recourse claims of a subsidiary, the property of which was pledged for the financial liabilities of Sava, d.d.;
- EUR 54 thousand - reversal of accrued provisions.

There were no significant excluded non-monetary items in 2017.

Statement of changes in equity of Sava d.d. for the period from 31/12/2017 to 31/12/2018

	Share capital
	I/1
A.1. BALANCE AS AT 31/12/2017	21,679
a) Retroactive restatements	0
b) Retrospective adjustments	0
A.2 OPENING BALANCE AS AT 01/01/2018	21,679
B.1. Changes in equity – transactions with owners	4,718
a) Entry of called-up share capital	4,718
B.2. Total comprehensive income for the reporting period	0
a) Entry of net profit or loss for the reporting period	0
d) Change in fair value of available-for-sale financial assets	0
e) Deferred tax on change in fair value of available-for-sale financial assets	0
f) Change in fair value of available-for-sale financial assets transferred to profit or loss	0
g) Deferred tax from a change in fair value of available-for-sale financial assets transferred to profit or loss	0
B.3. Changes in equity	0
b) Allocation of a portion of net profit from the reporting period to other equity components based on the resolution of management and supervisory bodies	0
f) Other changes in equity	0
C. CLOSING BALANCE AS AT 31/12/2018	26,397

Statement of changes in equity of Sava d.d. for the period from 31/12/2016 to 31/12/2017

	Share capital
	I/1
A.1. BALANCE AS AT 31/12/2016	21,679
a) Retroactive restatement	0
b) Retrospective adjustments	0
A.2. OPENING BALANCE AS AT 01/01/2017	21,679
B.1. Changes in equity – transactions with owners	0
B.2. Total comprehensive income for the reporting period	0
a) Entry of net profit or loss for the reporting period	0
d) Change in fair value of available-for-sale financial assets	0
e) Deferred tax on change in fair value of available-for-sale financial assets	0
f) Change in fair value of available-for-sale financial assets transferred to profit or loss	0
g) Deferred tax from a change in fair value of available-for-sale financial assets transferred to profit or loss	0
B.3. Changes in equity	0
b) Allocation of a portion of net profit from the reporting period to other equity components based on the resolution of management and supervisory bodies	0
C. CLOSING BALANCE AS AT 31/12/2017	21,679

Calculation of accumulated loss of Sava d.d. as at 31/12/2018

	in EUR thousands	
	2018	2017
NET PROFIT OR LOSS FOR THE PERIOD	551	1,596
Loss brought forwards as at 01/01	-41,753	-43,349
Other changes	7,042	0
Accumulated loss as at 31/12/	-34,161	-41,753

in EUR thousands

Capital surplus	Fair value reserve	Net loss brought forward	Net profit for the financial year	Net loss for the financial year	Total capital
II	V	VI/1	VII/1	VII/2	VIII
43,357	1,790	-41,753	0	0	25,072
0	0	0	0	0	0
0	0	0	0	0	0
43,357	1,790	-41,753	0	0	25,072
0	0	0	0	0	4,718
0	0	0	0	0	4,718
0	-1,566	0	551	0	-1,015
0	0	0	551	0	551
0	157	0	0	0	157
0	-16	0	0	0	-16
0	-1,896	0	0	0	-1,896
0	189	0	0	0	189
0	0	7,593	-551	0	7,042
0	0	551	-551	0	0
0	0	7,042	0	0	7,042
43,357	224	-34,161	0	0	35,817

in EUR thousands

Capital surplus	Fair value reserve	Net loss brought forward	Net profit for the financial year	Net loss for the financial year	Total capital
II	V	VI/1	VII/1	VII/2	VIII
43,357	4,626	-43,349	0	0	26,312
0	0	0	0	0	0
0	0	0	0	0	0
43,357	4,626	-43,349	0	0	26,312
0	0	0	0	0	0
0	-2,836	0	1,596	0	-1,240
0	0	0	1,596	0	1,596
0	819	0	0	0	819
0	-103	0	0	0	-103
0	-3,969	0	0	0	-3,969
0	417	0	0	0	417
0	0	1,596	-1,596	0	0
0	0	1,596	-1,596	0	0
43,357	1,790	-41,753	0	0	25,073

2.2. NOTES TO THE FINANCIAL STATEMENTS OF SAVA D.D.

2.2.1. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Reporting company

Sava, d.d., družba za upravljanje in financiranje, Dunajska cesta 152, 1000 Ljubljana is the controlling company of the Sava Group. The financial statements of Sava d.d. have been drawn up for the period ending on 31/12/2018. The ownership structure of Sava d.d. is explained under Item 6 of Introduction/Corporate Governance. The financial statements have been drawn up under the assumption of a going concern.

The Annual Report can be accessed on the Company's website at www.sava.si.

Statement

These financial statements are compiled on the basis of the 2016 Slovenian Accounting Standards adopted by the Slovenian Institute of Auditors that entered into force on 01/01/2016. The Executive Director approved the financial statements on 12/03/2019.

Functional currency

The financial statements are presented in euros (EUR), which has been the functional currency of the Company since 01/01/2007. All financial information presented in this Report in euros and rounded to the nearest thousand. When adding together, minor differences can appear due to rounding.

Changes in accounting policies

There were no changes in the accounting policies in 2018.

Transactions in foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency at the reference exchange rate of the ECB as at the date of the transaction.

Cash and liabilities denominated in foreign currencies as at the balance sheet date are translated to the functional currency at the reference exchange rate of the ECB applicable on the last day of the accounting period. Exchange rate gains/losses represent differences between the amortised cost in the functional currency at the beginning of the period adjusted by the amount of the effective interest and payments during the period and the amortised cost in the foreign currency calculated at the reference exchange rate of the ECB at the end of period. Exchange rate differences are recognised in profit or loss.

Non-monetary assets and liabilities stated at historical cost in a foreign currency are translated to the functional currency at the reference exchange rate of the ECB applicable as at the transaction date. Non-monetary items and liabilities denominated in a foreign currency and stated at fair value are translated to the euro at the reference exchange rate of the ECB applicable as at the date the fair value was determined. Exchange rate differences are recognised in profit or loss.

2.2.2. SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

a) Classification of property, plant and equipment

An item of property, plant and equipment is an asset owned or held by an organisation under finance lease, or controlled in some other way, for use in the production or supply of goods or services, for rental to others or for administrative purposes and that is expected to be used over the course of more than one accounting period. At Sava d.d., property, plant and equipment comprises only equipment.

b) Recognition and derecognition of property, plant and equipment

Items of property, plant and equipment are recognised if it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity and if the cost of the asset can be measured reliably. They are derecognised on their disposal or when no future economic benefits are expected from their use.

c) Initial measurement and depreciation of items of property, plant and equipment

On initial recognition, an item of property, plant and equipment is measured at cost. It comprises its purchase price, including import duties and non-refundable purchase taxes as well as costs directly attributable to bringing the asset to the condition necessary for its intended use, especially the cost of its delivery and installation, and the estimate of the costs of decommissioning, removal and restoration. The cost of an item of property, plant and equipment is increased by the borrowing costs related to the acquisition of the item and incurred until it is brought to its intended use.

On recognition, items of property, plant and equipment are measured at cost. They are stated at their carrying amounts, which represent their cost, less accumulated depreciation and accumulated impairment losses.

The costs incurred on initial recognition of an asset increase its acquisition cost if they increase its future benefits compared to initial estimates.

Expenditure on repairs or maintenance is made to restore or maintain the future economic benefits

expected on the basis of the originally assessed standard of performance of the assets. They are recognised as operating expenses.

Depreciation of an item of property, plant and equipment begins on the first day of the following month after it has been made available for use. Depreciation is accounted for on a straight-line basis over its estimated useful life and is recognised as an expense in the accounting period. Depreciation rates are from 10.0% to 33.3% and have not changed from last year.

Items of property, plant and equipment do not have an estimated residual value.

d) Revaluation of property, plant and equipment

Revaluation is a modification of carrying amounts due to impairment. An item of property, plant and equipment is revalued due to impairment if its carrying amount exceeds its recoverable amount, which the company verifies at least once per year. Any impairment loss on an item of property, plant and equipment measured under the cost model is recognised in the income statement.

Investment property

a) Classification of investment property

Investment property is property owned for the purpose of it earning rent and/or increasing the value of a non-current investment. Investment property includes land held to increase value in the near future or for which the organisation has not determined a future use and owned buildings held to earn rental income.

b) Recognition and derecognition of investment property

An investment property is recognised if it is probable that the expected future economic benefits that are attributable to the property will flow to the entity and if the cost of the property can be measured reliably. An investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal.

c) Initial measurement and depreciation of investment property

On initial recognition, an investment property is measured at cost. The cost comprises its purchase price and any expenditure directly attributable to the purchase. Directly attributable expenditure includes professional fees for legal services, property transfer taxes, borrowing costs and other transaction costs. Borrowing costs are included in the cost until the property is available for use provided this lasts longer than one year.

On recognition, investment properties are measured using the cost model. They are stated at their carrying amounts, which represent their cost less accumulated depreciation and accumulated impairment losses.

The costs incurred on initial recognition of an asset increase its cost if they increase its future benefits compared to initial estimates.

Expenditure on repairs or maintenance is made to restore or maintain the future economic benefits expected on the basis of the originally assessed standard of performance of the assets. They are recognised as operating expenses.

Depreciation of an investment property begins on the first day of the following month after it has been made available for use. Land is not subject to depreciation. Depreciation of buildings is accounted for on a straight-line basis over their estimated useful life and is recognised as an expense in the accounting period. Depreciation rates are from 2.0% to 5.0% and have not changed from last year.

Investment properties do not have an estimated residual value.

d) Revaluation of investment property

Revaluation is a modification of carrying amounts due to impairment. An investment property is revalued due to impairment if its carrying amount exceeds its recoverable amount, which the company verifies at least once per year. Any impairment loss measured under the cost model is recognised in the income statement.

The fair value of investment property is determined for disclosure purposes.

Financial assets

a) Classification of investments

Investments are financial assets of an investing organisation with the expectation that the returns arising from them will increase its financial income. Investments in the equity of other organisations are investments in equity instruments. Investments in loans are investments in the liabilities of other organisations or issuers. Investments also include investments in derivatives.

Sava d.d.'s investments in equity and loans are broken down into investments in controlled organisations in the Group and in others, which are classified as available-for-sale financial assets and broken down into investments in the shares of listed companies and the shares and stakes of unlisted companies.

b) Recognition and derecognition of investments

Investments are financial assets recognised in the balance sheet as non-current and current financial assets. Non-current investments in equity are investments that an investing organisation intends to hold for a period longer than one year, and that are not held for trading. Non-current investments in loans are investments that fall due more than one year after the balance sheet date.

An investment is recognised if it is probable that future economic benefits will flow to the entity and if its cost can be measured reliably.

When accounting for a regular acquisition or a disposal of available-for-sale financial assets, the asset is recognised or derecognised on the basis of the trade date.

An investment is derecognised if the contractual rights associated with it are no longer controlled.

c) Initial measurement of investments

On initial recognition, an organisation must measure an investment (financial asset) at fair value. The transaction costs arising directly from the acquisition must be added to the initial cost.

Investments in equity, equity securities of other companies or debt securities of other companies and loans granted are measured at cost on initial recognition, which equals the paid sum of money or its equivalents.

d) Revaluation of investments

A revaluation of investments represents a change in their book values and does not apply to the accrued contractual interest and other changes to the principal of investments. It usually appears as revaluation of investments to fair value, revaluation resulting from impairment or revaluation resulting from reversal of their impairment.

After initial recognition, financial assets must be measured at fair value without any deductions for transaction costs that may occur on disposal. Investments in loans are measured at amortised cost using the effective interest method. Investments in equity instruments, the prices of which are listed on an active market, are measured at their prices on the balance sheet date. Investments in equity instruments that do not have a listed price on an active market and the fair value of which cannot be reliably measured are measured at cost, whereby their fair value is determined by checking for signs of possible impairments. Investments in controlled organisations and affiliates are measured and accounted for at cost.

The latest revaluation of available-for-sale financial assets not listed on an active securities market and of equity investments in controlled organisations was carried out on 31/12/2018, which is also the date of the latest revaluation of listed available-for-sale financial assets.

A financial asset is impaired, resulting in a loss, only if there is objective evidence of impairment as a result of an event after initial recognition. An impairment test of an investment is carried out separately for each investment or group of investments.

A demonstrated profit or loss shown for an available-for-sale financial asset is recognised directly in equity as an increase or decrease in reserves resulting from valuation at fair value. A

loss resulting from revaluation due to impairment that could not be settled using reserves is recognised as a loss in the income statement. It cannot be derecognised.

If a decrease in the fair value of an available-for-sale financial asset was recognised directly as a negative revaluation reserve and impartial evidence exists that the asset is impaired over a long-term period, the impairment is recognised in the income statement as a financial expense.

Interest calculated by using the effective interest method shall be recognised in profit or loss. Dividends on an equity instrument are recognised in the income statement when the organisation's right to receive payment is established.

Receivables

a) Classification of receivables

Receivables are rights based on property and other legal relationships to require a particular person to pay a debt or, in the case of a prepayment, the performance of a service. Operating receivables also include receivables associated with financial income derived from investments. Advances made are recognised in the balance sheet in relation to the economic category they relate to.

Receivables are broken down into those related to organisations in the Group, to affiliate organisations and to others.

b) Recognition and derecognition of receivables

A receivable is recognised as assets if it is likely that economic benefits will arise in connection with it, if its historical cost can be measured reliably and when control over the contractual rights related to it starts. A receivable is derecognised when the contractual rights to benefits are realised, become expired or are assigned.

c) Initial measurement of receivables

Upon initial recognition, receivables of all types are disclosed at amounts arising from appropriate documents with the assumption they will be paid. Original receivables can later be increased or, irrespective of payment or other settlement, decreased by every amount that is proven by an agreement.

Interests from receivables are considered financial income.

d) Revaluation of receivables

The revaluation of receivables is a change in their carrying amount. It occurs primarily in the form of a revaluation of receivables due to their impairment or reversal of impairment, i.e. a decrease or possibly a subsequent increase to collectible value.

Receivables are measured at amortised cost. If there is impartial evidence that a loss has occurred, the latter is recorded under operating expenses

related to receivables. Adjustments of receivables from interests and dividends are recorded under financial expenses from revaluation.

Any receivables where the assumption after the initial recognition is that they will not be settled, or that they will not be settled in full, must be disclosed as doubtful and, if court proceedings have already begun, they must be disclosed as disputable.

Value adjustments in receivables are made by the company on an individual basis as follows:

- a 100% adjustment of all receivables under litigation and receivables registered in bankruptcy proceedings and compulsory settlement proceedings; and
- a 100% adjustment of receivables which are doubtful according to the best professional judgement of the management and the outcome of a possible litigation is justifiably uncertain due to customer insolvency.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash in a notary's escrow account.

Equity

Total capital of an organisation is its liability towards its owners that falls due for payment if the organisation is closed down. In this case, the amount of capital is adjusted according to the then realisable price of net assets. Capital is determined on the basis of the sums invested by the owners and the sums generated during operation that belong to the owners. It is decreased by the loss from operations, repurchased treasury shares and withdrawals.

The total capital comprises called-up capital, capital surplus, revenue reserves, revaluation reserves, fair value reserves, retained net profit or loss and temporarily undistributed net profit or unsettled net loss for the financial year.

Provisions

a) Classification of provisions

Provisions are set aside by an entity for its present obligations that arise from binding past events and are expected to be settled in a period that cannot be defined with certainty, but a reliable estimate can be made of the settlement amount. These are treated as debts in the broader sense.

The purpose of provisions is to collect funds in the form of accrued costs that will, in the future, enable coverage of costs arising at a later date. These provisions include provisions for reorganisation, for expected losses from onerous contracts and for jubilee benefits and severance payments upon retirement.

Contingent liabilities are not treated as provisions.

b) Recognition and derecognition of provisions

A provision is recognised if there is a present legal or constructive obligation as a result of a past event and if it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and if the amount of the obligation can be measured reliably.

Provisions are derecognised upon exhaustion of the possibilities for which the provisions were set aside or if there is no longer any need for them.

Provisions can only be used for the same types of items for which they were originally recognised or, in justified cases, for similar items.

In compliance with the law, the Collective Agreement and internal rules, Sava d.d. is obligated to pay jubilee benefits and severance payment upon retirement to employees for which it sets aside non-current provisions in the amount of the estimated future severance payments and jubilee benefits discounted at the balance sheet date. The last recalculation was performed as at 31/12/2018, whereby a 2.5% annual growth in salaries and 2.26% annual discount interest rate were observed. There are no other pension liabilities.

Provisions for reorganisation refer to costs and the estimate of liabilities associated with risk due to the implementation of the Financial Restructuring Plan.

c) Initial measurement of provisions

A provision equals the value of the expenditures expected to be required to settle the obligation. If the effect of the time value of money is important, the expected expenditures must be appropriately discounted to their present value.

The carrying amount of provisions equals their historical cost less any sums spent until the need for their increase or decrease arises.

d) Revaluation and measurement of changes in provisions

Revaluation is not performed on provisions. At the end of the period, due to changes in estimates, provisions are adjusted so that they match the value of the expected expenditure necessary to settle an obligation. Actuarial gains and losses are not recognised in the income statement, but rather directly in equity under reserves resulting from valuation at fair value.

Debts

a) Classification of debts

Debts are recognised liabilities that concern the financing of own assets that have to be returned or settled, primarily in monetary form. Deferred tax liabilities are considered a special type of debt.

Debts may be either financial or operating and non-current or current. Debts are broken down

into debts to organisations in the Group and into debts to others. They are further broken down into debts funded by banks and debts funded by other legal and natural persons.

b) Recognition and derecognition of debts

A debt is recognised as a liability if it is likely that an outflow of resources embodying economic benefits will result from its settlement and if the amount at which the settlement will take place can be measured reliably. A debt is recognised on the date determined in a contract or another legal act.

A debt is derecognised when the liability has been discharged, invalidated or expired.

c) Initial measurement of debts

Upon initial recognition, debts are valued at amounts arising from the relevant documents on their creation. Debts are increased by accrued interest or reduced by the amounts paid and by possible other forms of settlement if so agreed with the creditors.

As a rule, debts are measured at amortised cost using the effective interest method, but when no material difference exists between the effective and the actual interest rate, they may be measured at historical cost less any repayments.

When measuring debts, Sava d.d. observes the policy that the agreed interest rate does not materially differ from the effective interest rate if the difference is less than one percentage point.

d) Revaluation of debts

Revaluation occurs when a debt is denominated in a foreign currency. Exchange rate differences arising from conversion are recorded as financial income or financial expenses.

Accruals

a) Classification of accruals

Accruals can be either non-current or current and include deferred costs and accrued revenues and accrued costs and deferred revenues. Deferred costs and accrued revenues comprise deferred costs or expenses and accrued revenues. Accrued costs and deferred revenues comprise accrued costs (expenses) and deferred revenues. Contingent receivables or contingent liabilities are not treated as accruals.

b) Recognition and derecognition of accruals

Accruals are recognised if it is probable that economic benefits attributable to them will increase/decrease in the future and if their value can be measured reliably.

They are derecognised upon exhaustion of the given possibilities or if there is no longer any need for them.

Accruals can only be used for the same types of items for which they were originally recognised.

c) Initial measurement of accruals

The present balance of items of deferred costs and accrued revenues must be established on the balance sheet date and items of accrued costs and deferred revenues may not include any hidden reserves. Bringing them in line with the present adjusts any expenses and revenues up to that date in respect of which they originally appeared.

d) Revaluation of accruals

Accruals are not revalued. Upon compiling the financial statements, their present balance is verified along with the justification for their formation.

Revenues

a) Classification of revenues

Revenues represent increases in economic benefits in the accounting period in the form of increased assets or decreased debts. Through their effect on profit or loss, they influence the capital amount.

Revenues are broken down into operating revenues, financial income and other revenues. Operating revenues and financial income are broken down into those related to controlled organisations in the Group, to associate organisations and to others. Operating revenues and financial income are considered to be ordinary revenues.

Operating revenues comprise sales revenues and other operating revenues. Revenues from services rendered are recognised in the income statement subject to the stage of completion. Rental income from investment property is recognised under revenues on a straight line basis over the term of the lease. Operating revenues from revaluation arise on disposal of intangible fixed assets, property, plant and equipment and investment properties as a positive difference between their disposable value and their carrying amount.

Financial income is income generated by investing activities. It comprises interest and share of the profits of others as well as income from the disposal of available-for-sale financial assets.

Other revenues comprise unusual items and other revenues, and are expressed in the actual amounts incurred.

b) Recognition of revenues

Revenues are recognised if their amounts can be reliably estimated, if economic benefits from them are likely, if the costs associated with the transactions can be reliably measured and when it can be reasonably expected that they will produce cash receipts, unless such receipts were realised on the incurrence of revenues.

c) Initial measurement of revenues

Revenues from services rendered other than services resulting in financial income are measured using

their selling prices subject to the stage of their completion. Revenues occurring unevenly are not recognised in advance.

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the interest rate applicable.

Dividend income is recognised in the period in which the General Meeting adopts a resolution on dividend distribution.

Expenses

a) Classification of expenses

Expenses are decreases in economic benefits within the accounting period in the form of decreases in assets or increases in debts. Through their effect on profit or loss, they influence the capital amount.

Expenses are broken down into operating expenses, financial expenses and other expenses. Operating expenses and financial expenses are ordinary expenses.

Operating expenses comprise the costs of materials, goods and services, labour costs, write-downs and other operating expenses. Operating expenses from revaluation arise on revaluation of property, plant and equipment, intangible assets and current assets as well as investment properties to a lower value and on the disposal of intangible fixed assets, property, plant and equipment and investment properties as a negative difference between their disposable value and their carrying amount.

Financial expenses include expenses from financing and investing activities. Financial expenses primarily comprise interest, while investment expenses mostly have the nature of financial expenses from revaluation.

Other expenses comprise unusual items and other expenses and are expressed in the actual amounts incurred.

b) Recognition of expenses

Expenses are recognised if the decrease in economic benefits in the accounting period is associated with a decrease in an asset or an increase of debt, and if such decrease can be measured reliably. Expenses are therefore recognised when they occur along with the decrease in assets or increase in debts.

c) Initial measurement of expenses

Interest expenses are included in the amount accrued in the same accounting period, except when these are included in property, plant and equipment. Operating expenses from revaluation are recognised when the relevant revaluation has been carried out.

Corporate income tax and deferred tax

Corporate income tax or loss for the financial year comprises the assessed and deferred tax. Corporate income tax is disclosed in the income statement, except where it refers to items directly disclosed in equity, in which case it is disclosed under equity.

Assessed tax is the tax that is expected to be paid from the taxable profit for the financial year by applying tax rates enacted or substantively enacted as at the reporting date and any adjustment to tax liabilities with regard to previous financial years.

Deferred tax is disclosed according to the balance sheet liability method, whereby temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amounts for tax reporting purposes are observed. Deferred tax is disclosed in an amount that is expected to be payable upon the reversal of temporary differences pursuant to the laws enacted or essentially enacted as at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Deferred tax assets are decreased by the amount, for which it is no longer probable that it can be claimed as tax relief for the asset.

Sava d.d. has no recognised deferred tax assets.

Net earnings/loss per share

The share capital is divided into ordinary registered no-par value shares, which is why the organisation disclosed the basic earnings per share. Basic earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares outstanding in the financial period.

Diluted net earnings/loss per share equal the basic net earnings/loss per share, as the organisation has no preference shares or convertible bonds available. There were no changes in the number of shares issued in 2018.

Preparation of the balance sheet

The balance sheet has been prepared in line with SAS 20, using basic breakdown of the balance sheet items for external business reporting.

Preparation of the income statement

The income statement has been prepared in line with SAS 21, using a basic breakdown of the income statement items for external business reporting – version I.

Preparation of the cash flow statement

The cash flow statement has been prepared in line with SAS 22, using a breakdown of the cash flow statement items for external business

reporting – version II. The cash flow statement has been prepared by considering the data from the income statement for the period from January to December 2018 (for the past period from January to December 2017), the data from the balance sheet as at 31/12/2018 and 31/12/2017 (for the past period 31/12/2017 and 31/12/2016) and other required data. The cash flow statement excludes the more important values that are not connected with revenues and expenses.

2.3. FINANCIAL RISK MANAGEMENT

Sava d.d. is exposed to the following financial risks:

Risk of a change in the fair value of assets (price risk)

Risk of a change in the fair value is the risk that the company will suffer a loss of economic benefits due to a change in the financial asset value.

The Financial Restructuring Plan of Sava, d.d. envisages the disposal of non-strategic investments and increasing the value of strategic investments, i.e. the Tourism business. At the beginning of 2018, Sava, d.d. began the final exit from the non-strategic investment in the Alta.si sub-fund, and signed the purchase agreement in June 2018 for the sale of shares of Gorenjska banka d.d. The said investments represented the crucial and largest portion of the non-strategic assets of the Company. In accordance with the Financial Restructuring Plan, Sava, d.d. carries out activities aimed at increasing the value of strategic investments, i.e. the Tourism business.

The risk of changes in fair value is mitigated by actively supervising the operations of the companies in which Sava d.d. holds a significant ownership stake. In terms of changes in the value of investments, the market conditions are relatively stable, and we therefore estimate that the risk of fair value change at the Sava Group is low in terms of the existing investment portfolio.

Interest rate risk

Interest rate risk involves the risk that the value of financial assets and costs of financing will change as a result of changes in market interest rates. Sava, d.d. is in the final interval of the three-year period after the confirmation of compulsory settlement in which total secured financial receivables accrue interest at a fixed nominal interest rate of 1% p.a. and fall due on 30/11/2019. Interest rate risk is thus increasing in the period after November 2019, which will be taken into account in the drafting of the development strategy for the following five-year period.

Credit risk

This involves a risk that a customer engaged in a business relationship will not meet its obligations and will cause the company to incur a financial loss. Credit risk is directly associated with commercial risk and represents a danger that trade receivables or receivables due from other business partners will be settled with a delay or not at all. Sava d.d. generates a major portion of its revenues in doing business with its subsidiaries where the risk of non-payment is low.

A portion of the elevated credit risk relates to past credit transactions with NFD Holding d.d. - in bankruptcy (in bankruptcy proceedings since 6/01/2015), which is managed by Sava d.d. by

implementing the activities outlined in the provisions of the Financial Restructuring Plan.

Solvency risk

This involves the risk that the company will not meet its financial obligations in due time. Sava d.d. is settling its financial obligations regularly pursuant to the final Resolution on the confirmation of compulsory settlement, which envisages repayment of secured obligations upon the disposal of pledged assets or at the end of a three-year period following the final confirmation of the compulsory settlement, i.e. on 30/11/2019. As at 31/12/2018, Sava, d.d. had EUR 112,947 thousand worth of recognised financial liabilities (31/12/2017: EUR 125,915 thousand).

The Resolution on the confirmation of compulsory settlement envisages the repayment of the financial claims upon maturity. Presuming continued support of the owners and creditors with regard to the development of strategic investments, i.e. investments in the Tourism business, we assess the solvency risk as medium.

Currency risk

Currency risk involves the risk of losing economic benefits due to changes in the foreign currency exchange rates. Sava d.d. mainly does business in the Eurozone, therefore this risk is considered low at the Company.

Capital management

Sava d.d. has no employee stock option scheme.

The regulatory bodies do not have any capital requirements towards the parent company or subsidiaries of the Sava Group.

Going concern risk

The Resolution on the confirmation of compulsory settlement envisages the repayment of the financial claims of the creditors upon maturity, i.e. 30/11/2019. In February 2019, the Board of Directors of Sava, d.d. confirmed the 5-year development strategy of Sava, d.d. and the Sava Group companies which is based exclusively on the continued development of the Tourism business and its management, whereby an important element is the financial consolidation of the Group members. The Board of Directors of Sava d.d. will obtain the consent of the stakeholders of Sava, d.d. for the implementation of the long-term development strategy.

In view of the development strategy, the value of the Group will grow with the continued development of the Tourism business. Taking into account the structure of owners and creditors, the plan is to refinance the liabilities that fall due for payment on 30/11/2019.

2.4. NOTES TO INDIVIDUAL FINANCIAL STATEMENT ITEMS

2.4.1. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES

In 2018, amortisation of intangible fixed assets was charged in the amount of EUR 3 thousand.

Overview of the movement in intangible assets and long-term deferred costs and accrued revenues

in EUR thousands

COST	Property rights		TOTAL
	Investments in the acquired industrial property and other rights	Other long-term deferred costs and accrued revenues	
Balance as at 01/01/2018	27	1	28
Increases, purchases	0	1	1
Balance as at 31/12/2018	27	2	29
ACCUMULATED AMORTISATION			
Balance as at 01/01/2018	-13	0	-13
Amortisation	-3	0	-3
Balance as at 31/12/2018	-16	0	-16
CARRYING AMOUNT			
Balance as at 01/01/2018	14	1	15
Balance as at 31/12/2018	11	2	13

2.4.2. PROPERTY, PLANT AND EQUIPMENT

The value of property, plant and equipment which stood at EUR 83 thousand (31/12/2017: EUR 59 thousand) as at 31/12/2018, was down compared to the end of 2017 as a result of the charged depreciation of EUR 14 thousand and up by EUR 38 thousand as a result of asset purchases. No items of property, plant and equipment are pledged.

Overview of movements in property, plant and equipment

in EUR thousands

COST	Land	Buildings	Production plant and machinery	Other plant and equipment	Property, plant and equipment under construction and in production	Advances for the acquisition of property, plant and equipment	TOTAL
Balance as at 01/01/2018	0	0	135	105	0	0	240
Purchasing, increases	0	0	38	0	0	0	38
Decrease	0	0	-43	0	0	0	-43
Balance as at 31/12/2018	0	0	130	105	0	0	235
ACCUMULATED DEPRECIATION							
Balance as at 01/01/2018	0	0	-77	-104	0	0	-181
Decrease	0	0	43	0	0	0	43
Depreciation	0	0	-13	-1	0	0	-14
Balance as at 31/12/2018	0	0	-47	-105	0	0	-152
CARRYING AMOUNT							
Balance as at 01/01/2018	0	0	58	1	0	0	59
Balance as at 31/12/2018	0	0	83	0	0	0	83

2.4.3. INVESTMENT PROPERTY

The value of investment property of EUR 725 thousand (31/12/2017: EUR 732 thousand) decreased by EUR 7 thousand in comparison with the previous year as a result of the charged depreciation. Investment property with the carrying amount of EUR 280 thousand is leased out.

With investment properties put on lease, revenues of EUR 44 thousand and expenses of EUR 7 thousand were generated. Expenses of EUR 1 thousand were disclosed in relation to investment properties that were not leased out.

Overview of movement in investment property

in EUR thousands			
COST	Land - investment property	Buildings - investment property	Total
Balance as at 01/01/2018	613	350	963
Balance as at 31/12/2018	613	350	963
ACCUMULATED DEPRECIATION			
Balance as at 01/01/2018	-34	-197	-231
Depreciation	0	-7	-7
Balance as at 31/12/2018	-34	-204	-238
CARRYING AMOUNT			
Balance as at 01/01/2018	579	153	732
Balance as at 31/12/2018	579	146	725

2.4.4. NON-CURRENT FINANCIAL ASSETS AND ASSETS HELD FOR SALE

Non-current financial assets and assets held for sale in the amount of EUR 139,995 thousand (31/12/2017: EUR 138,527 thousand) represent 93% of total assets. Their value was down EUR 1,468 thousand in comparison with the previous year.

a) Shares and stakes in Sava Group companies

Shares and stakes in Sava Group companies equalling EUR 86,538 thousand (31/12/2017: EUR 86,652 thousand) were down EUR 114 thousand compared to the year before as a result of the impairment of the investment in a small subsidiary. One of these was the investment into a 99.91% shareholding in Sava Turizem, d.d. amounting to EUR 85,138 thousand.

39,308,317 SHBR shares are pledged for the financial liabilities of Sava d.d., their carrying amount equalling EUR 84,679 thousand.

The disclosures in connection with the composition of the Sava Group, equity interest, amount of capital and operating result of subsidiaries are presented in the financial report for the Sava Group.

b) Shares and stakes in associates

The value of the shares held in associates of EUR 9,350 thousand (31/12/2017: EUR 0) is mostly represented by the 45.37% equity interest or 7,281,125 shares of Hoteli Bernardin, d.d. comprising:

- 1,468,221 shares with the value of EUR 2,026 thousand that were already in the portfolio of other shares and stakes;

- 4,591,743 shares with the value of EUR 5,786 thousand acquired in 2018 as a result of the redemption of collateral received for the loan granted to NFD Holding, d.d. - in bankruptcy;
- 1,221,161 shares with the value of EUR 1,538 thousand acquired in 2018 as a result of the completed takeover bid.

6,059,964 SHBR shares were pledged for the financial liabilities of Sava d.d., their carrying amount equalling EUR 7,782 thousand.

The disclosures on the profit or loss and the assets and liabilities of the Company are presented in the financial report for the Sava Group.

c) Other shares and stakes

The value of other shares and stakes of EUR 581 thousand (31/12/2017: EUR 8,349 thousand) was down EUR 7,768 thousand in comparison with the previous year. The decrease is the result of the disposal of the last block of Alta.SI coupons, where the gains on disposal were EUR 1,896 thousand, and of the transfer of 1,468,221 shares of Hoteli Bernardin, d.d. to investments in associates.

The value of other shares and stakes as at 31/12/2018 only represents 0.4% of total assets. They included 4,987 shares of Pokojninska družba A, d.d. which were pledged for the financial liabilities of Sava d.d., with their carrying amount equalling EUR 498 thousand.

Overview of other shares and stakes

in EUR thousands

	31/12/2018	31/12/2017
Shares of listed companies	32	36
Shares and stakes of unlisted companies	549	2,575
ALTA.SI SE Europe, a flexible mixed sub-fund	0	5,738
Total	581	8,349

Overview of movements in non-current financial assets

Non-current financial assets, excluding loans							
	Shares and stakes in group companies	Shares and stakes in associates	Other shares and stakes	Other non-current financial assets	Total non-current financial assets (NCFA), excluding loans	Total non-current loans	TOTAL NCFA
GROSS VALUE							
Balance as at 01/01/2018	105,633	0	21,235	0	126,868	0	126,868
Purchasing, increases	0	0	7,324	0	7,324	0	7,324
Decrease	0	0	-7,650	0	-7,650	0	-7,650
Transfers	0	13,108	-13,108	0	0	0	0
Revaluation	0	0	153	0	153	0	153
Balance as at 31/12/2018	105,633	13,108	7,954	0	126,695	0	126,695
ACCUMULATED AMORTISATION							
Balance as at 01/01/2018	-18,981	0	-12,886	0	-31,867	0	-31,867
Decrease	0	0	1,755	0	1,755	0	1,755
Transfers	0	-3,758	3,758	0	0	0	0
Write-off	0	0	0	0	0	0	0
Revaluation	-114	0	0	0	-114	0	-114
Balance as at 31/12/2018	-19,095	-3,758	-7,373	0	-30,226	0	-30,226
NET VALUE							
Balance as at 01/01/2018	86,652	0	8,349	0	95,001	0	95,001
Balance as at 31/12/2018	86,538	9,350	581	0	96,469	0	96,469

d) Assets held for sale – investment in Gorenjska banka d.d. shares

The value of the investment in the **Gorenjska banka d.d.** shares equalling EUR 43,526 thousand (31/12/2017: EUR 43,526 thousand) or EUR 298 per share was transferred to current assets held for sale at the end of 2015. On 22/06/2018, the 27th General Meeting of Sava, d.d. was held and consent was granted to the conclusion and performance of the purchase agreement for the sale of GBKR shares to the buyer AIK Banka, a.d. which also includes the sale of the option of Sava, d.d. and the fiduciary Abanka, d.d. for the sale of GBKR shares at the price of EUR 298 per share.

Sava d.d. pledged 135,870 shares of Gorenjska banka d.d. for the loans received. The carrying amount of the pledged shares is EUR 40,489 thousand while the balance of actual financial liabilities to the creditors is EUR 40,319 thousand.

Events after the balance sheet date

The purchase agreement for the sale of GBKR shares was realised in February 2019 with the purchase consideration amounting to EUR 43.5 million, EUR 40.3 million of which was allocated for the repayment of the creditors' claims secured with the GBKR shares.

2.4.5. NON-CURRENT OPERATING RECEIVABLES

Non-current operating receivables amounting to EUR 458 thousand as at 31/12/2018 (31/12/2017: EUR 458 thousand) were transferred in their entirety to current operating receivables due from group companies with final maturity on 30/11/2019. Receivables accrue interest at the rate of 0.40% p.a.

Overview of movements in non-current operating receivables

in EUR thousands

	2018	2017
Balance as at 01/01	458	458
Transfer to current maturity	-458	0
Closing balance	0	458

2.4.6. DEFERRED TAX ASSETS

Deferred tax assets were reversed in their entirety in 2014. No new deferred tax assets were formed since then. Deferred tax assets that were not accounted arose from impairments of non-current financial assets as at 31/12/2018 amount to EUR 6,856 thousand.

Deferred tax assets arising from tax loss are not accounted for. The amount of the unaccounted deferred tax assets arising from tax loss at a 19% tax rate equalled EUR 63,778 thousand on 31/12/2018.

Total deferred tax assets not accounted for amounted to EUR 70,634 thousand as at 31/12/2018.

2.4.7. CURRENT FINANCIAL ASSETS

The value of current assets of EUR 4,511 thousand (31/12/2017: EUR 9,868 thousand) consists entirely of current loans structured as follows:

- current loans to Group companies of EUR 21 thousand net are mostly secured with a mortgage on the debtor's real estate and with bills of exchange at an interest rate of 6M EURIBOR + 2.50 p.a.;
- short-term deposit in a bank totalling EUR 1,600 thousand;
- loans to others - NFD Holding, d.d. - in bankruptcy: in the total gross amount of EUR 7,899 thousand; the balance of the value adjustment equals EUR 5,009 thousand and the net disclosed receivable value is EUR 2,890 thousand. Receivables due from NFD Holding d.d. - in bankruptcy have been pledged in full as collateral to holders of financial claims arising from the loans given to Sava d.d.

The loans given to NFD Holding (EUR 2,890 thousand net) and interest (EUR 129 thousand) disclosed under operating receivables are mostly secured with bills of exchange and securities, which include 647,318 shares of Istrabenz, 166,484 shares of Melamin, 5,806 shares of Krka and 445 shares of Petrol. The estimated value of the shares received in a pledge equals EUR 3,350 thousand.

The receivable due from NFD Holding, d.d. - in bankruptcy was lowered by EUR 6,207 thousand in 2018, with the major portion of the decrease relating to the liquidation of the shares of Hoteli Bernardin, d.d. which were received in a pledge.

2.4.8. CURRENT OPERATING RECEIVABLES

Current operating receivables of EUR 721 thousand (31/12/2017: EUR 2,690 thousand) relate to the following:

- receivables due from Sava Group companies in the amount of EUR 547 thousand, EUR 458 thousand of which are basically non-current operating receivables;
- receivables for interest on loans granted to NFD Holding d.d. - in bankruptcy totalling EUR 129 thousand;
- remaining amount of EUR 45 thousand associated with various other receivables.

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Overview of current operating receivables by maturity

in EUR thousands

	31/12/2018		
	TOTAL	Due	Not due
Current operating receivables	721	129	592
1. Current operating receivables from Group companies	547	0	547
2. Current trade receivables	32	0	32
3. Current operating receivables from others	142	129	13

The balance and movement of the revaluation of receivables as well as their maturity are shown in Item 2.5.2 Financial instruments – financial risks.

2.4.9. CASH

Cash in the amount of EUR 4,035 thousand (31/12/2017: EUR 436 thousand) comprise the following:

- bank balances totalling EUR 1,566 thousand;
- funds deposited in a notary's escrow account totalling EUR 2,469 thousand.

2.4.10. EQUITY

Share capital

At the 27th General Meeting held on 22/06/2018, a resolution was adopted on the increase of the share capital of Sava, d.d. with an in-cash contribution. The full amount was paid in (EUR 4,718) and 4,718,272 ordinary registered no-par value shares were issued. On 31/12/2018, the share capital of Sava, d.d. amounted to EUR 26,397 thousand (31/12/2017: EUR 21,679 thousand), divided into 26,396,807 ordinary registered no-par value shares with the nominal value of EUR 1 per share.

Overview of fair value reserves in 2018 by quarter

Date/period	in EUR thousands			
	Reserves from valuation at fair value – gross	Deferred tax liabilities	Reserves from valuation at fair value – net	Balance of reserves from valuation at fair value – end of period
01/01/2017	5,166	-540	4,626	4,626
January–March 2017	504	231	735	5,361
April–June 2017	-1,740	-10	-1,750	3,611
July–September 2017	-1,818	63	-1,755	1,856
October–December 2017	-96	30	-66	1,790
01/01/2018	2,016	-226	1,790	1,790
January–March 2018	-1,738	173	-1,565	225
April–June 2018	0	0	0	225
July–September 2018	0	0	0	225
October–December 2018	-1	0	-1	224

Changes in equity

The equity of Sava, d.d. as at 31/12/2018 totalled EUR 35,817 thousand (31/12/2017: EUR 25,073 thousand), which is EUR 10,744 thousand higher than at the end of last year.

The following changes in equity took place in 2018:

- the Company increased its share capital by EUR 4,718 thousand;
- pursuant to the provisions of Article 230 of the Companies Act (ZGD-1), the profit for the financial period of EUR 551 thousand was used at the time this Annual Report was being compiled to cover the loss brought forward;
- fair value reserves decreased by EUR 1,566 thousand net (sale of Alta:SI coupons);

Capital surplus

Capital surplus in the amount of EUR 43,357 thousand (31/12/2017: EUR 43,357 thousand) was created in 2016 within the scope of the compulsory composition procedure over Sava, d.d. It represents the difference between the registration of share capital and the registration of the creditors' total in-kind contributions in the capital of Sava, d.d.

Fair value reserve

Reserves from the revaluation of non-current financial assets to fair value totalled EUR 224 thousand as at 31/12/2018 (31/12/2017: EUR 1,790 thousand) and only represent a positive revaluation in both periods.

- loss brought forward decreased by EUR 7,042 thousand: as a result of the disposal of the collateral for financial liabilities, the remainder of the liabilities, i.e. 90%, was written off in accordance with the provisions of the Financial Restructuring Plan thus covering the past retained loss.

Accumulated loss

Accumulated loss totalled EUR 34,161 thousand as at 31/12/2018 (31/12/2017: EUR 41,753 thousand).

2.4.11. DIVIDENDS PAID, WEIGHTED AVERAGE NUMBER OF SHARES AND NET EARNINGS PER SHARE

Dividend distribution

There were no dividend distributions in 2018 and 2017.

Weighted average number of shares

	31/12/2018	31/12/2017
Total number of shares as at 01/01	21,678,535	21,678,535
Capital increase, August 2018	4,718,272	0
Weighted average number of shares at end of period	23,644,482	21,678,535

Net profit attributable to shares

	31/12/2018	31/12/2017
Net profit for the financial year (in EUR thousand)	551	1,596
Weighted average number of outstanding shares	23,644,482	21,678,535
Basic net earnings per share (in EUR)	0.02	0.07

Diluted net earnings per share equal the basic net earnings per share, because the capital is composed solely from ordinary shares.

Weighted average number of shares

The share capital is divided into 26,396,807 ordinary registered no-par value shares, all of which provide the voting right and are freely transferrable. All shares are fully paid up. The Company has no bonds available to be converted into shares.

2.4.12. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

Provisions in the amount of EUR 45 thousand (31/12/2017: EUR 47 thousand) represent provisions for severance payments and jubilee benefits.

Movement of provisions and long-term accrued costs and deferred revenues

	Provisions for severance payment upon retirement and similar liabilities	Other provisions	Long-term accrued costs and deferred revenues	Total
Balance as at 01/01/2018	47	0	0	47
Reversal of provisions	-1	0	0	-1
Use of provisions	-1	0	0	-1
Balance as at 31/12/2018	45	0	0	45

in EUR thousands

2.4.13. NON-CURRENT LIABILITIES

Non-current liabilities as at 31/12/2018 amounted to EUR 53 thousand (31/12/2017: EUR 126,141 thousand) and were deferred tax liabilities in their entirety.

Non-current financial liabilities

As at 31/12/2018, non-current financial liabilities were transferred in their entirety under current financial liabilities with maturity on 30/11/2019. Changes during the financial year included:

- the newly incurred financial liability of EUR 98 thousand came from the recourse claim resulting from the sale of land owned by the subsidiary Sava Nepremičnine, d.o.o. which was pledged for the financial liabilities of Sava, d.d.;

- financial liabilities were lowered by EUR 7,042 thousand as a result of a 90% write-off and the loss brought forward was also lowered in accordance with the provisions of the Financial Restructuring Plan;
- financial liabilities were lowered by EUR 6,024 thousand which represents the repayments of loans to financial creditors;
- as at 31/12/2018, EUR 112,947 thousand worth of financial liabilities were transferred to current financial liabilities.

Overview of movements in non-current financial liabilities

	in EUR thousands	
	31/12/2018	31/12/2017
Balance as at 01/01	125,915	137,822
New loans hired in the year	98	0
Other changes – 90% write-off	-7,042	0
Repayment of loans in the year	-6,024	-11,907
Transfer to the current part at end of period	-112,947	0
Closing balance	0	125,915

Deferred tax liabilities

Deferred tax liabilities in the amount of EUR 53 thousand (31/12/2017: EUR 226 thousand) were formed in relation to the valuation of financial assets at fair value and were accounted for at a 19% rate.

Overview of movements in deferred tax liabilities

	in EUR thousands	
	31/12/2018	31/12/2017
Balance as at 01/01	226	540
Increase in liabilities from revaluation of securities to fair value – in other comprehensive income	16	103
Decrease in liabilities from sale of securities – in other comprehensive income	-189	-417
Closing balance	53	226

2.4.14. CURRENT LIABILITIES

The balances of certain claims of the creditors with the right to separate satisfaction and financial liabilities of Sava d.d. were not matched as at 31/12/2018. The differences as at the cut-off date relate to cases where the claim of the creditors with the right to separate satisfaction is secured (collateralised) with several types of assets. They came about as a result of different legal interpretations of the effects of compulsory settlement for the part of the new secured claim that will not be repaid. The debtor Sava d.d. obtained two legal opinions about this issue, whereby it followed the two opinions when compiling accounting records.

Current liabilities in the amount of EUR 113,210 thousand (31/12/2017: EUR 389 thousand) comprise the following:

- current financial liabilities in the amount of EUR 112,947 thousand (31/12/2017: EUR 125,915 thousand in non-current financial liabilities);
- current financial liabilities in the amount of EUR 263 thousand (31/12/2017: EUR 389 thousand).

Current financial liabilities

Current financial liabilities in the amount of EUR 112,947 thousand (31/12/2017: EUR 125,915 thousand) comprise the following:

- current financial liabilities to Group companies in the total amount of EUR 3,369 thousand (31/12/2017: EUR 3,271 thousand);
- zero current liabilities to banks at the end of 2018 (31/12/2017: EUR 4,431 thousand);
- current financial liabilities from issued bonds in the amount of EUR 15,198 thousand (31/12/2017: EUR 15,198 thousand);
- other current financial liabilities in the amount of EUR 94,380 thousand (31/12/2017: EUR 103,015 thousand).

Current financial liabilities in the amount of EUR 112,947 thousand (31/12/2017: EUR 125,915 thousand) are broken down in terms of substance into:

- secured financial liabilities in the amount of EUR 111,027 thousand (31/12/2017: EUR 124,875 thousand) and
- ordinary financial liabilities in the amount of EUR 1,920 thousand (31/12/2017: EUR 1,040 thousand).

In line with the Financial Restructuring Plan, secured financial liabilities accrue interest at a rate of 1% from 13/11/2016 to 30/11/2019, while ordinary financial liabilities do not accrue interest. Interest is payable monthly. Loans received fall due on 30/11/2019.

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Overview of the breakdown of loans received outside the Group, at fixed and at variable interest rates

	Fixed interest rate	Variable interest rate	Total
Non-current loans	0	0	0
Current loans	109,578	0	109,578
Total	109,578	0	109,578

in EUR thousands

Financial liability repayments from 2016 to 2018

In 2016, before the finality of the compulsory settlement, Sava d.d. repaid EUR 2,150 thousand, followed by EUR 16,050 thousand after its finality, EUR 11,907 thousand in 2017 and EUR 6,024 in 2018, for a total of EUR 36,131 thousand of the creditors' receivables affected by the compulsory settlement. The refinancing of the Sava Group companies' liabilities released the security provided by Sava d.d., thereby reducing the Company's contingent liabilities in the amount of EUR 4,209 thousand.

On 31/12/2018, the cumulative share of claims eligible for repayment under the compulsory settlement that was repaid stood at 24.2%.

Current operating liabilities

Overview of current operating liabilities

	in EUR thousands	
	Balance as at 31/12/2018	Balance as at 31/12/2017
Current operating liabilities to Group companies	12	52
– Interest liabilities for received loans	2	2
– Operating liabilities	10	50
Current trade payables to suppliers	31	87
Current operating liabilities from advances	0	0
Other current operating liabilities	220	250
a) Interest liabilities for received loans	91	103
b) Liabilities for salaries and other remunerations	55	67
– Liabilities for net salaries and other net remunerations	28	30
– Liabilities to the state (contributions on and from salaries)	27	37
c) Liabilities to the state (VAT, withholding tax)	14	21
d) Other liabilities	60	59
TOTAL CURRENT OPERATING LIABILITIES	263	389

2.4.15. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES

Short-term accrued costs and deferred revenues in the amount of EUR 973 thousand (31/12/2017: EUR 1,151 thousand) decreased by EUR 178 thousand in net terms compared to the end of the previous year. They included the largest provision worth EUR 500 thousand for the fine imposed by way of a decision of the Bank of Slovenia.

2.4.16. NET SALES REVENUES AND OTHER OPERATING REVENUES

Sava d.d. generated net sales revenues amounting to EUR 627 thousand (2017: EUR 603 thousand), 93% of which were realised through sales within the Sava Group. Revenues were generated from the leasing of real estate and providing other services. Net sales revenues were generated entirely in Slovenia.

Other operating revenues of EUR 70 thousand (2017: EUR 26 thousand) comprised mostly revenues from the reversal of unused provisions.

Overview of the composition of net sales revenues

	in EUR thousands	
	2018	2017
Net revenues from the sales of services	583	559
Net rental income	44	44
Total net sales revenues	627	603

2.4.17. COSTS BY FUNCTIONAL GROUPS

	in EUR thousands	
	2018	2017
Production costs of products sold	0	0
Selling costs	0	0
Costs of general activities	2,225	2,249
TOTAL	2,225	2,249

2.4.18. COST OF GOODS, MATERIAL AND SERVICES

The costs of goods, materials and services had a 57% share in the structure of operating expenses. They amounted to EUR 1,262 thousand (2017: EUR 1,450 thousand) and are 13% lower year-on-year.

Overview of the costs of goods, materials and services by type of cost

	in EUR thousands	
	2018	2017
Costs of materials	24	15
Cost of transport services	8	7
Costs of maintenance services	48	65
Cost of rent	71	70
Reimbursements of workers' costs	1	1
Costs of payment transactions, banking services and insurance premiums	45	33
Cost of intellectual and personal services	676	657
Cost of fairs, advertising and entertainment	12	10
Cost of other services	377	592
TOTAL	1,262	1,450

2.4.19. LABOUR COST

Labour costs of EUR 932 thousand (2017: EUR 743 thousand) had a 42% share in the structure of operating expenses.

The Company discloses accounted premiums for supplementary pension insurance totalling EUR 7 thousand under the labour cost item. As at 31/12/2018, Sava d.d. had 9 employees (31/12/2017: 9 employees), whereby the average number of employees in 2018 was 9.00 based on work hours (2017: 9.72).

2.4.20. WRITE-DOWNS

Amortisation/depreciation expenses and write-offs of EUR 24 thousand (2017: EUR 46 thousand) represent the amortisation charge.

2.4.21. FINANCIAL INCOME FROM PARTICIPATING INTERESTS

Financial income from participating interest equalling EUR 3,487 thousand (2017: EUR 5,228 thousand) were generated in connection with:

- the sale of investment coupons of ALTA.SI in the amount of EUR 1,896 thousand;
- the receipt of dividends from Sava Turizem d.d. in the amount of EUR 1,209 thousand;
- income of EUR 266 thousand came from the favourably completed litigation;
- receipt of an additional cash compensation from the judicial test of its adequacy, i.e. EUR 89 thousand;
- the receipt of dividends from other investments of EUR 27 thousand.

2.4.22. FINANCIAL INCOME FROM LOANS GRANTED

Financial income from loans granted of EUR 63 thousand (2017: EUR 92 thousand) relate entirely to interest from loans granted to Group companies.

2.4.23. FINANCIAL EXPENSES FROM IMPAIRMENTS AND WRITE-OFFS OF FINANCIAL ASSETS

Financial expenses from impairment and write-off of financial assets equalling EUR 262 thousand (2017: EUR 297 thousand) comprise the impairment of the investment into a subsidiary and the impairment of the receivable from interest due from a subsidiary.

2.4.24. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES

Financial expenses arising from financial liabilities equalling EUR 1,124 thousand (2017: EUR 1,309 thousand) represent interest charged on secured financial liabilities at the rate of 1%.

2.4.25. OTHER REVENUES AND OTHER EXPENSES

Other revenues of EUR 11 thousand (2017: EUR 204 thousand) comprise various extraordinary revenues.

Other expenses of EUR 98 thousand (2017: EUR 705 thousand) relate to the establishment of a new ordinary liability based on a recourse claims of a subsidiary related to a property which was pledged as security for the financial liabilities of Sava, d.d.

2.4.26. CORPORATE INCOME TAX

Sava d.d. had no corporate income tax liability accounted for 2018. In 2018, the Company did not claim tax relief because a tax loss was disclosed. As at 31/12/2018, the balance of the unsettled tax loss amounted to EUR 335,673 thousand.

Comparison between the actual and the calculated tax rate

in EUR thousands

	2018	2018	2017	2017
	Rate	Amount	Rate	Amount
Pre-tax profit		551		1,596
Income tax based on the official rate	19%	105	19%	303
Effect of tax rates in other countries		0		0
Amounts having a negative impact on tax base		894		1,228
- Amount from the increase in revenues to the level of tax deductible revenues		0		0
- Amount from the decrease in expenses to the level of tax deductible expenses		785		1,076
- Amount of expenses for which tax was withheld		0		0
- Any other amounts having an impact on the tax base increase		109		152
Effect of the increase in the tax rate on special profits		0		0
Amounts having a positive effect on tax base		10,030		8,207
- Amount from the decrease in revenues to the level of tax deductible revenues		2,185		3,055
- Amount from the increase in expenses to the level of tax deductible expenses		7,845		5,152
- Any other amounts having an impact on the tax base decrease (e.g. amount of expenses for which tax was withheld)		0		0
Difference in the tax base due to transition to new accounting methods following changes to accounting policies		0		0
Tax relief				
- Used reliefs having an effect on the tax liability decrease		0		0
- Remaining reliefs to be used in the following years		0		0
Tax loss				
- Used loss having an effect on the tax liability decrease		0		0
- Originating from the current year – to be used in the following years		8,584		5,383
Adjustments for previous years		0		0
ASSESSED TAX FOR THE CURRENT YEAR	0.0%	0	0.0%	0
Increase/decrease of deferred tax		0		0
TAX IN THE INCOME STATEMENT	0.0%	0	0.0%	0

2.4.27. OVERVIEW OF DEFERRED TAX RECEIVABLES AND LIABILITIES

Overview of deferred tax receivables and liabilities

in EUR thousands

31/12/2018	Receivables	Liabilities	Net
Financial assets	0	53	-53
TOTAL	0	53	-53

in EUR thousands

31/12/2017	Receivables	Obligation	Net
Financial assets	0	226	-226
TOTAL	0	226	-226

2.4.28. SHARES IN PROFIT

The General Meeting did not approve any shares in profits.

2.5. OTHER DISCLOSURES

2.5.1. CONTINGENT ASSETS, CONTINGENT LIABILITIES AND OPTIONS

	in EUR thousands	
	31/12/2018	31/12/2017
Shares pledged for financial liabilities	133,278	133,430
Other assets leased to other companies	11,409	11,735
Assets received in pledge	3,350	9,999
Subsidiary assets for the pledged to financial liabilities of SAVA D.D.	0	979
Call options	7,137	0
Put options	40,445	0
TOTAL	195,619	156,143

Shares pledged for financial liabilities

EUR 133,278 thousand worth of shares were pledged for the financial liabilities of Sava d.d.:

- shares of Gorenjska banka, d.d. worth EUR 40,319 thousand;
- shares of Hoteli Bernardin, d.d. worth EUR 7,782 thousand;
- shares of Sava Turizem, d.d. worth EUR 84,679 thousand;
- shares of Pokojninska družba A, d.d. worth EUR 498 thousand.

Other assets leased to other companies

A claim against NFD Holding, d.d. – in bankruptcy of EUR 11,409 thousand was pledged for the financial liabilities of Sava d.d.

Assets received in pledge

Shares totalling EUR 3,350 thousand were received as security for the claims of Sava, d.d. due from NFD Holding, d.d. – in bankruptcy.

Call option

On 12/10/2018 Sava, d.d. concluded a call option with DUTB, d.d. for the acquisition of 5,664,089 shares of Hoteli Bernardin, d.d. The option matures on 29/11/2021. The consideration for the entire package or individual part is decided in each individual case as follows: a) the price is equal to the price offered in the takeover bid, b) the price is equal to the price at which Sava sold HBPN shares to a third party or acquired them from a third party provided said price is higher than the price in the takeover bid and c) the per share price for an individual HBPN share is equal to the price that is to be determined in a valuation by an independent valuer. The choice of the price determination method is left to DUTB, d.d. (BAMC). Notwithstanding the above, the price in case of the execution of the option within 12 months is equal to the price in the takeover bid. The parties explicitly

agreed that the option will be used by Sava, d.d. as well as Sava Turizem, d.d. The said call option is recorded with the following values in the off-balance sheet record of Sava, d.d.: contractual per share price is EUR 1.26 and the total value of the option is EUR 7,137 thousand.

Event after the balance sheet date

In February 2019, the transaction for the acquisition of 1,652,413 shares (10.30%) of Hoteli Bernardin, d.d. valued at EUR 2,082 thousand was completed on the basis of the concluded Agreement and two implementing documents, which is why the call option will not be exercised in this part.

Put options

- a) On 12/10/2018 Sava, d.d. concluded a put option with DUTB, d.d. for 5,664,089 shares of Hoteli Bernardin, d.d. The option matures on 29/11/2021. The consideration for the entire package or individual part is decided in each individual case as follows: a) the price is equal to the price offered in the takeover bid, b) the price is equal to the price at which Sava sold HBPN shares to a third party or acquired them from a third party provided said price is higher than the price in the takeover bid and c) the per share price for an individual HBPN share is equal to the price that is to be determined in a valuation by an independent valuer. The choice of the price determination method is left to DUTB, d.d. (BAMC). The said option is recorded with the following values in the off-balance sheet record of Sava, d.d.: contractual per share price is EUR 1.26 and the total value of the option is EUR 7,137 thousand.

Event after the balance sheet date

In February 2019, the transaction for the acquisition of 1,652,413 shares (10.30%) of Hoteli Bernardin, d.d. valued at EUR 2,082 thousand was completed on the basis of the concluded Agreement and two implementing documents, which is why the put option will not be exercised in this part.

b) On 22/06/2018, Sava, d.d. concluded a sales agreement with AIK Banka, a.d. including a put option for 111,773 shares of Gorenjska banka, d.d. The option matures on 15/06/2019. The contractual per share price is EUR 298.00 and the total value of the option is EUR 33.308 thousand.

Abanka, d.d. signed an agreement including a put option for the 34,287 GBKR shares that were transferred to fiduciary ownership.

Event after the balance sheet date

The sales agreement concluded with the buyer AIK banka, a.d. in 2018 for the sale of Gorenjska bank, d.d. shares was realised in February 2019 with the payment of the purchase consideration.

2.5.2. FINANCIAL INSTRUMENTS – FINANCIAL RISKS

Currency risk

Sava d.d. does business in euros only.

Interest rate risk

In view of the expiry of the three-year period after the confirmation of compulsory settlement in November 2019 in which financial receivables of Sava, d.d. accrue interest at a fixed nominal interest rate, interest rate risk is increasing which we take into account in the drafting of the development strategy for the following five-year period.

Solvency risk

The note is provided in item 2.3: Financial risk management/Going concern risk.

Overview of solvency risk

							in EUR thousands
31/12/2018	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities							
Loans from Group companies	3,369	-3,403	-17	-3,386	0	0	0
Trade payables and other liabilities	263	-263	-263	0	0	0	0
Bonds	15,198	-15,350	-76	-15,274	0	0	0
Other financial liabilities	94,380	-95,324	-472	-94,852	0	0	0
Overdrafts on bank accounts	0	0	0	0	0	0	0
Derivative financial liabilities							
Total	113,210	-114,340	-828	-113,512	0	0	0

							in EUR thousands
31/12/2017	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	4,431	-4,519	-22	-22	-4,475	0	0
Loans from Group companies	3,271	-3,324	-13	-13	-3,298	0	0
Trade payables and other liabilities	389	-389	-389	0	0	0	0
Bonds	15,198	-15,498	-75	-75	-15,348	0	0
Other financial liabilities	103,015	-105,072	-513	-516	-104,043	0	0
Derivative financial liabilities							
Total	126,304	-128,802	-1,012	-626	-127,164	0	0

Credit risk

Overview of trade receivables by territory

in EUR thousands

	Carrying amount	
	31/12/2018	31/12/2017
Slovenia	32	27
Other EU countries	0	0
Other	0	0
TOTAL	32	27

Overview of the balance and movement of value adjustments in trade receivables

in EUR thousands

	31/12/2018	31/12/2017
Balance as at 01/01	14	42
Increase in the value adjustment	0	0
Decrease in the value adjustment	0	-28
Final balance	14	14

Overview of age structure of trade receivables

in EUR thousands

	31/12/2018			31/12/2017		
	Gross receivables	Impairment	Net receivables	Gross receivables	Impairment	Net receivables
Not yet due	32	0	32	27	0	27
Past due by 0-30 days	0	0	0	0	0	0
Past due by 31-120 days	0	0	0	0	0	0
Past due by more than 120 days	14	14	0	14	14	0
TOTAL	46	14	32	41	14	27

2.5.3. FAIR VALUE MEASUREMENT

Shares and stakes

The fair value of listed shares equals the published average price per share as at the balance sheet date. The fair value of unlisted shares and stakes equals the cost value less any impairment based on the verification for potential indications of impairment.

Granted and received loans

The fair value is estimated as the discounted value of expected cash flows from the principal. The effective interest rate equals the contractual interest rate.

Financial liabilities originating from bonds issued

The fair value is estimated as the discounted value of expected cash flows from the principal. The effective interest rate equals the contractual interest rate.

Current receivables and liabilities

The carrying amount of operating receivables with a remaining life of less than one year is assumed to reflect their fair value.

Overview of fair values of financial instruments

in EUR thousands

	31/12/2018		31/12/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Shares and stakes	581	581	8,349	8,349
Non-current receivables	0	0	458	458
Current receivables	721	721	2,690	2,690
Loans granted	4,511	4,511	9,868	9,868
Cash and cash equivalents	4,035	4,035	436	436
Non-current loans	0	0	-110,717	-110,717
Financial liabilities originating from bonds issued	-15,198	-15,198	-15,198	-15,198
Current loans	-97,749	-97,749	0	0
Current operating liabilities	-263	-263	-389	-389

2.5.4. FAIR VALUE HIERARCHY

Financial instruments valued at fair value are classified in three levels:

- Level 1: assets or liabilities at stock exchange quotation on the last day of the accounting period;
- Level 2: assets or liabilities that are not classified as Level 1, their value being determined directly or indirectly based on market data;
- Level 3: assets or liabilities whose value cannot be obtained from market data.

Overview of the classification of financial instruments subject to fair value calculations

in EUR thousands

	31/12/2018				31/12/2017			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Shares and stakes	581	32	0	549	8,349	36	5,738	2,575
Derivative financial instruments – assets	0	0	0	0	0	0	0	0
Derivative financial instruments – liabilities	0	0	0	0	0	0	0	0
Total	581	32	0	549	8,349	36	5,738	2,575

2.5.5. CONVERSION OF CAPITAL BY MEANS OF THE CONSUMER PRICE INDEX

in EUR thousands

	Amount of share capital	% of growth	Calculated effect	Operating result less the effect of the calculation
CAPITAL.....calculation using the consumer price index	26,397	1.40%	370	181

2.5.6. RELATED PARTIES

Related parties include subsidiaries in the Sava Group, owners of Sava d.d.*, companies associated with the owners**, members of the Board of Directors, members of the BoD committees and the company's Executive Director.

* Disclosures of transactions with owners include owners having more than 20% ownership stakes, but also those with a smaller stake if the information is material.

** The following criteria were applied in disclosing transactions with companies associated with the owners:

- companies having more than a 20% ownership stake in the company that owns Sava d.d.;
- companies in which the companies owning Sava d.d. have more than a 20% ownership stake;
- the value of transactions for these companies will be disclosed in the total amount;
- to the extent that the total value of transactions is less than EUR 100 thousand, transactions will not be disclosed.

Intra-group business relations at the Sava Group

Business relations between Sava d.d. and its subsidiaries relate to:

- business services rendered;
- financial operations in connection with granted and received loans.

Intra-group transactions among the Sava Group companies are performed under the same conditions that apply in an ordinary arm's length transaction. Data on the capital of subsidiaries as at 31/12/2018, operating revenues and net operating result of subsidiaries for the period January–December 2017 is disclosed in the financial report for the Sava Group.

Revenues and expenses of Sava d.d. from transactions with subsidiaries

in EUR thousands

Company	Operating revenue Jan–Dec 2018	Operating expenses Jan–Dec 2018	Financial income Jan–Dec 2018	Financial expenses Jan–Dec 2018
TOURISM DIVISION	573	44	1,211	26
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	573	43	1,211	26
Cardial d.o.o., Zaloška cesta 69, 1000 Ljubljana	0	1	0	0
Sava Zdravstvo d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	0	0	0
REAL ESTATE DIVISION	2	0	63	0
SAVA NEPREMIČNINE d.o.o., Dunajska cesta 152, 1000 Ljubljana	2	0	1	0
SAVA NOVA d.o.o., Fra Filipa Grabovca 14, 10000 Zagreb, Croatia	0	0	62	0
OTHER OPERATIONS	8	30	0	0
Sava NRS d.o.o., Dunajska cesta 152, 1000 Ljubljana	8	30	0	0
SUBSIDIARIES TOTAL	583	74	1,274	26

Receivables and liabilities of Sava d.d. shown in relation to subsidiaries

in EUR thousands

Company	Operating receivables 31/12/2018	Operating liabilities 31/12/2018	Financial receivables 31/12/2018	Financial liabilities 31/12/2018
TOURISM DIVISION	544	11	0	3,271
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	544	11	0	3,271
Cardial d.o.o., Zaloška cesta 69, 1000 Ljubljana	0	0	0	0
Sava Zdravstvo d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	0	0	0
REAL ESTATE DIVISION	0	0	21	98
SAVA NEPREMIČNINE d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	0	0	98
SAVA NOVA d.o.o., Fra Filipa Grabovca 14, 10000 Zagreb, Croatia	0	0	21	0
OTHER OPERATIONS	3	1	0	0
Sava NRS d.o.o., Dunajska cesta 152, 1000 Ljubljana	3	1	0	0
SUBSIDIARIES TOTAL	547	12	21	3,369

Business relations with the owners of Sava d.d. and with the companies associated with the owners

Outstanding liabilities to the owners in the total amount of EUR 95,427 thousand (31/12/2017: EUR 108,152 thousand) refer to the financial liabilities arising from the received loans and to the operating liabilities arising from interest for December 2018. Expenses of EUR 960 thousand (2017: EUR 1,140

thousand) incurred in 2018, represent interest charged on financial liabilities.

Outstanding liabilities to the parties related to the owners in the total amount of EUR 3,110 thousand (31/12/2017: EUR 3,242 thousand) are mainly associated with the financial liabilities arising from received loans, while expenses of EUR 64 thousand (2017: EUR 90 thousand) are associated with the loans received.

Overview of transactions with the owners and with the companies associated with the owners

				in EUR thousands
Related parties	Outstanding receivables as at 31/12/2018	Outstanding liabilities as at 31/12/2018	Revenues in 2018	Expenses in 2018
Transactions with the owners (over 20%)				
York Global Finance Offshore BDH (Luxembourg) S.a r.l.	0	19,733	0	200
Slovenski državni holding d.d.	0	37,847	0	380
Kapitalska družba d.d.	0	37,847	0	380
Total	0	95,427	0	960
Transactions with the companies associated with the owners	0	3,110	0	64
Total	0	98,537	0	1,024

Relations with natural persons

Ownership of the share of Sava as at 31/12/2018

Members of the Board of Directors and of the BoD committees and the Executive Director of Sava d.d. do not own any Sava shares.

Remuneration of the Executive Director in 2018

In 2018, gross remuneration of the Executive Director amounted to EUR 268 thousand. It comprised fixed and variable remuneration and perks.

Remuneration of the Board of Directors and of the committees in 2018

Gross remuneration of the members of the Board of Directors and of the committees in 2018 equalled EUR 101 thousand. It consisted of payments for discharging their functions and for meeting fees.

Remuneration of employees with individual contracts

As at 31/12/2018, 8 employees worked under individual contracts. Gross remuneration of EUR 523 thousand comprised fixed and variable remuneration and perks.

Receivables and liabilities of Sava d.d. associated with related natural persons

Sava d.d. has no receivables due from related natural persons. Its liabilities to related natural persons are associated with salaries for December, which were

paid in January 2018 and do not deviate from the usual monthly obligations concerning this area.

2.5.7. DISCLOSURE OF BUSINESS WITH THE SELECTED AUDITOR

According to the agreement made with Deloitte revizija d.o.o., the contractual value of auditing the separate financial statements of Sava d.d. and the consolidated financial statements of the Sava Group for 2018 amounted to EUR 22 thousand (exclusive of VAT) compared to EUR 23 thousand in 2017 (exclusive of VAT).

2.5.8. REPORT ON SIGNIFICANT DISPUTES

DISPUTES THAT WERE CONCLUDED IN 2018

a) Sava d.d. as the defendant

Plaintiff: Izletnik Celje d.d.

The counterparty brought the action against Sava d.d. to obtain the annulment of the contract of pledge. The dispute arises from the relation in which Viator & Vektor logistika, d.o.o. - in bankruptcy acts is a lender and Sava d.d. is also a lender based on a certificate of application. In this relationship, the counterparty Izletnik Celje d.d. acted as a pledger of its own shares and it now claims that the contract of pledge is void due to violations of Article 227 of the Companies Act (ZGD-1), and it should therefore not be held liable as a pledger for the debt of another entity. In its judgment of 26/05/2015, the Court of First Instance decided that Sava d.d. shall pay Izletnik Celje d.d. EUR 266,128.55 including

default interest accruing as of 27/02/2015 and also provide compensation for the costs of the proceedings. The Court of Second Instance fully upheld the appeal of the defendant and decided on the merits of the subject by rejecting the claim of the plaintiff in its entirety.

In the revision proceedings initiated at the application of the plaintiff, the Supreme Court ruled on 13/06/2018 to refuse the revision, whereby it confirmed the decision of the Court of the Second Instance and thereby refused the claim of Izletnik Celje, d.d.

Plaintiff: York Global Finance Offshore BDH S.A.R.L. (previously Gorenjska banka d.d.)

Based on the resolution issued by the Ljubljana District Court, in the matter St. 3055/2014 of 06/01/2015, bankruptcy proceedings against NFD Holding d.d. were initiated. Sava d.d. registered its claims against the bankruptcy debtor within the term defined and at the same time it negated the claim registered by the singular legal predecessor of York Global Finance Offshore BDH S.A.R.L. in the amount of EUR 2,848,817.53. The creditor was referred to an action to determine the existence of its claim. The creditor brought the action (Ref. No. XI Pg 3559/2015) before the Ljubljana District Court. Sava d.d. submitted a statement of defence within the set term. The action was stayed based on the abandonment of action.

Plaintiff: Nova kreditna banka Maribor d.d.

On 23/02/2016, the plaintiff lodged an action and an application for a temporary injunction before the Ljubljana District Court in which it requested the issue of a document permitting and authorising the plaintiff to have Sava d.d. replaced by the plaintiff as a pledgee relative to certain liens registered with the Central Registry of Dematerialised Securities.

Sava d.d. responded to the action and the application for a temporary injunction within the set term. The court dismissed the application for a temporary injunction as unfounded.

The main action was stayed based on the abandonment of action.

Plaintiff: Slovenski državni holding d.d. and Kapitalska družba d.d. (previously DUTB d.d.)

The plaintiff DUTB d.d. as the singular legal predecessor of Slovenski državni holding d.d. and Kapitalska družba d.d. lodged an application for a temporary injunction against Sava d.d. that the court followed in its entirety and ordered KDD d.d. to enter a ban in the Central Registry of Dematerialised Securities prohibiting Sava d.d. from exercising rights arising from pledges by selling shares of the holder NFD Holding - in bankruptcy.

The plaintiff brought an action before the Ljubljana District Court within the set term requesting permission and authorisation for Abanka d.d., relative to liens registered with the Central Registry

of Dematerialised Securities, to have the current pledgee Sava d.d. replaced by a new pledgee – DUTB d.d. (now Slovenski državni holding d.d. and Kapitalska družba d.d.).

The action was stayed based on the abandonment of action.

DISPUTES PENDING AS AT 31/12/2018

a) Sava d.d. as the defendant

On 31/12/2018, Sava, d.d. was not party to any litigation as the defendant.

b) Sava d.d. as the plaintiff

Defendant: Ministry of Finance (MF), Financial Administration of the Republic of Slovenia (FURS)

The FURS has launched a tax investigation against the legal successor of the initial taxable person Sava IP d.o.o., in relation to VAT for the tax periods from 01/01/2007 to 31/12/2008, from 01/07/2010 to 31/07/2010 and from 01/10/2010 to 31/10/2010.

In 2017, the amending act ZDavP-2J was adopted, prescribing a 7% default interest rate. Even though the liabilities from the alleged underpayment of VAT of EUR 348 thousand were settled in 2011 (and litigation is pending), the FURS' repeated tax investigation produced a decision on 08/06/2017 ordering the payment of EUR 201 thousand in default interest. When this payment was effected on 06/07/2017, a complaint was filed within the valid deadline explaining that when the above-mentioned amendment was adopted, the respective tax liabilities did not yet exist, therefore the amendment cannot apply to them or cannot have legal effect. The decision issued on 08/06/2017 represents a manifestly unconstitutional retroactive application of the law to already concluded legal relationships. The complaint was submitted for resolution to the Ministry of Finance, which dismissed it as unfounded.

Consequently, an action was brought before the Administrative Court of the Republic of Slovenia within the valid deadline, on 11/12/2017, against the FURS' notice of assessment No. DT 0610-6798/2016-33 08-530-01 of 08/06/2017. The court has not yet decided on the case.

Defendant: Bank of Slovenia

On 21/09/2015, Sava, d.d. received the Decision of the Bank of Slovenia withdrawing the authorisation to acquire a qualifying holding and Order on the disposal of shares, ref. No. D31-38.10-1/15-2 of 17/09/2015. As a result, Sava d.d. was obliged to dispose of the Gorenjska banka, d.d. shares which it owned directly and indirectly as imposed on the company in point 3 of the Decision of the Bank of Slovenia.

Sava d.d. filed an annulment application for the Decision of the Bank of Slovenia withdrawing the authorisation to acquire a qualifying holding and Order on the disposal of shares (ref. No. D31-38.10-1/15-2).

The Administrative Court issued a decision on 18/12/2018 refusing the action of Sava, d.d.. Sava, d.d. filed an extraordinary legal remedy in the proceedings, i.e. Application for Revision of an Administrative Court Judgement.

Defendant: Bank of Slovenia

On 12/10/2017, Sava d.d. and two responsible persons (former members of the Company's management) received the Bank of Slovenia's Minor Offence Decision No. P-Odl 0076/2016-V for failing, within a period of six months of service (which expired on 21/03/2015) of the Decision withdrawing the authorisation to acquire a qualifying holding and of the Order on the disposal of shares, Ref. No. D31-38.10-1/15-2 of 17/09/2015, to dispose of the shares the Company possesses in contravention of the provisions of the ZBan-2 (i.e. as an ineligible holder), meaning all of the Gorenjska banka d.d. shares it directly or indirectly possesses, as the Company was ordered under Item 3 of the Bank of Slovenia's decision served on 21/09/2015. By doing so, the Company allegedly violated the Bank of Slovenia's decision arising from Article 267 of the ZBan-2 and committed a minor offence under the first paragraph of Article 374 of the ZBan-2. The respective decision of the Bank of Slovenia imposes a fine on Sava d.d. of EUR 500,000.00 and EUR 5,000.00 on each of the two responsible persons. The deadline for payment of the imposed fine is 8 and 30 days from the date the decision becomes final for the Company and for the two responsible persons respectively.

Sava, d.d. filed an Application for Judicial Protection against the said Minor Offence Decision (ref. No. P-Odl 0076-2016-V) within the open deadline. The court has not yet decided on the case.

2.5.9. EVENTS AFFECTING THE FINANCIAL STATEMENTS OF SAVA D.D. AFTER THE BALANCE SHEET DATE

The events that took place after the balance sheet date are not of such nature that they would affect the balance of assets and liabilities PRESENTED in the financial statements of Sava d.d. on 31/12/2018 or the going-concern assumption.

However, here is a list of additional significant events that occurred after the balance sheet date:

- At the 28th General Meeting held on 14/12/2018, a resolution was adopted on the issue of a maximum of 2,686,187 new shares with the emission value of an individual new share of EUR 1.00. In February 2019, EUR 2,686 thousand was paid up and 2,686,161 ordinary registered no par value shares were issued in March 2019.
- On 12/10/2018, Sava, d.d. and DUTB, d.d. (BAMC) concluded an agreement on their mutual rights and obligations arising from the following:

- a) sale of 1,652,413 HBPN shares (10.30%) owned by DUTB, d.d. and the sale of a part of the claim of Sava, d.d. against NFD Holding, d.d. - in bankruptcy secured by 54,791 shares of Melamin, d.d. (MKOG). The value of both transactions is EUR 2,082 thousand. The implementing documents were signed on 14/01/2019 and the transaction was completed in February 2019;

and

- b) the purchase of an additional 4,011,676 HBPN shares (25.00%). The transaction involving the acquisition of additional shares in the planned amount of EUR 5,055 thousand will be partially financed with the new in-cash payment of share capital which was approved by way of resolution adopted at the 28th General Meeting of Sava, d.d. on 14/12/2018, i.e. in the amount of EUR 2,686 thousand which was paid in its entirety in February 2019, while the remaining necessary funds of EUR 2,369 thousand will be financed from unused funds from the in-cash payment of share capital in 2018.

- Sale of the Gorenjska banka, d.d. shares

On 22/06/2018, the 27th General Meeting of Sava, d.d. was held and consent was granted to the conclusion and performance of the purchase agreement for the sale of GBKR shares to the buyer AIK Banka, a.d. which also includes the sale of the option of Sava, d.d. and the fiduciary Abanka, d.d. for the sale of GBKR shares at the price of EUR 298 per share. The purchase agreement was realised in February 2019 with the purchase consideration amounting to EUR 43.5 million, EUR 40.3 million of which was allocated for the repayment of the creditors' claims secured with the GBKR shares.

2.6. STATEMENT BY THE BOARD OF DIRECTORS FOR SAVA, D.D.

The Board of Directors confirms the financial statements of Sava d.d., Ljubljana, for the period ending on 31 December 2018, which have been prepared in accordance with Slovenian Accounting Standards.

The Board of Directors confirms that appropriate accounting standards were consistently used in the preparation of the financial statements, that the accounting estimates were prepared with due care and diligence and that the Annual Report gives a true and fair view of the Company's assets and business results in the period from January to December 2018.

Ljubljana, 02/04/2019

The Board of Directors is responsible for properly managing its accounting procedures, establishing, operating and maintaining internal control in relation to the preparation and fair presentation of financial statements, which do not contain any material misstatements, whether due to fraud or error, and for adopting suitable measures for securing assets and other funds. The Board of Directors further confirms that the financial statements and notes have been produced under the going concern assumption for the Company and in compliance with the relevant legislation and the Slovenian Accounting Standards.

BOARD OF DIRECTORS OF SAVA D.D.:


Klemen Boštjančič, Chairman


Dejan Rajbar, Deputy Chairman


Tina Pelcar Burgar, member


Matej Narat, member


Aleš Škoberne, member

2.7. INDEPENDENT AUDITOR'S REPORT FOR SAVA D.D.



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INDEPENDENT AUDITOR'S REPORT to the owners of Sava d.d.

Opinion

We have audited the financial statements of the company Sava d.d. (hereinafter 'the Company'), which comprise the balance sheet as at 31 December 2018, the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and cash flow statement for the year then ended in accordance with Slovenian Accounting Standards (hereinafter SAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material Uncertainty Related to Going Concern

As disclosed in Note 2.3 *Financial risk management, business continuity risk*, pursuant to the Decision on the confirmation of compulsory settlement of the controlling company Sava d.d., the deadline for the repayment of the creditors as specified in the Financial Restructuring Plan is 30 November 2019. The financial liabilities of Sava d.d. in the amount of EUR 112,947 thousand are due in 2019. These circumstances indicate the existence of material uncertainty that could raise serious doubt about the Sava d.d. to continue as a going concern. Business continuity risk management is explained in more detail in Note 2.3 – *Financial risk management*. Our audit opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the business report, which is integral part of Annual report, but they do not include financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na <http://www2.deloitte.com/si/en/pages/about-deloitte/articles/about-deloitte.html>

Družba članica Deloitte Touche Tohmatsu Limited.

Deloitte Revizija d.o.o. - Družba vpisana pri Okrožnem sodišču v Ljubljani - Matična številka: 1647105000 - ID št. za DDV: SI62560085 - Osnovni kapital: 74.214,30 EUR

- Other information are, in all material respects, consistent with the financial statements;
- Other information are prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Management Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with SAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing 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

Management Board is responsible for overseeing the Company's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

With Management Board we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

DELOITTE REVIZIJA d.o.o.
Dunajska 165
1000 Ljubljana

Tina Kolenc Praznik
Certified auditor

*For signature please refer to the original
Slovenian version.*

Deloitte
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 22 March 2019

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

Annex 1:

Disclosures for Sava d.d. under Article 69 of the Companies Act (ZGD-1)

Ser. No.	Content of disclosures under Article 69 of the (paragraph) Item	Note in Annual Report Item:	Other notes
(2)1.	Adopted accounting policies	Financial statements with notes for Sava d.d. – Items 2.1 and 2.2	-
(2)2.	When items of property, plant and equipment are measured according to revalued amounts, a table showing: changes in revaluation reserves in the financial year with an interpretation of the tax treatment of the items indicated therein and the carrying amount in the balance sheet that would have been recognised were the items of property, plant and equipment not revalued		N/A
(2)3.	When financial instruments or assets are measured at fair value:		-
	- significant assumptions for the valuation models and techniques used when fair values were determined in line with the second indent of paragraph three of Article 67	Financial statements with notes for Sava d.d. – Item 2.2	-
	- for each category of financial instrument or asset, the fair value and the changes in value directly included in the income statement as well as changes included in fair value reserves	Financial statements with notes for Sava d.d. – Item 2.4.4	-
	- for each class of derivative, data on the scope and type of instrument, including any material conditions that may affect the amount, time frame and reliability of future cash flows		N/A
	- a table showing changes in fair value reserves during the financial year	Financial statements with notes for Sava d.d. – Item 2.4.10	-
(2)4.	The total amount of significant contingent financial liabilities not included in the balance sheet. Liabilities for the payment of pensions and liabilities to the Group companies shall be shown separately.		N/A
(2)5.	The amount of total liabilities backed by collateral, with data on the form and method of collateralisation, separately for each liabilities item in the balance sheet.	Financial statements with notes for Sava d.d. – Items 2.4.13, 2.4.13 and 2.5.1	-
(2)6.	Advances and loans granted by the Company or its subsidiary to the management, supervisory board members, other employees working for the Company under a contract for which the wage section of the collective agreement does not apply, with indication of the interest rates, main conditions and all sums that have been repaid, written off or waived, and the guarantees issued by the company for the obligations of such persons, including the above-mentioned information, shown separately for each of these groups of persons.		N/A
(2)7.	The amount and the nature of individual revenue or expense items of extraordinary scope or significance.	-	N/A
(2)8.	The amount of all liabilities maturing after five years, separately for each liabilities item in the balance sheet.	-	N/A
(2)9.	Average number of employees.	Financial statements with notes for Sava d.d. – Item 2.4.19	-
(2)10.	If the Company holds or has held own interest during the year:	-	N/A
	- the number, amount and proportion of own interests in the share capital that the Company or a third party acquired or disposed of on behalf of the Company during the financial year, the date of their acquisition, the purpose of acquisition or disposal of own interest and the cash value of counter-performance		N/A
	- the number, amount and proportion of own interests in the share capital received in pledge by the Company or a third party on behalf of the Company during the financial year		N/A
	- the total number, the total amount and the total value of own interests in the share capital held by the Company or by a third party on behalf of the Company or held in pledge by the Company or by a third party on behalf of the Company as at the annual balance sheet cut-off date		N/A
(3)1.	For individual fixed asset categories:		
	- purchase price or production costs, or, in the case of an alternative measurement basis, fair value or revalued amount at beginning and end of financial year,	Financial statements with notes for Sava d.d. – Items 2.4.1, 2.4.2, 2.4.3, 2.4.4, and 2.4.5	-
	- acquisitions, disposals and transfers during the financial year	Financial statements with notes for Sava d.d. – Items 2.4.1, 2.4.2, 2.4.3, 2.4.4, and 2.4.5.	-

Ser. No.	Content of disclosures under Article 69 of the (paragraph) Item	Note in Annual Report Item:	Other notes
	- the total amount of value adjustments at beginning and end of financial year,	Financial statements with notes for Sava d.d. – Items 2.4.1, 2.4.2, 2.4.3, 2.4.4, and 2.4.5.	-
	- value adjustments accounted for during the financial year,	Financial statements with notes for Sava d.d. – Items 2.4.1, 2.4.2, 2.4.3, 2.4.4, and 2.4.5.	-
	- movements in aggregated value adjustments relative to acquisitions, disposals and transfers during the financial year,	Financial statements with notes for Sava d.d. – Items 2.4.1, 2.4.2, 2.4.3, 2.4.4, and 2.4.5.	-
	- borrowing costs related to the acquisition of fixed assets that are included in their cost.	-	N/A
(3)2.	Where financial instruments are measured at historical cost:		-
	- for each class of derivative, data on the scope and type of instrument, including its fair value if it can be determined using one of the methods prescribed in the first indent of paragraph three of Article 67,	Financial statements with notes for Sava d.d. – Item 2.5.3	-
	- in the case of financial fixed assets disclosed in an amount exceeding their fair value, the carrying amount and the fair value of individual assets or an appropriate group of these individual assets and the reasons for the non-reduction of their carrying amount, including the nature of the evidence on which the assumption that the carrying amount will be re-acquired is based.		N/A
(3)3.	The total amount of remuneration received by the Company's management, other employees working under a contract for which the wage section of the collective agreement does not apply and remuneration received by members of the supervisory board, separately for each of these groups of persons.	Financial statements with notes for Sava d.d. – Item 2.5.6	-
(3)4.	Data for each company in which the Company has at least a 20% equity interest, either directly or through a person acting on behalf of the Company: its corporate name and registered office, the amount of its equity interest and the amount of its equity and of its profit or loss for the financial year	Subsidiaries in the Sava Group and investment in an associate: the disclosures are listed in the financial report for the Sava Group.	Note under Item 2.4.4; the investment into Gorenjska banka d.d. is classified as available-for-sale, but its operating figures are not yet publicly available.
(3)5.	If the Company has authorised capital or has conditionally increased its share capital: the amount of authorised capital and the lowest issue price of shares issued during the financial year for authorised capital or on the basis of the conditional increase in the share capital		N/A
(3)6.	If the Company has issued more than one class of shares: the number shares in each class and their minimum issue price		N/A
(3)7.	If the Company has issued dividend bonds, convertible bonds, bonds with pre-emptive right to purchase shares or other securities giving the holder the right to participate in the Company's profits or the right to buy or to convert each of these types of securities into the Company's shares: their number and the rights arising from them		N/A
(3)8.	If the Company is a member of another company and is personally liable without limitation for the debts of this company: the corporate name, the registered office and the legal form of such other company		N/A
(3)9.	The corporate name and registered offices of the controlling company that compiles a consolidated annual report for the broadest circle of group companies and in relation to which the Company is a subsidiary and where the consolidated annual report can be obtained	Financial statements with notes for Sava d.d. – Item 2.1	Sava d.d. is the controlling company which compiles a consolidated annual report for the broadest circle of group companies.
(3)10.	The corporate name and registered offices of the controlling company which compiles a consolidated annual report for the narrowest circle of group companies and in relation to which the Company is a subsidiary, and where the consolidated annual report can be obtained		N/A
(3)11.	The proposed distribution of profit or treatment of loss and the distribution of profit or treatment of loss.	Financial statements with notes for Sava d.d. – Item 2.4.10	-
(3)12.	The type and objective of the Company's operations that are not shown on the Company's balance sheet and their impact on the Company, if the risks and benefits of such operations are significant and the disclosure of such risks or benefits is necessary for the assessment of the Company's financial position.		N/A
(3)13.	The nature and financial impact of significant events occurring after the end of the financial year and which are not included in the financial statements.	Financial statements with notes for Sava d.d. – Item 2.5.8	-
(3)14.	Transactions initiated by the Company with related parties, the amounts of such transactions, the nature of relationship with related parties and other transaction data, if these transactions are significant and are not carried out under normal market conditions		N/A

Ser. No.	Content of disclosures under Article 69 of the (paragraph) Item	Note in Annual Report Item:	Other notes
(3)15.	A breakdown and clarification of the amounts of the provisions shown under the "other provisions" item if the amount of such provisions is significant		N/A
(3)16.	If the income statement is prepared in accordance with the provisions of paragraph three of Article 66: the amount of the labour costs for the financial year referred to in point 6 of paragraph two of Article 66		N/A
(3)17.	A breakdown of capital surplus in accordance with paragraph one of Article 64	Financial statements with notes for Sava d.d. – Item 2.4.10	-
(3)18.	Average number of employees during the financial year, divided by category.	Business Analysis/Item 3 – Business operations of Sava d.d.	-
(3)19.	If the Company has deferred tax assets, the deferred tax balances at end of financial year and their movement during the financial year.	-	N/A
(4)1.	A breakdown of net sales revenues by individual areas of the Company's operations or by individual geographical markets, if these differ significantly from each other in terms of organisation of the sale of products and the provision of services		N/A
(4)2.	The amount paid to the auditor for auditing the Annual Report and separately the amount paid to this auditor for: other assurance services, tax advisory services and other non-audit services.	Financial statements with notes for Sava d.d. – Item 2.5.7	In 2018, no agreements were concluded with Deloitte revizija d.o.o. for other assurance services, tax advisory services or other non-audit services.

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