Annual Report 2021

Sava, d.d. and the Sava Group

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Sava, d.d.
Dunajska cesta 152
1000 Ljubljana

T 04 206 5510 E info@sava.si
F 04 206 6446 W www.sava.si

Introductory clarifications

1. Statement by the Chairman of the Board of Directors

Dear reader,

The year of 2021 was a successful business year for the Sava Group despite the challenges brought on mainly by the external environment. In accordance with the Strategy of the Sava Group and Sava, d.d., Sava, d.d. continued its consolidation and the Group remains financially stable and is ready for further development.

In 2021, the epidemic required the continuation of the continuous adjustment of the operations of both the parent company Sava, d.d. and the Sava Turizem, d.d. company. Tourist capacities were mostly closed until May or June, while the rest of the year, especially the summer season, was successful for Sava Turizem, d.d. and comparable to the business results before the epidemic. The measures under the law to curb the Covid-19 epidemic and mitigate its consequences for citizens and the economy, to which Sava Turizem, d.d. was entitled, contributed significantly to the improved result in 2021.

In addition to supporting Sava Turizem, d.d. in doing business in the circumstances related to the Covid-19 epidemic, activities at Sava, d.d. focused primarily on regulating the maturity of financial liabilities that required the unity of all creditors or owners. Despite a significant surplus of assets over liabilities and in order to avoid the risk of insolvency, the Company prepared all the bases and carried out activities for the implementation of alternative methods of repayment of financial liabilities. Aiming to gain time to unify the creditors (that are also the largest owners of the Company) with regard to the method of repayment or the further development of Sava, d.d., the maturity of the financial liabilities of Sava, d.d. was arranged until 30/06/2022. Due to the epidemic-related restrictions, Sava, d.d. simultaneously continued to cut costs and, observing the applicable Strategy, also the substantive integration of Sava, d.d. and Sava Turizem, d.d., which in turn led to organisational changes at both companies. The substantive integration of the companies continues in 2022 as well.

In 2021, the Sava Group generated consolidated sales revenue worth EUR 70.1 million, EBITDA of EUR 19.5 million, which is a 22.5% EBITDA margin and net profit of EUR 2.2 million. Investments in the amount of EUR 4.3 million were realised. The Group ended the financial year with sufficient liquid assets and is financially stable.

The year of 2022 will be a challenging one for the tourism industry as further agility will be required in view of the changes and elevated risks in the environment. The expected recovery of the industry after the epidemic will depend on what happens in the international environment, which will importantly affect the structure of guests, whereby challenges are expected mainly in the area of securing the labour force and price growth.

The year of 2022 also represents an important milestone for the further development of the tourism-oriented Sava Group. The consolidation of ownership of the parent company will also contribute to the long-term regulation of financial liabilities. The Group needs to prepare a new strategy for the Sava Group and Sava, d.d., which observes both the guidelines of the owners and the recently adopted Slovenian Tourism Strategy 2022–2028 dealing with sustainable growth of the industry. Regardless of the turbulent environment, it is essential for the further successful development that the Sava Group – as the largest tourism group in Slovenia – continues on its development path and works with all stakeholders in the field of environmental, social and economic dimensions of sustainable growth.

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

2. 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:	**04 206 5510**
Fax:	**04 206 6446**
E-mail:	**info@sava.si**
Website:	**www.sava.si**
Chairman of the Board of Directors:	**Klemen Boštjančič**
CEO:	**Gregor Rovanšek**
Company registration no.:	**5111358**
VAT ID no.:	**SI75105284**
Principal activity:	**64.200 Activities of holding companies**
Entry in the Companies Register:	**08/09/1989, file no. 10024800**
Share capital as at 31/12/2021:	**EUR 29,082,968.00**
Number of shares issued (SAVR) as at 31/12/2021:	**29,082,968 ordinary, freely transferable registered no-par value shares with the value of EUR 1.00 per share**

3. Ownership structure of Sava, d.d.

The ownership structure of Sava, d.d. consists of 22 shareholders, **54.7% of whom are domestic and 45.3% are foreign shareholders.** The foreign shareholders are from Luxembourg and Serbia.

The share of legal entities represented 99.9% and that of natural persons 0.1% of all of the Company's shareholders. The top 10 shareholders own 99.8% of total Company equity.

Ownership structure by category as at 31/12/2021 (in %)

54,7%
Domestic shareholders

45,3%
Foreign shareholders

99,9%
Legal entities

0,1%
Natural persons

Top 10 shareholders as at 31/12/2021

Top 10 shareholders	Ownership share	Number of shares
YORK GLOBAL FINANCE OFFSHORE BDH	43.23%	12,571,257
KAPITALSKA DRUŽBA, D.D.	28.05%	8,156,719
SDH, d.d.	18.69%	5,435,028
OBVEZNIŠKI SKUPNI POKOJNINSKI SKLAD Z ZAJAMČENIM DONOSOM (JOINT PENSION BOND FUND WITH GUARANTEED RETURN)	2.73%	795,240
ZAVAROVALNICA TRIGLAV, d.d.	2.35%	684,046
M&V INVESTMENTS AD BEOGRAD	2.09%	607,729
NOVA KBM d.d.	1.71%	496,851
SALUS, Ljubljana, d.d.	0.53%	154,866
VILLAGER d.o.o.	0.23%	67,508
Triglav PD, d.d.	0.21%	61,946
Top 10 shareholders total	**99.82%**	**29,031,190**
Other shareholders	0.18%	51,778
TOTAL	**100.00%**	**29,082,968**

Members of the Board of Directors and CEO who own the shares of Sava

Members of the Board of Directors and the CEO do not own the shares of Sava, d.d.

Share book value

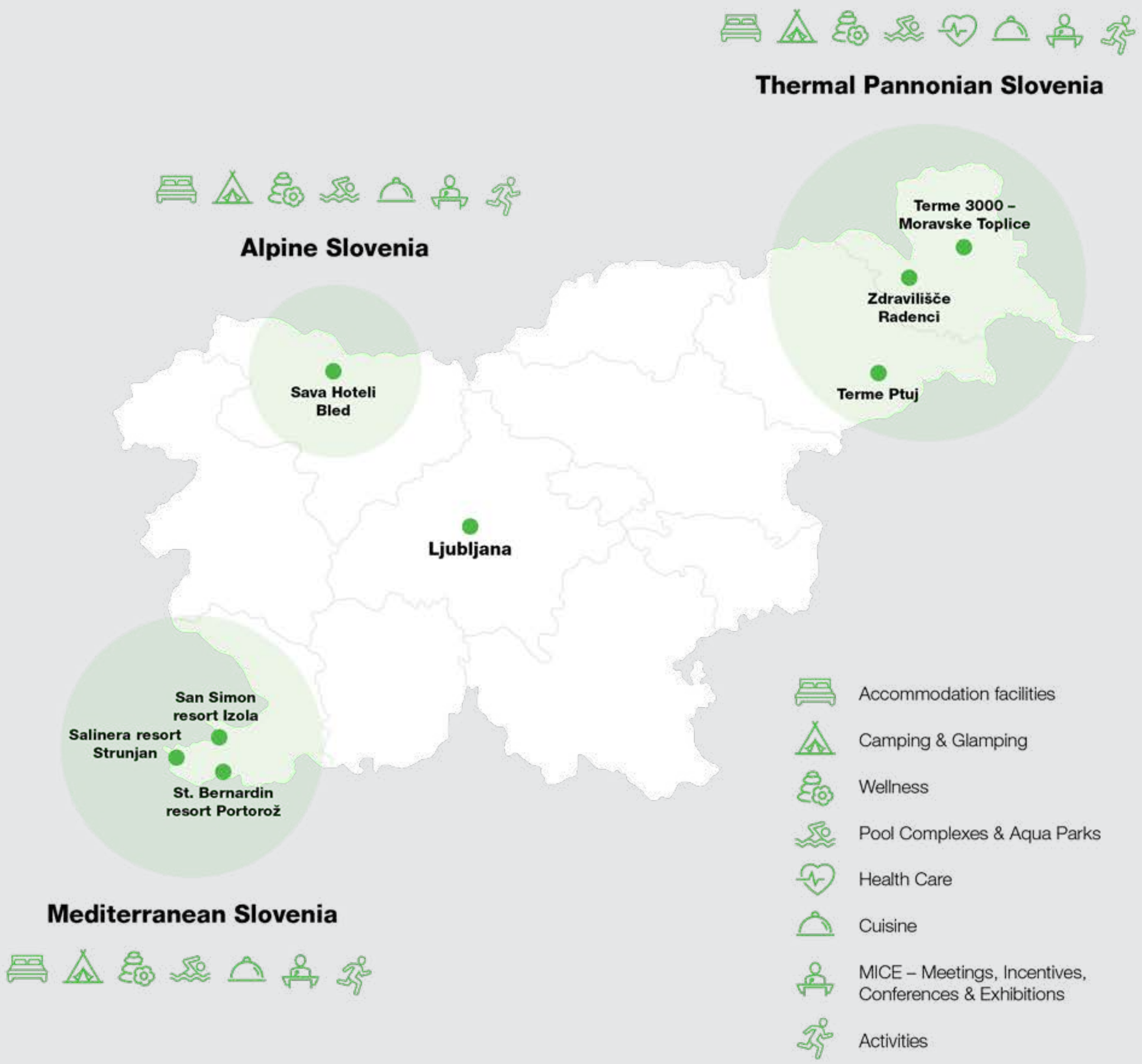
The book value of each Sava, d.d. share as at 31/12/2021 was EUR 3.47.

Authorised capital and conditional increase of share capital

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

4. Presentation of the Sava Group

By pursuing the Strategy adopted for the period 2019–2023, the Sava Group became an exclusively tourism-oriented group of companies. Sava Turizem, d.d. is the largest provider of tourism services in Slovenia, offering facilities in Alpine, Thermal Pannonian and Mediterranean Slovenia. Its destinations include: Bled, Portorož, Izola, Strunjan, Moravske Toplice, Ptuj and Radenci are among the most recognisable tourist destinations in Slovenia.



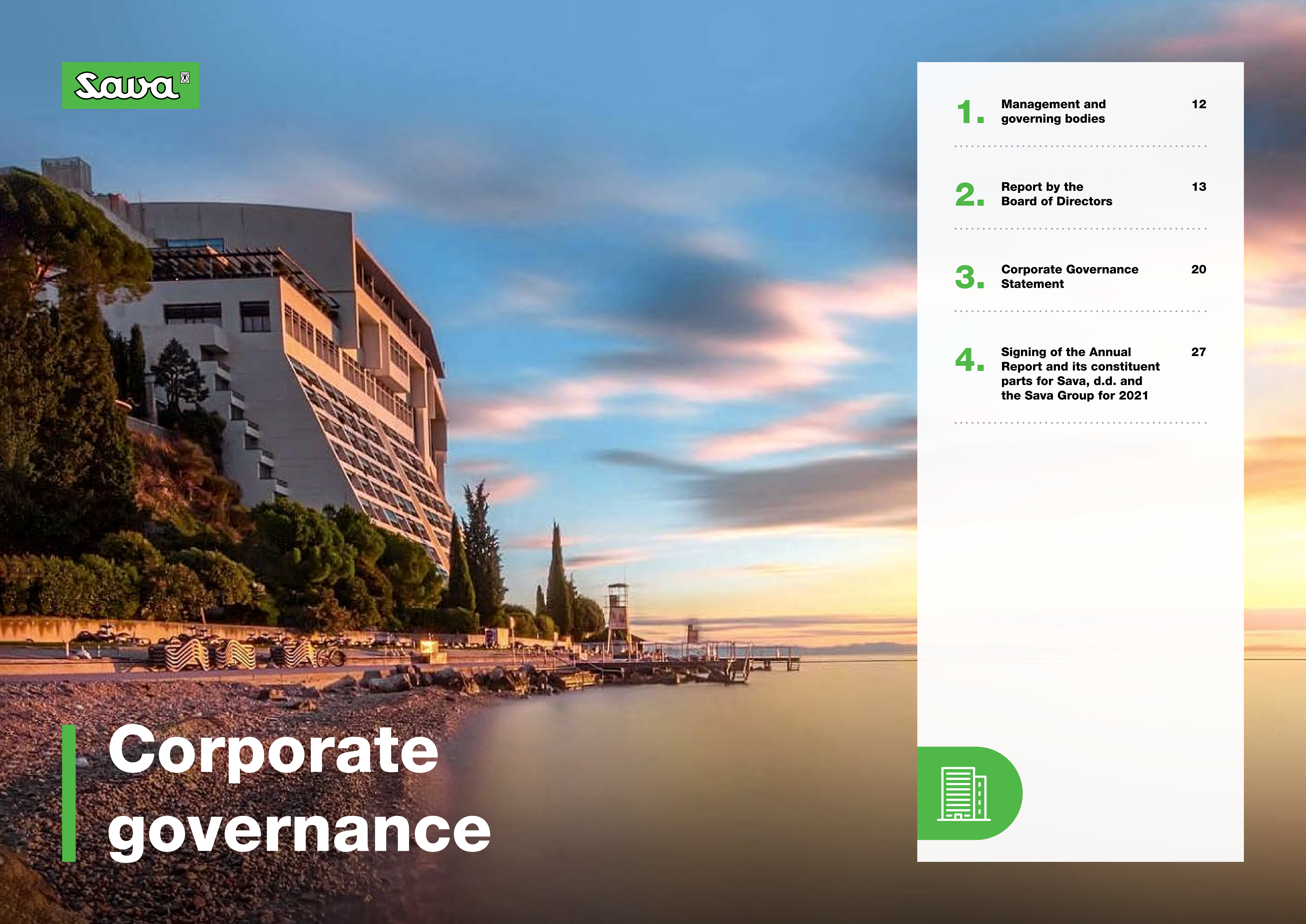
At the end of 2021, the Sava Group consisted of the parent company Sava, d.d., which is the management centre of the Group, and the leading tourism company Sava Turizem, d.d., as well as two dormant companies Sava Zdravstvo, d.o.o. and BLS Synergies, d.o.o. The ownership share in Zavod SEIC Ptuj decreased to 24%, which is why the company was classified as an associated company.

5. Financial highlights and performance indicators of the Sava Group

Financial highlights and performance indicators of the Sava Group

in EUR million

CONSOLIDATED INCOME STATEMENT	2017	2018	2019	2020	2021
Sales	74.7	76.6	109.7	55.2	70.1
Profit or loss before tax	6.4	5.4	33.2	-10.5	2.4
Net profit or loss	5.9	4.8	30.0	-10.5	2.2
EBITDA	13.7	15.1	20.5	5.1	19.5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**
Total assets	231.7	232.5	262.6	275.1	281.7
Non-current assets	164.7	170.0	228.8	238.3	227.9
Current assets	67.0	62.5	33.9	36.8	53.8
Equity	37.2	54.1	117.9	106.7	108.5
Long-term debts	174.9	48.0	64.3	91.6	84.6
Short-term debts	19.6	130.4	80.5	76.8	88.6
Fixed capital formation	13.5	12.6	13.3	26.4	4.3
INDICATORS					
Net earnings/loss per share – EUR	0.27	0.20	1.02	-0.35	0.06
Equity financing rate (equity / liabilities) – in %	16	23	45	39	39
Current ratio (current assets / current liabilities) – %	342	48	42	48	61
ROE – %	17.9	11.1	42.3	-8.9	2.0
EBITDA margin	18.2%	19.1%	18.1%	8.0%	22.5%
Net financial debt / EBITDA	11.2	9.2	4.0	20.2	4.0
Share of investments in net sales revenues	18.0%	12.1%	12.1%	47.9%	6.2%
SHARE					
Book value – EUR	1.7	2.3	3.8	3.4	3.5
NUMBER OF EMPLOYEES					
As at the last day of the period	1,029	1,030	1,385	1,129	1,154



Corporate governance

1. Management and governing bodies

Board of Directors

Klemen Boštjančič, Chairman

Dejan Rajbar, Deputy Chairman

Vanessa Grmek, Member

Matej Narat, Member

Aleš Škoberne, Member

CEO

Gregor Rovanšek

A comprehensive presentation of the management and governing bodies and their respective committees is provided in the Annual Report of Sava, d.d. and the Sava Group for 2021 and in the Corporate Governance Statement (Composition of the management or the Board of Directors in the 2021 financial year).

2. Report of the Board of Directors

Introductory clarifications

The 32nd regular General Meeting of Sava, d.d. was held on 21 December 2021 where the General Meeting:

- found that the five-year term of office of the shareholders' representatives Klemen Boštjančič, Aleš Škoberne and Dejan Rajbar expired on 28/12/2021;
- adopted a resolution on the award of a five-year term of office to the newly elected members – shareholders' representatives Klemen Boštjančič, Aleš Škoberne and Dejan Rajbar starting on 29/12/2021.

On 07/01/2022 the 93rd meeting of the Board of Directors was held where the Board of Directors:

- appointed Klemen Boštjančič as Chairman of the Board of Directors;
- appointed Dejan Rajbar as Deputy Chairman of the Board of Directors.

Composition of the Board of Directors

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

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

The members of the Board of Directors have a duty to inform the Board of Directors about any potential conflict of interest, which did not exist in 2021. In 2021 and 2022, the members of the Board of Directors signed the Statement of Independence, in which all of them declared themselves to be independent members.

The Board of Directors of Sava, d.d. comprised five members as at 31/12/2021:

A. shareholders' representatives:

- Klemen Boštjančič, Chairman
  from 28/12/2016 to 29/12/2026
- Dejan Rajbar, Deputy Chairman
  from 28/12/2016 to 29/12/2026
- Vanessa Grmek, Member
  from 08/05/2019 to 08/05/2024
- Aleš Škoberne, Member
  from 28/12/2016 to 29/12/2026

B. employee representative:

- Matej Narat, Member
  from 31/10/2017 to 30/06/2025

Report on the work of the Board of Directors

In 2021, the Board of Directors regularly monitored and supervised the operations of Sava, d.d. and the Sava Group and held a total of 21 meetings, one of which was a correspondence meeting. All members regularly attended the meetings, actively participated in the meetings and adopted decisions for the benefit of the Company.

Presentation of the work of the Board of Directors by sets of most important activities:

A. Verification and confirmation of the Annual Report of Sava, d.d., and the Annual Report of the Sava Group for the 2020 financial year

At its 78th regular meeting held on 31/03/2021, the Board of Directors addressed the Annual Report of the Company and the Group for the 2020 financial year and:

- noted that the CEO compiled the Annual Report of Sava, d.d. and the Sava Group for 2020 and submitted them together with the Auditor's Reports of the selected auditor, Deloitte revizija d.o.o., to the Board of Directors for verification and approval;
- determined that the Audit Committee proposed that the Board of Directors confirm the audited Annual Reports of Sava, d.d. and the Sava Group for 2020;
- verified and confirmed the Annual Report of Sava, d.d. and the Annual Report of the Sava Group for 2020;
- acknowledged the information from the CEO on the amount of the accumulated loss of Sava, d.d. and on the remuneration of the members of the management and supervisory bodies received for the performance of their tasks at the Company in 2020.

At its 78th regular meeting held on 31/03/2021, the Board of Directors considered and adopted proposed resolutions regarding the 2020 Annual Report, i.e. for the convocation of the 31st General Meeting relating to:

- familiarisation with the audited Annual Report of Sava, d.d. for 2020, the audited consolidated Annual Report of the Sava Group for 2020 and the written report by the Board of Directors for 2020;

- information on the remuneration of the members of the Board of Directors and the CEO of the Company and the members of the management and supervisory bodies of the controlling company's subsidiaries for the 2020 financial year as well as the information on the CEO remuneration policy and the remuneration policy for the members of the subsidiaries' management bodies;
- information on the amount of the accumulated loss as at 31/12/2020;
- granting discharge from liability to the Company's Board of Directors for 2020;
- appointment of BDO Revizija d.o.o., Cesta v Mestni log 1, 1000 Ljubljana, as the auditor of the Financial Statements of Sava, d.d. and the Sava Group for the 2021–2023 financial period.

The 31st General Meeting of the Company was held on 25/05/2021.

B. Refinancing of the financial liabilities of Sava, d.d.

As of the conclusion of Annex no. 2 of the Rescheduling Agreement, Sava, d.d. carried out activities in parallel to achieve the goals defined in the Annex, the realisation of which requires a unified position of creditors. Activities included both the preparation for further consolidation in accordance with the Strategy of the Sava Group and Sava, d.d. 2019–2023, as well as an alternative – the sale of the ownership stake in Sava Turizem, d.d. Considering the circumstances and the risk of insolvency presented to the creditors under the ZFPPIPP at the maturity of Annex no. 2, Annex no. 3 was concluded, which postponed the maturity of the financial liabilities of Sava, d.d. until 30/09/2021 and temporarily suspended the process of selling off the financial investment in Sava Turizem, d.d.

In view of the maturity of Annex no. 3 on 30/09/2021 and market conditions, Sava, d.d. prepared the bases for various scenarios of repayment of financial liabilities, which would enable creditors or owners to take a decision regarding the further development of the company at the following General Meeting of the Company.

The Executive Director regularly informed the Board of Directors in writing about the progress of the aforementioned activities. Based on the finding that further refinancing is the only realistic option to prevent the insolvency of Sava, d.d., the Board of Directors of Sava, d.d. adopted a resolution agreeing to the conclusion of Annex no. 4., which was signed on 30/09/2021 and which postponed the due date of financial liabilities until 30/06/2022, changed the interest rate, and defined the suspension of all activities in the process of selling shares of Sava Turizem, d.d. for a period of 6 months from the first working day of the signing of the Annex by all parties.

In the period from the 75th session to the 89th session, the Board of Directors regularly discussed the topic of refinancing financial liabilities and various scenarios of their repayment, whereby it:

- was briefed on the binding statement of KAD and SSH for the extension of the financing of receivables due from Sava, d.d. and of the position of the creditor YORK, and also actively participated in the preparation of letters to creditors and calls for the negotiation of better refinancing conditions;
- instructed the CEO to prepare a risk analysis and possible solutions in case of a failed refinancing of Sava, d.d., and familiarised itself with the prepared document;
- instructed the CEO to inform the creditors who are also the owners of the obtained non-binding offers in the sales process of the financial investment in Sava Turizem, d.d., and urged them to inform Sava, d.d. in a timely manner about other agreements reached between the creditors who are also owners and who could influence the decision-making of the Board of Directors;
- instructed the CEO to carry out all the necessary procedures related to the possible holding of the General Meeting in September 2021 to discuss the following:
  a) conditions for long-term refinancing of financial liabilities; b) debt-to-equity conversion; c) sale of assets of Sava, d.d. (investments in Sava Turizem, d.d.);
- was briefed on the information regarding the progress of activities for possibly holding the 32nd General Meeting of Shareholders of Sava, d.d., confirmed the content of the draft convocation of the General Meeting and instructed the CEO to continue with the preparatory activities (in cooperation with the selected providers and legal advisors) for the timeline of the procedure for increasing the Company's share capital with the in-kind contribution of the creditors' claims into the capital;
- ordered the CEO to immediately complete all procedures and prepare the convocation of the 32nd General Meeting of Sava, d.d. to discuss: a) the conversion of debt into capital, b) the sale of Sava Turizem, d.d. as a key asset of Sava, d.d., and c) conditions for refinancing the financial liabilities of Sava, d.d. The General Meeting was not convened;
- on the basis of the discussion and identification of risks, proposed the preparation of a "fairness opinion" regarding the refinancing terms and conditions and among them the key question of the suitability of the interest rate. Sava, d.d. did not receive the consent of the creditors for the placing of the order for the preparation of the opinion, which is why the activities were stopped;
- in view of the activity for the preparation of the fairness opinion being stopped and in view of the decision taken not to convene the General Meeting of Sava, d.d., and in view of the fact that Sava, d.d. received draft Annex no. 4 to the Rescheduling Agreement, the Board approved the order placed with external contractors for the preparation of an independent expert opinion on the suitability of the interest rate and for the preparation of an independent expert opinion on the suitability of the interest rate for short-term refinancing and familiarised itself with the received documents;
- agreed to the conclusion of Annex no. 4 to the Rescheduling Agreement.

C. Business reorganisation of Sava, d.d.

The Strategy of the Sava Group and Sava, d.d. envisages – in addition to the continuation of cost consolidation activities as the last step in the final organisation of the Group – the merger of Sava, d.d. and Sava Turizem, d.d. into one entity, which proved to be the only sustainable business situation on the external market with the completion of the managed refinancing of Sava. Even before the formal merger, Sava, d.d. commenced activities on both substantive and legal-formal integration.

At the 80th meeting of the Board of Directors of Sava, d.d. held on 22/04/2021, the previous resolutions of the Management Board and Supervisory Board of Sava Turizem, d.d. served as the basis for a discussion of the proposal for the transfer of the employees of Sava, d.d. to Sava Turizem, d.d. with the aim of strengthening its HR structure.

The Board of Directors adopted the following decisions in connection with the business reorganisation:

- it was briefed on the information regarding the employment of a CEO at Sava Turizem, d.d., and the conclusion of a new agreement on the performance of the function of the CEO of Sava, d.d.;
- it appointed Gregor Rovanšek as the CEO of Sava, d.d. for a term of office for the period of 5 years, starting on 28/12/2021;
- it was briefed on the plan and supported the proposal to re-employ some of the employees from Sava, d.d. at Sava Turizem, d.d.;
- on the proposal of the Audit Committee, it concluded an agreement on the termination of the agreement on the provision of internal audit services of Sava, d.d. for Sava Turizem, d.d.;
- on the proposal of the Audit Committee, it concluded a contract on the provision of internal audit services for the needs of Sava, d.d. with Sava Turizem, d.d.

D. Other activities of the Board of Directors

Some of the other activities are highlight below:

- familiarisation with the process of the sale of the financial investment of Sava, d.d. in Sava Turizem, d.d. until the moment when the activities were stopped based on the provisions of Annex no. 3 and the resolution of the Board of Directors as well as the provisions in Annex no. 4;
- familiarisation with the progress of the preparatory activities for the merger of Sava, d.d. and Sava Turizem, d.d., which cannot continue until the relations and positions of the creditors or owners of the Company have been finally reconciled and their consent to the continuation of the merger process has been obtained;
- familiarisation with activities regarding the exit or possible exclusion of minority shareholders;
- on the proposal of the Audit Committee, confirmation of the termination of the agreement on the performance of audits and other assurance provisions services for the 2019–2021 period with Deloitte Revizija d.o.o. due to the appointment of a new auditor;
- on the proposal of the Audit Committee, confirmation of the conclusion of the agreement on the auditing of financial statements for the 2021–2023 period with the selected auditor – BDO Revizija d.o.o.;
- briefing on and confirmation of the quarterly reports on the operations of Sava, d.d. and the Sava Group;
- acceptance of the Report on the Work of the Internal Audit for 2020;
- approval of the Report on the Work of the Audit Committee in 2020;
- approval of the Report on the Work of the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism in 2020;
- acceptance of the Business Plan of Sava, d.d. for 2022 and familiarisation with the Business Plan of the Sava Group for 2022;
- familiarisation with the revised Corporate Governance Code for Companies with State Capital Investments;
- selection of an external provider and familiarisation with the Report on the Evaluation of the Effectiveness of the Work of the Board of Directors of Sava, d.d.;

- confirmation of the tentative plan of meetings for the 2022 financial year together with the expected content of each meeting and familiarisation with the plan of meetings of the Audit Committee for the 2022 financial year;
- confirmation of the agenda and materials for the 32nd General Meeting of Shareholders of Sava, d.d., which was held on 21/12/2021, and at which three members of the Board of Directors were newly elected due to the expiration of their terms of office.

Work of the Board of Directors' committees

In 2021, 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.

Audit Committee

On 17/02/2022, the 94th meeting of the Board of Directors was held and where:

- it was established that the function in the Committee of member Dejan Rajbar and external members of the Audit Commission Milan Marinič and Janko Gedrih ended on 28/12/2021;
- a resolution was adopted on the appointment of the Audit Committee consisting of Dejan Rajbar, Chairman, Vanessa Grmek, member and Urška Kiš, external member.

In 2021, the Audit Committee worked in a composition of four members, which did not change during the year. In 2021, the Committee held a total of five meetings, two of which were correspondence meetings.

The work of the Audit Committee was carried out in accordance with the applicable legislation and the adopted rules of procedure.

The members of the Audit Committee have a duty to inform the Board of Directors about any potential conflict of interest, which did not exist in 2021. In 2021 and 2022, the members of the Audit Committee signed the Statement of Independence, in which all of them declared themselves to be independent members.

The Audit Committee consisted of four members until 28/12/2021:

- Dejan Rajbar, Chairman
  from 06/01/2017 to 28/12/2021
- Vanessa Grmek, Member*
  from 14/05/2019 to 08/05/2024
- Milan Marinič, External Member
  from 06/01/2017 to 28/12/2021
- Janko Gedrih, External Member
  from 06/01/2017 to 28/12/2021

** the function of the member of the Audit Committee did not end on 28/12/2021.*

As of 17/02/2022, the Audit Committee consists of three members:

- Dejan Rajbar, Chairman
  from 17/02/2022 to 29/12/2026
- Vanessa Grmek, Member
  from 14/05/2019 to 08/05/2024
- Urška Kiš, External Member
  from 17/02/2022 to 17/02/2027

Summary of major activities and the resolutions of the Audit Committee:

- in the process of adopting the Annual Report, it was briefed on the Audited Annual Report of Sava, d.d. and the Audited Annual Report of the Sava Group for 2020, with the proposal for the report of the Board of Directors, with the content of the auditor's reports, with additional explanations regarding the Reports of the Independent Auditor submitted by the certified auditor of Deloitte Revizija, d.o.o., and with the Report on the Auditor's Services in 2020;
- it gave a positive assessment of the compilation of the annual reports and proposed to the Board of Directors that it approve the Audited Annual Report of Sava, d.d. and the Audited Annual Report of the Sava Group for 2020;
- in the process of selecting an auditor, it was briefed on the proposed procedure for selecting an auditor for the audit of the Financial Statements of the Sava Group for the 2021–2023 Period and approved it. Based on the short list auditor selection procedure, it proposed to the Board of Directors that BDO Revizija, d.o.o., be selected as the auditor of the Sava Group for the 2021–2023 period and for the proposal to be submitted to the Company's General Meeting;
- approved the agreement on the auditing of the financial statements for the 2021–2023 period concluded with the selected auditor – BDO Revizija d.o.o., and proposed the conclusion of the agreement to the Board of Directors;
- agreed to the early termination of the agreement for the performance of audits and other assurance provision services for the 2019–2021 period, which was concluded with Deloitte Revizija d.o.o., due to the appointment of a new auditor, and proposed the termination of the agreement to the Board of Directors;
- related to the activities of the Internal Audit, it was briefed on the Report on the Work of the Internal Audit of the Sava Group for 2020 and proposed to the Board of Directors to accept the report;
- approved the submitted Internal Audit project plans for 2021 and 2022 and proposed to the Board of Directors to grant its consent to the same;
- was briefed on the Internal Audit Report on Risk Management in the Implementation of the Financial Restructuring Plan of Sava, d.d.;
- was briefed on the Report on the Monitoring of Key Risks at Sava, d.d. and at the Sava Group;
- approved the agreement on the termination of the agreement on the performance of internal audit services by Sava, d.d. for Sava Turizem, d.d., and proposed the conclusion of the agreement to the Board of Directors;
- approved the agreement on the performance of internal audit services of Sava Turizem, d.d. for Sava, d.d., and proposed the conclusion of the agreement to the Board of Directors;

as regards other activities:

- accepted the Report of the Audit Committee on the Work of the Audit Committee of the Board of Directors of Sava, d.d. in 2020 and proposed that the Board of Directors that it accept the report;
- was briefed on the "Statements of Independence of Members of the Board of Directors/Committees of Sava, d.d.", in which all members declared themselves as independent members of the Board of Directors or committees;
- was briefed on the Monthly Report on the Operations of Sava, d.d. in the January–December 2020 period;
- was briefed on the current quarterly reports on the operations of Sava, d.d. and the Sava Group and submitted them to the Board of Directors for approval;
- was briefed on the information regarding the progress of the pre-audit of Sava, d.d. for the 2021 financial year;
- adopted the plan of meetings in 2022 together with the planned content.

Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism

The Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism operated with a five-member composition in 2021. In 2021, the Committee held two meetings, both of which were correspondence meetings.

The Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism comprised of five members until 28/12/2021:

- Matej Narat, Chairman*
  from 02/06/2017 to 30/06/2025
- Klemen Boštjančič, Member
  from 02/06/2017 to 28/12/2021
- Aleš Škoberne, Member
  from 02/06/2017 to 28/12/2021
- Vanessa Grmek, Member*
  from 14/05/2019 to 08/05/2024
- Milan Marinič, External Member
  from 02/06/2017 to 28/12/2021

**the function of the Chairman and member did not end on 28/12/2021.*

The Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism comprises five members as of 07/01/2022 based on the resolution taken at the 93rd meeting of the Board of Directors:

- Matej Narat, Chairman
  from 02/06/2017 to 30/06/2025
- Klemen Boštjančič, Member
  from 07/01/2022 to 29/12/2026
- Aleš Škoberne, Member
  from 07/01/2022 to 29/12/2026
- Vanessa Grmek, Member
  from 14/05/2019 to 08/05/2024
- Milan Marinič, External Member
  from 07/01/2022 to 07/01/2027

Summary of major activities of the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism:

In 2021, the committee continued the work related to the adopted Strategy of the Sava Group and Sava, d.d. for the 2019–2023 period and the integration of Hoteli Bernardin, d.d. into the Sava Group by regularly monitoring the implementation of the programme of post-integration activities and the synergistic effects achieved, which it did together with the Board of Directors of Sava, d.d. through the quarterly reports that Sava, d.d. that are prepared by the latter in accordance with the provisions of the Rescheduling Agreement for existing creditors.

Furthermore, it monitored and directed the activities of the merger process of Sava, d.d. and Sava Turizem, d.d., as well as the parallel activities of the sales process of Sava Turizem, d.d., until the conclusion of Annex no. 3 to the Rescheduling Agreement in accordance with Annex no. 2 of the Rescheduling Agreement.

As part of the activities of the merger process, all the preparatory activities of the process, which could take place in the companies independently of the decisions of the creditors and owners of both companies, were completed during this period.

As part of the implementation of the activities of the sales process of Sava Turizem, d.d., the committee familiarised itself with the timeline of the sales process, and proposed to the Board of Directors of Sava, d.d. that it approve the content of the sales documentation: teaser and information memorandum, a long list of potential investors, the Agreement on the Protection of Confidential Information and procedural letter I, and also appointed a virtual data room provider.

Since the end of May 2021 onwards, all activities in the process of selling 95.47 per cent of the shares of the issuer Sava Turizem, d.d. have been temporarily suspended on the basis of:

- the conclusion of Annex no. 3 of the Rescheduling Agreement; sales activities were temporarily suspended from the end of May until 22/06/2021;
- as of 22/06/2021, the sales process was temporarily suspended in accordance with the resolution of the Board of Directors of Sava, d.d.;
- conclusion of Annex no. 4 to the Rescheduling Agreement dated 30/09/2021, which stipulates the suspension of all activities of the sale of strategic investments for a period of 6 months from the first working day after the signing of said annex by all contractual parties, i.e. by and including 31/03/2022.

The members of the committee have a duty to inform the Board of Directors about any potential conflict of interest, which did not exist in 2021. In 2021 and 2022, the members of the committee signed the Statement of Independence, in which all of them declared themselves to be independent members.

Operating expenses of the Board of Directors

The costs of liability insurance for the Board of Directors and the costs of an external provider of performance evaluation of the work of the board of directors amounted to EUR 37 thousand in 2021. The remuneration of members of the Board of Directors and members of committees is disclosed in the accounting part of the Annual Report of Sava, d.d.

Assessment of the work of the CEO and the Board of Directors

The members of the Board of Directors actively participated in meetings, put forward reasoned proposals and comments in the discussion, and performed their function with a great sense of responsibility. Cooperation between the Board of Directors and the CEO was good; communication was regular and open. The CEO provided the Board of Directors with all of the necessary information professionally, conscientiously and in a timely, i.e. in the form of high quality reports and materials that the Board of Directors relied upon for effective and uninterrupted performance of its function. The Board of Directors implemented the resolutions of the Board of Directors in a timely and efficient manner. Together with the CEO, the Board of Directors had been successfully overcoming the challenges and managing the risks arising from the business circumstances.

As in the preceding years, the Board of Directors and the external provider carried out an evaluation in 2021 of the effectiveness of the Board of Directors' work or self-assessment. It was carried out using the Supervisory Board Assessment Manual published by the Slovenian Directors' Association.

There are noticeable fluctuations in the average overall assessment of all areas from 2018 to 2021, but the average self-assessment of the effectiveness of the Board of Directors rises regardless of the rise and fall in different years. Unity of positions is declining, but at the same time, other areas of unity appear every year. The Board of Directors is a highly professional body and is both homogeneous and heterogeneous in absolute terms.

In accordance with the recommendations of the Code of Corporate Governance of Companies with State Capital Investment, the evaluation of the effectiveness of the work of the Board of Directors will also be carried out in the 2022 financial year.

The Board of Directors finds that the CEO and the Board performed their work well and successfully in 2021 as well as that they pursued the set goals and minimisation of risks arising from the changed business circumstances.

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 2021 in all material respects.

Approval of the Annual Report and the Consolidated Annual Report

At its 97th meeting held on 30/05/2022, the Board of Directors verified and confirmed the two annual reports for 2021.

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 2021 and the Consolidated Annual Report of the Sava Group for 2021.

Ljubljana, 30/05/2022

Board of Directors of Sava, d.d.

Klemen Boštjančič, Chairman

Dejan Rajbar, Deputy Chairman

Vanessa Grmek, Member

Matej Narat, Member

Aleš Škoberne, Member

3. Corporate Governance Statement

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 Corporate Governance Statement 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 31/03/2021 to 30/05/2022. The Statement forms a constituent part of the 2021 Annual Report, which provides a comprehensive presentation of the management and governance system of Sava, d.d. and the Sava Group.

The Strategy of the Sava Group envisages the merger of Sava, d.d. and Sava Turizem, d.d., whereby the final structure of the Group will be established. In order to achieve this, sufficient support from the owners and creditors and a legally formal merger will be required, which will also affect the comprehensive implementation of the Code at the Group. In the process of implementation, a change in the ownership structure of the Company, which, when implemented, will have a significant impact on the corporate governance of the Group in 2022 due to the increase in the ownership share of state-owned companies. The change of ownership is explained in more detail in points 1.2.5.6. Impact of events on the financial statements of Sava, d.d. and 2.3.39. Impact of events after the balance sheet date on the financial statements of the Sava Group.

In the above period, Sava, d.d. complied with the provisions of the Code version adopted in March 2021. The entire text of the Code is available at the website of Slovenian Sovereign Holding (www.sdh.si).

The Board of Directors is introducing management policies and systems and adopting resolutions to ensure the highest possible level of compliance of the Company's operations and corporate governance with the Corporate Governance Code for Companies with State Capital Investments.

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

Recommendation 3.2 – Management Policy

Sava, d.d. is not a public limited company and therefore does not publish its policy on its website.

Recommendation 6.2 – Succession Policy

The competence profile of the Board of Directors and the CEO is defined in the Company's Articles of Association (items 5.1. and 6.1.) The Company's Board of Directors regularly monitors the work of the CEO and ensures continuity.

Recommendation 6.5.1 – Competence Profile of Supervisory Board Members

The competence profile is defined in the Company's Articles of Association (item 5.1.)

Recommendation 6.9 – Procedure for Selecting Candidates for Board of Directors members

The procedure for the selection of candidates for members of the Board of Directors is carried out in accordance with the Diversity Policy for the Management and Supervisory Bodies of Sava, d.d. and the Sava Group, criteria of the Corporate Governance Code for Companies with State Capital Investments and the Articles of Association of Sava, d.d.

Recommendation 6.10.6 – Payments for the Service of Members of the Board of Directors

The members of the Board of Directors of Sava, d.d. are not receiving amounts higher than specified in item 6.10.2.

Recommendation 7.4 – Culture of Talent Recognition and Development of Knowledge and Skills of Personnel

Due to the specifics of the Company, the culture of talent recognition and development of knowledge and skills of personnel is not formulated through development plans for employees.

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

The information about the income received by an individual member of management or supervisory bodies will be presented at the Company's General Meeting.

Recommendation 9.2.3 – Internal Audit Activity

Internal audit tasks at the Company are carried out by the Internal Audit, which is organised at the subsidiary Sava Turizem, d.d.

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

An internal quality assessment was carried out. An external assessment of the quality of the internal audit activity has not yet been carried out. In 2021, the department was reorganised. A revised internal audit document was prepared.

Recommendation 10.1 – Code of Ethics

The code of ethics has been adopted by the company Sava Turizem, d.d., and will be revised and adjusted accordingly after the establishment of the final organisation of the Sava Tourist Group.

Recommendation 11.2.1 and 11.2.2 – Minimising Corruption Risks, Illegal and Unethical Conduct

The job classification does not include the position of the chief compliance and integrity officer.
The system of internal warning of irregularities and illegalities in the Company and the mechanism of protection of applicants will be fully established after the organisation of the Sava Tourist Group has been finalised.

The Board of Directors hereby declares that Sava, d.d. has respected the provisions of the Recommendations except for the deviations referred to below, for which it provides the following explanations:

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

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

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

The Company is still in the restructuring phase so it has not yet started this type of self-assessment

Recommendation 7 – Sustainable Business

The aspect of sustainable business of the companies from the Sava Group is incorporated in the operations, while Sava Turizem also presents the area of sustainable business on its website. It will be systematically and comprehensively addressed after the establishment of the final organisation of the Sava Tourist Group.

Recommendation 8 – Respect of Human Rights

Sava, d.d. is committed to respecting human rights in its business endeavours to the highest degree possible. The signing of the Commitment to Respect Human Rights in Business, requiring the implementation of the principles relevant to the Company, will be discussed after the organisation of the Sava Tourist Group has been finalised.

Recommendation 9 – Adoption of Rules on Other Rights

The Rules on Other Rights are not adopted as a separate document. In accordance with the provisions of the SDH Code Appendices nos. 1 and 2, they were taken into account when concluding the contract with the CEO.

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

The system of internal controls and risk management 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 CEO of Sava, d.d. is responsible for the functioning of the internal control system and for supervising its effectiveness. 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 conducted and documented. The existing structure of the internal control system includes, among other things, the internal audit function and selection and training of competent specialists. Uniform accounting policies apply at the Sava Group, which are detailed in the Accounting Rules of Companies. The abovementioned Rules 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. The change of the reporting model is underway.

Significant direct and indirect ownership of the Company's securities in terms 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 31/12/2021 include: Slovenski državni holding, d.d. (qualifying holding: 18.69% or 5,435,028 shares); Kapitalska družba, d.d., Ljubljana (28.05% or 8,156,719 shares); York Global Finance Offshore BDH (Luxembourg) S.à r.l., Luxembourg (qualifying holding: 43.23% or 12,571,257 shares).

A change in the ownership structure of the Company is underway and is explained in more detail in points 1.2.5.6. Impact of the events after the balance sheet date on the financial statements of Sava, d.d. and 2.3.39. Impact of events after the balance sheet date on the financial statements of the Sava Group.

Notes on the holders of securities that carry 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 by executives, especially those for the issue or purchase of treasury shares

In 2021, Sava, d.d. did not have any authorisations for the issue or buyback 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 scheduled date 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 convocation of 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 chair of the General Meeting.

Information on the composition and operation of the management and 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 2021 in the following chapters: Management and governing bodies and Report by the Board of Directors.

Corporate Governance Statement **Corporate governance**

Composition of the management in the financial year

Name and surname	Position	First appointment to position	End of the function / term of office	Gender	Citizenship	Year of birth	Education	Professional profile
GREGOR ROVANŠEK	CEO	28/12/2016	28/12/2026	male	Slovenian	1981	MBA, certified internal auditor	corporate governance

Composition of the Board of Directors and committees in the 2021 financial year

Name and surname	Position	Appointment to the function	End of function / term of office	Shareholder / employee representative	Attendance at BoD meetings compared to the total number of BoD meetings	Gender	Citizenship	Year of birth	Education
KLEMEN BOŠTJANČIČ	Chairman of the Board of Directors until 28/12/2021 Member of the Board of Directors until 29/12/2021	28/12/2016	29/12/2026	Shareholder representative	21/21	male	Slovenian	1972	BSc Econ.
DEJAN RAJBAR	Deputy Chairman of the Board of Directors until 28/12/2021 Member of the Board of Directors until 29/12/2021	28/12/2016	29/12/2026	Shareholder representative	20/21	male	Slovenian	1976	BSc Econ., CFA
ALEŠ ŠKOBERNE	Member of the Board of Directors	28/12/2016	29/12/2026	Shareholder representative	21/21	male	Slovenian	1975	BSc Econ., BA in International Business
MATEJ NARAT	Member of the Board of Directors	31/10/2017	30/06/2025	Employee representative	21/21	male	Slovenian	1967	MSc.
VANESSA GRMEK	Member of the Board of Directors	08/05/2019	08/05/2024	Shareholder representative	21/21	female	Slovenian	1975	LLB, MBA

Name and surname	Professional profile	Indepedence 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	Chair / member	Attendance at committee meetings compared to the total number of committee meetings
KLEMEN BOŠTJANČIČ	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	2/2
DEJAN RAJBAR	Finance	YES	NO	ECM Partnerji, upravljanje alternativnih investicijskih skladov, d.d.	Audit Committee	Chairman	5/5
ALEŠ ŠKOBERNE	Finance	YES	NO	Sava Turizem d.d.	Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	Member	2/2
MATEJ NARAT	Investment consolidation	YES	NO	Sava Turizem d.d.	Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	Chairman	2/2
VANESSA GRMEK	Corporate governance	YES	NO		(I) Audit Committee; (II) Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	(I) Member (II) Member	(I) 5/5 (II) 2/2

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	Profesional profile	Membership in the supervisory bodies of companies not associated with the Company
JANKO GEDRIH*	Audit Committee	5/5	malei	Slovenian	LLB	1949	Finance	-
MILAN MARINIČ*	(I) Audit Committee; (II) Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	5/5 2/2	malei	Slovenian	BSc (EE), BSc (Econ.)	1952	corporate governance	Diagnostični center Bled d.o.o.

** until the date of the expiry of the function*

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 the Group. The composition of the management and supervisory bodies of companies takes into account, as much as possible, the following aspects of diversity: professional diversity, gender representation, continuity of the supervisory board, representation of foreigners and international experience and age.

In implementing the diversity policy, the Sava Group is committed to ensuring a balanced representation in all aspects of diversity.

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

Ljubljana, 30/05/2022

Board of Directors of Sava, d.d.

Klemen Boštjančič, Chairman

Dejan Rajbar, Deputy Chairman

Vanessa Grmek, Member

Matej Narat, Member

Aleš Škoberne, Member

4. Signing of the Annual Report and its constituent parts for Sava, d.d. and the Sava Group for 2021

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 2021. The Annual Report is herewith adopted and confirmed with respective signatures.

Ljubljana, 30/05/2022

Board of Directors of Sava, d.d.

Klemen Boštjančič, Chairman

Dejan Rajbar, Deputy Chairman

Vanessa Grmek, Member

Matej Narat, Member

Aleš Škoberne, Member

Performance analysis

1. General economic trends

According to data from the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (hereafter: IMAD), GDP growth in Slovenia in 2021 was 8.1% and exceeded the pre-crisis level from Q4 2019 already in Q3. Most activities exceeded pre-crisis levels during the course of last year, but the exception still remains, i.e. activities related to tourism and personal contact such as hospitality and accommodation services, entertainment, sports, recreational and personal services, travel exchange.

GDP growth in 2021 exceeded expectations in the Autumn Forecast and the IMAD estimate from December 2021, which to a large extent reflects the continued very good adaptation of the economy and the population to the changed conditions. In particular, household spending strengthened faster in December despite the still-present problems due to supply chain disruptions, whereby the growth of trade in goods accelerated considerably in Q4. With the relaxation of containment measures in the spring and summer months of 2021 and the subsequent broader enforcement of the RVT condition, conditions were created for a faster recovery of service activities, which greatly strengthened private consumption considering the low baseline from 2020.

There was also a positive contribution from the redemption of last year's and the previous year's tourist vouchers. Such growth in private consumption was stimulated by favourable conditions on the labour market along with further adaptation of consumers to the changed conditions. Employment increased by 1.4% last year and the number of unemployed decreased by 12.6%. In addition to the extension of some intervention measures on the labour market, which were essential to preserving jobs in 2020, the growing demand for labour force was a key contributor to this along with high activity growth. With the historically highest rate of employment, the problems with the lack of workers in the domestic economy is becoming increasingly more obvious. Companies are therefore employing foreign labour to an ever-increasing extent.

Last year, investment activity was mainly driven by investments in plant and equipment, while less favourable developments in the construction industry were characterised by rising prices and difficulties in the supply of materials. Final state consumption also increased last year, to which the expenditure for controlling the epidemic contributed significantly.

Inflation picked up considerably again in February. Higher prices of energy products, food and non-energy industrial goods, and to a lesser extent also the prices of services contributed further to the inflation. After the price of petroleum products and heating energy increased significantly in the previous year, the price growth of other energy products is also increasing rapidly this year. More expensive energy products and input raw materials also significantly strengthened the growth of food prices, which were already 6.4% higher year-on-year. Higher demand in the face of less pronounced restrictive measures had an impact on the increased price growth of holiday packages, which had an impact on the growth of the prices of services.

GDP growth at the EU level was 5.2% in 2021. A further slowdown in economic growth is expected in 2023 in the eurozone, and the forecast is improving to the upside slightly compared to the fall forecast, which predicted 4.4% GDP growth.

The course of the war in Ukraine, together with increasingly harsh sanctions against Russia, will have a key impact on future economic trends as well as on the baselines and assumptions for the preparation of macroeconomic forecasts; the latest forecasts of international institutions do not yet include these events and possible consequences. (www.umar.gov.si)

Tourism

In 2021, domestic guests accounted for 57% of overnight stays in Slovenia, while the highest number of foreign overnight stays were represented by guests from the neighbouring countries of Croatia, Italy, and Austria. The number of all overnight stays in the country was 22% higher compared to 2020. Due to the increased risks in the environment, the trend of a changed structure of guests and a slow recovery of international demand will continue in Slovenia in the future, which in turn means more domestic guests and a delay in the normalisation of the arrival of international guests, which is still uncertain considering the war in Ukraine. After the Covid-19 epidemic, destinations that are less dependent on foreign guests and flight connections, have high hygiene and health standards and take sustainable aspects of business into account will recover faster.

In 2022, a new Slovenian Tourism Strategy 2022–2028 was adopted, which is aimed at the development and marketing of a balanced tourist offer of sustainable boutique tourism of higher quality, based on Slovenian nature and cultural identity as a generator of higher value.

2. Implementation of the Strategy of the Sava Group and Sava, d.d. 2019–2023 and Business Plan for 2022

Subject to the options dictated by the demanding business environment, the Sava Group continued to pursue the goals defined in the Strategy of the Sava Group and Sava, d.d. 2019–2023 and the Business Plan of Sava Turizem, d.d. for 2021.

In accordance with the Strategy, further consolidation into the target organisational structure of the Sava Tourist Group was planned in 2021. The consolidation was stifled by the circumstances related to the difference in opinion of creditors regarding support for further consolidation and the consequences of the Covid-19 virus, which affected both the liquidity situation of Sava, d.d. (prevented the payment of dividends of Sava Turizem, d.d. to the parent company Sava, d.d. as a source of funds for the repayment of minority shareholders of Sava Turizem, d.d.) as well as the possibility of refinancing Sava, d.d. In 2021, the substantive integration of the companies Sava, d.d. and Sava Turizem, d.d. took place, which also led to organisational changes at the two companies. Following the planned and completed substantive integration of the companies, which continues in 2022, only legal and formal integration will be required. In order to continue the merger process, a sufficient consent of the creditors or owners of Sava, d.d. is required.

The tourism industry faced the closure of a large part of the accommodation capacities for a large part of the first half of 2021 due to the Covid-19 epidemic. Sava Turizem, d.d. achieved good business results with sales revenues at the level of 2019 after the opening of tourist capacities in the main summer season with a changed structure of guests. Tourist vouchers also contributed to the results.

In the first half of the year, the State also subsidised part of the fixed costs and contributed to the preservation of jobs with subsidies in the area of reimbursement of costs for furloughed employees. In view of the reduced scope of operations, financial synergy effects were also realised in 2021 with the merger of Hoteli Bernardin, d.d. with Sava Turizem, d.d. that was carried out in 2020. In the changed circumstances, the geographical and substantive diversification of destinations (Alpine, Mediterranean and Thermal Pannonian Slovenia) and the associated different structure of guests proved to be key synergistic effects.

Despite the changed circumstances, the substantive starting points of the Business Plan for 2022 are the pursuit of the adopted Strategy of the Sava Group and Sava, d.d. 2019–2023 and, on the part of the parent company, the Rescheduling Agreement with annexes, the last of which sets the due date on 30/09/2022. In 2022, the creditors and Sava, d.d. already agreed to a three-month extension of the due date. Sava Turizem, d.d. took into account the changed conditions related to the expected gradual recovery after the Covid-19 epidemic when preparing the Business Plan. The economic consequences of the war in Ukraine are not taken into account in the Business Plan.

The Slovenian Tourism Strategy 2022–2028 adopted in May will also be one of the foundations for the new strategy of the Sava Group as the substantive year of 2022 is the last year of implementation of the applicable Strategy of the Sava Group and Sava, d.d.

Key indicators of the Business Plan of the Sava Group for 2022

EBITDA margin	14.0%
ROE	-5.8%
Net financial debt / EBITDA ratio	8.5
Share of investments in net sales revenues	11.9%

3. Implementation of the measures during the spread of Covid-19 and the impacts on the operations of the Sava Group

In 2021, the consequences of the spread of the Covid-19 virus determined the business framework of the tourism activity and affected both Sava Turizem, d.d. and the parent company Sava, d.d.

The gradual opening of the capacities of Sava Turizem, d.d. in 2021 followed the 2020 model. Most of the tourist facilities were closed until either May or June 2021. At three destinations of Thermal Pannonian Slovenia, Sava Turizem, d.d. observed the restrictions during the entire period and carried out the health or outpatient clinic activity (Moravske Toplice, Radenci and Ptuj) and received business guests and groups of athletes. Activities were focused on cost minimisation and preparations for reopening, which was done subject to the volume of business. After the opening of capacities, Sava Turizem, d.d., with the exception of the Bled destination, which is highly dependent on the arrival of foreign guests, performed well during the summer season despite the changed structure of guests, with sales revenue at the level of 2019. Capacities remained open even in Q4, but the epidemiological situation worsened again. In 2021, 28% of the tourist vouchers were redeemed at the company of realised sales revenue. Sava Turizem, d.d. maintained employment with the help of intervention legislation to mitigate the consequences of Covid-19 by subsidising furloughed employees during the closure of capacities, whereby part of the financial assistance was intended to cover fixed costs. In total, the Company received EUR 12.6 million in subsidies in 2021.

The parent company Sava, d.d. was not entitled to state subsidies due to the classification of activities stipulated in the adopted legislation governing the mitigating of the consequences of the Covid-19 virus, whereby the aid to the subsidiary and the adopted legislation prevented the payment of dividends of the subsidiary Sava Turizem, d.d.

The Sava Group ended 2021 with a sufficient liquidity reserve through its activities and past care and is financially stable. The Business Plan of Sava Turizem, d.d. for 2022, which represents the majority of the operations of the Sava Group and was prepared in November 2021, foresees the normalisation of operations based on expectations and the structure of the offer in the 2023 and 2024 financial years.

4. Business operations of Sava, d.d. and the Sava Group

4.1. Summary of major activities of Sava, d.d., and the presentation of their progress

The Group needs to prepare a new strategy for the Sava Group and Sava, d.d., which observes both the guidelines of the owners and the recently adopted Slovenian Tourism Strategy 2022–2028 dealing with sustainable growth of the industry. Regardless of the turbulent environment, it is essential for the further successful development that the Sava Group – as the largest tourism group in Slovenia – continue on its development path and work with all stakeholders in the field of environmental, social and economic dimensions of sustainable growth.

Information on the intention to carry out an owner-creditor consolidation of Sava, d.d.

In connection with the financial and associated operating liabilities of Sava, d.d., which fell due on 30/06/2021, we present events after the balance sheet date, which provide a good basis for the management's assessment that the going concern assumptions for the company Sava, d.d. and for Sava Business Group are well-founded.

Following the unsuccessful attempt to refinance the Company's financial liabilities on the market as a result of the changed circumstances in 2020, Sava, d.d., with the creditors who are at the same time the three largest owners of Sava, d.d., contractually agreed to postpone the maturity of financial and associated operating liabilities with the aim of preventing insolvency. The said liabilities would fall due for payment 30/06/2022 under Annex no. 4 of the Rescheduling Agreement. The assets of Sava, d.d., which are mainly pledged as security for the creditors' claims, significantly exceed the amount of financial and associated operating liabilities of the Company and thus represents, in addition to other options, a potential source for the repayment of all creditors' claims.

It is evident from the public announcement on the website of SDH, d.d., dated 25/02/2022, that the Supervisory Board of SDH, d.d. has granted its consent to the exercise of the right of pre-emption for the purchase of a 43.226% share in the capital investment in Sava, d.d. from York Global Finance Offshore BDH (Luxembourg). KAD, d.d. will exercise the right of pre-emption for the financial claims of York due from Sava, d.d. The government of the Republic of Slovenia has recapitalised SDH, d.d. for the purpose of carrying out activities related to the implementation of the Tourism Strategy and subject to the adopted Annual Equity Investment Management Plan for 2022 thereby ensuring financial resources for the exercise of the right of pre-emption.

On 01/03/2022, Sava, d.d. received a notice from SDH, d.d., Ljubljana about the conclusion of a binding transaction for the acquisition of SAVA shares, and 07/03/2022, the authorised person of the shareholder York Global Finance Offshore BDH (Luxembourg) S.à r.l. received a notice on the conclusion of a binding transaction for the disposal of SAVA shares. The transaction is subject to the fulfilment of suspensive conditions.

After the completion of the transaction, SDH, d.d. will have a 61.914% ownership stake in Sava, d.d., while KAD, d.d. will have a 28.046% ownership stake. The joint ownership stake will thus be 89.960%.

Progression of the refinancing of the financial liabilities of Sava, d.d.

- ***Annex no. 2*** of the Rescheduling Agreement was concluded on 07/09/2020 and regulated the maturity of financial obligations until 30/06/2021. Since the conclusion of the annex, Sava, d.d. has carried out all activities to ensure the implementation of its provisions with the goal of ensuring timely settlement of liabilities. In parallel, it conducted:
  - preparatory activities for the continuation of consolidation in accordance with the Strategy of the Sava Group and Sava, d.d. 2019–2023 and
  - the process of selling the ownership stake in Sava Turizem, d.d.
- Given the circumstances related to the differences in opinion between creditors who are also owners and the presented risk of insolvency under the ZFPPIPP upon the maturity of Annex no. 2, all three creditors were prepared to postpone the maturity of financial claims until 30/09/2021, for which ***Annex no. 3*** of the Rescheduling Agreement was concluded on 25/05/2021.
  - The activities within the scope of the process for the sale of the financial investment of Sava, d.d. in the capital of Sava Turizem, d.d. were suspended based on the provisions in Annex no. 3 until 22/06/2021, and the temporary suspension of the sales process continued even after that date based on the resolution of the Board of Directors.
  - So as to avoid potential insolvency proceedings under the ZFPPIPP, which could occur upon the maturity of Annex no. 3, Sava, d.d. prepared alternative scenarios and thus the basis for the creditors' or owners' decision on possible ways of settling financial liabilities, which were:
    - capital increase with an in-kind contribution in the form of conversion of creditors' claims into company equity, which would ensure a long-term sustainable business situation for Sava, d.d., and also enable further consolidation of Sava, d.d. and Sava Turizem, d.d.;
    - continuation of the already started process of selling the shares of the issuer company Sava Turizem, d.d., whereby the consideration received would ensure the repayment of all financial liabilities of Sava, d.d. and the surplus from the consideration would represent the free liquid assets of the Company;
    - extension of the maturity of the financial liabilities of Sava, d.d. by the existing creditors.
- Given the disunity of creditors and in order to provide additional time for harmonising their positions regarding the method of repayment of financial liabilities, the most acceptable solution for all stakeholders was the extension of the due date of financial liabilities until 30/06/2022, which was implemented on 30/09/2021 with the conclusion of ***Annex no. 4*** of the Rescheduling Agreement, which defined the suspension of all activities in the process for the sale of shares of Sava Turizem, d.d. until the end of March 2022.
- On 27/05/2022, Sava, d.d. and existing creditors concluded ***Annex no. 5*** of the Rescheduling Agreement, by way of which the due date of the liabilities of Sava, d.d., under the loan principals, interest and fees was extended until 30/09/2022. According to the parties' assessment, the three-month postponement of the payment of liabilities is sufficient to fulfil the suspensive conditions defined in the ongoing transaction for the change of the ownership structure of Sava, d.d., as a result of which the issue of the relevant creditors' claims will also be finally settled.

Progression of the process for the sale of Sava, d.d.'s financial investment in Sava Turizem, d.d.

The activities of the sales procedure took place in accordance with the provisions of point 16.10. of the Rescheduling Agreement and the provision of point 2.5. of Annex no. 2 of the Rescheduling Agreement.

- In the process for the sale process of the financial investment of Sava, d.d. in Sava Turizem, d.d., invitations to submit bids for the provision of financial and legal consulting services were forwarded to potential providers, and the Board of Directors granted its consent to the selection of consultants. The creditor of YORK also granted its consent and expressed its willingness to cover the costs of consultants. The creditors SDH, d.d. and KAD, d.d. did not consent to the selection and hiring of the proposed consultants. Their assessment was that the conditions for the start of the procedures for the sale of the strategic investment had not been met because all other options regarding the repayment or postponement of the financial liabilities of Sava, d.d. had not yet been exhausted.
- Based on the decision of the Board of Directors, negotiations with the creditor York continued and ended with the harmonisation of consulting contracts and the method of covering the costs of all phases of the sales process. In January 2021, the Board of Directors of Sava, d.d. granted its consent for the conclusion of tripartite consulting contracts and thus enabled the start of the sales process with the possibility of terminating the process based on its decision.
- As the sales process continued, a timetable was prepared for the implementation of the necessary activities until the final phase, i.e. until the possible conclusion of the purchase agreement, which is expected at the end of November 2021. The activities of marketing and contacting potential investors were carried out as was the preparation of an information memorandum and a data room.
- The received non-binding offers from potential investors were presented to the Board of Directors of Sava, d.d. in May 2021, and the creditors were also made aware of them.
- All activities of the sales process were temporarily suspended in accordance with the concluded Annex no. 3 of the Rescheduling Agreement from the end of May until 22/06/2021, and the temporary suspension of the sales process continued even after that date.
- On 30/09/2021, Annex no. 4 of the Rescheduling Agreement was concluded stipulating the due date for financial liabilities on 30/06/2022. It defined the suspension of all activities in the process for the sale of shares of Sava Turizem, d.d. until the end of March 2022, and the financial advisor informed all potential bidders who submitted non-binding offers of this fact.

Progression of the merger process between Sava, d.d. and Sava Turizem, d.d.

The merger-related activities proceeded in accordance with the provisions of point 16.10. of the Rescheduling Agreement and the provision of point 2.5. of Annex no. 2 of the Rescheduling Agreement.

- The activities of the process for the merger of Sava, d.d. and Sava Turizem, d.d., which could proceed independently of the decisions of creditors and owners, were completed at both companies. The two companies completed the audit of the financial statements and prepared the Annual Reports for 2020.

Offers were obtained from external providers whose cooperation would be necessary in carrying out the potential merger process.

– The merger process cannot continue until the relationships and positions of the creditors or owners of the Company have been finally reconciled and their consent to continue the merger process has been obtained.

Other important activities

– In 2021, the processes related to the receipt of two requests for the purchase of shares from minority shareholders of Sava Turizem, d.d. continued. One of the non-litigious proceedings was temporarily suspended, while the court appointed a settlement committee to obtain an opinion on suitable monetary compensation in the second proceeding.

– In 2021, a legal dispute with the Bank of Slovenia was resolved in favour of Sava, d.d.

– At the November meeting, the Board of Directors of Sava, d.d. adopted the Business Plan of Sava, d.d. for 2022 and familiarised itself with the Business Plan of the Sava Group for 2022.

– In accordance with the Strategy, Sava, d.d. continued the content integration with Sava Turizem, d.d., followed by a business reorganisation. At the end of 2021, the Company had five employees, i.e. six less than at the end of the 2020 financial year.

– On 21/12/2021, the regular General Meeting of Sava, d.d. was held, at which the members of the Board of Directors, Klemen Boštjančič, Aleš Škoberne and Dejan Rajbar, were granted new five-year terms-of-office at the end of their current terms-of-office.

4.2. Summary of the operations of Sava, d.d.

The operations of Sava, d.d. in 2021 were marked, in addition to circumstances related to the epidemic, by the arrangement of the due date of financial liabilities according to Annex no. 2 to the Rescheduling Agreement dated 30/06/2021 and according to Annex no. 3 to the Rescheduling Agreement dated 30/09/2021. In order to avoid possible insolvency of the Company, bases were prepared for the implementation of alternative methods of repayment of financial liabilities – the conversion of debt into equity as the first step in the integration of Sava, d.d. and Sava Turizem, d.d., and the process of selling off the investment in Sava Turizem, d.d., all of which was done subject to the different expectations of the creditors who are also the owners of Sava, d.d.

In order to gain time to unify the three creditors, who are at the same time the largest owners of the Company, about the method of repayment or the further development of Sava, d.d., Annex no. 4 of the Rescheduling Agreement was concluded upon the maturity of the financial liabilities on 30/09/2021, which extended the due date of financial liabilities until 30/06/2022, whereby the annex also stipulated the suspension of all activities in the process for the sale of shares of Sava Turizem, d.d. until the end of March 2022.

On 27/05/2022, Sava, d.d. and existing creditors concluded Annex no. 5 of the Rescheduling Agreement, by way of which the due date of the liabilities of Sava, d.d. under the loan principals, interest and fees was extended until 30/09/2022. According to the parties' assessment, the three-month postponement of the payment of liabilities is sufficient to fulfil the suspensive conditions defined in the ongoing transaction for the change of the ownership structure of Sava, d.d., as a result of which the issue of the relevant creditors' claims will also be finally settled.

Due to the restrictions related to the Covid situation, i.e. mainly the ineligibility for aid under the anti-coronavirus legislation and the ban on dividend payments, Sava, d.d. simultaneously continued to cut costs and observed the applicable strategy with substantive integration of Sava, d.d. and Sava Turizem, d.d., which led to organisational changes at both companies. After the substantive integration of the companies has been completed, which will also continue in 2022, only legal and formal integration will be required, for which the support of the owners is required.

The operating revenues of Sava, d.d. in the 2021 financial year were 12% higher, while the operating expenses were 40% lower than those disclosed in the previous year. The operating loss represented only 27% of the operating loss in the previous year.

Despite a 49% increase in interest expenses, the net loss of EUR 4.1 million was only 9% higher than in the previous year, and its amount is entirely represented by interest expenses on secured financial liabilities.

The main source of Sava, d.d. for covering operating expenses, for managing liquidity and the exclusion of minority shareholders of Sava Turizem, d.d. foreseen in the Strategy, is the dividends of Sava Turizem, d.d. in normal business conditions and their payment was thus prevented in 2020 as well as in 2021 by the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy. Through long-term prudent and deliberate creation of liquid reserves, Sava, d.d. ensured current liquidity in the 2021 financial year despite the tough business circumstances and has no past due liabilities as of 31/12/2021.

The balance sheet total on 31/12/2021 did not change significantly compared to the end of the previous year. In the structure of assets of Sava, d.d., the financial investment in Sava Turizem, d.d. represents a 96% share. In the structure of liabilities of Sava, d.d., equity accounts for 44% and financial liabilities account for 48%.

As at 31/12/2021, Sava, d.d. had five employees, which is six fewer than at the end of 2020 due to the business reorganisation.

4.3. Notes to the income statement of Sava, d.d.

Key performance figures

in EUR million

	2017	2018	2019	2020	2021
Net sales revenues	0.6	0.6	0.9	0.9	0.8
Other revenues	0.0	0.1	0.1	0.0	0.2
Operating costs	-2.2	-2.2	-3.2	-2.3	-1.4
Operating profit or loss	-1.6	-1.5	-2.2	-1.4	-0.4
Financial result	3.7	2.2	2.8	-2.8	-4.1
Result from other items	-0.5	-0.1	0.1	0.4	0.4
Profit or loss before tax	1.6	0.6	0.7	-3.8	-4.1
Net profit or loss	**1.6**	**0.6**	**0.7**	**-3.8**	**-4.1**

Performance indicators

	2017	2018	2019	2020	2021
Equity financing rate in %					
equity / liabilities	16.4	23.9	51.1	48.0	44.4
Long-term financing rate in %					
sum of equity and long-term debts (incl. provisions and deferred taxes) and long-term accrued costs and deferred revenues / liabilities	99.0	23.9	51.6	48.4	44.7
Fixed assets to total assets in %					
fixed assets / assets	0.0	0.1	0.5	0.4	0.4
Non-current assets to total 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	63.0	64.8	97.0	97.6	98.1
Cash ratio					
cash / current liabilities	1.1	0.0	0.0	0.0	0.0
Quick ratio					
sum of liquid assets. current receivables and current financial assets / current liabilities	33.4	0.1	0.1	0.0	0.0
Current ratio					
current assets / current liabilities	145.3	0.5	0.1	0.0	0.0
Operating efficiency ratio					
operating revenues and financial income / operating and financial expenses	1.5	1.2	1.1	0.2	0.2
Net return on equity					
net profit / average equity (excluding net profit/loss for the period)	6.4	1.8	1.5	-6.9	-8.0
Dividends to share capital ratio					
dividends paid in financial year / average share capital	0.0	0.0	0.0	0.0	0.0

Operating revenues

- ***Operating revenues*** in the total amount of EUR 1.0 million were represented by EUR 0.8 million of net sales revenues comprising trademark use royalties, revenues from the provision of internal audit services, and rental income from investment property*, with the remaining EUR 0.2 million represented by other operating revenue, mostly from cancelled provisions for labour costs in the company reorganisation process.
- The operating revenues were 12% higher than the operating revenues in the previous year.
- The operating revenues of Sava, d.d. have never been an important source for covering current costs. Nevertheless, in 2021 they were used to cover 72% of regular operating costs.

  ** On 27/05/2020, Sava, d.d. received a notice of termination of the lease agreement dated 21/04/2020 from the long-term tenant of the property in Maribor.*
  In accordance with the lease agreement and annex no. 1, the notice period ended after the lapse of 18 months from the announcement of the lease agreement termination, i.e. on 21/10/2021.

  On 15/11/2021, Sava, d.d. concluded an Agreement on the Sublease of Vacant Business Premises with an interested company, which entered into force on 01/12/2021.

Operating expenses

- 46% of the ***operating expenses*** in the amount of EUR 1.4 million were represented by the cost of services, 48% by labour costs and 6% by other operating expenses. Operating revenues were 40% higher than the operating revenues in the previous year.
- The costs of material and services amounted to EUR 0.6 million, down 47% compared to the year before.
- As at 31/12/2021, Sava, d.d. had five employees, which is six fewer than at the end of 2020 due to the business reorganisation. Labour costs amounted to EUR 0.6 million, down 35% compared to the year before.

Operating profit or loss

- Operating loss amounted to EUR 0.4 million and was only 27% of the operating loss in the previous year.

Financial result

- The ***financial result*** of Sava, d.d. was negative and came in at EUR 4.1 million.
- Financial income was lower and the payment of a dividend from Sava Turizem, d.d. for the 2019 and 2020 financial years was not possible due to the provisions of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences.
- Financial expenses in the amount of EUR 4.1 million are represent by 8% interest on secured financial liabilities, whereby the interest was up 49% compared to the previous year. Accrued interest for the December 2019 – December 2021 period is due together with the principals of the loans received and fees for the Rescheduling of the loans, i.e. on 30/06/2022.

Financial result by type of activity

in EUR million

	Financial result				
	2017	2018	2019	2020	2021
Dividends	1.2	1.2	2.1	0.0	0.0
Gain/loss on the disposal financial assets	4.0	2.0	0.2	0.0	0.0
Impairments of financial assets	-0.3	-0.3	0.0	0.0	0.0
Interest	-1.2	-1.0	-0.8	-2.8	-4.1
Other	0.0	0.3	1.3	0.0	0.0
Total	**3.7**	**2.2**	**2.8**	**-2.8**	**-4.1**

Profit or loss from extraordinary events

- ***The profit from extraordinary events*** was positive at EUR 0.4 million. It mainly comes from extraordinary income from the elimination of provisions due to the favourably concluded litigation with the Bank of Slovenia.

Corporate income tax

- Sava, d.d. had no ***corporate income tax*** liability accounted for 2021. In 2021, the Company did not claim tax relief because a tax loss was disclosed in the amount of EUR 0.8 million. As at 31/12/2021, the unused tax loss was disclosed in the amount of EUR 390.7 million.

Net profit or loss

- Despite a 49% increase in interest expenses, the ***net loss*** of EUR 4.1 million was only 9% higher than in the previous year, and its amount is entirely represented by interest expenses on secured financial liabilities.

Accumulated loss

- ***Accumulated loss*** amounted to EUR 25.1 million as at 31/12/2021, which is EUR 4.1 million higher than at the end of the previous year.

4.4. Notes to the balance sheet of Sava, d.d.

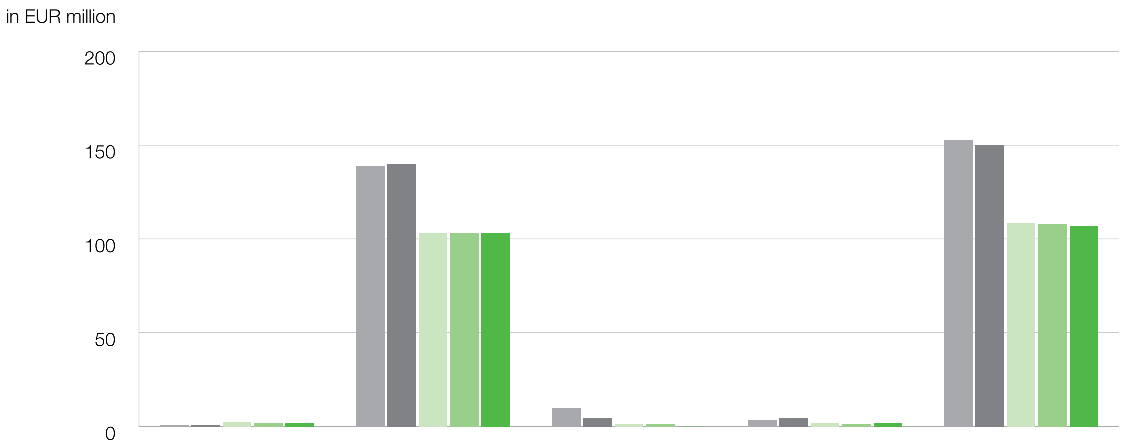
Total assets

- As at 31/12/2021, ***total assets*** amounted to EUR 107.0 million and were EUR 0.6 million lower than as at 31/12/2020. There were no material changes in the structure of assets and liabilities.
- In ***the structure of assets*** of Sava, d.d., the financial investment in Sava Turizem, d.d. represents a 96% share. ***In the structure of liabilities*** of Sava, d.d., equity accounts for 44% and financial liabilities account for 48%.

Structure of assets

- The value of ***capital expenditure and investment property*** in the amount of EUR 2.0 million did not change materially compared to the previous year. They consist of three investment properties in the amount of EUR 1.6 million, two of which are in the process of being sold, business premises and parking lots under operating lease in the amount of EUR 0.4 million and other equipment of smaller value.
- ***The investment in the subsidiary*** equalling EUR 102.5 million did not change in value compared to the end of the previous year and is represented by 53,904,804 SHBR shares or a 95.47% share of the equity of Sava Turizem, d.d. 48,433,504 SHBR are pledged as security for the Company's financial liabilities. For financial reporting purposes in 2021, the financial investment was valued using the discounted cash flow method. The lower value of the investment was estimated at EUR 143.2 million (2.66 €/share), the upper value at EUR 183.6 million (3.41 €/share) and the calculated mean value in the amount of EUR 161.9 million (3.00 €/share).
- Investments ***in other shares and participating interests*** amounting to EUR 0.5 million, the major portion of which is represented by the investment in 4,987 shares of Pokojninska družba A, d.d., which are pledged as security for the Company's financial liabilities have not changed in terms of value compared to the end of the previous year.
- ***Other assets*** in the amount of EUR 2.0 million mainly represent bank balances on the business accounts in Slovenia and a short-term deposit placed with a commercial bank.

Structure of assets of Sava, d.d. from 2017 to 2021



	Fixed assets and investment property	Non-current financial assets	Current financial assets	Other assets	TOTAL ASSETS
31/12/2017	0.7	138.6	9.9	3.6	**152.8**
31/12/2018	0.8	140.0	4.5	4.7	**150.0**
31/12/2019	2.2	103.0	1.5	1.8	**108.5**
31/12/2020	2.1	103.0	1.1	1.5	**107.7**
31/12/2021	2.0	103.0	0.0	2.0	**107.0**

Structure of liabilities

- The ***equity*** of Sava, d.d. amounts to EUR 47.5 million, down EUR 4.1 million on the end of 2020. The change is due to the net operating loss for 2021.
- ***Non-current financial liabilities*** amount to EUR 0.3 million and relate entirely to financial liabilities from operating leases falling due from 2023 and onwards.
- ***Current financial liabilities*** total EUR 50.9 million. They consist of liabilities to the following creditors:
  - Slovenian Sovereign Holding in the amount of EUR 22.4 million;
  - Kapitalska družba, d.d. in the amount of EUR 22.4 million;
  - York in the amount of EUR 6.0 million;
  - lessors (operating leases) in the amount of EUR 0.1 million.

  Current financial liabilities to three creditors are secured by 48,433,504 shares of Sava Turizem, d.d. and 4,987 shares of Pokojninska družba A, d.d. The book value of pledged assets amounts to EUR 92.6 million.

Rescheduling of secured financial liabilities:

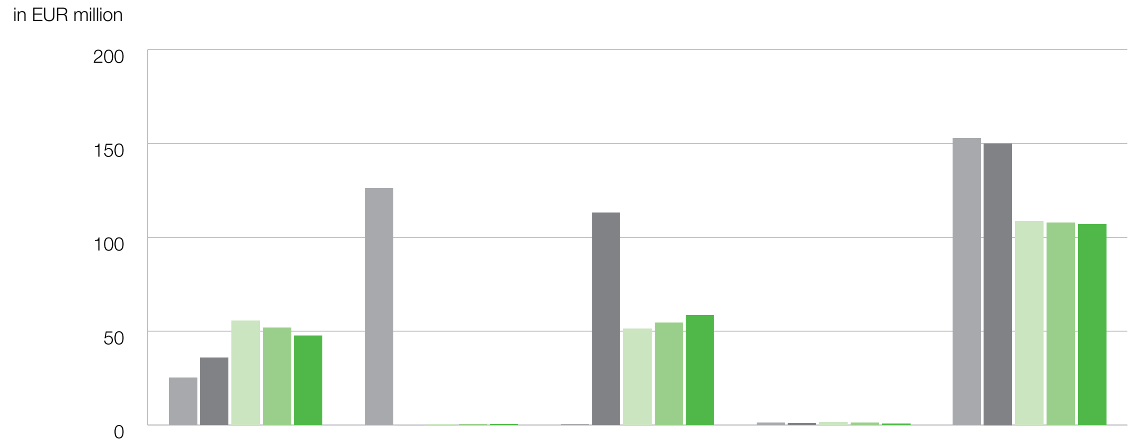
On 07/09/2020, Sava, d.d. signed with existing creditors an Annex no. 2 to the Rescheduling Agreement of 15/11/2019, wherein it agreed on extension of the maturity of financial liabilities until 30/06/2021 and the interest rate EURIBOR +8% applicable from and including 01/09/2020.

In connection with the maturity of financial liabilities as at 30/06/2021, creditors were also presented with alternative scenarios for the repayment of financial claims, which would require sufficient support from the shareholders at the Sava, d.d. General Meeting for successful implementation

Given the circumstances and the presented risk of insolvency under the ZFPPIPP presented to the creditors, all three creditors were prepared to postpone the maturity of financial claims until 30/09/2021, for which Annex no. 3 of the Rescheduling Agreement was concluded on 25/05/2021.

- *On 30/09/2021, Annex no. 4. to the Rescheduling Agreement was signed; it postponed the due date of financial liabilities until 30/06/2022, changed the interest rate, and defined the suspension of all activities in the process of selling shares of Sava Turizem, d.d. for a period of 6 months from the first working day of the signing of the Annex by all parties.*
- *On 27/05/2022, Sava, d.d. and existing creditors concluded Annex no. 5 of the Rescheduling Agreement, by way of which the due date of the liabilities of Sava, d.d. under the loan principals, interest and fees was extended until 30/09/2022. According to the parties' assessment, the three-month postponement of the payment of liabilities is sufficient to fulfil the suspensive conditions defined in the ongoing transaction for the change of the ownership structure of Sava, d.d., as a result of which the issue of the relevant creditors' claims will also be finally settled.*

Structure of liabilities of Sava, d.d. from 2017 to 2021



	Equity	Non-current liabilities	Current liabilities	Other liabilities	TOTAL LIABILITIES
31/12/2017	25.1	126.1	0.4	1.2	**152.8**
31/12/2018	35.8	0.0	113.2	1.0	**150.0**
31/12/2019	55.5	0.4	51.2	1.4	**108.5**
31/12/2020	51.7	0.3	54.6	1.1	**107.7**
31/12/2021	47.5	0.3	58.6	0.6	**107.0**

- ***Current operating liabilities*** in the amount of EUR 7.7 million consist of liabilities for interest payable for secured financial liabilities to creditors for the December 2019 – December 2021 period, liabilities for the fees for loan rescheduling totalling EUR 7.5 million, and labour cost for December 2021 as well as current operating liabilities.
- ***Other liabilities*** amount to EUR 0.6 million and mostly consist of current accrued costs.

4.5. Employees of Sava, d.d.

Number of employees as at 31/12/2021

As at 31/12/2021, Sava, d.d. had five employees or six fewer than at the end of the previous year (five were redeployed to Sava Turizem, d.d. and one had their employment regularly terminated). In 2021, Sava, d.d. employed an average of 8.50 employees.

Educational structure of employees as at 31/12/2021

Level of education	2021		2020	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Level 6 – higher vocational college	1	1.67	1	1.00
Level 7a – professional college	1	1.00	2	2.30
Level 7b – university education	1	2.75	4	4.25
Level 8 – master's degree	2	3.08	4	4.00
TOTAL	**5**	**8.50**	**11**	**11.55**

Age structure of employees as at 31/12/2021

Age	2021		2020	
	Number of employees	Average number of employees	Number of employees	Average number of employees
31–40	1	2.08	4	4.00
41–50	2	3.17	3	3.30
51–60	1	2.25	4	4.00
more than 60	1	1.00	0	0.25
TOTAL	**5**	**8.50**	**11**	**11.55**

Structure of employees by gender as at 31/12/2021

Gender	2021		2020	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Women	4	5.92	7	7.00
Men	1	2.58	4	4.55
TOTAL	**5**	**8.50**	**11**	**11.55**

4.6. Summary of the operations of the Sava Group

As at 31/12/2021, the Sava Group consisted of five companies, i.e. the controlling company Sava, d.d. and three subsidiaries – daughter and granddaughter companies and one associated company.
Among the subsidiaries in the composition of the Sava Group, Sava Turizem, d.d. is by far the largest and most important company and as such the only subsidiary that was included in the consolidated statements of the Sava Group in addition to the controlling company Sava, d.d.

Net sales revenues earned by the companies from the Sava Group amounted to EUR 70.1 million, which is 27% of the net sales revenues generated in the year before. ***Other operating revenues*** totalling EUR 16.5 million comprised EUR 12.6 million of support in connection with government measures aimed at curbing the Covid-19 epidemic and mitigating its consequences.

Operating expenses amounted to EUR 78.6 million and their growth was 16 percentage points behind the growth of net sales revenue compared to the previous year. The share of operating expenses in operating revenues was 91 per cent.

Operating profit in the amount of EUR 8.0 million and ***net profit*** in the amount of EUR 2.2 million were generated. They were aided by cost streamlining, the achieved synergies in the tourism industry as well as the received state support.

Total assets of the companies in the Sava Group as at 31/12/2021 stood at EUR 281.6 million, up EUR 6.5 million net compared to the end of 2020.

In the Group's asset structure, property, plant and equipment represented 80%, cash and deposits with commercial banks 18% and other assets represented 2%.

Equity accounted for 39% of the Group's ***liabilities***, while long-term debt accounted for 30% and short-term debt accounted for 31%.

Over the last 5 years, EUR 70.1 million was earmarked for ***investments***, of which EUR 4.3 million of investments in 2021 were aimed at raising the standard and improving the level of services, increasing energy efficiency and ecological standards, improving the working conditions of employees and in increasing productivity and digitisation and further automation of operations and work processes, both in operations and in support activities.

As at 31/12/2021, the Sava Group had 1,154 ***employees***, which is 25 more than at the end of the year before. The average number of employees was 656 in 2021, while the respective figure the year before was 611. The negative deviations between the number of employees and the average number of employees are the result of the Covid-19 epidemic.

Main operating performance indicators of the Sava Group

	31/12/2021	31/12/2020
Financial debt (FD) – in EUR million	126.0	135.0
Net financial debt (NFD) – in EUR million	77.8	103.5
EBITDA – in EUR million	19.5	5.1
FD/EBITDA	6.5	26.4
NFD/EBITDA	4.0	20.2
Return on equity	2.0%	-8.9%
Book value per Sava share calculated from the equity of the Sava Group – in EUR	3.47	3.42

4.7. Business performance of Sava Turizem, d.d.

At Sava Turizem, d.d., operations in 2021 were conducted in compliance with the measures taken by the government of the Republic of Slovenia to prevent the spread of Covid-19. From May 2021 onwards, the provision of services was adapted to the gradual relaxation of measures on the one hand and to demand on the other hand. The recovery rate was improved through various measures, including increasing the perception of safety, active marketing of destinations and products, and the provision of flexible sales terms and conditions. Most of the capacities were reopened in July 2021 when the Company's business improved as it was additionally boosted by the easing of measures, tourist vouchers, MICE events and intensive marketing, strengthened.

Sava Turizem, d.d. generated EUR 70.1 million worth of ***net sales revenues***, up 27% on the year before. Realised overnight stays exceeded the numbers from the year before by nearly 20%, while the remaining difference was the result of higher prices. Excellent sales results were achieved in the second half of the year when some destinations even exceeded the achievements of the historically best year of 2019.

Other operating revenues totalling EUR 16.0 million comprised EUR 12.6 million of assistance received as part of government measures aimed at curbing the Covid-19 epidemic and mitigating its consequences.

The increase in sales was accompanied by higher, mainly ***variable costs***, which however grew less sales revenues.

The ***operating profit*** amounted to EUR 7.9 million, while the net profit was EUR 6.1 million, a significant improvement compared to the year before. It was aided by cost streamlining, the achieved synergies as well as the received state support.

Gross cash flow from operating activities (EBITDA) amounted to EUR 19.5 million, a threefold increase over the year before.

The Company's ***equity*** in the amount of EUR 166.2 million was 4% higher compared to the same period of the previous year.

The Company's ***debt*** at the end of the year amounted to EUR 74.8 million, with EUR 10.9 million of loan principals repaid in 2021. Despite the extremely uncertain situation, the Company regularly settled its liabilities by providing adequate long-term and short-term resources and established a ***liquidity reserve*** in the amount of EUR 48.3 million.

In 2021, the ***process for the sale of the Salinera resort*** was initiated and was completed in May 2022 when suspensive conditions were met.

Over the last 5 years, EUR 70.1 million was earmarked for ***investments***, of which EUR 4.3 million of investments in 2021 were aimed at raising the standard and improving the level of services, increasing energy efficiency and ecological standards, improving the working conditions of employees and in increasing productivity and digitisation and further automation of operations and work processes, both in operations and in support activities.

At the end of 2021, the Company had 1,149 ***employees***, i.e. 3% more than at the end of the previous year. In the second half of 2021, the Company was faced with the challenges of ensuring a sufficient number of qualified employees in the area of hospitality, which it solves in the medium term by actively cooperating with educational institutions in the region, by training existing and new colleagues, by employing workers from other countries and by providing a stimulating work environment and working conditions.

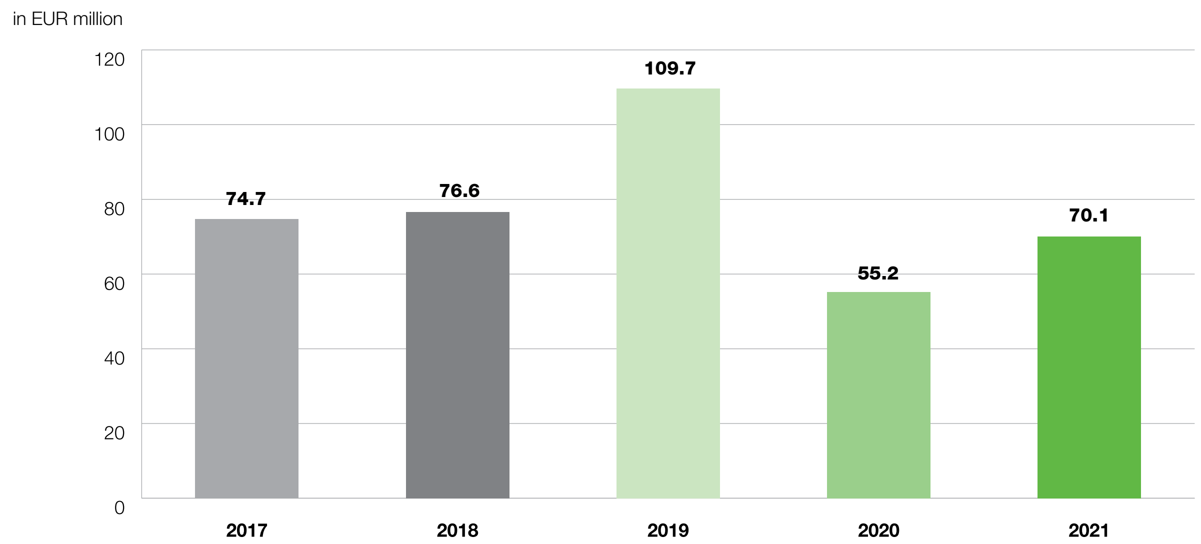
4.8. Notes to the income statement of the Sava Group

Net sales revenues earned by the companies from the Sava Group amounted to EUR 70.1 million, which is 27% of the net sales revenues generated in the year before.

Other operating revenues totalling EUR 16.5 million comprised EUR 12.6 million of support in connection with government measures aimed at curbing the Covid-19 epidemic and mitigating its consequences.

Operating expenses amounted to EUR 78.6 million and their growth was 16 percentage points behind the growth of net sales revenue compared to the previous year. The share of operating expenses in operating revenues was 91%, and ***operating profit*** totalled EUR 8.0 million.

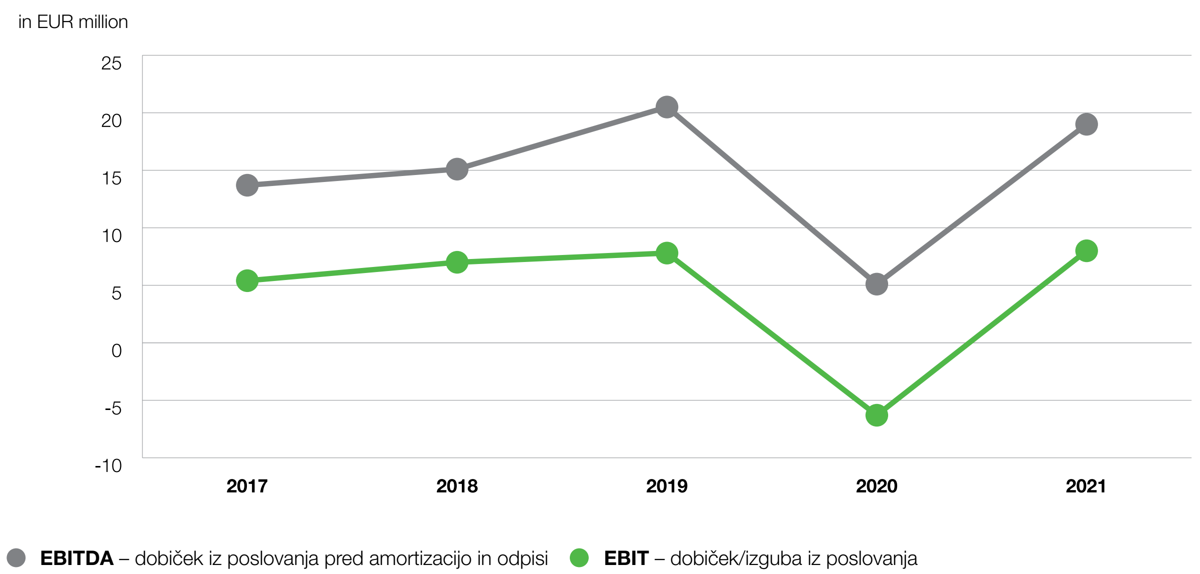
Sales revenues of the Sava Group from 2017 to 2021



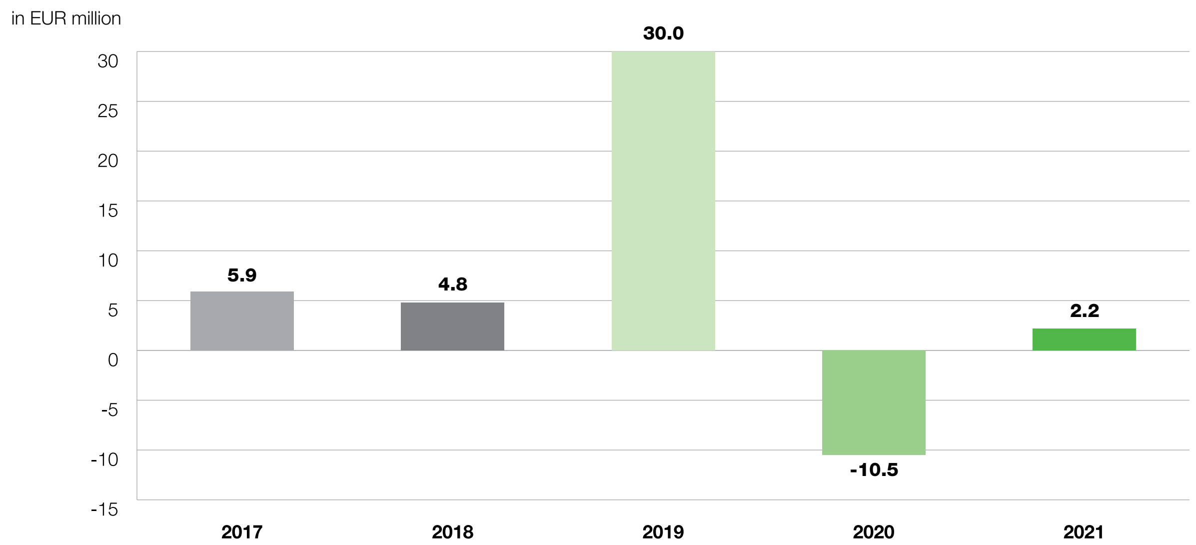
Net profit amounted to EUR 2.2 million and consisted of:

- net loss of Sava, d.d. totalling EUR 4.1 million and stemming completely from interest on financial liabilities;
- net profit of Sava Turizem, d.d. totalling EUR 6.1 million and resulting from cost streamlining, synergies in the tourism industry and state support;
- EUR 0.2 million in positive corrections to net profit in the consolidation of the Sava Group.

EBITDA and EBIT of the Sava Group from 2017 to 2021



Net profit/loss of the Sava Group from 2017 to 2021



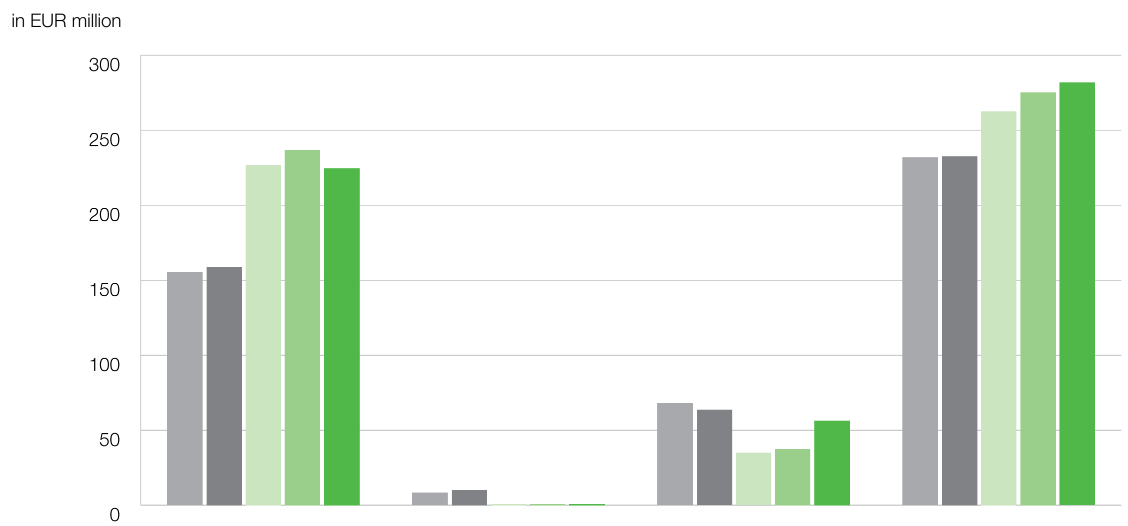
4.9. Notes to the statement of financial position of the Sava Group

Total assets of the companies in the Sava Group as at 31/12/2021 stood at EUR 281.6 million, up EUR 6.5 million net compared to the end of 2020.

In the Group's asset structure, property, plant and equipment represented 80%, while cash and deposits held with commercial banks represented 18% and other assets represented 2%.

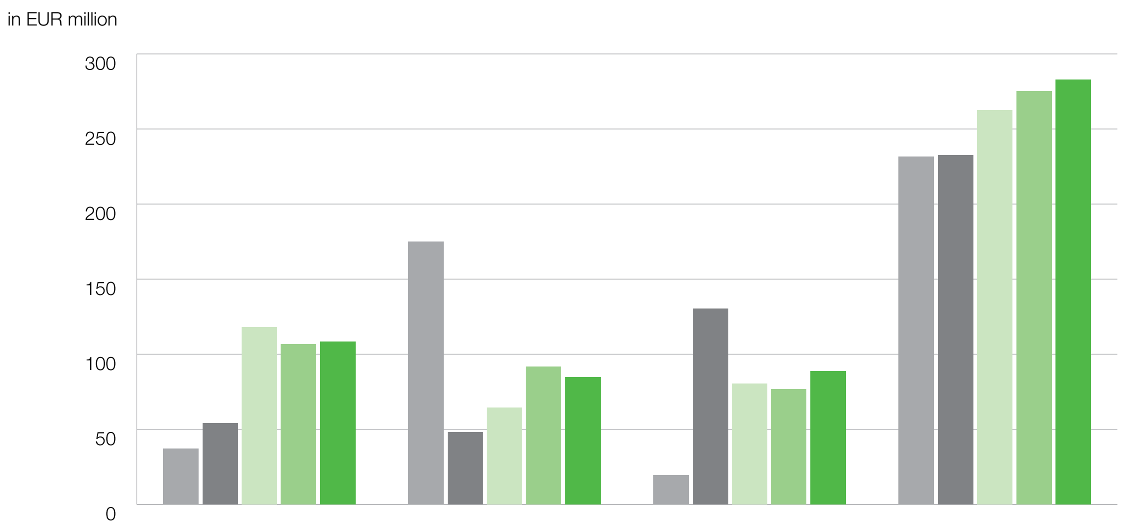
Equity accounted for 39% of the ***liabilities of the Group***, long-term debt accounted for 30% and short-term debt accounted for 31%.

Structure of assets of the Sava Group from 2017 to 2021



	Property, plant and equipment and investment property	Financial assets	Other assets	TOTAL ASSETS
31/12/2017	155.3	8.5	67.9	**231.7**
31/12/2018	158.7	10.2	63.6	**232.5**
31/12/2019	227.0	0.7	34.9	**262.6**
31/12/2020	236.9	0.7	37.5	**275.1**
31/12/2021	224.5	0.7	56.5	**281.7**

Structure of liabilities of the Sava Group from 2017 to 2021



	Equity	Long-term debts	Short-term debts	TOTAL EQUITY AND DEBTS
31/12/2017	37.2	174.9	19.6	**231.7**
31/12/2018	54.1	48.0	130.4	**232.5**
31/12/2019	117.9	64.3	80.4	**262.6**
31/12/2020	106.7	91.6	76.8	**275.1**
31/12/2021	108.5	84.6	88.6	**281.7**

Investments

Over the last 5 years, EUR 70.1 million was earmarked for investments, of which EUR 4.3 million of investments in 2021 were aimed at raising the standard and improving the level of services, increasing energy efficiency and ecological standards, improving the working conditions of employees and in increasing productivity and digitisation and further automation of operations and work processes, both in operations and in support activities.

4.10. Employees of the Sava Group

As at 31/12/2021, the Sava Group had 1,154 employees (31/12/2020: 1,129 employees). The average number of employees was 656 in 2021, while the respective figure the year before was 611. The negative deviations between the number of employees and the average number of employees are the result of the Covid-19 epidemic.

Educational structure of employees as at 31/12/2021

	2021		2020	
Level of education	Number of employees	Average number of employees	Number of employees	Average number of employees
Level 1 – non-completed elementary school	6	3	6	2
Level 2 – completed elementary school	127	68	121	62
Level 3 – up to 2 years of vocational education	15	7	18	8
Level 4 – at least 3 years of vocational education	332	175	289	144
Level 5 – secondary education	363	205	397	213
Level 6 – higher vocational college	91	53	82	49
Level 7a – professional college	148	94	137	77
Level 7b – university education	64	45	70	48
Level 8 – master's degree	6	6	9	7
Level 9 – PhD	2	0	0	0
TOTAL	**1,154**	**656**	**1,129**	**611**

Age structure of employees as at 31/12/2021

	2021		2020	
Age	Number of employees	Average number of employees	Number of employees	Average number of employees
up to 20 years	10	4	2	0
20–30	193	108	187	107
31–40	241	131	253	137
41–50	323	200	326	185
51–60	337	188	304	156
more than 60	50	26	57	25
TOTAL	**1,154**	**656**	**1,129**	**611**

Structure of employees by gender as at 31/12/2021

	2021		2020	
Gender	Number of employees	Average number of employees	Number of employees	Average number of employees
Women	684	376	679	351
Men	470	280	450	260
TOTAL	**1,154**	**656**	**1,129**	**611**

5. Sustainable development

The concept of sustainable tourism is based on the protection of the natural environment, the promotion of economic development and employment at the destination, the conservation of natural and cultural heritage and the social benefits for everyone involved. Sustainable tourism is the basic focus of Slovenian tourism.

As the largest Slovenian group of companies in the tourism industry, the Sava Group is a major player in the local environment in all destinations, co-creating the tourist environment at the national level. Sustainability Report of Sava Turizem, d.d., which accounts for the bulk of operations of the Sava Group, constitutes a section in the Annual Report of Sava Turizem, d.d. detailing the information on employees and education, care for the safety and health of employees at work, ecology and community development.

More information on individual activities and measures and certificates in the field of social responsibility and sustainable development of Sava Turizem, d.d. is available on the website https://www.sava-hotels- resorts.com/si/druzbena-odgovornost-in-trajnostni-razvoj. Sava, d.d. discloses data on employees in Section 4.5. of the Annual Report. In the area of human resources, the Sava Group adopted the Diversity Policy for the Management and Supervisory Bodies of Sava, d.d. and the Sava Group, and it also has a Code of Ethics in place.

Financial Report

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

1.1. Financial statements of Sava, d.d.

Balance sheet of Sava, d.d. as at 31/12/2021

in EUR 000

		Notes	31/12/2021	31/12/2020
ASSETS				
A.	NON-CURRENT ASSETS		105,007	105,075
I.	INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	1.2.4.1.	3	6
	1. Long-term property rights		3	6
II.	PROPERTY, PLANT AND EQUIPMENT	1.2.4.2.	385	443
	1. Land and buildings		322	375
	b) Buildings		322	375
	3. Other plant and equipment		63	68
III.	INVESTMENT PROPERTY	1.2.4.3.	1,608	1,615
	2. Leased to other companies		0	266
	3. Not leased		1,608	1,349
IV.	NON-CURRENT FINANCIAL ASSETS	1.2.4.4.	103,011	103,011
	1. Non-current financial assets, excluding loans		103,011	103,011
	a) Shares and stakes in Group companies		102,462	102,462
	c) Other shares and stakes		549	549
V.	NON-CURRENT OPERATING RECEIVABLES		0	0
VI.	DEFERRED TAX ASSETS	1.2.4.5., 1.2.4.25.	0	0
B.	CURRENT ASSETS		1,998	2,552
I.	ASSETS (DISPOSAL GROUPS) AVAILABLE FOR SALE		0	0
II.	INVENTORIES		0	0
III.	CURRENT FINANCIAL ASSETS	1.2.4.6.	0	1,100
	2. Short-term loans		0	1,100
	b) Short-term loans to others		0	1,100
IV.	CURRENT OPERATING RECEIVABLES	1.2.4.7.	36	97
	1. Current operating receivables from Group companies		0	12
	2. Current trade receivables		1	0
	3. Current operating receivables from others		35	85
V.	CASH AND CASH EQUIVALENTS	1.2.4.8.	1,962	1,355
	1. Bank balances and cash in hand		862	1,355
	2. Short-term deposits		1,100	0
	c) Short-term deposits at others		1,100	0
C.	SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES		40	34
TOTAL ASSETS			107,045	107,661

in EUR 000

		Notes	31/12/2021	31/12/2020
LIABILITIES				
A.	EQUITY	1.2.4.9.	47.505	51.648
I.	CALLED-UP CAPITAL		29.083	29.083
	1. Share capital		29.083	29.083
II.	CAPITAL SURPLUS		43.357	43.357
III.	REVENUE RESERVES		0	0
IV.	REVALUATION RESERVE		0	0
V.	FAIR VALUE RESERVE		223	223
	– from non-current financial assets		223	223
VI.	NET PROFIT OR LOSS BROUGHT FORWARD		-21.015	-17.211
VII.	NET PROFIT OR LOSS FOR THE FINANCIAL YEAR		-4.143	-3.804
B.	PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES	1.2.4.11.	35	64
	1. Provisions for pensions and similar liabilities		35	64
C.	NON-CURRENT LIABILITIES	1.2.4.12.	322	385
I.	NON-CURRENT FINANCIAL LIABILITIES		270	333
	4. Other non-current financial liabilities		270	333
II.	NON-CURRENT OPERATING LIABILITIES		0	0
III.	DEFERRED TAX LIABILITIES	1.2.4.25.	52	52
D.	CURRENT LIABILITIES	1.2.4.13., 1.2.4.14	58.622	54.609
I.	LIABILITIES INCLUDED IN DISPOSAL GROUPS		0	0
II.	CURRENT FINANCIAL LIABILITIES		50.894	50.894
	4. Other current financial liabilities		50.894	50.894
III.	CURRENT OPERATING LIABILITIES		7.728	3.715
	1. Current operating liabilities to Group companies		97	6
	2. Current trade payables		467	470
	4. Current operating liabilities from advances		2	0
	5. Other current operating liabilities		7.162	3.239
E.	SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES	1.2.4.15.	561	955
TOTAL EQUITY AND LIABILITIES			107.045	107.661

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 2021

in EUR 000

		Notes	2021	2020
1.	**NET SALES REVENUES**	**1.2.4.16.**	**774**	**837**
	a) Revenues on the domestic market		774	837
	– From Group companies		737	790
	– From others		37	47
2.	**CHANGE IN THE VALUE OF INVENTORIES OF PRODUCTS AND WORK-IN-PROGRESS**		**0**	**0**
3.	**CAPITALISED OWN PRODUCTS AND SERVICES**		**0**	**0**
4.	**OTHER OPERATING REVENUE (including operating revenue from revaluation)**	**1.2.4.16.**	**194**	**29**
5.	**COST OF GOODS, MATERIAL AND SERVICES**	**1.2.4.18.**	**-617**	**-1,157**
	a) Cost of goods and materials sold and cost of materials used		-25	-26
	b) Cost of services		-592	-1,131
6.	**LABOUR COSTS**	**1.2.4.19.**	**-640**	**-980**
	a) Cost of wages and salaries		-417	-590
	b) Cost of social security		-82	-114
	– Costs of social insurance		-33	-46
	– Cost of pension insurance		-49	-68
	c) Other labour costs		-141	-276
7.	**WRITE-DOWNS**	**1.2.4.20.**	**-72**	**-81**
	a) Depreciation/amortisation		-72	-81
8.	**OTHER OPERATING EXPENSES**		**-16**	**-27**
9.	**OPERATING LOSS**		**-377**	**-1,379**
10.	**FINANCIAL INCOME FROM PARTICIPATING INTERESTS**	**1.2.4.21.**	**18**	**3**
	c) Financial income from participating interests in other companies		18	3
11.	**FINANCIAL INCOME FROM LOANS GRANTED**		**0**	**0**
12.	**FINANCIAL INCOME FROM OPERATING RECEIVABLES**		**0**	**0**
13.	**FINANCIAL EXPENSES FROM IMPAIRMENTS AND WRITE-OFFS OF FINANCIAL ASSETS**		**0**	**0**
14.	**FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES**	**1.2.4.22.**	**-4,134**	**-2,769**
	d) Financial expenses from other financial liabilities		-4,134	-2,769
15.	**FINANCIAL EXPENSES FROM OPERATING LIABILITIES**		**0**	**0**
16.	**OTHER INCOME**	**1.2.4.23.**	**355**	**347**
17.	**OTHER EXPENSES**	**1.2.4.23.**	**-5**	**-6**
18.	**INCOME TAX**	**1.2.4.24.**	**0**	**0**
19.	**DEFERRED TAXES**	**1.2.4.25.**	**0**	**0**
20.	**NET PROFIT OR LOSS FOR THE PERIOD**		**-4,143**	**-3,804**

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 2021

in EUR 000

	2021	2020
Net profit/loss for the period	**-4,143**	**-3,804**
Total other comprehensive income for the period	**-4,143**	**-3,804**

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

Cash flow statement of Sava, d.d. for the period from January to December 2021

in EUR 000

		2021	2020
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**	**-4,143**	**-3,804**
	Profit or loss before tax	-4,143	-3,804
b)	**Adjustments for**	**58**	**86**
	Amortisation/depreciation	72	81
	Operating revenues from revaluation in connection with items of investing and financing activities	-6	-4
	Financial income excluding financial income from operating receivables	-18	-3
	Financial expenses excluding financial expenses from operating liabilities	10	12
c)	**Changes in net current assets (and deferred and accrued items, provisions and deferred tax assets and liabilities) of the balance sheet operating items**	**3,644**	**3,157**
	Opening less closing operating receivables	61	132
	Opening less closing deferred costs and accrued revues	-6	-2
	Closing less opening operating liabilities	4,012	3,382
	Closing less opening accrued costs and deferred revenues and provisions	-423	-355
d)	**Net cash from/used in operating activities (a+ b + c)**	**-441**	**-561**
B.	**Cash flows from investing activities**		
a)	**Receipts from investing activities**	**1,124**	**457**
	Receipts from interest and dividends received from investing activities	18	3
	Receipts from disposal of intangible assets	6	0
	Receipts from disposal of investment property	0	54
	Receipts from disposal of financial assets	1,100	400
b)	**Disbursements for investing activities**	**-3**	**0**
	Disbursements for the acquisition of property, plant and equipment	-3	0
c)	**Net cash inflow or outflow from investing activities (a + b)**	**1,121**	**457**
C.	**Cash flows from financing activities**		
a)	**Receipts from financing activities**	**0**	**0**
b)	**Disbursements for financing activities**	**-73**	**-70**
	Disbursements for interest paid on financing activities	-10	-12
	Disbursements for financial liabilities	-50	-58
	Other changes in financial liabilities from the business use of assets	-13	0
c)	**Net cash inflow or outflow from financing activities (a + b)**	**-73**	**-70**
D.	**Closing balance of cash**	**1,962**	**1,355**
a)	Net cash inflow or outflow for the period (sum total of net cash Ad, Bc and Cc)	607	-174
b)	Opening balance of cash	1,355	1,529

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

2021

In 2021, there were no major non-cash items that should have been excluded from the cash flow statement.

Additional disclosure regarding operating leases of assets

In 2021, EUR 50 thousand of financial liabilities from operating leases were repaid, which are stated in the cash flow statement under item C. b) Disbursements for financial liabilities and disclosed EUR 13 thousand worth of other changes in financial liabilities for operating leases included in the cash flow statement under item C. b) Disbursements for financial liabilities.

2020

In 2020, there were no major non-cash items that should have been excluded from the cash flow statement.

Additional disclosure regarding operating leases of assets

In 2020, EUR 58 thousand of financial liabilities from operating leases were repaid, which are stated in the cash flow statement under item C. b) Disbursements for financial liabilities.

Statement of changes in equity of Sava, d.d. for the period from 31/12/2020 to 31/12/2021

in EUR 000

		Share capital	Capital surplus	Fair value reserves	Net net loss	Net loss for the year	Total capital
		I/1	II	V	VI/2	VII/2	VIII
A.1.	BALANCE AS AT 31/12/2020	29,083	43,357	223	-17,211	-3,804	51,648
A.2.	OPENING BALANCE AS AT 01/01/2021	29,083	43,357	223	-21,015	0	51,648
B.2.	Total other comprehensive income for the period	0	0	0	0	-4,143	-4,143
a)	Entry of net profit or loss for the period	0	0	0	0	-4,143	-4,143
C.	CLOSING BALANCE AS AT 31/12/2021	29,083	43,357	223	-21,015	-4,143	47,505

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

Statement of changes in equity of Sava, d.d. for the period from 31/12/2019 to 31/12/2020

in EUR 000

		Share capital	Capital surplus	Fair value reserves	Net net loss	Net loss for the year	Total capital
		I/1	II	V	VI/2	VII/2	VIII
A.1.	BALANCE AS AT 31/12/2029	29,083	43,357	223	-17,211	0	55,452
A.2.	OPENING BALANCE AS AT 01/01/2020	29,083	43,357	223	-17,211	0	55,452
B.2.	Total other comprehensive income for the period	0	0	0	0	-3,804	-3,804
a)	Entry of net profit or loss for the period	0	0	0	0	-3,804	-3,804
C.	CLOSING BALANCE AS AT 31/12/2020	29,083	43,357	223	-17,211	-3,804	51,648

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

Calculation of accumulated loss of Sava, d.d. as at 31/12/2021

in EUR 000

	31.12.2021	31.12.2020
NET PROFIT OR LOSS FOR THE PERIOD	-4,143	-3,804
Loss brought forwards as at 01/01 of the current year	-21,015	-17,211
Accumulated loss as at 31/12	-25,158	-21,015

1.2. Notes to financial statements of Sava, d.d.

1.2.1. Basis for the preparation of financial statements

Reporting entity

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 31/12/2021. The ownership structure of the Company is explained under Item 3 of the Section Introductory clarifications. The financial statements have been prepared on a going concern basis.

The Annual Report is available on the Company's website 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 CEO approved the financial statements on 22/02/2022.

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 contained in this report and expressed in euros is rounded to the nearest thousand. When adding together, minor differences can appear due to rounding.

Changes in the accounting policies

There were no changes in the accounting policies in 2021.

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.

1.2.2. 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 entity 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.

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 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 the 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 may include costs incurred relating to leases of assets that are used to construct, add to, replace part of or service an item of property, plant and equipment, such as depreciation of right-of-use assets.

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 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.

At the commencement date, a lessee recognises a right-of-use asset and a lease liability. An item of property, plant and equipment under lease is a component of the lessee's property, plant and equipment. At the commencement date, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The present value of lease payments is discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. At inception of a contract, the entity assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The entity accounts each lease component within the contract as a lease separately from non-lease components of the contract, unless the entity applies the practical expedient and account for all contract components as a single lease component. An item of property, plant and equipment under lease is stated separately from other assets of the same type.

Exceptions only apply to short-term leases and leases for which the underlying asset is of low value, when the right-of-use asset need not be stated. A short-term lease is a lease of no more than one year. Leased asset is of low value if its value is up to EUR 5,000, taking into account the value of the asset when it is new.

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 20.0% to 33.3% and have not changed from last year. Depreciation rate of assets under operating lease is dependent on the contract applicable at the time; in 2021, it was between 11.11% and 14.29%.

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.

The cost may include costs incurred relating to leases of assets that represent the right-of-use assets. At the commencement date, a lessee recognises a right-of-use asset and the lease liability for the investment property, reasonably applying SAS 1.27.

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 rate for an investment property is 2% and did not change 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.

Investments in equity and loans of Sava, d.d. are broken down into investments in subsidiaries, associated companies and in others, which are classified as available-for-sale financial assets.

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 entity 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 entity must measure an investment (financial asset) at fair value. If the financial asset is not classified as a financial asset measured at fair value through profit or loss, 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 occurs primarily 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 subsidiaries and associated companies are measured and accounted for at cost.

The latest verification of fair value of available-for-sale financial assets not listed on an active securities market and of equity investments in subsidiaries was carried out on 31/12/2021. Sava, d.d. has no listed financial investments held for sale.

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.

Established 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 entity'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 entities in the Group, to affiliate organisations and to others.

B. Recognition and derecognition of receivables

A receivable is recognised as an asset 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, expire 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. Initially recorded receivables may subsequently increase or decrease by any contractually justified amount, irrespective of received payments or alternative form of settlement.

Interest from receivables is 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 short-term deposits.

Equity

Total equity of an entity is its liability towards its owners that falls due for payment if the entity ceases to operate. In this case, its amount is adjusted according to the then realisable price of net assets. Equity 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 reduced by loss incurred during operations, redeemed own shares and withdrawals.

The total equity 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 31/12/2021, whereby a 2.60% annual growth in salaries and a 1.09% annual discount interest rate were observed. There are no other pension-related liabilities.

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

Provisions are not revalued. 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 probable 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 underlying documents as they occur. 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 and deferrals

A. Classification of accruals and deferrals

Accrual and deferrals can be either long-term or short-term 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 and deferrals

Accruals and deferrals 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 and deferrals can only be used for the same types of items for which they were originally recognised.

C. Initial measurement of accruals and deferrals

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 and deferrals

Accruals and deferrals 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 as revenues arose.

An entity recognised sales revenue when it satisfies the contractual obligation. A contractual obligation is an entity's performance obligation to supply or ship contracted (promised) goods or services to the customer. It satisfies (or fulfils) the performance obligations by transferring the contracted good or service to the customer. A good or service is deemed transferred (and the obligation fulfilled) when the customer obtains control of that good or service, the right to direct the use of and obtains substantially all of the remaining benefits from the good or service. An entity transfers control of a good or service at a point in time or over time and thus satisfies the performance obligation.

Revenue for each performance obligation that is satisfied over time is recognised over time, in line with the entity's progress toward complete satisfaction of the obligation. If the entity cannot reasonably measure the progress toward complete satisfaction of the performance obligation but expects to recover the costs incurred in satisfying the performance obligation, it can only recognise revenue to the extent of the costs incurred.

The entity re-measures the progress toward complete satisfaction of the performance obligation at the end of a reporting period or more frequently.

C. Initial measurement of revenues

Revenues from services rendered other than services resulting in financial income are measured at their selling prices subject to the stage of their completion.

Sales revenue is recognised in an amount that reflects the transaction price, which is allocated to separate performance obligation in the contract. Transaction price is the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Consideration may include fixed amounts, variable amounts (for instance discounts, rebates, refunds, credits, or price concessions) or both. The amount of the variable consideration that is not included in the transaction price and has already been charged to the customer or has already been paid by the customer is recognised as a refund obligation. The variable amount of compensation may be allocated to all or only certain performance obligations.

The variable amount of compensation is allocated to certain performance obligations when its conditions relate to the fulfilment or specific outcome of only certain and not all performance obligations.

Revenue occurring unevenly is 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 the 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 recognised 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, freely transferable, 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 2021.

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 2021 (for the past period from January to December 2020), the data from the balance sheet as at 31/12/2021 and 31/12/2020 (for the past period 31/12/2020 and 31/12/2019) and other required data. The cash flow statement excludes the more important values that are not connected with revenues and expenses.

1.2.3. 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 entity will suffer a loss of economic benefits due to a change in the financial asset value.

As part of the Financial Restructuring Plan, Sava, d.d. successfully disposed non-strategic investments and in April 2020 effectively concluded the process of integrating Hoteli Bernardin, d.d. and Sava Turizem, d.d. The existing investment portfolio of Sava, d.d. comprises only the investment in tourism activity (equity interest in the subsidiary Sava Turizem, d.d.), whereas other, minor financial investments do not exceed 1% of the total investment portfolio.

Owing to Covid-19, the market situation was still highly strained in 2021. Tourism was most hit by the pandemic and recovery is expected to be long-term. In terms of changes in the value of investments, the market conditions have been changing as a result of the Covid-19 spread, and we therefore estimate that the risk of fair value change is still present in terms of the existing investment portfolio despite signs of recovery. We assess the composition of assets and liabilities to be adequate.

Solvency risk

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

As a result of the circumstances arising from Covid-19 and the amended legislation, Sava, d.d. faced changed assumptions in 2021, especially as regards ensuring liquidity (restrictions on the payment of dividends of the subsidiary are related to the Act on Additional Measures for Mitigation of Consequences of COVID-19 or anti-corona package), whereby the Company was not eligible for assistance under the coronavirus legislation. Through many years of careful and prudent establishment of liquid reserve and additional measures adopted in 2021, Sava, d.d. ensured current liquidity in the 2021 financial year and regular repayment of operating liabilities, despite the aggravated operating conditions and the loss of dividends.

In relation to the successful merger of Hoteli Bernardin, d.d. with Sava Turizem, d.d., an additional associated risk was identified at the start of integration procedures, namely the risk of successfully providing additional funds to cover the claims of minority shareholders of Sava Turizem, d.d. upon exit from the company. In 2020, two minor shareholders holding a 0.56% share submitted requests for a share buyback. Legal proceedings are underway to determine the value of the monetary compensation. In this regard, we agreed with existing creditors about their support upon concluding Annex no. 2 to the Rescheduling Agreement as we expect the proceedings to be resolved in the current year.

The solvency risk of Sava, d.d. decreased due to the settling of liabilities arising from compulsory settlement in November 2019, when the Company repaid financial liabilities to all creditors with the exception of three, who are also the largest of its owners (SDH, d.d.; Kapitalska družba, d.d.; and York Global Finance Offshore BDH (Luxembourg) S.A.R.L.) and with whom it has agreed on deferment of debt payment until 30/06/2022.

As at 31/12/2021, Sava, d.d. had financial and operating liabilities to creditors in the amount of EUR 58,401 thousand recognised. The value of the main assets of Sava, d.d., i.e. investment in the subsidiary Sava Turizem, d.d., most of which has been provided for security of the existing creditors' claims, significantly exceeds the amount of financial liabilities.

In order to discharge financial liabilities falling due on 30/06/2022, different scenarios are in possible and require agreement between the existing creditors. These scenarios were already presented to the creditors who decided on extending the refinancing by signing Annex no. 4, whereby all scenarios are still on the table.

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. By concluding Annex no. 4, Sava, d.d. agreed on a further deferment of payment of liabilities until 30/06/2022 and an interest rate of 6 M EUR + 8%, which is unsustainable over the long-term. The interest rate burden is elevated.

Credit risk

Credit risk is the risk that a client will fail to meet its obligations from a business relationship, thus causing the Company financial damages. It is directly related to the operational risk and it represents a danger that accounts receivable and receivables from other business partners will not be settled in a timely manner or not settled at all. Sava, d.d. generates the majority of its operating revenues in relation to subsidiaries where the risk of non-payment is low despite the occurrence of circumstances related to Covid-19. The credit risk is assessed to be low.

Foreign exchange risk

Foreign exchange rate 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 euro area, therefore foreign exchange risk is low.

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

Mainly due to the changed circumstances in 2020 related to the epidemic and the consequent impossibility of refinancing on the market, Sava, d.d. and its creditors who are at the same time the three largest owners of Sava, d.d. aimed to prevent insolvency and therefore contractually agreed to defer the maturity of financial and related operating liabilities, which are due on 30/06/2022 under the latest Annex no. 4 of the Rescheduling Agreement. The assets of Sava, d.d., which are mainly pledged as security for the creditors' claims, significantly exceed the amount of financial and associated operating liabilities of the Company and thus represents, in addition to other options, a potential source for the repayment of all creditors' claims. The purpose of concluding Annex no. 4 was also the reconciliation of the creditors' positions regarding the method of their repayment. Given that creditors are also owners, it is an important strategic issue for further development.

It is evident from the public announcement on the website of the owner SDH, d.d., dated 25/02/2022, that the Supervisory Board of SDH, d.d. has granted its consent to the exercise of the right of pre-emption for the purchase of a 43.226% share in the capital investment in Sava, d.d. from York Global Finance Offshore BDH (Luxembourg). KAD, d.d. will exercise the right of pre-emption for the financial claims of York against Sava, d.d. For the purpose of carrying out activities related to the implementation of the Tourism Strategy and in connection with the adopted Annual Equity Investment Management Plan for 2022, the government of the Republic of Slovenia recapitalised SDH, d.d., thereby providing financial resources for the exercise of the right of pre-emption.

On 01/03/2022, Sava, d.d. received a notice from SDH, d.d., Ljubljana about the conclusion of a binding transaction for the acquisition of SAVA shares, and 07/03/2022, the authorised person of the shareholder York Global Finance Offshore BDH (Luxembourg) S.à r.l. received a notice on the conclusion of a binding transaction for the disposal of SAVA shares. The transaction is subject to the fulfilment of suspensive conditions.

After the completion of the transaction, SDH, d.d. will have a 61.914% ownership stake in Sava, d.d., while KAD, d.d. will have a 28.046% ownership stake. The joint ownership stake will thus be 89.960%.

On 27/05/2022, Sava, d.d. and existing creditors concluded Annex no. 5 of the Rescheduling Agreement, by way of which the due date of the liabilities of Sava, d.d. under the loan principals, interest and fees was extended until 30/09/2022. According to the parties' assessment, the three-month postponement of the payment of liabilities is sufficient to fulfil the suspensive conditions defined in the ongoing transaction for the change of the ownership structure of Sava, d.d., as a result of which the issue of the relevant creditors' claims will also be finally settled.

The CEO and the Board of Directors of Sava, d.d. assess that, based on the previously stated information, the going concern assumptions are met for Sava, d.d. and the Sava Group.

1.2.4. Notes to the items in financial statements

1.2.4.1. Intangible assets and long-term deferred costs and accrued revenues

Amortisation of intangible assets was charged in the amount of EUR 3 thousand (2020: EUR 3 thousand). Intangible assets are not pledged.

Table of the changes in intangible assets and long-term deferred costs and accrued revenues

	PROPERTY RIGHTS	in EUR 000
COST	Investments in the acquired industrial property and other rights	TOTAL
Balance as at 01/01/2021	**27**	**27**
As at 31/12/2021	**27**	**27**
VALUE ADJUSTMENT		
Balance as at 01/01/2021	**-21**	**-21**
Amortisation/depreciation	-3	-3
As at 31/12/2021	**-24**	**-24**
CARRYING AMOUNT		
Balance as at 01/01/2021	**6**	**6**
As at 31/12/2021	**3**	**3**

1.2.4.2. Property, plant and equipment

The value of property, plant and equipment, which stood at EUR 385 thousand (31/12/2020: EUR 443 thousand), was down by EUR 58 thousand compared to the end of the previous year. Depreciation amounted to EUR 62 thousand. No items of property, plant and equipment have been pledged.

Table of changes in property, plant and equipment

in EUR 000

COST	Buildings	Other plant and equipment	TOTAL
Balance as at 01/01/2021	**459**	**240**	**699**
Purchasing	0	3	3
Sales	0	-14	-14
As at 31/12/2021	**459**	**229**	**688**
VALUE ADJUSTMENT			
Balance as at 01/01/2021	**-84**	**-171**	**-255**
Sales	0	14	14
Amortisation/depreciation	-53	-9	-62
As at 31/12/2021	**-137**	**-166**	**-303**
CARRYING AMOUNT			
Balance as at 01/01/2021	**375**	**68**	**443**
As at 31/12/2021	**322**	**63**	**385**

Additional disclosure of assets under operating lease – business premises and parking lots

The value of assets under operating leases in the amount of EUR 322 thousand (31/12/2020: EUR 375 thousand) was EUR 53 thousand lower than in the previous year, whereby the change is entirely due to the accounted depreciation.

Table of changes in fixed assets under operating lease

in EUR 000

COST	Buildings	TOTAL
Balance as at 01/01/2021	**459**	**459**
As at 31/12/2021	459	459
VALUE ADJUSTMENT		
Balance as at 01/01/2021	**-84**	**-84**
Amortisation/depreciation	-53	-53
As at 31/12/2021	**-137**	**-137**
CARRYING AMOUNT		
Balance as at 01/01/2021	**375**	**375**
As at 31/12/2021	**322**	**322**

1.2.4.3. Investment property

The value of investment property in the amount of EUR 1,608 thousand (31/12/2020: EUR 1,615 thousand) decreased by EUR 7 thousand in comparison with the previous year and is entirely due to the accounted depreciation.

Sava, d.d. has no leased out investment property as at 31/12/2021 (31/12/2020: EUR 266 thousand). The lease agreement expired in October 2021, whereby EUR 35 thousand worth of income was generated by investment properties in this period and no costs were incurred. Investment property is not pledged.

Table of changes in investment property

in EUR 000

COST	Land – investment property	Buildings – investment property	TOTAL
Balance as at 01/01/2021	**2,489**	**350**	**2,839**
As at 31/12/2021	**2,489**	**350**	**2,839**
VALUE ADJUSTMENT			
Balance as at 01/01/2021	**-1,006**	**-218**	**-1,224**
Amortisation/depreciation	0	-7	-7
As at 31/12/2021	**-1,006**	**-225**	**-1,231**
CARRYING AMOUNT			
Balance as at 01/01/2021	**1,483**	**132**	**1,615**
As at 31/12/2021	**1,483**	**125**	**1,608**

1.2.4.4. Non-current financial assets

Non-current financial assets in the amount of EUR 103,011 thousand (31/12/2020: EUR 103,011 thousand) represent 96% of total assets. Their value remained the same as the year before.

A. Shares and interests in the Sava Group companies

The value of shares and interests in the Sava Group companies equalling EUR 102,462 thousand (31/12/2020: EUR 102,462 thousand) remained unchanged compared to the year before. They are fully comprised of a 53,904,804 shares or a 95.47% stake in the equity of Sava Turizem, d.d.

48,433,504 SHBR shares are pledged for the financial liabilities of Sava, d.d., their book value equalling EUR 92,062 thousand.

For financial reporting purposes in 2021, the financial investment in Sava Turizem, d.d. was valued using the discounted cash flow method. The lower value of the investment was estimated at EUR 143,179 thousand (2.66 €/share), the upper value at EUR 183,639 thousand (3.41 €/share) and the calculated mean value in the amount of EUR 161,931 thousand (3.00 €/share).

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. Other shares and interests

The value of other shares and interests equalling EUR 549 thousand (31/12/2020: EUR 549) remained unchanged compared to the year before. All shares are shares of listed companies.

They comprise 4,987 shares of Pokojninska družba A, d.d., with a book value of EUR 498 thousand, pledged as security for financial liabilities of Sava, d.d.

1.2.4.5. Deferred tax assets

Unaccounted deferred tax assets from impairments of non-current financial assets as at 31/12/2021 amounted to EUR 915 thousand (31/12/2020: EUR 915 thousand).

The amount of the unaccounted deferred tax assets arising from the tax loss at a 19% tax rate equalled EUR 74,242 thousand as at 31/12/2021 (31/12/2019: EUR 74,574 thousand).

Total unaccounted deferred tax assets amounted to EUR 75,157 thousand as at 31/12/2021 (31/12/2020: EUR 75,489 thousand).

1.2.4.6. Current financial assets

Sava, d.d. had no **current financial assets** as at 31/12/2021 (31/12/2020: EUR 1,100 thousand), with the previous year's amount entirely representing a short-term deposit placed with a commercial bank at an interest rate of 0.02%.

1.2.4.7. Current operating receivables

Table of current operating receivables by maturity

in EUR 000

	31/12/2021		
	TOTAL	Due	Not due
Current operating receivables	**36**	**0**	**36**
2. Current trade receivables	1	0	1
3. Current operating receivables from others	35	0	35

	31/12/2020		in EUR 000
	TOTAL	Due	Not due
Current operating receivables	**97**	**0**	**97**
1. Current operating receivables from Group companies	12	0	12
3. Current operating receivables from others	85	0	85

Table of the balance and changes in value adjustments of receivables

in EUR 000

	31/12/2021	31/12/2020
Balance as at 01/01	9	14
Decrease in value adjustment	0	-5
Balance at the end of period	**9**	**9**

1.2.4.8. Cash and cash equivalents

Table of cash and cash equivalents

in EUR 000

	31/12/2021	31/12/2020
Bank balances	862	1,355
Call deposits	1,100	0
Total cash and cash equivalents	**1,962**	**1,355**

1.2.4.9. Equity

Share capital

The share capital of Sava, d.d. stood at EUR 29,083 thousand (31/12/2020: EUR 29,083 thousand) and is divided into 29,082,968 ordinary, freely transferable registered no-par value shares (SAVR) with the nominal value of EUR 1.00 per share.

Capital surplus

Capital surplus in the amount of EUR 43,357 thousand (31/12/2020: EUR 43,357 thousand) was set aside 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 223 thousand (31/12/2020: EUR 223 thousand) and only represent a positive revaluation in both periods. They have not changed since the end of the previous year.

Changes in equity

The value of equity of Sava, d.d. stood at EUR 47,505 thousand (31/12/2020: EUR 51,648 thousand), which is EUR 4,143 thousand lower than at the end of the previous year. The decrease in equity is the result of the loss incurred in 2021.

Accumulated loss

As at 31/12/2021, accumulated loss amounted to EUR 25,158 thousand (31/12/2020: EUR 21,015 thousand).

The Company's management has proposed for the accumulated loss to be covered from the capital surplus.

1.2.4.10. Dividends paid, weighted average number of shares and net loss per share

Dividend payment

No dividends were paid in 2021 and 2020.

Weighted average number of shares

	31/12/2021	31/12/2020
Total number of shares as at 01/01	29,082,968	29,082,968
Weighted average number of shares at end of period	**29,082,968**	**29,082,968**

The share capital is divided into 29,082,968 ordinary, freely transferable registered no-par value shares that carry voting rights. All shares have been paid in full. The Company has no bonds that could be converted into shares.

Net loss attributable to shares

	31/12/2021	31/12/2020
Net loss for the financial year (in EUR 000)	-4,143	-3,804
Weighted average number of outstanding shares	29,082,968	29,082,968
Basic net loss per share (in EUR)	**-0.14**	**-0.13**

Diluted net loss per share equal(s) the basic net loss per share because the capital is composed solely of ordinary shares.

1.2.4.11. Provisions and long-term accrued costs and deferred revenues

Provisions in the amount of EUR 35 thousand (31/12/2020: EUR 64 thousand) represent provisions for severance pay upon retirement and jubilee benefits. An actuarial calculation of provisions was made on 31/12/2021.

Table of changes in provisions

in EUR 000

	Provisions for severance payment upon retirement and similar liabilities	TOTAL
Balance as at 01/01/2021	**64**	**64**
Newly formed provisions	2	2
Reversal of provisions	-31	-31
As at 31/12/2021	**35**	**35**

1.2.4.12. Non-current liabilities

Non-current liabilities amount to EUR 322 thousand (31/12/2020: EUR 385 thousand) and consist of financial liabilities from operating leases of assets and deferred tax liabilities.

Non-current financial liabilities amounting to EUR 270 thousand (31/12/2020: EUR 333 thousand).

They relate entirely to financial liabilities from operating leases of business premises and parking spaces that fall due after 2022. Compared to the end of the previous year, they decreased by EUR 63 thousand, of which EUR 50 thousand due to the transfer to current financial liabilities falling due in 2022, and EUR 13 thousand due to the arrangement of the value of parking spaces under operating lease. The interest rate is 2.51%.

Table of changes in non-current financial liabilities

in EUR 000

	31/12/2021	31/12/2020
Balance as at 01/01	**333**	**400**
Other changes – operating leases	-13	-17
Transfer to the current part at end of period	-50	-50
Closing balance	**270**	**333**

Table of maturity of non-current financial liabilities

in EUR 000

	31/12/2021	31/12/2020
1–2 years	103	55
2–5 years	167	223
over 5 years	0	55
TOTAL	**270**	**333**

Deferred tax liabilities

Deferred tax liabilities in the amount of EUR 52 thousand (31/12/2019: EUR 52 thousand) were formed in relation to the valuation of financial assets at fair value and have not changed compared to the end of the previous year. They were accounted for at a 19% rate.

1.2.4.13. Current liabilities

Current liabilities in the amount of EUR 58,622 thousand (31/12/2020: EUR 54,609 thousand) comprise the following:

– current financial liabilities in the amount of EUR 50,894 thousand (31/12/2020: EUR 50,894 thousand),

– current operating liabilities in the amount of EUR 7,728 thousand (31/12/2020: EUR 3,715 thousand).

Current financial liabilities amount to EUR 50,894 thousand (31/12/2020: EUR 50,894 thousand). Compared to the end of 2020, their value did not change, but they did decrease by EUR 50 thousand net due to repayments and also increased by the same amount due to the transfer from non-current to current financial liabilities. All events are related to operating lease liabilities.

Amount of current financial liabilities to creditors:

– *Slovenski državni holding, d.d., EUR 22,427.5 thousand,*

– *Kapitalska družba, d.d., EUR 22,427.5 thousand,*

– *York Global Finance Offshore BDH (Luxembourg) S.à r.l., EUR 5,989 thousand,*

– *lessees (operating leases), EUR 50 thousand, the interest rate is 2.51%, loans are not secured.*

Rescheduling of secured financial liabilities:

– Sava, d.d. discharged all obligations arising from the compulsory settlement and on 28/11/2019 repaid financial liabilities to all creditors with the exception of three, which are also its largest owners: Slovenski državni holding, d.d., Kapitalska družba, d.d., and York Global Finance Offshore BDH (Luxembourg) S.à r.l., with which it concluded the Rescheduling Agreement, wherein they agreed on deferral of payment until 30/04/2020 and the interest rate of 6-month EURIBOR + 4%.

– On 29/04/2020, Sava, d.d. concluded Annex no. 1 to the Rescheduling Agreement of 15/11/2019 with existing creditors wherein it agreed on extension of the maturity of financial liabilities until 30/10/2020 and the interest rate of 6-month EURIBOR + 4%.

– On 07/09/2020, Sava, d.d. concluded Annex no. 2 to the Rescheduling Agreement of 15/11/2019 with existing creditors wherein it agreed on extension of the maturity of financial liabilities until 30/06/2021 and the interest rate EURIBOR +8% applicable from and including 01/09/2020.

– On 25/05/2021, Sava, d.d. concluded Annex no. 3 to the Rescheduling Agreement of 15/11/2019 with existing creditors wherein it agreed on extension of the maturity of financial liabilities until 30/09/2021 and the interest rate EURIBOR +8% which thus remained unchanged.

– On 30/09/2021, Sava, d.d. concluded Annex no. 4 to the Rescheduling Agreement of 15/11/2019 with existing creditors wherein it agreed on extension of the maturity of financial liabilities until 30/06/2022 and the interest rate EURIBOR +8% which thus remained unchanged.

– On 27/05/2022, Sava, d.d. and existing creditors concluded Annex no. 5 of the Rescheduling Agreement, by way of which the due date of the liabilities of Sava, d.d. under the loan principals, interest and fees was extended until 30/09/2022.
According to the parties' assessment, the three-month postponement of the payment of liabilities is sufficient to fulfil the suspensive conditions defined in the ongoing transaction for the change of the ownership structure of Sava, d.d., as a result of which the issue of the relevant creditors' claims will also be finally settled.

Collateralisation of financial liabilities:

– Creditors received 48,433,504 shares of Sava Turizem, d.d. and 4,987 shares of Pokojninska družba A, d.d. as collateral.
The book value of pledged assets amounts to EUR 92,560 thousand.

Table showing a breakdown of loans by fixed and variable interest rate

in EUR 000

	Fixed interest rate	Variable interest rate	TOTAL
long-term loans	270	0	270
short-term loans	50	50,844	50,894
TOTAL	**320**	**50,844**	**51,164**

Current operating liabilities

Current operating liabilities amount to EUR 7,728 thousand (31/12/2020: EUR 3,715 thousand). They include EUR 441 thousand of fees for Rescheduling of loans and EUR 7,056 thousand of interest liabilities, which fall due on 30/06/2022.

Other operating liabilities are settled by Sava, d.d. in accordance with the agreed payment terms.

Table of current operating liabilities

in EUR 000

	31/12/2021	31/12/2020
Current operating liabilities to Group companies	**97**	**6**
– operating liabilities from the off-set BZ 2021	97	6
Current trade payables to suppliers	**467**	**470**
– fees for the Rescheduling of loans*	**441**	**441**
– regular operating liabilities	**26**	**29**
Current operating liabilities from advances	**1**	**0**
Other current operating liabilities	**7,163**	**3,239**
a) Interest liabilities for received loans	7,056	2,932
b) Liabilities for salaries and other remunerations	105	304
– Liabilities for net salaries and other net remunerations	49	122
– Liabilities to the state (contributions on and from salaries)	56	182
c) Liabilities to the state	0	2
d) Other liabilities	2	1
TOTAL CURRENT OPERATING LIABILITIES	**7,728**	**3,715**

1.2.4.14. Summary of all liabilities to creditors as at 31/12/2021 and falling due on 30/06/2022

in EUR

Creditor	Principal payable for received loans	Interest payable	Fees payable for Rescheduling	Withholding tax	TOTAL
SDH, d.d.	22,427,456,85	3,112,432,65	220,418,20	0,00	25,760,307,70
KAD, d.d.	22,427,456,81	3,112,432,65	220,418,20	0,00	25,760,307,66
York	5,989,010,01	789,584,52	59,890,10	41,557,10	6,880,041,73
TOTAL	**50,843,923,67**	**7,014,449,82**	**500,726,50**	**41,557,10**	**58,400,657,09**

1.2.4.15. Short-term accrued costs and deferred revenues

Short-term accrued costs and deferred revenues in the amount of EUR 561 thousand (31/12/2020: EUR 955 thousand) fell by EUR 394 thousand over the end of the year before, a net decrease which is mainly due to the favourably resolved legal dispute with the Bank of Slovenia. The bulk is accounted for by provisions related to labour costs, the fee for the refinancing of financial liabilities owed to the creditor York and the accrued costs of services relating to the 2021 financial year.

1.2.4.16. Net sales revenues and other operating revenues

Net sales revenues amounted to EUR 774 thousand (2020: EUR 837 thousand), 95% of which were realised through sales within the Sava Group. Revenues comprise trademark use royalties, revenues from the provision of internal audit services, and rental income from investment property. Net sales revenues were generated entirely in Slovenia.

Other operating revenues of EUR 194 thousand (2020: EUR 29 thousand) comprised mostly the reversal of labour cost provisions as a result of the business reorganisation.

Table of the composition of net sales revenues

in EUR 000

	2021	2020
Net revenues from the sales of services	737	793
Net rental income	37	44
Total net sales revenues	**774**	**837**

1.2.4.17. Costs by functional group

in EUR 000

	2021	2020
Costs of general activities	1,345	2,245
TOTAL	**1,345**	**2,245**

1.2.4.18. Costs of goods, materials and services

The costs of goods, materials and services had a 46% share in the structure of operating expenses. Their value was EUR 617 thousand (2020: EUR 1,157 thousand). They were 47% lower year-on-year.

The costs of services also comprised EUR 5 thousand of costs from small-value leases and the non-deductible VAT from operating leases.

Table of the costs of goods, material and services by type of cost

in EUR 000

	2021	2020
Costs of materials	25	26
Costs of transport services	4	5
Costs of maintenance services	35	54
Cost of rent	5	9
Reimbursements of workers' costs	1	1
Costs of payment transactions, banking services and insurance premiums	60	605
Costs of intellectual and personal services	269	266
Cost of fairs, advertising and entertainment	15	15
Costs of other services	203	176
TOTAL	**617**	**1,157**

1.2.4.19. Labour costs

Labour costs of EUR 640 thousand (2020: EUR 980 thousand) had a 44% share in the structure of operating expenses. They include additional contingent liabilities to employees. They were 35% lower year-on-year.

Sava, d.d. employed 5 people as at 31/12/2021 (31/12/2020: 11 employees). The average number of employees based on hours worked in 2021 was 8.50 (2020: 11.55). The Company discloses premiums written for supplementary pension insurance totalling EUR 10 thousand under the labour cost item.

Table of labour costs

in EUR 000

	2021	2020
Gross salaries	466	658
Cost of social security of employees	33	46
Other labour costs	141	276
Total labour costs	**640**	**980**

1.2.4.20. Write-downs

The cost of write-downs of EUR 72 thousand (2020: EUR 81 thousand) are represented by amortisation and depreciation charge, EUR 53 thousand of which is related to operating leases.

1.2.4.21. Financial income from participating interests

Financial income from participating interest equalling EUR 18 thousand (2020: EUR 3 thousand) comprise dividends received from two small available-for-sale financial assets.

1.2.4.22. Financial expenses

Financial expenses in the amount of EUR 4,134 thousand (2020: EUR 2,769 thousand), whereby EUR 4,124 thousand relates to the 6m EUR +8% interest on secured financial liabilities, and EUR 10 thousand represents interest from operating leases of assets.

1.2.4.23. Other revenues and other expenses

Extraordinary events resulted in net gain of EUR 350 thousand (2020: EUR 341 thousand), consisting of:

- extraordinary income of EUR 325 thousand from the reversal of provisions due to the favourably concluded litigation with the Bank of Slovenia;
- various extraordinary events in the amount of EUR 30 thousand,
- extraordinary events in the amount of EUR 5 thousand.

1.2.4.24. Corporate income tax

Sava, d.d. had no corporate income tax liability accounted for 2021. In 2021, the Company did not claim tax relief because a tax loss was disclosed. As at 31/12/2021, the unused tax loss amounted to EUR 390,747 thousand.

Comparison between the actual and the calculated tax rate

in EUR 000

	2021		2020	
	Rate	Amount	Rate	Amount
Pre-tax profit		**-4,143**		**-3,804**
Income tax based on the official rate	**19%**	**-787**	**19%**	**-723**
Effect of tax rates in other countries		0		0
Amounts having a negative impact on tax base		**3,794**		**2,630**
– 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		3,794		2,630
– Amount of expenses for which tax was withheld		0		0
– Any other amounts having an impact on the tax base increase		0		0
Effect of the increase in the tax rate on special profits		**0**		**0**
Amounts having a positive effect on tax base		**427**		**1,198**
– Amount from the decrease in revenues to the level of tax deductible revenues		427		16
– Amount from the increase in expenses to the level of tax deductible expenses		0		1,166
– Any other amounts having an impact on the tax base increase		0		16
Difference in the tax base due to transition to new accounting methods following changes to accounting policies		**0**		**0**
Tax relief		**0**		**0**
– Used loss having an effect on the tax liability decrease		**0**		**0**
– other 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		776		2,372
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**

1.2.4.25. Deferred tax assets and liabilities

Table of deferred tax assets and liabilities

in EUR 000

31/12/2021	Assets	Liabilities	Net
Financial assets	0	52	-52
TOTAL	**0**	**52**	**-52**

in EUR 000

31/12/2021	Assets	Liabilities	Net
Financial assets	0	52	-52
TOTAL	**0**	**52**	**-52**

1.2.4.26. Profit participations

The General Meeting did not approve any profit participations.

1.2.5. Other disclosures

1.2.5.1. Contingent assets and contingent liabilities

in EUR 000

	31/12/2021	31/12/2020
Pledge of securities	92,560	92,560
TOTAL	**92,560**	**92,560**

Shares pledged for financial liabilities

EUR 92,560 thousand worth of shares were pledged for the financial liabilities of Sava, d.d.:

- 48,433,504 shares of Sava Turizem, d.d. worth EUR 92,062 thousand;
- 4,987 shares of Pokojninska družba A, d.d. worth EUR 498 thousand.

1.2.5.2. Fair value measurement

Shares and interests

The fair value of shares listed on the stock exchange equals the published average price per share as at the balance sheet date. The fair value of unlisted shares is equal to its cost less any impairment losses based on the assessment of any signs of impairment.

Loans granted and raised

The fair value equals the discounted value of expected cash flows from the principal. The effective interest rate is the same as the contractual interest rate.

Current receivables and liabilities

The carrying amount of operating receivables falling due in less than one year is assumed to be their fair value.

Table of fair value of financial instruments

in EUR 000

	31/12/2021		31/12/2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale securities	549	549	549	549
Current receivables	36	36	97	97
Loans granted	0	0	1,100	1,100
Cash and cash equivalents	1,962	1,962	1,355	1,355
Long-term loans	-270	-270	-333	-333
Short-term loans	-50,894	-50,894	-50,894	-50,894
Current operating liabilities	-7,728	-7,728	-3,715	-3,715

1.2.5.3. 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 CEO.

**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 in the Sava Group

Business relations between Sava, d.d. and its subsidiaries relate to mutually provided services.

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 subsidiaries' capital as at 31/12/2021, operating revenues and net operating result for the January–December 2021 period are disclosed in the financial report for the Sava Group.

Revenues and expenses of Sava, d.d. from transactions with subsidiaries

in EUR 000

Company	Operating revenues Jan.–Dec. 2021	Operating expenses Jan.–Dec. 2021	Financial income Jan.–Dec. 2021	Financial expenses Jan.–Dec. 2021
TOURISM division	**737**	**69**	**0**	**0**
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	737	69	0	0

Receivables and liabilities of Sava, d.d. disclosed in relation to subsidiaries

v 000 EUR

Company	Operating receivables 31/12/2021	Operating liabilities as at 31/12/2021	Financial receivables 31/12/2021	Financial liabilities as at 31/12/2021
TOURISM division	**0**	**147**	**0**	**0**
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	0	147	0	0

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 58,401 thousand (31/12/2020: EUR 54,259 thousand) refer to financial liabilities arising from the loans received and to operating liabilities arising from interest as well as operating liabilities from fees for loan Rescheduling. Financial expenses in the amount of EUR 4,124 thousand (2020: EUR 3,307 thousand) include interest charged on financial liabilities.

Transactions with the companies associated with the owners do not exceed EUR 100 thousand and are therefore in line with the policy not disclosed.

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

v 000 EUR

Related parties	Outstanding receivables as at 31/12/2021	Outstanding liabilities as at 31/12/2021	Revenues in the period 1–12 2021	Expenses in the period 1–12 2021
Transactions with the owners (over 20%)				
York Global Finance Offshore BDH (Luxembourg) S.à r.l.	0	6,880	0	486
Slovenski državni holding, d.d.	0	25,760	0	1,819
Kapitalska družba, d.d.	0	25,760	0	1,819
TOTAL	**0**	**58,401**	**0**	**4,124**
Transactions with the companies associated with the owners	0	0	0	0
TOTAL	**0**	**58,401**	**0**	**4,124**

Relations with natural persons

Ownership of the share of Sava as at 31/12/2021

Members of the Board of Directors and of the BoD committees and the CEO of Sava, d.d. do not own any Sava shares.

Remuneration of the CEO in 2021

In 2021, gross remuneration of the CEO amounted to EUR 149 thousand. They comprise fixed and variable remuneration and perquisites.

Remuneration of Board of Directors and committee members in 2021

Gross receipts of the members of the Board of Directors in committees totalled EUR 105 thousand in 2021. It consisted of payments for the performance of their functions and for meeting attendance fees.

Remuneration of employees with individual employment contracts in 2021

As at 31/12/2021, five employees worked under individual employment contracts (31/12/2020: 10 employees). Gross remuneration of EUR 496 thousand comprised fixed and variable remuneration and perquisites.

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 wage costs for December 2021, which were paid out in January 2022.

1.2.5.4. Disclosure of business with the selected auditor

According to the agreement made with BDO 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 2021 amounted to EUR 8 thousand exclusive of VAT (2020:

– Contract with Deloitte revizija, d.o.o.: EUR 21 thousand exclusive of VAT).

1.2.5.5. Report on significant disputes and the Request for minority share purchase

A. Sava, d.d. as the defendant

In 2021, Sava, d.d. was not a defendant in any dispute.

B. Sava, d.d. as the plaintiff

Defendant: Bank of Slovenia (closed)

- In its judgment of 19/01/2021, the Supreme Court of the Republic of Slovenia found that in the case concerned the absolute statute of limitations for the prosecution of minor offence had expired on 22/03/2020, therefore it granted the request of the Supreme State Prosecutor's Office of the Republic of Slovenia for protection of legality and modified the challenged final judgement by staying the minor offence proceedings against the legal and responsible person.

Defendant: Ministry of Finance of the Republic of Slovenia, Financial Administration of the Republic of Slovenia

- In 2017, the amendment to the Tax Procedure 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 repeated tax investigation by the Financial Administration of the RS resulted in a decision on 08/06/2017 ordering the payment of EUR 201 thousand in default interest. The imposed liability was settled on 06/07/2017.
- A complaint was filed 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 by the tax authority 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.
- On 11/12/2017, an action in an administrative dispute was brought before the Administrative Court of the Republic of Slovenia against the entire FURS decision of 08/06/2017.
- On 30/08/2019, an application for urgent consideration was filed with the Administrative Court of the Republic of Slovenia, mainly due to the fact that in the meantime, based on the decision of the Supreme Court of the Republic of Slovenia in a similar case of another plaintiff, the court adopted a judgment in which it took a position that would benefit Sava, d.d. in the case in question.
- On 07/10/2019, the Administrative Court of the Republic of Slovenia refused the action against the entire decision of the FURS.
- On 05/11/2019, a Proposal for permission of an appeal on a point of law was submitted to the Supreme Court of the Republic of Slovenia.
- On 02/09/ 2020, the Supreme Court of the Republic of Slovenia allowed the appeal on a point of law against the judgment of the Administrative Court of the Republic of Slovenia in regards to two questions relating to the retroactivity of the application of the increased (7%) interest rate and regarding the application of the interest rate (interest remuneration) also for those taxpayers that settled their liability in full even before the amendment came into effect (just like Sava, which settled the disputed liabilities within the set deadlines).
- On 05/10/2020, an appeal on a point of law against the judgment of the Administrative Court was filed with the Administrative Court of the Republic of Slovenia.

- On 23/11/2020, we received a copy of the response from defendant – the Ministry of Finance to the Administrative Court of Slovenia. According to the lawyer's assessment, the defendant did not put forward any relevant reasons that would contradict the arguments of the appeal.
- On 10/06/2021, we received a reply from the Supreme Court of the Republic of Slovenia, in which it agrees with the arguments about the unconstitutionality of the statutory regulation (ZDavP-2) and, in this sense, has now submitted a request for an review of constitutionality to the Constitutional Court of the Republic of Slovenia. For the reasons stated above, it suspended the decision-making process on the appeal on a point of law pending the decision of the Constitutional Court. According to the lawyer who represents us in this case, the arguments presented by the Supreme Court of the Republic of Slovenia (which follow ours) are so strong that the Constitutional Court would on their basis also have to find the unconstitutionality of the disputed legal regulation, and this would eliminate the legal basis for the contested decision of FURS. In terms of time, the aforementioned decision of the Supreme Court will unfortunately prolong the proceedings by at least 3 years.

C. Requests for purchase of minority shares in Sava Turizem, d.d.

- On 27/11/2020, Sava, d.d. received two requests for the purchase of shares of minority shareholders. In addition to the shares registered with KDD, both minority shareholders also refer to the non-litigious procedure ref. no. Ng 25/2020, in which the two shareholders argue that they were assigned too few shares in the merged company Sava Turizem, d.d. in the process of acquisition of Hoteli Bernardin, d.d. by Sava Turizem, d.d., which was due to the inadequate swap ratio.
- Given the vagueness of the request and in accordance with the legal opinion of the shareholder, Sava, d.d. invited them to clarify which shares their request refers to.
- On 04/01/2021 and 14/01/2021, Sava, d.d. received a summons from the court regarding a proposal for the court to determine an appropriate monetary compensation for the exit of the said minority shareholders.
- The Company submitted a response to the court through a legal representative in accordance with the set deadline, wherein it does not contradict the fact that the minority shareholders have the right to withdraw, explaining some misassumptions in the shareholders' requests.
- In the case of one minority shareholder, the court suspended the proceedings as the decision depends on one of the pending proceedings to which the minority shareholder refers (judicial examination of the exchange ratio upon the merger of Hoteli Bernardin, d.d. with Sava Turizem, d.d.) In the second case, the court called the first hearing for 31/03/2021. The legal representative of Sava, d.d. also proposed a temporary suspension of the proceedings in this case, but the court did not sustain it. On 02/06/2021, a hearing was held at the court with the conclusion that the court will obtain the opinion of the settlement committee, whereby Sava, d.d. deposited an advance in the amount of EUR 10,000 for the work of said committee. Based on the decision of 24/06/2021, the court will obtain the opinion of the settlement committee.
- In accordance with provision 2.4 of Annex no. 2 of the Rescheduling Agreement, which addresses the issue of the potential exit of minority shareholders, Sava, d.d. addressed a proposal to the creditors on 18/01/2021 regarding the provision of funds for the exit or exclusion of the minority shareholders of Sava Turizem, d.d. In view of the disunity of the creditors regarding the provision of funds, the decision to squeeze out the minority shareholders, as defined in the Strategy, was not adopted and individual proceedings are underway for said exit.
- Based on the request of the settlement committee, the Board of Directors of Sava, d.d. adopted a resolution in October to respond to the offer for compensation by one of the applicants with a counter offer on the condition that Sava, d.d. obtains the necessary funds from creditors or shareholders. The opposing party did not accept the offer so the settlement committee will propose the selection of an appraiser and use the appraisal to determine the appropriate monetary compensation.

1.2.5.6. Effect of the events after the balance sheet date on the financial statements of Sava, d.d.

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. as at 31/12/2021 or the going-concern assumption.

Below is an explanation on other events after the balance sheet date:

- On 09/02/2022, Sava, d.d. received from the shareholder Nova KBM a Notice of publication of a public call for the submission of non-binding offers for the purchase of 496,851 shares of the issuer Sava, d.d., which represents 1.71% of the share capital of Sava, d.d.
- On 09/02/2022, Sava, d.d. received from the authorised person of the shareholder York Global Finance Offshore BDH (Luxembourg) S.à r.l. a notice on the change of significant shares showing that a binding legal transaction was signed on 31/01/2022 for the disposal of the participating interest / shares, which is subject to the fulfilment of certain conditions that have not yet been fulfilled. It was clear from the notice that York would – in the event certain conditions were fulfilled and the transaction thus consummated – divest 12,571,257 shares of the issuer of the Sava, d.d., which represents 43.23% of the share capital of Sava, d.d. There was no change in significant shares.
- On 10/02/2022, Sava, d.d. received a notice from the authorised representative of Prestige SL, Hungary, about the change of significant shares – i.e. the conclusion of a binding transaction for the acquisition of 12,571,257 shares of the issuer Sava, d.d., which represents 43.23% of the share capital of Sava, d.d., whereby the conclusion of the deal is subject to the fulfilment of certain conditions, which have not yet been fulfilled. There was no change in significant shares.
- 01/03/2022, Sava, d.d. received a notice from the authorised representative of Slovenski državni holding, d.d., Ljubljana based on the exercise of the right of pre-emption on 28/02/2022, about the change of significant shares – i.e. the conclusion of a binding transaction for the acquisition of 12,571,257 shares of the issuer Sava, d.d., which represents 43.23% of the share capital of Sava, d.d., whereby the conclusion of the deal is subject to the fulfilment of certain conditions, which have not yet been fulfilled.
- On 07/03/2022, Sava, d.d. received from the authorised person of the shareholder York Global Finance Offshore BDH (Luxembourg) S.à r.l. a notice on the change of significant shares showing that a binding legal transaction was signed on 28/02/2022 for the exercise of the right of pre-emption, which is subject to the fulfilment of certain conditions that have not yet been fulfilled. It was clear from the notice that York would – in the event certain conditions were fulfilled and the transaction thus consummated – divest 12,571,257 shares of the issuer of the Sava, d.d., which represents 43.23% of the share capital of Sava, d.d.
- On 27/05/2022, Sava, d.d. and existing creditors concluded Annex no. 5 of the Rescheduling Agreement, by way of which the due date of the liabilities of Sava, d.d. under the loan principals, interest and fees was extended until 30/09/2022. According to the parties' assessment, the three-month postponement of the payment of liabilities is sufficient to fulfil the suspensive conditions defined in the ongoing transaction for the change of the ownership structure of Sava, d.d., as a result of which the issue of the relevant creditors' claims will also be finally settled.
- On 07/01/2022, Sava, d.d. signed the Agreement on the Sale of the Pokrajinski arhiv Maribor Property. The purchase consideration was settled in its entirety on 14/02/2022.

1.3. Statement of 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 31/12/2021, which have been prepared in accordance with Slovenian Accounting Standards.

The Board of Directors confirms that appropriate accounting policies were consistently used in the preparation of the financial statements, that the accounting estimates were made under the principle of prudence and good management 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 2021.

The Board of Directors is also responsible for the proper managing of appropriate accounting, establishing, operating and maintaining the internal controls related to the compilation and fair presentation of the financial statements free from any material misstatements due to fraud or error and for the adoption of appropriate measures to protect the property and other assets and hereby confirms that the financial statements, together with the notes, have been compiled under the assumptions of a going concern and in line with the applicable legislation as well as the Slovenian Accounting Standards.

Ljubljana, 30/05/2022

Board of Directors of Sava, d.d.

CEO of Sava, d.d. Gregor Rovanšek

Klemen Boštjančič, Chairman

Dejan Rajbar, Deputy Chairman

Vanessa Grmek, Member

Matej Narat, Member

Aleš Škoberne, Member

1.4. Independent Auditor's Report for Sava, d.d.

BDO

Tel: +386 1 53 00 920
Fax: +386 1 53 00 921
info@bdo.si
www.bdo.si

Cesta v Mestni log 1
SI-1000 Ljubljana
Slovenija

INDEPENDENT AUDITOR'S REPORT
(Translation from the original in Slovene language)

To the shareholders of
Sava d.d.
Dunajska cesta 152
1000 Ljubljana

Opinion

We have audited the financial statements of Sava d.d. (the Company), which comprise the statement of financial position as of December 31, 2021, and statement of profit and loss, the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the 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 Sava d.d. as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Slovenian accounting standards (SAS).

Basis for Opinion

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

Emphasis of matter

Liquidity risk

In the Note 1.2.3 to the financial statements - Financial risk management the Company explains that it has contractually agreed with creditors, which are also the largest owners of the Company, to defer overdue financial and related operating liabilities until 30 June 2022, in coordination, however, there is an additional delay in maturity until 30 September 2022. The Company considers that this deferral means sufficient time to complete the transactions between the owners and the Company and to meet the deferred conditions related to these transactions. In the same note, the Company describes in detail the solvency risk management.
Our opinion is not modified in respect of this matter.

Other matter

The financial statements of SAVA d.d. for the year ended 31 December 2020, were audited by another auditor who expressed an unqualified opinion on them on 31 March 2021.

Other information

Board of directors is responsible for the other information. The other information comprises the information included in the business report of the annual report of the Company but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, regulatory requirements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures, we report on the following:

- Other information is consistent with audited financial statements in all respect
- Other information is prepared in line with regulatory requirements and
- Based on our knowledge and understanding of the company and its environment, obtained during the audit, no material inconsistencies were found in relation to 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 board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management wither 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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ljubljana, 23 May 2022

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

(Signature on original Slovene independent auditor's repc

Nadja Kranjc,
Certified auditor
Managing Partner

2

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

2.1. 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

in EUR 000

	Notes	31/12/2021	31/12/2020
ASSETS			
Property, plant and equipment	2.3.7.	219,701	231,906
Intangible assets	2.3.8.	683	657
Investment property	2.3.9.	4,752	5,013
Financial assets measured at fair value through profit or loss	2.3.10.	722	691
Long-term loans and receivables	2.3.11.	2,026	26
Non-current assets		**227,884**	**238,293**
Assets held for sale	2.3.12.	65	563
Inventories	2.3.13.	558	529
Operating and other receivables	2.3.14.	4,925	4,236
Loans granted	2.3.15.	11,800	15,600
Cash and cash equivalents	2.3.16.	36,417	15,920
Current assets		**53,765**	**36,848**
Assets		**281,649**	**275,141**
EQUITY AND LIABILITIES			
Share capital		29,083	29,083
Paid-in capital surplus		43,357	43,357
Fair value reserve		-502	-167
Net profit or loss brought forward		29,011	27,140
Equity attributable to equity holders of the parent		**100,949**	**99,413**
Non-controlling interests		7,541	7,263
Equity	**2.3.17.**	**108,490**	**106,676**

in EUR 000

	Notes	31/12/2021	31/12/2020
Non-current provisions	2.3.18.	6,769	4,318
Deferred government grants	2.3.19.	5,197	6,066
Long-term loans received	2.3.20.	70,044	78,487
Non-current operating liabilities		17	31
Deferred tax liabilities	2.3.21.	2,556	2,753
Long-term debts		**84,583**	**91,655**
Current financial liabilities	2.3.20.	55,942	56,555
Current operating liabilities	2.3.22.	20,719	10,616
Current provisions (accrued expenses and deferred income)	2.3.23.	11,915	9,639
Short-term debts		**88,576**	**76,810**
Total debts		**173,159**	**168,465**
Equity and liabilities		**281,649**	**275,141**

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

Consolidated income statement

in EUR 000

	Notes	2021	2020
Sales revenues	2.3.24.	70,095	55,172
Other operating revenues	2.3.25.	16,519	9,082
Operating revenues		**86,614**	**64,254**
Costs of goods, materials and services	2.3.26.	-32,710	-27,631
Labour costs	2.3.27.	-30,423	-28,213
Amortisation/depreciation		-11,373	-10,829
Write-downs	2.3.28.	-133	-642
Other operating expenses	2.3.29.	-4,013	-3,294
Operating expenses		**-78,652**	**-70,609**
Operating profit/loss		**7,962**	**-6,355**
Financial income		76	88
Financial expenses		-5,612	-4,246
Net financial income/expenses	**2.3.30.**	**-5,536**	**-4,158**
Profit/loss before tax		**2,426**	**-10,513**
Tax	2.3.31.	-260	23
Net profit/net loss for the financial year		**2,166**	**-10,490**
Net profit/net loss for the financial year is attributable to:			
Equity holders of the parent		1,888	-10,179
Non-controlling interests		278	-311
Net profit/net loss for the financial year		**2,166**	**-10,490**
Basic net earnings/loss per share (EUR)		0.06	-0.35
Diluted net earnings/loss per share (EUR)		0.06	-0.35

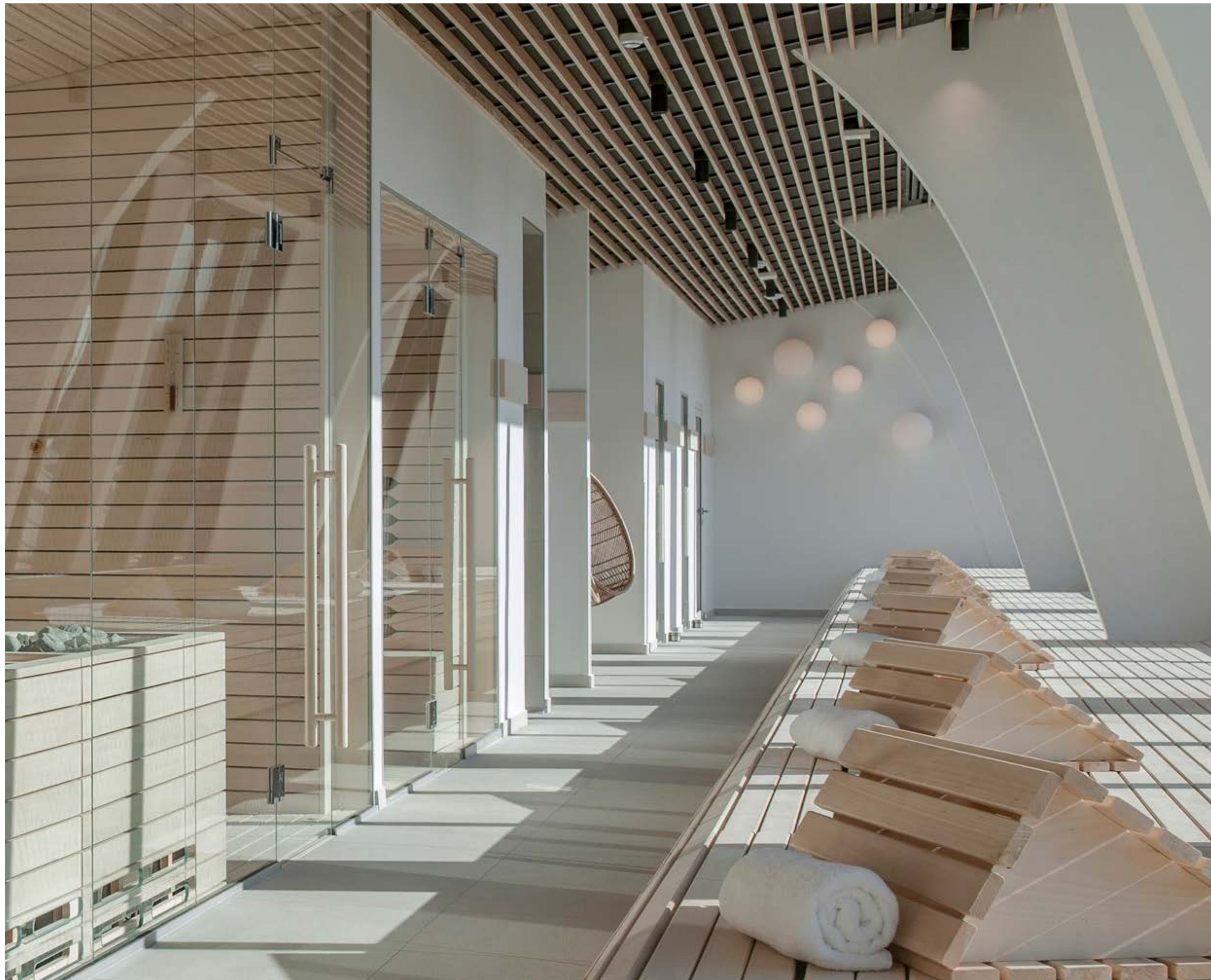
The notes form an integral part of these financial statements and should be read in conjunction with them.

Consolidated statement of other comprehensive income

in EUR 000

	Notes	2021	2020
Net profit for the period		2,166	-10,490
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Items that may not be reclassified subsequently to profit or loss			
– actuarial gains/losses on defined benefit pension plans		-345	-304
Other comprehensive income less deferred tax for the period		**-345**	**-304**
Total other comprehensive income for the period		**1,821**	**-10,794**
Comprehensive income is attributable to:			
Equity holders of the parent		1,543	-10,483
Non-controlling interest		278	-311
Total other comprehensive income for the period		**1,821**	**-10,794**

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



Consolidated cash flow statement

in EUR 000

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/loss		2,166	-10,490
Adjustments for:			
Depreciation of property, plant and equipment	2.3.7.	11,092	10,497
Amortisation of intangible assets	2.3.8.	128	150
Depreciation of investment property	2.3.9.	122	168
Write-offs and impairments of property, plant and equipment	2.3.28.	102	132
Impairments of receivables	2.3.28.	28	255
Write-offs and impairments of investment property	2.3.28.	0	250
Impairments of financial assets	2.3.10.	0	16
Increase of the value of financial assets		-25	0
Gains from sale of property, plant and equipment	2.3.25.	-163	-88
Loss from disposal of property, plant and equipment	2.3.28.	3	4
Gains on the disposal of investment property	2.3.25.	-139	0
Loss on the disposal of investment property	2.3.28.	1	0
Profit from sales of securities	2.3.30.	0	-81
Dividends and participation in profit from investments	2.3.30.	-25	-3
Interest expenses	2.3.30.	5,611	4,230
Interest income	2.3.30.	0	-3
Corporate income tax liabilities/receivables	2.3.21.	260	-23
Operating profit prior to change in operating capital and provisions		**19,161**	**5,014**
Change in non-current receivables	2.3.14.	-716	1,047
Change in inventories	2.3.13.	-28	174
Change in current operating liabilities and accrued expenses and deferred revenues	2.3.22., 2.3.23.	7,535	-6,423
Change in deferred tax liabilities and non-current operating liabilities	2.3.21.	-13	-10
Change in provisions	2.3.18.	2,100	721
Change in government grants	2.3.19.	-869	-311
Cash from operating activities		**27,170**	**212**
Corporate income tax paid	2.3.31.	-458	0
Net cash from operating activities		**26,712**	**212**

in EUR 000

	Notes	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Disbursements for the acquisition of property, plant and equipment	2.3.7.	-4,785	-22,464
Proceeds from sale of property, plant and equipment		9,017	180
Disbursements for the purchase of intangible assets	2.3.8.	-155	-90
Receipts from disposal of investment property		276	54
Receipts from disposal of subsidiaries		0	236
Assets held for sale		498	0
Receipts from the repaid loans		3,100	400
Expenditure on loans granted		-1,300	-10,500
Dividends and participation in profit from investments	2.3.30.	25	3
Interest received		0	3
Net cash from investing activities		**6,676**	**-32,178**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from loans received		0	34,517
Expenditure on loans received		-11,388	-7,285
Interest paid		-1,503	-1,465
Net cash flow from financing activities		**-12,891**	**25,767**
Net increase or decrease in cash and cash equivalents		**20,497**	**-6,199**
Cash and cash equivalents at the beginning of the year		15,920	22,119
Cash and cash equivalents at the end of the period		36,417	15,920

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

Consolidated statement of changes in equity

in EUR 000

	Share capital	Paid-in capital surplus	"Fair value reserve"	"Net profit/ net profit/ loss for the financial year"	"Net profit/ loss brought forward"	"Equity attributable to equity holders of the parent company"	"Non-con-trolling interest"	Total
Balance as at 31/12/2019	**29,083**	**43,357**	**137**	**28,961**	**7,878**	**109,416**	**8,465**	**117,881**
Balance as at 01/01/2020	**29,083**	**43,357**	**137**	**28,961**	**7,878**	**109,416**	**8,465**	**117,881**
Total comprehensive income								
Profit/loss for the year	**0**	**0**	**0**	**-10,179**	**0**	**-10,179**	**-311**	**-10,490**
Other comprehensive income	**0**	**0**	**-304**	**0**	**0**	**-304**	**0**	**-304**
Items that will not be reclassified to profit or loss	0	0	-304	0	0	-304	0	-304
Total comprehensive income	**0**	**0**	**-304**	**-10,179**	**0**	**-10,483**	**-311**	**-10,794**
Transactions with owners recorded in equity								
Transfer of net loss from previous year to net profit brought forward	0	0	0	-28,961	28,961	0	0	0
Transactions with owners recorded in equity	**0**	**0**	**0**	**-28,961**	**28,961**	**0**	**0**	**0**
Changes in equity								
Other changes in equity	0	0	0	0	480	480	-891	-411
Total changes in equity	**0**	**0**	**0**	**0**	**480**	**480**	**-891**	**-411**
Balance as at 31/12/2020	**29,083**	**43,357**	**-167**	**-10,179**	**37,319**	**99,413**	**7,263**	**106,676**
Balance as at 31/12/2020	**29,083**	**43,357**	**-167**	**-10,179**	**37,319**	**99,413**	**7,263**	**106,676**
Retroactive adjustments	**0**	**0**	**0**	**0**	**-7**	**-7**	**0**	**-7**
Balance as at 01/01/2021	**29,083**	**43,357**	**-167**	**-10,179**	**37,312**	**99,406**	**7,263**	**106,669**
Total comprehensive income								
Profit/loss for the year	**0**	**0**	**0**	**1,888**	**0**	**1,888**	**278**	**2,166**
Other comprehensive income	**0**	**0**	**-345**	**0**	**0**	**-345**	**0**	**-345**
Items that will not be reclassified to profit or loss	0	0	-345	0	0	-345	0	-345
Total comprehensive income	**0**	**0**	**-345**	**1,888**	**0**	**1,543**	**278**	**1,821**
Transactions with owners recorded in equity								
Transfer of net loss from previous year to net profit brought forward	**0**	**0**	**0**	**10,179**	**-10,179**	**0**	**0**	**0**
Transactions with owners recorded in equity	**0**	**0**	**0**	**10,179**	**-10,179**	**0**	**0**	**0**
Changes in equity								
Other changes in equity	0	0	9	0	-9	0	0	0
Total changes in equity	**0**	**0**	**9**	**0**	**-9**	**0**	**0**	**0**
As at 31/12/2021	**29,083**	**43,357**	**-502**	**1,888**	**27,123**	**100,949**	**7,541**	**108,490**

2.2. Composition of the Sava Group as at 31/12/2021 and performance data on subsidiaries in 2021

As at 31/12/2021, the Sava Group consisted of five companies, i.e. the controlling company Sava, d.d. and three subsidiaries – daughter and granddaughter companies and one associated company. Among the subsidiaries in the composition of the Sava Group, Sava Turizem, d.d. is by far the largest and most important company.

The remaining two subsidiaries, i.e. Sava Zdravstvo, d.o.o., and BLS Sinergije, d.o.o., individually and collectively represent an immaterial part of the Tourism Group in terms of assets, equity and revenues and have no effect on the true and fair view of the assets of the Tourism Group. Therefore, the Supervisory Board of Sava Turizem, d.d. agreed to exclude these companies from consolidation. As a result, Sava Turizem, d.d. did not compile consolidated financial statements for the Tourism Group for the 2021 and 2020 financial years, and the two subsidiaries are also excluded from the consolidation of the Sava Group.

The purpose of the SEIC Institute, the Central European Education Center, Ptuj, is to provide training and education with the aim of raising the qualifications of personnel in the hotel industry and healthcare. After the partial sale of the majority stake in 2021, Sava Turizem, d.d.'s ownership stake in SEIC stands at 24%, the financial investment was reclassified under investments in associated companies, and the volume of transactions is immaterial from the Group's point of view.

List of subsidiaries and associated companies included in the Sava Group besides the parent company Sava, d.d. with a comparison of ownership stakes as at 31/12/2021 and 31/12/2020

in EUR 000

	% of ownership as at 31/12/2021	% of ownership as at 31/12/2020	Change in ownership in % in the year 2021
TOURISM division			
SAVA TURIZEM, d.d., Ljubljana	**95.47%**	**95.47%**	**0.00%**
– Sava Zdravstvo, d.o.o., Ljubljana (owned by Sava Turizem, d.d.)	100.00%	100.00%	0.00%
– SEIC institute Ptuj (owned by Sava Turizem, d.d.)*	24.00%	50.00%	-26.00%
BLS SINERGIJE, d.o.o., Portorož**	**70.00%**	**70.00%**	**0.00%**

** The ownership share in Zavod SEIC Ptuj decreased as a result of the sale of a 26% share, which is why the company was classified as an associated company.*

***BLS SINERGIJE, d.o.o.: 10% owned by Sava, d.d., 60% owned by Sava Turizem, d.d.*

Sales revenues of subsidiaries in 2021, equity of subsidiaries as at 31/12/2021 and profit/loss of subsidiaries in 2021

in EUR 000

Company/registered office	Sales revenues 2021	Equity value 31/12/2021	Profit or loss 2021
TOURISM division	**70,126**	**166,244**	**6,130**
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	70,126	166,223	6,131
Sava Zdravstvo, d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	6	0
BLS Sinergije, d.o.o.	0	15	-1
SUBSIDIARIES TOTAL	**70,126**	**166,244**	**6,130**

Sales revenues of subsidiaries in 2020, equity of subsidiaries as at 31/12/2020 and profit/loss of subsidiaries in 2020

in EUR 000

Company/registered office	Sales revenues 2020	Equity value 31/12/2020	Profit or loss 2020
TOURISM division	**55,267**	**160,504**	**-6,864**
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	55,165	160,424	-6,869
SEIC Moravske Toplice, Kranjčeva ul. 12, 9226 Moravske Toplice	103	58	7
Sava Zdravstvo, d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	6	0
BLS Sinergije, d.o.o.	0	17	-2
SUBSIDIARIES TOTAL	**55,267**	**160,504**	**-6,864**

2.3. Notes to the financial statements of the Sava Group in accordance with the International Financial Reporting Standards as adopted by the EU

2.3.1. Reporting entity

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 interests in the associated companies, have been compiled for the financial year ended 31/12/2021.

2.3.2. Basis for preparation

A. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the IFRSs 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 CEO approved the financial statements on 17/05/2022.

B. Basis of 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 2.3.4. 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 has no companies with registered offices outside Slovenia.

D. Use 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. The actual results may differ from these 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 estimation uncertainties and critical judgments, which the management 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 2.3.7. – Property, plant and equipment
- item 2.3.10. – Valuation of financial instruments
- item 2.3.18. – Provisions
- item 2.3.34. – Contingent liabilities

2.3.3. Significant accounting policies

The companies in the Sava Group have consistently applied the defined accounting policies for all the periods presented in the enclosed consolidated financial statements. There were no changes in the accounting policies in 2021.

A. Basis for consolidation

There were no business combinations in 2021.

Composition of the Sava Group

The Sava Group consists of the parent company Sava, d.d., three subsidiaries and one associated company.
In addition to the controlling company, only Sava Turizem, d.d. is included in the consolidated financial statements, while two smaller subsidiaries owned by Sava Turizem, d.d. represent an immaterial part of the Group and are therefore they not included in the consolidated financial statements.

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. Equity and controlling stakes match.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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.

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 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 non-financial liability classified as a cash-flow hedge against risk, which is recognised directly in equity.

Sava, d.d. has no financial investments in foreign companies.

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 solely payments of principal and interest. The Group records loans, receivables and deposits in this category.

Financial assets are recognised as at the date they occur (settlement date). Upon initial recognition, they are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss:

- provided the financial asset is derecognised;
- provided the financial assets is reclassified into a category measured at fair value through profit or loss;
- as a result of impairment.

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

Trade receivables that do not have a significant financing component must be measured at 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in the statement of financial position as a component of cash and cash equivalents.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities as at the date they occur. 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 legally 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 and 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.

Derivative financial instruments

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

Derivative financial instruments are initially recognised at fair value; transaction-related costs are recognised in profit or loss as they occur. 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 equity of an entity is its liability to its owners that falls due for payment if the entity ceases to operate. 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 equity 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.

Redemption of treasury shares

The redemption 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, freely transferable, registered 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. There were no changes in the number of shares issued in 2021.

D. Property, plant and equipmen

Recognition and measurement

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

Cost includes any expenditure directly attributable to the acquisition 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. The cost of an item of property, plant and equipment may include costs incurred relating to leases of assets that are used to construct, add to, replace part of or service an item of property, plant and equipment, such as depreciation of right-of-use assets.

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 at least once a year check for signs of any impairment.

Operating leases

At the commencement date, a lessee recognises a right-of-use asset and a lease liability. An item of property, plant and equipment under lease is a component of the lessee's property, plant and equipment. At the commencement date, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The present value of lease payments is discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. At inception of a contract, the entity assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The entity accounts each lease component within the contract as a lease separately from non-lease components of the contract, unless the entity applies the practical expedient and account for all contract components as a single lease component. An item of property, plant and equipment under lease is stated separately from other assets of the same type.

Exceptions only apply to short-term leases and leases for which the underlying asset is of low value, when the right-of-use asset need not be stated. A short-term lease is a lease of no more than one year. A leased asset is of low value if its value is up to EUR 5,000, taking into account the value of the asset when it is new.

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.

Amortisation/depreciation

Amortisation/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.

Depreciation rates are as follows – in %:

	2021	2020
Construction works, parts of buildings	from 1.4 to 10.0	from 1.4 to 10.0
Production equipment	from 10.0 to 20.0	from 10.0 to 20.0
Computer equipment	from 16.6 to 25.0	from 16.6 to 25.0
Other equipment	from 5.0 to 50.0	from 5.0 to 50.0
Operating leases	The amount as per the applicable contract	The amount as per the applicable contract

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 when it occurs.

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.

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 when they occur.

Amortisation/depreciation

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 are 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 defined as 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 of investment property are the same as of property, plant and equipment of the same type.

G. Inventories

Inventories are measured at the lower of cost and net realisable value. 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 price of a unit of quantity of inventories includes the costs arising from the acquisition of inventories and to bringing the inventories to their current condition and location. The use of inventories is disclosed according to the weighted average prices method.

H. Impairment of assets

Financial instruments

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.

Credit loss is equal to the present value of the difference between:

– the contractual cash flows the entity is entitled to 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
– relevant 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 of 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 relevant and supportable information, including forward looking information.

If the financial asset's 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 to trade receivables, assets from contracts with customers that do not contain a significant financing component, whereby the approach requires value adjustment for the loss always to be measured as an amount that is equivalent to expected credit losses in the entire duration.

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 profit or loss. 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 recognised in profit or loss.

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 and it forms non-current provisions for this purpose. There are no other pension-related 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. Funds from government grants are strictly recognised as revenues in the periods in which expenses to be compensated by the received grants are incurred. Government 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. It is 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 exchange for these goods and services. Each promised good or service is a separate performance obligation if it is distinct. It is distinct when the customer can benefit from said good or service. 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 granted upon the signing the contract are allocated between all 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 granted.

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 services rendered are recognised in the income statement depending on the stage of completion of the transaction as at the reporting date. The degree of completion is assessed with a review of the work performed. Revenue from services in the Tourism division is recognised when a service is rendered. If revenues from a travel arrangement refer to two accounting periods, they are deferred based on the number of days in an 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

Finance income comprises income from interest received from investments, dividend income, income from the disposal of available-for-sale financial assets, exchange rate gains and the profit from hedging instruments that are recognised in the income statement. Interest income is recognised upon occurrence using the effective interest 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. Borrowing costs are recognised in the income statement according to the effective interest 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. 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. Deferred liability from tax losses was not accounted for.

O. Initial application of new amendments to the existing standards effective in the present accounting period

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reform of the reference interest rate – phase 2** The amendments define matters arising from the implementation of the IBOR Reform (reference rate change) and include the replacement of one benchmark for another. For financial instruments measured at amortised cost, the changes require companies to consider the change, as a practical exception, of the basis for determining contractual cash flows as a result of the IBOR Reform by updating the effective interest rate using the guidelines from paragraph B5.4.5 IFRS 9. As a result, there is no immediate recognition of profit or loss. This practical exception applies only to such a change and only to the extent that it is necessary as a direct consequence of the IBOR Reform, and the new basis is economically equivalent to the previous basis. In relation to IFRS 16, lessees are required to use a similar practical exception when accounting for lease changes that change the basis for determining future rents as a result of the IBOR Reform (for example, where rents are indexed to the IBOR rate).
- **Extension of modifications to lease terms related to Covid-19 (Amendments to IFRS 16 – Leases)** applicable for periods beginning on or after 01/06/2020 with retrospective application permitted. The amendment, first adopted in May 2020, allows lessees to not assess whether lease concessions related to Covid-19 are a lease modification and, as a result, consider the changes as not being a lease modification as otherwise defined by IFRS 16. In doing so, certain conditions must be met, such as: a) the new lease payment remains "essentially the same" or is lower than the lease payment before the change; b) any reduced payments were originally due on or before 30/06/2021; and c) there are no other "substantive" modifications to the lease. In March 2021, the OMRS extended the duration of the change from 30/06/2021 to 30/06/2022. This change applies to reporting periods beginning on or after 01/04/2021.

  Lessees can optionally choose this practical solution and apply it consistently to all leases with similar characteristics and in similar circumstances. This practical solution does not apply to lessors.
- **Amendments to IFRS 4 – Insurance contracts** – temporary exemption from the application of IFRS 9, which entered into force in the EU on 1 January 2021.

The adoption of these amendments to the existing standards and clarifications did not result in material changes to the Group's financial statements.

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

As at the date of approval of these financial statements, the IASB issued the following amendments to existing standards adopted by the EU which have not yet entered into force.

The following amendments take effect for the reporting period beginning on 01/01/2022:

- **Onerous contracts – Contract performance costs (amendment of IAS 37 – Provisions, contingent liabilities and contingent assets)** The amendments refer to the clarification that, when assessing onerous contracts, the costs of performing the contract include all costs directly related to the contract.
- **Property, plant and equipment: proceeds before intended use (amendment of IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use)** Proceeds from the sale (e.g. of samples) before an item of property, plant and equipment is available for intended use can no longer be deducted from the purchase price of the item, but can be recognised in profit or loss together with production costs. In doing so, the entity will have to distinguish between the costs of production and sales before the item is available for its intended use and the costs associated with the preparation of the item for its intended use.
- **Annual improvements to IFRS 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)** Annual improvements include amendments to IFRS 1 – First-time Adoption of IFRS, which simplify the introduction of IFRS in a subsidiary that is adopting IFRS for the first time, then amendments to IFRS 9 – Financial instruments, where explanations are given of which fee costs should be taken into account in the "10% test" for the derecognition of financial liabilities, then changes to the illustrative example to IFRS 16 – Leases and IAS 41 – Agriculture where the requirement to exclude cash flows for tax when it comes to fair value measurement is removed, thus bringing fair value into line with the definition in IFRS 13.
- **Reference to the Conceptual Framework (Amendments to IFRS 3 – Business Combinations** relating to the updated reference to the Conceptual Framework 2018 and which introduces new recognition and measurement exceptions under IFRS 3 in order to ensure that the new reference does not change the provisions governing which assets and liabilities qualify as business combinations).

The following amendments take effect for the reporting period beginning on 01/01/2023:

- **IFRS 17 – Insurance contracts**

The adoption of these amendments to the existing standards and clarifications will not materially affect the Group's financial statements.

R. 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 take effect for the reporting period starting on 01/01/2023:

- **Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)** IAS 1 contains two changes – a change related to the presentation of current and non-current liabilities and a change related to the disclosure of accounting policies. In January 2020, the IFRS issued amendments to IAS 1 that clarify the criteria used to determine whether liabilities are classified as current or non-current. These changes clarify that the classification as current or non-current is based on whether the entity has the right at the end of the reporting period to defer the settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that "settlement" includes the transfer of cash, goods, services or equity instruments, except if the obligation to transfer equity instruments arises from the conversion feature, which is a separate component of the compound financial instrument. The amendment originally applied to annual reporting periods beginning on or after 01/01/2022, but in May 2020 the effective date was postponed to annual reporting periods beginning on 01/01/2023. The amendment to IAS 1 related to the disclosure of accounting policies introduces the disclosure of material and not only significant accounting policies and contains guidance on when information related to accounting policies is material.
- **Definition of accounting estimates (amendments to IAS 8)** The amendment introduces the definition of an accounting estimate and other clarifications, which will help to distinguish between an accounting policy and an accounting estimate.
  The amendment will also clarify that the effect of a change in input data or measurement techniques is a change in the accounting estimate, unless their consequence is the correction of an error from a prior period.
- **Deferred tax related to assets and liabilities arising from individual transactions (Amendments to IAS 12)** Amended IAS 12 clarifies whether the initial recognition exception applies to certain transactions that are recognised as both an asset and a liability (e.g. a lease under IFRS 16). The amendment introduces additional criteria for the initial recognition of exceptions according to IAS 12.15, whereby the exception for initial recognition does not apply to assets or liabilities that result in the same taxable and deductible temporary differences at the time of the transaction.
- **Amendments to IFRS 17 – Insurance contracts, initial application of IFRS 17 and IFRS 9 – Comparative Information**

The Group expects that the introduction of said new standards and amendments to existing standards will not have a material effect on its financial statements.

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

2.3.4. 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 applicable, further information about the assumptions made when determining fair values is disclosed in the notes specific to that asset or liability 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 without compulsion. 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 without compulsion.

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.

Where appropriate, valuations reflect the type of lessees actually occupying 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 contracts.

Preparation of the cash flow statement

The cash flow statement using the data from the income statement for the period from January to December 2021 (for the past period from January to December 2020), the data from the statement of financial position as at 31/12/2021 and 31/12/2020 (for the past period 31/12/2020 and 31/12/2019) and other required data. The cash flow statement excludes the more important values that are not connected with revenues and expenses.

2.3.5. Risk management

At the Sava Group, we monitor and analyse economic circumstances and risks that could affect business operations. As part of the key risk monitoring system, we try to identify and evaluate the most relevant risks and respond to them with appropriate measures. We also periodically inform the Audit Committee of Sava, d.d. about key risks.

Risk management, which is integrated into the management system of companies in the Sava Group, is recognised as one of the key elements in the realisation of strategic goals. The risk management system is based on the three lines of defence model.

The Sava Group was exposed to strategic, financial and operational risks in 2021.

Strategic risk

An important strategic risk of Sava, d.d. related to the maturity of liabilities was managed subject to the Rescheduling Agreement ad its annexes in order to avoid possible insolvency of the Company. In this process, two options were identified that would enable the repayment of financial liabilities, namely: debt-to-equity conversion – here the activities were brought up to the possibility of convening a General Meeting, and another possibility was the sale of assets where we reached the stage of non-binding offers. Based on the communication, the creditors or the owners did not opt for either of these two options, but in the end, the option of extending the due date of the existing creditors' claims was chosen. For this purpose, Annex no. 4 to the underlying agreement was signed, which extends the due date of the liability until 30/06/2022.

As part of its strategic risks, Sava Turizem, d.d. was faced with the risk related to the Covid-19 pandemic, the risk of price changes and the supply of input materials and services as well as the risk of staff availability. The mentioned risks were adequately managed by way of adopted measures and developed mechanisms.

Financial risk

Risk of a change in the fair value.

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

Following the sale of non-strategic investments of the parent company Sava, d.d., the Sava Tourism Group is represented by only the Tourism activity. Due to the Covid-19 pandemic, the tourism activity was also among the most affected in 2021. Recovery is expected to be a lengthy process. Given the elevated risk, we tested the adequacy of the asset value and concluded that the composition of assets and liabilities is adequate.

Solvency risk

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

The Sava Group companies manage solvency risk through regular planning and monitoring of realised cash flows, maintenance of a suitable level of the liquidity reserve, collection and liquidation of receivables, collateralisation of receivables, divestment and most importantly regular settlement of financial liabilities.

In 2021, as a result of the negative circumstances of Covid-19, the assumptions related to ensuring liquidity changed for the Sava Group, which led to an active search for solutions to strengthen the liquidity position of all companies in the Group.

The good liquidity position of Sava Turizem, d.d. was also aided by the State with subsidies to eliminate the consequences of the Covid-19 epidemic. With its long-term prudent and thoughtful creation of liquid reserves and additional measures in 2021, Sava, d.d. also provided funds for ongoing liquidity and for the smooth settlement of operating liabilities in the 2021 financial year despite the difficult business circumstances and despite no receiving dividends.

The value of the main assets of Sava, d.d., i.e. investments in the subsidiary Sava Turizem, d.d., most of which has been provided to existing creditors as security for their claims, significantly exceeds the amount of financial liabilities. The liabilities of Sava, d.d. arising from principals under the loans received represented 40% of the financial liabilities of the Sava Group as at 31/12/2021.

The companies in the Sava Group settle financial and other operating liabilities according to applicable agreements. It is estimated that solvency risk is managed in the Sava Group given the circumstances.

Credit risk

Credit risk is the risk that a client will fail to meet its obligations from a business relationship, thus causing the Company financial damages. It is directly related to the operational risk and it represents a danger that accounts receivable and receivables from other business partners will not be settled in a timely manner or not settled at all.

The exposure to this type of risk increased in the stringent economic situation. The companies from the Sava Group decrease the exposure to this risk by regular monitoring of customers' and suppliers' solvency, advance payments, supervision of defaulters, prompt collection, filing executions, use of collateral instruments, offsetting and collection through an agency specialised in collecting debt from foreign customers.

It is estimated that the credit risk of the Sava Group is moderate and manageable.

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 financial liabilities of the companies from the Sava Group are subject to a fixed interest rate tied to the variable EURIBOR interest rate. In 2021, EURIBOR remained negative, while rate increases are expected in 2022.

During the deferral of payment of financial liabilities, the agreed interest remuneration for Sava, d.d. is linked to EURIBOR and the interest margin of 4.00% p.a.; however, the latter increased to 8.00% upon signing of Annex no. 2 to the Rescheduling Agreement on 01/09/2020. The increased interest rate primarily applies to the bridging period and is not sustainable in the long run.

Sava Turizem, d.d. did not have any interest risk hedging instruments concluded as at 31/12/2021. However, it carefully monitored trends and, above all, forecasts of interbank interest rate movements, and at the beginning of February 2022 hedged its interest rate risk for part of the loans in the amount of EUR 8.2 million by purchasing an interest rate cap with a strike rate of 0% for the period until 2029.

Given the circumstances, it is estimated that interest rate risk is moderate.

Foreign exchange risk

Foreign exchange rate risk involves the risk of losing economic benefits due to changes in the foreign currency exchange rates. Since the Sava Group companies mainly do business in the euro area, we estimate that exposure to foreign exchange risk is low.

Operational risk

Operational risk is particularly relevant at Sava Turizem, d.d.

Operational risks are the risks of loss due to inadequate or unsuccessful implementation of internal processes, employee behaviour, inadequate functioning of systems or unsuccessful management of external events or their impacts. This includes information security risks, major business interruptions, non-compliance risks, legal risks, project management risks and the provision of services by external contractors.

We manage operational risk by applying the three lines of defence risk management model, an internal reporting system, which includes controlling services, accounting controls, hotel catering controls, quality service and internal and external ISO audits. Based on the findings, corrective measures are taken and control mechanisms are upgraded.

As part of operational risks, we regularly and continuously forecast sales in the future period and monitor the efficiency of operations and deviations from the plan on a monthly basis, which enables us to make effective cost adjustments. We regularly monitor revenues, EBITDA, catering business margin by individual units and at the activity and company levels; we also perform many other controls that help prevent theft of assets and materials.

Human resource management is important at the Tourism division so we devote special attention to this area. We mitigate the risk of the availability of suitable personnel by being proactive and present in various markets, partnerships/collaboration with educational institutions at home and abroad in the training of pupils and students, training and education of new and existing personnel through partner educational institutes and ensuring stimulating working conditions. We monitor the risks of accidents and health problems for all jobs and technologies. We periodically assess risks and implement appropriate safety measures based on the results. This improves workplace safety and reduces negative health impacts on employees.

We mitigate risks in the field of IT by constantly improving and upgrading software and hardware. We have established an effective system for managing rights in IT systems, control over IT hardware, system software and user equipment, and we regularly update server, user software and anti-virus protection software, we have implemented a system to prevent intrusions and protect against advanced persistent threat attacks, a system to protect users when accessing the Internet from any device, and a system to protect email. Raising awareness and training employees regarding information security is crucial as it significantly reduces risks in this area.

Our *purchasing* features centralised purchasing whereby we provide uniform and cost-effective prices for input materials and services to all destinations within the Company. We establish long-term partnerships with key suppliers. We also regularly and systematically check offers and prices on the market. Price, quality and payment terms are key when choosing suppliers.

We transfer *property and related risks* to insurance companies. In order to reduce them, we take out insurance for risks that could have a negative impact on property and people at the Company. We protect ourselves against fire risks by notifying and training employees for the event of a fire, as well as by regular monitoring, maintenance and testing of extinguishing devices and devices for detecting and reporting fires.

We mitigate the *risk of changes in the local environment* that may affect business by strengthening cooperation with local communities.

Cooperation with law firms is an additional safeguard in managing operational risks as important legal agreements, contracts and business events are reviewed and coordinated with experts in the legal field before signing.

Warranties and sureties

A surety in the amount of EUR 72,000 is valid for the loan of Sava Turizem, d.d. from the Slovenian Regional Development Fund.

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 000

		31/12/2021	31/12/2020
1.	Total debts	173,159	168,465
2.	Less cash and cash equivalents	-36,417	-15,920
3.	Net liabilities (1. – 2.)	136,742	152,545
4.	Total equity	108,490	106,676
5.	Less/plus amounts accumulated in equity relating to cash flow hedges	0	0
6.	Adjusted capital (4. + 5.)	108,490	106,676
7.	Debt to adjusted capital ratio at 31/12 (3./6.)	1.26	1.43

Going concern risk

Mainly due to the changed circumstances in 2020 related to the epidemic and the consequent impossibility of refinancing on the market, Sava, d.d. and its creditors who are at the same time the three largest owners of Sava, d.d. aimed to prevent insolvency and therefore contractually agreed to defer the maturity of financial and related operating liabilities, which are due on 30/06/2022 under the latest Annex no. 4 of the Rescheduling Agreement. The assets of Sava, d.d., which are mainly pledged as security for the creditors' claims, significantly exceed the amount of financial and associated operating liabilities of the Company and thus represents, in addition to other options, a potential source for the repayment of all creditors' claims. The purpose of concluding Annex no. 4 was also the reconciliation of the creditors' positions regarding the method of their repayment. Given that creditors are also owners, it is an important strategic issue for further development.

It is evident from the public announcement on the website of the owner SDH, d.d., dated 25/02/2022, that the Supervisory Board of SDH, d.d. has granted its consent to the exercise of the right of pre-emption for the purchase of a 43.226% share in the capital investment in Sava, d.d. from York Global Finance Offshore BDH (Luxembourg). KAD, d.d. will exercise the right of pre-emption for the financial claims of York against Sava, d.d. For the purpose of carrying out activities related to the implementation of the Tourism Strategy and in connection with the adopted Annual Equity Investment Management Plan for 2022, the government of the Republic of Slovenia recapitalised SDH, d.d., thereby providing financial resources for the exercise of the right of pre-emption.

On 01/03/2022, Sava, d.d. received a notice from SDH, d.d., Ljubljana about the conclusion of a binding transaction for the acquisition of SAVA shares, and 07/03/2022, the authorised person of the shareholder York Global Finance Offshore BDH (Luxembourg) S.à r.l. received a notice on the conclusion of a binding transaction for the disposal of SAVA shares. The transaction is subject to the fulfilment of suspensive conditions.

After the completion of the transaction, SDH, d.d. will have a 61.914% ownership stake in Sava, d.d., while KAD, d.d. will have a 28.046% ownership stake. The joint ownership stake will thus be 89.960%.

On 27/05/2022, Sava, d.d. and existing creditors concluded Annex no. 5 of the Rescheduling Agreement, by way of which the due date of the liabilities of Sava, d.d. under the loan principals, interest and fees was extended until 30/09/2022. According to the parties' assessment, the three-month postponement of the payment of liabilities is sufficient to fulfil the suspensive conditions defined in the ongoing transaction for the change of the ownership structure of Sava, d.d., as a result of which the issue of the relevant creditors' claims will also be finally settled.

The CEO and the Board of Directors of Sava, d.d. assess that, based on the previously stated information, the going concern assumptions are met for Sava, d.d. and the Sava Group.

2.3.6. Acquisitions and sales of participating interests in Group companies

2021 – sale of financial investment in Zavod SEIC

26.00-stake in Zavod SEIC Ptuj was sold in 2021 with the investment in the company reclassified under associated companies. Due to immateriality, the revenues and costs of SEIC Ptuj generated by the date of the sale are not included in the consolidated financial statements of the Sava Group.

2020 – sale of financial investment in Cardial, d.o.o.

85.00-stake in Cardial, d.o.o., was sold in 2020. Due to immateriality, the revenues and costs of Cardial, d.o.o. generated by the date of the sale are not included in the consolidated financial statements of the Sava Group.

2.3.7. Property, plant and equipment

Table of changes in property, plant and equipment of the Sava Group for 2021

in EUR 000

	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 01/01/2021	**47,709**	**348,248**	**57,850**	**5,169**	**682**	**12**	**459,670**
Purchasing	119	695	1,273	323	1,755	0	4,165
Increase of advance payments	0	0	0	0	0	633	633
Decrease of advance payment	0	0	0	0	0	-12	-12
Activation	0	851	101	60	-1,026	0	-14
Increase in operating leases	0	2,379	0	0	0	0	2,379
Transfers	0	0	12	0	0	0	12
Decrease due to sale	-4,810	-14,840	-1,252	-151	0	0	-21,052
Write-downs	0	-89	-700	-576	0	0	-1,366
As at 31/12/2021	**43,018**	**337,244**	**57,283**	**4,824**	**1,412**	**633**	**444,414**
VALUE ADJUSTMENT							
Balance as at 01/01/2021	**-284**	**-178,101**	**-46,786**	**-2,593**	**0**	**0**	**-227,764**
Activation	0	0	0	14	0	0	14
Transfers	0	0	-6	0	0	0	-6
Decrease due to sale	0	11,702	1,142	87	0	0	12,931
Write-downs	0	51	674	540	0	0	1,264
Amortisation/depreciation	-11	-8,100	-2,383	-658	0	0	-11,152
As at 31/12/2021	**-295**	**-174,448**	**-47,359**	**-2,611**	**0**	**0**	**-224,714**
CARRYING AMOUNT							
Balance as at 01/01/2021	**47,425**	**170,146**	**11,064**	**2,576**	**682**	**12**	**231,906**
As at 31/12/2021	**42,723**	**162,796**	**9,924**	**2,214**	**1,412**	**633**	**219,701**

Table of changes in property, plant and equipment of the Sava Group for 2020

in EUR 000

	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 31/12/2019	**47,709**	**323,439**	**41,508**	**20,549**	**5,634**	**3,901**	**442,740**
Exclusion from the Group	**0**	**-666**	**0**	**-1,047**	**0**	**0**	**-1,714**
Balance as at 01/01/2020	**47,709**	**322,773**	**41,508**	**19,502**	**5,634**	**3,901**	**441,027**
Purchasing	0	628	643	309	24,774	0	26,354
Increase of advance payments	0	0	0	0	0	12	12
Decrease of advance payment	0	0	0	0	-2	-3,901	-3,903
Activation	0	25,153	3,918	652	-29,723	0	-1
Increase in operating leases	0	0	9	0	0	0	9
Transfers	0	-13	14,904	-14,921	-1	0	-30
Decrease due to sale	0	-136	-78	-15	0	0	-228
Write-downs	0	-151	-3,031	-358	0	0	-3,541
Impairment	0	-6	-24	0	0	0	-29
Balance as at 31/12/2020	**47,709**	**348,248**	**57,850**	**5,169**	**682**	**13**	**459,670**
VALUE ADJUSTMENT							
Balance as at 31/12/2019	**-273**	**-170,926**	**-34,258**	**-16,243**	**0**	**0**	**-221,701**
Exclusion from the Group	**0**	**83**	**0**	**842**	**0**	**0**	**926**
Balance as at 01/01/2020	**-273**	**-170,843**	**-34,258**	**-15,401**	**0**	**0**	**-220,775**
Transfers	0	3	-13,125	13,141	0	0	19
Decrease due to sale	0	49	54	14	0	0	117
Write-downs	0	81	2,986	312	0	0	3,379
Impairment	0	1	18	0	0	0	19
Amortisation/depreciation	-11	-7,391	-2,460	-659	0	0	-10,522
Balance as at 31/12/2020	**-284**	**-178,101**	**-46,785**	**-2,593**	**0**	**0**	**-227,764**
CARRYING AMOUNT							
Balance as at 31/12/2019	**47,436**	**152,513**	**7,250**	**4,306**	**5,634**	**3,901**	**221,039**
Exclusion from the Group	**0**	**-583**	**0**	**-205**	**0**	**0**	**-788**
Balance as at 01/01/2020	**47,436**	**151,930**	**7,250**	**4,101**	**5,634**	**3,901**	**220,251**
Balance as at 31/12/2020	**47,425**	**170,146**	**11,064**	**2,576**	**682**	**13**	**231,906**

Additional disclosure of right-of-use assets/operating leases of the companies in the Sava Group for 2021

in EUR 000

	Land	Buildings	Production plant and machinery	Other plant and equipment	Total
COST					
Balance as at 01/01/2021	**311**	**1,126**	**-20**	**82**	**1,499**
Increase in operating leases	0	2,379	0	0	2,379
Write-downs	0	0	-33	0	-33
As at 31/12/2021	**311**	**3,505**	**-52**	**82**	**3,846**
VALUE ADJUSTMENT					
Balance as at 01/01/2021	**-22**	**-411**	**-9**	**-27**	**-470**
Write-downs	0	0	33	0	33
Amortisation/depreciation	-11	-478	-14	0	-503
As at 31/12/2021	**-33**	**-889**	**10**	**-27**	**-940**
CARRYING AMOUNT					
Balance as at 01/01/2021	**289**	**714**	**-29**	**54**	**1,029**
As at 31/12/2021	**278**	**2,616**	**-43**	**54**	**2,906**

The right-of-use assets/operating leases of the companies of the Sava Group relate to the lease of business premises and parking lots in the administrative building in Ljubljana, the lease of land in Moravske Toplice, the lease of land at the Lucija campsite and the lease of company cars.

On 01/07/2021, a large part of the Salinera resort was sold, which is represented by all buildings together with building land. The Salinera Resort was taken back on lease, with part of the rent being fixed and part being variable. The right-of-use asset and the operating lease liability were recognised for the fixed part of the rent. The variable part of the rent in 2021 amounted to EUR 61 thousand.

As a lessee of San Simon resort, Sava Turizem, d.d. is obligated to pay an annual rent in the amount of EUR 1,292 thousand, which is fully variable and recognised as an expense of the period, which is why the lease in question is not calculated as a right-of-use asset.

Interest expenses for operating lease liabilities in 2021 amounted to EUR 53 thousand. Costs related to low-value leases amounted to EUR 1,386 thousand, of which the cost of leasing the San Simon resort represents EUR 1,292 thousand.

Due to the Covid-19 epidemic, Sava Turizem, d.d. reached an agreement in 2021 on a partial exemption from the payment of rents in the amount of EUR 3 thousand. Since there were no other significant changes in the remaining components of the lease, the Company applied the simplified method of recording exemptions.

Additional disclosure of changes in the right-of-use assets/operating leases of the companies in the Sava Group for 2020

in EUR 000

	Land	Buildings	Production plant and machinery	Other plant and equipment	Total
COST					
Balance as at 31/12/2019	**311**	**1,832**	**14**	**96**	**2,253**
Exclusion from the Group	**0**	**-666**	**0**	**0**	**-666**
Balance as at 01/01/2020	**311**	**1,166**	**14**	**96**	**1,587**
Decrease due to sale	0	-40	-32	-14	-86
Write-downs	0	0	-11	0	-11
Balance as at 31/12/2020	**311**	**1,126**	**-20**	**82**	**1,499**
VALUE ADJUSTMENT					
Balance as at 31/12/2019	**-11**	**-295**	**-7**	**-34**	**-348**
Exclusion from the Group	**0**	**83**	**0**	**0**	**83**
Balance as at 01/01/2020	**-11**	**-212**	**-7**	**-34**	**-264**
Decrease due to sale	0	25	15	14	54
Write-downs	0	0	11	0	11
Amortisation/depreciation	-11	-224	-28	-7	-271
Balance as at 31/12/2020	**-22**	**-411**	**-9**	**-27**	**-470**
CARRYING AMOUNT					
Balance as at 31/12/2019	**300**	**1,537**	**7**	**61**	**1,906**
Exclusion from the Group	**0**	**-583**	**0**	**0**	**-583**
Balance as at 01/01/2020	**300**	**954**	**7**	**61**	**1,322**
Balance as at 31/12/2020	**289**	**714**	**-29**	**54**	**1,029**

The right-of-use assets/operating leases of the companies of the Sava Group in the 2020 financial year relate to the lease of business premises and parking lots in the administrative building in Ljubljana, the lease of land in Moravske Toplice and, to a lesser extent, the lease of company cars.

As a lessee of San Simon resort, Sava Turizem, d.d. was obligated to pay an annual rent in the amount of EUR 1,082 thousand, which is fully variable. Therefore, the lease was not accounted for as a right-of-use asset and was recognised in full as an expense in the period.

Due to the Covid-19 epidemic, Sava, d.d. and Sava Turizem, d.d. reached an agreement in 2020 on a partial exemption from rent in the amount of EUR 17 thousand. There were no other significant changes in the remaining components of the lease, so the two companies used a simplified method of recording exemptions.

Table of mortgages as at 31/12/2021

in EUR 000

	Carrying amount of mortgaged assets	Value of the mortgage on real estate
Sava, d.d.	-	-
Sava Turizem, d.d.	134,938	72,199
TOTAL	**134,938**	**72,199**

Table of mortgages as at 31/12/2020

in EUR 000

	Carrying amount of mortgaged assets	Value of the mortgage on real estate
Sava, d.d.	-	-
Sava Turizem, d.d.	111,624	83,145
TOTAL	**111,624**	**83,145**

2.3.8. Intangible assets

Table of changes in intangible assets of the Sava Group for 2021 and 2020

in EUR 000

	31/12/2021	31/12/2020
COST		
Balance as at 01/01	**2,397**	**2,589**
Increases, purchases	155	90
Activation	0	5
Decrease due to sale of companies	0	-245
Write-downs	-657	-43
Balance at end of period	**1,894**	**2,396**
VALUE ADJUSTMENT		
Balance as at 01/01	**-1,740**	**-1,633**
Write-downs	657	43
Amortisation/depreciation	-128	-150
Balance at end of period	**-1,211**	**-1,740**
CARRYING AMOUNT		
Balance as at 01/01	**657**	**956**
Balance at end of period	**683**	**657**

In the income statement, amortisation of intangible assets is stated under depreciation/amortisation. Intangible assets are not pledged.

2.3.9. Investment property

Table of changes in investment property of the Sava Group for 2021

in EUR 000

	Land – investment property	Buildings – investment property	Total
COST			
Balance as at 01/01/2021	**2,489**	**6,464**	**8,953**
Decrease due to sale	0	-353	-353
Write-downs	0	-31	-31
As at 31/12/2021	**2,489**	**6,080**	**8,569**
VALUE ADJUSTMENT			
Balance as at 01/01/2021	**-1,006**	**-2,935**	**-3,941**
Decrease due to sale	0	215	215
Write-downs	0	30	30
Amortisation/depreciation	0	-122	-122
As at 31/12/2021	**-1,006**	**-2,811**	**-3,817**
CARRYING AMOUNT			
Balance as at 01/01/2021	**1,483**	**3,530**	**5,013**
As at 31/12/2021	**1,483**	**3,269**	**4,752**

Investment properties that were leased out accounted for revenues of EUR 722 thousand (2020: EUR 797 thousand) and expenses of EUR 182 thousand (2020: EUR 149 thousand). Investment property that was not leased generated costs in the amount of EUR 4 thousand (2020: EUR 0 thousand).

We estimate that the fair value of investment property as at 31/12/2021 does not significantly deviate from the carrying amount.

Table of changes in investment property of the Sava Group for 2020

in EUR 000

	Land – investment property	Buildings – investment property	Total
COST			
Balance as at 01/01/2020	**2,613**	**9,236**	**11,849**
Transfer	0	-2,338	-2,338
Decrease due to sale	-124	0	-124
Impairment	0	-435	-435
Balance as at 31/12/2020	**2,489**	**6,464**	**8,953**
VALUE ADJUSTMENT			
Balance as at 01/01/2020	**-1,076**	**-4,736**	**-5,812**
Transfer	0	1,785	1,785
Decrease due to sale	70	0	70
Impairment	0	185	185
Amortisation/depreciation	0	-168	-168
Balance as at 31/12/2020	**-1,006**	**-2,934**	**-3,940**
CARRYING AMOUNT			
Balance as at 01/01/2020	**1,537**	**4,501**	**6,038**
Balance as at 31/12/2020	**1,483**	**3,530**	**5,013**

2.3.10. Financial assets measured at fair value through profit or loss

The value of financial assets measured at fair value through profit or loss in the amount of EUR 722 thousand (31/12/2020: EUR 691 thousand) changed compared to the year before as a result of the revaluation of listed companies' shares to fair value.

Table of types of financial assets measured at fair value through profit or loss

in EUR 000

	31/12/2021	31/12/2020
Shares of listed companies	161	131
Shares and interests in unlisted companies	561	560
TOTAL	**722**	**691**

Table of changes in financial assets measured at fair value through profit or loss

in EUR 000

	31/12/2021	31/12/2020
Balance as at 01/01	**691**	**693**
Transfer of shares in Group companies to investments	0	13
Change in fair value	30	-15
Balance at end of period	**722**	**691**

The value of other shares and stakes as at 31/12/2021 represented only 0.3% of total assets. They comprise 4,987 shares of Pokojninska družba A, d.d., with a book value of EUR 498 thousand, pledged as security for financial liabilities of Sava, d.d.

2.3.11. Long-term loans and non-current operating receivables

Long-term loans and non-current liabilities totalling EUR 2,026 thousand (31/12/2020: EUR 26 thousand) comprised a long-term deposit of EUR 2,000 thousand placed with a commercial bank in 2021.

2.3.12. Assets held for sale

Assets held for sale totalling EUR 65 thousand (31/12/2020: EUR 563 thousand) comprise forest land of the Salinera Resort, whereby the sales agreement was signed in February 2022.

2.3.13. Inventories

Table of inventories

in EUR 000

	Gross value as at 31/12/2021	Write-offs in the year 2021	Net value as at 31/12/2021	Net value as at 31/12/2020
Material	502	0	502	456
Merchandise	55	0	55	74
TOTAL	**558**	**0**	**558**	**529**

2.3.14. Current operating and other receivables

Table of current operating and other receivables

in EUR 000

	31/12/2021	31/12/2020
Trade receivables	1,846	506
Accrued receivables	640	2,164
Advances given	728	58
Receivables for VAT and other taxes	728	539
Other receivables	982	969
TOTAL	**4,925**	**4,236**

2.3.15. Short-term loans granted

Table of short-term loans granted

in EUR 000

	31/12/2021	31/12/2020
Short-term loans granted	11,800	15,600
TOTAL	**11,800**	**15,600**

Short-term loans in the amount of EUR 11,800 thousand (31/12/2020: EUR 15,600 thousand) constitute deposits placed with commercial banks.

2.3.16. Cash and cash equivalents

Table of cash and cash equivalents

in EUR 000

	31/12/2021	31/12/2020
Cash in hand, bank balances and bank deposits	36,417	15,920
TOTAL	**36,417**	**15,920**

2.3.17. Equity capital and reserves

Equity of the Sava Group as at 31/12/2021

As at 31/12/2021, the equity of the Sava Group amounted to EUR 108,490 thousand (31/12/2020: EUR 106,676 thousand). It was EUR 1,814 thousand higher year-on-year.

Share capital

The share capital of the controlling company Sava, d.d. stood at EUR 29,083 thousand (31/12/2020: EUR 29,083 thousand) and is divided into 29,082,968 ordinary, freely transferable registered no-par value shares (SAVR) with the nominal value of EUR 1.00 per share.

Paid-in capital surplus

Paid-in capital surplus in the amount of EUR 43,357 thousand (31/12/2020: EUR 43,357 thousand) was set aside 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

Fair value reserves are negative, totalling EUR 502 thousand (31/12/2020: EUR -167 thousand) and represent actuarial loss.

Retained net profit

in EUR 000

Changes in retained net profit	31/12/2021	31/12/2020
Retained profit from previous years	27,140	36,839
Other changes	-16	480
Net profit/loss for the period attributable to equity holders of the parent	1,888	-10,179
Retained net profit	**29,011**	**27,140**

Net earnings/loss per share

The share capital is divided into 29,082,968 ordinary, freely transferable registered no-par value shares that carry voting rights. All shares have been paid in full. The Company has no bonds that could be converted into shares.

Weighted average number of ordinary shares

	2021	2020
Total number of shares	29,082,968	29,082,968
Treasury shares	0	0
Weighted average number of shares	**29,082,968**	**29,082,968**

Net earnings/loss attributable to ordinary shares

	2021	2020
Net profit/loss for the period (in EUR 000)	2,165	-10,490
Net profit/loss for the period attributable to equity holders of the parent (in EUR 000)	1,888	-10,179
Weighted average number of ordinary shares outstanding	29,082,968	29,082,968
Basic net earnings/loss per share (EUR)	**0.06**	**-0.35**

Diluted net earnings/loss per share equal the basic net earnings/loss per share as share capital only comprises 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 uncovered loss brought forward of EUR 25,158 thousand on 31/12/2021 (31/12/2020: EUR 21,015 thousand).

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

Table of the non-controlling interest of a subsidiary included in consolidation

in EUR 000

	Non-controlling interest		Capital attributable to non-controlling interest		Profit attributable to non-controlling interest	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Sava Turizem, d.d.	4.53%	4.53%	7,541	7,263	278	-311
TOTAL			**7,541**	**7,263**	**278**	**-311**

2.3.18. Non-current provisions

Table of changes in non-current provisions

in EUR 000

	Balance as at 01/01/2021	Established and transferred	Reversed	Used	As at 31/12/2021
Provisions for severance pay and similar liabilities	2,818	578	-235	-101	3,059
Provisions for lawsuits and other claims	1,498	2,108	0	0	3,607
Other	2	102	0	0	104
TOTAL	**4,318**	**2,788**	**-235**	**-101**	**6,769**

The accrued non-current liabilities to employees represent liabilities for severance payment upon retirement and jubilee benefits. As at 31/12/2021, 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. as at 31/12/2021 with consideration of the following assumptions: severance payment upon retirement and jubilee benefits in accordance with the provisions of collective and individual employment contracts, a 2.2% annual growth in the Company's salaries and severance payment upon retirement and jubilee benefits, employee turnover and the applied discount rate of 1.6% per annum.

Provisions for lawsuits and other claims were set aside after consulting the attorneys who estimated the outcome of lawsuits and other claims filed. Provisions for lawsuits and other claims in the amount of EUR 2,108 thousand set aside in 2021 refer to the minority shareholder's request for a judicial review of the exchange ratio in the merger of Hoteli Bernardin, d.d. with Sava Turizem, d.d.

2.3.19. Deferred government grants

Table of changes in deferred government grants

in EUR 000

	Balance as at 01/01/2021	Reversed	Used	As at 31/12/2021
Assets of European and other funds	6,066	-275	-594	5,197
TOTAL	**6,066**	**-275**	**-594**	**5,197**

The assets obtained from the European and government structural funds were used by Tourism companies to renovate the Radin Hotel and the Terapija Hotel in Radenci, build the Grand Hotel Primus in Ptuj as well as the Livada Prestige Hotel, renovate the Thermalium healthcare facility in Moravske Toplice and the Savica Hotel at Bled and to purchase a healthcare programme and renovate the CO2 bath facility in Radenci.

2.3.20. Long-term 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 2.3.32. – Financial instruments.

Table of financial liabilities

in EUR 000

	31/12/2021	31/12/2020
LONG-TERM LOANS		
Loans from domestic banks	66,930	76,506
Total loans from banks	**66,930**	**76,506**
Loans from others	3,114	1,981
Total long-term loans	**70,044**	**78,487**
CURRENT FINANCIAL LIABILITIES		
Short-term portion of long-term loans from banks	4,098	4,974
Total short-term loans from banks	**4,098**	**4,974**
Short-term loans from others	51,844	51,582
Total current financial liabilities	**55,942**	**56,555**
Total loans received and other financial liabilities	**125,986**	**135,042**

Terms and conditions of loans

	Interest rate (% p.a.)	Maturity of last instalment	Type of collateral
Financial receivables from loans (excluding revolving loans)	6M Euribor + 2,50 3M Euribor + 2,15 3M Euribor + 0,50 3M Euribor + 0,35 6M Euribor + 0,71 6M Euribor + 0,63 6M Euribor + 8,00	2022 - 2036	bill of exchange, bank guarantee, mortgage on real estate, pledge of securities

Table of the maturity of long-term loans

in EUR 000

	31/12/2021	31/12/2020
1–2 years	7,101	14,229
2–5 years	25,384	29,576
over 5 years	37,559	34,681
TOTAL	**70,044**	**78,487**

Table showing a breakdown of loans by fixed and variable interest rate

in EUR 000

	Fixed interest rate	Variable interest rate	Total
long-term loans	2,269	67,775	70,044
short-term loans	672	55,270	55,942
TOTAL	**2,940**	**123,046**	**125,986**

Loans with a fixed interest rate refer entirely to operating leasing of assets, and the interest rate is:

- for operating leases at Sava, d.d., 2.51%,
- for operating leases at Sava Turizem, d.d., from 2.03% to 3.5%.

Collateralisation of loans

Loans obtained by the Sava Group companies are collateralised by mortgages on the real estate of Sava Turizem, d.d. and by pledged shares and stakes owned by Sava, d.d.

Financial liabilities of Sava Turizem, d.d. are secured by mortgaged real estate with the carrying amount of EUR 134,938 thousand.

Financial liabilities of Sava, d.d. are secured by pledged shares with the carrying amount of EUR 92,560 thousand:

- shares of Sava Turizem, d.d. worth EUR 92,062 thousand;
- shares of Pokojninska družba A, d.d. worth EUR 498 thousand.

2.3.21. Deferred tax liabilities/assets

Table of deferred tax liabilities/assets

in EUR 000

	31/12/2021	31/12/2020
Liabilities – revaluation of assets to fair value	-432	-416
Receivables – provisions according to actuarial calculation, litigations	446	233
Liabilities – business combinations	-2,571	-2,571
TOTAL	**-2,556**	**-2,753**

Table of changes in deferred tax liabilities/assets

in EUR 000

	31/12/2021	31/12/2020
Balance as at 31/12	**-2,753**	**-2,776**
Balance as at 01/01	-2,753	-2,776
Changes in deferred tax liabilities – through profit or loss	**197**	**23**
Change in receivables for provisions for severance pay	**-5**	**40**
Change in liabilities due to business combination	-16	-20
Change in receivables for the accounted amortisation that was higher than the amortisation recognised for tax purposes	218	0
Change in receivables due to revaluation, sale or end of ownership of securities – through profit or loss	0	3
Balance at end of period	**-2,556**	**-2,753**

Unaccounted deferred tax assets from impairments of non-current financial assets as at 31/12/2021 amounted to EUR 151 thousand (31/12/2020: EUR 151 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 that were included in the consolidated financial statements of the Sava Group at a 19% tax rate amounted to EUR 82,190 thousand on 31/12/2021 (31/12/2020: EUR 83,047 thousand).

Total unaccounted deferred tax assets amounted to EUR 82,341 thousand as at 31/12/2021 (31/12/2020: EUR 83,198 thousand).

2.3.22. Current operating liabilities

Liabilities arising from interest on loans received were included under other operating liabilities.

Table of current operating liabilities

in EUR 000

	31/12/2021	31/12/2020
Trade payables	8,450	3,750
Liabilities for obtained advances	970	1,167
VAT and other taxes	1,495	527
Liabilities to employees	2,449	1,963
Other operating liabilities	7,355	3,210
TOTAL	**20,719**	**10,616**

2.3.23. Current provisions

Current provisions amounted to EUR 11,915 thousand (31/12/2020: EUR 9,639 thousand), whereby 95% of said provisions were set aside at Sava Turizem, d.d. and they most comprised:

- provisions for labour cost in the amount of EUR 6,370 thousand,
- provisions based on loyalty programme perquisites in the amount of EUR 1,126 thousand,
- accrued costs in the amount of EUR 1,169 thousand,
- deferred revenues from non-redeemed gift vouchers and coupons in the amount of EUR 1,491 thousand,
- deferred revenues from the sale of the Salinera Resort in the amount of EUR 1,258 thousand*, which were not recognised in the income statement because the sale of forest land had not yet been completed

** In the individual financial statements of Sava Turizem, d.d., deferred revenue from the sale of the Salinera Resort is disclosed in the amount of EUR 2,834 thousand, and in the consolidated financial statements of the Sava Group in the amount of EUR 1,258 thousand. The difference of EUR 1,576 thousand represents the difference between the fair value of the property in the consolidated statements determined in the process of merging Hoteli Bernardin, d.d. with Sava Turizem, d.d. and the carrying amount of the property in the individual financial statements.*

2.3.24. Revenue from contracts with customers

Table of revenue from contracts with customers

in EUR 000

	2021	2020
Rental income	722	797
Revenues from services rendered	69,144	54,114
Revenues from merchandise sold	229	261
TOTAL	**70,095**	**55,172**

2.3.25. Other operating revenues

Table of other operating revenue

in EUR 000

	2021	2020
Use and reversal of provisions for severance payment, jubilee benefits, overtime and annual leave	235	40
Drawing of deferred revenues from EU funds	275	294
Use of incentives for the disabled, scholarships	161	114
Reversal of provisions for lawsuits and other claims	0	622
Gains on the sale of property, plant and equipment	163	88
Gains on the disposal of investment property	139	0
Support received in connection with Covid-19 related government measures	12,631	6,931
Derecognition of accrued allowance for receivables	135	83
Other operating revenues	2,781	909
TOTAL	**16,519**	**9,082**

2.3.26. Costs by functional group

Table of costs by functional group

in EUR 000

	2021	2020
Production costs of products and services sold	56,554	49,147
Selling costs	3,458	3,350
Costs of general activities	18,640	18,113
TOTAL	**78,652**	**70,609**

The production costs of products and services sold are associated with direct costs at Sava Turizem, d.d.

Costs of goods, materials and services in the amount of EUR 32,710 thousand (2020: EUR 27,631 thousand) were broken down into cost of material used in the amount of EUR 11,924 thousand (2020: EUR 10,425 thousand) and cost of services in the amount of EUR 20,786 thousand (2020: EUR 17,206 thousand).

2.3.27. Labour costs

Table of labour costs

in EUR 000

	2021	2020
Wages and salaries	21,038	20,237
Costs of social insurance	3,428	3,353
Other labour costs	5,957	4,623
TOTAL	**30,423**	**28,213**

Other labour costs include paid out annual allowance and other compensations in accordance with the collective agreement (meals and commuting to/from work) as well as provisions for potential labour costs. Labour costs also include accounted labour costs based on employee requests for payments in the amount of EUR 159 thousand. In 2021, there were no service costs related to placement agencies, which are not treated as labour costs.

Over the course of the year, there were 656 employees employed on average (2020: 611 employees).

2.3.28. Write-downs

Table of write-downs

in EUR 000

	2021	2020
Property, plant and equipment – impairment	0	10
Property, plant and equipment – write-offs	102	122
Property, plant and equipment – loss on sale	3	4
Investment property – impairment	0	250
Investment property – loss on sale	1	0
Receivables	28	255
TOTAL	**133**	**642**

In 2021, an impairment of receivables was performed at Sava Turizem, d.d. through profit or loss in the amount of EUR 28 thousand (2020: EUR 255 thousand) and operating revenues in 2021 include a derecognition of an allowance for receivables worth EUR 135 thousand.

2.3.29. Other operating expenses

Table of other operating expenses

in EUR 000

	2021	2020
Formation of non-current provisions	2,108	1,465
Other operating expenses	1,905	1,830
TOTAL	**4,013**	**3,294**

Other operating expenses mainly consist of provisions for onerous contracts in the amount of EUR 2,108 thousand, contributions for building land in the amount of EUR 956 thousand, and water contributions and water concessions in the amount of EUR 563 thousand.

Other data on costs

in EUR 000

	2021	2020
Costs of research and development	**0**	**0**
Direct operating expenses for investment properties	**186**	**149**
– Rent-generating	182	149
– Not generating revenue	4	0

2.3.30. Net financial income and profit participation in associates

Table of the composition of financial income and expenses

in EUR 000

	2021	2020
Gains on the sale of financial assets	0	81
Dividends and profit participations	25	3
Interest income	0	3
Other	50	1
Financial income	**76**	**88**
Interest expenses	-5,612	-4,230
Impairment of available-for-sale financial assets	0	-16
Financial expenses	**-5,612**	**-4,246**
Net revenue/expenses	**-5,536**	**-4,158**

2.3.31. Corporate income tax

Table of income tax recognised in the income statement

in EUR 000

	2021	2020
Tax assessed for the current year		
– For the current year	-458	0
Total	**-458**	**0**
Deferred tax		
– Newly arisen and withdrawn temporary differences	198	23
Total	**198**	**23**
Tax to the debit of profit and loss	**-260**	**23**

Table of comparison between the actual and calculated tax rate

in EUR 000

	rate	2021	rate	2020
Pre-tax profit in accordance with IFRS		2,427		-10,513
Income tax based on the official rate	19.0%	461	19.0%	-1,997
Expenses not recognised for tax purposes	32.4%	787	-4.5%	478
Non-taxable revenue	-13.3%	-322	3.5%	-364
Difference in the tax base due to transition to new accounting methods following changes to accounting policies	-1.4%	-33	0.4%	-39
Tax reliefs not recognised in profit or loss	-10.5%	-254	0.0%	0
Effect of companies operating at a loss and effect of losses in consolidation	-15.6%	-378	-18.1%	1,900
Effective tax rate	**10.7%**	**260**	**0.2%**	**-23**

2.3.32. Financial instruments

Solvency risk

Financial and operating liabilities of Sava, d.d. arising from principals, interest and fees amount to EUR 58,401 thousand and fall due in 6 months (at the end of June 2022). On 06/05/2022, Sava, d.d. received Annex no. 5 to the Rescheduling Agreement from the creditors for the purpose of harmonisation, whereby the Annex proposed the extension of the due date of Sava, d.d.'s liabilities from loan principals, interest and fees until 30/09/2022, which represents a sufficient amount of time according to the parties to fulfil the suspensive conditions stipulated in the transaction.

Sava Turizem, d.d. raises long-term loans with commercial banks, with the final due date at the end of 2036. The company settles liabilities according to repayment schedules. The value of the assets of the Sava Group provided to creditors as security for financial liabilities is significantly higher than the amount of financial liabilities.

Table of values related to solvency risk

in EUR 000

31/12/2021	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities	**146,721**	**-154,038**	**-61,412**	**-18,431**	**-8,039**	**-27,426**	**-38,730**
Secured bank loans (excluding associates)	71,028	-76,020	-525	-4,623	-7,218	-25,470	-38,184
Trade payables and other liabilities	20,736	-20,736	-7,631	-13,105	0	0	0
Other financial liabilities	54,635	-56,959	-53,230	-678	-768	-1,795	-489
Liabilities from finance/operating lease	323	-323	-26	-26	-52	-162	-57
TOTAL	**146,721**	**-154,038**	**-61,412**	**-18,431**	**-8,039**	**-27,426**	**-38,730**

in EUR 000

31/12/2020	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities	**145,689**	**-155,709**	**-65,180**	**-6,312**	**-7,442**	**-30,296**	**-46,480**
Secured bank loans (excluding associates)	81,479	-88,542	-714	-5,688	-6,829	-29,247	-46,065
Trade payables and other liabilities	10,647	-10,573	-10,573	0	0	0	0
Other financial liabilities	53,180	-56,211	-53,869	-599	-558	-826	-359
Liabilities from finance/operating lease	383	-383	-25	-25	-55	-223	-55
TOTAL	**145,689**	**-155,709**	**-65,180**	**-6,312**	**-7,442**	**-30,296**	**-46,480**

Interest rate risk

The financial liabilities of the companies from the Sava Group are subject to interest rate tied to the variable EURIBOR interest rate. In 2020, EURIBOR remained negative, while in 2021 no major changes are expected as regards EURIBOR changes in Slovenia.

The companies from the Sava Group have no applicable instruments for interest rate risk hedging.

The interest rate risk is moderate considering the maturity of financial sources of the companies from the Sava Group and the circumstances.

Credit risk

The Sava Group companies devote special attention to the maturity matching of receivables, acquisition of suitable forms of collateral or advance payment and ongoing collection. Circumstances related to the outbreak of Covid-19 had a negative impact on the solvency of some customers, which is reflected in additional value adjustments of receivables compared to the previous year alongside limited operations of Sava Turizem, d.d. owing to the shutdown of tourism facilities.

Table of trade receivables by geographical region

in EUR 000

	Carrying amount	
	31/12/2021	31/12/2020
Slovenia	1,703	492
Other EU countries	143	7
Other	0	7
TOTAL	**1,846**	**506**

Table of balance and changes of value adjustments in trade receivables

in EUR 000

	2021	2020
Opening balance	765	578
Increase in value adjustment	28	255
Decrease in value adjustment	-135	-69
Closing	**658**	**765**

Age structure of trade receivables

in EUR 000

	31/12/2021			31/12/2020		
	Gross receivables	Impairment	Net receivables	Gross receivables	Impairment	Net receivables
Not yet due	1,750	0	1,750	544	0	544
Past due 0–30 days	91	0	91	-7	31	-38
Past due 31–120 days	130	124	5	133	133	0
Past due more than 120 days	533	533	0	601	601	0
TOTAL	**2,503**	**658**	**1,846**	**1,271**	**765**	**506**

Foreign exchange risk

The Sava Group mainly does business in the euro area. There were no derivatives to hedge against foreign exchange risk in 2021. Considering the share of operations denominated in foreign currencies, the foreign exchange risk is low.

Table of values related to foreign exchange risk

in EUR 000

	31/12/2021		31/12/2020	
	Total in EUR	EUR	Total in EUR	EUR
Trade receivables	1,846	1,846	506	506
Secured bank loans	-71,028	-71,028	-81,479	-81,479
Trade payables and other liabilities	-20,736	-20,736	-10,647	-10,647
Other loans received	-54,635	-54,635	-53,180	-53,180
Balance sheet gross exposure	**-144,553**	**-144,553**	**-144,800**	**-144,800**
Estimated sales forecast* (from the 2022 plan)	82,901	82,901	0	0
Estimated purchasing forecast (from the 2022 plan)	-38,437	-38,437	0	0
Gross exposure	**44,464**	**44,464**	**0**	**0**
Net exposure	**-100,089**	**-100,089**	**-144,800**	**-144,800**

Analysis of sensitivity to financial risks

Analysis of sensitivity to interest rate changes

The remuneration of financial liabilities of the Sava Group is subject to fixed interest margin and is tied to the EURIBOR variable interest rate, which was negative in recent years. According to the OECD's forecasts, Slovenia is not expected to grow in the coming year, but inflationary trends nevertheless point to its potential growth. From the point of view of growth in EURIBOR, we estimate that the interest rate risk is low (the interest rate in the case of a negative EURIBOR is equal to the interest margin), and given the maturity of liabilities and the existing interest rates, we estimate that the sensitivity of the entire loan portfolio to interest rate fluctuations is moderate. Should interest margins for credit liabilities of the Sava Group companies change by 50 basis points, the annual interest expense would change by EUR 543 thousand given the balance of such indebtedness at the end of 2021.

Analysis of the sensitivity to increased indebtedness

At the end of 2021, the Sava Group had EUR 125.9 million worth of current and non-current financial liabilities and no new loans are planned for 2022.

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.

2.3.33. Fair value of financial instruments

Table of fair value of financial instruments

in EUR 000

	31/12/2021	31/12/2021	31/12/2020	31/12/2020
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value through profit or loss	722	722	691	691
Assets held for sale	65	65	563	563
Current receivables	4,925	4,925	4,236	4,236
Loans granted	11,800	11,800	15,600	15,600
Cash and cash equivalents	36,417	36,417	15,920	15,920
Long-term loans with a fixed interest rate	-2,269	-2,269	-333	-333
Long-term loans with a variable interest rate	-67,775	-67,775	-78,154	-78,154
Short-term loans	-55,942	-55,942	-56,555	-56,555
Current operating liabilities	-20,719	-20,719	-10,616	-10,616

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.

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

in EUR 000

	31/12/2021				31/12/2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available-for-sale securities	722	173	0	549	691	143	0	548
TOTAL	**722**	**173**	**0**	**549**	**691**	**143**	**0**	**548**

2.3.34. Contingent liabilities

Contingent liabilities of Sava Turizem, d.d. in the amount of EUR 139,685 thousand are recorded off-balance sheet and comprise:

– mortgages in the amount of EUR 134,938 thousand,

– potential liabilities from the denationalisation claim regarding the Radenci destination in the amount of EUR 4,675 thousand,

– issued guarantees in the amount of EUR 72 thousand.

2.3.35. 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 CEO.

**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.

Intra-group business relations in the Sava Group

Business relations between the Sava Group companies mainly involve mutually provided services: trademark use royalties, internal audit services and IT services.

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 of Sava, d.d. to the owners in the total amount of EUR 58,401 thousand (31/12/2020: EUR 54,259 thousand) refer to financial liabilities arising from the loans received, operating liabilities arising from interest for the period from December 2019 to December 2021 as well as from fees for the Rescheduling of financial liabilities. Expenses of Sava, d.d. of EUR 4,124 thousand (2020: EUR 3,307 thousand) represent interest charged on financial liabilities.

Outstanding liabilities to the owners in the total amount of EUR 29,910 thousand (31/12/2020: EUR 29,524 thousand) are disclosed at Sava Turizem, d.d. and mostly refer to financial liabilities arising from the loans received and to a smaller extent to operating liabilities. Expenses in the amount of EUR 4,003 thousand (2020: EUR 2,969 thousand) comprise charged interest on financial liabilities, rent charged for real estate and the costs of energy, fuel and postal services.

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

in EUR 000

Related parties	Outstanding receivables as at 31/12/2021	Outstanding liabilities as at 31/12/2021	Revenues in 2021	Expenses in 2021
Transactions with the owners (over 20%)	**0**	**58,401**	**0**	**4,124**
York Global Finance Offshore BDH (Luxembourg) S.à r.l.	0	6,880	0	486
Slovenski državni holding, d.d.	0	25,760	0	1,819
Kapitalska družba, d.d.	0	25,760	0	1,819
Transactions with the companies associated with the owners	**192**	**29,910**	**356**	**4,003**
Total	**192**	**88,311**	**356**	**8,127**

Relations with natural persons

Ownership of the share of Sava as at 31/12/2021

Members of the Board of Directors and of the BoD committees, the CEO 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 2021

in EUR 000

	31/12/2021	31/12/2020
CEO of Sava, d.d.	149	138
Save Turizem, d.d., Management Board members	520	580
Other employees with individual employment contracts in Group companies	6,039	5,931
Members of the Board of Directors of Sava, d.d., and members of the Supervisory Board of Sava Turizem, d.d.	253	263

Receivables of Group companies due from related parties

As at 31/12/2021, the Sava Group companies have no receivables due from related natural persons.

Liabilities of Group companies to related parties

As at 31/12/2021, the Sava Group companies disclosed liabilities to related persons arising only from accounted labour costs in December 2021, which were paid out in January 2022.

Disclosures of remunerations of the Board of Directors, its committees, the CEO and employees working under individual employment contracts at Sava, d.d. are presented in item 1.2.5.3. of the financial section of the Annual Report of Sava, d.d.

Disclosures of remunerations of the Management Board, Supervisory Board members and employees working under individual employment contracts at Sava Turizem, d.d. are presented in item 4.37 of the financial section of the Annual Report of Sava Turizem, d.d.

2.3.36. Disclosure of business with auditors

Disclosure of business with the selected auditor

in EUR 000

	2021	2020
Costs of auditing the annual report	46	93
Other non-audit services	0	25
TOTAL	**46**	**118**

2.3.37. Explanations related to the status of denationalisation claims at Sava Turizem, d.d.

A. Beneficiary Dr Rudolf Hohn Šarič before the Administrative Unit of Gornja Radgon, ref. no. 321-195/1993 due to the denationalisation of real estate owned by Wilhemina Šarič

The subject of these proceedings is the denationalisation of real estate or co-ownership shares up to 1/2, seized from Wilhemina Šarič, on the basis of a motion for denationalisation filed by the applicant Prof. Dr Rudolf Hohn Šarič on 04/05/1993.

With regard to the real estate seized from Wilhemina Šarič, the Administrative Court of the Republic of Slovenia passed Judgment ref. no. II U 577/2017 of 07/02/2018, in which it sustained the claim of the denationalisation beneficiary and annulled the Decision of 29/01/2013, which rejected the claim for the denationalisation of properties with plot no. 124, added to entry no. 18, cadastral municipality Kapelski Vrh, which was seized from Vilma Šarič in its entirety, and plot no. 165, added to entry no. 302, cadastral municipality Radenci, which was seized from Vilma Šarič in the co-ownership share up to 1/2.

In the relaunched procedure on 01/10/2018, the Administrative Unit issued a Partial Decision on Denationalisation no. 321-195/1993-373, wherein it decided on the return of the nationalised real estate plot no. 124, cadastral municipality Kapelski Vrh, and plot no. 165, cadastral municipality Radenci, to the beneficiary Rudolf H. Šarič in the form of bonds of the Slovenian Sovereign Holding, which became final on 19/10/2018.

On 24/09/2019, the Administrative Unit issued a Partial Decision on Denationalisation no. 321-195/1993-408, by which it decided on the return of nationalised real estate seized from Vilma Šarič, in the form of bonds of the Slovenian Sovereign Holding; Radenska, d.o.o., filed an appeal against the decision, which was rejected by the Ministry of Agriculture, Forestry and Food with Decision no. 490- 22/2019/5 of 26/11/2019. Radenska, d.o.o., filed action against the said Partial Decision on Denationalisation on 31/12/2019 in an administrative dispute, which is conducted under ref. no. II U 5/2020.

The administrative court has not yet ruled on the matter.

B. Beneficiary Dr Rudolf Hohn Šarič before the Administrative Unit of Gornja Radgon, app. no. 301-35/1993 (339-33/2009) due to the denationalisation of 48% of the capital of Kuranstalt Sauerbrun Radein Aktiengesellschaft owned by Wilhelmina Hohn Šarič

The denationalisation procedure is in progress based on the denationalisation request filed by Prof. Dr Rudolf Hohn Šarič on 04/05/1993; the subject of the claim is the co-ownership share of the nationalised capital of Kuranstalt Sauberbrun Radein Aktiengesellschaft, which was 48-per cent owned by Wilhelmina Hohn Šarič.

The Administrative Court of the Republic of Slovenia passed the Judgment ref. no. U 573/2017 of 07/02/2018, whereby it upheld the claim of the denationalisation beneficiary and set aside the Decision of the Administrative Unit of Gornja Radgona of 27/06/2012 rejecting the denationalisation claim of the beneficiary and remanded the case for reconsideration.

On 08/12/2018, the beneficiary submitted a supplement to the pleading, requesting the return of 48% of the Radenska trademarks, compensation for 48% of the right to free use for water – thermal and mineral water and 48% of the real estate specified in the special supplement to the pleading.

On 07/01/2019, the beneficiary submitted to the administrative body documents – identifications of plots, including the lists of real estate, stating the required forms of return and persons liable, specifying the request for return of real estate in kind; in subsequent pleadings, the beneficiary further substantiates the claims.

As requested by the administrative body, we submitted several written pleadings on 14/05/2019, fully opposing the claim of the beneficiary for the return of property in kind.

On 08/10/2019, the Administrative Unit issued a Partial Decision on Denationalisation no. 301-35/1993-760, wherein it decided that the denationalisation beneficiary of a share of up to 48% of the nationalised company was Dr Rudolf Hoehn Šarič, while Slovenian Sovereign Holding was liable for return and must hand over bonds of SDH, d.d. to the beneficiary for the monetary value of the nationalised company in the amount of EUR 1,255,389.19; the compensation is assessed at 48% of the value of the company's net assets excluding real estate, trademarks and the right to draw mineral water. Radenska d.o.o. filed an appeal against the Decision, which the Ministry of Economic Development and Technology rejected by Decision no. 490-17/2019-7 of 10/11/2020.

On 10/10/2019, the Administrative Unit issued a Partial Decision on Denationalisation no. 301-35/1993-762, rejecting part of the beneficiary's claim for the return of trademarks in kind and for the return of the right to use mineral and thermal water in the form of compensation, specifically in the form of bonds of SDH, d.d. The beneficiary filed an appeal against the Decision, which the Ministry of Economic Development and Technology rejected by Decision no. 490-17/2019-8 of 13/11/2020.

By a written pleading dated 13/02/2021, the beneficiary amended the claim by requesting the return of the seized capital of the company – real estate, in the form of compensation, and, alternatively, the return of real estate in kind; the beneficiary may amend his claim again until the end of the procedure.

According to the amended claim, the person liable for the denationalisation of all assets is now SDH, d.d., which has already stated its position, namely that it agrees with the denationalisation of seized assets in the form of bonds of SDH d.d.

The administrative body issued a partial decision on denationalisation no. 301-35/1993-1196 dated 04/08/2021, which we received on 24/08/2021 and in which it decided that all properties owned by Kuranstalt Sauberbrun Radein Aktiengesellschaft, which have not yet been decided by previously issued partial decisions, are to be subject to the performance of denationalisation in the form of bonds of SDH, d.d. SDH, d.d. filed an appeal against the aforementioned decision on 25 August 2021. The appeal has not yet been decided.

The administrative body issued a supplementary decision on denationalisation no. 301-35/1993-1199 of 01/09/2021 deciding the amount of the net assets of the nationalised company in a share of up to 48% and ordered the obligor, SDH, d.d., to deliver the bonds of SDH, d.d. in the amount of EUR 40.47 to the beneficiary, which represents the difference between 48% of the value of the net assets of the nationalised company and the value of the already returned assets of the company with partial denationalisation decisions. On 21/09/2021, we filed an appeal against point 2 of the operative part of the decision, in which the administrative body decided on the amount of the net assets of the nationalised company. Appeals against the aforementioned decision were also filed by the denationalisation beneficiary on 17/09/2021 and by SDH, d.d. on 16/09/2021. None of the appeals have yet been decided.

The denationalisation procedure has been completed at the first instance. We are currently awaiting the decision of the Administrative Court in the administrative dispute II U 427/2020 and the decision of the Ministry of Economic Development and Technology on the appeals filed against the partial decision on denationalisation no. 301-35/1993-1196 of 04/08/2021 and supplementary decision on denationalisation no. 301-35/1993-1199 of 01/09/2021.

C. Beneficiary Štefan Černič before the Piran Administrative Unit, no. 351-707/2002-338 due to denationalisation

On 07/12/1993, the denationalisation beneficiary Jožica Č. filed a claim with the Municipality of Piran, Secretariat for Administrative Affairs, Department for Administrative and Legal Affairs for the return of nationalised property in respect of plot no. 2738/1, cadastral municipality Piran II, which was nationalised based on the Decision of Municipal People's Committee Piran of 03/12/1959 and withdrawn from use on the basis of Decisions of the Municipal Assembly of Piran, Finance Department, of 12/11/1968 and 14/09/1970. Sava Turizem, d.d. is involved in this procedure due to the possibility of return in kind of part of the plot no. 1834/6, 1834/5, 1834/4, 1833/14, cadastral municipality Portorož (formerly real estate plot no. 2738/1, cadastral municipality Piran II). This represents a total of 184 m2 of land near the Roža Hotel in Portorož. The owner of the real estate stated in the Land Register is Hoteli Metropol, hotelirstvo in turizem, d.o.o., which has a contractual obligation to return this real estate to Hoteli Bernardin, d.d. (now Sava Turizem, d.d.) Based on a partial decision, 172 m2 of land was returned in kind to the denationalisation beneficiaries, and an appeal was filed against the Partial Decision. The second-instance body upheld the appeal and rejected the claim for return in kind, so the debtor would keep these properties. The beneficiary brought an action against the Decision in an administrative dispute. A response was filed to the action. The action was upheld, meaning that the Decision was annulled due to procedural violations and the case was remanded to the second instance for reconsideration, however, the second-instance body has not yet passed a decision.

D. Beneficiary Giorgio Bartole before the Administrative Unit of Piran, no. 339-13/2009 due to denationalisation

At the Piran Administrative Unit, the applicants Maria Rosa B. and Marko F., as the legal successors of the expropriated Giorgio Bartole (deceased), on 05/01/1993, 08/03/1993 and 09/06/1993 filed a claim for denationalisation of nationalised real estate on plot. no. 2950/4, 1946, 2943 and 2950/8, all cadastral municipality Piran II. Sava Turizem, d.d. is involved in this procedure due to the possibility of the land being returned in kind. Decisions have been made several times in both procedures, but all have been overturned so that the two procedures are now again at first instance, namely:

- plot nos. 1828/5, 1828/73, 1828/74 – the issue of a decision at first instance is pending, evidence has been put forward in the procedure to prove that obstacles exist to the return of real estate in kind;
- plot no. 1828/6 – the issue of a decision at first instance is pending – the issue of a decision at first instance is pending, evidence has been put forward in the procedure to prove that obstacles exist to the return of real estate in kind, the owner of this real estate is the Republic of Slovenia (it is in the interest of ST, d.d. that the real estate is not returned in kind, since a gas tank container is located on this real property, and upon selling a stake in Hoteli Metropol, d.o.o., HB, d.d. gave the buyer assurance in the respective sales contract that the Lucija and Barbara Hotels would remain connected to this gas tank container, otherwise the HB, d.d. – now ST, d.d. is obliged to pay the buyer the compensation agreed in the sales contract, which is limited to EUR 50,000.00).

2.3.38. 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 significant events that occurred after the balance sheet date:

A. at Sava, d.d.

- On 07/01/2022, Sava, d.d. signed the **Agreement on the Sale of the Pokrajinski arhiv Maribor Property.** The purchase consideration was settled in its entirety on 14/02/2022.
- On 09/02/2022, Sava, d.d. received from the shareholder Nova KBM a Notice of publication of a public call for the submission of non-binding offers for the purchase of 496,851 shares of the issuer Sava, d.d., which represents 1.71% of the share capital of Sava, d.d.
- On 09/02/2022, Sava, d.d. received from the authorised person of the shareholder **York Global Finance Offshore BDH** (Luxembourg) S.à r.l. a notice on the change of significant shares showing that a binding legal transaction was signed on 31/01/2022 for the disposal of the participating interest / shares, which is subject to the fulfilment of certain conditions that have not yet been fulfilled. It was clear from the notice that York would – in the event certain conditions were fulfilled and the transaction thus consummated – divest 12,571,257 shares of the issuer of the Sava, d.d., which represents 43.23% of the share capital of Sava, d.d.
- On 10/02/2022, Sava, d.d. received a notice from the authorised representative of **Prestige SL, Hungary,** about the change of significant shares – i.e. the conclusion of a binding transaction for the acquisition of 12,571,257 shares of the issuer Sava, d.d., which represents 43.23% of the share capital of Sava, d.d., whereby the conclusion of the deal is subject to the fulfilment of certain conditions, which have not been fulfilled. There was no change in significant shares.
- 01/03/2022, Sava, d.d. received a notice from the authorised representative of **Slovenski državni holding, d.d.,** Ljubljana based on the exercise of the right of pre-emption on 28/02/2022, about the change of significant shares – i.e. the conclusion of a binding transaction for the acquisition of 12,571,257 shares of the issuer Sava, d.d., which represents 43.23% of the share capital of Sava, d.d., whereby the conclusion of the deal is subject to the fulfilment of certain conditions, which have not yet been fulfilled.
- On 07/03/2022, Sava, d.d. received from the authorised person of the shareholder **York Global Finance Offshore BDH** (Luxembourg) S.à r.l. a notice on the change of significant shares showing that a binding legal transaction was signed on 28/02/2022 for the exercise of the right of pre-emption and the disposal of a stake/shares, which is subject to the fulfilment of certain conditions that have not yet been fulfilled. It was clear from the notice that York would – in the event certain conditions were fulfilled and the transaction thus consummated – divest 12,571,257 shares of the issuer of the Sava, d.d., which represents 43.23% of the share capital of Sava, d.d.
- On 27/05/2022, Sava, d.d. and existing creditors concluded **Annex no. 5** of the Rescheduling Agreement, by way of which the due date of the liabilities of Sava, d.d. under the loan principals, interest and fees was extended until 30/09/2022.
  According to the parties' assessment, the three-month postponement of the payment of liabilities is sufficient to fulfil the suspensive conditions defined in the ongoing transaction for the change of the ownership structure of Sava, d.d., as a result of which the issue of the relevant creditors' claims will also be finally settled.

B. at Sava Turizem, d.d.

- In the beginning of February 2022, the Company **hedged its interest rate** risk under credit liabilities in the amount of EUR 8.2 million.
- On 24/03/2022, the Company paid part of its credit liabilities in the amount of EUR 8.0 million ***early*** according to the syndicated credit agreement concluded with the banks Gorenjska banka d.d., N banka d.d. (former Sberbanka banka d.d.) and NKBM d.d.
- In 2022, the **process of sale of the Salinera Hotel Resort** continued, namely in the part related to the sale of forest land. The sale of forest land located within the Salinera Hotel Resort is being carried out separately from the sale of building land as it was necessary to carry out the sale of forest land according to the procedure stipulated for the sale of agricultural land in the Agricultural Land Act. The process of selling forest land is in the final phase and is expected to be completed by 31/05/2022. After the sale of forest land is completed, the forest land will also be included in a rental relationship. The agreement for the sale of forest land in Salinera was signed on 10/02/2022. On 08/04/2022, the Company received consent from the municipality of Piran for the sale of forest land in the Salinera resort.
- As a result of the **development of events in Ukraine**, the arrival of guests from both Russia and Ukraine was interrupted (in the plan for 2022, the share of guests from this area represents less than one per cent of all guests), and the war also affects the arrival of guests from overseas countries. The company replaces the latter group of guests with a focus on nearby markets. On the cost side, the conflict affects the increase in the prices of energy products, materials and services.

2.4. Statement of 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 31/12/2021.

The Board of Directors confirms to have consistently applied the appropriate accounting policies in compiling the consolidated financial statements and that the consolidated report gives a true and fair view of the Group's assets and of its business results for 2021.

The Board of Directors is also responsible for the proper managing of accounting, establishing, operating and maintaining the internal controls related to the compilation and fair presentation of the financial statements free from any material misstatements due to fraud or error and for the adoption of appropriate measures to protect the property and other assets, and hereby confirms that the financial statements, together with the notes, have been compiled under the assumptions of a going concern of the Group companies and in line with the applicable legislation as well as the International Financial Reporting Standards adopted by the European Union.

Ljubljana, 30/05/2022

CEO of Sava, d.d. Gregor Rovanšek

Board of Directors of Sava, d.d.

Klemen Boštjančič, Chairman

Dejan Rajbar, Deputy Chairman

Vanessa Grmek, Member

Matej Narat, Member

Aleš Škoberne, Member

2.5. Independent Auditor's Report for the Sava Group

Tel: +386 1 53 00 920
Fax: +386 1 53 00 921
info@bdo.si
www.bdo.si

Cesta v Mestni log 1
SI-1000 Ljubljana
Slovenija

INDEPENDENT AUDITOR'S REPORT
(Translation from the original in Slovene language)

To the shareholders of
Sava d.d.
Dunajska cesta 152
1000 Ljubljana

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 2021, and 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 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for Opinion

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

Emphasis of matter

Contingent liabilities

As discussed in Note 2.3.37 (Explanation in connection with the status of denationalisation claims at Sava Turizem d.d.), various denationalization claims have been initiated against the company in the Group. Since it is not possible to reliably estimate future liabilities or predict the likelihood of the settlement, the conditions for recognizing provisions have not been met. Due to that, the Group has not recognized any provisions related to the claims as at December 31, 2021. A lengthy process of resolving claims is expected, which can have a significant impact on the Group's future operations.
Our opinion is not modified in respect of this matter

Liquidity risk

In the Note 2.3.5 to the consolidated financial statements - Financial risk management the Group explains that it has contractually agreed with creditors, which are also the largest owners of the Group, to defer overdue financial and related operating liabilities until 30 June 2022, in coordination, however, there is an additional delay in maturity until 30 September 2022. The Group considers that this deferral means sufficient time to complete the transactions between the owners and the Group and to meet the deferred conditions related to these transactions. In the same note, the Group describes in detail the solvency risk management.
Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of SAVA d.d. for the year ended 31 December 2020, were audited by another auditor who expressed an unqualified opinion on them on 31 March 2021.

Other information

Board of directors is responsible for the other information. The other information comprises the information included in the business report of the annual report of the Group but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, regulatory requirements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures, we report on the following:

- Other information is consistent with audited financial statements in all respect
- Other information is prepared in line with regulatory requirements and
- Based on our knowledge and understanding of the company and its environment, obtained during the audit, no material inconsistencies were found in relation to other information.

Responsibilities of Management and Management Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as board of directors 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management wither 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 consolidated 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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Ljubljana, 23 May 2022

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana
(Signature on original Slovene independent auditor's report)

Nadja Kranjc,
Certified auditor
Managing Partner

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Contact persons

CEO

Gregor Rovanšek
gregor.rovansek@sava.si
tel: 04 206 55 10

CEO Secretariat

Mojca Žižmond
mojca.zizmond@sava.si
tel: 04 206 55 10

Sava, d.d.
Dunajska cesta 152
1000 Ljubljana

T 04 206 5510
F 04 206 6446
E info@sava.si
W www.sava.si

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