100 years

Annual Report 2020

Sava, d.d., and the Sava Group

100 years

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Introductory clarifications

1. Statement by the Chairman of the Board of Directors

Dear respected shareholders and business partners!

The 2020 financial year began very optimistically following the successful year 2019. The Strategy of the Sava Group and Sava, d.d., foresaw some key challenges for the entire Group for 2020, however the underlying assumptions changed significantly due to the negative consequences and restrictions resulting from the spread of covid-19. The main priorities have thus become securing the liquidity, preserving as many jobs as possible, to which subsidies for furloughed workers greatly contributed, ensuring the safety of employees and guests, properly regulating relations with business partners and completing the investments launched in 2019. The facilities of Sava Turizem, d.d., were closed for a large part of the 2020 financial year, and the epidemiological situation in 2021 still prevents the start of operations.

Among the most important milestones that marked the year 2020 is the merger of two subsidiaries of the Group into the largest tourism company in Slovenia, which was conducted by Sava, d.d. Due to the size and diversity of the service range as well as the structure of guests, the acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., on 01/04/2020 proved to be a key synergistic effect during the epidemic. The strengthened company was able to ensure liquidity and thus the completion of key investments, the Histrion and Park hotels, and at the same time it continued the planned disinvestment without interruption.

Moreover, owing to the expanded service range, now available also in coastal destinations, Sava Turizem, d.d., mitigated the risks associated with the impact of each destination on operations. The expanded and diversified range of products and services of Sava Turizem, d.d., with destinations in three macro regions, proved to be positive already in the summer season of 2020. The increased demand from domestic guests, boosted by tourist vouchers, enabled the company to direct and distribute guests to various destinations within the Group while facilities were open.

The consequences of covid-19 had a negative impact on the financial market and the possibility of successful refinancing of Sava, d.d., and the Sava Group on the market as well. The refinancing process started by Sava, d.d., in April 2019 ended in October 2020, as it was concluded that it could be successfully completed only with further consolidation of the Sava Group at a sustainable level of debt and under more stable circumstances.

At the 2020 year-end, the Sava Group recorded EUR 55.2 million in sales revenues, which represents slightly more than half of the planed amount and correlates with the opening of tourist facilities in the year. A net loss of EUR 10.5 million was incurred, however the operating result before depreciation and amortisation was positive, amounting to EUR 5.1 million, which we believe to be outstanding given the specifics of 2020 - the credit for this goes mainly to flexibility and successful business in the months when tourist facilities were open. Despite the difficult situation during the epidemic, investments in the amount of EUR 26.4 million were made, which will undoubtedly contribute to generating a higher value added for both guests and the Group during the reopening and recovery of the tourism industry. At the end of 2020, the Sava Group had sufficient liquidity to be ready for restart and gradual recovery of tourism in 2021 with the support of state measures. The complete normalisation of business in the tourism industry is still quite uncertain, but we believe that people are very eager for rest, socialising and traveling and that primarily due to the comprehensive service range within destinations, the diversification of destinations, spatial location and knowledge of employees, the Group is ready for good performance also during recovery. At the end of 2020 and the beginning of 2021, the Sava Group is facing new challenges, this time shaped mainly by the external environment. Sava, d.d., will continue to pursue the Strategy of the Sava Group and Sava, d.d., in the changed environment and thus further consolidation, including Group governance. Sava, d.d., and the Sava Group celebrated the 100th anniversary in 2020, which means that the Company has a rich history of being able to adapt to change, which I believe will again prove to be positive with the cooperation of the entire environment in which it operates.

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

2. Financial highlights and performance indicators

Financial highlights and performance indicators of the Sava Group

in EUR million

CONSOLIDATED INCOME STATEMENT	2016	2017	2018	2019	2020
Sales	69.1	74.7	76.6	109.7	55.2
Profit or loss before tax	25.3	6.4	5.4	33.2	-10.5
Net profit or loss	24.5	5.9	4.8	30.0	-10.5
EBITDA	14.2	13.7	15.1	20.5	5.1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**
Total assets	244.7	231.7	232.5	262.6	275.1
Non-current assets	171.0	164.7	170.0	228.8	238.3
Current assets	73.7	67.0	62.5	33.9	36.8
Equity	34.7	37.2	54.1	117.9	106.7
Long-term debts	183.0	174.9	48.0	64.3	91.6
Short-term debts	27.0	19.6	130.4	80.5	76.8
Fixed capital formation	4.2	13.5	12.6	13.3	26.4
INDICATORS					
Net earnings/loss per share – EUR	1.13	0.27	0.20	1.02	-0.35
Equity financing rate (equity / liabilities) – in %	14	16	23	45	39
Current ratio (current assets / current liabilities) – %	173	342	48	42	48
ROE - %	n.s	17.9	11.1	42.3	-8.9
EBITDA margin	19.6%	18.2%	19.1%	18.1%	8.0%
Net financial debt / EBITDA	11.7	11.2	9.2	4.0	20.2
Share of investments in net sales revenues	6.0%	18.0%	12.1%	12.1%	47.9%
SHARE					
Book value – EUR	1.6	1.7	2.3	3.8	3.4
NUMBER OF EMPLOYEES					
As at the last day of the period	1,029	1,029	1,030	1,385	1,129

3. Profile of Sava, d.d.

Company:	**Sava, družba za upravljanje in financiranje, d.d.**
Abbreviated name:	**Sava, d.d.**
Registered office:	**Dunajska cesta 152, 1000 Ljubljana, Slovenia**
Telephone:	**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**

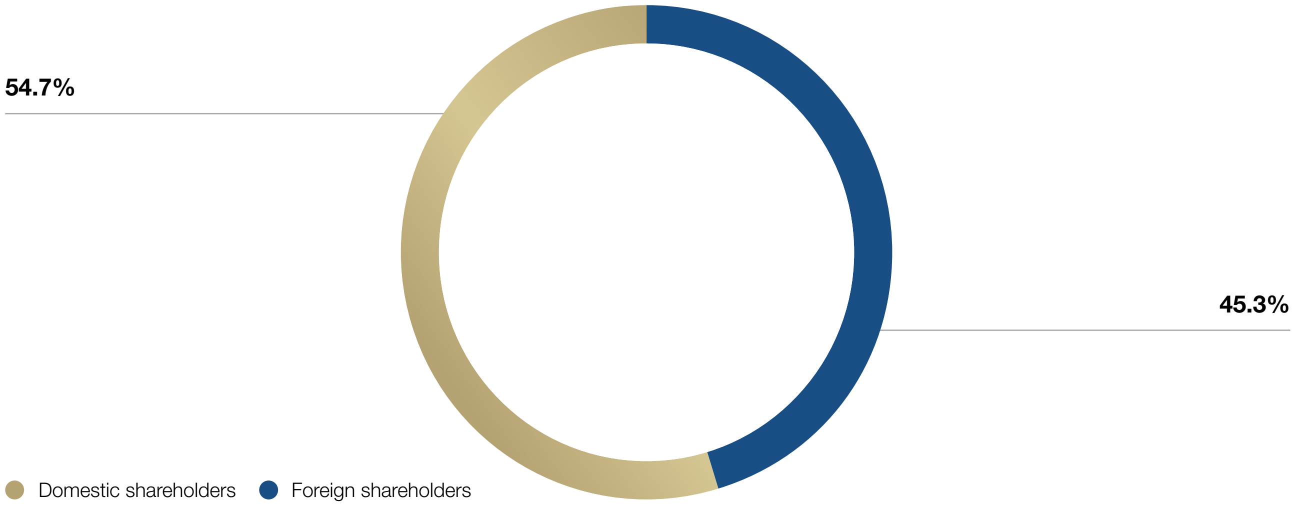
Number of shares issued (SAVR) as at 31/12/2020:	**29,082,968 ordinary, freely transferable registered no-par value shares with EUR 1.00 per share**

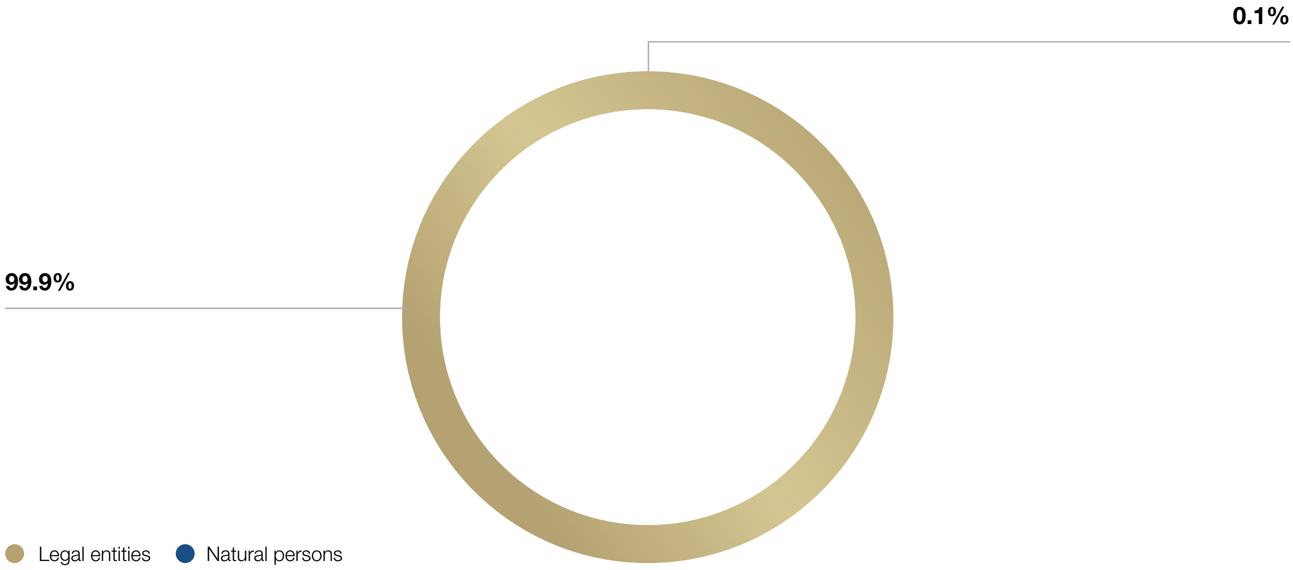
4. Ownership structure of Sava, d.d.

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 10 largest shareholders own 99.8% of total Company equity.

Ownership structure by individual category as at 31/12/2020 (in %)





Top 10 shareholders as at 31/12/2020

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
10 largest 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 31/12/2020 was EUR 3.4.

Authorised capital and conditional increase of share capital

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

5. Presentation of the Sava Group and Sava, d.d.

By pursuing the Strategy adopted for the period 2019–2023, the Sava Group became an exclusively tourism-oriented group of companies. Its destinations: Bled, Portorož, Izola, Strunjan, Moravske Toplice, Ptuj and Radenci are among the most recognisable tourist sites in Slovenia. By merging Hoteli Bernardin, d.d., with Sava Turizem, d.d., through acquisition in 2020, the parent company Sava, d.d., made an important step in the process of further consolidation as defined in the Strategy. The merged company Sava Turizem, d.d., has become the largest provider of tourist services in Slovenia, offering facilities in Alpine, Thermal Pannonian and Mediterranean Slovenia.

At the end of 2020, in addition to the parent company Sava, d.d., which is the management centre of the Sava Group, also consisted of the leading tourism company Sava Turizem, d.d., SEIC Institute Ptuj and the dormant companies Sava Zdravstvo, d.o.o., and BLS Sinergije, d.o.o.

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 2020, in the Report of the Board of Directors and the Corporate Governance Statement (Composition of the management or the Board of Directors in the 2020 financial year).

2. Report of the Board of Directors

Composition of the Board of Directors

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

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 representatives of the shareholders on the Board of Directors as at 31/12/2020 were:

- Klemen Boštjančič, Chairman,
- Dejan Rajbar, Deputy Chairman,
- Vanessa Grmek, member,
- Aleš Škoberne, member,

and Matej Narat, employee representative.

Report of the work of the Board of Directors

In 2020, 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, of which one was a correspondence meeting. All members actively participated in the meetings, adopted decisions for the benefit of the Company and regularly attended the meetings.

In connection with the process of refinancing the financial liabilities of Sava, d.d., which started in 2019, the key objective of the Board of Directors in 2020 was to complete the process. With the aim of repaying the claims of existing creditors by the end of April 2020, refinancing activities continued intensively in 2020 as well.

With the support of a financial and legal consultant, the CEO regularly informed the Board of Directors about the progress and status of the process, which provided the basis for further decisions, influenced also by the required prior consent of the existing creditors to the conditions of refinancing. Consequently, communication with existing creditors was important and intense. When unexpected circumstances related to covid-19 appeared in the first quarter of the 2020 financial year, the refinancing process in the second quarter intensified, however it was then postponed until such time as the situation normalises and the new creditors are prepared for its implementation. As the existing creditors demonstrated their willingness, the Board of Directors, at its 63rd meeting on 22/04/2020, approved the conclusion of Annex no. 1 to the Reprogramming Agreement and then at its 67th meeting of 03/09/2020 approved and agreed with the conclusion of Annex no. 2 to the Reprogramming Agreement, based on which the payment of financial liabilities of Sava, d.d., was deferred until the end of June 2021. As regards the refinancing process, the Board of Directors, at its 70th meeting on 30/11/2020, acknowledged and approved the Final report of the financial consultant, wherein it is determined that the refinancing process could be successfully completed only with further consolidation of the Sava Group at a sustainable level of debt and in more stable circumstances.

Due to the circumstances related to covid-19, Sava, d.d., adopted a number of measures to mitigate the negative effects on the Company's operations, of which the Board of Directors was regularly informed. The CEO regularly reported to the Board of Directors on the operations of Sava, d.d., and the Sava Group in the form of quarterly reports and reports on the implementation of financial restructuring measures. The Board of Directors was also kept informed about the liquidity situation of Sava, d.d., which became tight in light of the circumstances and the adopted Act on Additional Measures for Mitigation of Consequences of COVID-19 or anti-corona package related to the restriction of the payout of dividends of the subsidiary. Owing to many years of careful and prudent establishment of liquid reserve and additional measures, Sava, d.d., provided funds for the current liquidity and regular repayment of operating liabilities despite the aggravated operating conditions, the loss of dividends in the 2020 financial year and the ineligibility for any subsidies. In the given circumstances, the members of the Board of Directors and the external members of committees, together with the CEO, decided on a temporary reduction in remuneration for the first period of the declared epidemic, which was underpinned by the resolution of the General Meeting of Sava, d.d., of 03/07/2020.

In connection with the circumstances related to covid-19 and the difficult working conditions in Sava Turizem, d.d., the Board of Directors was, at its 61st meeting on 02/04/2020, acquainted with the information regarding the dismissal of employees of Sava Turizem, d.d., and on the basis of the internal audit review at its 64th session on 19 May 2020, it was informed that in the procedures of dealing with employees in the company Sava Turizem, d.d., no irregularities were found.

In spite of the stringent conditions, the process of integrating Hoteli Bernardin, d.d., in the Sava Group was successfully completed, led by Sava, d.d., and ended with the entry of the acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., on 01/04/2020. The CEO informs the Board of Directors and the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism about the achieved synergistic effects of the acquisition on a quarterly basis.

In 2020, the Board of Directors also discussed the Annual Report for the 2019 financial year and the monitoring of the work of its committees. In this regard, at its 63rd regular meeting held on 22/04/2020, it discussed and adopted the reports on the work of the Audit Committee and the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism in 2019. At this meeting, it also addressed the Annual Report of the Company for 2019 and:

- noted that the CEO compiled the Annual Report of Sava, d.d., and the Sava Group for 2019 and submitted them together with the Auditor's Reports of the chosen 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 2019;
- verified and confirmed the Annual Report of Sava, d.d., and the Annual Report of the Sava Group for 2019;
- acknowledged the information from the CEO on the amount of the accumulated loss and of the remuneration of the members of the management and supervisory bodies received for the performance of their tasks at the Company in 2019.

In relation to the discussion of the Annual Report, the Board of Directors also addressed and adopted the proposals of resolutions for the 30th General Meeting related to:

- familiarisation with the audited Annual Report of Sava, d.d., for 2019, the audited consolidated Annual Report of the Sava Group for 2019 and the written report by the Board of Directors for 2019;
- 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 Company's subsidiaries for the 2019 financial year as well as the information on the CEO remuneration policy and the remuneration policy for the members of the subsidiaries' management bodies;
- allocation of net profit of Sava, d.d., and the amount of accumulated loss as at 31/12/2019;
- granting discharge from liability to the Company's Board of Directors for 2019;
- temporary reduction of remuneration of the members of the Board of Directors and committees in March–May, determined by the General Meeting on 23/12/2016.

The 30th General Meeting was held on 03/07/2020.

With regard to the conclusion of Annex no. 2 to the Reprogramming Agreement of 07/09/2020, which defines various methods of repayment of financial liabilities as well as the possibility of an agreement on the provision of funds to cover potential claims of minority shareholders of Sava Turizem, d.d., in respect of their exit from the company, the Board of Directors directed and supervised activities related to the implementation of the provisions of the Annex and in this regard adopted timelines and resolutions for the execution of all procedures for the purpose of timely repayment of financial obligations of Sava, d.d. Creditors, with whom intensive communication took place regarding the implementation of the provisions of the Annex, took different positions on the method of repayment of financial obligations and these positions have not yet been unified in 2020. Coordinating different positions is time consuming and calls for drafting and implementation of different scenarios as part of the process. As the market and banking conditions continue to aggravate, the scenarios also include the option of further financing by existing creditors, most of whom have already given binding statements on further financing of total financial obligations of Sava, d.d.

At its 67th meeting on 03/09/2020, the Board of Directors of Sava, d.d., was acquainted with the starting points for the preparation of the draft Business Plan of the Sava Group and Sava, d.d., for 2021. Due to uncertainties, unclear policies and divergent views of creditors, who are also the largest owners of Sava, d.d, regarding future activities, the Business Plan of Sava, d.d., and the Sava Group for 2021 could not be adopted as yet. However, the Supervisory Board passed the Business Plan of the subsidiary Sava Turizem, d.d., which accounts for the majority of the Group's operations. At its 72nd meeting held on 16/12/2020, the Board of Directors took note of the legal opinion about the received requests for the exit of minority shareholders of Sava Turizem, d.d., and the activities following the announced exit.

With reference to the judgment of the District Court of Ljubljana ZSV 388/2018 of 08/10/2019 and the Bank of Slovenia's request for payment, the Board of Directors was informed of a legal opinion regarding the further procedure of seeking extraordinary legal remedy related to the lawsuit before a higher court challenging the Bank of Slovenia's decision against Sava, d.d. By pursuing extraordinary legal remedy, the legal consultant achieved the annulment of the judgment of the Higher Court in

Ljubljana by the judgment of the Supreme Court of the Republic of Slovenia IV Ips 27/2020 of 19/01/2021 and thus the discontinuation of the minor offence proceedings against Sava, d.d. The minor offence proceedings were thus finally concluded.

The members of the Board of Directors have a duty to inform the Board of Directors about any potential conflict of interest, which in 2020 did not exist. In 2020, the members of the Board of Directors signed the Statement of Independence of a member of the Board of Directors, in which all of them declared themselves to be independent members.

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

Work of the Board of Directors' committees

In 2020, the Audit Committee and the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism operated within the Board of Directors. Both committees regularly briefed the Board of Directors on their respective activities.

In 2020, the Audit Committee operated with four members and the composition remained unchanged during the year. As at 31/12/2020, the Audit Committee was composed of Chair Dejan Rajbar and members Vanessa Grmek, Milan Marinič and Janko Gedrih. In 2020, the Audit Committee met for a total of five meetings, three of which were correspondence meetings. It discussed the Annual Reports of Sava, d.d., and the Sava Group for 2019 in the presence of the auditor. In doing so, it was briefed on the additional notes related to the Independent Auditor's Report. As part of the Annual Report, it acknowledged the Auditor's Report and the proposed report of the Board of Directors. It reported to the Board of Directors on the result of the statutory audit and informed it of the content of the Auditor's Report. It issued a positive assessment of the composition of the Annual Reports and proposed that the Board of Directors confirm the audited Annual Reports of Sava, d.d., and the Sava Group for 2019. In the scope of cooperation with the auditor, the Audit Committee monitored and verified the independence of the auditor of the Annual report especially from the point of view of the additional non-audit services provided to the companies from the Sava Group and took note of the information about the auditor selected to audit the financial statements of the Sava Group for 2020 as well. It focused mainly on the regular consideration of financial reporting of the Company, which was provided through quarterly reports on the operations of Sava, d.d., and the Sava Group. In the course of its work, the Audit Committee cooperated with the internal auditor and got acquainted with the Report on the Work of the Internal Audit of the Sava Group for 2019 and with the revised plan of internal audit projects of the Sava Group for 2020.

The Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism operated with a five-member composition in 2020, namely Matej Narat as Chair, and Klemen Boštjančič, Aleš Škoberne, Vanessa Grmek and Milan Marinič as members. In the 2020 financial year, it held five meetings, of which one correspondence meeting. In connection with the adopted Strategy of the Sava Group and Sava, d.d., for 2019-2023 and the integration of Hoteli Bernardin, d.d., to the Sava Group, the Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism monitored and steered the integration activities, which were successfully completed as Hoteli Bernardin, d.d., was acquired by Sava Turizem, d.d., on 01/04/2020. The Committee continued to regularly monitor the implementation of the programme of post-integration activities and the achieved synergistic effects through quarterly reports. In connection with the execution of concluded Annex no. 2 to the Reprogramming Agreement, it collaborates with the existing creditors in drafting the basis for decision-making by the Board of Directors on alternative procedures for repayment of financial obligations of Sava, d.d.

In 2020, the members of the Committees signed the Statement of Independence, wherein they declared themselves to be independent members.

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

The members of the Board of Directors actively participated in all meetings, put forward constructive 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 performed his work conscientiously, correctly and in a timely manner, thus providing the Board of Directors with all of the necessary information 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 changed circumstances.

As in the preceding years, in 2020 the Board of Directors and the external provider carried out an evaluation of the effectiveness of the Board of Director's work or self-evaluation, however this time in a broader scope, including also in-depth interviews of the provider with each member of the Board of Directors. The assessments indicate that the Board of Directors is functioning at a rather high level. In accordance with the Corporate Governance Code for State-Owned Enterprises, the evaluation of the effectiveness of the Board of Director's work will also be carried out in the 2021 financial year.

The Board of Directors finds that the CEO and the Board performed their work well and successfully in 2020, 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 2020 in all material respects.

Approval of the Annual Report and the Consolidated Annual Report

At its 78th meeting held on 31/03/2021, the Board of Directors verified and confirmed the two annual reports for 2020.

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 2020 and the Consolidated Annual Report of the Sava Group for 2020.

Ljubljana, 31/03/2021

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 22/04/2020 to 31/03/2021. The Statement forms a constituent part of the 2020 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, consequently affecting the overall implementation of the Code.

In the above period, Sava, d.d., complied with the provisions of the Code version adopted in November 2019. 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 compliance of the Company's 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

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

Recommendation 6.2 - Succession Policy

The process for identifying and training potential candidates for management positions in the Company is carried out through systematic training. 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.).

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 6.10.6 - 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 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 9.2.8 – Internal Assessments Regarding the Quality of the Internal Audit Activity

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

Recommendation 10.1 – Code of Ethics

Within the Sava Group, the Code of Ethics was adopted at Sava Turizem, d.d., which employs the highest number of employees in the Group.

After the organisation of the Sava Tourist Group has been finally established, the Code will be accordingly revised and adapted.

Recommendation 11.2.1 - 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 1.1 – 1.4 - Business Plan of the Company and the Group

Due to uncertainties, unclear policies and divergent views of creditors and owners of Sava, d.d., regarding future activities, the Business Plan of Sava, d.d., and the Sava Group for 2021 could not be adopted. However, the Supervisory Board of the subsidiary Sava Turizem, d.d., which accounts for the majority of the Group's operations, passed the Business Plan at the end of 2020 and the performance assessment for 2021–2025 was approved.

Recommendation 2.1 – Periodic Reporting on Company/ Group Performance

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

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

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

Recommendation 4.4 – Publication of the Execution of Payments

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

In 2020, the Company operated in a situation marked by the covid pandemic. Self-assessment was not carried out.

Recommendation 7 – Sustainable Business

The aspect of sustainable business of the companies from the Sava Group is incorporated in the operations, and 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.

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 efficiency. The purpose of the internal control system of the Sava Group is to ensure that Company or Group assets are secured and business events correctly 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.

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 31/12/2020 include: Slovenski državni holding d.d., Ljubljana (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.a.r.l., Luxembourg (qualifying holding: 43.23% or 12,571,257 shares).

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 2020, Sava, d.d., did not have any authorisations for the issue or purchase of treasury shares.

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

The shareholders of Sava, d.d., exercise their rights by way of the General Meeting. Convocation of the General Meeting is regulated by the Company's Articles of Association and complies with the legislation. All shareholders, or their proxies or representatives, may attend provided that they announce their attendance in writing in good time. The General Meeting is convened at least a month before the 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 2020 in the following chapters: Management and governing bodies and Report by the Board of Directors.

Composition of the management in the financial year

Name and surname	Position	First appointment to position	End of position / term of office	Gend	Citizenship	Year of birth	Education	Professional profile	Membership in the supervisory bodies of companies not associated with the Company
GREGOR ROVANŠEK	CEO	28/12/2016	28/12/2021	male	Slovenian	1981	MBA	corporate governance, controlling	-

Composition of the Supervisory Board / Board of Directors and committees in the 2020 financial year

Name and surname	Position	First appointment to position	End of position / term of office	Shareholder / employee representative	Attendance at BoD meetings compared	Gender	Citizenship	Year of birth	Education
KLEMEN BOŠTJANČIČ	Chairman of the Board of Directors	28/12/2016	28/12/2021	Shareholder representative	21/21	male	Slovenian	1972	BSc. Econ.
DEJAN RAJBAR	Deputy Chairman of the Board of Directors	28/12/2016	28/12/2021	Shareholder representative	17/21	male	Slovenian	1976	BSc. Econ., CFA
ALEŠ ŠKOBERNE	Member of the Board of Directors	28/12/2016	28/12/2021	Shareholder representative	20/21	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	20/21	female	Slovenian	1975	LLB, MBA

External members in committees

Name and surname	Committee	Attendance at committee meetings compared to the total number of committee	Gender	Citizenship	Education	Year of birth	Professional profile	Membership in the supervisory bodies of companies not associated with the Company
JANKO GEDRIH	Audit Committee	5/5	male	Slovenian	LLB	1949	Finance	Istrabenz, holdinška družba, d.d. (until 28/05/2020)
MILAN MARINIČ	(I) Audit Committee; (II) Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	5/5 4/5	male	Slovenian	BSc. EE, BSc. Econ.	1952	Corporate governance	Istrabenz, holdinška družba, d.d. (until 28/05/2020) Hoteli Bernardin d.d. (until 01/04/2020)

Name and surname	Professional profile	Independence pursuant to Article 6.6 of the Code	Existence of conflict of interest in 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	5/5
DEJAN RAJBAR	Finance	YES	NO	ECM Partnerji, upravljanje alterna-tivnih investicijskih skladov, d.d. Cinkarna Celje d.d. (until 17/06/2020)	Audit Committee	Chairman	5/5
ALEŠ ŠKOBERNE	Finance	YES	NO	Sava Turizem d.d. Hoteli Bernardin d.d (until 01/04/2020)	Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	Member	5/5
MATEJ NARAT	Investment consolidation	YES	NO	Sava Turizem d.d. Hoteli Bernardin d.d. (until 01/04/2020)	Committee for the Monitoring and Steering of the Project for the Consolidation of Investments in Tourism	Member	5/5
VANESSA GRMEK	Corporate governance	YES	NO	Hoteli Bernardin d.d. (until 01/04/2020)	(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) 5/5

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, 31/03/2021

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 2020

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 2020. The Annual Report is herewith adopted and confirmed with respective signatures.

Ljubljana, 31/03/2021

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

In 2020, economic activity both in Slovenia and worldwide was severely affected due to the covid-19 pandemic, in the framework of which strict containment measures were put in place. Countries adopted extensive complementary packages of measures as the epidemiological situation deteriorated in the last quarter of 2020. The packages are aimed at mitigating the loss of income of the economy and the population, ensuring liquidity and supporting the recovery of economic activity. Eurostat estimates that economic growth in the euro area will contract by 6.8% in 2020, while activity should start strengthening gradually in 2021, assuming a gradual relaxation of containment measures and a decline in uncertainty due to wider accessibility of effective vaccines. For the years 2021 and 2022, economic growth in the euro area is forecast at 3.8%.

The Institute of Macroeconomic Analysis and Development (IMAD) projects a 6.6% decline in economic growth in 2020 due to the deterioration in epidemiological conditions arising from a fall in value added in most activities (most pronounced in catering, recreational, sports, cultural and personal services and hotel accommodation), the negative impacts from the international environment (drop in imports and exports) and the contraction of investment and inventories as well as private consumption. IMAD projects that in the current epidemiological situation, a faster economic recovery in Slovenia could be possible only from the second quarter of 2021 onwards (a 4.3% economic growth is forecast for 2021). Assuming a gradual stabilisation of economic conditions, economic growth is not expected to reach pre-epidemic levels until 2022 (estimated 4.4% economic growth).

Inflation fell sharply after the outbreak of the epidemic, mainly due to lower prices of oil products and electricity. The latter are the main reason for the stagnation of the overall price level (0.0%) in 2020 compared to the previous year. With a gradual stabilisation of economic conditions, inflation is expected to rise gradually in 2021 and 2022. This will be due to further growth in food prices, energy prices (following a strong decline in 2020) and service prices. According to IMAD's projections, inflation is set at 0.6% in 2021 and 1.9% in 2022 (2019 level).

Tourism

Tourism is one of the most important industries, contributing significantly to economic growth, sustainable development, employment and international integration of a country. According to the World Travel & Tourism Council (WTTC), global tourism in 2019 generated about 10.3% of the world's GDP and accounted for 330 million jobs or 1 in 10 jobs around the world.

Global tourism grew by 3.5% (global economic growth was 2.5%). Europe is one of the major travel destinations, where tourism accounted for 9.1% of total GDP and 9.7% of all employment in 2019. In Slovenia, too, tourism in 2019 represented close to a tenth of GDP (according to WTTC data for 2019: 9.9% of GDP, 10.3% of all employment is accounted by the tourism sector).

In 2020, the measures imposed by countries to contain the covid-19 epidemic, in particular restrictions on border crossings and the shutdown of catering and accommodation establishments, have severely affected global tourism as a whole. According to UNWTO, global tourism in 2020 recorded a drop of 74% in 2020 in international arrivals compared to 2019 (Europe - 70%). UNWTO's extended scenarios for 2021-2024 indicate that it could take two-and-a-half to four years for international tourism to return to 2019 levels. The gradual rollout of a covid-19 vaccine is expected to help restore consumer confidence, contribute to the easing travel restrictions and slowly normalise travel during the year ahead.

According to the Statistical Office of the Republic of Slovenia, in 2020 tourist arrivals decreased by 51% compared to the year before, with a 21% increase in domestic arrivals and a 74% drop in foreign arrivals. In total, there were 42% fewer tourist overnight stays than in 2019, with domestic tourists generating 33% more overnight stays and foreign tourists 71% fewer overnight stays.

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

The Ministry of Economic Development and Technology has launched a tender for the formulation of a proposal for a 2022–2028 Strategy for the Sustainable Growth of Slovenian Tourism, which is expected to build on the existing vision of a 5-star destination for green, active and healthy experiences and will adequately address the consequences of the covid-19 epidemic, while taking into account the sustainable development of tourism and raising of added value, both qualitatively and quantitatively, as the main objectives.

2. Implementation of the Strategy of Sava d.d.

The implementation of the Strategy of the Sava Group and Sava, d.d., for 2019–2023 and of the Business Plan for 2020 have changed in terms of key assumptions owing to the situation caused by the covid-19 virus epidemic and its consequences.

The measures put in place to curb the spread of the virus and the consequent closure of tourist facilities prevented **further improvement of performance of tourism companies**. In the first two months of 2020, the operations of the Sava Group reached a record high, however after the outbreak of the covid-19 epidemic, the Group's priorities became primarily concerned with ensuring adequate liquidity, maintaining maximum number of jobs, properly regulating relations with business partners, securing the safety of employees and guests and, in accordance with the Strategy, completing the **investments** started in 2019, among which the largest were the renovations of the Histrion Hotel in Bernardin and the Park Hotel in Bled.

As the project of integrating Hoteli Bernardin, d.d., into the Sava Group was finalised and the acquisition was entered in the Court Register on 01/04/2020, one of the preconditions was met for financial **synergistic effects** to start being realised. In 2020, these effects were produced in accordance with the reduced volume of operations in the amount of EUR 0.9 million, however due to the volume and the size of the merged company, the acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., proved to be crucial in providing liquidity, completing the key investments started in 2019 and continuing the disinvestment activities already in the period of when the epidemic was first declared and the facilities closed.

The coastal destinations of the former Hoteli Bernardin, d.d., resulted in a greater diversification of the risk of loss of revenue, while the expanded and diversified range of products and services of Sava Turizem, d.d., with destinations in three macro regions, brought about synergistic effects already in the summer season of 2020. Besides the financial effects in 2020, the size and diversification of the merged company represented the key synergistic effect.

The laws adopted with the aim of suppressing the epidemic and mitigating its consequences for citizens and the economy made **dividend payout** by Sava Turizem, d.d., to the parent company Sava, d.d., impossible. Dividends received by the parent company represent and provide a key source of its liquidity. In 2020, dividend payout was also planned for the squeezing out of the minority shareholders of Sava Turizem, d.d., projected in the Strategy.

In addition, as a result of the epidemic, the situation on the financial markets has changed, preventing the parent company and the Group from obtaining **refinancing** in the market.

Regarding the consequences of the epidemic and changes both in the tourism sector and in the financial markets, the implementation of the Strategy is delayed in the part referring to further consolidation and formation of a final organisational structure. In September 2020, the Board of Directors of Sava, d.d., was acquainted with the bases for the preparation of the draft Business Plan of the Sava Group and Sava, d.d., for 2021. Due to uncertainties, unclear policies and divergent views of creditors and owners of Sava, d.d., regarding future activities, the **Business Plan of Sava, d.d., and the Sava Group for 2021** could not be adopted. However, the Supervisory Board of the subsidiary Sava Turizem, d.d., which accounts for the majority of the Group's operations, passed the 2021 Business Plan at the end of 2020 and the performance assessment for 2021–2025 was approved at the start of 2021.

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

As explained in the previous section, the emergence of covid-19 has profound and long-term consequences for the implementation of the Strategy of the Sava Group and Sava, d.d., both for the parent company Sava, d.d., and for the subsidiary Sava Turizem, d.d.

The Sava Group keeps abreast of the developments related to the spread of covid-19 in Slovenia and around the world and is constantly adapting to new circumstances as well as preparing business scenarios with new assumptions. Sava, d.d., and Sava Turizem, d.d., minimised operating costs and adjusted them to the scope of business. Sava Turizem, d.d., reached an agreement with the creditor banks on deferral of the payment of principal for one year, while interest was settled regularly. Most of the employees of Sava Turizem, d.d., were furloughed at the time of the lockdown. On the basis of the state's measures for mitigating the consequences of the epidemic, tax liabilities of Sava Turizem, d.d., were deferred for 24 months and the payment of some other similar liabilities was postponed as well. After the first wave of the epidemic, the measures aimed at restricting the negative consequences on business and reducing costs were mainly followed by activities geared towards organising the gradual restart of the tourism sector with an emphasis on ensuring safety and high hygiene standards for guests and employees and focusing on the recovery period. Due to uncertainty in the environment and the preparations for the second wave of the epidemic, which was declared on 19/10/2020, Sava Turizem, d.d., applied with SID Banka for a new liquidity source in the amount of EUR 20 million, which was drawn by Sava Turizem, d.d., at the end of 2020 with the previous approval of the creditor banks. Adequate liquid reserve along with state subsidies provide the basis for the planned long-term recovery. The capacities of Sava Turizem, d.d., have been closed again since 24/10/2020, with the exception of two hotels in Radenci and Moravske Toplice, which are intended exclusively for spa guests and an open clinic at Ptuj.

As a company operating in one of the industries that was hit the hardest by the epidemic, Sava Turizem, d.d., received EUR 6.9 million in aid in 2020 as part of government subsidies. Most of these funds were intended for wage subsidy for furloughed workers and reimbursement of fixed costs. In addition, the issued tourist vouchers of the Republic of Slovenia at the time the hospitality sector opened between the first and second wave of the epidemic helped to stimulate the demand from domestic guests and consequently resulted in higher sales revenues. Sava Turizem, d.d., generated 27% of its revenues in 2020 from tourist vouchers. The facilities of Sava Turizem, d.d., were closed on average for more than 5 months, and the revenues were thus proportionally, i.e. 44%, lower than planned for 2020. In terms of organisation and personnel, the Group is otherwise prepared for opening its tourist facilities, while observing all epidemiological measures.

The Business Plan of Sava Turizem, d.d., for 2021, prepared in September 2020, was based on the assumption of vaccine availability and effectiveness and the gradual restoration of demand in the second half of 2021, first from domestic and from autumn onwards also foreign guests. In 2021, Sava Turizem, d.d., also compiled a long-term estimate of operations 2021–2025, which envisages the normalisation of business based on expectations and the structure of supply in the 2023 financial year.

Due to the classification of activities within the legislation adopted to mitigate the consequences of covid-19, the parent company Sava, d.d., was not eligible for state subsidies and because of the aid received by the subsidiary and the legislation adopted, the payment of dividends of the subsidiary Sava Turizem, d.d., as projected in the Strategy and Business Plan for 2020, could not be made.

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

4.1. Summary of major activities and the presentation of their progress

The 2020 financial year started very optimistically and successfully for the Sava Group, continuing after the record year 2019, which was marked not only by exceeding the planned business results but also by the integration of Hoteli Bernardin, d.d., into the Group, following the successful completion of the multi-year Financial Restructuring Plan of the Group and the formulation and adoption of the Strategy of the Sava Group and Sava, d.d., for 2019–2023. The Strategy is based on further consolidation, strengthening the role of the Sava Group as the leading provider of hotel services in Slovenia and the region, continued development of the position of tourism companies' manager and the successful completion of the Financial Restructuring Plan.

At the end of the **2019** financial year, the Sava Group recorded a profit of EUR 30 million and became the largest group of companies in the tourism industry in Slovenia, employing 1,385 people at the end of the year. The book value of the Company's share at 2019 year-end was EUR 3.8 per share, a 65% increase over the previous year. The net debt-to-EBITDA ratio of the Group was 4.0 and investments accounted for 12% of sales revenues.

In the first two months of **2020**, the Group's operations exceeded the planned results, whereas from March onwards, the business environment deteriorated sharply due to the outbreak of the covid-19 epidemic. Because of the epidemic-related circumstances, the priorities of the Sava Group in 2020 were primarily to ensure adequate liquidity, preserve a maximum number of jobs, properly regulate relations with business partners, secure for the safety of employees and guests and complete investments launched in 2019.

Presentation of the major activities of Sava, d.d., in 2020

In 2020, Sava, d.d., continued the project of **merging Hoteli Bernardin, d.d., with Sava Turizem, d.d., through acquisition**, by implementing the substantive plan and arranging the status (legal) aspect of integration, which was successfully completed with the entry of the acquisition in the Court Register on 01/04/2020.

As the Financial Restructuring Plan and the merger by acquisition of Sava Turizem, d.d., and Hoteli Bernardin, d.d., were realised, Sava, d.d., established a Group of companies whose sole activity is tourism.

Since the completion of the status-legal part of the integration, Sava, d.d., has been actively participating in the post-integration activities of Sava Turizem, d.d., in the preparation and implementation of activities to mitigate the consequences of the covid-19 epidemic, in completing investments in hotel renovations and in providing adequate liquidity of the Group.

In connection with the **refinancing of financial liabilities**, Sava, d.d., despite the changed situation, further sought potential new lenders and harmonised the term sheets with the aim of continuing negotiations with the most active potential lenders. Negotiations with existing creditors took place at the same time.

In October 2020, the financial advisor completed the work on the refinancing project, taking into account the fact that Sava, d.d., or the Sava Group did not receive a binding offer for debt refinancing due to market conditions. The conclusions of the financial advisor indicate that it would be reasonable to start the refinancing process after the situation has normalised. The financial advisor estimated that the refinancing process could be successfully completed only with further consolidation and in more stable circumstances as well as at the sustainable level of debt of the Sava Group. Market conditions affected by covid-19 are thus not conducive to refinancing financial liabilities in the market.

Given the changed circumstances arising from the epidemic, Sava, d.d., signed an Annex no. 1 to the Reprogramming Agreement with existing creditors, wherein it agreed on extension of the maturity of financial liabilities until 30/10/2020 and the interest rate EURIBOR +4%. With Annex no. 2 concluded by Sava, d.d., with the existing creditors on 07/09/2020, it was agreed that the due date of financial liabilities be postponed until 30/06/2021 and the interest rate applied is EURIBOR + 8% as of 01/09/2020.

The provisions of Annex no. 2 to the Reprogramming Agreement state the following commitments of Sava, d.d.:

- examination and preparation of plans for the **procedure of merger by acquisition** of Sava Turizem, d.d., with Sava, d.d., or Sava, d.d., with Sava Turizem, d.d. Sava, d.d., must carry out all the necessary actions in a timely manner and regularly report on all implemented measures and actions that will enable the selected merger procedure to be completed by 30/05/2021 at the latest;
- if it becomes clear that Sava, d.d., will not be able to obtain a loan to repay creditors in due time and that the loan payment deadlines will not be extended,

Sava, d.d., will initiate and, in a reasonable time, carry out the **disposal of pledged assets** (the shares of Sava Turizem, d.d.).

In September 2020, immediately after signing Annex no. 2 to the Reprogramming Agreement, Sava, d.d., presented to the Board of Directors the timelines for the merger procedure and for the procedure of sale of the pledged assets, which made it possible to implement the procedures in due time. It also gave an account of the potential risks of their implementation. Subsequently, on 24/09/2020, Sava, d.d., also informed the creditors about the timelines and requested that they provide their feedback or views of the presented alternative processes as soon as possible.

Based on the resolution of the Board of Directors of 15/10/2020, Sava, d.d., continued with the preparatory activities as per both timelines and thus provided the basis for the adoption of the Board of Directors' decision to give consent to the selection of consultants for one of the timelines. At its meeting on 03/12/2020, the Board of Directors, given the fact that the creditors have not yet unified the baselines, gave conditional consent to the conclusion of two consulting contracts for *the sale procedure*, which is subject to the prior consent of all creditors.

Unfortunately, creditors have not yet unified their positions in 2020. Creditor York does not agree to further consolidation and would like the financial liabilities to be paid by 30/06/2021 in accordance with Annex no. 2. To that end, creditor York agreed to cover the costs of the sales procedure consultants as a contractual partner. Given the disharmony among creditors and aware of the risk associated with the due date of financial liabilities, i.e. 30/06/2021, and the fulfilment of contractual obligations, the Board of Directors on 21/01/2021 gave its consent to conclude tripartite contracts and thus enabled the start of the sale of pledged assets. Sava, d.d., has already received a binding statement from most existing creditors on support of further refinancing of total financial liabilities. The Board of Directors has the power to discontinue the sale procedure at any time.

Creditors SSH and KAD do not agree with the sale of assets and, according to the Strategy, support further consolidation.

The activities of *the merger* of Sava, d.d., and Sava Turizem, d.d., are carried out in parallel; they are of a preparatory character and enable the continuation of the process, after the decision has been supported and passed by the decision-making level of creditors, owners and the Board of Directors.

Owing to the delays in the decision-making process, the realisation of both presented alternative timelines and their milestones has been delayed.

At the end of 2020, Sava, d.d., received *requests from two minority shareholders of Sava Turizem, d.d.*, regarding exit from the company. In this regard, it addressed a proposal to the creditors to provide funds for the exit or exclusion of these minority shareholders, in accordance with the provision of Annex no. 2 to the Reprogramming Agreement.

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

In 2020, the operating revenues of Sava, d.d., exceeded the plan by 23%, the costs of services were 10% lower than planned and labour costs lagged behind the planned figure by 16%.

The composition of the Group is such that the operating revenues of Sava, d.d., have never been an important source for covering current costs. Nevertheless, in 2020 they were used to cover 53% of regular operating costs. The Company also contributed to the realisation of synergies in the amount of EUR 0.9 million, which were fully reflected in Sava Turizem, d.d.

The main source of Sava, d.d., for covering operating costs, managing liquidity and excluding minority shareholders of Sava Turizem, d.d., were the planned dividends of Sava Turizem, d.d., however dividend payment was impossible in 2020 due to the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences.

With the aim of cost optimisation, Sava, d.d., agreed with some business partners to reduce the costs of regular business services and with some it agreed on less frequent service provision. It also carried out activities to minimise all operating costs and to that end temporarily decreased the remuneration of the management and the members of the Board of Directors, among other things.

At the end of the 2020 financial year, Sava, d.d., posted a loss in the amount of EUR 3.8 million, of which 73% or EUR 2.8 million is accounted by interest on financial liabilities.

The balance sheet total of Sava, d.d., did not change significantly compared to the end of the previous year. Within assets, the financial investment in Sava Turizem, d.d., represents a 95% share. In the structure of liabilities of Sava, d.d., both equity and financial liabilities account for 48%.

Through many years of careful and prudent establishment of liquid reserve, Sava, d.d., ensured current liquidity in the 2020 financial year, despite the aggravated operating conditions and the loss of dividends. Sava, d.d., had no overdue liabilities as at 31/12/2020.

The number of employees in Sava, d.d., was reduced by 2 to 11 employees, and temporary lay-offs were introduced during the covid-19 epidemic, even though Sava, d.d., was not eligible for subsidies.

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

Key performance figures

in EUR million

	2016	2017	2018	2019	2020
Net sales revenues	0.8	0.6	0.6	0.9	0.9
Other revenues	1.8	0.0	0.1	0.1	0.0
Operating costs	-2.8	-2.2	-2.2	-3.2	-2.3
Operating profit or loss	-0.2	-1.6	-1.5	-2.2	-1.4
Financial result	17.0	3.7	2.2	2.8	-2.8
Result from other items	0.0	-0.5	-0.1	0.1	0.4
Profit or loss before tax	16.8	1.6	0.6	0.7	-3.8
Net profit or loss	**16.8**	**1.6**	**0.6**	**0.7**	**-3.8**

Performance indicators

	2016	2017	2018	2019	2020
Equity financing rate in %					
equity / liabilities	**15.8**	**16.4**	**23.9**	**51.1**	**48.0**
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	**99.2**	**99.0**	**23.9**	**51.6**	**48.4**
Fixed assets to total assets in %					
fixed assets / assets	**0.1**	**0.0**	**0.1**	**0.5**	**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	**64.7**	**63.0**	**64.8**	**97.0**	**97.6**
Cash ratio					
cash / current liabilities	**2.0**	**1.1**	**0.0**	**0.0**	**0.0**
Quick ratio					
sum of liquid assets, current receivables and current financial assets / current liabilities	**26.8**	**33.4**	**0.1**	**0.1**	**0.0**
Current ratio					
current assets / current liabilities	**104.1**	**145.3**	**0.5**	**0.1**	**0.0**
Operating efficiency ratio					
operating revenues and financial income / operating and financial expenses	**4.7**	**1.5**	**1.2**	**1.1**	**0.2**
Net return on equity					
net profit / average equity (excluding net profit/loss for the period)	**n.a.**	**6.4**	**1.8**	**1.5**	**-6.9**
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* amounted to EUR 0.9 million and included revenues from trademark use royalties, revenues from the provision of internal audit services, rental income from investment property and other operating revenues from reversal of over accrual of provisions.
- The composition of the Group is such that the operating revenues of Sava, d.d., have never been an important source for covering current costs. Nevertheless, in 2020 they were used to cover 53% of regular operating costs.

Operating costs

- Within *operating expenses*, which totalled EUR 2.3 million, the costs of services accounted for 51%, labour costs for 44% and other expenses for 5%. Once-off events included the costs of refinancing and integration of Hoteli Bernardin in the total amount of EUR 0.6 million. Regular operating expenses in 2020 stood at EUR 1.7 million.
- *The costs of material and services* equalled EUR 1.2 million, or EUR 0.6 million without one-off costs.
- As at 31/12/2020, Sava, d.d., had 11 *employees*, which is 2 fewer than at the end of 2019. *Labour costs* amounted to EUR 1.0 million, 17% down from the year before.

Operating profit or loss

A loss in the amount of EUR 1.4 million was incurred; excluding one-off costs, the loss amounted to EUR 0.8 million.

Financial result

- The *financial result* of Sava, d.d., was negative and came in at EUR 2.8 million.
- *Financial income* was not realised, dividend payment from Sava Turizem, d.d., for the 2019 financial year 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 2.8 million represent 4% interest on secured financial liabilities for the period January - August 2020 and 8% interest for the period September - December 2020. Interest falls due together with the principals of loans received, namely on 30/06/2021.
- Interest expenses account for 73% of the net loss for the financial year.

Financial result by type of activity

in EUR million

	Financial result				
	2016	2017	2018	2019	2020
Dividends	0.0	1.2	1.2	2.1	0.0
Gain/loss on the disposal financial assets	4.5	4.0	2.0	0.2	0.0
Impairments of financial assets	-1.6	-0.3	-0.3	0.0	0.0
Interest	0.1	-1.2	-1.0	-0.8	-2.8
Other	14.0	0.0	0.3	1.3	0.0
Total	**17.0**	**3.7**	**2.2**	**2.8**	**-2.8**

Profit or loss from extraordinary events

The profit from extraordinary events was EUR 0.4 million. It mainly arises from extraordinary revenues from the completed arbitration proceedings, transfers from the bankruptcy estate of the completed bankruptcy proceedings of the debtor, the final assessment of deductible VAT and the effects resulting from the favourably resolved issue of tax liability calculation from 2019 relating to loan rescheduling fees.

Corporate income tax

Sava, d.d., had no corporate income tax liability accounted for 2020. The identified tax loss for the year was EUR 4.9 million, of which EUR 1.1 million from past impairments not recognised for tax purposes related to the debtor NFD Holding, d.d. - in bankruptcy.

As at 31/12/2020, the unused tax loss amounted to EUR 392.5 million.

Net profit or loss

Net loss of EUR 3.8 million was generated in 2020. It consisted of an operating loss of EUR 1.4 million, a negative financial result of EUR 2.8 million and a positive result arising from extraordinary events of EUR 0.4 million. Interest expenses account for 73% of the net loss for the financial year.

Accumulated loss

Accumulated loss amounted to EUR 21.0 million as at 31/12/2020, which is EUR 3.8 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 31/12/2020, total assets amounted to EUR 107.7 million and were EUR 0.9 million lower than as at 31/12/2019. There were no major substantive changes.

Within assets of Sava, d.d., the financial investment in Sava Turizem, d.d., represents a 95% share*. In the structure of liabilities of Sava, d.d., both equity and financial liabilities account for 48%.

**The acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., was entered in the Court Register on 01/04/2020.*

Structure of assets

Capital expenditure and investment property in the amount of EUR 2.1 million were EUR 0.1 million lower than at the end of the previous year. They consist of three investment properties in the amount of EUR 1.6 million, 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, but it accounts for 95.47% of equity of Sava Turizem, d.d.*

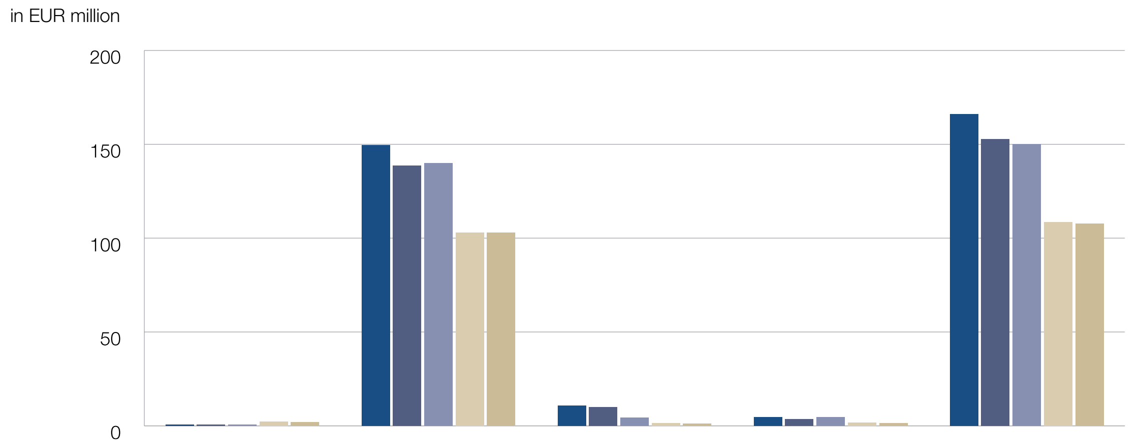
**The acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., was entered in the Court Register on 01/04/2020.*

Investments into other shares and participating interests amounting to EUR 0.5 million, the major portion of which is represented by the investment in Pokojninska družba A, d.d., have not changed in terms of value compared to the end of the previous year.

The only **short-term financial investment** is a loan in the amount of EUR 1.1 million, which in substance represents a deposit with a commercial bank.

Other assets in the amount of EUR 1.5 million mainly represent bank balances.

Structure of assets of Sava, d.d., from 2016 to 2020



	Fixed assets and investment property	Non-current financial assets and assets held for sale	Current financial assets	Other assets	TOTAL ASSETS
31/12/2016	0.8	149.6	10.9	4.7	**166.0**
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**

Structure of liabilities

The **equity** of Sava, d.d., amounts to EUR 51.7 million and is EUR 3.8 million lower than the end of 2019.

The difference is due to the net operating loss for 2020.

Non-current financial liabilities amount to EUR 0.3 million and relate entirely to financial liabilities from operating leases falling due after 2021.

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 60 million;

– lessors (operating leases) in the amount of EUR 0.1 million.

On 29/04/2020, Sava, d.d., signed with existing creditors an Annex no. 1 to the Reprogramming Agreement of 15/11/2019, wherein it agreed on extension of the maturity of financial liabilities until 30/10/2020.

On 07/09/2020, Sava, d.d., signed with existing creditors an Annex no. 2 to the Reprogramming 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.

Short-term 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.

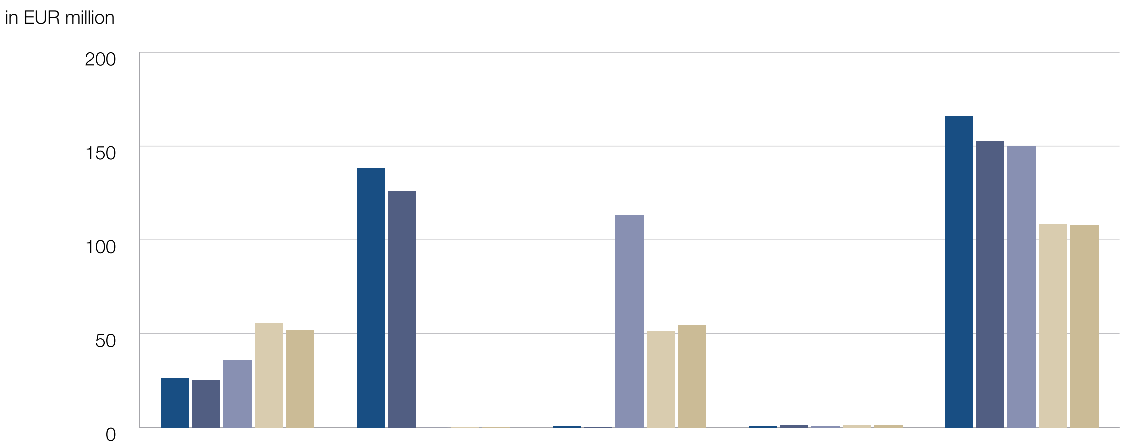
Current operating liabilities in the amount of EUR 3.7 million consist of liabilities for labour costs, interest payable for secured financial liabilities to creditors for the period December 2019 - December 2020, liabilities to creditors from loan rescheduling fees and regular trade payables.

Other liabilities amount to EUR 1.1 million and consist of:

– *short-term accrued costs* in the amount of EUR 1.0 million, comprising short-term accrued costs for the fine imposed by the Bank of Slovenia, short-term accrued costs related to labour costs and other short-term accrued operating expenses that relate to the 2020 financial year;

– other *liabilities* in the amount of EUR 0.1 million.

Structure of liabilities of Sava, d.d., from 2016 to 2020



	Equity	Non-current liabilities	Current liabilities	Other liabilities	TOTAL LIABILITIES
31/12/2016	26.3	138.4	0.6	0.7	**166.0**
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**

4.5. Employees of Sava, d.d.

Number of employees as at 31/12/2020

As at 31/12/2020, Sava, d.d., had 11 employees or 2 fewer than at the end of the previous year (1 retirement and 1 regular termination for business reasons). In 2020, Sava, d.d., employed an average of 11.55 employees.

Educational structure of employees as at 31/12/2020

Level of education	2020		2019	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Level 6 – higher vocational college	1	1.00	1	1.00
Level 7a – professional college	2	2.30	3	2.81
Level 7b – university education	4	4.25	5	3.50
Level 8 – master's degree	4	4.00	4	4.00
TOTAL	**11**	**11.55**	**13**	**11.31**

Age structure of employees as at 31/12/2020

Age	2020		2019	
	Number of employees	Average number of employees	Number of employees	Average number of employees
31 - 40	4	4.00	5	5.00
41 - 50	3	3.30	3	2.31
51 - 60	4	4.00	4	3.50
more than 60	0	0.25	1	0.50
TOTAL	**11**	**11.55**	**13**	**11.31**

Structure of employees by gender as at 31/12/2020

Gender	2020		2019	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Women	7	7.00	7	7.00
Men	4	4.55	6	4.31
TOTAL	**11**	**11.55**	**13**	**11.31**

4.6. Summary of the operations of the Sava Group

The previous year 2019 was the last year in which the controlling company *Sava, d.d.*, implemented the Financial Restructuring Plan after the compulsory settlement was passed by vote.

All financial liabilities were repaid, with the exception of three creditors, who are also the largest owners of Sava, d.d. A payment deferral was agreed with them.

In 2019, *Sava Turizem, d.d.*, achieved record sales and financial results, continued the investment cycle and successfully completed the project of disinvesting two destinations.

As at 31/12/2020, the *Sava Group* consisted of 5 companies, i.e. the controlling company Sava, d.d., and 4 subsidiaries, of which by far the largest and most important company is Sava Turizem, d.d. Three smaller subsidiaries, which individually and collectively represent an immaterial part of the Group in terms of assets, equity and revenues, were excluded from the consolidated financial statements.

In 2020, the assumptions underlying key business challenges changed dramatically because of the negative consequences arising from the spread of covid-19 and related restrictions. The facilities of Sava Turizem, d.d., were closed for most of the year. The priorities have thus become securing the liquidity, preserving as many jobs as possible, ensuring the safety of employees and guests, regulating relations with business partners and completing the started investments.

The covid-19 epidemic had a negative impact on the financial market and the possibility of refinancing of Sava, d.d., and the Sava Group on the market as well. The started process ended in October 2020, as it was concluded that it could be successfully completed only with further consolidation of the Sava Group at a sustainable level of debt and in more stable circumstances. As a result, Sava, d.d., agreed with three creditors on the extension of the due date of financial and operating liabilities until 30/06/2021.

Sava, d.d., was not entitled to support in connection with government measures aimed at suppressing the covid-19 epidemic and mitigating its consequences, and it was prevented from receiving the dividends of the subsidiary Sava Turizem, d.d. The latter received EUR 6.9 million in support, mainly related to compensation for furloughed employees and the reimbursement of fixed costs.

In 2020, the *Sava Group* earned sales revenues in the amount of EUR 55.2 million, which equals 50% of the respective figure generated in the previous financial year. The redemption of tourist vouchers also significantly contributed to their level of revenues. A net loss of EUR 10.5 million was recorded, however it was mitigated by cost streamlining, the achieved synergistic effects in the tourism industry and the received state support in the amount of EUR 6.9 million.

Total assets of the Sava Group as at 31/12/2020 stood at EUR 275.1 million, i.e. EUR 12.9 million higher than at the end of the previous year. The Group's equity was EUR 11.2 million lower than at 2019 year-end and it accounted for 39% of liabilities.

Cash and deposits with commercial banks of the Sava Group amounted to EUR 31.5 million as at 31/12/2020. The favourable cash balance was due to the additionally obtained long-term loan, which in view of the covid-19 situation provided such a liquidity position that will enable the restart and gradual recovery of tourism activity, including the regular discharge of financial and operating liabilities.

The book value of the Sava share, calculated based on the equity of the Sava Group, was EUR 3.4 as at 31/12/2020, which was EUR 0.4 less than in the previous year.

The investment cycle started in previous years continued in 2020. In the last 4 years, EUR 62.3 million was earmarked for investments, of which EUR 26.4 million in 2020.

As at 31/12/2020, the Sava Group had 1,129 *employees*, which is 256 fewer than at the end of the year before. The Sava Group companies had 611 employees on average in 2020, compared to 658 in the previous year.

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

In 2019, Sava Turizem, d.d., achieved record sales and financial results, continued the investment cycle and successfully completed the project of disinvesting two destinations. At the end of 2019, it was financially sound, with low net debt and a record low leverage of 1.27.

In 2020, the assumptions underlying key business challenges changed dramatically because of the negative consequences arising from the spread of covid-19 and related restrictions. The facilities were closed for most of the year. The priorities have thus become securing the liquidity, preserving as many jobs as possible, ensuring the safety of employees and guests, regulating relations with business partners and completing the started investments.

In 2020, *net sales revenues* of Sava Turizem, d.d., amounted to EUR 55.2 million, which equals 53% of the respective 2019 figure. The redemption of tourist vouchers issued as part of government measures to mitigate the consequences of the epidemic also significantly contributed to their level of revenues.

Other operating revenues totalling EUR 8.7 million comprised EUR 6.9 million of support in connection with government measures aimed at curbing the covid-19 epidemic and mitigating its consequences.

The operating loss amounted to EUR 5.5 million, while the net loss for the financial year equalled EUR 6.9 million. It was mitigated by cost streamlining, the achieved synergistic effects in the tourism industry as well as the received state support.

Gross cash flow from operating activities (EBITDA) was positive despite the demanding and unpredictable business environment and amounted to EUR 6.1 million.

The favourable *cash balance* of EUR 29.1 million was due to the additionally obtained long-term loan in the amount of EUR 20.0 million, which in view of the covid-19 situation provided such a liquidity position that will enable the restart and gradual recovery of tourism activity, including the regular discharge of financial and operating liabilities.

The indebtedness of Sava Turizem, d.d., excluding operating leases, was EUR 83.1 million. Net financial debt, calculated as the difference between financial liabilities excluding operating leases and cash and short-term deposits, amounted to EUR 54.0 million.

In the past 4 years, EUR 62.3 million was earmarked for *investments*, of which EUR 26.4 million in 2020.

As at 31/12/2020, Sava Turizem, d.d., had 1,118 *employees*, which is 157 fewer than at the end of the year before.

4.8 Notes to the income statement of the Sava Group

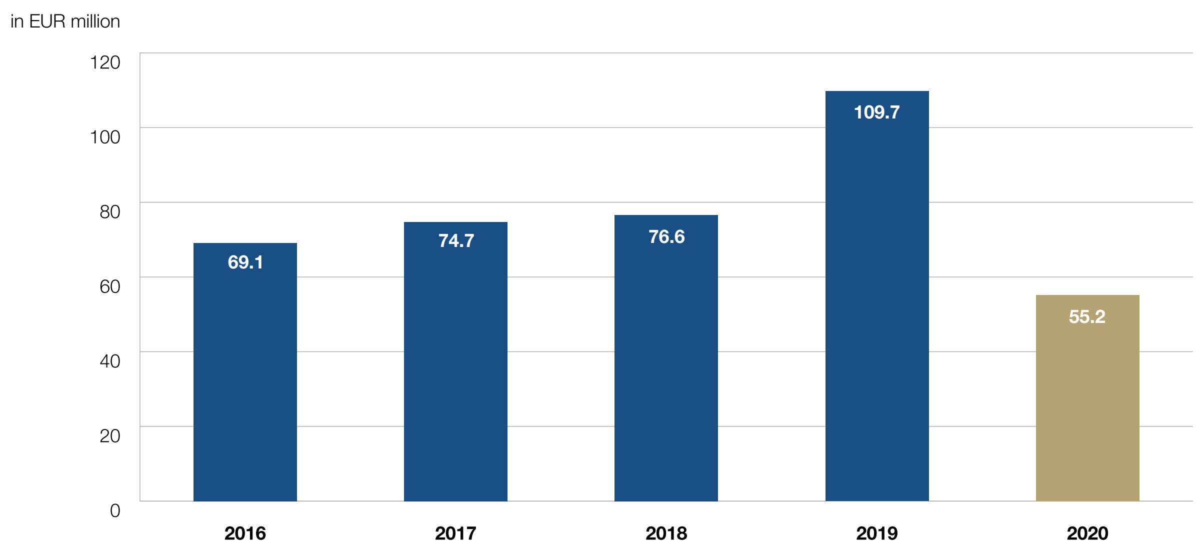
Net sales revenues earned by the companies from the Sava Group amounted to EUR 55.2 million, which equals 50% of the net sales revenues generated in the year before. The redemption of tourist vouchers issued as part of government measures to mitigate the consequences of the epidemic also significantly contributed to their level of revenues.

Other operating revenues totalling EUR 9.1 million comprised EUR 6.9 million of support in connection with government measures aimed at curbing the covid-19 epidemic and mitigating its consequences.

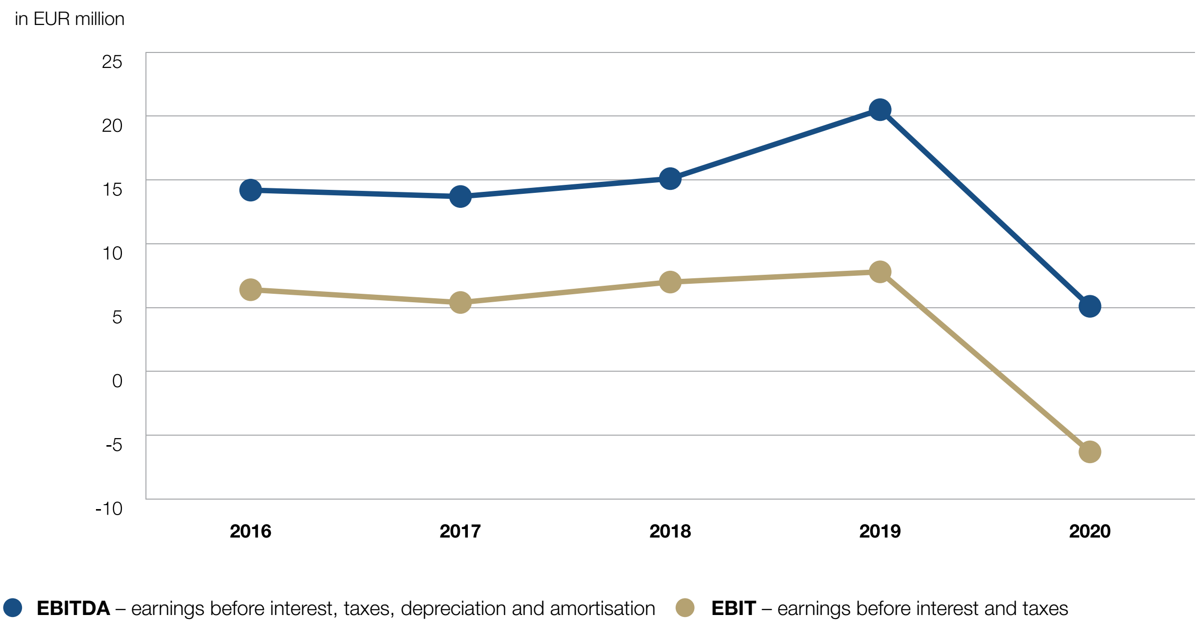
Operating expenses stood at EUR 70.6 million in 2020. They exceeded total operating revenue by EUR 6.3 million, which represents the Group's operating loss. In the previous year, the share of operating expenses in operating revenues was 93%, and operating profit totalled EUR 7.8 million.

A **net loss** of EUR 10.5 million was recorded, however it was mitigated by cost streamlining, the achieved synergistic effects in the tourism industry and the received state support in the amount of EUR 6.9 million.

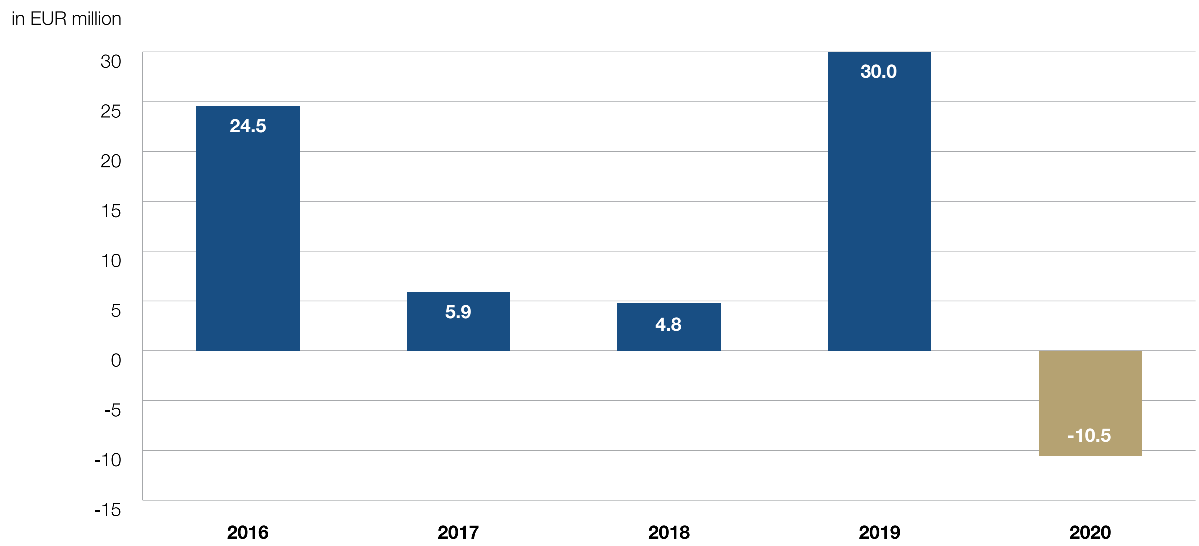
Sales revenues of the Sava Group from 2016 to 2020



EBITDA and EBIT of the Sava Group from 2016 to 2020



Net profit/loss of the Sava Group from 2016 to 2020



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

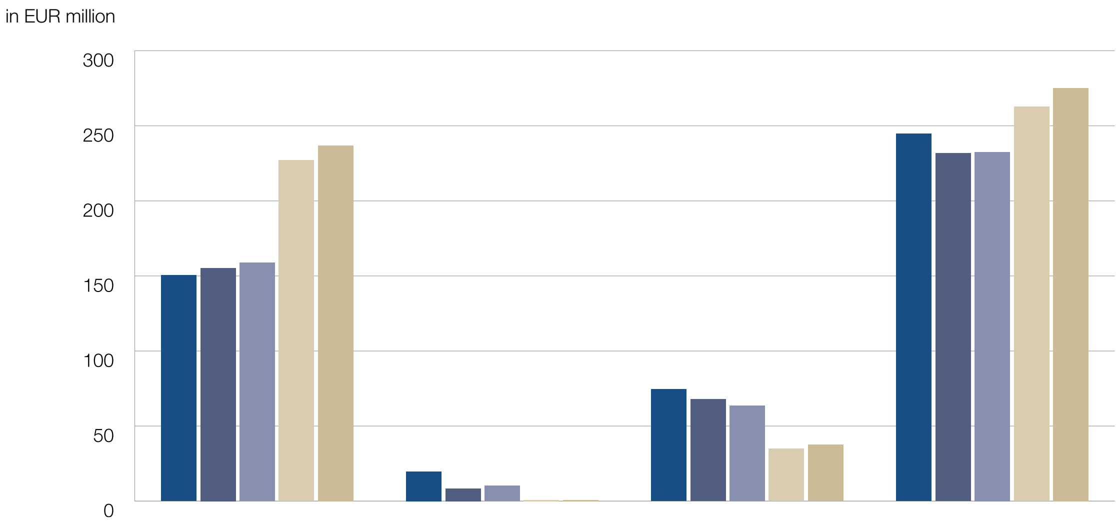
Total assets of the companies in the Sava Group as at 31/12/2020 stood at EUR 275.1 million, i.e. EUR 12.9 million higher than at the end of 2019.

In the Group's asset structure, property, plant and equipment represented 86%, cash and deposits with commercial banks 12% and other assets represented 2%.

Equity accounted for 39% of the liabilities of the Group, long-term debt 33% and short-term debt 28%.

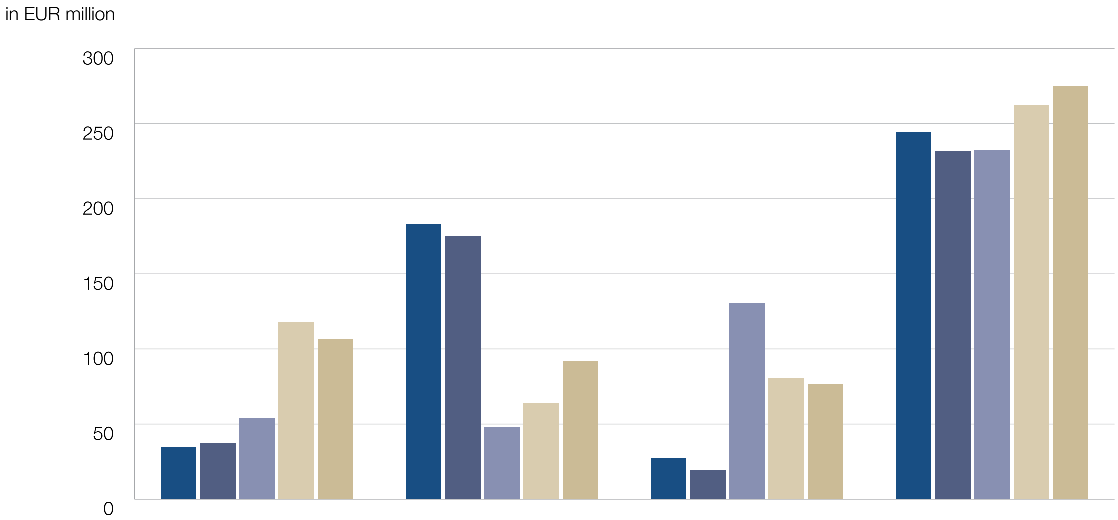
The biggest change in the assets was investments in hotel real estate in the amount of EUR 26.4 million, whereas the main change on the liabilities side was the additionally obtained long-term loan in the amount of EUR 20.0 million, which in view of the covid-19 situation provided such a liquidity position that will enable the restart and gradual recovery of tourism activity, including the continuous discharge of financial and operating liabilities.

Structure of assets of the Sava Group from 2016 to 2020



	Fixed assets and investment property	Financial assets	Other assets	TOTAL ASSETS
31/12/2016	150.4	19.8	74.5	**244.7**
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**

Structure of liabilities of the Sava Group from 2016 to 2020



	Equity	Long-term debts	Short-term debts	TOTAL EQUITY AND DEBTS
31/12/2016	34.7	183.0	27.0	**244.7**
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	64.2	80.5	**262.6**
31/12/2020	106.7	91.6	76.8	**275.1**

Investments

In the last 4 years, EUR 62.3 million was earmarked for investments. In 2020, investments in the amount of EUR 26.4 million focused mainly on the renovation of the Park Hotel and pool complex in Bled, the renovation of the Histrion Hotel and pool complex in Portorož, the purchase of new mobile homes, the renewal of toilet facilities in the Ptuj camp and the refurbishment of the Ajda restaurant in Moravske Toplice.

4.10. Employees of the Sava Group

As at 31/12/2020, the Sava Group had 1,129 employees (31/12/2019: 1,385). The average number of employees was 611 in 2020, while the respective figure the year before was 1,269. Negative difference is due to the covid-19 epidemic.

Educational structure of employees as at 31/12/2020

Level of education	2020		2019	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Level 1 – non-completed elementary school	6	2	7	6
Level 2 – completed elementary school	121	62	135	133
Level 3 – up to 2 years of vocational education	18	8	20	16
Level 4 – at least 3 years of vocational education	289	144	360	336
Level 5 – secondary education	397	213	503	466
Level 6 – higher vocational college	82	49	111	99
Level 7a – professional college	137	77	152	125
Level 7b – university education	70	48	78	71
Level 8 – master's degree	9	7	14	13
Level 9 – PhD	0	0	5	5
TOTAL	**1,129**	**611**	**1,385**	**1,269**

Age structure of employees as at 31/12/2020

Age	2020		2019	
	Number of employees	Average number of employees	Number of employees	Average number of employees
up to 20 years	2	0	6	7
20 - 30	187	107	289	252
31 - 40	253	137	307	293
41 - 50	326	185	377	357
51 - 60	304	156	353	315
more than 60	57	25	53	44
TOTAL	**1,129**	**611**	**1,385**	**1,269**

Structure of employees by gender as at 31/12/2020

Gender	2020		2019	
	Number of employees	Average number of employees	Number of employees	Average number of employees
Women	679	351	800	712
Men	450	260	585	556
TOTAL	**1,129**	**611**	**1,385**	**1,269**

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. 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, while Sava Turizem, d.d., also has in place a Code of Ethics.

Financial Report

1.

2.

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 31/12/2020

in EUR 000

		Notes	31/12/2020	31/12/2019
ASSETS				
A.	**A. NON-CURRENT ASSETS**		**105,075**	**105,224**
I.	**INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES**	**1.2.4.1.**	**6**	**8**
	1. Long-term property rights		6	8
II.	**PROPERTY, PLANT AND EQUIPMENT**	**1.2.4.2.**	**443**	**529**
	1. Land and buildings		375	445
	b) Buildings		375	445
	2. Production plant and machinery		0	82
	3. Other plant and equipment		68	0
	4. Property, plant and equipment being acquired		0	2
	a) Property, plant and equipment under construction and in production		0	2
III.	**INVESTMENT PROPERTY**	**1.2.4.3.**	**1,615**	**1,676**
	2. Leased to other companies		266	273
	3. Not leased		1,349	1,403
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**		**2,552**	**3,258**
I.	**ASSETS (DISPOSAL GROUPS) AVAILABLE FOR SALE**		**0**	**0**
II.	**INVENTORIES**		**0**	**0**
III.	**CURRENT FINANCIAL ASSETS**	**1.2.4.6.**	**1,100**	**1,500**
	2. Short-term loans		1,100	1,500
	b) Short-term loans to others		1,100	1,500
IV.	**CURRENT OPERATING RECEIVABLES**	**1.2.4.7.**	**97**	**229**
	1. Current operating receivables from Group companies		12	94
	2. Current trade receivables		0	7
	3. Current operating receivables from others		85	128
V.	**CASH AND CASH EQUIVALENTS**	**1.2.4.8.**	**1,355**	**1,529**
	1. Bank balances and cash in hand		1,355	1,529
C.	**SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES**		**34**	**32**
TOTAL ASSETS			**107,661**	**108,514**

in EUR 000

		Notes	31/12/2020	31/12/2019
LIABILITIES				
A.	**EQUITY**	**1.2.4.9.**	**51,648**	**55,452**
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**		**-17,211**	**-17,211**
VII.	**NET PROFIT OR LOSS FOR THE FINANCIAL YEAR**		**-3,804**	**0**
B.	**PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**1.2.4.11.**	**64**	**83**
	1. Provisions for pensions and similar liabilities		64	83
C.	**NON-CURRENT LIABILITIES**	**1.2.4.12.**	**385**	**452**
I.	**NON-CURRENT FINANCIAL LIABILITIES**		**333**	**400**
	4. Other non-current financial liabilities		333	400
II.	**NON-CURRENT OPERATING LIABILITIES**		**0**	**0**
III.	**DEFERRED TAX LIABILITIES**	**1.2.4.25.**	**52**	**52**
Č.	**CURRENT LIABILITIES**	**1.2.4.13.**	**54,609**	**51,236**
I.	**LIABILITIES INCLUDED IN DISPOSAL GROUPS**		**0**	**0**
II.	**CURRENT FINANCIAL LIABILITIES**		**50,894**	**50,902**
	4. Other current financial liabilities		50,894	50,902
III.	**CURRENT OPERATING LIABILITIES**		**3,715**	**334**
	1. Current operating liabilities to Group companies		6	11
	2. Current trade payables		470	35
	4. Current operating liabilities from advances		0	3
	5. Other current operating liabilities		3,239	285
D.	**SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES**	**1.2.4.15.**	**955**	**1,291**
TOTAL EQUITY AND LIABILITIES			**107,661**	**108,514**

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 2020

in EUR 000

		Notes	2020	2019
1.	**NET SALES REVENUES**	**1.2.4.16.**	**837**	**849**
	a) Revenues on the domestic market		837	849
	– From Group companies		790	696
	– From others		47	153
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.**	**29**	**98**
5.	**COST OF GOODS, MATERIAL AND SERVICES**	**1.2.4.18.**	**-1,157**	**-1,877**
	a) Cost of goods and materials sold and cost of materials used		-26	-33
	b) Cost of services		-1,131	-1,844
6.	**LABOUR COSTS**	**1.2.4.19.**	**-980**	**-1,181**
	a) Cost of wages and salaries		-590	-878
	b) Cost of social security		-114	-170
	– Cost of social security		-46	-70
	– Cost of pension insurance		-68	-100
	c) Other labour costs		-276	-133
7.	**WRITE-DOWNS**	**1.2.4.20.**	**-81**	**-117**
	a) Depreciation/amortisation		-81	-81
	b) Operating expenses from revaluation of intangible assets and property, plant and equipment		0	-36
8.	**OTHER OPERATING EXPENSES**		**-27**	**-9**
9.	**OPERATING LOSS**		**-1,379**	**-2,237**
10.	**FINANCIAL INCOME FROM PARTICIPATING INTERESTS**	**1.2.4.21.**	**3**	**3,549**
	a) Financial income from participating interests in Group companies		0	2,058
	c) Financial income from participating interests in other companies		3	241
	č) Financial income from other investments		0	1,250
11.	**FINANCIAL INCOME FROM LOANS GRANTED**		**0**	**19**
	a) Financial income from loans to Group companies		0	17
	b) Financial income from loans to others		0	2
12.	**FINANCIAL INCOME FROM OPERATING RECEIVABLES**		**0**	**2**
	a) Financial income from operating receivables due from Group companies		0	2
13.	**FINANCIAL EXPENSES FROM IMPAIRMENTS AND WRITE-OFFS OF FINANCIAL ASSETS**		**0**	**-1**
14.	**FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES**	**1.2.4.22.**	**-2,769**	**-761**
	a) Financial expenses for loans received from Group companies		0	-3
	c) Financial expenses from issued bonds		0	-39
	č) Financial expenses from other financial liabilities		-2,769	-719
15.	**FINANCIAL EXPENSES FROM OPERATING LIABILITIES**		**0**	**0**
16.	**OTHER INCOME**	**1.2.4.23.**	**347**	**257**
17.	**OTHER EXPENSES**	**1.2.4.23.**	**-6**	**-132**
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**		**-3,804**	**696**

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 2020

in EUR 000

	2020	2019
Net profit/loss for the period	**-3,804**	**696**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
– change in fair value of available-for-sale financial assets transferred to profit or loss	0	-1
Other comprehensive income less deferred tax for the period	**0**	**-1**
Total other comprehensive income for the period	**-3,804**	**695**

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 2020

in EUR 000

		2020	2019
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**	**-3,804**	**696**
	Profit or loss before tax	-3,804	696
b)	**Adjustments for**	**86**	**-2,467**
	Amortisation/depreciation	81	81
	Operating revenues from revaluation in connection with items of investing and financing activities	-4	-90
	Operating expenses from revaluation in connection with items of investing and financing activities	0	36
	Financial income excluding financial income from operating receivables	-3	-3,256
	Financial expenses excluding financial expenses from operating liabilities	12	762
c)	**Changes in net current assets (and deferred and accrued items, provisions and deferred tax assets and liabilities) of the balance sheet operating items**	**3,157**	**235**
	Opening less closing operating receivables	132	-166
	Opening less closing deferred costs and accrued revues	-2	-17
	Closing less opening operating liabilities	3,382	71
	Closing less opening accrued costs and deferred revenues and provisions	-355	348
	Closing less opening deferred tax liabilities	0	-1
č)	**Net cash from/used in operating activities (a+ b + c)**	**-561**	**-1,536**
B.	**Cash flows from investing activities**		
a)	**Receipts from investing activities**	**457**	**8,942**
	Receipts from interest and dividends received from investing activities	3	2,153
	Receipts from disposal of intangible assets	0	2
	Receipts from disposal of investment property	54	90
	Receipts from disposal of financial assets	400	6,697
b)	**Disbursements for investing activities**	**0**	**-6,889**
	Disbursements for the acquisition of property, plant and equipment	0	-2
	Disbursements for the acquisition of investment property	0	-994
	Disbursements for the acquisition of financial assets	0	-5,893
c)	**Net cash from/used in investing activities (a+ b)**	**457**	**2,053**
C.	**Cash flows from financing activities**		
a)	**Receipts from financing activities**	**0**	**3,124**
	Receipts from paid-up capital	0	2,686
	Receipts from the increase in financial liabilities	0	438
b)	**Disbursements for financing activities**	**-70**	**-6,147**
	Disbursements for interest paid on financing activities	-12	-679
	Disbursements for financial liabilities	-58	-5,468
c)	**Net cash from/used in financing activities (a + b)**	**-70**	**-3,023**
Č.	**Closing balance of cash**	**1,355**	**1,529**
a)	Net cash inflow or outflow for the period (sum total of net cash Ad, Bc and Cc)	-174	-2,506
b)	Opening balance of cash	1,529	4,035

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

2020

In 2020, there were no 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.

2019

Significant non-monetary items that were excluded

in EUR 000

		Jan. - Dec. 2019
B.a)	receipts from the disposal of financial assets - sale of Melamina shares received as collateral for receivables arising from loans granted to NFD Holding, d.d. - in bankruptcy	2,082
B.a)	receipts from the disposal of financial assets - sale of Gorenjska banka, d.d.: proceeds transferred to the fiduciary account with KDD, d.d.	40,319
B.b)	disbursements for the acquisition of financial assets - purchase of shares of Hoteli Bernardin, received as collateral for receivables arising from loans granted to NFD Holding, d.d. - in bankruptcy	2,082
C.b)	disbursements for financial liabilities - sale of Gorenjska banka, d.d.: proceeds transferred from the fiduciary account with KDD, d.d., to creditor repayment	40,319
B.b)	disbursements for the acquisition of property, plant and equipment: operating lease of assets / amendment to SAS	513
C.a)	receipts from the increase in financial liabilities / amendment to SAS	513
A.c)	opening less closing operating receivables - Sava Turizem, d.d.	458
C.b)	disbursements for financial liabilities - Sava Turizem, d.d.	458

Additional disclosure regarding operating leases of assets

In 2019, EUR 55 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 31/12/2019 to 31/12/2020

in EUR 000

		Share capital	Capital surplus	Fair value reserve	Net loss brought forward	Net profit for the year	Total capital
		I/1	II	V	VI/2	VII/1	VIII
A.1.	**AS AT 31/12/2019**	**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 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.

Statement of changes in equity of Sava, d.d., for the period from 31/12/2018 to 31/12/2019

in EUR 000

		Share capital	Capital surplus	Fair value reserve	Net loss brought forward	Net profit for the year	Total capital
		I/1	II	V	VI/2	VII/1	VIII
A.1.	**AS AT 31/12/2018**	**26,397**	**43,357**	**224**	**-34,161**	**0**	**35,817**
b)	Adjustments - acquisition of Sava Nepremičnine, d.o.o., and Sava NRS, d.o.o., by Sava, d.d.	0	0	0	438	0	438
A.2.	**OPENING BALANCE 01/01/2019**	**26,397**	**43,357**	**224**	**-33,723**	**0**	**36,255**
B.1.	**Changes in equity - transactions with owners**	**2,686**	**0**	**0**	**0**	**0**	**2,686**
č)	Additional paid-in capital	2,686	0	0	0	0	2,686
B.2.	**Total other comprehensive income for the period**	**0**	**0**	**-1**	**0**	**696**	**695**
a)	Entry of net profit or loss for the period	0	0	0	0	696	696
f)	Change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	-1	0	0	-1
B.3.	**Changes in equity**	**0**	**0**	**0**	**16,512**	**-696**	**15,816**
a)	Allocation of the remaining net profit for the comparative period to other equity components	0	0	0	696	-696	0
f)	Other changes in equity	0	0	0	15,816	0	15,816
C.	**CLOSING BALANCE 31/12/2019**	**29,083**	**43,357**	**223**	**-17,211**	**0**	**55,452**

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 31/12/2020

in EUR 000

	31/12/2020	31/12/2019
NET PROFIT OR LOSS FOR THE PERIOD	**-3,804**	**696**
Loss brought forwards as at 31/12 of the previous year	**-17,211**	**-34,161**
Acquisition of Sava Nepremičnine, d.o.o., and Sava NRS, d.o.o., by Sava, d.d.	0	438
Loss brought forwards as at 01/01 of the current year	**-17,211**	**-33,723**
Other changes	0	15,816
Accumulated loss as at 31/12	**-21,015**	**-17,211**

Disclosure of transition to SAS 1 (2019) in the comparative year 2019: Operating leases – Right-of-use assets

The amendments to SAS 1 (2019) were applied to the financial years beginning on 01/01/2019. They relate to the changed accounting treatment of leases by lessees. The lessee no longer classifies leases of assets as operating and financial lease but recognises the right to use the asset for all leased assets and states the lease liability under liabilities. Leased assets are appropriately classified according to the purpose of their use. Right-of-use assets and lease liabilities are not recognised only in the case of short-term leases and where the underlying asset has a low value.

Sava, d.d., had no assets under financial lease in 2018 and 2019. Right-of-use assets under operating leases are stated under property, plant and equipment. Sava, d.d., made the restatement due to the transition to the new method of accounting for operating leases in accordance with the requirements of SAS 1.68 (2019), namely in a simplified manner.

Effects on 01/01/2019 due to the changed definition of the lease

The entity applied a practical expedient and did not reassess upon transition whether unexpired lease contracts contain a lease. Therefore, it considered all leases to meet the condition set out in SAS 1.27 (2019). The initial recognition of the right-of-use assets was measured by Sava, d.d., at the present value of future leases. The right-of-use asset is amortised and the amortisation charge is recognised, as is the interest expense due to the time value of money, under expenses from financing. The amount relating to the principal payment and the amount relating to the interest payment are disclosed separately in the cash flow statement. Both are classified as cash flows from financing activities.

As at 01/01/2019, the effect of the right-of-use assets amounted to EUR 489 thousand, and newly incurred financial liabilities also amounted to EUR 489 thousand. The weighted average assumed borrowing rate used to restate future leases at the date of initial application is 2.51%.

Disclosure of the acquisition of Sava Nepremičnine, d.o.o., and Sava NRS, d.o.o., by Sava, d.d., in the comparative year 2019

The transferring companies Sava Nepremičnine, d.o.o., and Sava NRS, d.o.o., were 100% owned by the acquiring company Sava, d.d. On 11/04/2019, the Board of Directors of the acquiring company gave consent to the acquisition on 31/12/2018, and the acquisition was entered in the Court Register on 01/07/2019. The acquisition was carried out by transfer of all the assets, rights and obligations of the transferring companies, at book values.

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 31/12/2020. The ownership structure of the Company is explained under Item 4 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 22/02/2021.

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 accounting policies

There were no changes in the accounting policies in 2020.

As of 01/01/2019, the amendments to SAS relating to revenue recognition entered into force but did not affect the Company's financial statements, and the amendments to SAS in connection with leases became effective, which the Company had properly taken into account in the previous year.

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 for 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 10.0% 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 2020, it was between 11.11% and 50.00%.

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 rates are from 2.0% to 5.0% and have not changed from last year.

Investment properties do not have an estimated residual value.

D. Revaluation of investment property

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

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

Financial assets

A. Classification of investments

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

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 revaluation of available-for-sale financial assets not listed on an active securities market and of equity investments in subsidiaries was carried out on 31/12/2020. 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.

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 31/12/2020, 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, price concessions, etc.) 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 2020.

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 2020 (for the past period from January to December 2019), the data from the balance sheet as at 31/12/2020 and 31/12/2019 (for the past period 31/12/2019 and 31/12/2018) 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.

With the outbreak and spread of covid-19 in 2020, the market situation has profoundly changed. 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 increased in terms of the existing investment portfolio. Despite the increased risk 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.

In 2020, as a result of the circumstances arising from covid-19 and the amended legislation, Sava, d.d., faced changed assumptions, 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). Through many years of careful and prudent establishment of liquid reserve and additional measures adopted in 2020, Sava, d.d., ensured current liquidity in the 2020 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 this regard, we agreed on possible joint solutions with existing creditors upon concluding Annex no. 2 to the Reprogramming Agreement.

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 30/06/2021. As at 31/12/2020, Sava, d.d., had financial liabilities in the amount of EUR 50,844 thousand recognised (31/12/2019: EUR 50,844 thousand). 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 30/06/2021, different scenarios are in progress to settle the financial liabilities owing to varied positions of the existing creditors on the method of repayment, which as a result of further aggravation of the market and banking conditions also include the option of further refinancing by existing creditors, most of whom have already given binding statements on further refinancing of total financial obligations of Sava, d.d.

It is estimated that solvency risk is managed given the circumstances.

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.

During the deferral of payment of financial liabilities until 30/04/2020 and 30/10/2020, the agreed interest rate was 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, stipulating further deferral of the payment of liabilities until 30/06/2021, being in effect since 01/09/2020. The increased interest rate primarily applies to the bridging period and is not sustainable in the long run. Given the circumstances, it is estimated that interest rate risk is medium.

Credit risk

Credit risk is the risk that a customer 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 bulk of its operating revenues in relation to its subsidiaries, where the risk of default 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

Already in April 2019, Sava, d.d., commenced activities for refinancing the financial liabilities of the Company and the Group by domestic and foreign commercial banks and other providers of funds for financial liabilities. The refinancing process was complex and demanding, and the uncertainties associated with the consequences of the spread of covid-19 impeded the chances of a successful completion of the refinancing process in 2020. Owing to the changed refinancing procedure and further aggravation of the situation in the autumn of 2020, Sava, d.d., agreed with the existing creditors, who are also the three largest owners of the Company, to postpone the due date of financial liabilities until 30/06/2021. Despite the uncertain situation, Sava, d.d., has been successfully implementing the Strategy of the Sava Group and Sava, d.d., 2019-2023, adopted in 2019.

The assets of Sava, d.d., that have been pledged to secure the claims of existing creditors significantly exceed the amount of the Company's financial liabilities and thus represent a potential source for the repayment of all financial claims of existing creditors. The existing creditors, in connection with the contractual provisions of the applicable Reprogramming Agreement and Annexes thereto, have not yet harmonised their positions regarding the method of settling financial liabilities falling due on 30/06/2021, while Sava, d.d., has already received a binding statement from most existing creditors on support in further refinancing of the Company's total financial liabilities payable on 30/06/2021.

If the situation related to covid-19 continues, it could affect Sava, d.d., through its subsidiary Sava Turizem, d.d., namely the value of the former's financial investment in the subsidiary, and indirectly it has, and could continue to have, an impact on the liquidity situation resulting from a government measure aimed at curbing the epidemic and preventing dividend payout. The risk of uncertainty that could raise doubt about the ability of Sava, d.d., to continue as a going concern is managed. In addition to the above, it should be noted that Sava, d.d., has received a binding statement from two of the three creditors, who undertook to extend the maturity of their receivables under certain conditions and possibly arrange the extension of the due date of the third creditor's claims by 30/06/2024. Otherwise, Sava, d.d., has assets whose fair value is sufficient to cover all financial liabilities. Assets may only be sold on the basis of the consent of the Company's owners.

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 (2019: EUR 3 thousand). Intangible assets are not pledged.

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

in EUR 000

	PROPERTY RIGHTS	
COST	**Investments in the acquired industrial property and other rights**	**TOTAL**
Balance as at 01/01/2020	**27**	**27**
Balance as at 31/12/2020	**27**	**27**
VALUE ADJUSTMENT		
Balance as at 01/01/2020	**-19**	**-19**
Amortisation/depreciation	-3	-3
Balance as at 31/12/2020	**-22**	**-22**
CARRYING AMOUNT		
Balance as at 01/01/2020	**8**	**8**
Balance as at 31/12/2020	**6**	**6**

1.2.4.2. Property, plant and equipment

The value of property, plant and equipment, which stood at EUR 443 thousand (31/12/2019: EUR 529 thousand), was down compared to the end of the previous year by EUR 86 thousand. Depreciation amounted to EUR 71 thousand. No items of property, plant and equipment have been pledged.

Table of changes in property, plant and equipment

in EUR 000

COST	**Buildings**	**Production plant and machinery**	**Other plant and equipment**	**Property, plant and equipment under construction and in production**	**TOTAL**
Balance as at 01/01/2020	**499**	**252**	**0**	**2**	**753**
Acquisitions, increases	0	0	2	0	2
Decrease of advance payment	0	0	0	-2	-2
Transfers	0	-252	252	0	0
Decrease	-40	0	-14	0	-54
Balance as at 31/12/2020	**459**	**0**	**240**	**0**	**699**
VALUE ADJUSTMENT					
Balance as at 01/01/2020	**-54**	**-169**	**0**	**0**	**-223**
Transfers	0	169	-169	0	0
Decrease	25	0	14	0	39
Amortisation/depreciation	-55	0	-16	0	-71
Balance as at 31/12/2020	**-84**	**0**	**-171**	**0**	**-255**
CARRYING AMOUNT					
Balance as at 01/01/2020	**445**	**82**	**0**	**2**	**529**
Balance as at 31/12/2020	**375**	**0**	**68**	**0**	**443**

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

The value of assets under operating leases in the amount of EUR 375 thousand (31/12/2019: EUR 452 thousand) was EUR 77 thousand lower than in the previous year, of which EUR 62 thousand was accounted for by depreciation.

Table of changes in fixed assets under operating lease

in EUR 000

COST	Buildings	Other plant and equipment	TOTAL
Balance as at 01/01/2020	**499**	**14**	**513**
Decrease	-40	-14	-54
Balance as at 31/12/2020	459	0	459
VALUE ADJUSTMENT			
Balance as at 01/01/2020	**-54**	**-7**	**-61**
Decrease	25	14	39
Amortisation/depreciation	-55	-7	-62
Balance as at 31/12/2020	**-84**	**0**	**-84**
Balance as at 01/01/2020	**445**	**7**	**452**
Balance as at 31/12/2020	**375**	**0**	**375**

1.2.4.3. Investment property

The value of investment property of EUR 1,615 thousand (31/12/2019: EUR 1,676 thousand) decreased by EUR 61 thousand in comparison with the previous year, namely by EUR 54 thousand due to sale of land and EUR 7 thousand because of the charged depreciation.

Investment property with the carrying amount of EUR 266 thousand is leased out. Investment properties leased out accounted for revenues of EUR 44 thousand and expenses of EUR 7 thousand. 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 01/01/2020	**1,607**	**350**	**1,957**
Decrease due to sale	-124	0	-124
Balance as at 31/12/2020	**1,483**	**350**	**1,833**
VALUE ADJUSTMENT			
Balance as at 01/01/2020	**-70**	**-211**	**-281**
Decrease due to sale	70	0	70
Amortisation/depreciation	0	-7	-7
Balance as at 31/12/2020	**0**	**-218**	**-218**
CARRYING AMOUNT			
Balance as at 01/01/2020	**1,537**	**139**	**1,676**
Balance as at 31/12/2020	**1,483**	**132**	**1,615**

1.2.4.4. Non-current financial assets

Non-current financial assets in the amount of EUR 103,011 thousand (31/12/2019: 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

Shares and interest in the Sava Group companies equalling EUR 102,462 thousand (31/12/2019: EUR 102,462 thousand) were unchanged compared to the year before. They are fully comprised of a 95.47-percent equity stake in Sava Turizem, d.d. The adequacy of valuation of the financial investment was verified by appraisal on 31/12/2020.

After the entry of the acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., in the Court Register on 01/04/2020, Sava, d.d., holds 53,904,804 SHBR shares. 48,433,504 SHBR shares are pledged for the financial liabilities of Sava, d.d., their carrying amount equalling EUR 92,062 thousand.

The disclosures in connection with the composition of the Sava Group, equity interest, amount of capital and operating result of subsidiaries are presented in the financial report for the Sava Group.

B. Other shares and interests

The value of other shares and interests equalling EUR 549 thousand (31/12/2019: EUR 549) is unchanged compared to the year before and represents 0.5% of total assets. Other shares and interests comprise 4,987 shares of Pokojninska družba A, d.d., pledged for the financial liabilities of Sava, d.d.

Table of other shares and interests

in EUR 000

	31/12/2020	31/12/2019
Shares and interests in unlisted companies	549	549
TOTAL	**549**	**549**

C. Realisation of the sale of financial investment comprising the shares of Gorenjska banka, d.d., in the comparative year 2019

The procedure for sale of the financial investment in the shares of Gorenjska banka, d.d., was completed in February 2019 with the transfer of the proceeds in the amount of EUR 43,526 thousand to the fiduciary account with KDD, followed by the following events:

- the purchase price in the amount of EUR 3,207 thousand, which was related to non-pledged GBKR shares, was transferred from the fiduciary account with KDD to the transaction account of Sava, d.d.;
- the purchase price in the amount of EUR 30,101 thousand was transferred directly from the fiduciary account with KDD to creditors whose financial receivables were secured with GBKR shares (this amount does not include financial creditors based on issued bonds);
- the purchase price in the amount of EUR 10,218 thousand was transferred from the fiduciary account with KDD to the fiduciary Abanka, d.d., which held 34,287 GBKR shares pledged for creditors' financial claims arising from the issued bonds. On 26/03/2019, a Protocol on the payment of the purchase price received for GBKR shares sold to the creditors of Sava, d.d., was signed with the fiduciary Abanka, d.d., based on which the financial liabilities of Sava, d.d., were settled on 05/04/2019;
- the remaining financial liabilities collateralised with GBKR, for which the purchase consideration received upon the sale of assets pledged as security did not cover the entire secured value of the collateral, were written off at 90% or EUR 15,600 thousand in accordance with the provisions of the Financial Restructuring Plan, and the same amount was transferred to ordinary financial liabilities to creditors, which were settled on 28/11/2019 together with other ordinary 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 31/12/2020 amounted to EUR 915 thousand (31/12/2019: EUR 915 thousand).

The amount of the unaccounted deferred tax assets arising from the tax loss at a 19% tax rate equalled EUR 74,574 thousand at 31/12/2020 (31/12/2019: EUR 74,391 thousand).

Total deferred tax assets that were not accounted amounted to EUR 75,489 thousand as at 31/12/2020 (31/12/2019: EUR 75,306 thousand).

1.2.4.6. Current financial assets

Current financial assets in the amount of EUR 1,100 thousand (31/12/2019: EUR 1,500 thousand) in their entirety represent a short-term deposit with a commercial bank at an 0.02% interest rate.

In the comparative year of 2019, non-current financial assets also included a loan granted to NFD Holding, d.d. - in bankruptcy. Bankruptcy proceedings were completed in 2020:

- On 10/08/2020, the receiver of NFD Holding, d.d. - in bankruptcy, submitted to the District Court of Ljubljana the document Plan for Special Distribution of Bankruptcy Estate – assets that cannot be liquidated. BAMC, d.d., the creditor with the right to separate settlement, gave consent for the takeover of the assets on which it had a lien in first position. Thus, the conditions were fulfilled for the takeover of all shares, including those received by Sava, d.d., by entering a pledge in the second position, whereby Sava, d.d., no longer had the option of recovering the remaining receivable due from NFD Holding, d.d. - in bankruptcy.
- On 10/12/2020, the District Court of Ljubljana issued a Decision terminating the bankruptcy proceedings against the debtor NFD Holding, d.d. - in bankruptcy.
- Based on the court's decision, Sava, d.d., wrote-off receivables from its books of account in the total amount of EUR 1,141 thousand, for which a value adjustment had already been made in full in the past.

1.2.4.7. Current operating receivables

Current operating receivables of EUR 97 thousand (31/12/2019: EUR 229 thousand) mostly relate to receivables from the final assessment of tax liabilities and short-term security deposits.

Table of current operating receivables by maturity

	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
2. Current trade receivables	0	0	0
3. Current operating receivables from others	85	0	85

Table of balance and changes in value adjustments of receivables

in EUR 000

	31/12/2020	31/12/2019
Balance as at 01/01	14	14
Decrease in value adjustment	-5	0
Balance at the end of period	**9**	**14**

1.2.4.8. Cash

Cash in the amount of EUR 1,355 thousand (31/12/2019: EUR 1,529 thousand) comprises bank balances.

1.2.4.9. Equity

Share capital

The share capital of Sava, d.d., amounts to EUR 29,083 thousand (31/12/2019: 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 per share.

Capital surplus

Capital surplus in the amount of EUR 43,357 thousand (31/12/2019: EUR 43,357 thousand) was created in 2016 within the scope of the compulsory composition procedure over Sava, d.d. It represents the difference between the registration of share capital and the registration of the creditors' total in-kind contributions in the capital of Sava, d.d.

Fair value reserve

Reserves from the revaluation of non-current financial assets to fair value totalled EUR 223 thousand (31/12/2019: 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 equity of Sava, d.d., totalled EUR 51,648 thousand (31/12/2019: EUR 55,452 thousand), which is EUR 3,804 thousand lower than at the end of last year. The decrease is the result of the loss incurred in 2020.

Accumulated loss

As at 31/12/2020, accumulated loss amounted to EUR 21,015 thousand (31/12/2019: EUR 17,211 thousand).

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

Dividend payment

In the years 2020 and 2019 dividends were not paid.

Weighted average number of shares

	31/12/2020	31/12/2019
Total number of shares as at 01/01	29,082,968	26,396,807
Capital increase	0	2,686,161
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 profit/loss attributable to shares

	31/12/2020	31/12/2019
Net profit/loss for the financial year (in EUR 000)	-3,804	696
Weighted average number of outstanding shares	29,082,968	29,082,968
Basic net earnings/loss per share (EUR)	**-0.13**	**0.02**

Diluted net earnings/loss per share equal(s) the basic net earnings/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 64 thousand (31/12/2019: EUR 83 thousand) represent provisions for severance payments and jubilee benefits. Actuarial calculation of provisions was made on 31/12/2020.

Table of changes in provisions

in EUR 000

	Provisions for severance payment upon retirement and similar liabilities	TOTAL
Balance as at 01/01/2020	**83**	**83**
Newly formed provisions	12	12
Use of provisions	-31	-31
Balance as at 31/12/2020	**64**	**64**

1.2.4.12. Non-current liabilities

Non-current liabilities amount to EUR 385 thousand (31/12/2019: EUR 452 thousand) and consist of financial liabilities from operating leases of assets and deferred tax liabilities.

Non-current financial liabilities amount to EUR 333 thousand (31/12/2019: EUR 400 thousand)

They relate entirely to financial liabilities from operating leases of business premises and parking spaces that fall due after 2021. Compared to the end of the previous year, they decreased by EUR 67 thousand, of which EUR 50 thousand due to the transfer to current financial liabilities falling due in 2021, and EUR 17 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

	31/12/2020	31/12/2019
Balance as at 01/01/2020	**400**	**0**
New loans raised in the year	0	489
Transfer to the current part in the year	0	24
Other changes - operating leases	-17	0
Transfer to the current part at end of period	-50	-113
Closing balance	**333**	**400**

Table of maturity of non-current financial liabilities

in EUR 000

	31/12/2020	31/12/2019
1-2 years	55	107
2-5 years	223	171
over 5 years	55	122
TOTAL	**333**	**400**

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 54,609 thousand (31/12/2019: EUR 51,236 thousand) comprise the following:

- current financial liabilities in the amount of EUR 50,894 thousand (31/12/2019: EUR 50,902 thousand),
- current operating liabilities in the amount of EUR 3,715 thousand (31/12/2019: EUR 334 thousand).

Current financial liabilities in the amount of EUR 50,894 thousand (31/12/2019: EUR 50,902 thousand). Compared to the end of 2019, they were lower by EUR 8 thousand net, namely EUR 58 thousand lower due to the repayment of financial liabilities and EUR 50 thousand higher due to the transfer from non-current to current financial liabilities. All changes 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.A.R.L., EUR 5,989 thousand,
- lessees (operating leases), EUR 50 thousand, the interest rate is 2.51%, loans are not secured.

Reprogramming 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.A.R.L., with which it concluded the Reprogramming 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., signed with existing creditors an Annex no. 1 to the Reprogramming Agreement of 15/11/2019, 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., signed with existing creditors an Annex no. 2 to the Reprogramming 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.

Collateralisation of financial liabilities:

- Creditors received as collateral 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 92,560 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	333	0	333
short-term loans	50	50,844	50,894
TOTAL	**383**	**50,844**	**51,227**

Current operating liabilities

Current operating liabilities amount to EUR 3,715 thousand (31/12/2019: EUR 334 thousand). They include EUR 441 thousand of fees for reprogramming of loans and EUR 2,915 thousand of interest liabilities, which fall due on 30/06/2021.

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

Table of current operating liabilities

in EUR 000

	Balance as at 31/12/2020	Balance as at 31/12/2019
Current operating liabilities to Group companies	**6**	**11**
– operating liabilities	6	11
Current trade payables to suppliers	**470**	**35**
Current operating liabilities from advances	**0**	**3**
Other current operating liabilities	**3,239**	**285**
a) Interest liabilities for received loans	2,915	175
b) Liabilities for salaries and other remunerations	298	78
– Liabilities for net salaries and other net remunerations	117	37
– Liabilities to the state (contributions on and from salaries)	181	41
c) Liabilities to the state (VAT, withholding tax)	19	24
d) Other liabilities	7	8
TOTAL CURRENT OPERATING LIABILITIES	**3,715**	**334**

1.2.4.14. Summary of all liabilities to creditors as at 31/12/2020 and falling due on 30/06/2021

in EUR 000

Creditor	Principal payable for received loans	Interest payable	Fees payable for reprogramming	TOTAL
SDH, d.d.	22,427,5	1,293,3	220,4	23,941,2
KAD, d.d.	22,427,5	1,293,3	220,4	23,941,2
York*	5,989,0	328,1	59,9	6,377,0
TOTAL	**50,843,9**	**2,914,7**	**500,7**	**54,259,4**

* Under interest payable to the creditor York, Sava, d.d., also discloses EUR 17 thousand of liabilities to the Financial Administration of the RS for withholding tax.

1.2.4.15. Short-term accrued costs and deferred revenues

Short-term accrued costs and deferred revenues in the amount of EUR 955 thousand (31/12/2019: EUR 1,291 thousand) fell by EUR 336 thousand over the end of the year before. The bulk is accounted for by provisions related to labour costs, the fee for refinancing financial liabilities owed to the creditor York and a potential fine based on the decision of the Bank of Slovenia.

1.2.4.16. Net sales revenues and other operating revenues

Sava, d.d., generated *net sales revenues* amounting to EUR 837 thousand (2019: EUR 849 thousand), 94% 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 29 thousand (2019: EUR 98 thousand) comprised mostly revenues from the reversal of unused provisions.

Table of the composition of net sales revenues

in EUR 000

	2020	2019
Net revenues from the sales of services	793	805
Net rental income	44	44
Total net sales revenues	**837**	**849**

1.2.4.17. Costs by functional group

in EUR 000

	2020	2019
General and administrative expenses	2,245	3,184
TOTAL	**2,245**	**3,184**

1.2.4.18. Costs of goods, materials and services

The costs of goods, materials and services had a 51% share in the structure of operating expenses. They amounted to EUR 1,157 thousand (2019: EUR 1,877 thousand) and are 38% lower year-on-year. They include EUR 597 thousand of one-off costs related to the refinancing of financial liabilities and the integration of Hoteli Bernardin, d.d.

The costs of services also comprised EUR 9 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

	2020	2019
Costs of materials	26	33
Costs of transport services	5	6
Costs of maintenance services	54	58
Cost of rent	9	19
Reimbursements of workers' costs	1	1
Costs of payment transactions, banking services and insurance premiums	605	576
Costs of intellectual and personal services	266	944
Cost of fairs, advertising and entertainment	15	12
Costs of other services	176	228
TOTAL	**1,157**	**1,877**

1.2.4.19. Labour costs

Labour costs of EUR 980 thousand (2019: EUR 1,181 thousand) had a 44% share in the structure of operating expenses.

Sava, d.d., employed 11 people as at 31/12/2020 (31/12/2019: 13 employees). The average number of employees based on hours worked in 2020 was 11.55 (2019: 11.31). The Company discloses accounted premiums for supplementary pension insurance totalling EUR 13 thousand under the labour cost item.

Table of labour costs

in EUR 000

	2020	2019
Gross salaries	658	978
Cost of social security of employees	46	70
Other labour costs	276	133
Total labour costs	**980**	**1,181**

1.2.4.20. Write-downs

Write-downs of EUR 81 thousand (2019: EUR 117 thousand) are accounted for by amortisation and depreciation charge, of which EUR 62 thousand is related to operating leases.

1.2.4.21. Financial income from participating interests

Financial income from participating interest equalling EUR 3 thousand (2019: EUR 3,549 thousand) comprise dividend received from small financial asset available-for-sale.

In the past financial year, a major part of financial income was dividends from Sava Turizem, d.d. Dividend payment was not possible in 2020 due to the provisions of the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences.

1.2.4.22. Financial expenses

Of the total financial expenses in the amount of EUR 2,769 thousand (2019: EUR 761 thousand), EUR 2,757 thousand relates to 4% interest (for January - August 2020) and 8% interest (for September - December 2020)* on the secured financial liabilities, and EUR 12 thousand is represented by interest from operating leases of assets.

**The change in the interest rate was set out in Annex no. 2 to the Reprogramming Agreement, which extended the maturity of financial liabilities until 30/06/2021.*

1.2.4.23. Other revenues and other expenses

Extraordinary events resulted in net gain of EUR 341 thousand (2019: EUR 125 thousand), consisting of:

- extraordinary revenues in the amount of EUR 347 thousand, which mainly include the completed arbitration proceedings with the fiduciary Abanka regarding the costs of selling GBKR shares, the received remittance from the bankruptcy estate of NFD Holding, d.d.
  - in bankruptcy, the settlement of VAT deductible, the favourably resolved issue of VAT calculation on fees for reprogramming of loans from 2019 and the out-of-court settlement with Istrabenz Turizem, d.d.;
- extraordinary expenses in the total amount of EUR 6 thousand.

1.2.4.24. Corporate income tax

Sava, d.d., had no corporate income tax liability accounted for 2020. In 2020, the Company did not claim tax relief because a tax loss was disclosed. As at 31/12/2020, the unused tax loss amounted to EUR 392,494 thousand.

Comparison between the actual and the calculated tax rate

in EUR 000

	2020		2019	
	Rate	Amount	Rate	Amount
Pre-tax profit		**-3,804**		**696**
Income tax based on the official rate	**19%**	**-723**	**19%**	**132**
Effect of tax rates in other countries		0		0
Amounts having a negative impact on tax base		**107**		**212**
– Amount from the increase in expenses to the level of tax deductible expenses		107		108
– Any other amounts having an impact on the tax base increase		0		104
Effect of the increase in the tax rate on special profits		**0**		**0**
Amounts having a positive effect on tax base		**1,198**		**63,181**
– Amount from the decrease in revenues to the level of tax deductible revenues		16		2,285
– Amount from the increase in expenses to the level of tax deductible expenses		1,166		60,896
– Any other amounts having an impact on the tax base decrease (e.g. amount of expenses for which tax was withheld)		16		0
Difference in the tax base due to transition to new accounting methods following changes to accounting policies		**0**		**0**
Tax relief		**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		4,895		62,273
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

31/12/2020	Receivables	Liabilities	Net
Financial assets	0	52	-52
Provisions	0	0	0
TOTAL	**0**	**52**	**-52**

in EUR 000

31/12/2019	Receivables	Liabilities	Net
Financial assets	0	52	-52
Provisions	0	0	0
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

	31/12/2020	31/12/2019
Pledge of securities	92,560	96,366
TOTAL	**92,560**	**96,366**

Shares pledged for financial liabilities

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

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

Assets collateralised as security for the loan granted to NFD Holding, d.d. - in bankruptcy

On 10/08/2020, the receiver of NFD Holding, d.d. - in bankruptcy, submitted to the District Court of Ljubljana the document Plan for Special Distribution of Bankruptcy Estate – assets that cannot be liquidated. BAMC, d.d., the creditor with the right to separate settlement, gave consent for the takeover of the assets on which it had a lien in first position. Thus, the conditions were fulfilled for the takeover of all shares, including those received by Sava, d.d., by entering a pledge in the second position, whereby Sava, d.d., no longer had the option of recovering the remaining receivable due from NFD Holding, d.d. - in bankruptcy.

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

	31/12/2020		31/12/2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale securities	549	549	549	549
Current receivables	97	97	229	229
Loans granted	1,100	1,100	1,500	1,500
Cash and cash equivalents	1,355	1,355	1,529	1,529
Long-term loans	-333	-333	-400	-400
Short-term loans	-50,894	-50,894	-50,902	-50,902
Current operating liabilities	-3,715	-3,715	-334	-334

1.2.5.3. The calculation of capital based on the growth in consumer price index

in EUR 000

	Amount of share capital	% of growth	Calculated effect	Operating result less the effect of the calculation
CAPITAL……calculation using the consumer price index	29,083	-0,70%	-204	-3,600

1.2.5.4. 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 31/12/2020, operating revenues and net operating result for the period January–December 2020 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. 2020	Operating expenses Jan.-Dec. 2020	Financial income Jan.-Dec. 2020	Financial expenses Jan.-Dec. 2020
TOURISM division	**790**	**49**	**0**	**0**
Sava Turizem, d.d., Dunajska cesta 152, 1000 Ljubljana	769	49	0	0
Hoteli Bernardin, d.d., Obala 2, 6320 Portorož*	21	0	0	0

**until the entry of the acquisition by Sava Turizem, d.d. (01/04/2020)*

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

in EUR 000

Company	Operating receivables 31/12/2020	Operating liabilities as at 31/12/2020	Financial receivables 31/12/2020	Financial liabilities as at 31/12/2020
TOURISM division	**12**	**6**	**0**	**0**
Sava Turizem, d.d., Dunajska cesta 152, 1000 Ljubljana	12	6	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 54,259 thousand (31/12/2019: EUR 51,077 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 reprogramming. Expenses of EUR 3,307 thousand (2019: EUR 1,244 thousand) include interest charged on financial liabilities and the fees charged for loan reprogramming.

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

in EUR 000

Related parties	Outstanding receivables as at 31/12/2020	Outstanding liabilities as at 31/12/2020	Revenues in the period 1-12 2020	Expenses in the period 1-12 2020
Transactions with the owners (over 20%)				
York Global Finance Offshore BDH (Luxembourg) S.à r.l.	0	6,377	0	385
Slovenski državni holding, d.d.	0	23,941	0	1,461
Kapitalska družba, d.d.	0	23,941	0	1,461
TOTAL	**0**	**54,259**	**0**	**3,307**
Transactions with the companies associated with the owners	0	0	0	0
TOTAL	**0**	**54,259**	**0**	**3,307**

Relations with natural persons

Ownership of the share of Sava as at 31/12/2020

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 2020

In 2020, gross remuneration of the CEO amounted to EUR 138 thousand. It comprised fixed and variable remuneration and bonuses.

Remuneration of the members of the Board of Directors and of the committees in 2020

Gross receipts of the members of the Board of Directors in committees totalled EUR 95 thousand in 2020. It consisted of payments for the performance of their functions and for meeting attendance fees.

Remuneration of employees with individual employment contracts in 2020

As at 31/12/2020, 10 employees worked under individual employment contracts (31/12/2019: 12 employees). Gross remuneration of EUR 573 thousand comprised fixed and variable remuneration and bonuses.

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, which were paid out in January 2021.

1.2.5.5. Disclosure of business with the selected auditor

According to the agreement made with Deloitte revizija, d.o.o., the contractual value of auditing the separate financial statements of Sava, d.d., and the consolidated financial statements of the Sava Group for 2020 amounted to EUR 21 thousand, exclusive of VAT (2019: EUR 23 thousand, exclusive of VAT).

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

A. Sava, d.d., as the defendant

In 2020, Sava, d.d., was not a defendant in any dispute.

B. Sava, d.d., as the plaintiff

Defendant: Bank of Slovenia

On 12/10/2017, Sava, d.d., and two responsible persons (former members of the Company's Board of Directors) received the Bank of Slovenia's Minor Offence Decision No. P-Odl 0076/2016-V for failing, within a period of six months of service (which expired on 21/03/2015) of the Decision withdrawing the authorisation to acquire a qualifying holding and of the Order on the disposal of shares, ref. no. D31-38.10-1/15-2 of 17/09/2015, to dispose of the shares the Company holds in contravention of the provisions of the ZBan-2 (i.e. as an ineligible holder), meaning all of the Gorenjska banka, d.d., shares it directly or indirectly possesses, as the Company was ordered under item 3 of the Bank of Slovenia's Decision served on 21/09/2015. By doing so, the Company allegedly violated the Bank of Slovenia's decision arising from Article 267 of the ZBan-2 and committed a minor offence under the first paragraph of Article 374 of the ZBan-2. The respective decision of the Bank of Slovenia imposes a fine on Sava, d.d., of EUR 500,000.00 and EUR 5,000.00 on each of the two responsible persons. The deadline for payment of the imposed fine is 8 and 30 days from the date the decision becomes final for the Company and for the two responsible persons respectively.

Sava, d.d., filed an Application for Judicial Protection against the said Minor Offence Decision (ref. No. P-Odl 0076-2016-V) within the deadline. On 08/10/2019, the court issued a judgment reducing the fine imposed on Sava, d.d., to EUR 300,000.00. The request for judicial protection under other items was rejected as unfounded. On 28/10/2019, Sava, d.d., filed an appeal against the judgment.

On 07/09/2020, the Supreme State Prosecutor's Office of the Republic of Slovenia filed a request for protection of legality with the Supreme Court of the Republic of Slovenia against the judgment of the Higher Court in Ljubljana of 10/03/2020 in connection with the judgment of the District Court in Ljubljana of 08/10/2018 and the Decision of the Bank of Slovenia dated 10/10/2017.

The Supreme State Prosecutor's Office of the Republic of Slovenia was of the opinion that the challenged judgment was served to the defence counsel after the expiry of the absolute statute of limitations, and, subordinately, claimed the provisions of the minor offence proceedings had been breached, since the description of the specific action that allegedly constitutes a minor offence in the operative part of the minor offence authority's decision is self-contradictory and contrary to the grounds of the decision, while the courts of first and second instance did not remedy this breach.

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 persons.

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

The Financial Administration of the RS has launched a tax investigation against the legal successor of the initial taxable person Sava IP, d.o.o., in relation to value added tax for the tax periods from 01/01/2007 to 31/12/2008, from 01/07/2010 to 31/07/2010 and from 01/10/2010 to 31/10/2010.

In 2017, the 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. When this payment was effected on 06/07/2017, a complaint was filed within the valid deadline explaining that when the above-mentioned amendment was adopted, the respective tax liabilities did not yet exist, therefore the amendment cannot apply to them or cannot have legal effect. The decision issued on 08/06/2017 represents a manifestly unconstitutional retroactive application of the law to already concluded legal relationships. The complaint was submitted for resolution to the Ministry of Finance, which dismissed it as unfounded.

Consequently, an action was brought before the Administrative Court of the Republic of Slovenia within the valid deadline, on 11/12/2017, against the Financial Administration' assessment notice no. DT 0610- 6798/2016-33 08-530-01 of 08/06/2017. In its judgment ref. no. I U 2739/2017-8 of 01/10/2019, the Administrative Court of the Republic of Slovenia rejected the lawsuit, and on 04/11/2019 sought leave to appeal on a point of law with the Supreme Court of the Republic of Slovenia.

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, Sava, d.d., 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.

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, which in addition to the shares registered with KDD, also refer to the non-litigious procedure ref. no. Ng 25/2020, in which two shareholders argue that in the process of acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., they were assigned too few shares in the merged company Sava Turizem, d.d., due to the inadequate swap ratio.

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 that it received (imprecision of the request, appropriate time frame for determining monetary compensation, course of the procedure).

1.2.5.7. 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 31/12/2020 or the going-concern assumption.

The following events are explained:

- Sava, d.d., has already received a binding statement from most existing creditors on support of further refinancing of total financial liabilities falling due on 30/06/2021. Despite the uncertain situation, Sava, d.d., has been successfully implementing the Strategy of the Sava Group and Sava, d.d., 2019-2023, adopted in 2019.
- In relation to the dispute between Sava, d.d., and the Bank of Slovenia as the defendant, the Supreme Court of the Republic of Slovenia in its judgment of 19/01/2021, 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 persons.

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 31/12/2020, 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 2020.

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, 31/03/2021

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.

Deloitte.

Deloitte revizija d.o.o.
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1000 Ljubljana
Slovenia
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INDEPENDENT AUDITOR'S REPORT
to the owners of Sava d.d.

Opinion

We have audited the financial statements of the company Sava d.d. (hereinafter 'the Company'), which comprise the balance sheet as at 31 December 2020, income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Slovenian accounting standards (hereinafter 'SRS').

Basis for Opinon

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

Emphasis of matter

Liquidity risk and the risk of fair value of the assets

We draw attention to Note 1.2.3. (Liquidity risk management) to the financial statements, which indicates that in accordance with the 2019 compulsory settlement, the company Sava d.d. has repaid all of its creditors with the exception of three creditors, which are also the owners of the company. Financial liabilities due to those three creditors as at December 31, 2020 were EUR 53.759 thousand and will become due on June 30, 2021. The company has already obtained binding statements from most creditors to refinance its entire financial liabilities. As indicated in the same note to the financial statements, the Company's subsidiary which operated in Tourist business was significantly affected by the COVID-19 situation in 2020, which has affected the dividend payments and could also affect the valuation ok the investment at Sava d.d. The matter is explained in more detail in Notes 1.2.3. and 1.2.4.4. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we express no assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.
In relation to this and based on our procedures performed, we report that:

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

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those Charged with Governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud

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may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Company in order to express an opinion on the financial statements. We are responsible for conducting, overseeing and performing the audit of the Company. We have sole responsibility for the audit opinion expressed.

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, March 31 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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

2.1. The 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	31/12/2020	31/12/2019
ASSETS			
Property, plant and equipment	2.3.7.	231,906	221,039
Intangible assets	2.3.8.	657	956
Investment property	2.3.9.	5,013	6,038
Financial assets measured at fair value through profit or loss	2.3.10.	691	693
Long-term loans and receivables	2.3.11.	26	26
Non-current assets		**238,293**	**228,752**
Assets held for sale	2.3.12.	563	0
Inventories	2.3.13.	529	704
Operating and other receivables	2.3.14.	4,236	5,537
Loans granted	2.3.15.	15,600	5,500
Cash and cash equivalents	2.3.16.	15,920	22,119
Current assets		**36,848**	**33,860**
Assets		**275,141**	**262,612**
EQUITY AND LIABILITIES			
Share capital		29,083	29,083
Paid-in capital surplus		43,357	43,357
Fair value reserve		-167	137
Net profit/loss brought forward		27,140	36,839
Equity attributable to equity holders of the parent		**99,413**	**109,416**
Non-controlling interests		7,263	8,465
Equity	**2.3.17.**	**106,676**	**117,881**

in EUR 000

	Notes	31/12/2020	31/12/2019
Non-current provisions	2.3.18.	4,318	3,293
Deferred government grants	2.3.19.	6,066	6,377
Long-term loans received	2.3.20.	78,487	51,782
Non-current operating liabilities		31	41
Deferred tax liabilities	2.3.21.	2,753	2,776
Long-term debts		**91,655**	**64,269**
Liabilities for sale		0	0
Current financial liabilities	2.3.20.	56,555	56,688
Current operating liabilities	2.3.22.	10,616	14,708
Current provisions (accrued expenses and deferred income)	2.3.23.	9,639	9,066
Short-term debts		**76,810**	**80,462**
Total debts		**168,465**	**144,731**
Equity and liabilities		**275,141**	**262,612**

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	Jan. - Dec. 2020	Jan. - Dec. 2019
Sales revenues	2.3.24.	55,172	109,679
Other operating revenues	2.3.25.	9,082	3,161
Operating revenues		**64,254**	**112,840**
Costs of goods, materials and services	2.3.26.	-27,631	-50,887
Labour costs	2.3.27.	-28,213	-37,330
Amortisation/depreciation		-10,829	-10,673
Write-downs	2.3.28.	-642	-1,985
Other operating expenses	2.3.29.	-3,294	-4,173
Operating expenses		**-70,609**	**-105,048**
Operating profit/loss		**-6,355**	**7,792**
Financial income		88	27,799
Financial expenses		-4,246	-2,425
Net financial income/expenses	**2.3.30.**	**-4,158**	**25,374**
Net income from associates		**0**	**0**
Profit/loss before tax		**-10,513**	**33,166**
Tax	2.3.31.	23	-3,162
Net profit/net loss for the financial year		**-10,490**	**30,004**
Net profit/net loss for the financial year is attributable to:			
Equity holders of the parent		-10,179	29,657
Non-controlling interests		-311	347
Net profit/net loss for the financial year		**-10,490**	**30,004**

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	Jan. - Dec. 2020	Jan. - Dec. 2019
Net profit for the period		-10,490	30,004
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		-304	-124
– deferred tax on actuarial gains/losses on defined benefit pension plans		0	-16
Other comprehensive income less deferred tax for the period		**-304**	**-140**
Total other comprehensive income for the period		**-10,794**	**29,864**
Comprehensive income is attributable to:			
Equity holders of the parent		-10,483	29,517
Non-controlling interest		-311	347
Total other comprehensive income for the period		**-10,794**	**29,864**

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	Jan. - Dec. 2020	Jan. - Dec. 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/loss		-10,490	30,004
Adjustments for:			
Depreciation of property, plant and equipment	2.3.7.	10,497	10,344
Amortisation of intangible assets	2.3.8.	150	161
Depreciation of investment property	2.3.9.	168	168
Write-offs and impairments of property, plant and equipment	2.3.28.	132	1,695
Impairments of receivables	2.3.28.	255	191
Write-offs and impairments of intangible assets	2.3.8.	0	12
Write-offs and impairments of investment property	2.3.28.	250	36
Impairments of financial assets	2.3.10.	16	0
Gains from sale of property, plant and equipment	2.3.25.	-88	-1,043
Loss from disposal of property, plant and equipment	2.3.28.	4	48
Gains on the disposal of investment property	2.3.25.	0	-90
Loss on the disposal of investment property	2.3.28.	0	2
Effect of the first consolidation of Hoteli Bernardin, d.d.		0	-24,089
Profit from sales of securities	2.3.30.	-81	-2,354
Loss from sales of securities	2.3.30.	0	10
Dividends and participation in profit from investments	2.3.30.	-3	-46
Interest expenses	2.3.30.	4,230	2,240
Interest income	2.3.30.	-3	-57
Corporate income tax liabilities/receivables	2.3.31.	-23	3,162
Operating profit prior to change in operating capital and provisions		**5,014**	**20,394**
Change in non-current receivables	2.3.14.	1,047	-715
Change in inventories	2.3.13.	174	452
Change in current operating liabilities and accrued expenses and deferred revenues	2.3.22., 2.3.23.	-6,423	-2,821
Change in deferred tax liabilities and non-current operating liabilities	2.3.21.	-10	833
Change in provisions	2.3.18.	721	-42
Change in government grants	2.3.19.	-311	-403
Cash from operating activities		**212**	**17,698**
Corporate income tax paid	2.3.31.	0	-1,092
Net cash from operating activities		**212**	**16,606**

in EUR 000

	Notes	Jan. - Dec. 2020	Jan. - Dec. 2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Disbursements for the acquisition of property, plant and equipment	2.3.7.	-22,464	-17,002
Proceeds from sale of property, plant and equipment		180	3,438
Disbursements for the purchase of intangible assets	2.3.8.	-90	-110
Receipts from disposal of intangible assets	2.3.8.	0	2
Disbursements for the acquisition of investment property	2.3.9.	0	-37
Receipts from disposal of investment property		54	90
Disbursements for the acquisition of subsidiaries		0	-5,892
Receipts from disposal of subsidiaries		236	16,330
Receipts from the repaid loans		400	4,026
Expenditure on loans granted		-10,500	-2,018
Proceeds from the sale of long-term securities		0	2,376
Dividends and participation in profit from investments	2.3.30.	3	46
Interest received		3	57
Net cash from investing activities		**-32,178**	**1,306**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase		0	2,686
Other changes in equity		0	86
Receipts from loans received		34,517	438
Expenditure on loans received		-7,285	-10,728
Expenditure on dividends of the Group's shareholders		0	-2
Interest paid		-1,465	-2,221
Net cash flow from financing activities		**25,767**	**-9,741**
Net increase or decrease in cash and cash equivalents		**-6,199**	**8,171**
Cash and cash equivalents at the beginning of the year		22,119	9,281
Cash and cash equivalents from first consolidation		0	4,667
Cash and cash equivalents at the end of the period		15,920	22,119

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	Reserves for treasury shares	Reserve for the fair value of financial assets	Net profit/loss for the year	Net profit/loss brought forward	Equity attributable to equity holders of the parent	Non-cotrolling interest	Total
As at 31/12/2018	26,397	43,357	0	284	4,227	-20,310	53,955	123	54,078
As at 01/01/2019	**26,397**	**43,357**	**0**	**284**	**4,227**	**-20,310**	**53,955**	**123**	**54,078**
Total comprehensive income									
Profit/loss for the year	**0**	**0**	**0**	**0**	**29,657**	**0**	**29,657**	**347**	**30,004**
Other comprehensive income	**0**	**0**	**0**	**-140**	**0**	**0**	**-140**	**0**	**-140**
Items that will not be reclassified to profit or loss	0	0	0	-140	0	0	-140	0	-140
Total comprehensive income	**0**	**0**	**0**	**-140**	**29,657**	**0**	**29,517**	**347**	**29,864**
Transactions with owners recorded in equity									
Transfer of net loss from previous year to net profit brought forward	0	0	0	0	-4,227	4,227	0	0	0
Capital increase	2,686		0	0	0	0	2,686	0	2,686
Transactions with owners recorded in equity	**2,686**	**0**	**0**	**0**	**-4,227**	**4,227**	**2,686**	**0**	**2,686**
Changes in equity									
Coverage of loss	0	0	0	0	-696,0	15,816	15,120	0	15,120
Other changes in equity	0	0	0	-7	0	8,145	8,138	7,994	16,132
Total changes in equity	**0**	**0**	**0**	**-7**	**-696**	**23,961**	**23,258**	**7,994**	**31,253**
Balance as at 31/12/2019	**29,083**	**43,357**	**0**	**137**	**28,961**	**7,878**	**109,416**	**8,465**	**117,881**
Balance as at 31/12/2019	**29,083**	**43,357**	**0**	**137**	**28,961**	**7,878**	**109,416**	**8,465**	**117,881**
Balance as at 01/01/2020	**29,083**	**43,357**	**0**	**137**	**28,961**	**7,878**	**109,416**	**8,465**	**117,881**
Total comprehensive income									
Profit/loss for the year	**0**	**0**	**0**	**0**	**-10,179**	**0**	**-10,179**	**-311**	**-10,490**
Other comprehensive income	**0**	**0**	**0**	**-304**	**0**	**0**	**-304**	**0**	**-304**
Items that will not be reclassified to profit or loss	0	0	0	-304	0	0	-304	0	-304
Total comprehensive income	**0**	**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**	**0**	**-28,961**	**28,961**	**0**	**0**	**0**
Transactions with owners recorded in equity	**0**	**0**	**0**	**0**	**-28,961**	**28,961**	**0**	**0**	**0**
Changes in equity									
Other changes in equity	0	0	0	0	0	480	480	-891	-411
Total changes in equity	**0**	**0**	**0**	**0**	**0**	**480**	**480**	**-891**	**-411**
Balance as at 31/12/2020	**29,083**	**43,357**	**0**	**-167**	**-10,179**	**37,319**	**99,413**	**7,263**	**106,676**

2.2. Composition of the Sava Group as at 31/12/2020 and performance data on subsidiaries in 2020

As at 31/12/2020, the Sava Group consisted of 5 companies, i.e. the controlling company Sava, d.d., and 4 subsidiaries - daughter and granddaughter companies, of which by far the largest and most important company is Sava Turizem, d.d.

The remaining 3 subsidiaries, i.e. Sava Zdravstvo, d.o.o., SEIC Institute 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 financial year 2020, and these 3 subsidiaries are also excluded from the consolidation of the Sava Group.

Changes in the composition of subsidiaries in the Sava Group in 2020:

– On 14/01/2019, Hoteli Bernardin, d.d., became a subsidiary of the Sava Group. On 01/04/2020, the acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., was entered in the Court Register. This was the final phase of the legal status transformation of the companies and completion of the project for integration of Hoteli Bernardin, d.d., into the Sava Group. As at 31/12/2020, Sava Turizem, d.d., had 56,461,187 issued shares, of which 53,904,804 are owned by the controlling company, which represents a 95.47% share of Sava d.d. in the capital of Sava Turizem, d.d.
– In 2020, an 85% stake in Cardial, d.o.o., was sold, together with a 50% interest in SEIC Institute.

List of companies included in the Sava Group besides the parent company Sava, d.d., with a comparison of ownership stakes as at 31/12/2020 and 31/12/2019

in EUR 000

	% of ownership 31/12/2020	% of ownership 31/12/2019	Change in ownership in % in the year 2020
TOURISM division			
SAVA TURIZEM, d.d., Ljubljana	**95.47%**	**99.91%**	**-4.44%**
– Sava Zdravstvo, d.o.o., Ljubljana (owned by Sava Turizem, d.d.)	100.00%	100.00%	0.00%
– Cardial, d.o.o., Ljubljana (owned by Sava Turizem, d.d.)	0.00%	85.00%	-85.00%
– SEIC Institute, Moravske Toplice (owned by Cardial, d.o.o.)	0.00%	50.00%	-50.00%
– SEIC Institute, Moravske Toplice (owned by Sava Turizem, d.d.)	50.00%	50.00%	0.00%
HOTELI BERNARDIN, d.d., Portorož	**0.00%**	**84.82%**	**-84.82%**
BLS SINERGIJE, d.o.o., Portorož*	**70.00%**	**70.00%**	**0.00%**

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

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

in EUR 000

Company/registered office	Sales revenues Jan. - Dec. 2020	Capital value 31/12/2020	Profit or loss Jan. - Dec. 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**

Sales revenues of subsidiaries in 2019, capital of subsidiaries as at 31/12/2019 and profit/loss of subsidiaries in 2019

in EUR 000

Company/registered office	Sales revenues Jan. - Dec. 2019	Capital value 31/12/2019	Profit or loss Jan. - Dec. 2019
TOURISM division	**110,731**	**167,944**	**11,352**
Terme Lendava, d.o.o., Tomšičeva ulica 2A, 9220 Lendava	4,824	0	73
Sava Turizem d.d., Dunajska cesta 152, 1000 Ljubljana	72,476	112,820	8,764
Cardial d.o.o., Zaloška cesta 69, 1000 Ljubljana	1,040	115	-69
SEIC Moravske Toplice, Kranjčeva ul. 12, 9226 Moravske Toplice	159	51	4
Sava Zdravstvo, d.o.o., Dunajska cesta 152, 1000 Ljubljana	0	6	0
Hoteli Bernardin, d.d.	32,232	54,933	2,586
BLS Sinergije, d.o.o.	0	18	-4
SUBSIDIARIES TOTAL	**110,731**	**167,944**	**11,352**

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 31/12/2020.

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 09/03/2021.

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 2020.

We further clarify that as of 01/01/2019, the amendments to IFRS relating to revenue recognition entered into force but did not affect the financial statements of the companies in the Sava Group, and the amendments to IFRS in connection with leases became effective, which the Group companies had properly taken into account. For the transition to the new standard IFRS 16 “Leases”, the Sava Group applied the method with the cumulative effect of initially applying this standard as at 01/01/2019.

A. Basis for consolidation

There were no business combinations in 2020.

In the comparative year 2019, Sava, d.d., by acquiring an additional 39.45% ownership share in Hoteli Bernardin, d.d., became the owner of an 84.82% equity interest in the company. On 14/01/2019, Hoteli Bernardin, d.d., became a subsidiary of the Sava Group.

Composition of the Sava Group

The Sava Group consists of the parent company Sava, d.d., and 4 subsidiaries. In addition to the controlling company, only Sava Turizem, d.d., is included in the consolidated financial statements, while three 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. On 14/01/2019, Sava, d.d., took actual control of Hoteli Bernardin, d.d., and on 01/04/2020 the acquisition of the latter company by Sava Turizem, d.d., was entered in the Court Register. 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 legal enforceable right to offset the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: loans 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.

The Group used derivative financial instruments to hedge its exposure to interest rate risk in the past. During the compulsory settlement of Sava, d.d., liabilities arising from interest rate hedging were reclassified under non-current financial liabilities and were fully settled in the comparative year 2019.

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 2020.

D. Property, plant and equipment

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 for 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.

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.

The estimated useful lives are as follows:

	2020	2019
Hotel buildings	20 to 71 years	20 to 71 years
Office buildings	25 to 40 years	25 to 40 years
Hotel equipment	5 to 20 years	5 to 20 years
Computer equipment	2 to 5 years	2 to 5 years
Other equipment	6 to 20 years	6 to 20 years
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

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 assets

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

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

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 IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Material, adopted by the EU on 29/11/2019 (effective for annual periods beginning on or after 01/01/2020);
- **Amendments to IFRS 3 – Business Combinations** – Definition of a business, adopted by the EU on 21/04/2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 01/01/2020 and for acquisition of assets occurring at the beginning of this period or after);
- **Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures** – Interest Rate Benchmark Reform, adopted by the EU on 15/01/2020 (effective for annual periods beginning on or after 01/01/2020);
- **Amendments to IFRS 16 – Leases** – Covid-19-Related Rent Concessions, adopted by the EU on 09/10/2020, effective for annual periods beginning on or after 01/06/2020, for financial years beginning on or after 01/01/2020;
- **Amendments to References to the Conceptual Framework in IFRS Standards,** adopted by the EU on 29/11/2019 (effective for annual periods beginning on or after 01/01/2020).

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

The companies in the Sava Group applied Covid-19-Related Rent Concessions for the first in 2020. They satisfied the conditions laid down in IFRS 16.46(b) and applied the practical expedient for all rent concessions provided for in IFRS 16.46(a), in the amount of EUR 17 thousand, which was disclosed in the income statement.

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

At the date of approval of these financial statements, the International Accounting Standards Board (IASB) issued amendments to IFRS 4 – Insurance Contracts - Extension of the Temporary Exemption from Applying IFRS 9, adopted by the European Union on 16/12/2020, but these are not yet effective (the date of expiry of the temporary exemption has been extended to annual periods beginning on or after 01/01/2023).

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 were not yet endorsed for use in the EU on the date of approval of the financial statements (the effective dates below apply to IFRS as issued by IASB):

- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual periods beginning on or after 01/01/2016) - the European Commission has decided not to begin the validation procedure of this interim standard but will wait for the issuance of its final version;
- **IFRS 17 – Insurance Contracts,** including amendments to IFRS 17 (effective for annual periods beginning on or after 01/01/2023);
- **Amendments to IAS 1 – Presentation of Financial Statements** – Classifying Liabilities as Current or Non-Current (effective for annual periods beginning on or after 01/01/2023);
- **Amendments to IAS 16 – Property, Plant and Equipment** – Proceeds before Intended Use (effective for annual periods beginning on or after 01/01/2022);
- **Amendments to IFRS 37 – Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 01/01/2022);
- **Amendments to IFRS 3 – Business Combinations** – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods starting on or after 01/01/2022);
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement, IFRS 7 – Financial Instruments: Disclosures, IFRS 4 – Insurance Contracts and IFRS 16 – Leases** – Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 01/01/2021);
- **Amendments to various standards due to Annual Improvements to IFRSs 2018–2020 Cycle** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IAS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 01/01/2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

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.

In the Group’s estimate, the application of hedge accounting in relation to the portfolio of financial assets and liabilities according to **IAS 39 – Financial Instruments: Recognition and Measurement** would not have a significant impact on its financial statements if applied on the balance-sheet date.

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 has been prepared by considering the data from the income statement for the period from January to December 2020 (for the past period from January to December 2019), the data from the statement of financial position as at 31/12/2020 and 31/12/2019 (for the past period 31/12/2019 and 31/12/2018) and other required data. The cash flow statement excludes the more important values that are not connected with revenues and expenses.

2.3.5. Financial risk management

In the Sava Group, we examine and analyse economic circumstances and monitor the exposure to various financial risks and take measures to manage them. In 2020, the Sava Group was exposed to the following financial risks:

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

Risk of a change in the fair value (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.

Following the sale of non-strategic investments of the parent company Sava, d.d., and the restructuring of the Sava Group, the Sava Tourism Group was established. The outbreak and spread of covid-19 in 2020 radically changed the market situation, as tourism is the only activity of the Group from among the most affected industries which is expected to be facing a long-term recovery. The operations of Sava Turizem, d.d., were suspended for a major part of the year based on the decrees of the Government of the Republic of Slovenia. The risk of changes in fair value has increased as a result of the spread of covid-19, however despite the increased risk, we assess the composition of assets and liabilities to be 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, disinvestment and regular discharge of financial liabilities.

In 2020, 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, which was the Group's priority.

Due to the size and scope of the merged company, the acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., proved to be crucial in providing liquidity and completing the key investments started in 2019 already in the period when the epidemic was first declared and the facilities closed according to the Decree of the Republic of Slovenia. State aid in the form of subsidies, the approved moratorium on bank loans granted to Sava Turizem, d.d., and the deferral of the repayment of principals for a period of one year and of the payments of liabilities to key suppliers of the Group companies, with the additional long-term loan in the amount of EUR 20 million and streamlining of costs of all Group companies, enabled an adequate liquidity position of the Group and further regular settlement of the remaining agreed financial and operating liabilities, despite the unenviable position caused by the suspension of operations of Sava Turizem, d.d. (suspended for more than five months in 2020).

Through many years of careful and prudent establishment of liquid reserve and additional measures adopted in 2020, Sava, d.d., ensured current liquidity in the 2020 financial year and regular repayment of operating liabilities, despite the aggravated operating conditions and the loss of expected dividend payment. Sava, d.d., is managing solvency risks arising from the procedures of acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., and the maturity of financial liabilities in June 2021 in accordance with the contract possibilities by seeking common potential solutions with existing creditors, most of whom have already submitted binding statements on refinancing the entire financial liabilities of Sava, d.d. 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. The liabilities of Sava, d.d. arising from principals as at 31/12/2020 amounted to EUR 50,844 thousand (31 December 2021: EUR 50,844 thousand), accounting for 38% of the financial liabilities of the Sava Group.

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 customer 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 2020, EURIBOR remained negative, while in 2021 no major changes are expected as regards changes in EURIBOR.

During the deferral of payment of financial liabilities, the agreed interest rate of 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 Reprogramming Agreement for the period from 01/09/2020 to 30/06/2021. The increased interest rate primarily applies to the bridging period and is not sustainable in the long run.

The companies from the Sava Group have no applicable instruments for interest rate risk hedging. Given the circumstances, it is estimated that interest rate risk is medium.

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.

Guarantees and warranties

As at 31/12/2020, the Sava Group companies have no issued guarantees or warranties. A bank bond is in effect in the amount of EUR 289 thousand, held by Sava Turizem, d.d., as collateral for financial liabilities to 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

		31/12/2020	31/12/2019
1.	Total debts	168,465	144,731
2.	Less cash and cash equivalents	-15,920	-22,119
3.	Net liabilities (1. – 2.)	152,545	122,612
4.	Total equity	106,676	117,881
5.	Less/plus amounts accumulated in equity relating to cash flow hedges	0	0
6.	Adjusted capital (4. + 5.)	106,676	117,881
7.	Debt to adjusted capital ratio at 31/12 (3./6.)	1.43	1.04

Going concern risk

Already in May 2019, Sava, d.d., commenced activities for refinancing the financial liabilities of the Company and the Group by domestic and foreign commercial banks and other providers of funds for financial liabilities. The refinancing process was complex and demanding, and the uncertainties associated with the consequences of the spread of covid-19 impeded the chances of a successful completion of the refinancing process in 2020. Owing to the changed refinancing procedure and further aggravation of the situation in the autumn of 2020, Sava, d.d., agreed with the existing creditors, who are also the three largest owners of the Company, to postpone the due date of financial liabilities until 30/06/2021. Despite the uncertain situation, Sava, d.d., has been successfully implementing the Strategy of the Sava Group and Sava, d.d., 2019-2023, adopted in 2019.

The assets of Sava, d.d., which have been pledged to secure the claims of existing creditors, significantly exceed the amount of the Company's financial liabilities and thus represent a potential source for the repayment of all financial claims of existing creditors. The existing creditors, in connection with the contractual provisions of the applicable Reprogramming Agreement and Annexes thereto, have not yet harmonised their positions regarding the method of settling financial liabilities falling due on 30/06/2021, while Sava, d.d., has already received a binding statement from most existing creditors on support in further refinancing of the Company's total financial liabilities payable on 30/06/2021.

As regards the covid-19 situation, we explain that in September 2020 Sava Turizem, d.d., prepared a Business Plan for 2021, which envisages the Company's operations throughout the year 2021, however in the first half of the year on a smaller scale. The efficacy and availability of the vaccine and vaccination coverage in the first half of the year are projected. The situation is expected to normalise in the second half of the year, and a normal volume of business is anticipated in the segment of domestic guests and guests from neighbouring countries. Planned revenues at the annual level represent 80% of those generated in 2019, with the largest loss of revenues expected at the destination of Bled. At the beginning of 2021, an estimate of the financial statements for the next five-year period was prepared, projecting a restoration of the Company's operations to the 2019 level in 2023.

The risk of uncertainty that could raise doubt about the ability of Sava, d.d., to continue as a going concern is managed. In addition to the above, it should be noted that Sava, d.d., has received a binding statement from two of the three creditors, who undertook to extend the maturity of their receivables under certain conditions and possibly arrange the extension of the due date of the third creditor's claims to 30/06/2024. Otherwise, Sava, d.d., has assets whose fair value is sufficient to cover all financial liabilities. Assets may only be sold on the basis of the consent of the Company's owners.

2.3.6. Purchases and sales of participating interests in Group companies

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., achieved up to the date of sale are not included in the consolidated financial statements of the Sava Group.

Condensed income statement of Cardial, d.o.o., for the 2019 financial year

	in EUR 000
	Cardial, d.o.o
	2019
Operating revenue	1,040
Operating expenses	-1,107
OPERATING PROFIT OR LOSS	**-67**
Financial income	0
Financial expenses	-18
FINANCIAL RESULT	**-18**
OTHER	**16**
PROFIT OR LOSS BEFORE TAX	**-69**
Taxes	
NET PROFIT OR LOSS	**-69**

Condensed balance sheet of Cardial, d.o.o., as at 31/12/2019

	in EUR 000
	Cardial, d.o.o
	31/12/2019
Fixed assets and investment property	784
Inventories	0
Current operating receivables	43
Cash	35
Other	10
TOTAL ASSETS	**872**

	in EUR 000
	Cardial, d.o.o
	31/12/2019
Equity	115
Provisions	0
Liabilities	742
Accrued costs and deferred revenue	15
TOTAL LIABILITIES	**872**

2019 – acquisition of financial investment in Hoteli Bernardin, d.d.

At the end of 2018, Sava, d.d., disclosed a 45.37% interest in Hoteli Bernardin, d.d., under financial investment in associated companies. In 2019, an additional 39.45% interest was acquired. On 14/01/2019, Hoteli Bernardin, d.d., became a subsidiary of the Sava Group.

Valuation of assets and liabilities of Hoteli Bernardin, d.d., for the purposes of the first consolidation

For the purposes of the first consolidation of Hoteli Bernardin, d.d., Sava, d.d., obtained an assessment of the fair value of the assets and liabilities of the acquired company from a certified valuer as at 31/12/2018. The most important is the assessment of the fair value of rights to real property.

The properties were assessed as free of encumbrances. Given the purpose, the selected basis of the value was the fair value according to the provisions of IFRS, reduced by costs to sell (estimated in the amount of 2.5% of the market value). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation was performed in accordance with International Valuation Standards (IVS) and Slovenian Business and Financial Standards (SPS). There was no deviation from the provisions of the IVS.

The income-based valuation method and market approach were used in the valuation.

The final amount of the fair value of rights to the real property of Hoteli Bernardin, d.d., as at 31/12/2018 amounted to EUR 77,279 thousand. The estimated value exceeded the book value as at 31/12/2018 by EUR 6,780 thousand, which amounted to EUR 70,499 thousand.

In 2019, Salinera real estate was impaired by EUR 1,202 thousand, in view of the progress of the sale process and related bids. The net positive effect of the takeover of the real estate of Hoteli Bernardin, d.d., at fair value accounted for EUR 5,578 thousand in the consolidated financial statements of the Sava Group.

Disclosure of the effects of a business combination and non-controlling interest – Hoteli Bernardin, d.d.

in EUR 000

	31/12/2019
Consideration for business combination	
Cash payments	7,975
Acquisition of a 10% stake from BAMC - replacement of Melamin, d.d	2,082
Acquisition of a stake from BAMC	5,055
Acquisition of a stake from TCK, d.o.o.	145
Acquisition of a stake from Zavarovalnica Triglav, d.d.	693
Fair value for the previous (existing) stake	9,350
TOTAL	**17,325**
Net assets acquired and liabilities assumed	
Property, plant and equipment	74,152
Intangible assets	166
Investment property	2,962
Other non-current assets	100
Inventories	204
Current operating receivables	806
Cash	4,646
Short-term deferred costs and accrued revenues	466
Provisions and long-term accrued costs and deferred revenues	-1,808
Non-current liabilities	-1,893
Current liabilities	-20,906
Short-term accrued costs and deferred revenues	-808
TOTAL	**58,086**
Non-controlling interests in net assets	8,340
Negative goodwill	-49,102
TOTAL	**17,325**

2019 – sale of Terme Lendava, d.o.o.

A 100% stake in Terme Lendava, d.o.o., was sold on 18/12/2019. The company was established as a SPV on 25/09/2018. The activity of the destination Terme Lendava was transferred to it from Sava Turizem, d.d. The spin-off was made on the cut-off date of 31/05/2018 and entered in the Court Register on 06/03/2019. The company was not significant from the point of view of the Group's financial statements, which is why the sale is not stated as discontinued operations.

Condensed income statement of Terme Lendava, d.o.o., for the 2019 and 2018 financial years*

in EUR 000

	Terme Lendava, d.o.o	
	2019	2018
Operating revenue	4,869	3,098
Operating expenses	-4,781	-3,018
OPERATING PROFIT OR LOSS	**89**	**80**
Financial income	0	0
Financial expenses	0	0
FINANCIAL RESULT	**0**	**0**
OTHER	**-8**	**-1**
PROFIT OR LOSS BEFORE TAX	**80**	**80**
Taxes	-8	-4
NET PROFIT OR LOSS	**73**	**76**

Condensed balance sheet of Terme Lendava, d.o.o., as at 18/12/2019*

in EUR 000

	Terme Lendava, d,o,o	
	18/12/2019	31/12/2018
Fixed assets and investment property	0	8,135
Inventories	0	47
Current operating receivables	0	93
Cash	0	51
Other	0	3
TOTAL ASSETS	**0**	**8,329**

in EUR 000

	Terme Lendava, d.o.o	
	18/12/2019	31/12/2018
Equity	0	7,108
Provisions	0	1,167
Liabilities	0	42
Accrued costs and deferred revenue	0	13
TOTAL LIABILITIES	**0**	**8,329**

**The data shown were included in consolidated financial statements of Sava, d.d., for the 2019 financial year..*

2019 – sale of Sava Nova, d.o.o., Zagreb

A 100-percent stake of Sava, d.d., in Sava Nova, d.o.o., Zagreb, was sold in 2019. The company was not significant from the point of view of the Group's financial statements, which is why the sale is not stated as discontinued operations.

2019 – Acquisition of Sava NRS, d.o.o., and Sava Nepremičnine d.o.o., by Sava, d.d.

The transferring companies Sava Nepremičnine, d.o.o., and Sava NRS, d.o.o., were 100% owned by the acquiring company Sava, d.d. On 11/04/2019, the Board of Directors of the acquiring company gave consent to the acquisition on 31/12/2018, and the acquisition was entered in the Court Register on 01/07/2019. The acquisition was carried out by transfer of all the assets, rights and obligations of the transferring companies, at book values.

2.3.7. Property, plant and equipment

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 prepartion	Advanes for the acquistion 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 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**
Increase in operating leases	0	0	9	0	9
Increase in operating leases	0	-40	-32	-14	-86
Decrease due to sale	0	0	-11	0	-11
Write-downs	**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**
Amortisation/depreciation	0	25	15	14	54
Decrease due to sale	0	0	11	0	11
Write-downs	-11	-224	-28	-7	-271
Depreciation	**-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**
As at 01/01/2019	**300**	**954**	**7**	**61**	**1,322**
Balance as at 31/12/2019	**289**	**714**	**-29**	**54**	**1,029**

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 and, to a lesser extent, the lease of company cars.

As a lessee of San Simon resort, Sava Turizem, d.d., is obligated to pay an annual rent in the amount of EUR 1,082 thousand, which is fully variable. Therefore, the lease is not accounted for as a right-of-use asset and is 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 changes in property, plant and equipment of the Sava Group for 2019

in EUR 000

	Land	Buildings	Production plant and machinery	Other plant and equipment	Assets under prepartion	Advanes for the acqusition of property, plant and equipment	TOTAL
COST							
As at 31/12/2018	**20,478**	**251,542**	**44,768**	**5,414**	**613**	**27**	**322,842**
Right-of-use assets	**311**	**1,731**	**14**	**0**	**0**	**0**	**2,057**
As at 01/01/2019	**20,790**	**253,273**	**44,782**	**5,414**	**613**	**27**	**324,899**
Purchasing	0	1,214	1,280	1,143	9,483	0	13,119
Increase of advance payments	0	-17	-10	-1	0	6,138	6,110
Decrease of advance payment	0	17	10	1	0	-2,255	-2,227
Activation	0	4,066	380	66	-4,513	0	0
Increase in operating leases	0	101	0	41	0	0	142
Increase due to acquisitions	30,809	90,166	0	18,083	92	0	139,150
Transfers	0	-1,610	0	-172	-12	0	-1,793
Decrease due to sale	-1,253	-1,170	-86	-109	0	0	-2,618
Decrease due to sale of sub-sidiary	-2,636	-22,242	-3,857	-204	0	-8	-28,947
Write-downs	0	-101	-839	-3,711	-30	0	-4,681
Impairment	0	-258	-152	-1	0	0	-412
Balance as at 31/12/2019	**47,709**	**323,439**	**41,508**	**20,549**	**5,634**	**3,901**	**442,740**
VALUE ADJUSTMENT							
As at 31/12/2018	**0**	**-126,448**	**-37,154**	**-3,724**	**0**	**0**	**-167,326**
Right-of-use assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**
As at 01/01/2019	**0**	**-126,448**	**-37,154**	**-3,724**	**0**	**0**	**-167,326**
Increase due to acquisitions	-262	-49,703	0	-14,979	0	0	-64,944
Transfers	0	675	0	174	0	0	849
Decrease due to sale	0	19	82	74	0	0	175
Decrease due to sale of sub-sidiary	0	12,915	3,458	118	0	0	16,492
Write-downs	0	24	812	3,594	0	0	4,430
Impairment	0	-1,140	107	2	0	0	-1,031
Amortisation/depreciation	-11	-7,269	-1,564	-1,502	0	0	-10,345
Balance as at 31/12/2019	**-273**	**-170,926**	**-34,258**	**-16,243**	**0**	**0**	**-221,701**
CARRYING AMOUNT							
As at 31/12/2018	**20,478**	**125,094**	**7,614**	**1,690**	**613**	**27**	**155,516**
Right-of-use assets	**311**	**1,731**	**14**	**0**	**0**	**0**	**2,057**
As at 01/01/2019	**20,790**	**126,825**	**7,628**	**1,690**	**613**	**27**	**157,572**
Balance as at 31/12/2019	**47,436**	**152,513**	**7,250**	**4,306**	**5,634**	**3,901**	**221,039**

Additional disclosure Right-of-use assets/operating leases of the companies in the Sava Group for 2019

in EUR 000

	Land	Buildings	Production plant and machinery	Other plant and equipment	TOTAL
COST					
As at 31/12/2018	**0**	**0**	**0**	**0**	**0**
Right-of-use assets	**311**	**1,731**	**14**	**0**	**2,057**
As at 01/01/2019	**311**	**1,731**	**14**	**0**	**2,057**
Increase in operating leases	0	101	0	41	142
Balance as at 31/12/2019	**311**	**1,832**	**14**	**96**	**2,253**
VALUE ADJUSTMENT					
As at 31/12/2018	**0**	**0**	**0**	**0**	**0**
Right-of-use assets	**0**	**0**	**0**	**0**	**0**
As at 01/01/2019	**0**	**0**	**0**	**0**	**0**
Amortisation/depreciation	-11	-295	-7	-34	-348
Balance as at 31/12/2019	**-11**	**-295**	**-7**	**-34**	**-348**
CARRYING AMOUNT					
As at 31/12/2018	**0**	**0**	**0**	**0**	**0**
Right-of-use assets	**311**	**1,731**	**14**	**0**	**2,057**
As at 01/01/2019	**311**	**1,731**	**14**	**0**	**2,057**
Balance as at 31/12/2019	**300**	**1,537**	**7**	**61**	**1,906**

The right-of-use assets/operating leases of the companies of the Sava Group were related to the lease of business premises and parking lots in the administrative building in Ljubljana, the lease of business premises for the subsidiary that performed healthcare services in Ljubljana, the lease of land in Moravske Toplice and, to a lesser extent, the lease of company cars.

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**

Table of mortgages as at 31/12/2019

in EUR 000

	Carrying amount of mortgaged assets	Value of the mortgage on real estate
Sava Turizem, d.d.	102,683	38,947
Hoteli Bernardin, d.d.	26,706	16,693
TOTAL	**129,389**	**55,639**

2.3.8. Intangible assets

Table of changes in intangible assets of the Sava Group for 2020 and 2019

in EUR 000

	31/12/2020	31/12/2019
COST		
Balance as at 01/01	**2,589**	**2,245**
Increases, purchases	90	112
Activation	5	0
Increase due to acquisition	0	600
Transfers	0	-6
Decreases	0	-3
Decrease due to sale of companies	-245	-21
Write-downs	-43	-339
Balance at end of period	**2,396**	**2,588**
VALUE ADJUSTMENT		
Balance as at 01/01	**-1,633**	**-1,387**
Increase due to acquisition	0	-434
Decrease due to sale of companies	0	20
Transfers	0	3
Write-downs	43	327
Amortisation/depreciation	-150	-161
Balance at end of period	**-1,740**	**-1,632**
CARRYING AMOUNT		
Balance as at 01/01	**956**	**858**
Balance at end of period	**657**	**956**

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 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**

As at 31/12/2020, the investment property Jeruzalem Hotel was transferred to held-for-sale assets on the basis of a concluded sales agreement.

Investment properties leased out accounted for revenues of EUR 797 thousand (2019: EUR 1,336 thousand) and expenses of EUR 149 thousand (2019: EUR 160 thousand). No costs were disclosed on investment property that was not leased (2019: EUR 4 thousand).

We estimate that the fair value of investment property as at 31/12/2020 does not significantly deviate from the carrying amount.

Table of changes in investment property of the Sava Group for 2019

in EUR 000

	Land – investment property	Buildings – investment property	TOTAL
COST			
As at 01/01/2019	**2,615**	**4,414**	**7,028**
Acquisition, increase	0	37	37
Transfer	-2	-2	-3
Increase due to acquisitions	0	4,886	4,886
Write-downs	0	-98	-98
Balance as at 31/12/2019	**2,613**	**9,236**	**11,849**
VALUE ADJUSTMENT			
As at 01/01/2019	**-1,041**	**-2,741**	**-3,782**
Transfer	1	2	3
Increase due to acquisitions	0	-1,924	-1,924
Write-downs	0	96	96
Impairment	-36	0	-36
Amortisation/depreciation	0	-168	-168
Balance as at 31/12/2019	**-1,076**	**-4,736**	**-5,812**
CARRYING AMOUNT			
As at 01/01/2019	**1,574**	**1,673**	**3,246**
Balance as at 31/12/2019	**1,537**	**4,501**	**6,038**

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 691 thousand (31/12/2019: EUR 693 thousand) has not significantly changed compared to the year before.

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

in EUR 000

	31/12/2020	31/12/2019
Shares of listed companies	131	146
Shares and stakes of unlisted companies	560	547
TOTAL	**691**	**693**

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

in EUR 000

	31/12/2020	31/12/2019
Balance as at 01/01	**693**	**712**
Business combinations	0	1
Transfer of the investment to investments in Group companies	0	-1
Transfer of shares in Group companies to investments	13	0
Change in fair value	-15	13
Disposals - at cost	0	-32
Balance at end of period	**691**	**693**

The value of other shares and stakes as at 31/12/2020 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

The value of non-current operating receivables equalling EUR 26 thousand has not significantly changed compared to the year before.

2.3.12. Assets held for sale

Assets held for sale totalling EUR 563 thousand include the real estate Jeruzalem Ljutomer Hotel, which was sold at the beginning of 2021.

2.3.13. Inventories

Table of inventories

in EUR 000

	Gross value 31/12/2020	Write-offs in the year 2020	Net value 31/12/2020	Net value 31/12/2019
Material	455	0	455	625
Merchandise	74	0	74	79
TOTAL	**529**	**0**	**529**	**704**

2.3.14. Current operating and other receivables

Table of current operating and other receivables

in EUR 000

	31/12/2020	31/12/2019
Trade receivables	506	2,897
Accrued receivables	2,164	955
Advances given	58	76
Receivables for VAT and other taxes	539	1,342
Other receivables	969	267
TOTAL	**4,236**	**5,537**

2.3.15. Short-term loans granted

Table of short-term loans granted

in EUR 000

	31/12/2020	31/12/2019
Short-term loans granted	15,600	5,500
TOTAL	**15,600**	**5,500**

Short-term loans in the amount of EUR 15,600 thousand (31/12/2019: EUR 5,500 thousand) constitute deposits to commercial banks.

Additional disclosure:

In the comparative year of 2019, short-term loans granted also included a loan granted to NFD Holding, d.d. - in bankruptcy. Bankruptcy proceedings were completed in 2020:

- On 10/08/2020, the receiver of NFD Holding, d.d. - in bankruptcy, submitted to the District Court of Ljubljana the document Plan for Special Distribution of Bankruptcy Estate – assets that cannot be liquidated. BAMC, d.d., the creditor with the right to separate settlement, gave consent for the takeover of the assets on which it had a lien in first position. Thus, the conditions were fulfilled for the takeover of all shares, including those received by Sava, d.d., by entering a pledge in the second position, whereby Sava, d.d., no longer had the option of recovering the remaining receivable due from NFD Holding, d.d. - in bankruptcy.
- On 10/12/2020, the District Court of Ljubljana issued a Decision terminating the bankruptcy proceedings against the debtor NFD Holding, d.d. - in bankruptcy.
- Based on the court's decision, Sava, d.d., wrote-off receivables from its books of account in the total amount of EUR 1,141 thousand, for which a value adjustment had already been made in full in the past.

2.3.16. Cash and cash equivalents

Table of cash and cash equivalents

in EUR 000

	31/12/2020	31/12/2019
Bank balances and cash in hand	15,920	22,119
TOTAL	**15,920**	**22,119**

2.3.17. Equity capital and reserves

Equity of the Sava Group as at 31/12/2020

As at 31/12/2020, the equity of the Sava Group amounted to EUR 106,676 thousand (31/12/2019: EUR 117,881 thousand). It was EUR 11,205 thousand lower year-on-year.

Share capital

The share capital of the controlling company Sava, d.d., amounts to EUR 29,083 thousand (31/12/2019: 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 per share.

Paid-in capital surplus

Paid-in capital surplus in the amount of EUR 43,357 thousand (31/12/2019: EUR 43,357 thousand) was created in 2016 within the scope of the compulsory composition procedure over Sava, d.d. It represents the difference between the registration of share capital and the registration of the creditors' total in-kind contributions in the capital of Sava, d.d.

Fair value reserves

Fair value reserves are negative, totalling EUR 167 thousand (31/12/2019: EUR 137 thousand), comprising items that will not be reclassified through profit or loss.

Retained net profit

in EUR 000

Changes in retained net profit	31/12/2020	31/12/2019
Retained profit from previous years	36,839	-16,083
90% write-off of secured financial liabilities of Sava, d.d., pursuant to the provisions of the Financial Restructuring Plan*	0	15,816
Effects of subsequent acquisitions of minority interest in Hoteli Bernardin, d.d.	0	8,328
Sava, d.d. – Use of profit for 2019 to cover retained net loss	0	-696
Other changes	480	-183
Net profit/loss for the period attributable to equity holders of the parent	-10,179	29,657
Retained net profit	**27,140**	**36,839**

**As a result of the disposal of the assets provided as collateral for financial liabilities of Sava, d.d., the remainder of the liabilities, i.e. 90% or EUR 15,816 thousand, was written off in accordance with the provisions of the Financial Restructuring Plan thus covering the past retained loss.*

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

in EUR 000

	2020	2019
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

in EUR 000

	2020	2019
Net profit/loss for the period (in EUR 000)	-10,490	30,004
Net profit/loss for the period attributable to equity holders of the parent (in EUR 000)	-10,179	29,657
Weighted average number of ordinary shares outstanding	29,082,968	29,082,968
Basic loss/earnings per share (in EUR)	**-0.35**	**1.02**

Diluted net earnings/loss per share equal(s) the basic net earnings/loss per share, because the capital is composed solely of 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 21,015 thousand on 31/12/2020 (31/12/2019: EUR 17,211 thousand).

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

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

Table of companies with non-controlling interests

in EUR 000

	Non-controlling interest		Capital attributable to non-controlling interest		Profit attributable to non-controlling interest	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Sava Turizem, d.d.	4.53%	0.09%	7,263	98	-311	7
Sava Zdravstvo, d.o.o.*	4.53%	0.09%	0	0	0	0
Cardial, d.o.o.**	0.00%	15.07%	0	17	0	-11
SEIC Institute*	52.26%	7.58%	0	4	0	1
Hoteli Bernardin, d.d.***	0.00%	15.18%	0	8,340	0	351
BLS Storitve, d.o.o.*	32.72%	30.00%	0	6	0	-1
TOTAL			**7,263**	**8,465**	**-311**	**347**

**The companies are not included in the consolidated financial statements due to immateriality.*
***The company was sold in 2020.*
****The acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d., was entered in the Court Register on 01/04/2020.*

2.3.18. Non-current provisions

Table of changes in non-current provisions

in EUR 000

	Balance as at 31/12/2019	Balance as at 01/01/2020	Established	Reversed	Used	Balance as at 31/12/2020
Provisions for severance pay and similar liabilities	2,529	2,529	483	-38	-157	2,818
Provisions for lawsuits and other claims	762	762	1,473	-622	-115	1,498
Other	2	2	0	0	-1	2
TOTAL	**3,293**	**3,293**	**1,956**	**-660**	**-272**	**4,318**

The accrued non-current liabilities to employees represent liabilities for severance payment upon retirement and jubilee benefits. As at 31/12/2020, 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 31/12/2020 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 selected discount rate of 1.8% per annum representing a two-year average of interest rates on long-term bonds issued by the Republic of Slovenia.

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

2.3.19. Deferred government grants

Table of changes in deferred government grants

in EUR 000

	Balance as at 31/12/2019	Balance as at 01/01/2020	Increases during the year	Reversed	Used	Balance as at 31/12/2020
Provisions from exemption from contri-butions	0	0	0	0	0	0
Assets of European and other funds	6,378	6,377	0	-40	-271	6,066
TOTAL	**6,378**	**6,377**	**0**	**-40**	**-271**	**6,066**

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 and invest in expansion of the Salinera Hotel.

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

	31/12/2020	31/12/2019
LONG-TERM LOANS		
Loans from domestic banks	76,506	48,506
Total loans from banks	**76,506**	**48,506**
Loans from others	1,981	3,276
Total long-term loans	**78,487**	**51,782**
CURRENT FINANCIAL LIABILITIES		
Short-term portion of long-term loans from banks	4,974	4,974
Total short-term loans from banks	**4,974**	**4,974**
Short-term loans from others	51,582	51,714
Total current financial liabilities	**56,555**	**56,688**
Total loans received and other financial liabilities	**135,042**	**108,470**

Short-term loans from others in the amount of EUR 50,844 thousand (31/12/2019: EUR 50,844 thousand) refer to financial liabilities of the controlling company Sava, d.d., to three creditors, who are also its largest owners.

Terms and conditions of loans

31/12/2020	Interest rate (% p.a.)	Maturity of last instalment	Type of collateral
Financial receivables from loans (ex-cluding revolving loans)	3M EURIBOR + 0,35 do 0,50 3M EURIBOR + 2,15 6M EURIBOR + 0,63 do 0,71 6M EURIBOR + 2,50 6M EURIBOR + 8,00	2021 - 2036	bill of exchange, bank guaran-tee, mortgage on real estate, pledge of securities

Table of the maturity of long-term loans

in EUR 000

	31/12/2020	31/12/2019
1-2 years	14,229	11,134
2-5 years	29,576	22,688
over 5 years	34,681	17,959
TOTAL	**78,487**	**51,782**

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	333	78,154	78,487
short-term loans	50	56,505	56,555
TOTAL	**383**	**134,659**	**135,042**

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 property in the amount of EUR 111,624 thousand (note provided also under item 2.3.7.)

Financial liabilities of Sava, d.d., are secured by pledged shares in the total 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

	31/12/2020	31/12/2019
Liabilities – revaluation of assets to fair value	-416	-398
Receivables – provisions according to actuarial calculation, litigations	233	192
Liabilities – business combinations	-2,571	-2,571
TOTAL	**-2,753**	**-2,776**

Table of changes in deferred tax liabilities/assets

in EUR 000

	31/12/2020	31/12/2019
Balance as at 31/12	**-2,776**	**104**
Business combination	0	95
Balance as at 01/01	**-2,776**	**199**
Changes in deferred tax liabilities - through profit or loss	**23**	**-2,071**
Change in receivables for provisions for severance pay	40	9
Change in liabilities due to business combination	-20	-2,080
Change in receivables due to revaluation, sale or end of ownership of securities - through profit or loss	3	0
Changes in deferred tax liabilities - in other comprehensive income	**0**	**-904**
Other changes in liabilities	0	-16
Change in liabilities due to business combination	0	-888
Balance at end of period	**-2,753**	**-2,776**

Deferred tax assets that were not accounted arose from impairments of non-current financial assets in the amount of EUR 151 thousand as at 31/12/2020 (31/12/2019: EUR 915 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 83,047 thousand on 31/12/2020 (31/12/2019: EUR 76,995 thousand).

Total deferred tax assets that were not accounted amounted to EUR 83,198 thousand as at 31/12/2020 (31/12/2019: EUR 77,910 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

	31/12/2020	31/12/2019
Trade payables	3,750	8,787
Liabilities for obtained advances	1,167	1,602
VAT and other taxes	527	1,226
Liabilities to employees	1,963	2,475
Other operating liabilities	3,210	618
TOTAL	**10,616**	**14,708**

2.3.23. Current provisions

Current provisions in the amount of EUR 9,639 thousand (31/12/2019: EUR 9,066 thousand) mostly represent current provisions for severance pay, unused hours and annual leave, deferred revenue from the loyalty programme and short-term accrued revenue from the sale of gift vouchers and prepaid lump sums and market dues as well as swimming-pool tickets

2.3.24. Revenue from contracts with customers

Table of revenue from contracts with customers

in EUR 000

	2020	2019
Revenues from the sale of products	0	29
Rental income	797	1,336
Revenues from services rendered	54,114	107,612
Revenues from merchandise sold	261	701
TOTAL	**55,172**	**109,679**

2.3.25. Other operating revenues

Table of other operating revenue

in EUR 000

	2020	2019
Use and reversal of provisions for severance payment, jubilee benefits, overtime and annual leave	40	246
Drawing of deferred revenues from EU funds	294	507
Use of incentives for the disabled, scholarships	114	142
Reversal of provisions for lawsuits and other claims	622	0
Gains on the sale of property, plant and equipment	88	1,043
Gains on the disposal of investment property	0	90
Support received in connection with covid-19 related government measures	6,931	0
Derecognition of accrued allowance for receivables	83	96
Other operating revenues	909	1,037
TOTAL	**9,082**	**3,161**

2.3.26. Costs by functional group

Table of costs by functional group

in EUR 000

	2020	2019
Production costs of products and services sold	49,147	77,640
Selling costs	3,350	7,349
Costs of general activities	18,113	20,059
TOTAL	**70,609**	**105,048**

The production costs of products and services sold are associated with direct costs in companies from the Tourism division.

2.3.27. Labour costs

Table of labour costs

in EUR 000

	2020	2019
Wages and salaries	20,237	26,148
Costs of social insurance	3,353	4,411
Other labour costs	4,623	6,772
TOTAL	**28,213**	**37,330**

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. Over the course of the year, there were 611 employees employed on average (2019: 1,269 employees).

2.3.28. Write-downs

Table of write-downs

in EUR 000

	2020	2019
Property, plant and equipment - impairment	10	1,444
Property, plant and equipment - write-offs	122	251
Property, plant and equipment - loss on sale	4	48
Intangible assets – write-offs	0	12
Investment property - impairment	250	36
Investment property - loss on sale	0	2
Receivables	255	191
TOTAL	**642**	**1,985**

In 2020, a receivable of Sava Turizem, d.d., in the amount of EUR 255 thousand was impaired through profit or loss (2019: EUR 191 thousand).

2.3.29. Other operating expenses

Table of other operating expenses

in EUR 000

	2020	2019
Formation of non-current provisions	1,465	403
Other operating expenses	1,830	3,770
TOTAL	**3,294**	**4,173**

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

Other data on costs

in EUR 000

	2020	2019
Costs of research and development	**0**	**0**
Direct operating expenses for investment properties	**149**	**164**
– Rent-generating	149	160
– Not generating revenue	0	4

2.3.30. Net financial income and profit participation in associates

Table of the composition of financial income and expenses

in EUR 000

	2020	2019
Gains on the sale of financial assets	81	2,354
Dividends and profit participations	3	46
Revenues from consolidation of Hoteli Bernardin, d.d.	0	24,089
Interest income	3	57
Other	1	1,252
Financial income	**88**	**27,799**
Interest expenses	-4,230	-2,240
Impairment of available-for-sale financial assets	-16	0
Loss on the sale of financial assets	0	-10
Other	0	-175
Financial expenses	**-4,246**	**-2,425**
Net revenue/expenses	**-4,158**	**25,374**

Revenues for the previous year from the first consolidation of Hoteli Bernardin, d.d., in the amount of EUR 24,089 thousand are the positive difference between the cost of the investment and the pertaining equity of the acquired company. Interest expenses include EUR 32 thousand of interest from operating leases.

2.3.31. Corporate income tax

Table of income tax recognised in the income statement

in EUR 000

	2020	2019
Tax assessed for the current year		
– For the current year	0	-1,092
Total	**0**	**-1,092**
Deferred tax		
– Newly arisen and withdrawn temporary differences	23	-2,070
Total	**23**	**-2,070**
Tax to the debit of profit and loss	**23**	**-3,162**

Table of comparison between the actual and calculated tax rate

in EUR 000

	rate	2020	rate	2019
Pre-tax profit in accordance with IFRS		-10.513		33.166
Income tax based on the official rate	19.0%	-1.997	19.0%	6.302
Expenses not recognised for tax purposes	-4.5%	478	1.5%	497
Non-taxable revenue	3.5%	-364	-36.0%	-11.944
Difference in the tax base due to transition to new accounting methods following changes to accounting policies	0.4%	-39	-0.0%	-4
Tax reliefs not recognised in profit or loss	0.0%	0	-0.6%	-190
Effect of companies operating at a loss and effect of losses in consolidation	-18.1%	1.900	25.6%	8.502
Effective tax rate	**0.2%**	**-23**	**9.5%**	**3.162**

2.3.32. Financial instruments

Solvency risk

Financial liabilities of Sava, d.d., arising from principals, interest and fees account for 37% of the carrying amount of non-derivative financial liabilities of the Sava Group and fall due in 6 months (at the end of June 2021). Sava, d.d., has already received a binding statement from most existing creditors on refinancing of total financial liabilities.

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 collateral for financial liabilities is significantly higher than the amount of financial liabilities.

Table of values related to solvency risk

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**

in EUR 000

31/12/2019	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	**123,219**	**-103,891**	**-62,357**	**-4,759**	**-8,987**	**-17,635**	**-10,153**
Secured bank loans (excluding associates)	53,479	-37,679	0	-3,394	-8,201	-16,685	-9,399
Trade payables and other liabilities	14,750	-10,148	-10,148	0	0	0	0
Other financial liabilities	54,532	-55,606	-52,180	-1,336	-679	-779	-632
Liabilities from finance lease	458	-458	-29	-29	-107	-171	-122
TOTAL	**123,219**	**-103,891**	**-62,357**	**-4,759**	**-8,987**	**-17,635**	**-10,153**

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 changes in EURIBOR.

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

The interest rate risk is medium 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 the deteriorated age structure and additional value adjustments of receivables compared to the previous year, alongside limited operations of Sava Turizem, d.d., owing to the shut-down of tourism facilities and a minimal volume of business only as a result of health care services provided at thermal destinations.

Table of trade receivables by geographical region

in EUR 000

	Carrying amount	
	31/12/2020	31/12/2019
Slovenia	492	2,432
Other EU countries	7	372
Other	7	93
TOTAL	**506**	**2,897**

Table of balance and changes of value adjustments in trade receivables

in EUR 000

	2020	2019
Opening balance	578.3	400
Increase in the value adjustment due to business combination	0	168
Increase in value adjustment	255	163
Decrease in value adjustment	-69	-153
Closing balance	**765**	**578**

Age structure of trade receivables

in EUR 000

	31/12/2020			31/12/2019		
	Gross receivables	Impairment	Net receivables	Gross receivables	Impairment	Net receivables
Not yet due	544	0	544	2,510	0	2,510
Past due 0 - 30 days	-7	31	-38	398	29	369
Past due 31 - 120 days	133	133	0	121	103	18
Past due more than 120 days	601	601	0	446	446	0
TOTAL	**1,271**	**765**	**506**	**3,475**	**578**	**2,897**

Foreign exchange risk

The Sava Group mainly does business in the euro area. There were no derivatives to hedge against foreign exchange risk in 2020. 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

	31/12/2020		31/12/2019	
	Total in EUR	EUR	Total in EUR	EUR
Trade receivables	506	505	2,897	2,897
Secured bank loans	-81,479	-81,479	-53,479	-53,479
Trade payables and other liabilities	-10,647	-10,647	-14,750	-14,750
Other loans received	-53,180	-53,180	-54,532	-54,532
Balance sheet gross exposure	**-144,800**	**-144,801**	**-119,864**	**-119,864**
Estimated sales forecast*	0	0	99,935	99,935
Estimated purchasing forecast*	0	0	-47,884	-47,884
Gross exposure	**0**	**0**	**52,051**	**52,051**
Net exposure	**-144,800**	**-144,801**	**-67,813**	**-67,813**

* Due to uncertainties, unclear policies and divergent views of creditors and owners of Sava, d.d., regarding future activities, the Business Plan of Sava, d.d., and the Sava Group for 2021 has not been adopted.

Analysis of sensitivity to financial risks

Analysis of sensitivity to interest rate changes

Besides the additionally obtained long-term loan of Sava Turizem, d.d., in the amount of EUR 20 million, the financial liabilities of the parent company Sava, d.d., represent about 38% of total financial liabilities of the Sava Group. The remainder of financial liabilities relates of the Sava Group subject to fixed interest margin is tied to the EURIBOR variable interest rate, which remained negative in recent years and no major changes are expected in the following year. 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 medium. Should interest margins for credit liabilities of the Sava Group companies change by 50 basis points, the annual interest expense would change by EUR 682 thousand given the balance of such indebtedness at the end of 2020.

Analysis of the sensitivity to increased indebtedness

At the end of 2020, the Sava Group had EUR 135.0 million worth of current and non-current financial liabilities. Taking into account additional interest and fee payable of Sava, d.d., the respective amount is EUR 138.5 million. In view of the existing volume of indebtedness, which increased by EUR 20 million in 2020 due to the negative circumstances of covid-19 in order to provide liquidity to cover current liabilities, no new loans are planned to be raised in the coming year.

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

	31/12/2020 Carrying amount	31/12/2020 Fair value	31/12/2019 Carrying amount	31/12/2019 Fair value
Financial assets measured at fair value through profit or loss	691	691	693	693
Assets held for sale	563	563	0	0
Current receivables	4,236	4,236	5,537	5,537
Loans granted	15,600	15,600	5,500	5,500
Cash and cash equivalents	15,920	15,920	22,119	22,119
Long-term loans with a fixed interest rate	-333	-333	-400	-400
Long-term loans with a variable interest rate	-78,154	-78,154	-51,382	-51,382
Short-term loans	-56,555	-56,555	-56,688	-56,688
Current operating liabilities	-10,616	-10,616	-14,708	-14,708

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

	31/12/2020				31/12/2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available-for-sale securities	691	143	0	548	693	145	0	548
TOTAL	**691**	**143**	**0**	**548**	**693**	**145**	**0**	**548**

2.3.34. Contingent liabilities

As at 31/12/2020, the Sava Group companies have no significant contingent liabilities except denationalisation claims explained under item 2.3.37.

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 and internal audit 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 to the owners in the total amount of EUR 54,259 thousand (31/12/2019: EUR 51,077 thousand) refer to financial liabilities arising from the loans received, operating liabilities arising from interest for the period from December 2019 to December 2020 as well as from fees for reprogramming financial liabilities.

Expenses of Sava, d.d., of EUR 3,307 thousand (2019: EUR 1,244 thousand) include interest charged on financial liabilities and the fees for loan reprogramming.

Outstanding liabilities to the companies associated with the owners in the total amount of EUR 29,524 thousand (31/12/2019: EUR 14,387 thousand) are disclosed under companies in the Tourism division 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 2,969 thousand (2019: EUR 4,655 thousand) comprise accounted 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 31/12/2020	Outstanding liabilities as at 31/12/2020	Revenues in 2020	Expenses in 2020
Transactions with the owners (over 20%)	**0**	**54,259**	**0**	**3,307**
York Global Finance Offshore BDH (Luxembourg) S.à r.l.	0	6,377	0	385
Slovenski državni holding, d.d.	0	23,941	0	1,461
Kapitalska družba, d.d.	0	23,941	0	1,461
Transactions with the companies associated with the owners	**44**	**29,524**	**104**	**2,969**
TOTAL	**44**	**83,783**	**104**	**6,276**

Relations with natural persons

Ownership of the share of Sava as at 31/12/2020

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 2020

in EUR 000

	31/12/2020	31/12/2019
CEO of Sava, d.d.	138	200
Management team members in Group companies	580	770
Other employees with individual employment contracts in Group companies	5,931	7,752
Members of the Board of Directors of Sava, d.d., and Supervisory Board members in Group companies	263	336

Receivables of Group companies due from related parties

As at 31/12/2020, the Sava Group companies have no receivables due from related natural persons.

Liabilities of Group companies to related parties

As at 31/12/2020, the Sava Group companies disclosed liabilities to related persons arising only from accounted labour costs in December 2020, which were paid out in January 2021.

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 1.2.5.4. of the financial section of the Annual Report of Sava, d.d.

Disclosures of remunerations of the management, Supervisory Board members and employees working under individual employment contracts at Sava Turizem, d.d., are presented in item 5.2.4.38. 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

	2020	2019
Costs of auditing the annual report	93	113
Costs of other auditing services	0	5
Other non-audit services	25	0
TOTAL	**118**	**119**

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

A. Denationalisation claim – Höhn-Šarič

Two proceedings are currently pending in the case.

Denationalisation claim ref. no. 321-195/1993

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 a 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.

Denationalisation claim no. 301-35/1993 (339-33/2009)

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-percent owned by Wilhelmina Hohn Šarič.

The Administrative Court of the Republic of Slovenia passed the Judgment ref. no. II 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.

In the repeated procedure, the administrative body has not yet decided on the denationalisation of the real estate.

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.;

B. Denationalisation claim – Černič

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.

C. Denationalisation claim – Bartole

At the Piran Administrative Unit, the applicants Maria Rosa B. and Marko F., as the legal successors of the expropriated Giorgio Bartoletti (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 no. 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, 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. Explanation of litigation procedures in connection with the acquisition of Hoteli Bernardin, d.d., by Sava Turizem, d.d.

A. Semita, d.o.o., before the District Court in Koper, ref. no. I Pg 72/2020, amount in dispute: EUR 10,000

The plaintiff Semita, d.o.o., filed a lawsuit on 27/03/2020 for annulment of the resolutions of the General Meeting (alternatively, to challenge the resolutions of the General Meeting) adopted at the General Meeting of the defendant on 28/02/2020, relating to the acquisition of Hoteli Bernardin, d.d., by the acquiring company Sava Turizem, d.d.

On 05/10/2020, we filed a response to the action, wherein we fully objected to all of the plaintiff's claims; on 18/11/2020, we submitted a written pleading.

A preliminary hearing and the first hearing for the trial in this commercial dispute is scheduled for 13/04/2021.

B. The applicant Semita d.o.o. before the District Court in Ljubljana, ref. no. Ng 25/2020, for judicial review of the exchange ratio

On 05/05/2020, the applicant SEMITA d.o.o., on the basis of the provisions of Article 605 of the Companies Act, filed an application for a judicial review of the exchange ratio, stating that the exchange ratio in the amount of 1.0473 ordinary no-par value share of the acquiring company for 1 ordinary no-par value share of the acquired company was too low. It proposes that the Court rule that the provision of the acquiring company's shares at the exchange ratio specified in the acquisition agreement does not constitute appropriate compensation for the acquired company's shares and that the acquiring company is therefore obliged to make an additional cash payment to the applicant.

On 12/06/2020, we filed a response to the motion as the opposing party, fully opposing the applicant's motion and proposed that the court reject it in its entirety.

By Decision of 03/08/2020, the court appointed Željko Kranjec, lawyer from Ljubljana, a joint representative of shareholders involved in the procedure of acquisition of Hoteli Bernardin, d.d., by the acquiring company Sava Turizem, d.d. On 12/10/2020, the court held a preliminary hearing, which we attended.

On 29/10/2020, the court issued two decisions in the case concerned; the first ordering us to make an advance for the conciliation board to test the exchange ratio, and the second ordering us to make an advance for the joint representative of minority shareholders.

On 03/02/2021, the court issued a Decision wherein it ruled that the proceedings in question be suspended until a final decision is made in the commercial dispute before the District Court of Koper, ref. no. I Pg 72/2020.

2.3.39. 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:

- Sava, d.d., has already received a binding statement from most existing creditors on support of further refinancing of total financial liabilities falling due on 30/06/2021. Despite the uncertain situation, Sava, d.d., has been successfully implementing the Strategy of the Sava Group and Sava, d.d., 2019-2023, adopted in 2019.
- In relation to the dispute between Sava, d.d., and the Bank of Slovenia as the defendant, the Supreme Court of the Republic of Slovenia, in its judgment of 19/01/2021, 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 persons.
- On 21/01/2021, Sava Turizem, d.d., sold the real estate Jeruzalem Hotel in Ljutomer and the appurtenant land in accordance with the contract dated 23/11/2020.
- In 2020, Sava Turizem, d.d., continued the process of selling the Salinera Hotel Resort in Strunjan.
- The resort is planned to be sold and leased by Sava Turizem, d.d. The execution of all necessary binding legal transactions is scheduled for March 2021. The sale process is projected in two phases, namely the sale of building land with facilities, equipment and brands of the Salinera Hotel Resort and the conclusion of a lease and license contract, followed by the sale of forest land within the Salinera Hotel Resort and the inclusion of these lands in the lease.
- The sale of a 25.1% stake in the private institute SEIC is in progress.

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 31/12/2020.

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 2020.

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, 31/03/2021

Board of Directors of Sava, d.d.

Klemen Boštjančič, Chairman

CEO of Sava, d.d. Gregor Rovanšek

Dejan Rajbar, Deputy Chairman

Vanessa Grmek, Member

Matej Narat, Member

Aleš Škoberne, Member

2.5. Independent Auditor's Report for the Sava Group

Deloitte.

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

Opinion

We have audited the consolidated financial statements of the company Sava d.d. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 Opinon

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

Emphasis of matter

Contingent liabilities

As discussed in Note 2.3.38. (Explanation in connection with the status of denatinalisation 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, 2020. 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
We draw attention to Note 2.3.5 (Liquidity risk) to the consolidated financial statements, which indicates that in accordance with the 2019 compulsory settlement, the parent company Sava d.d. has repaid all of its creditors with the exception of three creditors, which are also the owners of the company. Financial liabilities due to those three creditors as at December 31, 2020 were EUR 53.759 thousand and will become due on June 30, 2021. The company has already obtained binding statements from most creditors to refinance its entire financial liabilities. The Liquidity risk management is explained in more detail in Note 2.3.5. Our opinion is not modified in respect of this matter.

Impact of COVID-19 on Group's operations
We draw attention to Note 2.3.5. (Liquidity risk) to the consolidated financial statements, which indicates that the group was significantly affected by the COVID-19 due to the impact on the tourist division. Management has taken measures in that regards and has prepared an estimate of the impact on business for 2021. The matter is explained in more detail in Note 2.3.5. Our opinion is not modified in respect of this matter.

Other information
Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.
Our opinion on the consolidated financial statements does not cover the other information and we express no assurance thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.
In relation to this and based on our procedures performed, we report that:

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

Responsibilities of Management and Management Board for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements of the Group, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Management Board is responsible for overseeing the Group's financial reporting process and for approving audited annual report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

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

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, March 31 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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