Elektro Primorska
podjetje za distribucijo električne energije, d.d.

# Annual Report

of Elektro Primorska, d.d. and
the Elektro Primorska Group
Financial Year

2021

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# ANNUAL REPORT
# OF ELEKTRO PRIMORSKA, D.D.
# AND THE ELEKTRO PRIMORSKA GROUP
# FINANCIAL YEAR 2020

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# A

# Business Report of Elektro Primorska, d.d. and the Elektro Primorska Group


**Uroš Blažica**,
President of the Management Board

# 1. Report by the Management Board[1]

Dear shareholders, colleagues and business partners,

this year's annual report is the last report of the Group Elektro Primorska, as the sale of the subsidiary E 3, d.o.o., ended on January 5 2021. Nevertheless, the report for 2021 must still cover all financial statements and non-financial data for the Group. Due to the sale of a subsidiary, we are abandoning the status of the group and remain the company Elektro Primorska with the basic activity of electricity distribution. This report is not only the last on such a scale, but also different in content compared to previous years. Report was prepared for the first time in accordance with the global guidelines of the GRI (Global Reporting Initiative), which sets the world's most widespread model and standards in sustainable reporting. GRI reporting is based on measurable indicators of organization's economic, social and environmental impact. These encourage companies to understand the development strategy more broadly and to set broader economic, environmental and social goals in addition to their financial management goals. In the Elektro Primorska Company, we have selected a set of indicators in accordance with our own guidelines for sustainable development. In preparing the content, the key principles were those of sustainable reporting, but also the equal inclusion of financial and non-financial business data. In addition to financial information and data on organizational management and values, the annual report also contains data on the benefits and impacts that Elektro Primorska Company has on its stakeholders and the environment in which it operates.

Year 2021 was still strongly marked by the epidemic of the new coronavirus. Already last year, we laid a good foundation for action in aggravated conditions and successfully operated in the coming waves of the epidemic.

Elektro Primorska, d.d., mostly operates in a regulated and partially competitive environment, which is influenced by domestic economic trends and legislation. In 2021, the Company achieved and exceeded most of its set goals. In the observed period, the Company realized 128.8% of the planned annual revenues, 115.1% of expenses and the profit or loss in the amount of 200.1% of the planned for 2021. €23,475,021 was invested in energy and non-energy devices and the preparation of documentation, which is 11% more than in 2020. In the period under review, we performed €2,675,880 of services for external clients and exceeded the realization in 2020 9%.

Realized profit amounts to €15,547,303, which is by €7,662,248 more than planned for this period. More than half of the realized profit is the impact of the financial income from the sale of the company share of E 3, d.o.o. (€8,427,983.28). Excluding the effect of the sale of the subsidiary, the realized result before tax would amount to €7,347,656, which is slightly below the planned value.

[1] GRI 102-14

Incorporating the principles of sustainable development and social responsibility into business processes creates added value, ensures company's operation in accordance with quality policy, operations within the legal provisions and recommendations of SSH, strengthens care for employees and strives to improve their satisfaction, protects the environment and promotes efficient use of electricity by network users.

Dear shareholders and business partners, together with my colleagues, we sincerely thank you for the trust you placed in us in the past year.

**Uroš Blažica**,
President of the Management Board

Nova Gorica, April 22 2022

# 2. Statement of Management's Responsibility

Management has approved the financial statements for financial year 2021 and the business report for the period from 1 January to 31 December 2021, as well as the accounting policies used and notes thereto contained in the proposed Annual Report. Management Board is responsible for the preparation of the Annual Report that gives a true and fair presentation of the financial position of the Company and of its financial performance for the year 2021. Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and due diligence of a good manager. Furthermore, it confirms that the financial statements and notes thereto were prepared under the going concern assumption and in accordance with the applicable Slovene legislation and Slovene Accounting Standards.

Management Board is also responsible for the appropriate accounting system and adoption of measures to secure the assets, and to prevent and detect fraud and other irregularities and/or illegal acts. In its business operations, the Company strictly abides by the laws and tax regulations and the Management Board does not expect any significant obligations in this respect. Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management is not aware of any circumstances that could give rise to a potentially significant liability in this respect.

In Nova Gorica, April 22 2022

**Uroš Blažica**,
President of the Management Board

# 3. Supervisory Board Report

## COMPOSITION OF THE SUPERVISORY BOARD

In the period from 1 January 2021 to 31 December 2021, the Supervisory Board comprised the following members:

- **Stanislav Rijavec**, Chairman of the Supervisory Board,
- **mag. Nikolaj Abrahamsberg**, Deputy Chairman,
- **Darko Ličen**, Member of the Supervisory Board,
- **Rudolf Pečovnik**, Member of the Supervisory Board,
- **Valdi Morato**, Member of the Supervisory Board, employee representative,
- **Marko Fičur**, Member of the Supervisory Board, employee representative.

At the 26th General Meeting of Shareholders of Elektro Primorska, d.d., on July 1 2021, due to the expiration of the term of office of the former members of the Supervisory Board, shareholders' representatives, following new members were appointed for the next four-year term of office starting on August 30 2021: Julijan Fortunat, Jasna Kalšek, Darko Ličen and mag. Pavel Reberc.

In the period from August 30 2021 to December 31 2021, the Company's operations were supervised by the new Supervisory Board:

- **Julijan Fortunat**, Chairman of the Supervisory Board,
- **Darko Ličen**, Deputy Chairman of the Supervisory Board,
- **Jasna Kalšek**, Member of the Supervisory Board,
- **mag. Pavel Reberc**, Member of the Supervisory Board,
- **Valdi Morato**, Member of the Supervisory Board, employee representative, and
- **Marko Fičur,** Member of the Supervisory Board, employee representative.

Composition of the Supervisory Board is diverse. Members have the relevant expertise, experience and skills. With their knowledge and experience, they complement each other, which ensures adequate control over the Company's operations.

Following members of the Supervisory Board hold function in the management or supervisory bodies of related and unrelated companies:

- **Julijan Fortunat**, director of the company Salonit Anhovo, d.o.o.,
- **Darko Ličen**, director of the company Komunala Nova Gorica, d.d.,
- **Jasna Kalšek**, not a member of any of the management or supervisory bodies of related or unrelated companies,
- **Mag. Pavel Reberc**, director of the company eIUS, d.o.o.,
- **Valdi Morato**, not a member of any of the management or supervisory bodies of related or unrelated companies,
- **Marko Fičur**, not a member of any of the management or supervisory bodies of related or unrelated companies.

## TASKS OF THE SUPERVISORY BOARD

In 2021, the Supervisory Board diligently and responsibly supervised the operations of the Company and the Elektro Primorska Group. Business supervision involved monitoring of the realisation of business objectives and long-term business and financial development of the Company and the Group. Management Board reported regularly, fairly and thoroughly to the Supervisory Board on the operating results, on the broad terms of business and significant events in the Company and the Group. Supervisory Board believes that cooperation with the Management Board was professional and conducted at appropriate level.

Supervisory Board met at seven regular and three correspondence sessions in 2021 and adopted a total of 85 decisions and discussed the following important topics:

- monthly, quarterly and interim reports on the operation of the controlling company Elektro Primorska;
- was regularly informed about the liquidity situation and important information on the Company's current operations;
- was provided quarterly reports of the internal audit function and reports on comprehensive risk management in the Elektro Primorska Company;
- at its 30th regular meeting on May 20 2021, it reviewed and approved the audited annual report of Elektro Primorska d.d. and the Elektro Primorska Group for the financial year 2020; took note of the independent auditor's report on the audit of the non-consolidated financial statements of Elektro Primorska d.d. and the independent auditor's report on the audit of the consolidated financial statements of the Elektro Primorska Group; and gave its consent to the Management Board's proposal for the appropriation of distributable profit for the financial year 2020;

- it regularly monitored the impact of the coronavirus epidemic on the operations of the company;
- it discussed and approved material for the General Meeting and proposals for resolutions of the General Meeting of Shareholders;
- due to the change of members of the Supervisory Board, appointed a new Chairman of the Supervisory Board and new members of the Audit Committee;
- it gave consent to the transactions concluded by the Management Board, which require consent of the Supervisory Board in accordance with the Company's Articles of Association.

Supervision over the performance of the Company was carried out in accordance with the authorisations and competences defined in the Companies Act and additionally determined by the Company's Articles of Association, Rules of Procedure of the Supervisory Board, Corporate Governance Code of Companies with State capital investment, Recommendations and expectations of Slovenian Sovereign Holding, and in accordance with good business practice. Meetings were attended by members of the Supervisory Board on a regular basis and all members were actively involved in discussions on individual agenda items.

Remuneration of members of the supervisory board is disclosed in Table 77 of the Annual Report.

## WORK OF THE SUPERVISORY BOARD COMMITTEES

Audit Committee of the Supervisory Board is, in accordance with the law, an advisory body to the supervisory board, which primarily:

- monitors the company's financial reporting,
- monitors the mandatory audit of the company's annual report and annual financial statements,
- reviews internal audit reports and monitors the implementation of internal audit recommendations,
- monitors the implementation of internal controls, and
- monitors the risk management system.

In 2021, the Audit Committee acted in the following composition:

- **Darko Ličen**, Chairman of the Audit Committee (until August 29 2021), **Rudolf Pečovnik**, , internal member (until August 29 2021), and **mag. Matej Loncner,** external member (until September 14 2021);
- **Jasna Kalšek,** Chairperson of the Audit Committee (until September 15 2021), **Darko Ličen,** internal member (until September 15 2021), and **mag. Aleksander Igličar,** external member (until September 15 2021).

Audit Committee met at six regular sessions and one correspondence session in 2021 and adopted a total of 51 resolutions.

First three sessions were devoted to the preparation of the basis for the Supervisory Board's approval of the Annual Report, which included a discussion with external auditors. Audit Committee discussed the audited annual report and submitted it to the Supervisory Board for approval.

At its regular sessions, the Audit Committee also discussed the following topics:

- quarterly reports on the operation of the Company and of the Elektro Primorska Group,
- liquidity reports of the Company Elektro Primorska,
- reports on internal audits carried out,
- quarterly and annual internal audit reports,
- quarterly and annual risk management reports,
- proposals for improvement of business operations,
- other matters as requested by the Supervisory Board.

In addition to the costs relating to its performance of the function, the Audit Committee had no additional costs for its operation. Remuneration paid to the internal Audit Committee members is shown in Table No. 717 of the Annual Report. Gross remuneration of external members of the Audit Committee amounted to € 7,682.76 gross in 2021.

## APPROVAL OF THE ANNUAL REPORT AND POSITION ON THE AUDITOR'S REPORT

At its 5$^{th}$ regular meeting May 19 2022, the Supervisory Board discussed the Annual Report of Elektro Primorska, d.d., and Elektro Primorska Group for the financial year 2021, inclusive of the report of external auditors, Ernst & Young Audit, poslovno svetovanje d.o.o., Ljubljana, whereby the certified auditor confirms that the financial statements, which are an integral part of the Annual Report, give a true and fair view of the financial position of the Company and the Group and of their statements of income, changes in equity and cash flows. The Supervisory Board had no comments on the auditor's report. Based on the review of the annual report and the accompanying auditor's report, the Supervisory Board established that the Annual Report is prepared in accordance with provisions of the Companies Act and the applicable accounting standards and that the information contained therein is a fair presentation of the Company's operations in the past financial year. In accordance with the foregoing considerations and an unqualified opinion issued by the auditor, the Supervisory Board had no objections and approved the Annual Report of Elektro Primorska and Elektro Primorska Group for the financial year 2021. Thus, the Annual Report of Elektro Primorska d.d. and of the Elektro Primorska Group for 2021 was adopted.

Supervisory Board supports the Management Board's proposal regarding payment of € 4,518,431 of the profit available for distribution to shareholders as dividends. Supervisory Board will jointly with the Management Board submit its proposal for distributable profit appropriation to the General Meeting of Shareholders. d., in skupine Elektro Primorska za leto 2021.

Nova Gorica, May 19 2022

**Julijan Fortunat**,
Chairman of the Supervisory Board

# 4. Corporate governance declaration

## 4.1 Declaration of compliance with the Corporate Governance Code

In 2021, Elektro Primorska, d.d., complied with provisions of the Corporate Governance Code of Companies with State Capital Investment adopted on 19 December 2014 by the Slovenian Sovereign Holding in accordance with provisions of the Slovenian Sovereign Holding Act (ZSDH-1), as amended on March 2 2016, May 17 2017, November 28 2019 and March 17 2021.

In 2021, the Company did not comply with the following recommendations:

9.2.3. Company has not established an internal audit department run by its own staff and currently, internal audit tasks are provided by external contractors in accordance with the resolution of the Supervisory Board.

11.2.1. Company does not have a position or function of the Compliance and Integrity Commissioner. Company will take the recommendation into account in the next amendment to the Rules on Job Position Systemisation, which is scheduled for 2022.

Code is available on the following website:

https://www.sdh.si/Data/Documents/pravni-akti/Kodeks%20korporativnega%20upravljanja_marec%202021.pdf

## 4.2 Compliance with the recommendations and expectations of the Slovenian Sovereign Holding

Company Elektro Primorska meets the recommendations and expectations of the Slovenian Sovereign Holding, d.d., as adopted in August 2020. Company hereby declares that it does not fully or consistently comply with those provisions of the recommendations and expectations, which are regulated otherwise by the applicable law.

## 4.3 Internal control and risk management system relating to the financial reporting, and auditing

Ensuring the reliability of financial reporting is crucial for the effective functioning of the corporate governance and management system. Internal controls include all procedures and measures that the Company implements in order to manage risks and to ensure the preparation of financial statements that present a true and fair view of the statement of financial position and statements of income, cash flows and changes in equity in accordance with relevant accounting standards and applicable regulations. Internal audit function of the Company is carried out in accordance with the Regulations on Internal Audit of Elektro Primorska, d.d. Fundamental task of the internal audit function is to constantly verify procedures and make recommendations for improvements in the functioning of the internal control system to ensure efficient management of all types of risks. In accordance with the annual internal audit plan approved by the Supervisory Board, an internal audit of the following areas was carried out in 2021: a. review of the business information system; b. review of the market service delivery process; c. review of general controls relating to the investment and maintenance process; d. review of general controls relating to the personal data protection; e. review of the low value procurement process. In 2021, company KPMG poslovno svetovanje, d.o.o., was selected to carry out the internal audit. Selection was made in accordance with the provisions of the rules on Public Procurement in Elektro Primorska, d.d. Approval of the contract with the selected contractors was given by the Supervisory Board at its 29th regular session on March 2 2021.

Financial statement audit of the parent and its subsidiary was performed by the auditing firm Ernst & Young d.o.o., Ljubljana. During the financial statement audit the external auditor cooperates with the Company's internal audit services. External and Internal Auditors report their findings to the Management Board, Supervisory Board and the Audit Committee.

## 4.4 Holding of securities of a company, in terms of achieving a qualifying holding, as defined by the law governing the takeovers, ownership of securities ensuring special control rights, restrictions on voting rights

Elektro Primorska, d.d., has issued 18,783,898 ordinary registered no-par value shares of a single class. Only holder of a qualified share as determined by the Takeover Act, is the Republic of Slovenia, a holder of 14,967,304 shares as at 31 December 2020, accounting for 79.6816% of the Company's share capital. Holders of shares have no special rights of ownership of shares, and no limitations apply to them regarding exercising their voting rights. As at 31 December 2020, the Company held no treasury shares.

## 4.5 Management Board[2]

### 4.5.1 Appointment and composition

In accordance with the Articles of Association, the Management Board has a single member. Office of the President of the Management Board lasts four years, with possibility for reappointment. Uroš Blažica has held the office of the President of the Management Board since June 30 2012. At its meeting on May 10 2016, the Supervisory Board unanimously appointed Uroš Blažic President of the Management Board of Elektro Primorska, d.d., for the term of the next four years. His mandate began on 1 July 2016. At its 22nd regular session on March 2 2020, the Supervisory Board of Elektro Primorska, d.d. adopted a resolution on the appointment of the President of the Management Board in accordance with the Articles of Association. Accordingly, Uroš Blažica was appointed President of the Management Board of Elektro Primorska, d.d. for the next 4-year term of office, beginning on July 2 2020.

### 4.5.2 Responsibilities and functions

President of the Management Board manages the operations of the Company for the benefit of the Company independently and at his own responsibility. In accordance with the Company's Articles of Association, the President of the Management Board requires consent of the Supervisory Board prior to the conclusion of the following transactions:

- establishment, termination or recapitalisation of companies;
- purchase, sale or other disposal, replacement or burdening of real estate and equity investments in excess of €50,000.00 (fifty thousand euros) gross, in so far as those transactions are not included in the Company's business plan;
- sale or other disposals and burdens on infrastructure facilities that are an integral part of the energy infrastructure;
- all legal transactions (including investments, credit transactions and the like) whose gross value of one transaction or more related transactions in total exceeds 1% (one percent) of the Company's share capital, excluding transactions related to short-term cash management, legal transactions related to the method of payments, and transactions for the short-term deposit of cash in the form of deposits with commercial banks, insofar as these transactions are not included in the Company's business plan;
- issuing guarantees, securities, comfort letters;
- President of the Management Board reports regularly to the Supervisory Board on all important business events. President of the Management Board and Chairman of the Supervisory Board consult on the strategy and business development also outside the Supervisory Board meetings.

### 4.5.3 Remuneration of the Management Board

In accordance with the contract of employment, the president of the management board is entitled to a basic monthly salary and performance bonus. Basic salary (gross pay, undiminished by taxes and contributions) is set as a multiple of average gross wage paid in the Elektro Primorska Group in the previous financial year. Performance bonus is determined in accordance with the criteria set out in the employment contract by a decision of the Supervisory Board within 30 days after the adoption of the Annual Report for the financial year for which the bonus is payable. Performance bonus can amount to a maximum 15% of the basic monthly salary paid to the President of the Management Board in the financial year and is paid only if the Company's planned profit is exceeded. In accordance with the employment contract, the President of the Management Board is also entitled to an annual preventive medical examination, life and accident insurance, use of a company car for business and private purposes and payment of all costs of education.

## 4.6 Supervisory Board

### 4.6.1 Appointment and compositiona

Supervisory Board of Elektro Primorska has six members. Four members are representatives of shareholders, and two are representatives of workers. Members of the Supervisory Board representing the shareholders are elected by the General Meeting, while representatives of workers are elected by the workers council in accordance with the law and relevant regulations. Term of office of the members of the Supervisory Board is four years, with a possibility of reappointment. In 2021, the Supervisory Board of Elektro Primorska, d.d. was composed of the following members:

- from January 1 2021 to August 29 2021 Stanislav Rijavec, Chairman, mag. Nikolaj Abrahamsberg, Deputy Chairman, Darko Ličen,

[2] GRI 10-18

Member, Rudolf Pečovnik, Member, Valdi Morato, Member, and Marko Fičur, Member.
- from August 30 2021 to December 31 2021 Julijan Fortunat, Chairman, Darko Ličen, Deputy Chairman, Jasna Kalšek, Member, mag. Pavel Reberc, Member, Valdi Morato, Member, and Marko Fičur, Member.

On July 13 2020, in accordance with the Code of Corporate Governance of Companies with Capital Investment of the State of the Slovenian State Holding, d.d., and the Corporate Governance Code for non-listed companies, Supervisory Board adopted the »Diversity Policy of the Management and Supervisory Bodies of Elektro Primorska, d.d.«, which sets the framework for representation in the management and supervisory bodies of the Company in terms of education, gender, age, and other personal characteristics. Given the fact that Article 21 of the applicable Articles of Association of Elektro Primorska d.d. stipulates that the Management Board is composed of a single member, the adopted Diversity Policy currently applies only to the Company's supervisory bodies.

### 4.6.2 Competence and functions

Powers of the Supervisory Board are defined by law and the Articles of Association of Elektro Primorska. Supervisory Board of Elektro Primorska complies with provisions of the Corporate Governance Code of Companies with State Capital Investment adopted on December 19 2014 by the Slovenian Sovereign Holding in accordance with provisions of ZSDH-1, as amended on March 2 2016, May 17 2017, November 28 2019 and March 17 2021. Supervisory Board met at seven ordinary and two correspondence sessions in 2021. Based on the responsibilities and powers set by law and the Articles of Association, the Supervisory Board of Elektro Primorska, d.d., regularly monitored and supervised the operations of the parent company and the Elektro Primorska Group. In 2021, Audit Committee appointed by the Supervisory Board, operated in the following composition:

- Darko Ličen, Chairman of the Audit Committee (until August 29 2021), Rudolf Pečovnik, internal member (until August 29 2021), and mag. Matej Loncner, external member (until August 29 2021);
- Jasna Kalšek, Chairperson of the Audit Committee (from September 15 2021), Darko Ličen, internal member (from September 15 2021), and mag. Aleksander Igličar, external member (from September 15 2021).

No other committees were set up by the Supervisory Board in 2021.

### 4.6.3 Remuneration of members of the Supervisory Board and Supervisory Board Committees

Members of the Supervisory Board and members of its Committees are entitled to remuneration for the performance of their function and attendance fees, as well as reimbursement of expenses, as decided by the resolution of the General Meeting. At the 16th Annual General Meeting held on August 25 2011, the decision was made based on which members of the Supervisory Board are entitled to remuneration for performing their duties in the amount of €11,300 gross per year, to an attendance fee in the amount of €275 gross, and reimbursement of expenses in connection with the performance of their functions. Chairman of the Supervisory Board is entitled to 50% higher payments and attendance fees. For correspondence sessions of the Supervisory Board, members of the Supervisory Board are entitled to 80% of the attendance fee. Members of the Supervisory Board Committees are entitled to a fee for performing their functions, which for each member of the committee amounts to 25% of the basic fee of the Supervisory Board member. Chairman of an individual Committee is also entitled to an additional payment of 50% of remuneration of members of the Supervisory Board, while Deputy Chairman of the Committee is entitled to an additional payment of 10% of remuneration paid to a member of the Supervisory Board Committee. In accordance with the decision of the Supervisory Board, external members of the committee are entitled to remuneration for performing the function in the amount €11,300 gross and attendance fee in the amount of 80% of attendance fee of the Supervisory Board members.

## 4.7 General Meeting of Shareholders

At the General Meeting, Shareholders of Elektro Primorska exercise their rights arising from the Companies Act. Voting rights may be exercised by shareholders who are entered in the central registry of securities or the share register on the date of the AGM and have announced their participation at the AGM at least three days before the general meeting is convened, about which the shareholders are specifically notified. No restrictions on voting rights are stipulated in the Articles of Association. Annual General Meeting of Shareholders was held on July 1 2021.

At the AGM, the shareholders were informed of the Annual Report of the Company and the consolidated annual report of Elektro Primorska Group for the financial year 2020. Distributable profit determined as at December 31 2020 in the amount of €2,254,067.76 will be paid in full to shareholders in the form of dividends in the gross value of €0.12 per share. On September 29 2021, the company paid dividends to shareholders registered with KDD on September 28 2021. Shareholders granted the Company's Management Board and Supervisory Board discharge for the work performed in the financial year 2020.

General Meeting also approved the resolution amending the Articles of Association and authorized the Supervisory Board to harmonize the text of the Articles of Association with the above-mentioned resolution amending the Articles of Association, which refers to the fact that from January 5 2021 Elektro Primorska Group due to the sale of 100% stake in the subsidiary no longer is a group, as well as amendments the management board with the consent of the company's supervisory board, may determine in the convening of the general meeting that shareholders may attend and vote at the general meeting by electronic means without physical presence (electronic general meeting). Members of the management and supervisory bodies may participate in the general meeting by transmitting images and sound if it is an electronic general meeting in accordance with the fourth paragraph of Article 297 of ZGD-1 and in other cases determined by the Rules of Procedure of the General Meeting.

Members of the Elektro Primorska, d.d., Supervisory Board, representatives of shareholders, elected by the General Meeting for a four-year term are: Julijan Fortunat, Darko Ličen, Jasna Kalšek and Pavel Reberc with the beginning of the term on August 30 2021.

Some resolutions have been challenged by small shareholders.

## 4.8 Governance of the parent company and the Group[3]

Elektro Primorska, d.d, has a two-tier governance system. Appointment of members of the Management Board and the Supervisory Board is conducted in accordance with applicable law and the recommended standards of governance. Elektro Primorska Group consists of Elektro Primorska, d.d, as the parent company, E 3, energetika, ekologija, ekonomija d.o.o. (a fully owned subsidiary of Elektro Primorska, d.d.) and Knešca, d.o.o., as an associate in which E 3, d.o.o. holds a 47.27% stake. To ensure close links and comprehensive supervision over the operations of the subsidiary, the Management Board of the parent is also the General Meeting of the subsidiary E 3, energetika, ekologija, ekonomija, d.o.o. Control of the subsidiary's operations takes place based on regular reporting and approving transactions in accordance with the provisions of the Articles of Association of E 3, d.o.o.

Nova Gorica, April 22 2022

**Uroš Blažica,**
President of the Management Board

[3] GRI 102-45

# 5. Presentation of the Company

## 5.1 Company Profile

| | |
|---|---|
| Name of the Company[4]: | Elektro Primorska, podjetje za distribucijo električne energije, d.d. |
| Abbreviated name: | Elektro Primorska, d.d. |
| Registered seat[5]: | Erjavčeva ulica 22, 5000 Nova Gorica |
| Phone: | 05 339 66 00 |
| Fax: | 05 339 67 05 |
| VAT ID number: | 37102656 |
| Company number: | 5229839 |
| Business accounts: | SI56 0475 0000 0510 950 Nova KBM, d.d.<br>SI56 1010 0005 7525 942 Banka Intesa Sanpaolo, d.d. |
| Company is entered in the register of Companies at the District Court of Nova Gorica under registration number 1/01335/00. | |
| Share capital: | €110,465,794.61 |
| Ownership as at Dec 31 2021[6]: | 79.68% Republic of Slovenia<br>17.07% PIDs, funds, commercial entities<br>3.25% Workers, retired employees, other |
| Supply area: | SW, W, NW of Slovenia |
| Size of the supply area: | 4,335 km$^2$ |
| Number of customers: | 135,900 |
| Quantity of electricity supplied: | 1,593,1 GWh |
| Website: | http://www.elektro-primorska.si |
| E-mail: | info@elektro-primorska.si |

[4] GRI 102-1, [5] GRI 102-3, [6] GRI 102-5

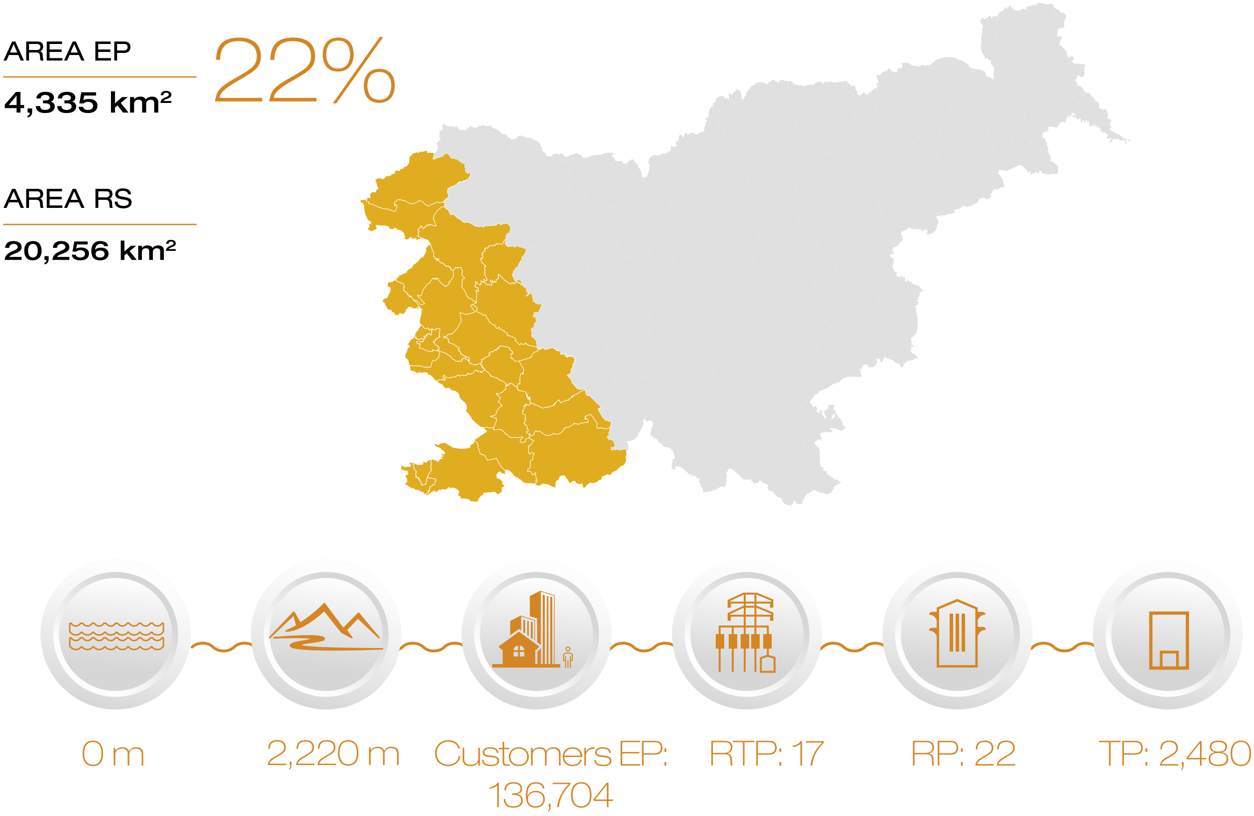



**Figure 1: Geographical area of operation of the company Elektro Primorska, d.d.**[7]

## 5.2 Organisation of the Company

In accordance with the Rules on the internal organisation of Elektro Primorska, d.d., effective from January 1 2013, activities of the Company are performed by the following organisational units:

Sectors:

- Sector for distribution system management (DEES)
- Sector for distribution network (SDO)
- General sector (SS) and
- Finance and accounting sector (FRS).

Special services of the management:

- Information and Communication Technologies Service (IKT) and
- Purchase and Procurement Service (SNJN)
- Strategic Development and Innovation Service (SSRI).

Regional distribution units:

- Distribution unit Nova Gorica (DE Nova Gorica)
- Distribution unit Koper (DE Koper)
- Distribution unit Sežana (DE Sežana) and
- Distribution unit Tolmin (DE Tolmin).

Management Board has established the Cabinet of the president of the Board, inclusive of the Administration, Integrated Management System, Internal Audit and Risk Management.

[7] GRI 102-6

# 6. Sustainability Report

## 6.1 Sustainable business framework

It is becoming increasingly clear that a sustainable development model is the only global way of life and business that supports economic development and is both socially just and inclusive, responsible for the natural environment and respecting planetary limitations. In the company Elektro Primorska, d.d., we understand social responsibility and sustainable development a s a way of management and progress in which, while ensuring compliance with legislation, norms and standards, we flexibly respond to current challenges in the society and strive to strengthen social welfare through our activities. With a high-quality and reliable network and the promotion of efficient use of energy from renewable sources, we are an important partner in the sustainable energy transition, with which we establish the key levers of the transition to a low-carbon society. We are aware that the success of this transition depends on efforts to respond in practice to extreme pressure from people, environment and business performance.

Company Elektro Primorska, d.d., covers 22% of the area of the electricity system of the Republic of Slovenia and is therefore an important support pillar on which the modern way of life is based. 2021 was once again a year shaped by the crisis associated with the COVID-19 epidemic, political conflicts, rising prices and soaring energy prices. How successful we will be in solving complex challenges in the future will depend on flexibility, resilience and ability to adapt to new conditions, as it is emphasised in the Slovenian Development Strategy until 2030. Energy sector will be one in which we can expect more radical systemic changes in the coming years.

In the field of sustainable development, operation of the company Elektro Pimorska, d.d., is also directed by the National Energy and Climate Plan of the Republic of Slovenia, adopted in 2020, with five key objectives. Future operations of our company will be particularly strongly influenced by the fourth objective, which regulates energy security and the internal energy market.

| | Objectives up to 2030 | Indicator |
|---|---|---|
| 1. | Decarbonisation (reduction of greenhouse gas emissions) | Decrease by 36% compared to 2005. |
| 2. | Renewable energy | Reach at least a 27% share of renewables. |
| 3. | Energy efficiency | Improve energy efficiency by at least 35%. |
| 4. | Energy security and the internal energy market | Provide additional financial, human and technical resources to expedite the integrated development and management of the electricity distribution network to increase capacity, reinforce resistance to disruption and future development potential, boosting connectivity and adaptability, making it possible to exploit flexible sources and loads and expedite the incorporation of heat pumps, the roll-out of e-mobility and the integration of renewable electricity production and storage facilities.<br>Key objectives relevant for our company:<br>• to ensure a **reliable and competitive energy supply**,<br>• to **increase electricity distribution network resilience** to disruption,<br>• increase the share of the underground medium-voltage network from the current **35% to at least 50%**,<br>• further **development of system services and the active role of clients**,<br>• development of **energy storage** technologies, infrastructure and services,<br>• to establish a **development-oriented regulatory framework** to determine the amount of the network charge for the transition to a climate-neutral society,<br>• to support the development of an efficient and competitive market for full use of the **flexibility of the energy system** and new technologies,<br>• support for cross-sectoral integration and implementation of new cross-sectoral system services,<br>• to encourage development and research cooperation between companies in and outside the sector. |
| 5. | Research, innovation and competitiveness | 3% of GDP investment in R&D, of which 1% of GDP is public funding |

Source: National Energy and Climate Plan, 2020

**Table 1: Objectives of the National Energy and Climate Plan**

Energy Agency[8] emphasizes that the sustainable challenges in the electricity distribution industry will be related to the factors of digitalisation, decarbonisation and dynamic regulation.

Company Elektro Primorska, d.d., identified sustainable challenges in workshops with managers and experts and prepared opportunities and risks for the eight most significant ones.


**Figure 2: Identification of sustainable challenges of Elektro Primorska, d.d.**

[8] Source: Webinar "Kam se izgublja energija slovenske energetike?" February 22 2022

| | Sustainability challenge | Risks | Opportunities |
|---|---|---|---|
| 1 | Development of electricity distribution system (EDS) due to dispersed energy sources (DES) connection | 1. Lack of financial resources | 1. Obtaining funds from European projects, green bonds |
| | | 2. Siting of distribution network | 2. Implementation of the network in public areas, implementation of network cabling. |
| | | 3. Proper planning of distribution network development | 3. Implementation of network cabling, improvement of voltage conditions |
| 2 | Higher electricity consumption due to the green transition | 1. Distribution network is not powerful enough | 1. Renovation and strengthening of the distribution network |
| | | 2. Introducing flexibility | 2. Introduction of new digital technologies |
| | | 3. Changes brought about by electricity storage facilities | 3. Reduction of peak loads in the network |
| 3 | Digitization of business | 1. Security (system intrusions), expensive programs or systems | 1. Cost reduction (postal services, paper...) |
| | | 2. Loss of personal contact | 2. Greater customer satisfaction (shorter simplified procedures e.g. issuing consents...) |
| | | 3. Rapid development, following changes and staff shortages | 3. Simplify work procedures / increase efficiency |
| 4 | Ensuring long-term stable liquidity situation | 1. Dependence on the regulator | 1. Planned investment maintenance |
| | | 2. Unforeseen events (accidents) | 2. Network development |
| | | 3. Legislation changes related to the pandemic | 3. Education |
| 5 | Ensuring reliable and quality electricity supply | 1. Natural factors, natural disasters, climate change | 1. Installation of underground cables |
| | | 2. Network load | 2. Network upgrade |
| | | 3. Power outages and high costs | 3. Greater customer satisfaction |
| 6 | Siting of energy infrastructure facilities | 1. Degradation of space | 1. Installation of underground infrastructure |
| | | 2. Civil society dissatisfaction | 2. Modern infrastructure |
| | | 3. Adverse effects on the environment and consents of land owners | 3. Cooperation with other infrastructure contractors |
| 7 | Management of health and safety at work | 1. Serious work accidents | 1. Accident prevention |
| | | 2. Permanent health impairments | 2. Promoting heath and team spirit |
| | | 3. Prolonged sick leave due to injuries at work | 3. Improving the work process |
| 8 | Knowledge transfer in the workplace | 1. Loss of specific knowledge | 1. Knowledge of different processes |
| | | 2. Slow transfer of knowledge | 2. Improving the work process |
| | | 3. Stagnation in the work process | 3. Building a treasury of knowledge and intergenerational cooperation |

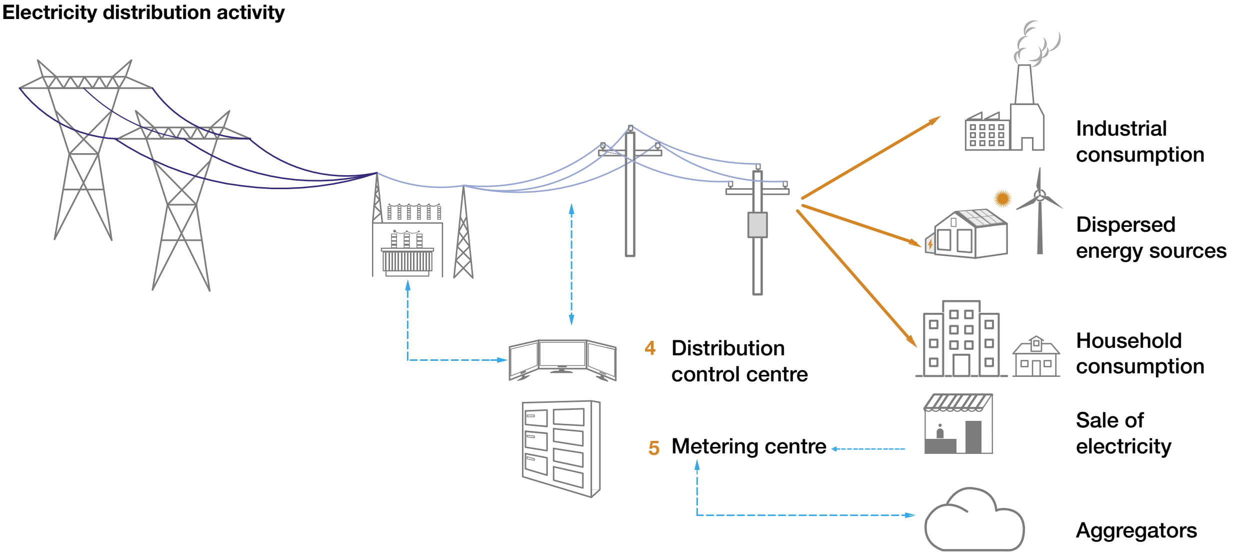
**Figure 3: Strategic sustainability challenges, their opportunities and risks[9]**

[9] GRI 102-15

## 6.2 Business model[10]

Company Elektro Primorska, d.d., is part of the electricity system of the Republic of Slovenia and one of the five electricity distribution companies in Slovenia. Company's core activities are the management and operation of the distribution system and maintenance, construction and renovation of electricity distribution lines and devices in the area of south-eastern, western and north-eastern parts of Slovenia. It covers 4,335 km² and thus represents 22% of Slovenia's area. Company has the highest lying power line on Kanin–Plužna and the lowest in Postojna Cave. Role of distribution in the Slovenian electricity system is defined by the Energy Act, together with the Energy Concept of Slovenia and the National Energy Climate Plan. In November 2019, the Elektro Primorska Company concluded a lease agreement with the distribution operator SODO, d.o.o. Pursuant to the Contract on lease of electricity distribution infrastructure and provision of services for the system operator of the electricity distribution network, it performs the activity of electricity distribution and related contractually agreed services for SODO.

**Electricity distribution activity**




**DEES management**

1 Electricity from system power plants is transmitted via transformer stations via the HV network of the system operator.

2 Electricity from transmission network is transmitted via transformer stations to the distribution network of lower voltages.

3 Electricity is transmitted via the MV distribution network, transformer stations and LV network to the network users or is acquired from dispersed energy sources.

4 Operators at the distribution control centre ensure stable and safe operation of DEES with the help of modern technologies and tools for control and management of the system. They work 24 hours a day, 7 days a week, so that electricity is always available to network users.

5 Metering centre collects data from metering devices of network users, which serve electricity suppliers for billing and aggregators for introducing advanced services.

1 Transmission network

2 Transformer stations

3 Distribution network

**Figure 4: Business model and value added chain**

[10] GRI 102-2

## 6.3 Realization of the vision, mission and strategic guidelines

We need to think about a better and more responsible world, which we are handing over to the younger generations, today. Therefore, in the company Elektro Primorska, d.d., we focus our efforts on fulfilling the vision and mission based on the five pillars of values. Our strategic goals are intertwined with the objectives of sustainable development and responsible to social, natural and company capital. Company wants to get closer to the customer and become recognizable in its field as a friendly company with responsible environmental management.

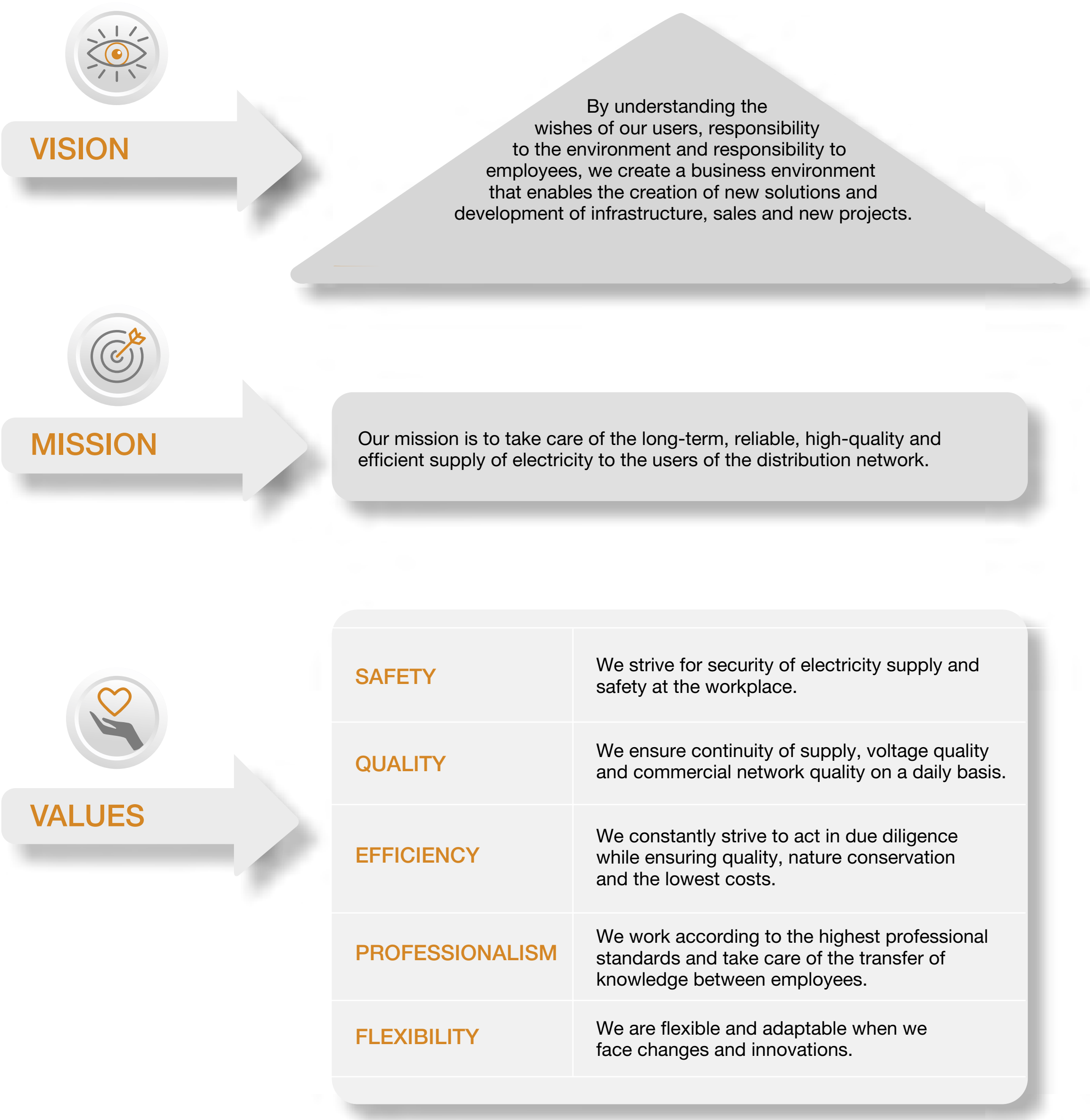



**Figure 5: Vision, mission and values (strategic house)[11]**

[11] GRI 102-16

### 6.3.1 Management, quality and improvement systems

By continuously developing an integrated management system in accordance with the ISO 9001 standard, with responsible attitude towards the environment in accordance with the ISO 1400 standard, managing the health and safety at work system in accordance with the ISO 45001 standard, which we verify through regular internal and external audits, we prove we are building good business culture and enforcing social responsibility as a business strategy of the company. We regularly conduct self-assessments according to the EFQM model of excellence, which we understand as a path to excellence in sustainable development. Quality systems are designed for continuous improvement and development. Improvements in quality, excellence, safety and health at work and environmental protection bring progress and create added value that maintains a balance of economic, social and natural capital.


**Figure 6: Quality management systems in Elektro Primorska, d.d.**

### 6.3.2 Non-financial indicators

In addition to financial indicators, Elektro Primorska Company has identified ten key non-financial indicators that support the objectives of the National Energy and Climate Plan and are important from the point of view of achieving current sustainability challenges in the field of environment and social aspect.

| | Non-financial indicators | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| 1. | Share of underground cable network | 31% | 32% | 34% |
| 2. | Average time required to issue consent | 23.50 days | 19.90 days | 24.50 days |
| 3. | Share of measuring points connected in the advanced low voltage measuring system (average in SLO 78% in 2020) | 49% | 57% | 66% |
| 4. | Share of electricity losses (4.21% Slovenian average in 2020) | 4.69% | 5.06% | 4.40% |
| 5. | Number of unplanned long-term interruptions / user (SAIFI) | 2.13 | 1.76 | 1.71 |
| 6. | Investing in environmental management (in thousands of EUR) | 531.19 | 497.42 | 584.41 |
| 7. | Staff turnover (in %) | 5.10 | 2.54 | 2.21 |
| 8. | Number of training hours per employee | 9.3 | 8.04 | 15.00 |
| 9. | Share of sick leave (in %) | 5.71 | 6.08 | 5.65 |
| 10. | Sponsorships and donations (share of net sales revenue in %) | n/v | 0.28 | 0.30 |

**Table 2: Non-financial indicators**

## 6.4 Approach to sustainable management

Management Board of Elektro Primorska, d.d., is responsible for the management of sustainable development. For the purposes of sustainable reporting and management it has set up a special Working Group on Sustainable Development,[12] chaired by Radko Carli, Director of the Distribution Network Sector. Working Group consists of eight employees who are representatives of key departments:

- Management Cabinet
- Sector for distribution system management
- Sector for distribution network
- General sector
- Finance and accounting sector.

Report is issued annually[13] and is prepared for the first time this year according to the principles of sustainable reporting and in accordance with the international guidelines for sustainable reporting GRI Standards. Mandatory scope of the report and selection of 37 GRI disclosures was determined by the EIA for Electricity Distribution (GIZ distribucija električne energije) in order to increase the comparability of electricity distribution companies. To the obligatory set of disclosures company Elektro Primorska, d.d., added another 7 GRI disclosures in the process of identifying material topics. Principle of materiality was implemented in the company through an online survey in which all seven stakeholder groups participated.

Report includes reporting in accordance with the GRI standards guidelines at the »basic level« and presents key information on the management, economic, environmental and social aspects and their-long-term impact on the company's operations. We used all six sets of GRI standards to prepare the report and determine the content: GRI 101 (Foundation), GRI 102 (General Disclosures), GRI 103 (Management Approach), GRI 200 (Economic), GRI 300 (Environmental) and GRI 400 (Social).

Reporting boundaries or data we disclose refer to the company Elektro Primorska, d.d., as a whole, unless otherwise indicated in the report.[14]

Report provides relevant information and contributes to greater transparency of sustainable operations. With this report we follow point 8.1.1. of the Code of Corporate Governance of Companies with State Capital Investment, which requires reporting on the sustainable development of the company and includes the listed points:

[12] GRI 102-18, [13] GRI 102-50, [14] GRI 102-46

| Content | Page |
|---|---|
| • report and brief analysis of sustainable development issues relevant to the company (especially environmental, social and human resources issues) | 36 |
| • description of the company's policies regarding the above (environmental, social, human resources and other) issues | 37,49,56,87 |
| • report on relations with company's main stakeholders | 33–35 |
| • report on risks and opportunities that the company considers in the context of sustainable development, especially on non-financial risks and opportunities that are necessary to understand its development | 27 |
| • business performance and position of the company | 108 |
| • adjustment to the requirements (policies) for sustainable development and how the policies and adjustments have affected the company's performance and its position now and in the future | 24–26 |
| • report on achievements and targets based on selected non-financial performance indicators. | 31 |

Report presents an overview of operations in the period from January 1 to December 31 for year 2021[15]. Questions regarding the sustainable report can be sent to the following e-mail address: info@elektro-primorska.si[16].

## 6.5 Inclusive communication with stakeholders

Company Elektro Primorska, d.d., in its business includes and cooperates with various stakeholders with whom we share or seek common interests, identify impacts in order to successfully carry out our operations and achieve the set goals. Conducting dialogue and responding to their views is important for the company in terms of continuous improvements, also coming from the external environment, among stakeholders. In Elektro Primorska, we identified the main stakeholder groups and their subgroups, presented their interests and forms of communication or dialogue. For the first time in the company, we systematically designed and conducted a multi-stakeholder online survey to identify material topics. Representatives of all seven main stakeholder groups were invited to participate in the survey. Six stakeholder groups responded to the survey by contributing their assessments, views and opinions. Materiality matrix was formed on the basis of 48 completed questionnaires. Thus, we inclusively identified material topics in the materiality matrix, which we present in the next chapter.[17]

[14] GRI 102-46, [15] GRI 102-50, [16] GRI 102-53, [17] GRI 102-43

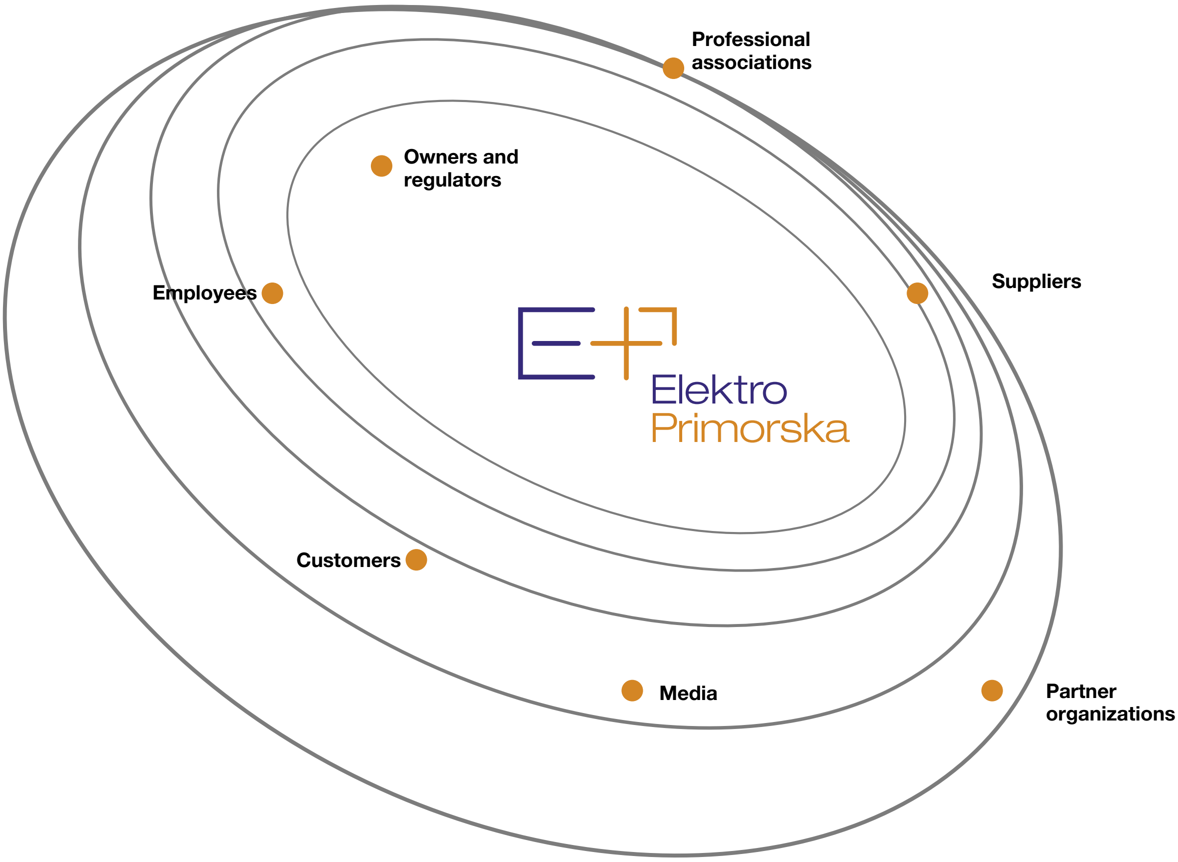



**Figure 7: Main groups of strategic stakeholders**

| STAKEHOLDERS | STAKEHOLDER SUB-GROUPS | INTEREST AND VALUE CREATION FOR STAKEHOLDERS | FORMS OF INCLUSION |
|---|---|---|---|
| | SSH (Slovenian Sovereign Holding) and other owners, supervisory board | Requirement for self-assessment of excellence also contains environmental indicators | Reports, meetings, general meeting of shareholders, annual report, Indicators Report, supervisory board, committees meetings, informal talks |
| | European Commission, Government of RS, Ministry of Infrastructure, Energy Directorate, inspection services | Compliance with legal requirements | Correspondence, reports, meetings, inspections, register of legislation, website, strategic conferences, participation in drafting legislation with comments on drafts |
| | Energy Agency and SODO | Contractual and regulatory requirements | Annual, monthly reports, correspondence, meetings, inspections, thematic reports, participation in preparation of acts and instructions, e-mail, reporting application |
| OWNERS AND REGULATORS | Administrative authorities | Meeting the requirements for issuing building permits | Applications for building permits, correspondence, meetings with officials at Administrative Unit and MOP (Ministry of the Environment and Spatial Planning) |

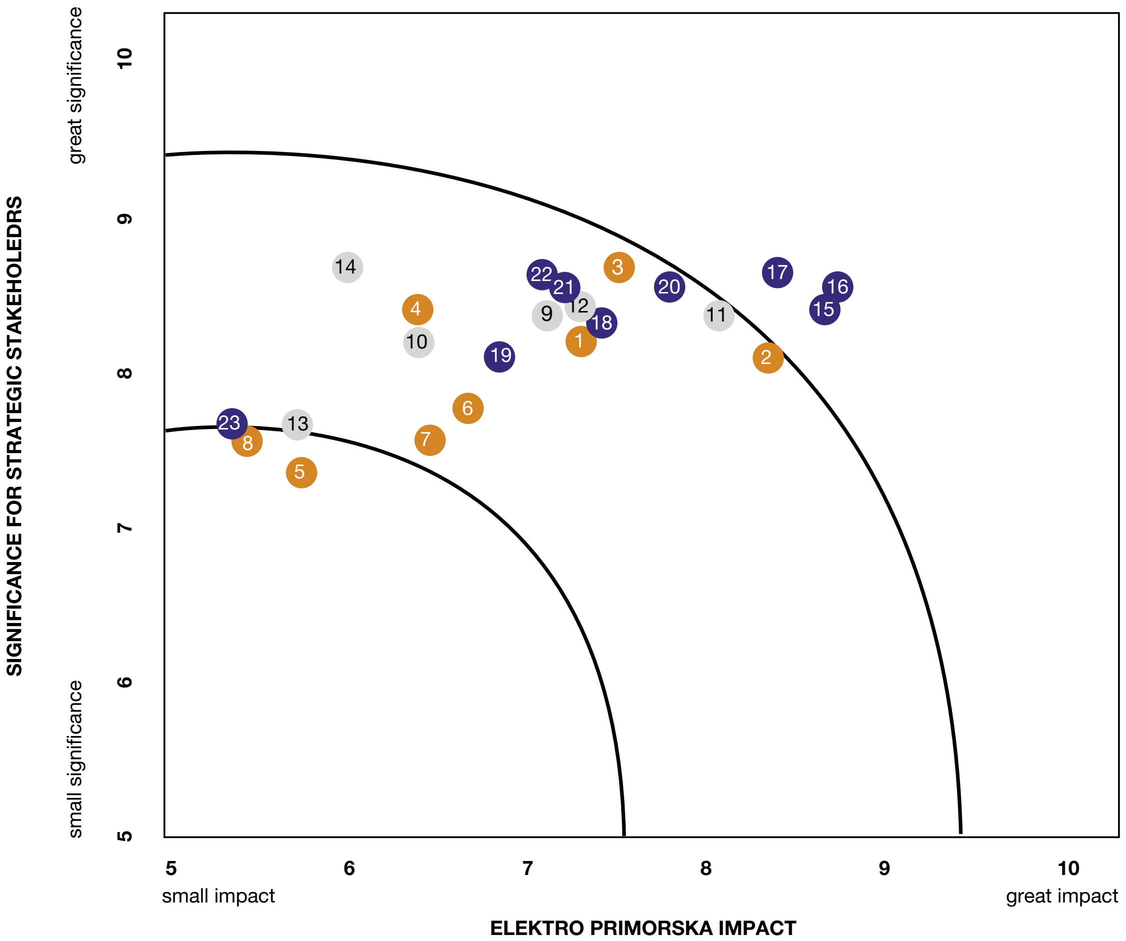
| STAKEHOLDERS | STAKEHOLDER SUB-GROUPS | IINTEREST AND VALUE CREATION FOR STAKEHOLDERS | FORMS OF INCLUSION |
|---|---|---|---|
| EMPLOYEES | Employees | Favourable working conditions, proper communication, sufficient information … | Intranet portal, bulletin boards, thematic reports, correspondence, notices, meetings, e-mail, participation of the works council, trade union, social gatherings, sports club, sports games |
| SUPPLIERS | Suppliers of goods and services | Timely orders, clear requirements for goods and services, regular settlement of liabilities | Public procurement portal, e-mail, , correspondence, meetings, complaints |
| | Land owners | Expectations when signing easement contracts and performing maintenance work | Correspondence, meetings, information, damage assessments |
| | Spatial planning holders | Requirements in opinions for spatial interventions | Formal correspondence, meetings, appointments, e-mail |
| | European Investment Bank | Expectations for improvement of system indicators SAIDI, SAIFI, reduction of network losses, implementation of environmentally friendly investments | Reports in accordance with the contract, e-mail, meetings, correspondence |
| | Occupational medicine practitioners, personal physician | Cooperation, clear requirements | Phone, e-mail, annual report |
| | Insurance companies | Reporting loss events | Phone, e-mail, correspondence, web applications |
| | Firefighters, Civil Protection Service | Cooperation, ensuring safe work | Phone, demonstrations |
| CUSTOMERS | Network users | Quality, reliable and secure electricity supply | Website, Call Centre, DCV, notices through media, text messages, on-duty installer |
| | Electricity suppliers | Requirements for electricity metering, availability of EDS, disconnection of defaulters | Electronic mail, correspondence, phone |
| | Local communities | Needs to develop adequate electricity infrastructure | Meetings, public hearings, mail |
| | Civil society initiatives | Expectations regarding the impact of the company's activities on the local environment | Public hearings, meetings, mail (electronic, ordinary) |
| PARTNER ORGANIZATIONS | Distribution companies, ELES | Expectations of joint cooperation in technical, security, legal and economic fields | Meetings, correspondence, electronic mail, phone, reports |
| PROFESSIONAL ASSOCIATIONS AND EDUCATIONAL INSTITUTIONS | GZS, CIGRE-CIRED, EIMV, FE LJ, FERI MB, TŠC NG | Expectations of professional cooperation | Conferences, workshops, studies, reports, papers |
| MEDIA | Local and national media | Information on the activity, providing information on planned interruptions in the supply of electricity, partnership | Press releases, interviews, articles and posts |

**Table 3: Groups and sub-groups of stakeholders[18]**

## 6.6 Materiality matrix[19]

Materiality matrix is a strategic tool for determining the materiality with which the company measures, identifies and manages relations with strategic stakeholders. Our efforts are to work with strategic stakeholders correctly, in balance and dialogue. We identified the essential topics[20] of sustainable development through an online survey, in which we assessed the materiality from two points of view; the impact of Elektro Primorska Company and the significance for strategic stakeholders. In order to achieve greater transparency, we divided 23 material sustainability topics into three categories: economic or managerial, social and environmental aspect.

[18] GRI 102-40, GRI 102–42, [19] GRI 103-1, [20] GRI 102-64




ECONOMIC or MANAGEMENT ASPECT

1. Economic performance
2. Investments in the infrastructure
3. Reliability of electricity supply
4. Anti-corruption action and integrity
5. Risk management
6. Cyber security
7. Digitization of business
8. Innovation

ENVIRONMENTAL ASPECT

9. Efficient energy use
10. Air emissions
11. Siting of facilities
12. Climate change
13. Biodiversity
14. Waste

SOCIAL ASPECT

15. Training and on-the-job knowledge transfer
16. Health and safety at work
17. Accidents at work and near events
18. Career development
19. Diversity, equal opportunity and non-discrimination
20. Communication with employees
21. Customer satisfaction
22. Marketing, fast response and transparent communication of services
23. Sponsorships and donations

**Figure 8: Materiality matrix**

## 6.7 Management of economic impacts

In accordance with the Corporate Governance Code of SSH, the basic principles of the company's operation include commitments in the field of business compliance and integrity, transparent operation and zero tolerance for corruption, illegal and unethical conduct of employees, company management and members of supervisory bodies.

### 6.7.1 Infrastructure investments and services supported[21]

#### 6.7.1.1 State of electricity infrastructure

In 2021, the electricity system managed by Elektro Primorska, d.d., reached the following level of technical equipment per distribution unit (DE).

| | DE GORICA | DE KOPER | DE SEŽANA | DE TOLMIN | ELEKTRO PRIMORSKA TOTAL |
|---|---|---|---|---|---|
| DV: 10 kV–110 kV (m) | 650,734 | 246,806 | 616,791 | 516.888 | 2,031,219 |
| KBV: 10 kV–35 kV (m) | 141,562 | 222,638 | 199,941 | 90,455 | 654,596 |
| NNO (m) | 1,547,708 | 1,137,150 | 964,176 | 972,030 | 4,621,064 |
| RTP + RP (pcs) | 16 | 8 | 7 | 7 | 38 |
| TP (pcs) | 826 | 530 | 597 | 512 | 2.465 |

DV - transmission line KBV - cable conduit, NNO - low-voltage network, JR - public lighting
RTP – transformer substation, RP – substation, TP – transformer station

**Table 4: Physical volume of electric power devices as at DEC 31 2021**

#### 6.7.1.2 Electricity infrastructure maintenance services and other DEES services

In 2021, maintenance of electricity infrastructure and other services on the electricity distribution system (DEES) were carried out in accordance with the Contract on lease of electricity distribution infrastructure and provision of services for the system operator of the electricity distribution network between Elektro Primorska and SODO. It is implemented in two organizational units: in the sector for distribution network – SDO and in the sector for management of the distribution electricity system – SUDEES.

Annual plan for the provision of services for the company SODO, d.o.o., amounted to €15,434,003 in 2021. Value of the plan was again calculated on the basis of an estimated hour, which also includes all overhead costs.

Planned funds for the maintenance of the electricity infrastructure are intended for inspections, measurements and tests, audits, felling, preventive and fault repairs, and other maintenance work on the power plants. In accordance with the new maintenance instructions, form 2019 the maintenance funds will also take into account the costs of insurance premiums for infrastructure and the costs of keeping documentation on electric power devices.

Funds for managing the operation of the electricity network are planned for managing the flow of electricity through the distribution network, safe and reliable operation of the distribution network, implementation of system services, analysis of outages, failures and production of operational statistics, production and validation of internal operating instructions, etc.

Funds for process management are planned for monitoring the control system, editing documentation, parameterizing and maintaining the process management system. Telecommunication support funds are planned for the maintenance of TC devices (control systems, modems, converters, telephone exchange system, base and mobile devices).

[21] GRI 203-1

Protective devices management funds are planned for regular and extraordinary inspections and settings of protective devices, and their parameterization and repair. Funds for development are planned for the preparation of development studies, REDOS studies, preparation of a 10-year development plan for the electricity distribution system and the annual investment plan, as well as the preparation of guidelines and opinions on spatial acts.

Funds for the implementation of electricity metering are planned for regular and extraordinary replacement and verification of metering and control devices, regular and extraordinary control of metering points, manual and remote reading of metering devices and reading of metering devices when changing suppliers. Access implementation item is planned to regulate users' access to the network. Funds for connecting users to the distribution network are provided for the preparation of project conditions and consents to the project solutions and consents and contracts for connection. Main item among other services for users is the funds for the operation of the call centre.

Planned funds for the provision of services provided by Elektro Primorska for SODO at the request of the system user (i.e. other SODO services) are intended for connections and disconnections of users, acquisitions and connections of power connections and measuring points, changes in metering methods, replacement of billing fuses and provision of metering data and other services.

In this way, we show the values of the plan and realization of services for SODO also in reports made for the company SODO, d.o.o.

| | **Plan (€)** | **Actual (€)** | **Actual (€)** | **%** | **%** |
|---|---|---|---|---|---|
| | **2021** | **2021** | **2020** | **2:1** | **2:3** |
| **Type of work** | **1** | **2** | **3** | **4** | **5** |
| Maintenance of electricity infrastructure | 8,026,957 | 8,026,067 | 8,340,366 | 99.99 | 96.23 |
| Implementation and organisation of emergency service | 689,147 | 711,932 | 698,107 | 103.31 | 101.98 |
| Conducting of operation | 1,279,604 | 1,381,661 | 1,362,754 | 107.98 | 101.39 |
| Process management | 408,386 | 380,238 | 439,492 | 93.11 | 86.52 |
| Telecommunication support | 359,961 | 347,321 | 393,562 | 96.49 | 88.25 |
| Management of protective devices | 238,801 | 195,369 | 254,162 | 81.81 | 76.87 |
| Development | 188,625 | 252,912 | 237,496 | 134.08 | 106.49 |
| Monitoring and establishing quality of supply | 89,644 | 116,191 | 80,010 | 129.61 | 145.22 |
| Electricity metering | 1,910,615 | 2,022,532 | 1,995,535 | 105.86 | 101.35 |
| Provision of access services | 936,737 | 937,492 | 989,849 | 100.08 | 94.71 |
| Connecting users to distribution network | 1,079,975 | 1,908,881 | 1,314,145 | 176.75 | 145.26 |
| Other services for users | 225,552 | 255,528 | 233,532 | 113.29 | 109.42 |
| **TOTAL SERVICES FOR SODO** | **15,434,003** | **16,536,124** | **16,339,010** | **107.14** | **101.21** |

**Table 5: Actual services for SODO in 2021**

In 2021, the Company spent €16,536,124 on provision of services for SODO, which accounts for 107.14% of planned funds, up 1.21% compared to 2020.

## ACHIEVEMENT OF THE SET GOALS AND COMPARISON WITH 2020

Financial achievement of the plan for the provision of services for SODO is 7.14% above the plan. Actual inspections of devices accounted for 98.5%, metering for 96.1% and devices for 97.5% of the plan.

Highest percentage of realisation of planned values is detected in connection of users to the distribution network, where costs have increased due to the extraordinary increase in the number of connections of solar and self-sufficient power plants to the distribution network.

### 6.7.1.3 Investments

Basis for the preparation of the annual investment plan is the Development Plan for the Electricity Distribution System for a period of 10 years and the Investment Plan for a period of 3 years. Plan for the development of the electricity distribution network is based on the guidelines of the National energy climate plan – the NEPN and data from the REDOS study, which re-forecasts the consumption and production of electricity on the distribution network every five years and defines network development for the next 25 years.

Investment Plan, approved by the Energy Agency of the Republic of Slovenia, includes investments from the development plan according to priorities in accordance with the company's financial capabilities.

When preparing investments plans, joint investments with municipalities and other infrastructure companies are included. Thus, in 2021, meetings were held with all municipalities in order to define joint investments and time coordination of implementation. Aim of this coordination is joint, simultaneous construction of communal and energy infrastructure, with the least possible financial resources, taking into account the acceptability of infrastructure siting.

During the design and construction of facilities, technical solutions are planned and implemented that ensure, as much as possible, the safety and reliability of the operation of the electricity distribution system, quality electricity supply and environmental protection.

Implementation of the investment plan in 2021 was initially carried out in accordance with the 2021 plan version 1 in the amount of €20,000,000. Based on the obtained additional sources of financing, due to the sale of the subsidiary and the realization of investments during the year, we prepared two more versions of the investment plan, namely in March 2021 version 2 in the amount of €24,000,000 and in October 2021 version 3 in the amount of €24,000,000. Change in the scope of the investment plan (version 2) was approved by the Supervisory Board.

Total €23,475,021 was invested in facilities, equipment purchases and project documentation, accounting for 97.81% of the planned funds (€21,236,478 was spent in 2020).

| Investment groups | Realised funds | Share per investment group |
|---|---:|---:|
| Facilities | €15,678,216 | 66.79% of total funds |
| Equipment | €6,567,791 | 27.98% of total funds |
| Documentation | €1,229,014 | 5.24% of total assets |
| **Total** | **€23,475,021** | |

**Table 6: Investments by major investment groups**

Compared to the 2021-2030 development plan, we invested more funds in 2021 than planned.

| Type of plan | Value of plan | Realization of plan 2021 | Realization of plan |
|---|---|---|---|
| Development plan for the period 2021–2030 | €20,204,098 | €24,893,205* | 123.20% |
| Investment plan for 2021, version 3 | €24,000,000 | €23,475,021 | 97.81% |

**Table 7: Review of the realization of the plan in comparison with the development plan**

* In 2021, Elektro Primorska, d.d., invested €23,475,021. In addition, the company SODO, d.o.o., also invested in the distribution network in the supply area of Elektro Primorska, namely in the amount of €1,148,184. We both invested a total of €24,893,205.

In 2021, our investment activity focused primarily on investments in distribution transformer stations, in laying low and medium-voltage underground cables, and installation of advanced measuring devices. According to individual groups, the results are as follows:

## FACILITIES UP TO 20 KV

Most of the investment in the overhead lines (DV) was spent on the reconstruction of the medium voltage overhead lines. Major investments in 20kV overhead lines: reconstruction of DV 20 kV Idrija–Oblakov vrh (1.6 km), reconstruction of DV Kanji Dol–Vodice (2.2 km), reconstruction of DV 20 kV section Bela–Podkraj 3 (2.6 km), reconstruction of DV 20 kV section Logaršče (1 km), reconstruction of DV Črni Vrh–Lome (1.8 km).

Medium-voltage underground lines (KBV) were installed in urbanised areas with the objective of more loops in the network in the areas where weather phenomena occur that impact the quality of electricity supply (ice, wind), and on routes where frequent defects occur due to wear and tear of the existing cable conduits. Major investments in 20kV cable lines are: replacement of cable lines– points 1,2,3,4 in Ilirska Bistrica (4 km), KBV craft Farma–craft zone Neverke (3 km), EKK Kobarid–Bovec (6.46 km), MV-cable lines for Nožed 4 (2.1 km).

By investing in low-voltage networks (NNO), we modernised the existing low voltage conduits, eliminated poor voltage conditions and made connections to new customers. Significant investments in the low-voltage network include: NNO Vrata (1.7 km), NNO Markaduc (1.3 km), NNO Bate (1.2 km), NNO Hudajužna (0.63 km), NNO Nemci (0.7 km), NNO Piščanci (0.8 km), NNO Šmarje (0.72 km), EKK Vrhovlje Blumar (0.25 km), NNO Žaga (0.52 km).

Investments in transformer stations (TP) were aimed at modernising technically obsolescent transformer stations, eliminating poor voltage conditions and providing connections to new customers. Work continued on a major long-term project of integrating control measurements into transformer stations. Significant investments in transformer stations include: TP Žaga, TP Videž 1, TP Piščanci, TP Nožed 3, TP Lovran, TP Slavinje 1.

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| MV- overhead lines | 25.61 km | 16.83 km | 28.78 km | 26.66 km |
| MV- underground lines | 47.68 km | 34.96 km | 29.19 km | 26.50 km |
| Low-voltage network | 51.74 km | 57.51 km | 44 km | 33.65 km |
| Transformer stations | 99.28 pcs | 84.32 pcs | 58.60 pcs | 78.30 pcs |

**Table 8: Physical indicators of constructed and renovated devices**

## TRANSFORMER SUBSTATIONS (RTP) VN/SN

Following investments in RTP 110/20kV were carried out in 2021:

- RTP 110/20 kV Ajdovščina: Replacement of the second 110/20kV power transformer with 20MVA rated power with a transformer with 31.5MVA rated power. Reconstruction of the 20kV switchyard was completed in 2021.
- RTP 110/20 kV Cerkno: In 2021, we completed the replacement of the faulty power transformer.
- RTP 110/20 kV Dekani: In 2021, we replaced the accumulator battery 1.
- RTP 110/20 kV Gorica: In 2021, we replaced the accumulator battery 2, replaced the air conditioners, performed electrical installation work for the installation of a resonant choke.
- RTP 35/20 kV Hrpelje: In 2021, we completed the installation of air conditioning in the areas used for our own supply, which will provide relevant conditions for a prolonged service life of devices.
- RTP 110/20 kV Idrija: In 2021, we completed the replacement of equipment for the protection and control of transformer fields. We replaced the power transformer TR 1 with the new power transformer with rated power of 20 MVA and a gear ratio of 110/20 kV. We also performed the conversion of 20 kV transformer cells and the renovation of emergency lighting at the facility.
- RTP 110/20 kV Ilirska Bistrica: Due to technical wear and tear, we replaced the rectifier and inverter system.
- RTP 110/20 kV Izola: In 2021, we began construction work for a new 110 kV switchyard in GIS design.
- RTP 110/20 kV Koper: In 2021, we carried out the renovation of the fire alarm in the facility and began with the replacement of the rectifier and inverter system.
- RTP 110/20 kV Lucija: In 2021, due to technical wear and tear, we replaced the accumulator battery of system 2.
- RTP 110/20 kV Pivka: In 2021, we purchased a new power transformer TR1 with gear ratio of 110/20 kV, and rated power 31.5 MVA – ONAN and performed an expansion of the oil bowl of the power transformer TR 1 and started with electrical installation works for the replacement of power transformer TR 1.
- RTP 110/20 kV Postojna: In 2021, we replaced the two power transformers TR 1 and TR2 with the new ones of rated power 31.5 MVA and a gear ratio of 110/20 kV. Purchase of power transformers was financed by company SODO, d.o.o., while electrical installation work and testing was performed by Elektro Primorska, d.d.
- RTP 110/20 kV Sežana: In 2021, we replaced the safety lighting lamps and started the replacement of a technically obsolete rectifier and inverter system.
- RTP 110/35/20 kV Tolmin: In 2021, we purchased a new power transformer TR 2 with a gear ratio of 110/20/35 kV and rated power 20/20/14 MVA – ONAN and started performing electrical installation work for the replacement.
- RTP 110/20 kV Dekani: We implemented the anti-corrosion protection of steel structures.

## DISTRIBUTION TRANSFORMER STATIONS RTP SN/SN AND RP SN DISTRIBUTION STATIONS

In 2021, we implemented the following investments in RTP SN/SN and RP SN distribution stations:

- RP 20 kV Cerkno – replacement of the rectifier system of own supply.
- RP 20 kV Črni Vrh – replacement of the accumulator battery.
- RP 20 kV Idrija – replacement of the inverter system.
- RP 20 kV Kanal – replacement of the accumulator battery no. 1 and replacement of the rectifier system.
- RP 20 kV Predloka – completed replacement of secondary equipment.
- RP 20 kV Sela – replacement of the accumulator battery.
- RP 20 kV Trebuša – replacement of the rectifier system.
- RP 20 kV Postojna – replacement of the rectifier system.
- TP Bolnica – replacement of the accumulator battery.

## POWER FACILITIES

Investments in power facilities were carried out in order to ensure reliable supply of electricity to all our customers. A total of €14,676,817 was invested in the power facilities (facilities up to 20kV and distribution transformer stations), accounting for 103.44% of the plan (2020: €13,427,957). Share for power facilities in the total realization is 62.52%.

### BUSINESS AND OPERATIONAL FACILITIES

In 2021, we purchased new premises at the Erjavčeva 24 office building, carried out the second phase of the renovation of the service facility at DU Koper, rehabilitated the roof of the DU Tolmin service and storage facility, arranged lighting in the metal workshop at DU Nova Gorica, and other minor investment maintenance work was carried out at facilities. A total €596,746 was invested in business facilities and €404,553 in operational facilities.

### TOTAL FACILITIES

A total €15,678,216 was invested in power facilities and buildings, accounting for 101.84 % of the plan (2020: €13,604,368). As much as 66.79% of funds was invested in facilities.

### REMOTE CONTROL

Following major investments include:

- continuation of the project of installing protection of covered conductors,
- installation of fault current locators,
- replacement of communication computers at RP Doblar, RP Trebuša, RTP Vrtojba, RTP Ilirska Bistrica,
- replacement of station computer at RTP Ilirska Bistrica.
- installation of new DVPLMs. In 2021, we installed 3 new DVPLMs, namely on the locations of Zagora, Črniče and Knežak. By installing them, we are following the strict legal requirements for a reliable supply of electricity. Aim of the investment is to reduce undelivered electricity, reduce the number of short-term and long-term interruptions in the area in front of the installed switch, which occur as a result of defects, shorten the time to eliminate the defects or interruptions, shorten or eliminate non-voltage pauses caused by the need to change the configuration of the network to relieve the burden on operating staff, and reduce transport costs as part of the investments.
- at the DCV we implemented the following investments:
  – we upgraded the reporting system,
  – we replaced obsolete hardware and support servers,
  – started with the rearrangement of the DCV premises.
- we implemented the ADMS functions in the area of the town of Idrija.
- we performed the installation of the resonant choke at RTP Gorica,
- we installed software for monitoring the operation and parameterization of protection devices.

### TELEKOMUNIKACIJE

Following major investments include:

- upgrade of the digital VHF system,
- installation of drives with optical conductors,
- purchase of 51 GSM devices as part of the regular replacement.

### METERING DEVICES

Following major investments were made:

- purchase and installation of 21,956 direct electricity meters,
- share of installed meters compliant with NMS is 91%
- number of installed meters integrated in NMS, 88,499 pcs
- share of installed meters integrated in NMS is 66%
- purchase and installation of 294 industrial meters,
- purchase and installation 329 control meters,
- purchase and installation 743 concentrators,
- work continued on replacement of electricity quality recorders at RTP Sežana, RTP Hrpelje, RTP Pivka, RTP Tolmin, RTP Lucija, RTP Koper, RTP Dekani, RP Izola, RP Vanganel, RP Beli Križ, RP Predloka, RP Razdrto, RP Komen and RP Gradišče,
- replacement of meters at RTP Ajdovščina, RTP Cerkno, RTP Gorica, RTP Idrija, RTP Lucija, RTP Pivka, RTP Postojna, RTP Vrtojba and RTP Tolmin.

### TOOLS

We purchased the necessary tools and equipment to carry out electrical installation works, replacing technically obsolete tools.

### MEANS OF TRANSPORT

We purchased one new electric car, a truck, a platform and six off-road vehicles, to replace the existing obsolete ones.

## OFFICE SUPPLIES

Office equipment was purchased to replace the obsolete devices.

## IT

We purchased computers, printers, information energy equipment. We obtained licenses for the GIS software package. We continued to upgrade the GIS functionality and implement the new accounting ERP system and new investment system within the MAXIMO software package.

## EQUIPMENT

Total of €6,567,791was invested in equipment, accounting for 90.19% of all planned funds (2020: €6,238,906). Of total invested, 27,98% relates to equipment.

## DOCUMENTATION

Total of €1,229,014 was invested in the project documentation accounting for 5.24% of total funds planned (2020: €1,393,204).

| No. | Facility, equipment | Plan 2021 [€] | Actual 2021 [€] | Actual 2020 [€] | % | % |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 2:1 | 2:3 |
| | VN-power lines | 0 | | 0 | 0.00% | 0.00% |
| 1.1 | HV- overhead lines | 0 | 0 | 0 | 0.00% | 0.00% |
| 1.2 | HV- underground lines | 0 | 0 | 0 | 0.00% | 0.00% |
| | MV-power lines | 4,590,156 | 5,772,252 | 4,031,429 | 125.75% | 143.18% |
| 1.3 | MV- overhead lines | 1,113,094 | 1,250,270 | 1,171,643 | 112.32% | 106.71% |
| 1.4 | MV- underground lines | 3,477,061 | 4,521,982 | 2,859,787 | 130.05% | 158.12% |
| | LV power lines | 2,968,546 | 2,972,817 | 3,006,863 | 100.14% | 98.87% |
| 1.5 | LV- overhead lines | 1,548,636 | 1,542,008 | 1,360,673 | 99.57% | 113.33% |
| 1.6 | LV- underground lines | 1,386,403 | 1,410,472 | 1,556,010 | 101.74% | 90.65% |
| 1.7 | Other LV | 33,508 | 20,337 | 90,179 | 0.00% | 0.00% |
| | SUBSTATIONS | 6,629,383 | 5,931,747 | 6,389,665 | 89.48% | 92.83% |
| 1.8 | RTP HV/MV | 2,285,900 | 1,648,461 | 2,623,563 | 72.11% | 62.83% |
| 1.9 | RTP MV/MV | 35,000 | 32,966 | 0 | 0.00% | 0.00% |
| 1.10 | RP MV | 66.600 | 44,404 | 173,128 | 66.67% | 25.65% |
| 1.11 | TP | 2,797,018 | 2,736,578 | 2.,141,154 | 97.84% | 127.81% |
| 1.12 | TRANSFORMERS | 1,444,865 | 1,469,338 | 1,451,819 | 101.69% | 101.21% |
| | **TOTAL FACILITIES UP TO 20kV** | **11,867,185** | **11,817,606** | **9,798,574** | **99.58%** | **120.61%** |
| | **TOTAL POWER FACILITIES** | **14,188,085** | **14,676,817** | **13,427,957** | **103.44%** | **109.30%** |
| 1.13 | Protective devices | 175,000 | 150,785 | 184,081 | 86.16% | 81.91% |
| 1.14 | Remote control | 360,400 | 367,069 | 323,344 | 101.85% | 113.52% |
| 1.15 | Telecommunications | 187,000 | 120,394 | 199,636 | 64.38% | 60.31% |
| 1.16 | Metering devices | 3,461,500 | 3,478,478 | 3,205,222 | 100.49% | 108.53% |
| 1.17 | IT | 251,000 | 194,870 | 368,974 | 77.64% | 52.81% |
| 1.18 | Ancillary devices | 6,000 | 3,252 | 8,905 | 0.00% | 36.52% |
| 1.20 | Smart grids | 100,000 | 0 | | 0.00% | 0.00% |
| | **TOTAL SECONDARY EQUIPMENT** | **4,540,900** | **4,314,848** | **4,290,162** | **95.02%** | **100.58%** |
| | **TOTAL POWER FACILITIES AND EQUIPMENT** | **18,728,985** | **18,991,665** | **17,718,119** | **101.40%** | **107.19%** |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2.1 | Business Facilities | 732,300 | 596,746 | 106,125 | 81.49% | 562.31% |
| 2.2 | Operational facilities | 474,330 | 404,653 | 70,287 | 85.31% | 575.72% |
| | **TOTAL NON-POWER FACILITIES** | **1,206,630** | **1,001,399** | **176,412** | **82.99%** | **567.65%** |
| 2.3 | Mechanisation | 98,000 | 90,607 | 27,610 | 0.00% | 0.00% |
| 2.4 | Tools | 193,056 | 175,403 | 194,902 | 90.86% | 90.00% |
| 2.5 | Means of transport | 630,300 | 448,324 | 559,716 | 71.13% | 80.10% |
| 2.6 | Office supplies | 78,730 | 9,009 | 9,575 | 11.44% | 94.09% |
| 2.7 | Business data processing | 1,690,000 | 1,494,723 | 1,139,958 | 88.45% | 131.12% |
| 2.8 | Holiday facilities | 51,500 | 34,877 | 16,983 | 67.72% | 0.00% |
| | **TOTAL NON-POWER DISTRIBUTION EQUIPMENT** | **3.948,216** | **2,252,944** | **1,948,744** | **57.06%** | **115.61%** |
| 3.1 | Project documentation | 1,322,799 | 1,229,013 | 1,393,204 | 92.91% | 88.21% |
| | **TOTAL DOCUMENTATION** | **1,322,799** | **1,229,013** | **1,393,204** | **92.91%** | **88.21%** |
| | **TOTAL FACILITIES** | **15,394,715** | **15,678,216** | **13,604,368** | **101.84%** | **115.24%** |
| | **TOTAL EQUIPMENT** | **7,282,486** | **6,567,792** | **6,238,906** | **90.19%** | **105,27%** |
| | **TOTAL** | **24,000,000** | **23,475,021** | **21,236,478** | **97.81%** | **110.54%** |

### ACHIEVEMENT OF THE SET GOALS AND COMPARISON WITH 2020

In 2021, Elektro Primorska, d.d., implemented its investments in accordance with the adopted plan, and invested a total €24,000,000. Investment realisation is lower than the extended plan by 2.19%. Compared to 2020, the realisation of the planned investments increased by 10.54%.

Investments in electricity distribution infrastructure were carried out in accordance with the plan. In 2021, we invested mainly in ensuring a reliable electricity supply through the construction of medium-voltage underground lines and the renovation of distribution transformer stations, which are key power points for the electricity distribution network. In addition, part of the investment funds was allocated to the strengthening of the network for the connection of dispersed sources of electricity.

Investments in equipment have been partially postponed to 2022 due to difficulties in the supply of computer equipment and means of transport.

## 6.8 Risk management[22]

In its operations, the Company is exposed to various risk factors. Identifying the risks, their monitoring and management is becoming increasingly important for the Company.

Company has adopted a comprehensive risk management methodology, based on which the risk management process is defined as a systematic and continuous process intended to support the Company in the realisation of its mission and achievement of its objectives. In addition to the coordinator who is responsible for comprehensive risk management, the Management Board and authorised employees are also involved in the risk management process. Risk management is integrated into a certified and unified quality management system of Elektro Primorska, based on the following three standards: ISO 9001, ISO 14001 and ISO 45001. Risk management process observes the principle of continuous improvement cycle that includes planning - P, implementation - D, monitoring - C, and action - A.

[22] GRI 102-30

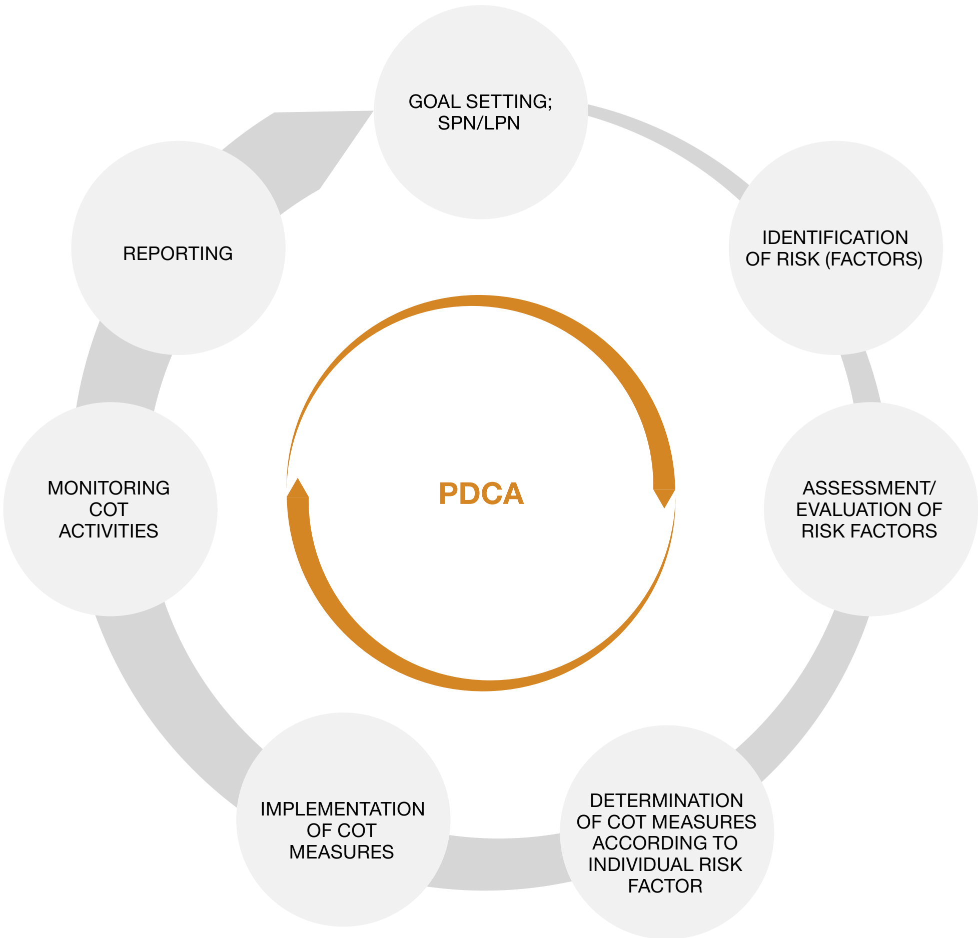



**Figure 9: Risk Management**

Each year, during the preparation of the Company's annual business plan, revision of the strategic business plan, or when making any major business decision, adopting a project, or after a significant change in the market or sectoral legislation, an overview is carried out of potential deviations from the set goals that may occur due to identified and anticipated new risk factors as a result of individual decisions or planned activities. Company identifies risks by studying closely causes that may lead to losses.

Risk identification is based on two criteria that adequately define individual risks:

- Presence of uncertainty: risk exists when an event or development of a particular situation is uncertain or unexpected.
- Exposure to potential negative financial effects: the risk exists if an uncertain event could cause financial loss or otherwise result in a decline in the Company's financial result compared to the one expected. Financial losses can be direct, e.g. damages to buildings, equipment or other assets of the Company, or indirect, perceived as a loss of revenue.
- Each identified risk is evaluated on the basis of set limits and thus defined in a qualitative risk matrix, which shows the significance of each risk in relation to the frequency of occurrence and estimated damage.

| | | DAMAGE ASSESSMENT | | | |
|---|---|---|---|---|---|
| | | LOW | MEDIUM | HIGH | VERY HIGH |
| | | 0 – 500,000€ | 500,000€ -1,250,000€ | 1,250,000€ - 6,250,000€ | >6,250,000€ |
| | ASSESSMENT | 1 | 2 | 3 | 4 |
| OFTEN 1/year | 4 | **4** | **8** | **12** | **16** |
| LESS 1-1/5 years | 3 | **3** | **6** | **9** | **12** |
| RARELY 1/5 – 1/20 year | 2 | **2** | **4** | **6** | **8** |
| EXTREMELY RARELY 1/20 year | 1 | **1** | **2** | **3** | **4** |

Very high level of risk 8–16

High level of risk 8–9

Medium level of risk 4–6

Low level of risk 0–3

**Table 9: Flow chart of risk categorization in terms of significance**

Identifying and assessing identified risk ensures that we are dealing with key risks. In the company, the risk is regulated in more detail in the previously mentioned risk methodology and informationally supported by the Fermion application.

## – RISK TYPES

All identified risks are classified in one of the four categories in accordance with the risk management methodology:

RISK CATEGORIES

**FINANCIAL – MARKET:**

In this system, financial risks are defined as financial consequences that are perceived in the case of wrong business decisions or incorrect implementation of business decisions or compliance with the law. Financial risk factors affect capital adequacy, cash flow and consequently the company's liquidity. In Elektro Primorska the biggest risk factors are the economics of investments and economic viability of maintenance organization.

**OPERTIONAL:**

Operational risks are those associated with the implementation of the business process. Operational risk factors include human behaviour, systems that that support human behaviour, and the risk that internal work instructions are not in line with best practice and are not set towards achieving the company’s goals.

**STRATEGIC / BUSINESS:**

Strategic or business risks include those to which the company is exposed and which reflect the implementation of its core activity. Company consciously assumes these risks, because it is by assuming these risks that it makes a profit. We are talking about decisions in investing and maintaining the network.

**REGULATORY COMPLIANCE RISK – LEGISLATIVE:**

Legislative risks or risks of regulatory non-compliance are important for Elektro Primorska.

**Figure 10: Risk categories**

## – RISK REGISTER

All identified risks are entered in the risk register. Register is a working document and the main source of information for reporting on risk management. Elektro Primorska set up its risk register for the first time already in April 2013, based on recognizing the importance of risk management for successful operations. Risk register is a form of comprehensive risk management and needs to be constantly updated. Risk register covers all elements of risks that are regularly monitored and supplemented at least on a monthly basis in accordance with the comprehensive risk management methodology.

### – RISK PROFILE

Information support gives us the impact of risk on the company's operations on the basis of quantitative assessment. For identified risks using the Value at Risk (VaR) method, the application calculates the worst possible negative effect of realization of these risks. Obtained result gives the impact of the realization of the worst case scenario of all risks, which can happen once every 20 years. Calculation of the risk profile takes into account the fact that the realization of the worst case scenario does not mean the simultaneous realization of all risks in the registry, as the process of calculating potential losses takes into account the fact that the probability of all realizations is negligible.

### – RISK MANAGEMENT

Based on the prepared risk register and qualitative as well as quantitative risk assessment, the company approaches tan individual risk in a way that it avoids the risk, reduces the risk, transfers it to a third party or accepts the risk. Company manages the identified risks through risk mitigation measures, namely preventive measures that prevent the risk and measures that reduce the damage caused as a result of the realization of the risk.

### – MONITORING AND REPORTING

Authorised persons review the risk situation on a monthly basis and report on potential changes in the risk assessment, substance and the related measures. Reports are submitted to the Company's Management Board monthly.

Quarterly reports are submitted to the Management Board, the Audit Committee, and the Supervisory Board.

### – RISK ACTIVITIES IN 2021

At the beginning of the financial year 2021, 25 risks were recorded in the company Elektro Primorska. In addition to the standard monthly risk monitoring by the risk managers, two other activities were carried out in 2021. In April, he risk managers corrected /supplemented he existing risk register. They finalized risk descriptions and risk factors, as well as the causes that may lead to the realization of risks. They reviewed the existing risk management measures and assessed individual criteria for risk evaluation. Based on the established facts, the risk managers for individual risks decided on possible corrections to either the frequency of occurrence or the assessment of the severity of the risk. Changes were made to 13 of the 25 risks., which was consequently reflected in the qualitative and quantitative risk assessment. As part of the qualitative assessment, the list of risks with an estimated medium level of risk changed slightly. At the same time, in the form of a quantitative assessment, the total contribution to the risk profile decreased by 45.9%. As part of the next major change in September, when risk managers reviewed the risks in the face of the predicted fourth wave of the COVID-19 epidemic, there was again a change in the list of risks that formed a medium level of risk. According to the measures taken in the company, the risk managers estimated that the existing risk did not increase to such an extent that the valuations should be changed, but they identified five new risk in the same set. Another medium level risk was identified. Due to new risks in September, the total contribution to the risk profile rose by 41.8%, ending the year at 76.8% of the total contribution to the risk profile from the beginning of 2021. Number of active risks increased to 30 in September and this number also ended the year.

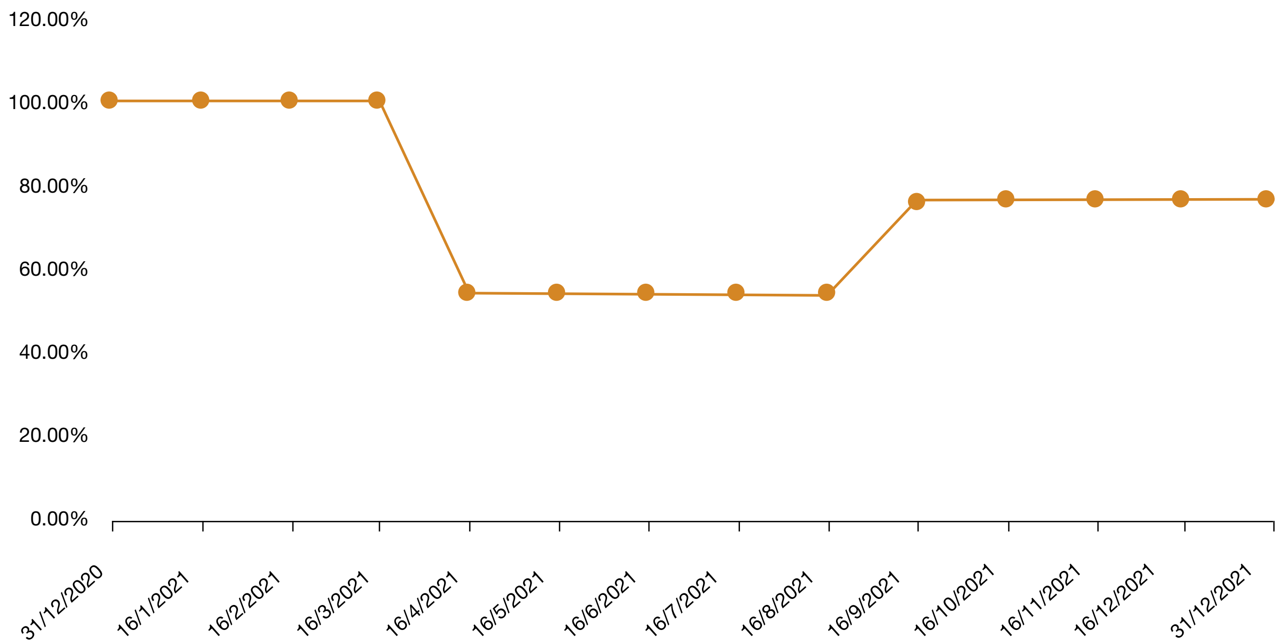



**Chart 1: Total contribution to the risk profile**

## STATE OF RISKS AT THE END OF 2021

As at December 31 2021, there was 30 active identified risks in the company, which are classified to four categories. Three risks belong to the category of financial risks (10% of all risks), 18 risks to the category of operational risks (60% of all risks), four risk to the category of strategic risks (13% of all risks) and five risks to the category of regulatory risks (17% of all risks).

## STATE OF RISKS AT THE END OF 2021

As at December 31 2021, there was 30 active identified risks in the company, which are classified to four categories. Three risks belong to the category of financial risks (10% of all risks), 18 risks to the category of operational risks (60% of all risks), four risk to the category of strategic risks (13% of all risks) and five risks to the category of regulatory risks (17% of all risks).

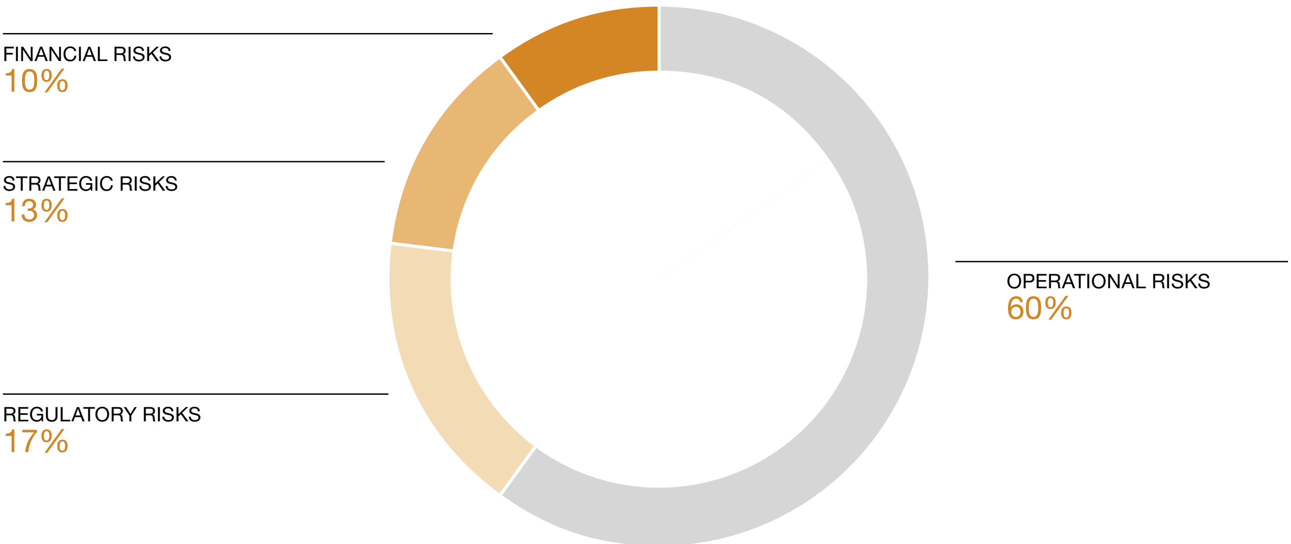



**Chart 2: Number of risks by individual category**

According to the qualitative assessment scale, at the end of the year, six risks with an estimated medium risk level were identified, namely *EU GDPR Regulation, Change in prices or rate of return set by the State /regulator, Installing / replacing measuring and control devices, Inability to ensure the availability of ICT services, Control of traffic in the information network and the risk of Failure to meet the statutory deadlines for the issuance of CfC for self-sufficiency in ZRSOVE.* Risks are managed within individual organizational units. According to the qualitative assessment, all remaining identified risk are in the area of low risk.

In the quantitative risk assessment in the company Elektro Primorska, the category of operational risks represents the largest share in total contribution to the risk profile. As can be seen from Chart 3, this share is 51%. This is also expected due to the large number of identified risks in this category. Among the 18 active risks, the following risks represent the main contribution in this category: *Failure to meet the statutory deadlines for the issuance of CfC for self-sufficiency in ZRSOVE, Installing / replacing measuring and control devices, Cyber security risk, Inability to ensure the availability of ICT services, Operation of the maintenance system, Termination of the key supplier or contractor, Replacing key personnel in ICT, Rising prices of materials and equipment and Risk of major accidents*. Slightly smaller share, namely 44%, of the total contribution to the risk profile is represented by the category of regulatory risks. Five risks have been identified in this category, the most important of which are Change in prices or rate of return set by the State /regulator and EU GDPR Regulation. Share of the contribution to the risk profile of the Financial Risks and Strategic Risks categories is small, namely 2% and 3%. In these two categories, important risks are *Market risk* and *Rising prices of materials and services*.

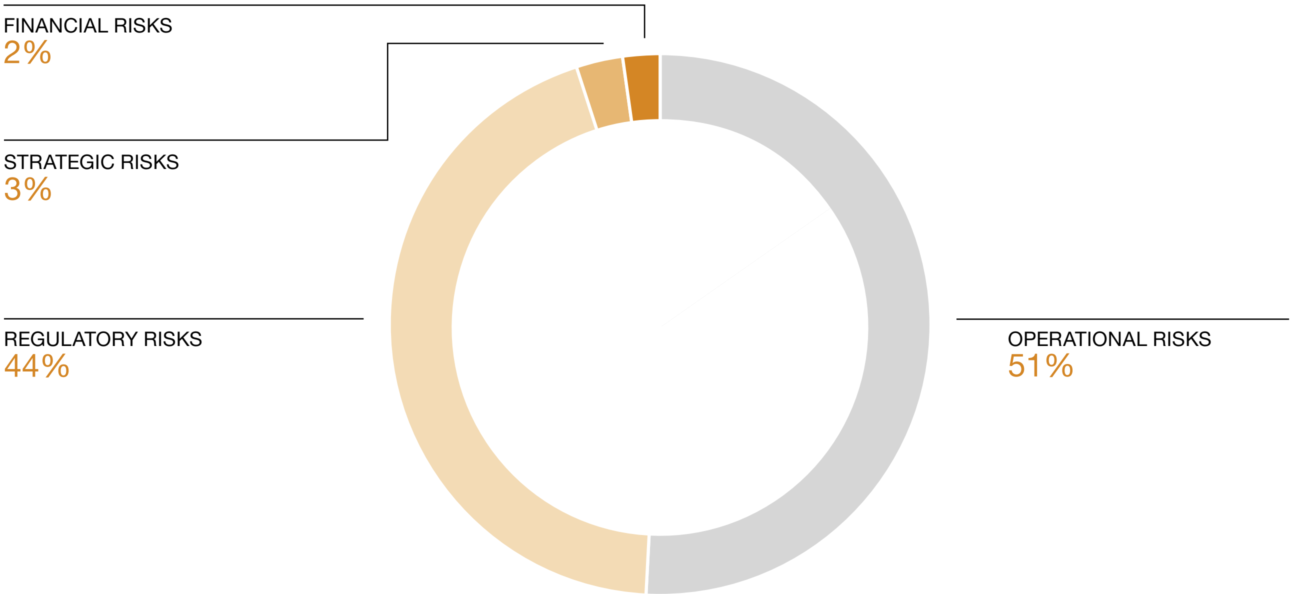



**Chart 3: Contribution of individual risk categories to the overall risk profile**

As part of the quantitative risk assessment, five key risks were identified at the end of the year, whose contribution to the risk profile represents 6.2% to 27.5% of the total value.

Chart showing the contribution to the risk profile shows that the risk Change in prices or rate of return set by the State /regulator covering the impact of the WACC calculation by the regulator, which may reduce the company's revenues with the new accounting period in the amount of 27.5%, has the greatest impact on the total contribution to the risk profile. Risk also includes government measure, as part of which an intervention law was adopted to limit the consequences of the epidemic, which, among other things, reduced the return on funds to distribution companies. Second most influential risk is Failure to meet the statutory deadlines for the issuance of CfC for self-sufficiency in ZRSOVE (18.6 %). Risk includes failure to meet the prescribed deadlines for issuing consent for connection, in accordance with the adopted Act on the Promotion of the Use of Renewable Energy Sources (ZSROVE). Third most influential risk is the EU GDPR Regulation (16.2%), which poses a risk to the company's operations inconsistent with the Regulation of the European Parliament and of the Council on the protection of personal data and the free movement of such data – GDPR.

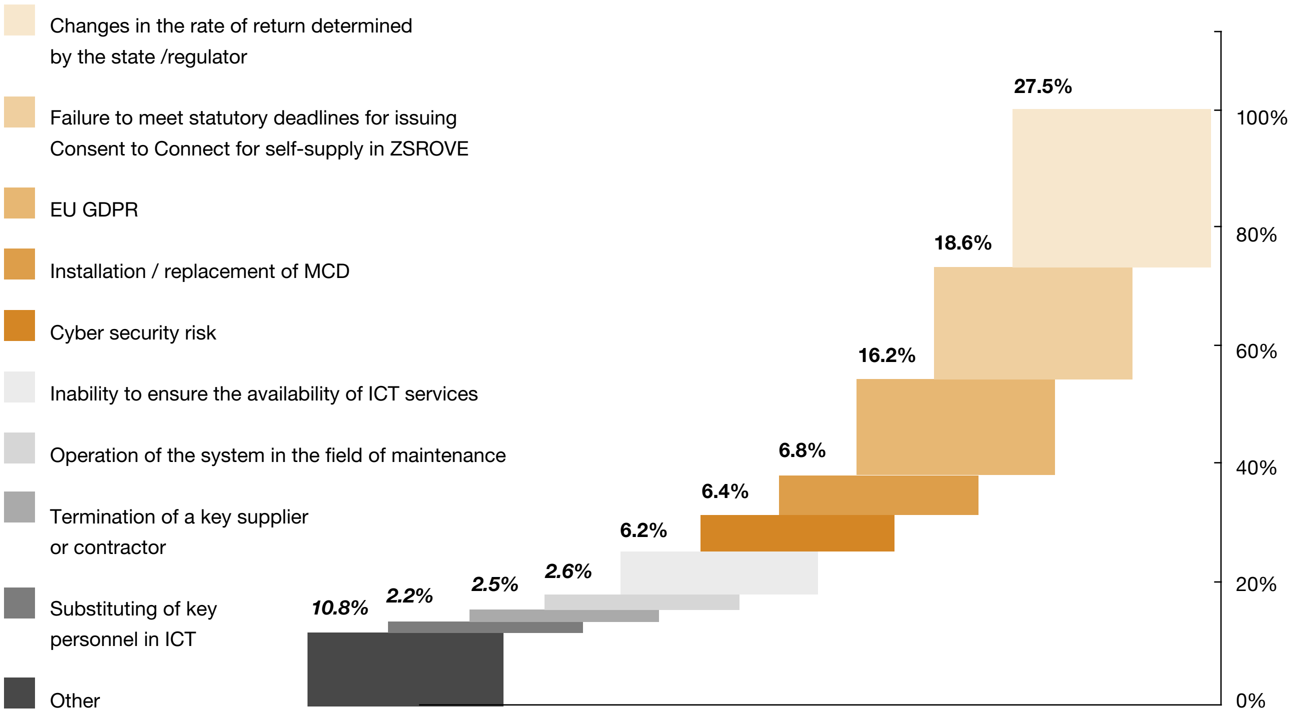



**Chart 4: Contribution to the risk profile**

Three other key risks were identified, namely the risk Installing / replacing measuring and control devices (6.8%), which represents a risk of unrealized obligations under the Cohesion Treaty for the purchase of smart meters, and risk due to the assessment of the eligibility for European cohesion funding (ministries), *Cyber security risk (6.4%),* covering the risk of phishing emails, cryptocurrency payments, cyber intrusions and data theft, and risk *Inability to ensure the availability of ICT services* (6.2%), which covers the risk of failure of key processes related to the operation of ICT services for various reasons.

## SUMMARY

Persons in charge at Elektro Primorska Company have regularly assessed and managed the risk exposure throughout the year. We believe that by adhering to high standards of risk management, we have made an important contribution to achieving the company's set goals. This proves that the company's risk management system is appropriate and indispensable in the process of strategic planning and in making current business decisions.

## 6.9 Management of social impacts[23]

### 6.9.1 Employees

At Elektro Primorska, we strive to develop a business environment in which diligence, responsibility, affiliation, mutual cooperation and respect are the fundamental values for the implementation of the adopted human resources policy and business goals of the company.

In 2021, greater emphasis was placed on improving the managerial competencies of managers at all levels, creating approaches for identifying and developing both key and promising staff and establishing a system of knowledge management and faster knowledge transfer among employees in order to maintain and transfer specific knowledge, which can have a significant impact on smooth and efficient work when staff leave. Aware of the importance of knowledge in a rapidly evolving world, in 2021 we also joined the Learning Brand certificate in order to improve the working environment that would provide employees with greater personal and professional growth.

Feedback on employee satisfaction with the work environment, company management, organization and communication in the company is obtained by measuring the organizational climate. In doing so, we seek to identify whether new approaches to employee management are delivering the desired effects, and we are looking for opportunities for improvement.

#### 6.9.1.1 Composition of employees

A total of 485 workers were employed by the Company as at December 31 2021, of which 5% were fixed-term employees. Average number of employees in 2021 was 481, an increase of 8 compared to the average headcount in 2020.

Employee turnover[24] in the company is low and amounts to 2.91%, compared to the previous year it is higher by 15%. In most cases, it is a turnover due to retirement.

Absenteeism due to sick leave was 5.65% and decreased by seven percent compared to 2020.

| | Elektro Primorska, d.d. |
|---|---|
| Total number of employees as at 31. 12. 2021 | 485 |
| Average number of employees in year | 481 |
| Number of new employees hires in year[25] | 25 |
| Number of departures in year | 14 |
| Number of permanent employees | 460 |
| Number of fixed-term employees | 25 |
| Number of employees with disabilities | 30 |

**Table 10: Overview of employees in Elektro Primorska, d.d.**

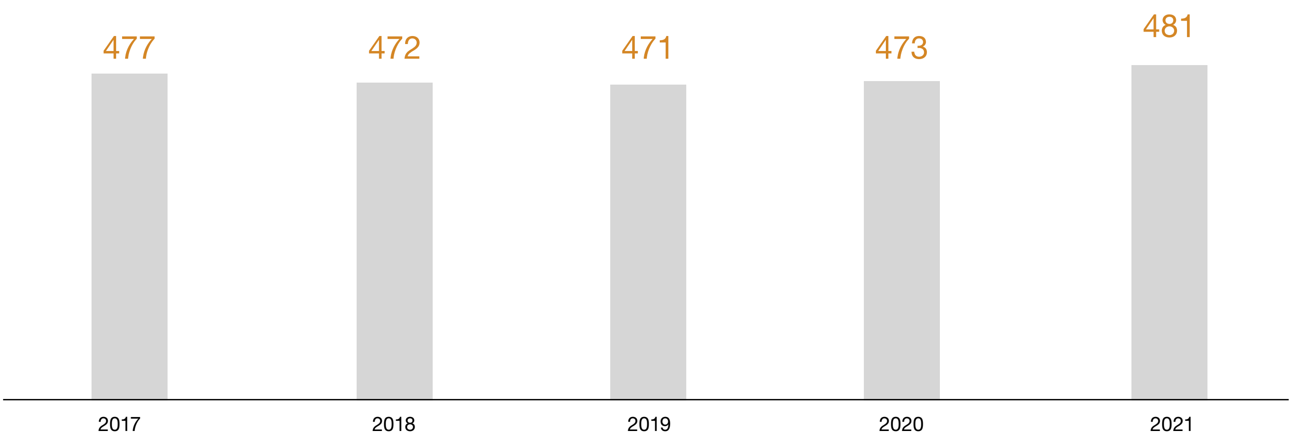



**Chart 5: Movements in the average number of employees over the period 2017 – 2021**

[23] GRI 102-8, [24] GRI 401-1, [25] GRI 401-1

| Activity | Number of employees as at December 31 2020 | Structure (%) | Number of employees as at December 31 2021 | Structure (%) |
|---|---|---|---|---|
| Main activity (distribution network sector, electricity system management sector, strategic development and innovation service) | 369 | 77.52 | 381 | 78.56 |
| Common services (management, financial and accounting sector, general sector, procurement, information technology) | 107 | 22.48 | 104 | 21.44 |
| **Total** | **476** | **100** | **485** | **100** |

**Table 11: Overview of employees in Elektro Primorska, d.d.**

## AGE STRUCTURE OF EMPLOYEES

Average age of employees in the company is 45.37 years, which decreased by 0.63 year compared to the previous year.

| | Age group | Number of employees |
|---|---|---|
| 1 | up to 20 years | 0 |
| 2 | 21–30 | 47 |
| 3 | 31–40 | 109 |
| 4 | 41–50 | 151 |
| 5 | 51–60 | 150 |
| 6 | 61 and over | 28 |
| | **Total** | **485** |

**Table 12: Number of employees in Elektro Primorska, d.d, per individual age group**

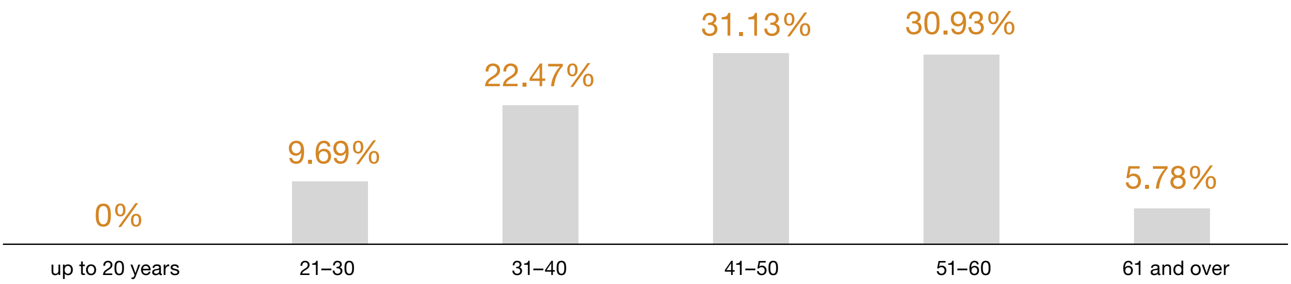



**Chart 6: Age structure of employees of Elektro Primorska, d.d.**

## STRUCTURE OF EMPLOYEES ACCORDING TO GENDER

Gender ratio does not deviate significantly from one year to the other. Share of male employees is still high, which is due to the activities in which we employ mainly technical professions, which are mostly performed by men.

| | Gender | Number of employees |
|---|---|---|
| 1 | male | 408 |
| 2 | female | 77 |
| | **Total** | **485** |

**Table 13: Number of employees in Elektro Primorska, d.d., by gender**

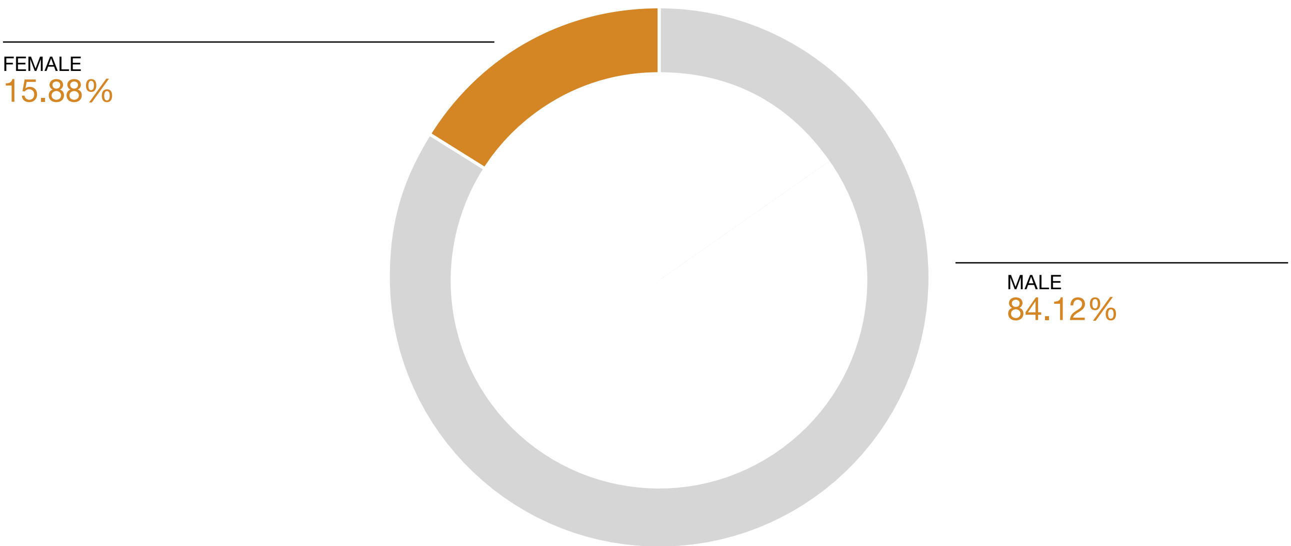



**Chart 7: Structure of employees in Elektro Primorska, d.d., according to gender**

## STRUCTURE OF EMPLOYEES ACCORDING TO THE YEARS OF SERVICE

In 2021, more than 63% of employees have completed 20 or more years of service.

| | Years of service | Number of employees |
|---|---|---|
| 1 | up to 5 years | 0 |
| 2 | from 6 to 10 years | 47 |
| 3 | from 11 to 20 years | 109 |
| 4 | from 21 to 30 years | 151 |
| 5 | from 31 to 40 years | 150 |
| 6 | over 40 years | 28 |
| | **Total** | **485** |

**Table 14: Number of employees in Elektro Primorska, d.d., according to the years of service**

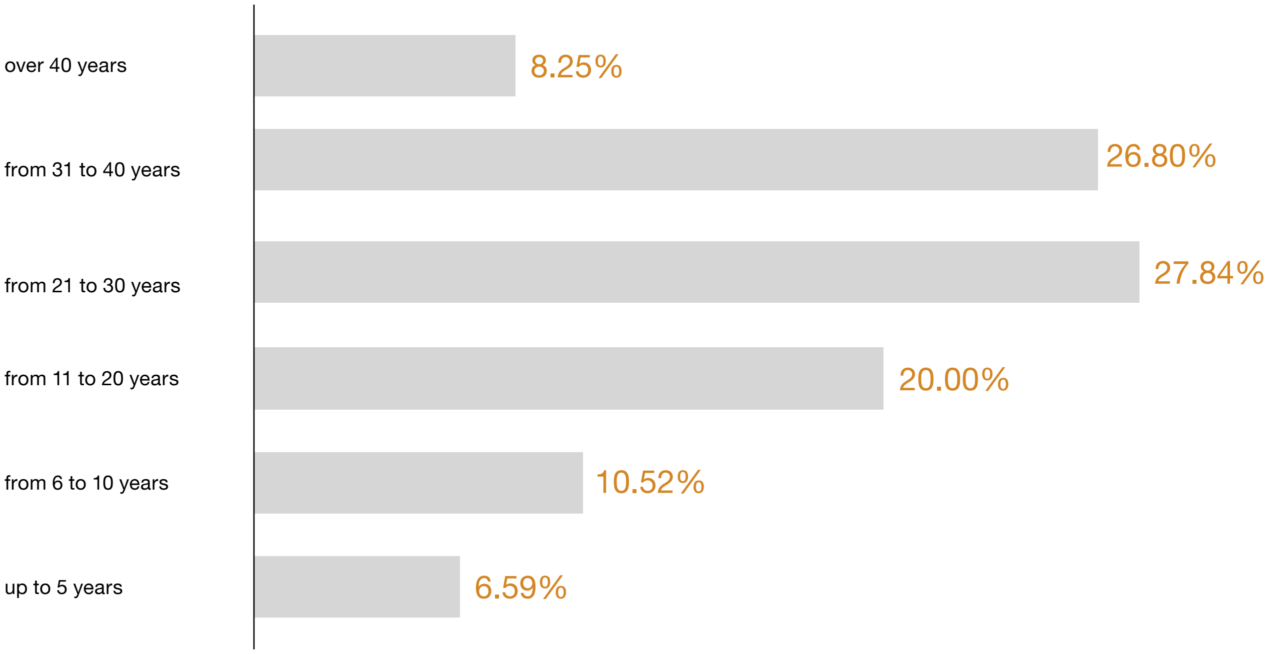



**Chart 8: Structure of employees according to the years of service in Elektro Primorska, d.d.**

## EDUCATIONAL STRUCTURE OF EMPLOYEES

Educational structure of employees is comparable to the previous year. Compared to 2020, the share of employees with levels of education 5, 6/1 and 8/1 increased slightly, while the share of employees with levels 4 and 6/2 slightly decreased.

| Level according to BP | Number of employees as at 31. 12. 2020 | Structure (%) | Number of employees as at 31. 12. 2021 | Structure (%) |
|---|---|---|---|---|
| 8/2 | 1 | 0.21 | 1 | 0.21 |
| 8/1 | 4 | 0.84 | 5 | 1.03 |
| 7 | 53 | 11.13 | 54 | 11.13 |
| 6/2 | 52 | 10.92 | 52 | 10.72 |
| 6/1 | 61 | 12.82 | 63 | 12.99 |
| 5 | 172 | 36.14 | 176 | 36.29 |
| 4 | 119 | 25 | 116 | 23.92 |
| 3 | 11 | 2.31 | 11 | 2.27 |
| 2 | 2 | 0.42 | 2 | 0.41 |
| 1 | 1 | 0.21 | 1 | 0.21 |
| **TOTAL** | **476** | **100** | **485** | **100** |

**Table 15: Educational structure of employees in Elektro Primorska, d.d.**

## NEW EMPLOYEES HIRES[26]

In acquiring new employees, we strive to acquire committed and professional staff.

In 2021, we hired 25 new employees, which represents 5.1% of all employees. According to the demographic structure, the largest share of new employees are men between ages of 21 and 40, while the majority of new employees have level 5 of electrical education. Average age of new employees is 34.7 years.

## AGE STRUCTURE

| Age group | Number of new employees |
|---|---|
| **up to 20 years** | **0** |
| **21-30** | **9** |
| **31-40** | **9** |
| **41-50** | **6** |
| **51-60** | **1** |
| **Total** | **25** |

**Table 16: Age structure of new employees in 2021**

[26] GRI 401-1

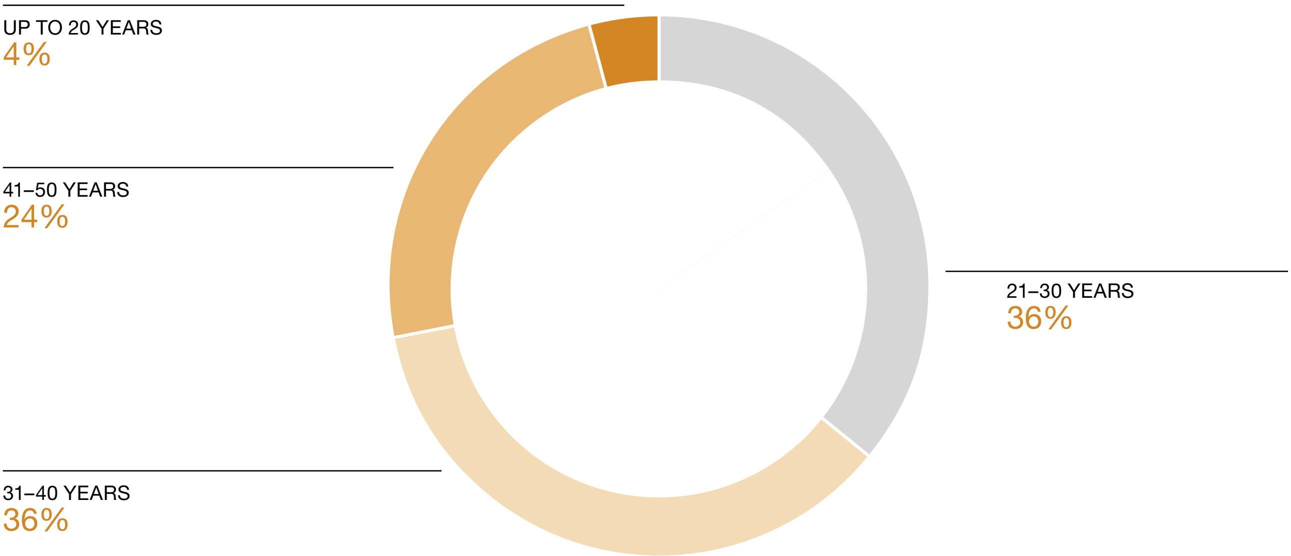



**Chart 9: Age structure of new employees in 2021**

## GENDER STRUCTURE

| Gender | Number of new employees |
|---|---:|
| Male | 20 |
| Female | 5 |
| **TOTAL** | **25** |

**Table 17: Structure of new employees in 2021 by gender**

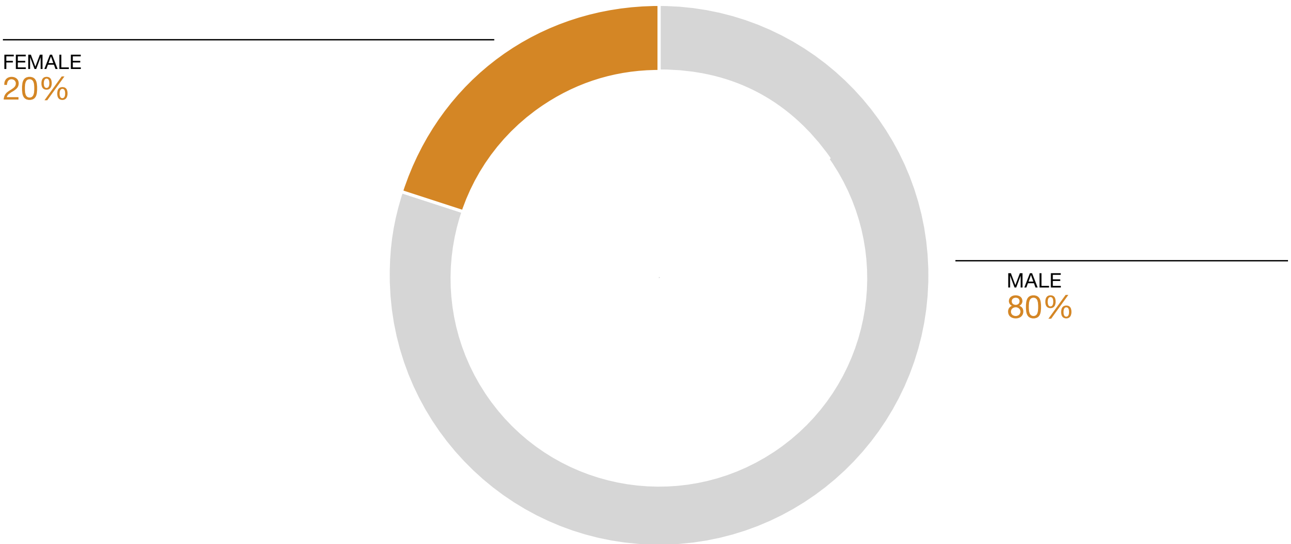



**Chart 10: Structure of new employees in 2021 by gender**

#### 6.9.1.2 Education of employees[27]

Due to the epidemiological situation, the vast majority of trainings took place via web conferences. In 2021, each employee attended at least one form of education or training. Average number of hours of training per employee in 2021 was 14.7 hours. Most of the professional trainings were in the field of energy, occupational safety, changes in legislation, conducting annual interviews, communication and learning foreign languages. All employees attended a workshop on innovation.

Company has concluded 12 contracts with employees wishing to obtain higher professional education, most of them for the title of power engineer.

For the needs of additional education and development of employees (tuition fees, workshops, seminars…) in 2021 we allocated €82,622.85 or €172 per employee.

Compared to previous periods, for the needs of additional education and development of employees (tuition fees, workshops, seminars…) in 2018 9.9 hours per employee were spent and a total of €79584.24 or €167 per employee. Most of the trainings were related to the training of the school of management, safety at work, establishment of a new document system, changes in legislation and professional seminars and conferences. In 2019, for the needs of additional education, 8 hours per employee were spent and a total of  €107,449.07 or €228 per employee. Most trainings in 2019 were in the field of changes in legislation, computer science and informatics, seminars in the field of taxes and accounting and professional training in the field of energy. In 2020, for the needs of additional education, 8 hours per employee were spent and a total of  €52,421.40 or €111 per employee. Most of the trainings were seminars in the field of energy, annual interviews, challenging communication and changes in legislation. Number and value of trainings in 2020 deviated significantly from the other years, as participation in trainings was severely reduced due to the outbreak of the covind-19 virus. All trainings that employees attended in 2020 were conducted online, through Teams or Zoom workshops.

For several years now there has been sufficient number of suitably educated candidates on the labour market, so we devote more funds to practical trainings of high school and university students.

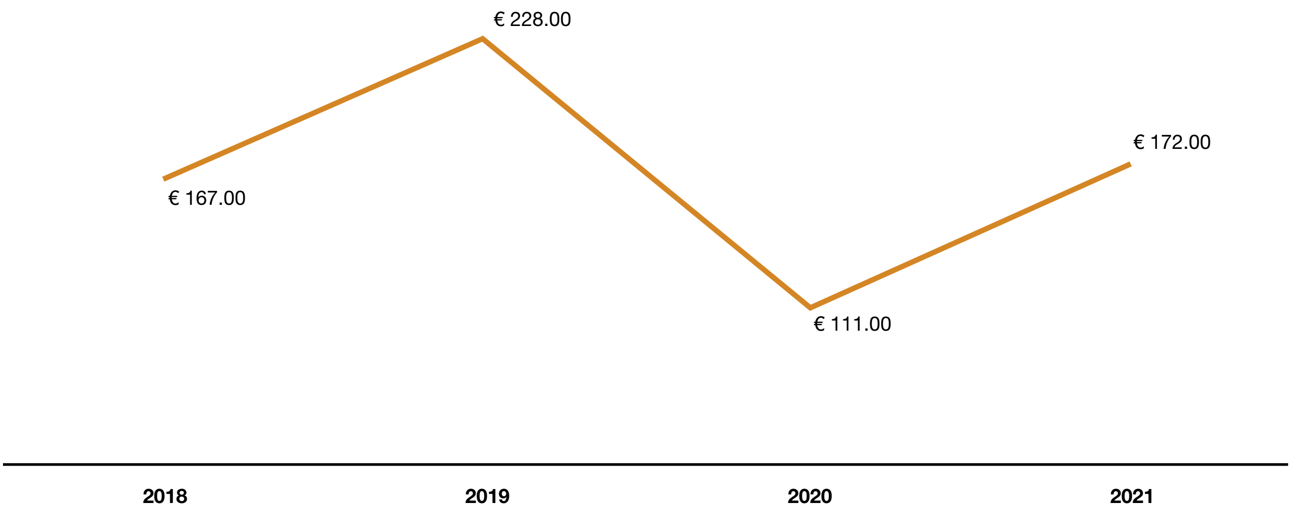



**Chart 11: Resources intended for employee trainings (in euros /employee)**

[27] GRI 404 –1

#### 6.9.1.3 Communication with employees

VIn the company Elektro Primorska, communication with employees takes place through various channels, as communication is a great challenge for us due to work at different locations and performing work in the field. To this end, we have radically renovated the intranet portal in 2021. Corporate communication to our employees is crucial. As we are aware that one third of employees work in the field and have difficulty accessing the intranet portal, we have integrated the main news module with our cloud portal, thus enabling insight into at least important information on mobile devices. Workers in the field do not need a VPN connection or access to a computer to access key news in the company, because they can use the mobile phone to view the main news and updates in the company, which are published on the main intranet portal of the company. Intranet portal of our company has been completely renovated and enables employees to deliver the content that employees in the company need and share with each other in the simplest and most informative way possible. Intranet also enables quick surveys, which are used to obtain feedback from employees. In addition to the intranet portal, we also communicate directly with employees by e-mail. With mailing, we acquaint employees with current information and the data they need to perform their work. We also use traditional bulletin boards for communication, which are intended primarily for field workers.

Printed newsletter of the electricity industry »Naš stik«, published by Elektro Slovenia, is also available to employees. Head of corporate communication is a member of the newsletter's council and ensures that the Company is properly presented and represented in the newsletter and on the portal www.nas-stik.si. »Naš stik« also conducts weekly mails with current news from the Slovenian electricity industry.

Direct forms of communication also include regular meetings, cost, technical, extended professional boards and the college of the president of the management board. In addition to the above, there are also regular meetings with representatives of the works council and meetings with a representative trade union, the minutes of which are published on the company's intranet portal and offer employees additional involvement and insight into the company's operations.

#### 6.9.1.4 Health and safety at work

In the company Elektro Primorska, d.d., the safety and health of employees is crucial due to the nature of work (field work in adverse hydro meteorological conditions: wind, rain, snow, ice…) and due to the work on electricity devices and plants that are in normal operation under voltage.

Company has an established Occupational Health and Safety Management System[28] in accordance with the international standard ISO 45001:2018. By complying with legal requirements and occupational safety and health policy, we ensure that our employees are more productive, creative and feel safe in the workplace. All employees are involved in the operation of the OSH system.

Various activities take place within the framework of the annual occupational health and safety (OSH) objectives and programs.

Key activities of OSH:

Hazard identification and risk assessment;

With every change in the field of OSH, we perform audits of the Safety Statement with a Risk Assessment (for all workplaces), where new hazards are identified and risks are evaluated, and the necessary measures taken. Risks are identified through investigations into accidents at work and incidents, interviews with employees and workplace inspections. Through publication on the intranet page, we make sure that the IOT is available to all employees. Last audit No. 10 was conducted in March 2021, where the risks associated with the COVID.-19 epidemic were identified and assessed. In 2021, a new expert assessment of the occupational medicine practitioner was made.

Elimination of hazardous with less hazardous;

Throughout the operation, we take care of eliminating the hazardous with the less hazardous, so we regularly test new methods of work that pose less risk. We make sure that safe work equipment and appropriate personal protective equipment are procured. Through regular work , we test more advanced personal protective equipment. Thus, in 2021, we tested three models of anti-cut gloves in order to prevent cuts when using sharp objects. In 2021, new helmets from Kask were also purchased and tested.

Identification and investigation of incidents[29]:

Identifying and investigating incidents is key to improving the system and preventing accidents at work. We have developed procedures and instructions for reporting and investigating the incidents. Both senior and lower-level

[28] GRI 403-1, [29] GRI 403-2

employees are involved in the investigation. Thus, in 2021, we dealt with almost events, the most in recent years.

### Coping with the COVID-19 epidemic

COVID-19 epidemic continued to significantly affect the work process in 2021, so the concern for the safety and health of employees had to be adapted to the new conditions. Majority of activities were dedicated to monitoring measure at the state level and adjusting measures within the company. We adopted several instructions for changing the organization of work and implementing measures to control the epidemic, and paid special attention to regular communication with employees. Work from home continued.

Meetings of the OSH council at the Economic Interest Grouping (GIZ) were held regularly with the aim of adopting appropriate measures and exchanging opinions within distribution companies.

In 2021, 803 employees were infected with the Sars-Cov-2 virus. 60 employees were quarantined due to contact with an infected person.

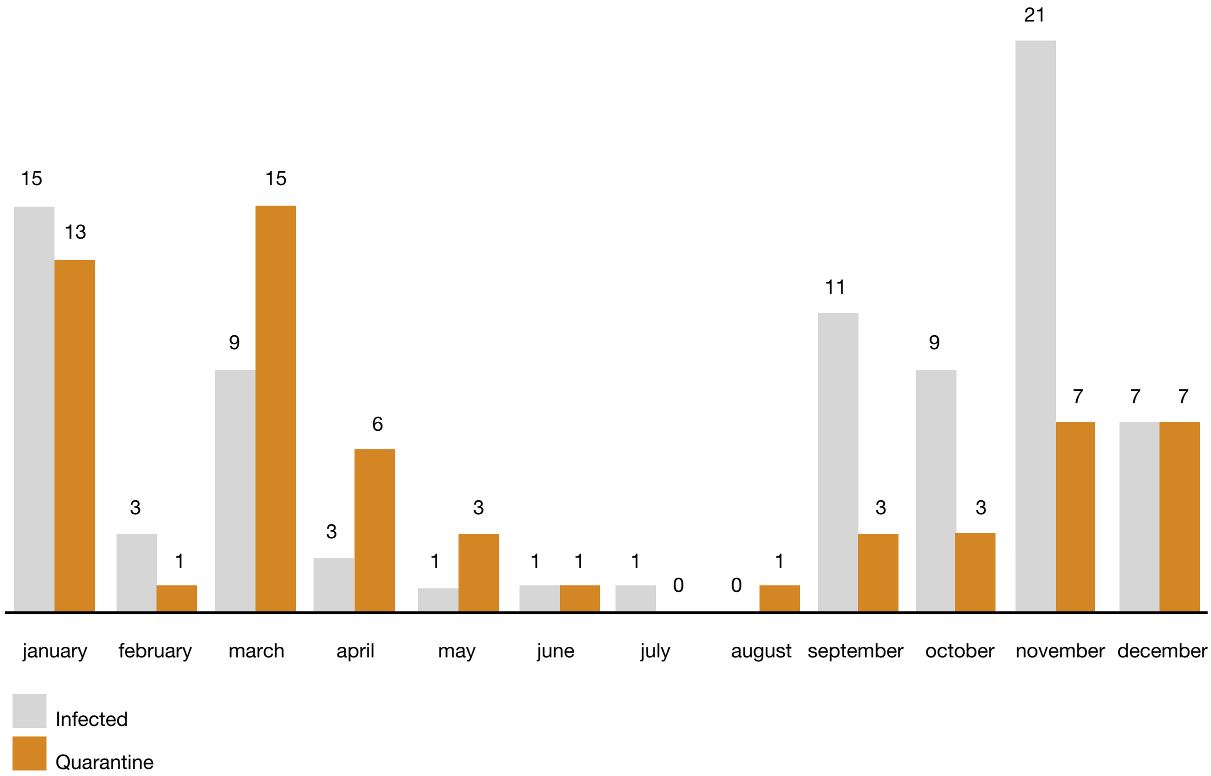



**Chart 12: Number of infected employees / number of quarantined employees in 2021**

### Monitoring of OSH indicators

In the annual report the company monitors indicators on injuries at work,[30] such as:

- Number of accidents at work
- Severity of injuries at work
- Frequency of accidents at work
- Share of lost working days due to accidents.

In the field of safety and health, we employ two professional associates who have the appropriate authorizations to perform professional tasks. Employees regularly attend seminars and workshops in the field of OSH and transfer their knowledge to other employees.

[30] GRI 403-2

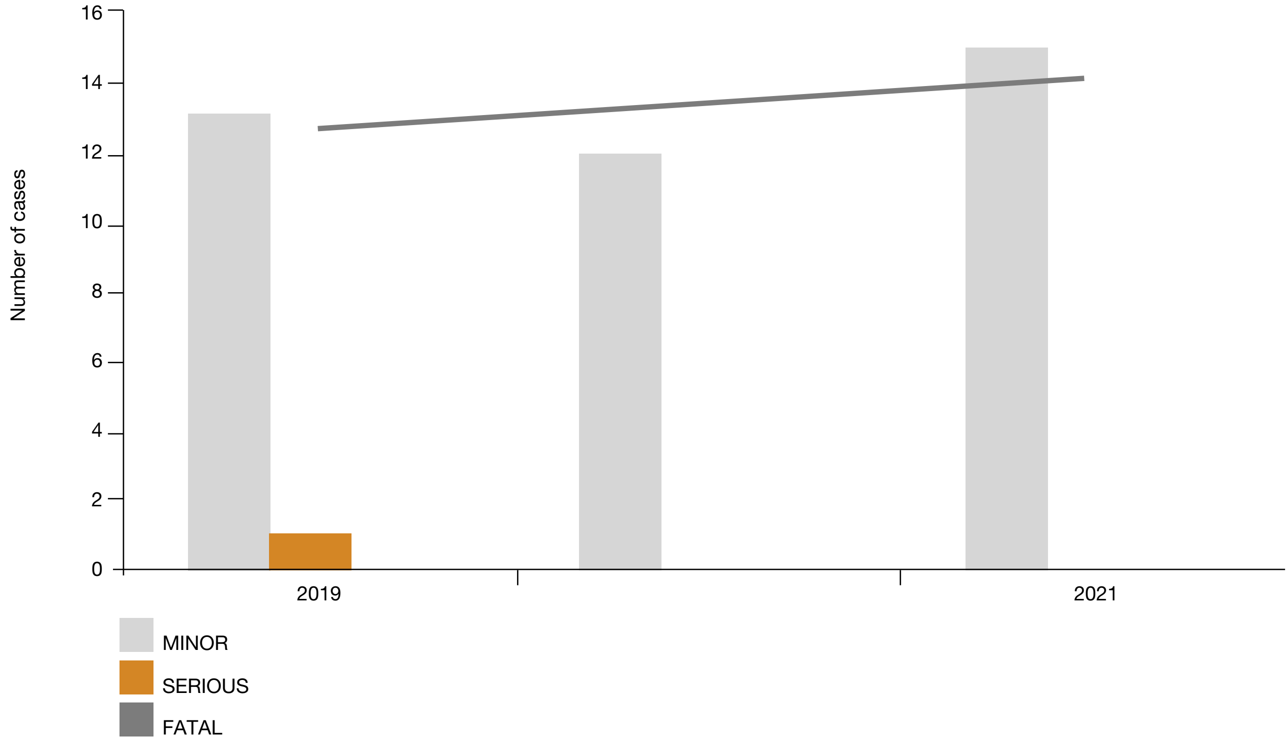



**Chart 13: Number of accidents at work in the period 2019–2021**

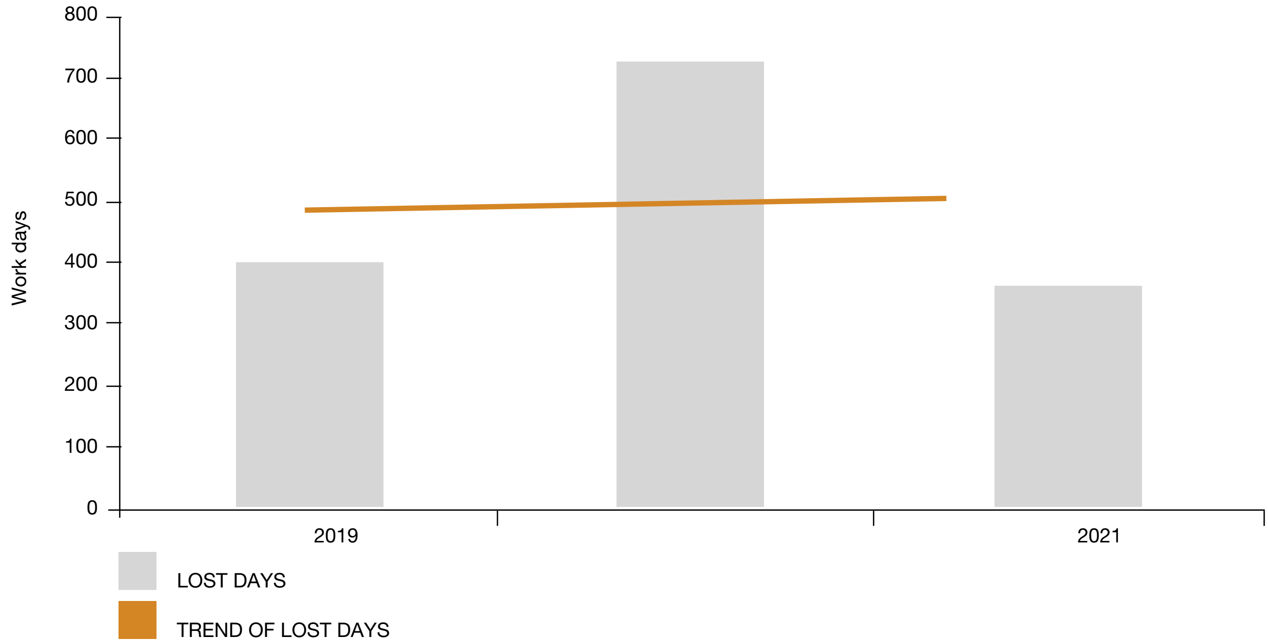



**Chart 14: Share of lost working days due to injuries at work**

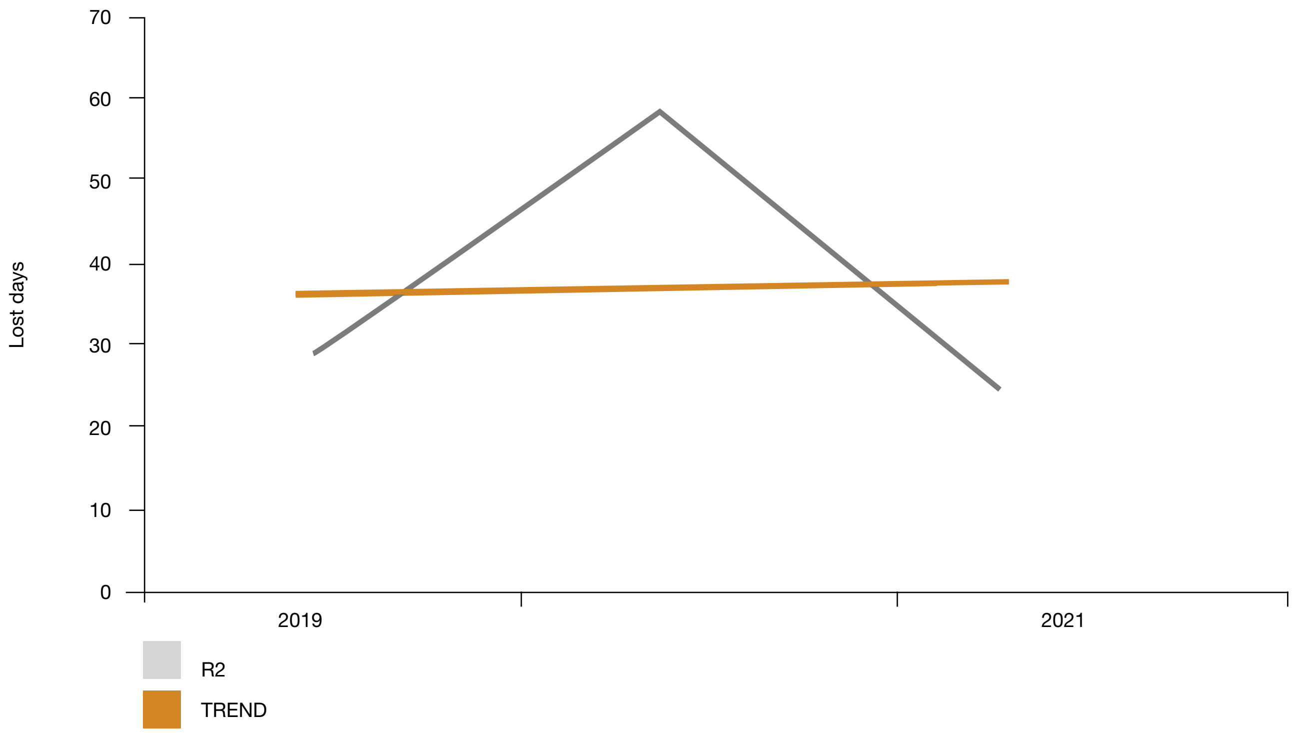



**Chart 15: Severity of injuries at work**

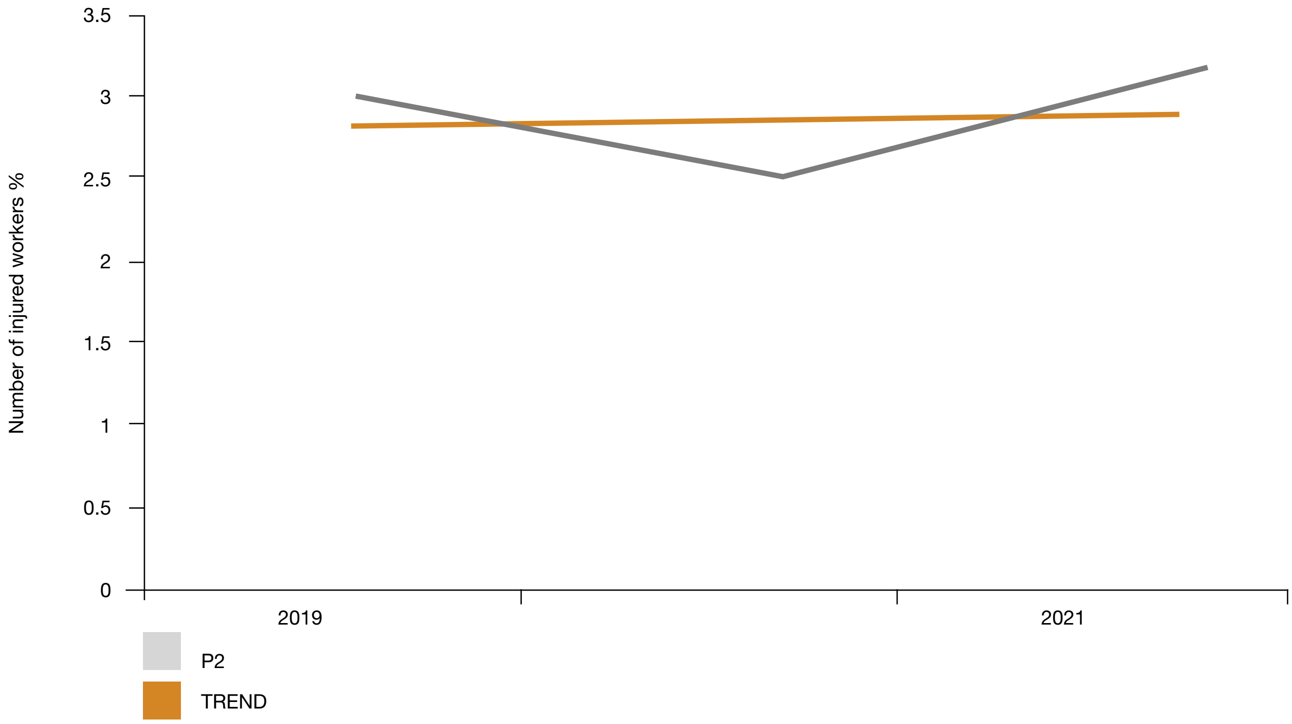



**Chart 16: Frequency of accidents at work**

### 6.9.1.5 Employee innovation

In 2021, the company Elektro Primorska added the Office for Strategic Development and Innovation to its organizational structure. Main purpose of the service is to actively monitor the latest developments of technologies and concepts that have a broader impact on the operation of the distribution network. Consequently, the basic activity of the service is to create a broader development of concept of smart grids in the company and to introduce it into operations through key development projects.

Service actively monitors and applies for European, national and other calls for projects in the field of smart grids. On the basis of integrated analyses, the above technologies and concepts are meaningfully placed in the Company's strategy, which is then implemented by individual sectors, services and departments.

Service also constantly establishes links with strategic partners, consortia, professional and scientific organizations and associations, with which it seeks to share and gain new knowledge, experience and »know how«. Within these connections, it enters into joint strategic projects and in this way enables the company to make contact and can even be part of this advanced elite, which ensures its lasting business excellence.

Smart grids complement the existing infrastructure with information technologies and artificial intelligence technologies, which are currently achieving unprecedented development on a global scale and are massively integrating into existing technological solutions. As a result, these technologies are becoming increasingly affordable and manageable, and in terms of network operation and planning, they represent an alternative to classic concepts that are becoming increasingly uncompetitive and time-consuming.

In 2021, the company Elektro Primorska participated in the application for three key EU smart grid projects as a partner in the consortium, namely the projects DriveLight, Stream and Life for Lifelines. First two are under the Horizon EU program, and the latter under the LIfe EU program. Value of all three programs is €1,780,000.

In addition to participating in key European smart grid projects, in 2021 the Company identified key areas such as low voltage network awareness, integration platform and data analytics system, software environment for simulating distribution network conditions and advanced network management system in the control centre (ADMS).

In 2021, we conducted an online workshop on innovation for all employees. Workshop offered employees the opportunity to spread knowledge and encourage creativity within the company and help to understand how the innovation process is influenced by culture in the company, and especially to find out where the most room for improvement is to make the right and decisive steps towards in innovative organization. With the workshop we wanted to introduce a systematic approach to developing the creative potential of individuals and teams that can transform the organization into a more agile, collaborative and innovative company. Response of the employees was very positive and we measured it with a short survey.

### 6.9.1.6 Diversity and equal opportunities[31]

We are aware that a satisfied and motivated employee can bring the most to the success of the company, so it is important that employees feel good and the conditions for successful work are created.

By strictly respecting the labour legislation, regulations in the field of safety and health at work, by ensuring equal opportunities for all employees and by taking measures to facilitate the work and family life balance of employees in the company, we strive to maintain and improve the health of employees, improve working conditions and create inclusive environment for all our employees. Company has adopted the Agreement on the prevention of mobbing and we also place great emphasis on education in the field of managerial competencies and communication. In order to facilitate the reconciliation of work and family life, flexible working hours have been introduced in the Company for many years.[32]

Benefits we offer in the care for our employees are: payment of voluntary supplementary pension insurance, accident insurance during work, additional health insurance for specialist examinations and other opinions, and enabling the involvement of employees in various sports and recreational activities that contribute to their better psychophysical condition. We offer the listed benefits to all employees, regardless of whether they are on a fixed-term or permanent employment, full-time or part-time employees.

We also follow the principle of non-discrimination and equal opportunities for all when looking for new employees. In 2021, we hired a disabled person, and the age of new employees is very diverse – from younger to older.

[31] GRI 401-1, [32] GRI 401-2

A total of 30 workers with disabilities were employed by the Company as at December 31 2021. Of those, 10 workers with disabilities performed their duties on a part-time basis (4 hours/day), while the other 20 were employed on a full-time basis. Percentage of employees with disabilities exceeds 6% of total employees, which fulfils the statutory quota laid down by the Decree establishing employment quota for persons with disabilities. In 2021, we reached the statutory quota for all months except one and even exceeded it in eight months. Company was granted the right by the Republic of Slovenia Fund for Promotion of Employment for Disabled Persons to a bonus for exceeding quotas in the amount of 20% of the minimum wage for each employee with disabilities above the statutory quota, which we dedicated to improving working conditions for people wi

### 6.9.2 Customers

Electricity distribution companies are a key link in the development of a cost-effective distribution network in Slovenia, which ensures quality and reliable supply to customers in Slovenia. Development of the electricity distribution network, with the active role of customers, will enable the transition to a low-carbon society with the production of electricity from renewable energy sources.

In the company Elektro Primorska we use various channels to communicate with network users. We inform and communicate to users via the website, press releases, radio stations, e-mail, reception offices and the call centre.

We also periodically conduct a survey on satisfaction with the services of Elektro Primorska. Among other things, we were interested in the satisfaction in case of communication and quality of services.

On average respondents are satisfied with the response of employees in the case of direct contact by phone or in person and with the response in the information or reception offices of Elektro Primorska, while they are neither satisfied not dissatisfied with the response of the Elektro Primorska call centre. 18 (38%) of respondents are satisfied with the response of the Elektro Primorska call centre, 10 (21%) are very satisfied, 9 (19%) are dissatisfied, 5 (11%) are very dissatisfied and 5 (11%) are neither satisfied nor dissatisfied. 19 (43%) of respondents are satisfied with the response of our information or reception offices, 11 (25%) are dissatisfied, 8 (18%) very satisfied, 5 (11%) are neither satisfied nor dissatisfied and 1 (2%) very dissatisfied. 17 (36%) of respondents are satisfied with the employees in case of a direct contact, 13 (28 %) are very satisfied, 9 (19%) dissatisfied, 5 (11%) are neither satisfied nor dissatisfied and 3 (6%) very dissatisfied.

On average, respondents are satisfied with the quality of service provided in the case of the first connection or change at their measuring point by performing the connection procedure and neither satisfied nor dissatisfied with responsiveness and speed in the case of the first connection or change at their measuring point. 14 (37%) of respondents are satisfied with the responsiveness, 8 (21%) are very satisfied, 7 (18%) dissatisfied, 5 (13%) neither satisfied nor dissatisfied and 4 (11 %) are very dissatisfied. 13 (33%) of respondents are satisfied with the speed, 9 (23%) are very satisfied, 7 (18%) neither satisfied nor dissatisfied, 6 (15%) dissatisfied and 4 (10%) are very dissatisfied. 16 (41%) of respondents are satisfied with the quality of service provided, 12 (31%) are very satisfied, 7 (18%) neither satisfied nor dissatisfied, 2 (5%) dissatisfied and 2 (5%) are very dissatisfied.

#### 6.9.2.1 Access to the distribution network

In 2021, the organisation of the electricity distribution remained unchanged and distribution system operator - SODO, d.o.o., based in Maribor, remained the holder of the licence for providing access to the distribution network under the provisions of the Energy Act, while the electricity distribution companies remained providers based on the contracts for lease of distribution infrastructure and provision of services for SODO. As part of performing operational tasks of providing access to the distribution networks, all revenues from network usage are considered revenues of SODO. As the owner of the distribution infrastructure and services provider, Elektro Primorska, d.d., issues monthly invoices for lease of infrastructure and services rendered to SODO. Revenues and, consequently, costs related to the purchase of electricity to cover losses in the distribution network are recognised by SODO.

#### 6.9.2.2 Revenues from the system use

Network charge tariffs changed as of January 1 2021 in accordance with provisions of the Legal Act on the methodology determining the regulatory framework and network charges for the electricity distribution system. Prices of the network services changed significantly in 2021, as they fell on average by 3.8%. Tariff for charging network charge for the transmission system increased on average by 0.64%, and the network tariffs for excess acceptance of reactive energy increased by 2.3%. On the other hand, the distribution system tariffs fell by as much as 5.13%, compared to the prices in 2020. This is the third consecutive such large reduction in network charges in part, which indirectly provides revenue for electricity distribution companies. Price of the network charge for the distribution system in 2021 decreased by a huge 15% compared to 2018. This means that the revenues of the electricity distribution system operator reduced.

Contribution for the provision of support in the production of electricity from high efficiency co-generation and renewable energy resources has not changed and remains the same as it was in August 2015. Furthermore, contribution for energy efficiency, which is intended to provide energy savings to end customers did not increase in 2021.

A total 15,566,384 kW of power and 1,688,283,461 kWh of electricity was invoiced to electricity consumers in the area of Elektro Primorska in 2021. Total revenues from network charges and contributions amounted to €69,370,920. Total revenue index compared to the value recorded in 2020 of 1.0871 is up 8.71% (source: internal EP reports). Revenues from network charges for the distribution network increased by 2.71% despite a significant reduction in price lists. There are two reasons: exemption from part for network charges from March to May 2020 and consequently less collected network charges in 2020, and a significant increase in household consumption in 2021, where price items with network charges and consequently revenues are the highest.

Number of customers connected to the Elektro Primorska distribution network rose by 804 to 136,704 as at December 31 2021.

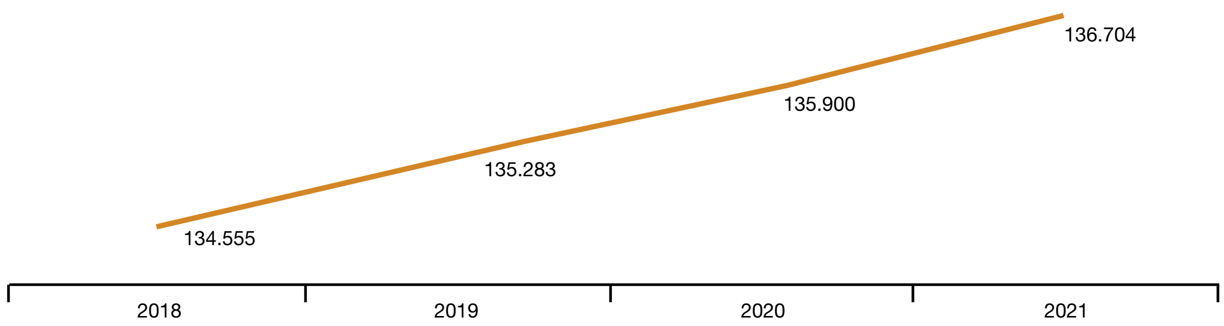



**Chart 17: Changes in number of customers in period 2018–2021**

### 6.9.2.3 Acquired and transmitted electricity in 2021

In 2021, a total 1,613,415.5 MWh of electricity was acquired from the transmission network and 149,142.1 MWh from the electricity producers. In total, 1,762,557.6 MWh of electricity was acquired into the distribution network. Comparison of acquired quantities of electricity between 2021 and 2020 shows a 5.75% increase in the electricity acquisition from the transmission system, and a 0.7% rise in electricity acquired from qualified producers. Index of total acquired volume in the distribution network of 1.0531 is up 5.31% compared to the previous year. A total 1,688,283.5 MWh of electricity was invoiced to customers in 2021. Index of invoiced electricity compared to quantities invoiced in 2020 amounts to 1.0598, an increase of 5.98%.

In 2021, we record a significant increase in the consumption and, consequently, the acquisition of electricity. Such an increase in consumption can be attributed mainly to better epidemiological conditions and consequently better economic activity compared to the previous year. It is also interesting that consumption in 2021 is even slightly better than in 2019, when there was no coronavirus epidemic yet.

In January and February 2020, the last months before the epidemic was declared, consumption was slightly better than in 2021, while in all other months of 2021 the consumption was much better.

| Month | Realization in 2021 [kWh] | Realization in 2020 [kWh] | Plan 2021 [kWh] | Index of realization (2021/2020) |
|---|---|---|---|---|
| January | 143,499,398 | 148,618,362 | 145,240,218 | 0.9656 |
| February | 127,616,217 | 134,436,952 | 130,177,986 | 0.9493 |
| March | 149,993,096 | 140,660,632 | 144,117,655 | 1.0663 |
| April | 133,234,780 | 106,713,158 | 130,293,214 | 1.2485 |
| May | 135,863,624 | 114,405,228 | 136,045,386 | 1.1876 |
| June | 138,658,513 | 123,966,176 | 138,607,998 | 1.1185 |
| July | 148,844,180 | 140,701,556 | 143,344,229 | 1.0579 |
| August | 135,808,237 | 132,288,842 | 135,529,589 | 1.0266 |
| September | 137,647,195 | 136,051,440 | 133,373,621 | 1.0117 |
| October | 140,696,929 | 135,925,208 | 133,867,520 | 1.0351 |
| November | 143,377,971 | 137,596,286 | 137,943,514 | 1.0420 |
| December | 153,043,321 | 141,713,814 | 141,910,671 | 1.0799 |
| **Total** | **1,688,283,461** | **1,593,077,654** | **1,650,451,601** | **1.0598** |

**Graf 18: Monthly quantities of transmitted electricity**

In 2021, transmission of electricity to Italy was again slightly higher. This took place constantly from early October to mid- December. In the Gorica area there was 20.9 GWh of electricity transmitted to Italy, while in Opčine area 9.9 GWh. Total electricity transmission to Italy amounted to 30.8 MWh. Transmission of electricity to Italy is not recorded as a transmission from the distribution system managed by Elektro Primorska, but as the consumption from the transmission system.

#### 6.9.2.4 Excess of acquired or distributed reactive power

In 2021, the tariff item for excessively take over reactive power was €0.00348/kWh for the HV feed and €0.00891/kWh for the MV and LV feed.. In accordance with the lease agreement for the distribution infrastructure and implementation of services for the system operator of the electricity distribution network, Elektro Primorska issues invoices for excess of accepted reactive power in its own name and for the account of SODO. In 2021, 52,391,044 kvarh of excessive reactive energy from electricity networks of all customers in the area of Elektro Primorska was invoiced amounting in total to €463,338.64. Index of excess of acquired reactive power compared to quantities recorded in 2020 amounts to 1.1159.

#### 6.9.2.5 Electricity losses in the distribution network

Losses in the electricity distribution system in 2021 amounted to 74,274,160 kWh, which accounts for 4.40% of total invoiced electricity to all customers. Losses were the lowest in 2021 since the dynamics of takeover and consumption has been closely monitored. There are several reasons for this; the main reasons are probably efficient network upgrades and greater flow control in connection with the installation of control measurements. Losses could probably be further reduced by a more aggressive search for unjustified consumption, although much lower losses are not expected in the coming years.

Benefits in terms of efforts to reduce losses are visible in the annual settlements, when we achieve much lower values than recognized. Consequently, this brings high stimulation. Recognised expenses to cover losses amount to € 5,156,651, while the cost of losses amounts to € 4,177,922. In accordance with the preliminary settlement for 2021, SODO is expected to issue a credit note in the amount of € 978,729.

#### 6.9.2.6 Peak of distribution network consumption and operating hours

In 2021, the peak consumption of Elektro Primorska, d.d., distribution system occurred on Wednesday, December 8 2021 at 10 am and amounted to 302.222 MW. Compared to 2020 (291.442 MW) it increased by 10.780 MW or 3.7%. Due to the new legislation, peaks are calculated on the basis of 15-muinute average values of measurements and not multi-hour as in previous years. In addition to higher consumption, this is also one of the reasons for the higher peak consumption.

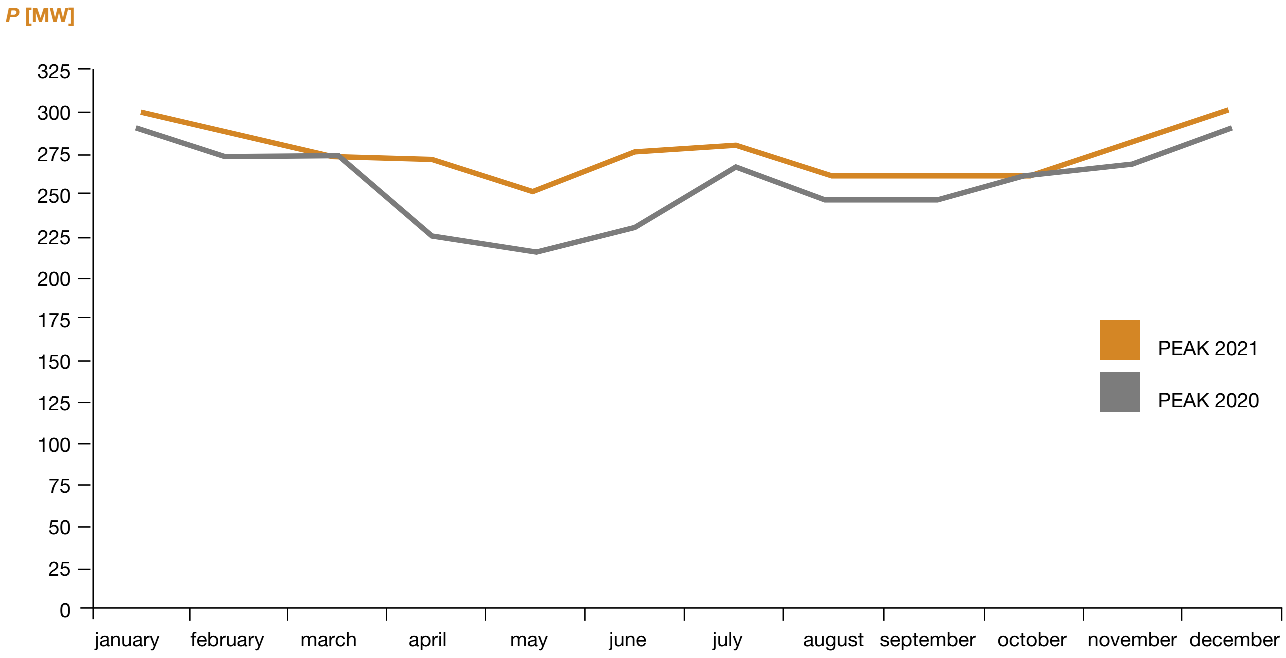



**Chart 19: Monthly electricity consumption peaks in 2021**

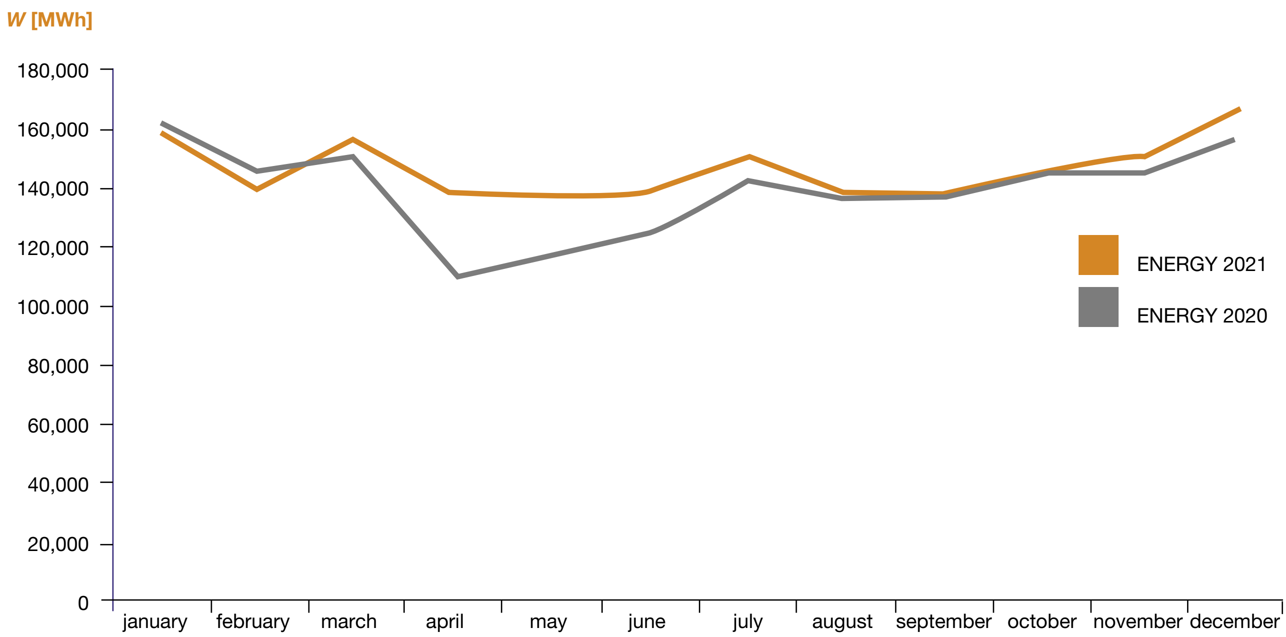



**Chart 20: Monthly amount of electricity acquired in 2021**

### 6.9.2.7 Electricity generated by producers connected to the distribution network

As at December 31 2021, a total 480 traditional electricity producers were connected to the distribution network of Elektro Primorska and 1,217 self-sufficient energy producers. Number of traditional producers has been stagnating over the years due to insufficient support provided for electricity production from RES, however, the number of customers who have a power plant installed to cover their own annual electricity consumption , the so called self-sufficiency, is rising sharply.

| Energy source | Number of power plants *** | Production 2021 [kWh] | Production 2020 [kWh] | Share of production 2021 | 2021 / 2020 |
|---|---|---|---|---|---|
| HE SENG | 24 | 73,469,927 | 72,531,682 | 42.69% | 1.013 |
| HE Other | 63 | 32,201,086 | 33,039,657 | 18.71% | 0.975 |
| Solar power stations | 360 | 37,745,564 | 38,181,486 | 21.93% | 0.989 |
| Wind power stations | 3 | 5,545,704 | 6,218,860 | 3.22% | 0.892 |
| SPTE | 29 | 12,160,540 | 9,647,635 | 7.07% | 1.260 |
| Self-supply* | 1217 | 10,988,484 | 5,946,402 | 6.38% | 1.848 |
| Battery storage ** | 1 | 7,894 | 0 | 0.00% | |
| **Total** | **1,697** | **172,119,199** | **165,565,722** | | **1.0396** |

**Table 18: Electricity production by source of primary energy**

Note:
* Self-supply of electricity from renewable energy sources is the fastest growing market of electricity production resources.
** In 2021, the first battery energy storage system was connected in the EP area.
*** Number of all power stations in the area of EP that are connected to the distribution network or internal network of customers.

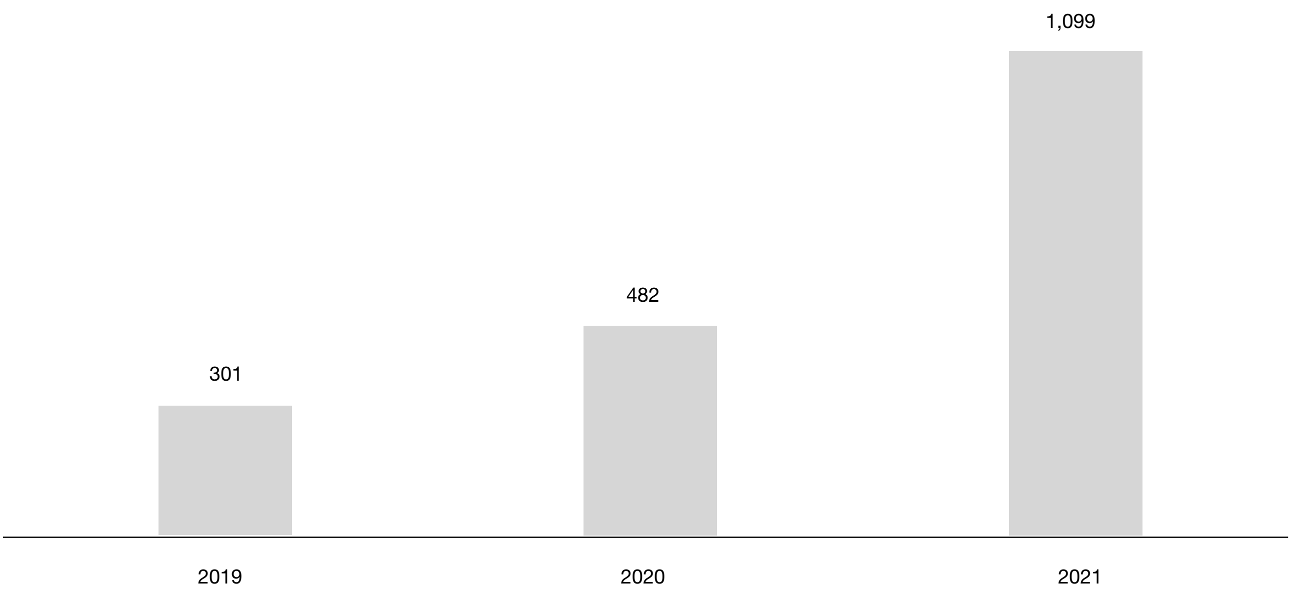



**Chart 21: Number of applications for self-sufficiency received in the period 2019 - 2021**

### 6.9.2.8 Quality of electricity supply

#### VOLTAGE QUALITY

Permanent monitoring of voltage quality in Elektro Primorska in 2021 is provided by 71 recording devices in 32 network facilities. Data on the quality of the voltage is obtained from 14 high-voltage bus bars, from one medium-voltage bus bar bordering the neighbouring network, and from 56 medium-voltage bus bars representing the main power points in the EP distribution network. Results of on-going measurements in the area of Elektro Primorska, d.d., in 2021 show an improvement in voltage quality compared to the standard requirements of HV level from 97.25% in 2020 to 98.57% in 2021 and a deterioration from 96.09% at the MV level in 2020 to 94.93% in 2021.

Vast majority of voltage quality deviations in 2021 occurred during summer storms due to lightning strikes and periods of strong northern wind. Full compliance with the standard voltage quality requirements was recorded in 2021 at 12 of total 71 measuring points in all measured weeks, while at the remaining 57 measuring points, at least one week of non-compliance with voltage quality standard SIST EN 50160 was recorded. Deviation of the effective value of the voltage level was detected at 5 measuring sites, while an increase in flicker was detected at 57 measuring points, and on one measuring point we detected a deviation on the harmonics level.

#### CONTINUITY OF SUPPLY

We recorded 782 unplanned interruptions of power in the Elektro Primorska area that lasted longer than three minutes on high- and medium- voltage electric power plants in 2021, 16 of those were failures of the 110/SN kV and SN/SN kV power transformers. Data presented in tables 18, 19 and 20 was obtained from the application of the Energy Agency (AE).

For the purposes of the ordinary and extraordinary maintenance of installations, 1,427 disconnections were carried out in 2021, which led to the planned blackouts. DCV Elektro Primorska issued 2,825 of security work orders. Total number of unplanned and planned interruptions lasting more than three minutes reached 2,209, which is more than in the previous year.

| Number of interruptions lasting more than 3 minutes | in 2021 | in 2020 | Index 21 / 20 |
|---|---|---|---|
| Number of unplanned interruptions | 782 | 811 | 0.964 |
| Number of planned interruptions – disconnections | 1,427 | 1,238 | 1.152 |
| Total number of planned and unplanned interruptions | 2,209 | 2,049 | 1.078 |

**Table 19: Number of interruptions lasting more than 3 minutes**

| SAIFI (system average interruption frequency index) | in 2021 | in 2020 | Index 21 / 20 |
|---|---|---|---|
| Average number of unplanned interruptions per customer | 1.705 | 1.761 | 0.968 |
| Average number of planned interruptions – disconnections per customer | 0.977 | 0.838 | 1.166 |
| Average number of planned and unplanned interruptions per customer | 2.682 | 2.599 | 1.032 |

**Table 20: SAIFI – system average interruption frequency index**

| (SAIDI (system average interruption duration index) | in 2021 | in 2020 | Indexs 21 / 20 |
|---|---|---|---|
| Average interruption duration in hours due to unplanned interruptions | 1.01 | 1.27 | 0.79 |
| Average interruption duration in hours due to planned interruptions - disconnections | 2.21 | 1.93 | 1.14 |
| Average interruption duration in hours due to planned and unplanned interruptions | 3.22 | 3.2 | 1.01 |

**Table 21: SAIDI– system average interruption duration index**

In 2021, we were penalized in the amount of €448,751 for incentives for the quality of electricity supply (area of power supply continuity). This year's deviation into negative stimulation is due to the changed instruction on the method of recording planned disconnections, which must be treated as events with their own cause of interruption in case of incorrect predictions of disconnection, and these are taken into account in the system as a basis for determining the stimulation. Incorrect event predictions include early or late disconnections and customer notification errors. In accordance with the new instructions, in 2021 we prepared an appropriate application for automated rescheduling of events and the implementation of current calculations, and we made appropriate adjustments in the work process of implementing the planned shutdowns. It should be noted at this point that we have made significant progress in the quality of customer power supply over the years and have therefore received positive stimuli. We are slowly moving into the area of the so called saturation of the improvement curve when significant progress under the existing method of stimulating quality of supply can no longer be achieved.

COMMERCIAL QUALITY

In accordance with Annex 2 of the Legal Act on the rules for monitoring the quality of electricity supply, the Company regularly monitors commercial quality indicators and reports to the Energy Agency and SODO. Commercial quality indicators for 2021 are within the expected limit values.

### 6.9.3 Local community

Due to the nature of our work and numerous spatial interventions, cooperation with and within the local community is intended to maintain and improve relations for the benefit of our company as well as the local community. Through transparent communication we try to reduce the negative and increase the positive consequences of our presence for each local community. We are always open to suggestions and work with local stakeholders and local political authorities to develop multi-annual development plans. Understandable communication with residents and local media is also important. We report on the plans at local community meetings and cooperate with municipalities in local infrastructure construction projects.

#### 6.9.3.1 Cooperation and projects

In 2021, we worked with local communities on the following projects:

- construction of medium underground line from TP Zgornje Cerovo to TP Hum blok. Company Rune joined the investment by installing optical connections.
- Construction of cable ducting for medium voltage lines along the southern sports route in Nova Gorica (simultaneous construction with the Nova Gorica Municipality).
- Network cabling in the village of Plavje (Škofije) and in the hamlet of Gorgo (Sečovlje), which is carried out together with the construction of the new telecommunication connections.
- Construction of cable ducting for medium voltage lines from Log Čezsoški to Bovec. As part of the investment the municipality will built a bicycle road. In addition, the telecommunications operator is co-investing into the investment for the laying of optical cable from Kobarid to Bovec.
- Construction of cable ducting for electricity lines in the town of Podbrdo. Elektro Primorska joined the investment in the reconstruction of the road and implementation of community infrastructure.
- Cabling of overhead lines and construction of new TP in Slovenska vas and in Postojna while arranging the community infrastructure.

#### 6.9.3.2 Cooperation with schools and faculties

Every year, the company cooperates with secondary and higher schools and enables students to carry out their practical training. Such cooperation is important for the company, as it gives us a good insight into the work of our future job candidates.

In 2021, we allocated €24,797.30 for the purposes of practical training. Practical training was completed by a total of 44 pupils and students , most of whom are educated in the field of electrical engineering and energy.

In 20201, we contributed material to the School Centre in Nova Gorica for the manufacture of containers for cycling with the production of electricity.

#### 6.9.3.3 Sponsorships and donations

In the company Elektro Primorska, d.d., we believe that the company's business success is also based on economic rationality, balanced development and integration into the natural and social environment.

Social responsibility is also our competitive advantage, as we build a reputation and further development of the company with a positive attitude towards all stakeholders.

We support numerous humanitarian, cultural, educational, sports and other projects in the environment in which we operate through sponsorships and donations. We often join humanitarian campaign, and we also develop charitable activities ourselves. We also proved support to various entities and associations in need with our services, materials and rental of our means of transport. In 2021, we allocated €112,350 for sponsorships and donations. Rules on the allocation of sponsorship and donation funds have been published on our website. Grant funds are financial assets, material or services; they can be requested by legal entities, such as humanitarian organizations, institutes or non-profit associations, and in the event of a natural disaster, illness or humanitarian aid, also by individuals. Company does not expect any consideration for the allocated grant funds. Sponsorship funds are financial assets, materials or services; legal entities can apply for them to organize various educational, sports, cultural or socially responsible projects, events, to publish brochures, books, works of art, etc.

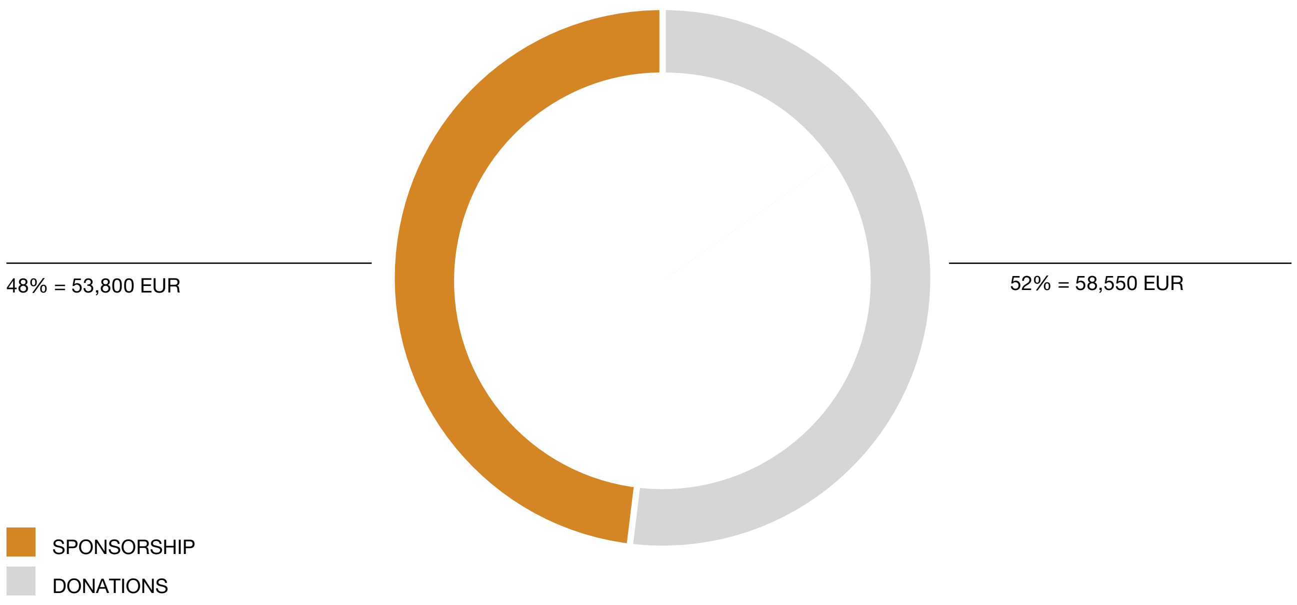



**Chart 22: Share of sponsorship and donation funds in 2021**

In 2021, the highest donation in the amount of €25,000 was made to the General Hospital dr. Franc Derganc in Nova Gorica.

In 2021, Elektro Primorska Company allocated €58,550 in donations and €53,800 in sponsorships. In accordance with the Access to Public Information Act (ZDIJZ), the list of confirmed sponsorships and donations is available on the company's website.

#### 6.9.4 Media relations

Company Elektro Primorska takes care of regular and proactive communication with the media. During the pandemic, live media meetings were limited. In 2021, we renovated the website https://elektro-primorska.si/, where we publish all key information and events. Essential novelty of the website is the display of the current situation on the distribution network, which also shows unplanned interruptions in the supply of electricity. We answer all questions to the media in a timely manner, and we are always available for additional explanations.

According to the data of our outsourcer who is preparing collection of media publications about the company, in 2021 we recorded: 12 television publications, 51 radio publications, 17 publications of the Slovenian Press Agency, 153 other internet publications and 112 printed publications. We listed a total of 345 media releases. They were mostly neutral, there was no negative coverage of the company in the media in 2021.

### 6.10 Management of environmental impacts

We manage environmental policy within a framework of a responsible environment attitude and in accordance with the ISO 14001 standard. Our activity and facilities affect the environment and its planned use, so with the established environmental management system we manage important environmental aspects related to the activity of electricity distribution, maintenance and construction of facilities, operation of electrical metal workshops and vehicle fleet. In doing so, we take into account the state of the environment and meet the relevant needs and expectations of stakeholders. With the adopted environmental programs and in accordance with the company's financial capabilities, we are achieving indicative and executive environmental goals.

#### 6.10.1 Energy efficiency

We are constantly reducing energy consumption by monitoring the consumption of energy for lighting, heating and cooling of office buildings, transport of motor vehicles and transmission of electricity through the distribution network, and by implementing environmental programs.

| Indicator | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Indirect $CO_2$ emissions of consumed electricity (kg) | 835,421 | 858,380 | 792,326 | 767,615 | 745,174 | 791,162 |
| Electricity losses in the distribution network (kWh) | 82,055,201 | 83,634,143 | 79,286,837 | 78,602,768 | 80,654,444 | 74,274,160 |
| $CO_2$ emissions from consumption of energy products (NG, LPG, ELFO) [kg] | 166,072 | 158,731 | 127,584 | 141,729 | 147,013 | 129,711 |
| $CO_2$ emissions due to fuel consumption for company vehicles and other machinery [kg] | 888,608 | 886,947 | 817,815 | 806,773 | 775,510 | 773,176 |
| Amount of gases for maintenance of EEI and cooling devices (Chlorofluorocarbons, HCFC, HFC) [kg] | 3.0 | 7.8 | 3.2 | 0.0 | 4.0 | 17.8 |
| Environmental incidents (chemical, oil and fuel spills) | 1 | 0 | 0 | 0 | 0 | 0 |
| Received identified environmental violations submitted by the inspector | 0 | 1 | 1 | 0 | 1 | 0 |

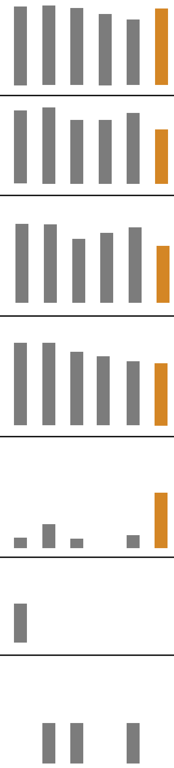


**Table 22: Energy efficiency and carbon footprint indicators (scope 1, 2 and 3)[33, 34, 35, 36, 37]**

## 6.10.2 Biodiversity[38]

Elektro Primorska, d.d., distributes electricity in the supply area of western Slovenia. Our infrastructure crosses the area of Natura 2000, Triglav National Park, regional and landscape parks. By periodically monitoring environmental legislation, we ensure adequate infrastructure management in these protected areas. We work with other organizations on projects to improve biodiversity.

### »ZA KRAS« PROJECT

As one of the partners, we joined the "Za Kras" Project (Ensuring appropriate use of Karst grasslands and rocky cliffs for the conservation of selected habitat types and species in Natura 2000 network – the Karst), as a part of which we installed insulation on the electrical conductors. This prevents electric shock and consequent death of birds in the event of contact between the conductor and the concrete pole. Most endangered birds are eagle owls, the largest representative of owls in Europe.

As part of the project the Elektro Primorska insulated 1,250 medium-voltage electric poles. Slovenian society for the observation and study of birds (DOPPS BirdLife Slovenia) monitors the state of the eagle owl population and uses telemetry to measure the effects of the project. Preliminary results indicate that in addition to the 12 territories of the Eurasian eagle owl, three new territories have emerged that were not detected before the insulation. Four deaths were detected in non-insulated areas over a two-year period, while no such cases were detected in insulated areas, indicating the effectiveness of insulating caps.

It is estimated that the effects of the project will be reflected and increased in the future, as such responses usually take more time in nature.

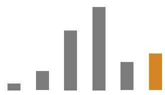
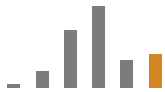
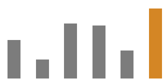
[33] GRI 302-1, [34] GRI 302-4, [35] GRI 305-1, [36] GRI 305-2, [37] GRI 305-3, [38] GRI 304-2

### “LIFE FOR LIFELINES” PROJECT

Together with the DOPPS BirdLife Slovenia and the Veterinary Faculty, we have prepared an application for the project Providing a safe corridor for the reproduction and migration of birds between the Alps and the Adriatic. Project worth €3,510,812 will run for five years. Project will examine the technical solutions of overhead line stands and pole transformer stations, which will be adapted to birds and thus protect them from contact with the line, and for us reduce the number of interruptions. In addition, as part of the project, insulating caps will be installed on the poles on risky corridors of overhead lines and areas with corridors where the installation of wind power plants is not possible will be determined.

## 6.10.3 Waste[39]

Generation of waste (non-hazardous and hazardous) related to the activity of electricity distribution, maintenance and construction of facilities, operation of electrical metal workshops and vehicle fleet, represent an important environmental aspect of the company. At Elektro Primorska, we place great emphasis on responsible waste managements, that is prevention of generation and separation of waste at source. We have arranged ecological points where we collect waste in properly marked (classification number and type of waste) containers. Persons responsible for waste disposal ensure efficient delivery of waste to authorized waste collectors. Within the environmental management system, we have prepared a waste management plan according to the type, quantity/trends and sources of waste generation and instructions for waste management.

| Indicator | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | |
|---|---|---|---|---|---|---|---|
| Amount of generated waste [T] | 1,690 | 3,567 | 10,095 | 13,758 | 5,240 | 6,595 |  |
| Amount of construction waste generated [T] | 1,411 | 3,39 | 9,702 | 13,446 | 5,240 | 6,222 |  |
| Amount of hazardous waste generated [] | 107.2 | 50.2 | 156.8 | 152.3 | 74.0 | 203.2 |  |

[39] GRI 306-2

## 6.11 Statement of non-financial reporting

Company Elektro Primorska, d.d., hereby submits a statement on non-financial reporting, in which under chapter 8 Sustainability Report, it presents a sustainable business framework, business model, description and results of policies and risks, and non-financial indicators on environmental, social and human resources matters, including respect for human rights and fight against corruption and bribery.

In sustainable reporting we follow the following legislation requirements and instructions:

- Amendment to the Companies Act ZGD-1J (Non-Financial Reporting Directive  NFRD 2014/95/ EU) on the disclosure of non-financial and diversity information, as defined in Article 70.c
- ZRev-2 (Auditing Act) in Item  44 Article 3
- Addition for EP: Item 8 of the Code of Corporate Governance of Companies with State Capital (SSH)

In determining the scope and areas of disclosure, we relied on the methodology of GRI standards, within which we implemented the principles , identified material topics and determined key strategic indicators in the field of sustainable development.

Report on non-financial operations is a complete and comprehensive document that enables the interested public to understand the material dimensions of development, performance position of the company and effects of its activities.

Nova Gorica, April 22 2022

**Uroš Blažica**,
President of the Management Board

## 6.12 GRI indicators list

This report has been prepared in accordance with the GRI Standards: Core option' [40].

| GRI STANDARD | Disclosure | Chapter | Page in AR |
|---|---|---|---|
| **GRI 101 [2016]: Foundation** | | | |
| | **Reporting principles** | **6.4. Approach to sustainable management** | **30** |
| | **Using the GRI Standards for sustainability reporting** | **6.4. Approach to sustainable management** | **30** |
| **GRI 102 [2016]: GENERAL DISCLOSURES** | | | |
| **Organizational profile** | | | |
| 102-1 | Name of the organization | 5.1. Company profile | 22 |
| 102-2 | Activities, brands, products, and services | 6.2. Business model | 27 |
| 102-3 | Location of headquarters | 5.1. Company profile | 22 |
| 102-5 | Ownership and legal form | 5.1. Company profile | 22 |
| 102-6 | Markets served | 5.1. Company profile | 23 |
| 102-8 | Information on employees and other workers | 6.9.1. Employees | 51-63 |
| **Strategy** | | | |
| 102-14 | Statement from senior decision-maker | 1.Report by the Management Board | 13 |
| 102-15 | Key impacts, risks, and opportunities | 6.1. Sustainable business framework | 24-26 |
| 102-16 | Values, principles, standards, and norms of behaviour | 6.3. Realization of the vision, mission and strategic guidelines | 28 |
| | Governance structure | 4.5. Management Board | 19 |
| 102-18 | 6.4. Approach to sustainable management | 6.4. Pristop k strateškemu upravljanju | 30 |
| 102-30 | Effectiveness of risk management processes | 6.8. Risk management | 42-50 |
| **Stakeholder engagement** | | | |
| 102-40 | List of stakeholder groups | 6.5. Inclusive communication with stakeholders | 31 |
| 102-42 | Identifying and selecting stakeholders | 6.5. Inclusive communication with stakeholders | 31 |
| 102-43 | Approach to stakeholder engagement | 6.5. Inclusive communication with stakeholders | 31 |
| **Reporting practice** | | | |
| 102-45 | Entities included in the consolidated financial statements | 4.8. Governance of the parent company and the Group | 21 |
| 102-46 | Defining report content and topic Boundaries | 6.4. Approach to sustainable management | 31 |
| 102-47 | List of material topics | 6.6. Materiality matrix | 33 |
| 102-50 | Reporting period | 6.4. Approach to sustainable management | 33 |
| 102-53 | Contact point for questions regarding the report | 6.4. Approach to sustainable management | 30 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | GRI Indicators List | 75 |
| 102-55 | GRI content index | GRI Indicators List | 75 |

[40] GRI 102-54

| | | | |
|---|---|---|---|
| **GRI 103 [2016]: MANAGEMENT APPROACH** | | | |
| 103-1 | Explanation of the material topic and its Boundary | 6.6. Materiality matrix | 33 |
| 103-2 | The management approach and its components | 6.1. Sustainable business framework | 24<br>30 |
| 103-3 | 6.4. Approach to sustainable management | 6.3.2. Nefinančni kazalniki | 30 |
| **SPECIFIC DISCLOSURES: ECONOMIC DISCLOSURES** | | | |
| **GRI 201 [2016]: Economic Performance** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.7. Management of economic impacts<br>Table 5: Realization of services for SODO | 33<br>35<br>36 |
| 201-1 | Direct economic value generated and distributed | 12. Analysis of the Company's performance | 87 |
| **GRI 203 [2016]: Indirect Economic Impacts** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.7. Management of economic impacts<br>6.7.1. Infrastructure investments and services supported | 33<br>35<br>35 |
| 203-1 | Infrastructure investments and services supported | 6.7.1. Infrastructure investments and services supported (tables 4 and 5) | 35-36 |
| **SPECIFIC DISCLOSURES: ENVIRONMENTAL DISCLOSURES** | | | |
| **GRI 302 [2016]: Energy** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.10. Management of environmental impacts<br>6.10.1. Energy efficiency | 33<br>71<br>71 |
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| 302-4 | Reduction of energy consumption | 6.10.1. Energy efficiency (indicators) | 72 |
| **GRI 305 [2016]: Emissions** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.10. Management of environmental impacts<br>6.10.1. Energy efficiency | 33<br>71<br>71 |
| 305-1 | Direct (Scope 1) GHG emissions | 6.10.1. Energy efficiency (indicators) | 72 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 6.10.1. Energy efficiency (indicators) | 72 |
| 305-3 | Other indirect (Scope 3) GHG emissions | 6.10.1. Energy efficiency (indicators) | 72 |
| **GRI 304 [2016]: Biodiversity** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.10. Management of environmental impacts<br>6.10.2. Biodiversity | 33<br>71<br>72 |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | 6.10.2. Biodiversity | 72 |
| **GRI 306 [2020]: Waste** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.10. Management of environmental impacts<br>6.10.3. Waste | 33<br>71<br>73 |
| 306-2 | Management of significant waste-related impacts | 6.10.3. Waste | 73 |

| | | | |
|---|---|---|---|
| **SPECIFIC DISCLOSURES: SOCIAL DISCLOSURES** | | | |
| **GRI 401 [2016]: Employment** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.9. Management of social impacts<br>6.9.1. Employees | 33<br>51<br>51 |
| 401-1 | New employee hires and employee turnover | 6.9.1.1. Composition of employees<br>New employee hires | 51<br>55 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 6.9.1.6. Diversity and equal opportunities | 62 |
| **GRI 403 [2018]: Occupational Health and Safety** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.9. Management of social impacts<br>6.9.1.4. Occupational health and safety | 33<br>51<br>58,59 |
| 403-1 | Occupational health and safety management system | 6.9.1.4. Occupational health and safety | 58 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 6.9.1.4. Occupational health and safety | 58 |
| **GRI 404 [2016]: Training and Education** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.9. Management of social impacts<br>6.9.1. Employees | 33<br>51<br>57 |
| 404-1 | Average hours of training per year per employee | 6.9.1.2. Education of employees | 64 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | n/a<br>* In the implementation phase. | |
| **GRI 405 [2016]: Diversity and Equal Opportunity** | | | |
| 103-1<br>103-2<br>103-3 | Explanation of the material topic and its Boundary<br>The management approach and its components<br>Evaluation of the management approach | 6.6. Materiality matrix<br>6.9. Management of social impacts | 33<br>51 |
| 405-1 | Diversity of governance bodies and employees | 6.9.1.6. Diversity and equal opportunities | 62 |

# 7. Realisation of the annual goals in 2021

### FINANCIAL REALISATION OF THE COMPANY'S CORE OBJECTIVES

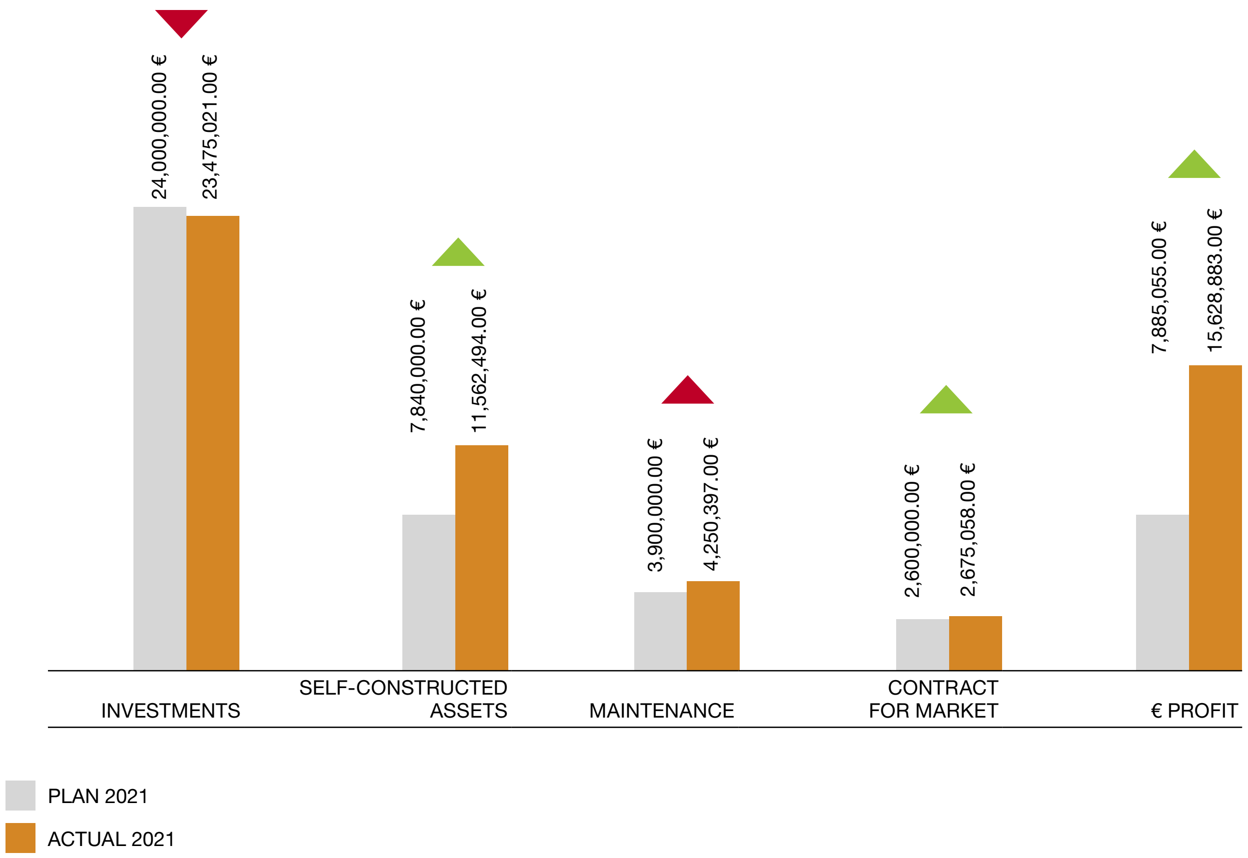
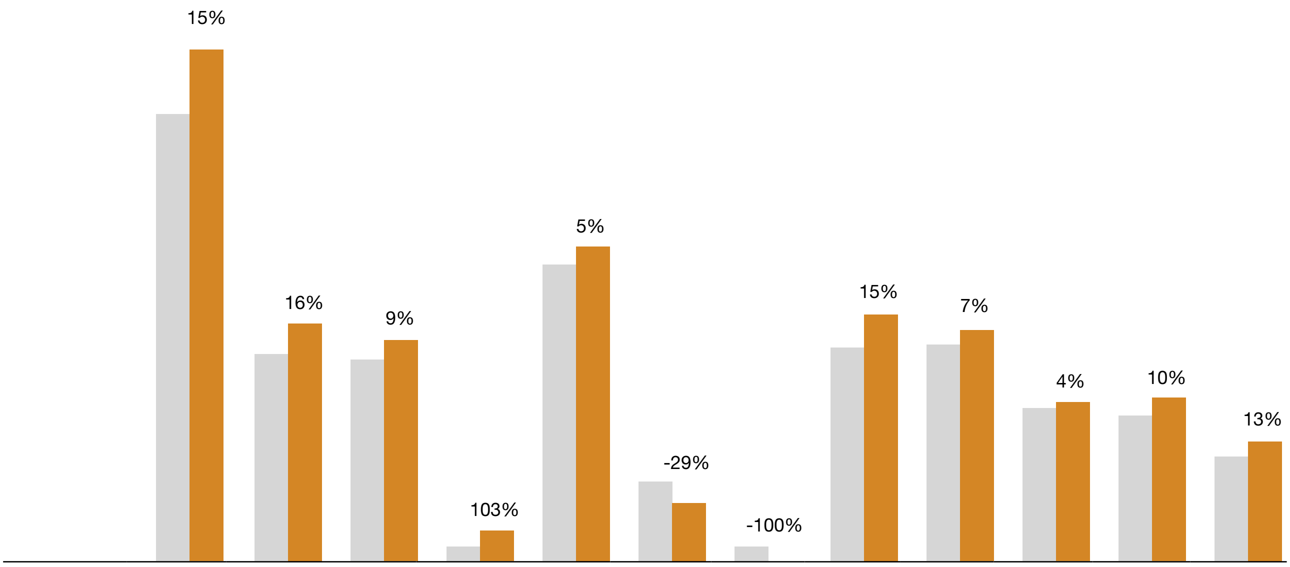



**Chart 23: Financial realisation of the Company's fundamental business objectives 2021**

In 2021, the Company mainly exceeded all its fundamental business objectives, with the largest exceedance achieved in the realisation of the profit or loss. Main reason for the large excess of the planned profit was, in addition to successful operations, also the fact that the sale transaction of the 100% stake in the subsidiary E 3, d.o.o., to Petrol, d.d., was finalised in early 2021 and not in 2020, as planned. Realisation of investments lagged behind the increased plan by 2.19% (rebalance + €4 million), mainly due to objectively delayed deliveries of computer equipment and means of transport. Own-account investments exceeded the planned value by 54 % due to the indirect effect of the investment rebalance. Realisation of maintenance exceeded the plan due to the increased volume of cuts in the routes of overhead lines and the additional dismantling of written-off devices. Goal of providing service on the market was successfully achieved.

### CONTINUATION OF THE RAST PROGRAM IMPLEMENTATION

Since 2013, the Elektro Primorska has been implementing a comprehensive RAST programme aimed at business rationalisation. Program is designed to ensure a comprehensive management of costs and revenues, and provides for implementation of rationalisation measures, which can contribute most to the Company's performance and the achievement of its goals. By following the primary purpose of monitoring and maintaining the achieved rationalisation effects, the Company continued with the program implementation also in 2021. Compared to the target value of costs and expenses for 2021, the Company exceeded the planned amount of savings by a total of €416,089. Following financial effects of the selected measures were achieved by individual organisational units of the parent company in 2021.




| | SDO | SUDESS | IKT | SNJN | SS | FRS | DEVELOP MENT | MANAGE MENT | DE GO | DE KP | DE SE | DE TO |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLAN | 1,232,568 | 564,680 | 559,118 | 39,747 | 825,875 | 216,192 | 23,848 | 593,122 | 593,368 | 419,672 | 406,068 | 294,443 |
| ACTUAL | 1,418,925 | 655,68 | 610,634 | 80,846 | 867,877 | 159,117 | 2,968 | 681,709 | 636,672 | 433,765 | 447,918 | 333,095 |

**Legend:**

**SDO – Sector for distribution network;**
**SUDEES – Sector for distribution system management;**
**IKT – Information and communication technologies service;**
**SNJN – Purchase and procurement service;**
**SS – General sector;**
**FRS – Finance and accounting sector;**
**DE GO – Distribution unit Nova Gorica;**
**DE KP – Distribution unit Koper;**
**DE SE – Distribution unit Sežana;**
**DE TO – Distribution unit Tolmin**

**Chart 24: Financial achievements of the RAST program per organisational units in 2021**

## IT STRATEGY UPDATE

In 2021, an external contractor was selected to prepare the Company's IT strategy. Workshops with process holders were conducted. Draft document is ready. IT strategy is expected to be completed in April 2022. Content of the document will be updated periodically.

## NETWORK DIGITALISATION AND AUTOMATION

In 2021, an application was developed to perform simple calculations of the possibility of connecting users to the system and partial integration with the GIS system. Online application for submitting uniform applications for the issuance of documents in the process of connecting users to the system was also introduced. Process of receiving, processing and monitoring individual applications for the issuance of documents in the connection process has been computerised, Single entry point for system users – the MojElektro portal – was upgraded.

## INTRODUCTION OF VARIABLE EMPLOYEE REMUNERATION

In 2021, in cooperation with the workers' council and the trade union, a new Regulation on criteria for determining work performance and variable part of the salary, which defined the amended rules for individual remuneration. Additional training was conducted on how to conduct annual interviews with an emphasis on setting and evaluating objectives. First evaluation and payment of individual work performance bonus, for which 15% of the total work performance bonus will be allocated , is scheduled for 2022.

# 8. Use of the distribution network - access to the distribution network

In 2021, the organisation of the electricity distribution remained unchanged and distribution system operator - SODO, d.o.o., based in Maribor, remained the holder of the licence for providing access to the distribution network under the provisions of the Energy Act, while the electricity distribution companies remained providers based on the contracts for lease of distribution infrastructure and provision of services for SODO. As part of performing operational tasks of providing access to the distribution networks, all revenues from network usage are considered revenues of SODO. As the owner of the distribution infrastructure and services provider, Elektro Primorska, d.d., issues monthly invoices for lease of infrastructure and services rendered to SODO. Revenues and, consequently, costs related to the purchase of electricity to cover losses in the distribution network are recognised by SODO.

### 8.1.1 Revenues from the system use

Network charge tariffs changed as of January 1 2021 in accordance with provisions of the Legal Act on the methodology determining the regulatory framework and network charges for the electricity distribution system. Prices of the network services changed significantly in 2021, as they fell on average by 3.8%. Tariff for charging network charge for the transmission system increased on average by 0.64%, and the network tariffs for excess acceptance of reactive energy increased by 2.3%. On the other hand, the distribution system tariffs fell by as much as 5.13%, compared to the prices from 2020. This is the third consecutive such large annual reduction in network charges in part, which indirectly provides revenues for electricity distribution companies. Price of the network charge for the distribution system in 2021 decreased by a huge 15% compared to 2018. This means that the revenues of the system operator of the electricity distribution company also decreased.

Contribution for the provision of support in the production of electricity from high efficiency co-generation and renewable energy resources has not changed and remains the same as it was in August 2015. Furthermore, contribution for energy efficiency, which is intended to provide energy savings to end customers did not increase in 2021.

A total 15,566,384 kW of power and 1,688,283,461 kWh of electricity was invoiced to electricity consumers in the area of Elektro Primorska in 2021. Total revenues from network charges and contributions amounted to €69,370,920. Total revenue index compared to the value recorded in 2020 of 1.0871 is up 8.71% (source: internal EP reports). Revenues from network charges for the distribution network increased by 2.71% despite a significant reduction in price lists. There are two reasons: exemption from part of the network charges from March to May 2020 and consequently less collected network charges in 2020, and a significant increase in household consumption in 2021, where price items with network charges and consequently revenues are highest.

Number of customers connected to the Elektro Primorska distribution network rose by 804 to 136,704 as at December 31 2021.

| | QUANTITIES of transmitted EE | | | CUO REVENUES with contributions and excessive reactive power | | | | | CUO REVENUES for distribution network | | | | Revenues EP | | | | | EP / Distribution[3] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Plan Quantities | Realization Quantities | Real PLAN | Plan CUO | Realization CUO | Real ------- Plan | Planned price | Realized price | Plan CUO | Realization CUO | Real ------- Plan | Realized price | Plan EP | Revenue EP | Real ------- Plan | Planned price | Realized price | Rev. EP --------- Distrib. | Cumulat. |
| Jan-21 | 145,240 | 143,499 | 0.9880 | 6,058,669 | 6,013,410 | 0.9925 | 41.715 | 41.905 | 3,149,246 | 3,158,444 | 1.0029 | 22.010 | 2,916,544 | 2,916,544 | 1.0000 | 20.081 | 20.324 | 1.0722 | 1.0722 |
| Feb-21 | 130,178 | 127,616 | 0.9803 | 5,735,674 | 5,633,622 | 0.9822 | 44.060 | 44.145 | 2,911,929 | 2,877,811 | 0.9883 | 22.551 | 2,916,543 | 2,916,543 | 1.0000 | 22.404 | 22.854 | 1.1722 | 1.1200 |
| Mar-21 | 144,118 | 149,993 | 1.0408 | 5,819,991 | 5,953,999 | 1.0230 | 40.384 | 39.695 | 2,966,234 | 3,042,063 | 1.0256 | 20.281 | 2,916,544 | 2,916,544 | 1.0000 | 20.237 | 19.445 | 1.1287 | 1.1229 |
| Apr-21 | 130,293 | 133,235 | 1.0226 | 5,467,929 | 5,573,760 | 1.0194 | 41.966 | 41.834 | 2,692,726 | 2,774,489 | 1.0304 | 20.824 | 2,916,543 | 2,916,543 | 1.0000 | 22.384 | 21.890 | 1.2319 | 1.1483 |
| May-21 | 136,045 | 135,864 | 0.9987 | 5,568,824 | 5,547,714 | 0.9962 | 40.934 | 40.833 | 2,751,873 | 2,712,563 | 0.9857 | 19.965 | 2,916,544 | 2,916,544 | 1.0000 | 21.438 | 21.467 | 1.2694 | 1.1706 |
| Jun-21 | 138,608 | 138,659 | 1.0004 | 5,628,346 | 5,686,948 | 1.0104 | 40.606 | 41.014 | 2,750,418 | 2,743,532 | 0.9975 | 19.786 | 2,916,543 | 2,916,543 | 1.0000 | 21.042 | 21.034 | 1.2571 | 1.1842 |
| Jul-21 | 143,344 | 148,844 | 1.0384 | 5,718,968 | 5,813,650 | 1.0166 | 39.897 | 39.059 | 2,809,429 | 2,827,156 | 1.0063 | 18.994 | 2,916,544 | 2,916,544 | 1.0000 | 20.346 | 19.595 | 1.2293 | 1.1904 |
| Aug-21 | 135,530 | 135,808 | 1.0021 | 5,695,135 | 5,671,007 | 0.9958 | 42.021 | 41.757 | 2,817,320 | 2,761,171 | 0.9801 | 20.331 | 2,916,543 | 2,916,543 | 1.0000 | 21.520 | 21.475 | 1.2430 | 1.1968 |
| Sep-21 | 133,374 | 137,647 | 1.0320 | 5,522,515 | 5,561,171 | 1.0070 | 41.406 | 40.402 | 2,695,926 | 2,687,959 | 0.9970 | 19.528 | 2,916,543 | 2,916,543 | 1.0000 | 21.867 | 21.189 | 1.2862 | 1.2061 |
| Oct-21 | 133,868 | 140,697 | 1.0510 | 5,540,127 | 5,745,979 | 1.0372 | 41.385 | 40.839 | 2,731,045 | 2,843,039 | 1.0410 | 20.207 | 2,916,543 | 2,916,543 | 1.0000 | 21.787 | 20.729 | 1.2085 | 1.2063 |
| Nov-21 | 137,944 | 143,378 | 1.0394 | 5,708,592 | 5,862,015 | 1.0269 | 41.384 | 40.885 | 2,859,148 | 2,955,698 | 1.0338 | 20.615 | 2,916,543 | 2,916,543 | 1.0000 | 21.143 | 20.342 | 1.1584 | 1.2018 |
| Dec-21 | 141,911 | 153,043 | 1.0784 | 5,977,327 | 6,307,644 | 1.0553 | 42.120 | 41.215 | 3,071,585 | 3,322,420 | 1.0817 | 21.709 | 2,916,542 | 2,916,542 | 1.0000 | 20.552 | 19.057 | 1.0216 | 1.1844 |
| TOTAL | 1,650,452 | 1,688,283 | | 68,442,097 | 69,370,920 | | 41.469 | 41.090 | 34,206,877 | 34,706,344 | | 20.557 | 34,998,519 | 34,998,519 | | 21.205 | 20.730 | 1.1844 | |
| Realization for the period: JANUARY - DECEMBER 2021 | | | | | | | | | | | | | | | | | | | |
| Suma | 1,650,452 | 1,688,283 | 1.0229 | 68,442,097 | 69,370,920 | 1.0136 | | | 34,206,877 | 34,706,344 | 1.0146 | | 34,998,519 | 34,998,519 | 1.0000 | | | 1.1844 | |
| Realization for the month: DECEMBER 2020 | | | | | | | | | | | | | | | | | | | |
| dec 20 | | | | | | | | | | 3,212,254 | | | | 2,921,131 | | | | 1.0558 | |
| CUO for the period: JANUARY 2021 - DECEMBER 2021 | | | | | | | | | | CUO for the month: DECEMBER 2021 | | | | | | | Comparison: DECEMBER 2021 / DECEMBER 2020 | | |
| Quantities of transmitted EE | | | | + 2.29% | | | | | | Quantities of transmitted EE | | + 7.84% | | | | | Quantities of transmitted EE | + 7.99% | |
| CUO including benefits | | | | + 1.36% | | | | | | CUO including benefits | | + 5.53% | | | | | CUO including benefits | + 4.10% | |
| Revenues for distribution network | | | | + 1.46% | | | | | | Revenues for distribution network | | + 8.17% | | | | | Revenues for distribution network | + 3.43% | |
| Revenues EP | | | | 0.00% | | | | | | Revenues EP | | 0.00% | | | | | Revenues EP | - 0.16% | |
| Revenue ratio: EP / Distrib. network[3] | | | | + 18.44% | | | | | | Revenue ratio: EP / Distrib. network[3] | | + 2.16% | | | | | | | |
| Realizacija za obdobje: JANUAR 2020–DECEMBER 2020 | | | | | | | | | | | | | | | | | | | |
| Suma | | 1,593,078 | | | 63,814,668 | | | | 33,788,994 | | | | 35,053,570 | | | | 1.2179 | 1,2179 | |
| Comparison of quantities: 2021 / 2020 cumulative: | | | | | | | | | | | | | | | | | | | |
| | | + 5.98% | | | + 8.71% | | | | + 2.71% | | | | - 0.16% | - 0,16% | | | | | |
| Realization for the period: JAN 2021 - DEC 2021 | | | | | | | | | | | | | | | | | | | |
| Suma | | 1,688,283 | | | 69,370,920 | | | | 34,706,344 | | | | 34,998,519 | 34.998.519 | | | | | |
| PComparison of quantities between period: JANUARY 2021 - DECEMBER 2021 and period: JANUARY 2020 - DECEMBER 2020: | | | | | | | | | | | | | | | | | | | |
| | | | + 5.98% | | | + 8.71% | | | | + 2.71% | | | | - 0.16% | | | | | |

**Table 23: Monitoring the CUO revenue realisation plan**

NB:
1. Quantities and revenues are from a plan drawn up at the end of JUNE 2020 at the request and need of SODO and is identical to the official EP plan.
2. Revenues from rent and services are now fixed and are independent of the realization of quantities. Realization of EP revenues according to the plan is always 100%. Revenues from distributed EE do not include revenues from excessive reactive energy.
3. For the indicator revenues EP / distrib. Network, costs of covering losses are deducted from the revenues for distribution network.( EP/Distrib. = revenu_EP / (CUO_dist - quantities*percent*price_purchase))

| 2021 | INVOICED QUANTITIES | | USE OF NETWORK [€] | | | CONTRIBUTIONS [€] | | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | [kW] | [kWh] | Transmission network charge | Distributon network charge | Excessive reactive power | Contribution OVE + SPTE | Contribution URE | Contribution BORZEN | USE OF NETWORK AND CONTRI-BUTIONS [€] |
| January | 1,276,042 | 143,499,398 | 1,107,516 | 3,158,444 | 31,814 | 1,582,183 | 114,800 | 18,655 | 6,013,410 |
| February | 1,269,298 | 127,616,217 | 1,043,963 | 2,877,811 | 29,988 | 1,563,177 | 102,093 | 16,590 | 5,633,622 |
| March | 1,292,152 | 149,993,096 | 1,111,939 | 3,042,063 | 35,941 | 1,624,563 | 119,994 | 19,499 | 5,953,999 |
| April | 1,283,847 | 133,234,780 | 1,047,205 | 2,774,489 | 33,941 | 1,594,217 | 106,588 | 17,321 | 5,573,760 |
| May | 1,292,878 | 135,863,624 | 1,049,714 | 2,712,563 | 38,410 | 1,620,674 | 108,691 | 17,662 | 5,547,714 |
| June | 1,314,878 | 138,658,513 | 1,072,061 | 2,743,532 | 44,159 | 1,698,243 | 110,927 | 18,026 | 5,686,948 |
| July | 1,316,318 | 148,844,180 | 1,097,384 | 2,827,156 | 48,495 | 1,702,191 | 119,075 | 19,350 | 5,813,650 |
| August | 1,306,550 | 135,808,237 | 1,065,727 | 2,761,171 | 43,057 | 1,674,750 | 108,647 | 17,655 | 5,671,007 |
| September | 1,300,750 | 137,647,195 | 1,052,022 | 2,687,959 | 44,568 | 1,648,610 | 110,118 | 17,894 | 5,561,171 |
| October | 1,305,681 | 140,696,929 | 1,078,246 | 2,843,039 | 40,887 | 1,652,959 | 112,558 | 18,291 | 5,745,979 |
| November | 1,303,053 | 143,377,971 | 1,094,146 | 2,955,698 | 37,131 | 1,641,698 | 114,702 | 18,639 | 5,862,015 |
| December | 1,304,937 | 153,043,321 | 1,155,700 | 3,322,420 | 34,948 | 1,652,245 | 122,435 | 19,896 | 6,307,644 |
| TOTAL | 15,566,384 | 1,688,283,461 | 12,975,622 | 34,706,344 | 463,339 | 19,655,511 | 1,350,627 | 219,477 | 69,370,920 |

**Table 24: Total invoiced network charge and contributions of all the customers of Elektro Primorska, d.d., in 2021**

Note:
– Amounts in € exclusive of VAT.
– Use of the network and contributions are charged to customers at current tariff rates in accordance with the Legal Act on the methodology determining regulatory framework and network charge for the electricity distribution system. Charges for the use of the network are intended to cover the eligible costs of power operators and to provide reserve electricity. Financial support is intended to provide electricity production from renewable energy sources and energy savings for final customers. Revenues of Elektro Primorska are not shown in the above Table.

| Month | | Monthly peaks | | Total acquired EE * | Operating hours - annual** | Monthly peaks 2020 | Peak ratio 2021 / 2020 | Total acquired EE 2020 |
|---|---|---|---|---|---|---|---|---|
| | [MWh / h] | date | hour | [MWh] | [h] | [MWh] | | |
| **January** | **301.175** | 12/01/2021 | 09:00 | 160,407.24 | 6,271 | 291.442 | 1.03339601 | 162,516.51 |
| February | 286.168 | 15/02/2021 | 19:15 | 140,362.56 | 6,394 | 272.311 | 1.051 | 144,731.52 |
| March | 274.056 | 22/03/2021 | 20:15 | 155,116.44 | 7,143 | 273.481 | 1.002 | 151,452.98 |
| April | 269.911 | 13/04/2021 | 09:00 | 138,731.53 | 6,254 | 225.181 | 1.199 | 109,733.01 |
| May | 252.862 | 06/05/2021 | 10:00 | 137,231.61 | 6,390 | 215.979 | 1.171 | 116,300.31 |
| June | 274.033 | 23/06/2021 | 12:45 | 139,159.02 | 6,178 | 231.36 | 1.184 | 125,144.60 |
| July | 278.87 | 08/07/2021 | 12:00 | 151,276.99 | 6,387 | 266.236 | 1.047 | 143,265.69 |
| August | 261.471 | 16/08/2021 | 13:30 | 138,297.32 | 6,228 | 245.837 | 1.064 | 136,195.87 |
| September | 258.996 | 16/09/2021 | 13:00 | 136,817.65 | 6,427 | 247.642 | 1.046 | 137,393.50 |
| October | 262.892 | 27/10/2021 | 08:30 | 145,446.97 | 6,514 | 263.781 | 0.997 | 144,825.05 |
| November | 283.128 | 25/11/2021 | 09:15 | 151,533.95 | 6,512 | 269.83 | 1.049 | 145,058.66 |
| December | 302.222 | 08/12/2021 | 10:00 | 168,176.35 | 6,552 | 291.268 | 1.038 | 157,114.65 |
| **Peak:** | **302.222** | | **Total:** | **1,762,557.62** | **5,832.00** | | | |

**Table 25: Peak and annual operating hours of Elektro Primorska, d.d., in 2021**

In 2021, the peak, i.e., the maximum average 15-minute electricity intake amounted to 302,222 MW and occurred in early December, during the cold weather. In recent years we have noted an increase in the summer peak, which is associated with the increase in general use of air conditioning. This year's peaks were not record-breaking, which is mainly due to the epidemic and consequent reduction in industrial consumption. This is especially true if we take into account the fact that we now operate with 15 – minute measurements and the peaks are slightly higher by nature. Due to increasing use of electricity for heating and cooling, further increase in peaks is expected in the coming years.

# 9. Services for external customers

Elektro Primorska, d.d, acquired contracts for the market i.e. for external customers by bidding at public tenders and also by direct negotiations with potential investors. Services were performed mostly on the facilities and installations of medium- and low- voltage networks and public lighting. Market business covers the entire scope of work for which Elektro Primorska is specialised, namely the design and preparation of project documentation, construction or reconstruction of cable conduits, transformer stations, production of connectors for new facilities, renovation of public lighting with the reconstruction of switching points and other minor services.

| | Plan(€) | Realisation (€) | Realisation (€) | % | % |
|---|---|---|---|---|---|
| | 2021 | 2021 | 2020 | 2:1 | 2:3 |
| Type of work | 1 | 2 | 3 | 4 | 5 |
| Market services | 1,800,000 | 1,896,154 | 1,509,863 | 105.34 | 125.58 |
| Other services | 828,000 | 779,726 | 947,154 | 94.17 | 82.32 |
| **TOTAL** | **2,628,000** | **2,675,880** | **2,457,017** | **101.82** | **108.91** |

**Table 26: Realization of services for external customers in 2021**

Following major services were carried out in 2021 for the market:

- Implementation of MV cable lines and new transformer station Skušibulje
- Construction of public lighting switching points in the Municipality of Nova Gorica
- Implementation of LV outlet and PMO for the company Promisum in Ajdovščina
- Implementation of LV outlet and PMO for the company PAM in Vipava
- Installation of MV measuring equipment for TP Inno Rew in Izola
- Implementation of LV connection for Mercator store
- Implementation of LV connection for Dom navtika –Porton
- Implementation of cable lines and TP for power supply of the construction sites for the
- second track of the Divača-Koper railway line
- Implementation of cable lines Promenade Postojna Cave
- Implementation of cable lines and new transformer station TP Imas 1
- Implementation of LV connection slaughterhouse Postojna
- Construction of a new transformer station TP Jez Podselo
- Construction of a new transformer station TP Apres Ski bar Bovec
- Relocation of MV cable lines Rotomatika Sp. Idrija
- Construction of public lighting in the Municipality of Tolmin

These services also include provision of holiday facilities.

### ACHIEVING THE SET GOALS AND COMPARISON WITH 2020

In 2021, we were successful in providing services for the market, exceeding the planned revenues by 1.82%, and the realization from 2020 by 8.91%.

# 10. Information support and development

IC services cover the IT system, Intranet and Internet portal, server infrastructure inclusive of all the services, databases, network computing infrastructure for the needs of facility management and business computing, and installation of new workstations and user support.

In addition to activities related to ensuring the operation of equipment and provision of services, we also draw up documentation required by legislation in the field of critical infrastructure, business continuity and essential services.

Company Informatika d.d., our contractor, is responsible for the operation of the accounting information system and the development of new modules for processes relating to the connection, calculation of network charges and accounts payable and receivable.

Following major activities were carried out in 2021:

- AX business information system is currently in use and we take part in the implementation of upgrades and offer user support. Given that we are preparing for the upgrade, we participated in a number of workshops, which defined the requirements for the new system;
- MAXIMO information system used in maintenance is currently in use and we take part in the implementation of upgrades and offer user support;
- GIS information system is currently in use and is supported by the IT;
- CDWH data warehouse is used by key staff for reporting purposes and is currently being upgraded;
- we upgraded computer network and integrated new facilities, mainly for the purpose of electrical power facility management;
- we activated the security operations centre within Informatika, d.o.o., operating 24/7 and connected to the local traffic and server control system (SIEM);
- we activated a tool for monitoring and analysing traffic in a computer network, which intercepts attempts at cyber intrusions and non-standard network intrusions;
- we provided regular maintenance of all wire, radio and optical communications infrastructure including FM network and participated in the upgrading of optical links;
- we purchased new workstations to replace the obsolete ones and ensured regular maintenance of the existing ones;
- we provided all infrastructure services and support to subsidiary E3, d.o.o.;
- we manage documentation related to critical infrastructure;
- we manage the business continuity process;
- we manage the essential services process;
- we draw up documentation required by the legislation on essential services and report to the relevant agencies and ministries.

# 11. Events after the balance sheet date

On February 22 2022, the National Assembly adopted the Act Determining the Measures to Mitigate the Consequences of Rising Energy Prices (hereinafter the Act). Act came into force on March 5 2022. Adoption of the Act will have a significant impact on the operations of the company in 2022 (estimated loss of revenues amounts to €9,058,837). Starting points for the revised business plan of the company for 2022 have been prepared.

In March 2022, a military invasion of Ukraine was carried out by Russia, which caused unrest in the financial markets. This uncertainty causes large daily fluctuations in the prices of stocks, bonds, commodities and currencies and results in rapidly rising oil and gas prices. As a result, price inflation in the areas of materials and energy will have a significant impact on the company's current and future operations.

# 12. Analysis of the company's performance

Company Elektro Primorska closed the 2021 financial year with a net profit of €14,314,717, which is more than planned and achieved in 2020, mostly due to the realized profit from the sale of subsidiary E3, d.o.o., and a positive preliminary settlement of services (lease) provided for SODO in 2021. In 2020 lower realized profit was due to the limitation of the consequences of the Covid-19 pandemic, when the Agency decided to reduce the return on all leased assets by 1.13 percent. As a result, the Company received €2.08 million less of funds under this title.

In 2021, the Company's revenues amounted to €62,913,439, which is €12,819,714 or 25.6% more than in 2020. Largest increase was in financial revenues, namely by €8,207,673 as a results of the recognition of sale of the subsidiary E 3, d.o.o., recognized sales revenues amount to €8,427,983. Largest group of revenues is represented by operating revenues in the amount of €54,437,966, which represents 86.53% of the company's total revenues. Compared to the previous year, the largest increase was in net sales revenues on the domestic market, by €3,886,825, at the same time the company also generated higher capitalized own products, while other operating revenues were lower.

Company incurred €47,284,556 of expenses in 2021, up €3,334,097 compared to the 2020 financial year. Operating expenses of €46,988,858 account for the largest share in total expenses. Operating expenses include the highest labour costs, which represent 40.25% of the company's total operating expenses and amounted to €18,903,654, which is by €634,881 higher than last year's labour costs.

Assets of Elektro Primorska Company increased to €233,654,874 as at December 31 2021, the largest increase (€11,695,827) was reported in tangible fixed assets which amount to €210,890,658 at the year-end. Largest increase in 2021 was due to investments made by the Company in the amount of €23,475,021. Short-term operating receivables of €6,853,653 account for the majority of current assets as at December 31 2021, with an increase of €631,833 compared to the previous year.

Company's equity amounted to €174,206,406 as at December 31 2021, an increase of €12,197,964 compared to the previous year. At the end of 2021, the share of equity in total liabilities amounted to 74.56%, up 1.21 percentage point compared to the previous year. At the year-end, long-term liabilities amounted to €42,979,564, up €1,273,307 compared to the previous year, mostly due to an increase in long-term accruals and deferrals. Short-term liabilities of €15,697,716 are down by €389,450 compared to the previous year. Largest decrease of €3,688,894 is reported in short-term financial liabilities to banks, while supplier payables rose by €2,130,499.

# 13. Indicators

Indicators that show the Company's credit rating are divided into the following groups of fundamental accounting ratios:

1. financing state ratios (investments),
2. basic investment ratios,
3. horizontal financial structure ratios,
4. efficiency ratios,
5. profitability ratios.

From the viewpoint of financial performance evaluation, the Company has monitored its business results based on the following ratios:

| A. BASIC FINANCING STATE RATIOS (INVESTMENTS) | 31/12/2021 | 31/12/2020 |
|---|---|---|
| equity | 174,206,406 | 162,008,442 |
| liabilities | 233,654,874 | 220,864,212 |
| **equity financing rate** | **74.56%** | **73.35%** |
| sum of equity and long-term debts (including provisions ) and long-term accruals and deferrd income | 217,185,970 | 203,714,698 |
| liabilities | 233,654,874 | 220,864,212 |
| **debt financing rate** | **92.95%** | **92.24%** |
| debts | 58,677,280 | 57,793,423 |
| liabilities | 233,654,874 | 220,864,212 |
| **long-term financing rate** | **25.11%** | **26.17%** |

| **B. BASIC INVESTMENT RATIOS** | **31/12/2021** | **31/12/2020** |
|---|---|---|
| fixed assets (book value) | 210,890,658 | 199,194,830 |
| assets | 233,654,874 | 220,864,212 |
| **operating fixed assets rate** | **90.26%** | **90.19%** |
| long-term and short-term investments | 302,864 | 286,761 |
| assets | 233,654,874 | 220,864,212 |
| **investment assets rate** | **0.13%** | **0.13%** |
| sum of fixed assets and long-term deferred costs and accrued income investment property, long-term investments and long-term operating receivables | 217,387,192 | 203,332,435 |
| assets | 233,654,874 | 220,864,212 |
| **long-term assets rate** | **93.04%** | **92.06%** |
| realized investments | 23,475,021 | 21,236,478 |
| planned investments | 24,000,000 | 20,000,000 |
| **investment turnover ratio** | **97.81%** | **106.18%** |

| **C. RATIOS OF HORIZONTAL FINANCIAL STRUCTURE** | **31/12/2021** | **31/12/2020** |
|---|---|---|
| equity | 174,206,406 | 162,008,442 |
| fixed assets (book value) | 210,890,658 | 199,194,830 |
| **equity to fixed assets ratio** | **82.61%** | **81.33%** |
| liquid assets | 6,160,041 | 1,837,633 |
| short-term liabilities | 15,697,716 | 16,087,167 |
| **immediate solvency ratio** | **39.24%** | **11.42%** |
| sum of liquid assets and short-term receivables | 13,780,842 | 8,655,918 |
| short-term liabilities | 15,697,716 | 16,087,167 |
| **quick ratio** | **87.79%** | **53.81%** |

| | | |
|---|---|---|
| short-term assets | 15,221,275 | 16,342,698 |
| short-term liabilities | 15,697,716 | 16,087,167 |
| **current ratio** | **96.96%** | **101.59%** |

| **D. EFFICIENCY RATIOS** | **31/12/2021** | **31/12/2020** |
|---|---|---|
| operating income | 54,437,966 | 49,825,958 |
| operating expenses | 46,988,858 | 43,617,441 |
| **operating efficiency ratio** | **1.159** | **1.142** |
| revenue | 62,913,439 | 50,093,725 |
| expenditure | 47,284,556 | 43,950,458 |
| **total efficiency ratio** | **1.331** | **1.140** |

| **E. BASIC PROFITABILITY RATIOS** | **31/12/2021** | **31/12/2020** |
|---|---|---|
| EBITDA (operating revenues-operating expenses+AM+revaluation) | 21,296,244 | 19,579,949 |
| gross return on business | 54,437,966 | 49,825,958 |
| **EBITDA margin** | **39.12%** | **39.30%** |
| EBIT (operating revenues-operating expenses) | 7,449,108 | 6,208,516 |
| gross return on business | 54,437,966 | 49,825,958 |
| **EBIT margin** | **13.68%** | **12.46%** |
| net profit or loss | 14,314,717 | 5,905,714 |
| turnover | 40,971,583 | 37,227,158 |
| **net return on revenue** | **34.94%** | **15.86%** |
| net profit or loss | 14,314,717 | 5,905,714 |
| average assets | 227,259,543 | 218,328,777 |
| **return on assets ratio (ROA)** | **6.30%** | **2.70%** |
| net profit or loss | 14,314,717 | 5,905,714 |
| average equity (no net profit or loss for the period) | 160,950,065 | 157,536,217 |
| **return on equity ratio( ROE )** | **8.89%** | **3.75%** |
| sum of dividends for the financial year | 2,254,068 | 2,629,746 |
| average share capital | 110,465,795 | 94,424,806 |
| **dividends to share capital ratio** | **2.04%** | **2.79%** |
| dividend paid in the current year | 2,254,068 | 2,629,746 |
| average equity | 160,950,065 | 157,536,217 |
| **dividend-to-equity ratio** | **1.40%** | **1.67%** |

| **F. SHARES** | **31/12/2021** | **31/12/2020** |
|---|---|---|
| equity | 174,206,406 | 162,008,442 |
| number of shares | 18,783,898 | 18,783,898 |
| number of own shares | 0 | 0 |
| **book value per share ( in EUR)** | **9.27** | **8.62** |
| net profit or loss | 14,314,717 | 5,905,714 |
| weigted average number of ordinary shares issued | 18,783,898 | 18,783,898 |
| adjusted average number of ordinary shares | 18,783,898 | 18,783,898 |
| **basic and diluted earnings per share (EUR/share)** | **0.76** | **0.31** |

**Table 27: Indicators**

## 13.1 Basic financing state ratios (investments)

| No. | Description | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| 1. | **Equity financing rate**<br>equity/liabilities | 0.746 | 0.734 | 0.737 | 0.728 | 0.731 | 0.739 | 0.729 |
| 2. | **Long-term financing rate**<br>equity + long-term liabilities (incl. provisions)/liabilities | 0.930 | 0.922 | 0.947 | 0.922 | 0.919 | 0.921 | 0.909 |
| 3. | **Debt financing rate**<br>debt/liabilities | 0.251 | 0.262 | 0.260 | 0.269 | 0.265 | 0.258 | 0.266 |

**Table 28: Basic financing state ratios**

These ratios show the relationships between equity and liabilities and are used to identify the financing structure of assets, while at the same time they express the degree of the Company's financial independence.

Financing state ratios show the share of equity, debt and deferred liabilities in the structure of all sources of financing. These ratios are particularly important when the Company is deciding on its long-term financing strategy (capital structure). High proportion of capital in financing and low level of short-term funding provide creditors the information on how safe their investment is.

Equity financing rate shows the share of equity financing in total assets. In 2021, the equity financing rate of 74.6 % increased by 1.2 percentage point compared to 2020. This is due to a higher increase in capital than in liabilities ( the Company generated a higher amount of profit in 2021 and at the same time there was an increase in the Company's liabilities compared to 2019, short-term trade payables and short-term financial lease liabilities, while short-term financial liabilities to banks decreased), all of which is reflected in a better value of the ratio in 2021.

Debt financing rate shows the debt financing of the Company's assets. In 2021, the ratio stood at 93.0%, up 0.8 percentage points compared to 2020, which is primarily due to higher capital and short-term operating liabilities, especially higher liabilities to suppliers and long-term financial liabilities to banks for financing investments in electricity distribution infrastructure, and a simultaneous decrease in short-term financial liabilities to banks for revolving credit. Since the Company does not possess sufficient amount of own resources (also due to dividend payments) to finance planned and necessary investments, it is forced to raise external debt sources of financing.

Own source of funds for financing investments in the energy infrastructure comprises primarily amortisation and depreciation and the generated return, especially the operating result, which the Company expects from generating regulated revenues, which mostly comprise rental income and revenues from services provided under the Contract with SODO, d.o.o.

Long-term financing rate amounted to 25.1% in 2021, down 1.05 percentage points compared to 2020, due to a reduction in short-term debts in the overall structure of liabilities, and an increase in liabilities. Increase in liabilities is due to short-term borrowings raised from a bank in 2020 to cover current costs and an increase in supplier payables due to intense investment activity in December 2020.

## 13.2 Basic investment ratios

| No. | Description | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| 1. | **Operating fixed assets rate** fixed assets/assets | 0.903 | 0.902 | 0.883 | 0.868 | 0.869 | 0.897 | 0.887 |
| 2. | **Investment assets rate** ong-term + short-term investments/ assets | 0.001 | 0.001 | 0.001 | 0.032 | 0.033 | 0.035 | 0.035 |
| 3. | **Long-term assets rate** fixed assets + long-term investments + long-term operating receivables/ assets | 0.905 | 0.905 | 0.885 | 0.904 | 0.903 | 0.933 | 0.923 |

**Table 29: Basic investment ratios**

Basic investment ratios show the structure of an entity's assets.

Operating fixed assets rate denotes the share of the carrying amount of fixed assets in the assets. An increase in the ratio which stands at 90.3% shows that in 2021, the Company invested somewhat more in the renovation and expansion of its assets. Ratio's value is also influenced by the fixed assets' depreciation policy although the depreciation rates applied do not change from one year to the other.

Investment assets rate indicates the share of investments in the assets. In 2021, the ratio remained at the same level as in the previous year and amounts to only 0.1%. Low ratio's value indicates that the Company only rarely invests its assets in financial investments however, the main reason for the ratio's low value in the past three years is the fact that in 2019, the Company recognised its long-term investment in a subsidiary under current assets held for sale, and actually sold it at the beginning of 2021.

Long-term assets rate indicates the share of long-term assets in the Company's total assets. In 2021, the ratio is the same as in 2020 and amounts to 90.5%. High ratio is the result of the same increase in fixed assets in the overall structure of assets, as a result of major investments made in 2021.

## 13.3 Ratios of horizontal financial structure

| No. | Description | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| 1. | **Equity to fixed assets ratio** equity/fixed assets | 0.826 | 0.813 | 0.835 | 0.838 | 0.842 | 0.823 | 0.822 |
| 2. | **Acid test ratio** liquid assets/short-term liabilities | 0.392 | 0.114 | 0.276 | 0.144 | 0.309 | 0.124 | 0.266 |
| 3. | **Quick ratio** liquid assets + short-term receivables/ short-term liabilities | 0.878 | 0.538 | 0.877 | 0.607 | 0.791 | 0.594 | 0.730 |
| 4. | **Current ratio** current assets/short-term liabilities | 0.970 | 1.016 | 1.596 | 0.932 | 0.846 | 0.645 | 0.777 |

**Table 30: Basic ratios of horizontal financial structure**

These ratios are used to make comparison between assets and liabilities and are important for assessment of the quality of funding. Regarding financing, we are interested in the extent to which the Company is financed with debts and to what extent with capital.

Equity to fixed assets ratio shows the level of financing of the carrying amount of fixed assets with equity. The ratio below 1 indicates that some of fixed assets are financed with capital and others with long-term borrowings. Ratio increased slightly (by 1.2 percentage points) compared to the previous year, which means that in 2021, a slightly lower share of fixed assets was financed by borrowings.

Immediate solvency ratio shows the Company's ability to settle its short-term debts. Ratio below 1 indicates that an entity has more debts than liquid assets. In 2021, the ratio increased by 27.8 percentage points compared to 2020 to 0.396, mostly due to an increase in cash and cash equivalents and a decrease in short-term liabilities of the Company.

Quick ratio is an indicator of the coverage of short-term liabilities with liquid assets and short-term receivables, showing the Company's short-term solvency position. In 2021, the ratio stands at 87.8%, up 34 percentage points compared to 2020, meaning that 87.8% of short-term liabilities are settled with liquid assets and short-term receivables. Increase in the value of the ratio in 2021 is due to an increase in liquid assets (both cash and short-term receivables) of the company and decrease in short-term liabilities.

Current ratio reflects the Company's ability to settle its short-term liabilities with short-term receivables, showing its short-term solvency position. In 2021, the ratio amounts to 97%, down 4.6 percentage points compared to 2020, due to the decrease in short-term assets (at the expense of a de-recognition of short-term assets held for sale of subsidiary E 3, d.o.o.) and a simultaneous reduction in short-term liabilities (especially short-term trade payables and bank liabilities). Ratio further shows that in 2021, the Company settled almost all of its short-term liabilities with short-term assets (receivables).

## 13.4 Efficiency ratios

| No. | Description | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| 1. | **Operating efficiency ratio** operating revenue/operating expenses | 1.159 | 1.142 | 1.224 | 1.201 | 1.211 | 1.217 | 1.142 |
| 2. | **Total efficiency ratio** revenue/expenses | 1.331 | 1.140 | 1.217 | 1.188 | 1.198 | 1.200 | 1.198 |

**Table 31: Basic efficiency ratios**

Basic efficiency (cost efficiency) ratios are indicators of an entity's business performance and explain business results in relation to the invested elements of the business process.

Operating efficiency ratio is the ratio between operating income and operating expenses and reflects efficiency of the Company's operations, since the financial income and expenses and other revenues and expenses are excluded from the ratio calculation. In 2021, the ratio amounted to 115.9%, which means that operating revenues exceeded operating expenses by 15.9%, and the cost efficiency worsened slightly in comparison with the previous year (by 1.67 percentage points).

Total efficiency ratio is the ratio between total revenue and total expenditure. Ratio stood at 133.1% in 2021, up 19.1 percentage points compared to the previous year, reflecting a growth in the overall efficiency. In 2021, the Company generated significantly more revenue from the sale of its subsidiary, thus achieving better economy in the management of available assets and exceeding the profitability of managing the assets of the company's owners from previous years.

## 13.5 Basic profitability ratios

| No. | Description | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| 1. | **Net profit margin**<br>profit/revenue | 0.349 | 0.159 | 0.201 | 0.173 | 0.185 | 0.174 | 0.145 |
| 2. | **ROA**<br>net profit/average assets | 0.063 | 0.027 | 0.038 | 0.032 | 0.036 | 0.034 | 0.031 |
| 3. | **ROE**<br>net profit/average equity (net of profit or loss for the financial year) | 0.089 | 0.037 | 0.053 | 0.045 | 0.050 | 0.049 | 0.043 |

**Table 32: Basic profitability ratios**

By analysing the profitability ratios we can see that the Company's operation is viable as it has achieved a positive operating result. As the net profit generated in the year under review has increased, all the ratios show growth compared to the previous year.

Net return on revenue shows that the Company generated €34.9 of profit per €100 of revenue, up €19.07 compared to 2020.

Return on assets ratio (ROA) shows the share of profits that the Company achieves with its own resources and how successful the management has been in managing the Company's assets. ROA amounted to 6.3% in 2021, up 3.6 percentage point on the previous year. This is due to the increase in the Company's fixed assets (major investments in the infrastructure in 2021) and a relatively higher net operating result of the year due to the sale of a subsidiary. Value of the ratio is exceptionally quite high this year, but otherwise it is relatively low over the years (and in the future as well), which is the consequence of major investments made by the Company as a prerequisite for ensuring high quality and reliable distribution of electricity and could not have been achieved without capital investments. In order for the Company to ensure high-quality electricity supply to all customers in its distribution area, the Company expects to invest heavily also in the future, which means that the ratio will probably not improve significantly.

Return on equity ratio (ROE) shows how much net profit was generated by the Company based on the average equity invested. From the viewpoint of the Company owners, profitability of capital is one of the most important ratios as it shows how well the Company manages its assets. ROE amounted to 8.9% in 2021, up 5.1 percentage point compared to the previous year, due to an increase in the profit achieved compared to 2020 as for the sale of a subsidiary E 3, d.o.o.

# B

# Financal Statements

# INDEPENDENT AUDITOR'S REPORT

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ELEKTRO PRIMORSKA d.d.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

We have audited the financial statements of ELEKTRO PRIMORSKA d.d. (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with Slovenian accounting standards.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

## Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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**Own work capitalized**

As at 31 December 2021, the net book value of the property, plant and equipment amounts to EUR 210.891 thousand, as disclosed in Note 2.2 – *Property plant and equipment* and own work capitalized amount to EUR 11.562 thousand, as disclosed in Note 3.1.2 *Own work capitalized*, respectively.

The company also carries out the activity of own construction of buildings and equipment, in particular in facilities and equipment in connection with the electricity distribution network. Investments in property, plant and equipment built by the company itself is valued on the basis of estimated hourly rates of contractors/employees, which includes, in addition to labour costs, other direct and indirect costs.

The determination of the cost of the underlying asset built by the company itself includes management assessments and estimates of the inclusion of direct as well as indirect costs attributable to the construction of the property, plant and equipment as laid down by the Slovenian Accounting Standard 1.

In respect of valuation and allocation of assets, there is a risk that costs which do not meet the criteria for capitalisation in accordance with SAS 1 are inappropriately recorded in the balance sheet rather than expensed.

Due to significance of management assessments and judgements related to the assessment of the amount and composition of costs included in the cost of construction of property, plant and equipment, we consider this matter to be key audit matter.

Our audit procedures included considering the appropriateness of the Company's own work capitalisation accounting policies and assessing compliance with the policies in terms of Slovenian accounting standards, in particular SAS 1 – Property, plant and equipment.

We obtained an understanding of the capitalisation of own work process and evaluated and tested design of respective controls.

We inquired the management about management's assessments and estimates in relation to capitalized own products and services. We inquired those responsible for investments regarding the process of capitalising our own products and services.

We performed analytical procedures over own work capitalized compared to the previous years and to the budget.

We obtained the list of the additions to the property, plant and equipment with capitalized own work, and reconciled it to the trail balance.

In addition, we also carried out substantive testing in relation to each element of capitalized costs and for a sample of capitalized costs, which was determined on the basis of materiality and professional judgement, verified supporting documentation, obtained an understanding of their nature and assessed whether the conditions for recognition of assets were met, namely:

- We obtained the calculation of the hourly rates used in capitalising labour costs and verified their adequacy according to the type of work carried out
- For the costs of the material consumed, we obtained supporting documentation and basis for book entries
- Verified supporting documentation and basis for book entries for travel expenses
- We verified the reasonableness and adequacy of other direct costs
- We verified the recording of capitalized own work in the company's financial statements.

We also considered the adequacy of the Company's disclosures in Note 2.2 – Property plant and equipment and Note 3.1.2 Own work capitalized and their compliance with Slovenian accounting standard 1 - Property, plant and equipment.

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**Sale of subsidiary E3 d.o.o**

| | |
|---|---|
| As disclosed in the Note 2.7. Non-current assets (disposal groups) held for sale and Note 3.3. Financial income the Company on 5 January 2021 finalized the sale of its subsidiary E3 d.o.o., based on the signed Share Purchase Agreement in February 2020.<br><br>The Share Purchase Agreement included several control-takeover conditions, which were finally fulfilled on 5.1.2021 when the control over the subsidiary was actually lost.<br><br>As disclosed in the Note 3.3 Financial income, the company realized a gain on this transaction in the amount of EUR 8 427 thousand.<br><br>Due to the significance of the management's assessment of the date of loss of control and the significant impact of the gain of this transaction on the company's net profit in 2021, this area has been set as a key audit matter. | We assessed the accounting treatment for this transaction including derecognition of Non current Assets held-for-sale presentation and timing of recognition of the associated gain.<br><br>We obtained the Share purchase agreement and other supporting documentation as well as supervisory board approval for the transaction.<br><br>We inquired by the management regarding this transaction and management's judgments about the date of loss of control.<br><br>We assessed if the conditions set in the Share Purchase Agreement regarding the loss of control by the Company had been met on 5 January 2021.<br><br>We verified the entry in the Court register for the company E3 d.o.o. on the withdrawal of the shareholder Elektro Primorska d.d. from the ownership of company E 3 d.o.o. on 5.1.2021 and receipt of the purchase price on 5.3.2021.<br><br>We also considered the adequacy of the Company's disclosures in 2.7. - Non-current assets (disposal groups) held for sale and *Note 3.3. Financial income* and their compliance with Slovenian accounting standards. |

**Other information**

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e., whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

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**Responsibilities of management, audit committee and the supervisory board for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Slovenian accounting standards, 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee and the supervisory board are responsible for overseeing the Company's financial reporting process. The supervisory board is responsible to approve the 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 ISA 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 audit rules, we exercise professional judgment and maintain professional skepticism 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 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's/Group's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/Group 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.

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

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

From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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*Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council*

Appointment and Approval of Auditor

We were appointed as auditors of the Company at the general meeting of shareholders/owners on 20 June 2019, the president of the supervisory board has signed the audit agreement on 16 October 2019. The agreement was signed for the period of 3 years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 7 years. Sanja Košir Nikašinović and Lidija Šinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company.

Ljubljana, 22 April 2022

Sanja Košir Nikašinović
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

# 1. Balance sheet as at December 31 2021

in EUR

| | Note | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Assets | | | |
| A. Long-term assets: | | | |
| I. Intangible assets and long-term accrued and deferred asset items | 2.1. | 5,916,432 | 3,461,125 |
| 1. Long-term rights | | 3,277,097 | 3,450,454 |
| 2. Deferred R&D costs | | 0 | 0 |
| 3. Other long-term accrued and deferred asset items | | 2,639,335 | 10,670 |
| 4. Intangible assets in acquisition | | 0 | 0 |
| II. Tangible fixed assets | 2.2. | 210,890,658 | 199,194,830 |
| 1. Land | | 5,643,030 | 5,606,045 |
| 2. Buildings | | 133,544,042 | 128,811,592 |
| 3. Equipment | | 64,467,043 | 58,870,075 |
| 4.Right to use the asset | | 435,211 | 377,262 |
| 4. Fixed assets in acquisition | | 6,801,332 | 5,529,857 |
| III. Investment property | 2.3. | 243,700 | 223,353 |
| IV. Long-term financial investments | 2.4. | 302,864 | 286,761 |
| 1. Shares and stakes in group companies | | 0 | 0 |
| 2. Other shares and stakes | | 302,864 | 286,761 |
| V. Long-term operating receivables | 2.5. | 33,538 | 166,366 |
| 1. Long-term trade receivables | | 0 | 136,613 |
| 2. Long-term receivables due from others | | 33,538 | 29,753 |
| VI. Deferred tax assets | 2.6. | 664,277 | 922,689 |
| Total long-term assets | | 218,051,468 | 204,255,124 |
| B. Short-term assets: | | | |
| I. Short-term assets for sale | 2.7. | 0 | 6,522,017 |
| II. Stocks | 2.8. | 1,440,433 | 1,164,763 |
| 1. Material | | 1,440,433 | 1,162,953 |
| 2. Incomplete services | | 0 | 0 |
| 3. Products and merchandise | | 0 | 1,810 |
| III. Short-term financial investments | 2.9. | 0 | 0 |
| 1. Short-term loans to others | | 0 | 0 |
| IV. Short-term operating receivables | 2.10. | 7,620,801 | 6,818,286 |
| 1. Operating receivables due from group companies | | 0 | 27,349 |
| 2. Operating trade receivables | | 6,853,653 | 6,194,471 |
| 3. Operating receivables due from others | | 767,149 | 596,465 |
| V. Monetary assets | 2.11. | 6,160,041 | 1,837,633 |
| Total short-term assets | | 15,221,275 | 16,342,698 |
| C. Short-term accrued and deferred asset items | 2.12. | 382,131 | 266,390 |
| TOTAL ASSETS | | 233,654,874 | 220,864,212 |

**Table 33: Balance sheet (assets)**

in EUR

| | Note | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Liabilities | | | |
| A. Kapital: | | | |
| I. Called-up capital | | 110,465,795 | 110,465,795 |
| 1. Share capital | | 110,465,795 | 110,465,795 |
| II.Capital reserves | | 46,306,588 | 46,306,588 |
| III. Profit reserves | | 14,232,346 | 4,520,061 |
| 1. Statutary reserves | | 1,811,793 | 1,100,257 |
| 2. Reserves for own shares and business stakes | | 0 | 0 |
| 3. Own shares and own business stakes (deductible item) | | 0 | 0 |
| 5. Other profit reserves | | 12,420,553 | 3,419,804 |
| IV. Presežek iz prevrednotenjaReserves arising from fair value measurement | | -1,316,754 | -1,538,070 |
| V.Net profit or loss from previous periods | | 0 | 0 |
| VI. Net profit or loss for the period | | 4,518,431 | 2,254,068 |
| Total capital | 2.13. | 174,206,406 | 162,008,442 |
| B. Provisions and long-term accrued and deferred liability items | 2.14. | 17,278,355 | 16,101,021 |
| 1. Provisions | | 5,252,176 | 5,409,436 |
| 2. Long-term accrued and deferred liability items | | 12,026,179 | 10,691,585 |
| C. Long-term liabilities | 2.15. | 25,701,209 | 25,605,235 |
| I. Long-term financial liabilities | | 25,701,209 | 25,605,235 |
| 1. Long-term financial liabilities to banks | | 25,313,889 | 25,272,217 |
| 3. Other long-term financial liabilities | . | 387,320 | 333,018 |
| Č. Short-term liabilities | 2.17. | 15,697,716 | 16,087,167 |
| I. Short-term financial liabilities | | 3,994,505 | 7,676,674 |
| 1. Short-term financial liabilities to banks | | 3,933,333 | 7,622,227 |
| 2. Other short-term financial liabilities | | 61,172 | 54,447 |
| II. Short-term operating liabilities | | 11,703,211 | 8,410,493 |
| 1. Short-term operating liabilities to group companies | | 0 | 29,716 |
| 2. Short-term operating liabilities to suppliers | | 8,963,157 | 6,832,658 |
| 3. Short-term operating liabilities based on advances | | 12,473 | 19,231 |
| 4. Other short-term operating liabilities | | 2,727,582 | 1,528,889 |
| Total liabilities | | 58,677,280 | 57,793,423 |
| D. Short-term accrued and deferred liability items | 2.18. | 771,188 | 1,062,347 |
| TOTAL LIABILITIES | | 233,654,874 | 220,864,212 |

**Table 34: Balance sheet (liabilities)**

Breakdown of individual items and notes are an integral part of the financial statements and should be read in conjunction with them.

# 2. Income statement for the year ended as at December 31 2021

in EUR

| | Note | 2021 | 2020 |
|---|---|---|---|
| **1. Net sales revenue** | **3.1.1.** | **40,971,583** | **37,227,158** |
| a. on the domestic market | | 40,864,783 | 36,977,958 |
| b. in the foreign market | | 106,800 | 249,200 |
| **2. Change in incomplete services** | | **0** | **0** |
| **3. Capitalized own products and services** | **3.1.2.** | **11,562,494** | **10,369,174** |
| **4. Other operating revenues** | **3.1.3.** | **1,903,889** | **2,229,626** |
| **5. Costs of goods, material, and services** | **3.2.** | **-14,055,897** | **-11,841,444** |
| a. costs of goods sold and material used | | -7,671,617 | -6,313,113 |
| b. costs of services | | -6,384,279 | -5,528,331 |
| **6. Labour costs** | **3.2.** | **-18,903,654** | **-18,268,773** |
| a. cost of wages and salaries | | -13,442,053 | -12,884,823 |
| b. costs of supplementary pension insurance for employees | | -662,845 | -638,029 |
| c. social security cost | | -2,211,400 | -2,112,368 |
| č. other labour costs | | -2,587,357 | -2,633,553 |
| **7. Amortization/depreciation expense** | **3.2.** | **-13,847,137** | **-13,371,433** |
| a. depreciation | | -13,561,528 | -12,941,305 |
| b. operating expenses from revaluation of intangible and tangible fixed assets | | -279,194 | -420,611 |
| c. operating expenses from revaluation of operating current assets | | -6,415 | -9,516 |
| **8. Other operating expenses** | **3.2.** | **-182,171** | **-135,792** |
| **9. Financial revenues from shares** | **3.3.** | **8,432,009** | **253,494** |
| a. in group companies | | 8,427,983 | 250,000 |
| b. in other companies | | 4,026 | 3,494 |
| **10. Financial revenues from given loans** | **3.3.** | **0** | **30** |
| a.to others | | 0 | 30 |
| **11. Financial revenues from operating receivables** | **3.3.** | **43,431** | **14,244** |
| a. due from others | | 43,431 | 14,244 |
| **12. Financial expenses from impairments and financial investment write-offs** | **3.4.** | **0** | **0** |
| **13. Financial expenses from financial liabilities** | **3.4.** | **-191,332** | **-261,320** |
| a.from loans, received from banks | | -165,157 | -218,488 |
| b. from other operating liabilities | | -26,175 | -42,832 |
| **14. Financial expenses from operating liabilities** | **4.4.** | **-1,024** | **-3,197** |
| a. from accounts and bills payable | | -422 | -87 |
| b. from other operating liabilities | | -602 | -3,110 |
| **15. Other revenues** | **3.5.** | **33** | **0** |
| **16. Other expenses** | | **-103,342** | **-68,500** |
| PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD | | 15,628,883 | 6,143,266 |
| **17. Income tax** | **3.7.** | **-1,077,295** | **-460,020** |
| **18. Deferred taxes** | **3.7.** | **-236,871** | **222,467** |
| **19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD** | **3.8.** | **14,314,717** | **5,905,714** |

**Table 35: Income statement**

Breakdown of individual items and notes are an integral part of the financial statements and should be read in conjunction with them.

# 3. Statement of comprehensive income for the year ended as at December 31 2021

in EUR

| | Note | 2021 | 2020 |
|---|---|---|---|
| **20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD** | **3.9.** | **14,314,717** | **5,905,714** |
| Reserves arising from fair value measurement | | 16,102 | -7,814 |
| Other componenets of comprehensive income net effect | | 121,212 | -229,418 |
| **Total comprehensive income of the accounting period** | | **14,452,032** | **5,668,481** |

**Table 36: Statement of comprehensive income**

Breakdown of individual items and notes are an integral part of the financial statements and should be read in conjunction with them.

# 4. Cash flow statement for the year ended as at December 31 2021

in EUR

| | Note | 2021 | 2020 |
|---|---|---|---|
| A. OPERATING CASH-FLOW | | | |
| **1.Operating receipts** | **4.1.** | **73,959,019** | **77,378,318** |
| a. Receipts from sales of products and services | | 42,395,282 | 45,413,139 |
| b. Other operating receipts | | 31,563,737 | 31,965,179 |
| **2. Operating expenditure** | **4.2.** | **-60,122,768** | **-60,688,853** |
| a. Expenditure for purchase of material and services | | -9,646,743 | -8,876,766 |
| b. Expenditure for salaries and employees profit shares | | -18,369,027 | -17,813,693 |
| c. Expenditure on benefits of all kinds | | -2,592,702 | -3,121,347 |
| d. Other operating expenditure | | -29,514,296 | -30,877,048 |
| **3. Positive or negative cash flow from operating activities** | | **13,836,251** | **16,689,465** |
| B. CASH FLOWS IN INVESTING ACTIVITIES | | | |
| **4. Receipts in investing activities** | **4.3.** | **17,215,918** | **690,580** |
| a. Receipts from received interest and profit shares | | 14,248 | 271,928 |
| b. Receipts from disposal of tangible fixed assets | | 251,669 | 418,652 |
| c. Receipts from disposals of long-term financial investments | | 14,950,000 | 0 |
| d. Receipts from disposals of short-term financial investments | | 2,000,000 | 0 |
| **5. Expenditure in investing activities** | **4.4.** | **-20,574,250** | **-14,806,738** |
| a. Expenses for acquisition of intangible assets | | -1,272,518 | -1,358,155 |
| b. Expenses for acquisition of tangible fixed assets | | -17,301,732 | -13,448,584 |
| c. Expenses for acquisition of LT and ST financial investments | | -2,000,000 | 0 |
| **6. Positive or negative cash flow from investing activities** | | **-3,358,332** | **-14,116,158** |
| C. CASH FLOWS IN FINANCING ACTIVITIES | | | |
| **8. Receipts in financing activities** | **4.5.** | **8,700,000** | **7,100,000** |
| a. Receipts from long-term loans obtained | | 5,000,000 | 0 |
| b. Receipts from short-term loans obtained | | 3,700,000 | 7,100,000 |
| **9. Expenditure in financing activities** | **4.6.** | **-14,855,511** | **-10,801,307** |
| a. Expenditure for given interest | | -254,221 | -291,006 |
| b.Capital expenditure | | 0 | 0 |
| c. Expenditure for repayment of long-term loans | | -5,147,222 | -4,280,556 |
| d. Expenditure for repayment of short-term loans | | -7,200,000 | -3,600,000 |
| e. Expenditure for dividend | | -2,254,068 | -2,629,746 |
| **10. Positive or negative cash flow from financing activities** | | **-6,155,511** | **-3,701,307** |
| **11. Total positive or negative cash flow** | | **4,322,408** | **-1,128,000** |
| Č. CLOSING CASH BALANCE | | 6,160,041 | 1,837,633 |
| **X. Opening cash balance** | | **1,837,633** | **2,965,633** |
| Y. CASH FLOW FOR THE PERIOD | 4.7. | 4,322,408 | -1,128,000 |
| Closing cash balance on the last day of the accounting period | | 6,160,041 | 1,837,633 |

**Table 37: Cash flow statement**

Breakdown of individual items and notes are an integral part of the financial statements and should be read in conjunction with them.

# 5. Statement of changes in equity for the year ended as at December 31 2021

| 2021 | Called-up capital | | Profit reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserves | Statutory reserves | Reserves for own shares | Own shares | Other profit reserves | Fair value reserves | Net profit brought forward | Net profit of the business year | Total capital |
| | I/1 | II | III/1 | | | III/5 | IV | V/1 | VI/1 | |
| A.1.Balance as of Dec 31 2020 | 110,465,794 | | 1,100,257 | 0 | 0 | 3,419,804 | -1,538,070 | 0 | 2,254,068 | 162,008,442 |
| **A.2. Balance as of Jan 1 2021** | **110,465,794** | | **1,100,257** | **0** | **0** | **3,419,804** | **-1,538,070** | **0** | **2,254,068** | **162,008,442** |
| **B.1 . Changes in equity capital – transactions with owners** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **-2,254,068** | **0** | **-2,254,068** |
| a) Withdrawal of own shares | 0 | 0 | | | | | | | 0 | 0 |
| b) Release of reserves for own shares | | | | 0 | | | | 0 | 0 | 0 |
| c) Dividend payment | 0 | 0 | 0 | | | 0 | 0 | -2,254,068 | 0 | -2,254,068 |
| **B.2. Total comprehensive income of reporting period** | **0** | **0** | **0** | | | **0** | **137,315** | **0** | **14,314,717** | **14,452,032** |
| a) Entry of net profit or loss for the reporting period | 0 | 0 | 0 | | | 0 | 0 | 0 | 14,314,717 | 14,314,717 |
| b) Change in revaluation surplus on financial investments | 0 | 0 | 0 | | | 0 | 16,102 | 0 | 0 | 16,102 |
| b) Other components of comprehensive income for the reporting period | 0 | 0 | 0 | | | 0 | 121,212 | 0 | 0 | 121,212 |
| **B.3. Changes within capital** | **0** | **0** | **711,536** | | | **9,000,749** | **84,001** | **2,254,068** | **-12,050,354** | **0** |
| a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital | 0 | 0 | 0 | | | 0 | 0 | 2,254,068 | -2,254,068 | 0 |
| b) Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control | 0 | 0 | 711,536 | | | 9,000,749 | 0 | 84,001 | -9,796,286 | 0 |
| c) Allocation of part of net profit to form additional reserves by resolution of the General Meeting | 0 | | | | | 0 | | 0 | | 0 |
| d) Other changes within capital | 0 | 0 | 0 | | | 0 | 84,001 | -84,001 | 0 | 0 |
| **C. Balance as of Dec 31 2021** | **110,465,794** | **46,306,588** | **1,811,793** | **0** | **0** | **12,420,553** | **-1,316,754** | **0** | **4,518,431** | **174,206,406** |
| **Distributable profit 2021** | | | | | | | | **0** | **4,518,431** | **4,518,431** |

**Table 38: Statement of changes in equity in 2021**

Breakdown of individual items and notes are an integral part of the financial statements and should be read in conjunction with them.

# 6. Statement of changes in equity for the year ended as at December 31 2020

| 2020 | Called-up capital | | Profit reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserves | Statutory reserves | Reserves for own shares | Own shares | Other profit reserves | Fair value reserves | Net profit brought forward | Net profit of the business year | Total capital |
| | I/1 | II | III/1 | | | III/5 | IV | V/1 | VI/1 | |
| A.1. Balance as of Dec 31 2019 | 78,383,817 | 46,306,588 | 920,267 | 0 | 0 | 32,081,977 | -1,352,689 | 0 | 2,629,746 | 158,969,706 |
| **A.2. Balance as of Jan 1 2020** | **78,383,817** | **46,306,588** | **920,267** | **0** | **0** | **32,081,977** | **-1,352,689** | **0** | **2,629,746** | **158,969,706** |
| **B.1 . Changes in equity capital – transactions with owners** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **-2,629,746** | **0** | **-2,629,746** |
| a) Withdrawal of own shares | 0 | 0 | | | | | | | 0 | 0 |
| b) Release of reserves for own shares | | | | 0 | | | | 0 | 0 | 0 |
| c) Dividend payment | 0 | 0 | 0 | | | 0 | 0 | -2,629,746 | 0 | -2,629,746 |
| **B.2.Total comprehensive income of reporting period** | **0** | **0** | **0** | | | **0** | **-237,233** | **0** | **5,905,714** | **5,668,481** |
| a) Entry of net profit or loss for the reporting period | 0 | 0 | 0 | | | 0 | 0 | 0 | 5,905,714 | 5,905,714 |
| b) Change in revaluation surplus on financial investments | 0 | 0 | 0 | | | 0 | -7,814 | 0 | 0 | -7,814 |
| b) Other components of comprehensive income for the reporting period | 0 | 0 | 0 | | | 0 | -229,418 | 0 | 0 | -229,418 |
| **B.3. Changes within capital** | **32,081,977** | **0** | **179,990** | | | **-28,662,173** | **51,852** | **2,629,746** | **-6,281,392** | **0** |
| a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital | 0 | 0 | 0 | | | 0 | 0 | 2,629,746 | -2,629,746 | 0 |
| b) Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control | 0 | 0 | 179,990 | | | 3,419,804 | 0 | 51,852 | -3,651,646 | 0 |
| c) Allocation of part of net profit to form additional reserves by resolution of the General Meeting | 32,081,977 | | | | | -32,081,977 | | 0 | | 0 |
| d) Other changes within capital | 0 | 0 | 0 | | | 0 | 51,852 | -51,852 | 0 | 0 |
| **C. Balance as of Dec 31 2020** | **110,465,794** | **46,306,588** | **1,100,257** | **0** | **0** | **3,419,804** | **-1,538,070** | **0** | **2,254,068** | **162,008,442** |
| Distributable profit 2020 | | | | | | | | 0 | 2,254,068 | 2,254,068 |

**Table 39: Statement of changes in equity in 2020**

Breakdown of individual items and notes are an integral part of the financial statements and should be read in conjunction with them.

# C

# Notes to the Financial Statements Compiled in Accordance with the Companies Act (ZGD) and SAS

# 1. Basis of preparation

Financial statements have been prepared in accordance with provisions of Slovene Accounting Standards (SAS 2016), the Energy Act (EZ-1), and the Companies Act (ZGD-1).

While the SAS 2016 prescribe accounting policies to be applied by entities they do, in certain cases, allow entities to choose between several permitted accounting policies. In its Accounting Manual, the Company defined more precise rules for accounting treatment of individual categories of the financial statement items in its books of accounts and adopted the selected accounting policies.

Two fundamental accounting assumptions of accrual accounting and going concern were considered in the preparation of these financial statements. Fundamental accounting principles of prudence, substance over form and materiality were also considered in the financial statement preparation.

Company declares that the same accounting policies and methods were used as in the previous financial year.

### BASIS OF MEASUREMENT

Financial statements have been prepared on the historical cost basis, with the exception of available-for-sale financial assets, where the fair value has been taken into account.

- **EXCHANGE RATE AND TRANSLATION INTO THE LOCAL CURRENCY**

  Assets and liabilities expressed in a foreign currency are translated into the functional currency at the reference exchange rate of the European Central Bank at the reporting date as published by the Bank of Slovenia. Transactions denominated in a foreign currency are translated into the functional currency at the reference exchange rate of the bank on the transaction date. Foreign exchange rate gains and losses resulting from translation are recognised in the profit or loss as an item of financial income or expense.

  All data in the annual report is denominated in euro (€) with no cents.

- **USE OF ESTIMATES AND JUDGEMENTS**

In the preparation of financial statements, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying amount of assets and liabilities, revenues and expenses. Pricing and related assumptions and uncertainties are disclosed in the notes to the individual financial statement items. Those estimates, judgements and assumptions are regularly revised. Since estimates and assumptions are subject to subjective judgement and some degree of uncertainty, subsequent actual results may differ from those estimates. Any changes in accounting estimates are recognised in the period when the change occurred, providing the change only affects that particular period; however, when the change also impacts future periods, they are recognised in the period of the change occurring and future periods.

Estimates and assumptions are used primarily when making the following judgements:

### LEASES

Company has made the following accounting judgements that have a significant impact on the determination of the right-of-use assets and lease liabilities:

- **Identification of lease contracts**

  Contract is identified as a lease if it renders the Company the right to control the leased asset. Company controls the asset if it is able to use the asset and is entitled to the economic benefits from the asset.

- **Determining the term of the lease**

  Lease term is determined as the period during which the lease cannot be terminated, inclusive of:

  a. period for which the option to extend the lease applies, if it is reasonably certain that the lessee will exercise the option;
  b. period for which the option to terminate the lease applies, if it is reasonably certain that the lessee will not exercise the option. Generally, the lease term is agreed in the contract. Where the contractual period is not specified, the lease term is assessed based on the Company's needs to use the asset, considering its plans and long-term business policies.

- **Determining the discount rate**

  Discount rate is determined based on the interest rate at which the Company can obtain comparable assets on the market with a comparable maturity.

## REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and those increases can be measured reliably. Revenue is recognised when it is reasonably expected that economic benefits will flow to the Company, if it is not already realised on its occurrence.

Company applied the following accounting judgements that significantly affect the determination of the amount and timing of revenue recognition from contracts with customers:

- **Determining the point in time when contractual obligations are fulfilled**

  Revenue from the sale of goods and services is recognised at the time of sale. From the time of sale, the Company no longer has control over the goods or services sold. In the case of sales over time, the Company recognises separately revenues from the sale of goods and financial income deferred over the entire financing period.

- **Sales made in the name and for the account of third partiesb**

  Company has certain contracts with customers for the sale of merchandise for and on behalf of suppliers and supplies goods to the customers. Company determined that it does not control the goods before they are transferred to customers, has no ability to direct the use of the goods or obtain benefits from the goods. In addition, the Company is not exposed to any risks associated with the inventory before or upon transfer of goods to the customer, since it acquires equipment only with the approval of the customer and is able to return the unsold goods to the supplier. Company has no discretionary right in determining the price for the goods sold on behalf of third parties. Consideration for agency services is agreed in advance as the difference between the final selling price and the purchase price, both of which are agreed in advance with the supplier.

  Management believes that the SAS 15 standard has no significant impact on the timing of recognition or the amount of revenue recognised under these conditions.

  On July 1, 2007, Elektro Primorska, d.d., lost its status of a public corporation and since then, it has been operating as a public limited company. By decision on granting concession, the Government of the Republic of Slovenia granted exclusive concession for the provision of public utility services of the distribution system operator for the entire territory of the Republic of Slovenia to the company SODO, d.o.o., from Maribor.

  SODO concluded an agreement for the lease of the electricity distribution infrastructure and the provision of services of the distribution system operator with Elektro Primorska, the owner of the electricity distribution infrastructure. A new contract for the lease of the electricity distribution infrastructure and the provision of services of the distribution system operator was signed between Elektro Primorska and SODO on November 29 2019, which took effect on January 1 2019. In addition to the general contract, on November 29 2019 Annex 1, regulating contract values for period 2019-2021 and on September 14 202 Annex 2 for contract values for 2022, were signed.

  Based on the contract and annexes to the contract, Elektro Primorska, d.d.:

  - leases out the infrastructure for rent,
  - carries out and charges services described in the annex to the contract to SODO,
  - issues invoices for the use of the network to the end-users of the distribution network on behalf of and for the account of SODO,
  - invoices network charges, installed power and over-standard services on behalf and for the account of SODO. Legal Act on the methodology determining the regulatory framework and network charge for the electricity distribution system for electricity system operators was published in the Official Gazette of the Republic of Slovenia, no. 46/2018, 47/2018 (with amendments) on June 21 2018, inclusive of Appendix 1: The parameters for determining the network charge for the regulatory period from January 1 2019 to December 31 2021. Pursuant to this Act, on December 11 2018, the Energy Agency by decision no. 211-42/2018-58/452 laid down the regulatory framework for the distribution system operator's activity during the regulatory period from January 1 2019 to December 31 2021. Decision envisages the eligible costs, broken down by individual distribution network areas, which determine the framework of funds in an individual year of the regulatory period.

New price list of over-standard services for SODO came into effect on March 1 2021.

# 2. Notes to the balance sheet

Company's balance sheet is compiled in accordance with SAS (2016) - 20.4.

## 2.1 Intangible assets

Items of intangible assets are recognised if: it is likely that economic benefits associated with the assets will flow to the Company and, their cost can be measured reliably.

Intangible assets of the Company comprise development studies and studies being developed. Long-term rights include the right to use holiday facilities and land; the right to use space in the facility for the purpose of the transformer station; and software licences. Other long-term deferred costs comprise the cost of pre-paid lease liabilities.

Cost of an item of intangible asset is comprised of its purchase price or the cost of its manufacture or development.

After initial recognition, the items of intangible assets are measured at cost and amortised individually on a straight-line basis, using amortisation rates ranging from 3.33 to 33.3 percent (the same as in the previous year). Amortisation of an item of intangible assets with final useful life begins when the asset is made ready for its use. Useful lives of significant items of intangible assets and long-term deferred costs are checked regularly at the end of each financial year.

Subsequent costs associated with an item of intangible assets increase its cost when they increase its future economic benefits in excess of the originally assessed.

Items of intangible assets are derecognised upon disposal or when no economic benefits are expected to from their continued use or subsequent disposal.

Value of intangible assets increased by €1,527,793 invested in 2021 (2020: €1,269,876) in the acquisition and activation of long-term rights, primarily software licences for the supplement to the new ERP system introduced in the Company. In 2021, the company allocated €398,194 for the purchase of programs and systems for the detection and prevention of systemic threats. In 2021, the company wrote-off long-term rights from the use of programs that it no longer uses at the current value of €0 due to obsolescence.

Due to complaints in the process of obtaining a building permit, since 2004 the Company has recognised amortisation of studies in progress as the value of invested assets in the planned construction of wind power plants.

Development studies are carried at cost and are written-off against the cost of studies rather than recognised as amortisation. They are written-off at the rate of 20% per annum (the same as in the previous year), depending on the useful life of these assets, which is five years. Individual book values of intangible assets are not relevant to the financial statements as a whole.

Company has no intangible assets with limited ownership.

As at December 31 2021, 28.77% of all intangible assets in use was fully amortised (31. 12. 2020: 28.84%). Share is calculated based on the cost of the assets.

Company discloses €817,565 of trade payables on account of the intangible assets' acquisition as at December 31 2021 (2020 year-end: €457,906), and €1,534,667 of commitments based on contracts agreed for the purchase of licenses (2020: €250,793).

Increase in the value of long-term accrued costs and deferred revenues represents the long-term part of the final accounts of the regulatory years 2019 and 2020 by SODO, d.o.o., based on the issued decision of the Energy Agency of the Republic of Slovenia, and the preliminary settlement for 2021 in the amount of €2,627,717 by SODO, d.o.o., which will be settled in the next regulatory period from 2023 onwards. In accordance with the Contract on lease of electricity distribution infrastructure and provision of services for distribution operators and the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system, SODO carried out a preliminary calculation for the 2021 regulatory year, from which the company derives a deficit for services rendered in the amount of €1,883,460 and for rent in the amount of €997,381.

Movements in intangible assets in 2021 are presented in the following table:

in EUR

| 2021 | Deferred costs of development studies | Long-term rights | Other long-term deferred costs and accrued income | Intangible assets in acquisition | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | **in EUR** |
| Balance 1.1. | 645,721 | 8,732,766 | 10,670 | 1,105,017 | 10,494,175 |
| Increase in year | 0 | 33,284 | 2,873,619 | 1,527,793 | 4,434,696 |
| Increase from ongoing investments | 0 | 1,527,793 | 0 | -1,527,793 | 0 |
| Decrease in year | 0 | -82,525 | -244,955 | 0 | -327,479 |
| Balance 31.12. | 645,721 | 10,211,318 | 2,639,335 | 1,105,017 | 14,601,392 |
| **Value adjustments** | | | | | |
| Balance 1.1. | 645,721 | 5,282,312 | 0 | 1,105,017 | 7,033,050 |
| Depreciation in year | 0 | 1,733,684 | 0 | 0 | 1,733,684 |
| Transfer | 0 | 750 | 0 | 0 | 0 |
| Decrease in year | 0 | -82,525 | 0 | 0 | -81,775 |
| Balance 31.12. | 645,721 | 6,934,221 | 0 | 1,105,017 | 8,684,959 |
| **Carrying amount** | | | | | |
| Balance 1.1. | 0 | 3,450,455 | 10,670 | 0 | 3,461,125 |
| **Balance 31.12.** | **0** | **3,277,097** | **2,639,335** | **0** | **5,916,432** |

**Table 40: Movements in intangible assets in 2021**

Movements in intangible assets in 2020 are presented in the following table:

in EUR

| 2020 | Deferred costs of development studies | Long-term rights | Other long-term deferred costs and accrued income | Intangible assets in acquisition | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | **in EUR** |
| Balance 1.1. | 645,721 | 9,560,518 | 45,549 | 1,147,503 | 11,399,292 |
| Increase in year | 0 | 0 | 4,610 | 1,227,390 | 1,232,000 |
| Increase from ongoing investments | 0 | 1,269,876 | 0 | -1,269,876 | 0 |
| Decrease in year | 0 | -2,097,628 | -39,488 | 0 | -2,137,116 |
| Balance 31.12. | 645,721 | 8,732,766 | 10,670 | 1,105,017 | 10,494,175 |
| **Value adjustments** | | | | | |
| Balance 1.1. | 645,721 | 5,810,536 | 0 | 1,105,017 | 7,561,274 |
| Depreciation in year | 0 | 1,569,403 | 0 | 0 | 1,569,403 |
| Decrease in year | 0 | -2,097,628 | 0 | 0 | -2,097,628 |
| Balance 31.12. | 645,721 | 5,282,312 | 0 | 1,105,017 | 7,033,050 |
| **Carrying amount** | | | | | |
| Balance 1.1. | 0 | 3,749,982 | 45,549 | 42,486 | 3,838,017 |
| **Balance 31.12.** | **0** | **3,450,455** | **10,670** | **0** | **3,461,125** |

**Table 41: Movements in intangible assets in 2020**

## 2.2 Property, plant and equipment

Items of property, plant and equipment of the Company include land, buildings and equipment, as well as these assets under construction or manufacture. They are reported in the balance sheet at carrying amounts as the difference between their cost and written-down value. Company recognises property, plant and equipment under the cost model.

Cost of an item of property, plant and equipment comprises its purchase price and all costs that are directly attributed to making the asset ready for its intended use.

Subsequent expenditure on an item of property, plant and equipment that increases its future benefits compared with those originally assessed, increases its cost. However, if subsequent cost increases useful life of the asset, the cost of an item of property, plant and equipment is increased and its useful life is extended.

Cost of self-constructed items of property, plant and equipment comprises all directly attributable costs required to design, manufacture and make the asset ready for its use and operation as intended by management. Following costs can be directly attributed to the cost of the assets:

- cost of materials and services used in producing the asset,
- employee benefits associated with the production of the asset,
- relevant share of the operating expenditure.

Capitalised costs do not reduce the costs classified according to their natural types; instead, they are recognised under expenses. In addition, an entity recognises revenue from capitalised own products.

Expenditure on repairs or maintenance of property, plant and equipment is made to restore or maintain future economic benefits expected on the basis of the originally assessed standard of performance of the assets. These expenditures are recognised as costs or operating expenses.

After initial recognition, the items of property, plant and equipment are measured at cost, which provides the basis for the assets' depreciation. Depreciation of the items of property, plant and equipment begins in the month following the month when the assets are made available for their intended use. Property, plant and equipment are depreciated individually on a straight-line basis, using the following depreciation rates, which have not changed compared to those used in the previous year:

in %

| | 2021 | 2020 |
|---|---|---|
| Intangible assets (excluding software) | 3.33 - 20.00 | 3.33 - 20.00 |
| Computer equipment and software | 33.3 | 33.3 |
| Real estate (land and buildings) | 0.00 - 5.00 | 0.00 - 5.00 |
| Transformers | 2.86 - 3.33 | 2.86 - 3.33 |
| Electronic meters | 4.17 - 6.67 | 4.17 - 6.67 |
| Transport vehicles | 8.33 | 8.33 |
| Cars | 12.5 | 12.5 |
| Other tangible fixed assets | 2.50 - 20.00 | 2.50 - 20.00 |
| Works of art | 0.00 | 0.00 |

**Table 42: Depreciation rates of property, plant and equipment**

Cost of self-constructed facilities is the cost price, which does not exceed the market price of similar assets. In accordance with SAS (2016) 1.11, the Company breaks down the cost of new acquisitions made in 2021 with different useful lives to components that are significant in relation to the total cost. Accumulated depreciation of property, plant and equipment is recognised as an adjustment of their value. Items of property, plant and equipment are revalued to account for their impairment when their carrying amount exceeds their recoverable amount. Recoverable amount is the greater of the net selling price or value in use. Assessment of the value in use encompasses assessment of receipts and expenditure arising from continuing use of the asset and its final disposal, using the relevant discount rate (before tax) that reflects the present market assessment of the time value of money and any potential risks associated with the asset. For assets whose future cash flows depend also on other assets encompassed in individual cash-generating unit, the value in use is assessed in consideration of future cash flows expected from the relevant cash-generating unit. Any impairment losses on an asset are recognised in operating expenses.

Movements in the items of property, plant and equipment in 2021 are presented in the following table:

in EUR

| 2021 | Land | Buildings | Equipment | Fixed assets in acquisition and advances | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Balance 1.1.2021 | 5,606,045 | 403,336,334 | 168,653,182 | 6,358,889 | 583,954,449 |
| Increase in year | 0 | 1,869,231 | 0 | 21,940,247 | 23,809,478 |
| Increase from ongoing investments | 62,181 | 9,011,973 | 11,594,618 | -20,668,772 | 0 |
| Decrease in year | -25,196 | -5,744,357 | -4,662,966 | 0 | -10,432,519 |
| Balance 31.12.2021 | 5,643,030 | 408,473,181 | 175,584,834 | 7,630,364 | 597,331,408 |
| **Value adjustments** | | | | | |
| Balance 1.1.2021 | 0 | 274,524,742 | 109,783,107 | 829,032 | 385,136,880 |
| Depreciation in year | 0 | 5,928,236 | 5,835,079 | 0 | 11,763,315 |
| Decrease in year | 0 | -5,523,839 | -4,500,396 | 0 | -10,024,235 |
| Increase in year | 0 | 0 | 0 | 0 | 0 |
| Balance 31.12.2021 | 0 | 274,929,139 | 111,117,790 | 829,032 | 386,875,961 |
| **Carrying amount** | | | | | |
| Balance 1.1.2021 | 5,606,045 | 128,811,592 | 58,870,075 | 5,529,857 | 198,817,569 |
| **Balance 31.12.2021** | **5,643,030** | **133,544,042** | **64,467,043** | **6,801,332** | **210,455,447** |

**Table 43: Movements in property, plant and equipment in 2021**

Net carrying amount of the items of property, plant and equipment increased by €11,637,878 in 2021 compared to the previous year (2020: an increase of €8,655,938). Movements in property, plant and equipment relate to new acquisitions amounting to €23,809,478 (2020: €20,396,389), depreciation of €12,042,219 (2020: €11,319,302) and disposals in the carrying amount of €408,285 (2020: €421,149).

Depreciation of fixed assets under construction of €829,032 refers to invested assets in relation to the planned investment in the construction of wind power plants, which is currently in the process of resolving complaints. Depreciation has been recognised since 2004.

Company has not obtained any fixed assets under financial lease.

Company reports €2,810,050 of payables to suppliers of property, plant and equipment as at December 31 2021 (2020 year-end: €2,919,988), and €5,800,000 of contingencies arising from signed binding contracts (2020 year-end: €6,000,000).

As at December 31 2021, 41.27% of all property, plant and equipment in use was fully depreciated (2020: 41.74%). Share is calculated based on the cost of property, plant and equipment, excluding land.

Since July 1 2007, SODO has been providing commercial public service in the area of Elektro Primorska. In accordance with the agreement between the two, Elektro Primorska has leased to SODO all the relevant infrastructure. The electricity distribution infrastructure granted under operating lease to SODO in accordance with the contract, is reported as an item of property, plant and equipment rather than investment property. Company believes that such accounting treatment is more appropriate as the essence of the relationship is the ownership use of the assets. Moreover, the assets are not held by the Company to earn rentals or other returns.

As at December 31 2021, the cost of leased infrastructure amounted to €527,108,734 (2020: €513,750,529), depreciation to €344,129,301 (2020: €341,135,335) and the carrying amount to €182,979,433 (2020: €172,615,194).

in EUR

| | 2021 | 2020 |
|---|---|---|
| Land | 3,493,994 | 3,439,458 |
| Infrastructure facilities | 119,667,666 | 115,058,307 |
| Infrastructure equipment | 59,000,959 | 53,276,421 |
| Long-term rights | 816,814 | 841,008 |
| | **182,979,433** | **172,615,194** |

**Table 44: Carrying amount of leased infrastructure**

A total €21,940,247 was invested in property, plant and equipment in 2021. Increase is mostly on account of accelerated investing activity following the assessment of the physical state of the infrastructure, poor quality of supply in certain areas and increased demand for electricity.

Movements in property, plant and equipment in 2020:

in EUR

| 2020 | Land | Objekti | Equipment | Fixed assets in acquisition and advances | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Balance 1.1.2020 | 5,604,052 | 397,697,349 | 163,240,432 | 3,317,965 | 569,859,799 |
| Increase in year | 31,014 | 368,126 | 0 | 19,997,249 | 20,396,389 |
| Increase from ongoing investments | 0 | 7,902,516 | 9,053,810 | -16,956,326 | 0 |
| Decrease in year | -29,021 | -2,631,657 | -3,641,060 | 0 | -6,301,739 |
| Balance 31.12.2020 | 5,606,045 | 403,336,334 | 168,653,182 | 6,358,889 | 583,954,449 |
| **Value adjustments** | | | | | |
| Balance 1.1.2020 | 0 | 270,966,790 | 107,902,346 | 829,032 | 379,698,169 |
| Depreciation in year | 0 | 5,903,790 | 5,415,512 | 0 | 11,319,302 |
| Decrease in year | 0 | -2,345,838 | -3,534,752 | 0 | -5,880,590 |
| Increase in year | 0 | 0 | 0 | 0 | 0 |
| Balance 31.12.2020 | 0 | 274,524,742 | 109,783,107 | 829,032 | 385,136,880 |
| **Carrying amount** | | | | | |
| **Balance 1.1.2020** | **5,604,052** | **126,730,559** | **55,338,086** | **2,488,933** | **190,161,630** |
| **Balance 31.12.2020** | **5,606,045** | **128,811,592** | **58,870,075** | **5,529,857** | **198,817,568** |

**Tabela 45: Spremembe opredmetenih osnovnih sredstev v letu 2020**

## RIGHT-OF-USE ASSETS

Right-of-use assets refer to the use of various commercial real estate such as offices and other buildings, equipment and cars, which the Company obtained under lease arrangements. Terms and conditions of the lease are subject to individual contracts and vary according to the type and term of an individual lease. Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company determines the lease term as the period during which the lease cannot be terminated, inclusive of the period for which the option to extend the lease applies and the period for which the period to terminate the lease applies, considering the probability that either of the two options will or will not be exercised.

Lease term depends on the type of leased asset and ranges from:

- land – 14 years,
- offices and other buildings – 10 to 17 years,
- cars – 1 to 5 years.

Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Lease liabilities relating to short-term leases and leases of low-value assets are recognised as an expense over the lease term.

For all other leases, the Company recognised lease liabilities and the right-of-use assets.

Company recognises the right-of-use assets at the commencement date of the lease. Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. Cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Depreciation rates applied to the right-of-use assets are as follows:

in %

| RIGHT-OF-USE | 2021 | 2020 |
|---|---|---|
| Real estate | 5.94 – 9.3 | 5.94 – 9.3 |
| Cars | 20 – 30.77 | 20 – 70.59 |

If ownership of the leased asset transfers to the Company at the end of the lease term or the group exercises a purchase option, the depreciation is calculated based on the estimated useful life of the asset.

## SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain an option to purchase). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line bass over the lease term.

Movements in the right-of-use assets in 2021:

in EUR

| 2021 | Building right | Land | Facilities | Equipment | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Balance 01.01.2021 | 0 | 6,053 | 264,732 | 164,046 | 434,831 |
| New acquisitions | 82,495 | 0 | 0 | 31,143 | 113,639 |
| Decrease in year | | 0 | 0 | 0 | 0 |
| Balance 31.12.2021 | 82,495 | 6,053 | 264,732 | 195,190 | 548,470 |
| **Value adjustment** | | | | | **0** |
| Balance 01.01.2021 | 0 | 865 | 33,746 | 22,959 | 57,569 |
| Depreciation in year | 2,357 | 432 | 16,873 | 36,028 | 55,690 |
| Decrease in year | | | | 0 | 0 |
| Balance 31.12.2021 | 2,357 | 1,297 | 50,618 | 58,986 | 113,259 |
| **Carrying amount** | | | | | |
| 01/01/2021 | 0 | 5,188 | 230,986 | 141,088 | 377,262 |
| **Balance 31.12.2021** | **80,138** | **4,756** | **214,113** | **136,203** | **435,211** |

**Table 46: Movements in the right-of-use assets in 2021**

Movements in the right-of-use assets in 2020:

in EUR

| 2020 | Land | Facilities | Equipment | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| Balance 01.01.2020 | 6,053 | 264,732 | 71,722 | 342,506 |
| New acquisitions | 0 | 0 | 122,474 | 122,474 |
| Decrease in year | 0 | 0 | -30,149 | -30,149 |
| Balance 31.12.2020 | 6,053 | 264,732 | 164,046 | 434,831 |
| **Value adjustment** | | | | **0** |
| Balance 01.01.2020 | 432 | 16,873 | 26,578 | 43,883 |
| Depreciation in year | 432 | 16,873 | 26,530 | 43,835 |
| Decrease in year | | | -30,149 | -30,149 |
| Balance 31.12.2020 | 865 | 33,746 | 22,959 | 57,569 |
| Carrying amount | | | | |
| **01/01/2020** | **5,621** | **247,859** | **45,144** | **298,623** |
| Balance 31.12.2020 | 5,188 | 230,986 | 141,088 | 377,262 |

**Table 47: Movements in the right-of-use assets in 2020**

## 2.3 Investment property

Investment property is property (land or buildings), which is held to earn rentals and/or increase its value. On initial recognition, investment property is valued at cost, consisting of purchase price and the costs that can be directly attributed to the acquisition. Subsequent to initial recognition, it is measured under the cost model the same as the items of property, plant and equipment.

Depreciation is recognised on a straight-line basis over the estimated useful lives of the investment property. Depreciation rates range from 2% to 5%, the same as in 2020.

Cost of depreciation, maintenance and operation of investment property amounted to €60,708 in 2021 (2020: €63,897), of which depreciation of all investment property amounted to €8,765. Company generated €58,416 of revenue from the lease of its investment property in 2021 (2020: €64,360).

Fair value of investment property is equal to its carrying amount. Fair value of investment property is estimated by the Company based on the capitalised cash flow method, whereby cash flows consist mainly of received rentals from the lease of investment property. Assumptions used include 0.05 percent growth (the same as in 2020) and the required rate of return of 4.13 percent (the same in 2020). Expected level of growth was not achieved in 2021 as a result of the Covid-19 epidemic, which continued into 2021.

Movements in investment property in 2021:

in EUR

| | Investment property - land | Investment property - facilities | Fixed assets in acquisition and advances | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| Balance 1.1.2021 | 6,668 | 840,993 | 12,048 | 859,710 |
| Increase in year | 0 | 0 | 29,186 | 29,186 |
| Increase from ongoing investments | 17,691 | 23,542 | -41,234 | 0 |
| Decrease in year | 0 | -19,528 | | |
| Balance 31.12.2021 | 24,360 | 845,008 | 0 | 869,368 |
| **Value adjustments** | | | | |
| Balance 1.1.2021 | 0 | 636,357 | 0 | 636,357 |
| Depreciation in year | 0 | 8,838 | | 8,838 |
| Decrease in year | 0 | -19,528 | | -19,528 |
| Balance 31.12.2021 | 0 | 625,667 | 0 | 625,667 |
| **Carrying amount** | | | | |
| Balance 1.1.2021 | 6,668 | 204,636 | 12,048 | 223,353 |
| **Balance 31.12.2021** | **24,360** | **219,341** | **0** | **243,700** |

**Table 48: Fair value of investment property in 2021**

Movements in investment property in 2020:

in EUR

| | Investment property - land | Investment property - facilities | Fixed assets in acquisition and advances | Total |
|---|---|---|---|---|
| **Balance 1.1.2020** | **6,668** | **888,786** | **0** | **895,454** |
| Increase in year | 0 | 345 | 12,048 | 12,393 |
| Increase from ongoing investments | 0 | 0 | 0 | 0 |
| Decrease in year | 0 | -48,138 | | -48,138 |
| Balance 31.12.2020 | 6,668 | 840,993 | 12,048 | 859,710 |
| **Value adjustments** | | | | |
| Balance 1.1.2020 | 0 | 675,385 | 0 | 675,385 |
| Depreciation in year | 0 | 8,765 | | 8,765 |
| Decrease in year | 0 | -47,793 | | -47,793 |
| Balance 31.12.2020 | 0 | 636,357 | 0 | 636,357 |
| **Carrying amount** | | | | |
| Balance 1.1.2020 | 6,668 | 213,401 | 0 | 220,070 |
| Balance 31.12.2020 | 6,668 | 204,636 | 12,048 | 223,353 |

**Table 49: Fair value of investment property in 2020**

## 2.4 Long-term investments

Investments of all categories are initially recognised at fair value. Company discloses separately long-term and short-term investments.

Long-term investments are those that the investing company intends to hold for a period of more than one year. Long-term investments comprise investments in equity of subsidiaries, in shares and stakes of companies, other financial investments and long-term loans granted.

Short-term investments are held by the investing company for a period of up to one year and include investments in shares and stakes of companies, other financial investments and short-term loans and deposits.

Investments are recognised on the transaction date. Same applies to the ordinary disposal of investments.

Long-term investments in equity of subsidiaries (with over 50% holding), which are included in the consolidated financial statements, and investments in associates where the parent's holding ranges from 20% to 49.9%, are valued at cost. Share in the profit of a subsidiary is recognised in profit or loss of the controlling entity when the resolution regarding profit distribution is adopted. If the investment in a subsidiary is impaired due to a loss incurred by the subsidiary, the impairment loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows.

Long-term investments in equity of others that are not quoted in an active market and whose fair value cannot be determined reliably, are recognised at cost.

Investments in other shares and stakes of companies are initially designated as financial assets available for sale, which are measured at fair value through equity.

Investments in loans and deposits are recognised at amortised cost. Initial values of the investments are equal to the amount of cash or other assets invested on the day of an individual investment.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Revaluation of investments due to impairment is recognised as soon as compelling reasons arise, but no later than at the end of the accounting period. Impairment is recognised based on objective evidence resulting from events occurring subsequent to initial recognition, such as data on audited carrying amounts of the assets. Objective reasons for investment impairment test arise when the fair value of a financial asset falls 20 percent below its cost as at the balance sheet date. An impairment test is carried out separately for each investment or a group of investments.

Loss resulting from permanent impairment of a financial asset rather than a short-term decrease in its fair value is recognised as a financial expense. Impairment loss is the difference between the carrying amount of the investment and the present value of estimated future cash flows. Change in fair value of available-for-sale financial assets is recognised directly in equity as a revaluation surplus. In accordance with SAS 3 (2016), which addresses accounting treatment of investments, they are classified as available-for-sale financial assets.

Investments consist of the following items:

LONG -TERM FINANCIAL INVESTMENTS

| | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | in EUR | Number of shares or stakes | in EUR | Number of shares or stakes |
| **Other shares and stakes:** | | | | |
| Informatika Maribor d.d. | 240,755 | 11.88% | 240,755 | 11.88% |
| Zavarovalnica Triglav d.d. | 87,142 | 2,368 | 71,040 | 2,368 |
| Primorski tehnološki park d.o.o. | 1,808 | 0.144% | 1,808 | 0.144% |
| Stelkom d.o.o. Ljubljana | 57,837 | 6.32% | 57,837 | 6.32% |
| **Total other shares and stakes** | **387,543** | | **371,440** | |
| Impairment of investment Eldom d.o.o. | 0 | | 0 | |
| Impairment of investment Informatika d.d. | -78,470 | | -78,470 | |
| Impairment of investment Stelkom d..o.o. | -6,209 | | -6,209 | |
| **Total other shares and stakes** | **-84,679** | | **-84,679** | |
| **Total** | **302,864** | | **286,761** | |
| **Total long-term financial investments** | **302,864** | | **286,761** | |

**Table 50: Long-term investments**

Investments in shares and stakes in other companies are reported at cost, with exception of investments in shares of Zavarovalnica Triglav, which are reported as other long-term investments classified and measured at fair value through equity.

In 2021, Company has assessed that there is no need for revaluation of investments carried at cost and whose price is not published on an active market.

MOVEMENTS IN FINANCIAL INVESTMENTS in EUR

| | Investments in the share of group companies | Other shares and stakes | Total |
|---|---|---|---|
| Balance 1.1.2021 | 0 | 286,761 | 286,761 |
| Increase | 0 | 16,102 | 16,102 |
| Decrease | 0 | 0 | 0 |
| **Balance 31.12.2021** | **0** | **302,864** | **302,864** |

**Table 51: Movements in investments**

Company holds an 11.88% of shares of Informatika, d.d., Maribor. Reconciliation of the investment in Zavarovalnica Triglav, d.d. to the higher market value in the amount of €16,102 was recognised in other comprehensive income under equity. Reserves arising from the revaluation of Zavarovalnica Triglav d.d. shares amount to €84,672 as at December 31 2021.

## 2.5 Long-term operating receivables

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Receivables from apartment building operators | 33,538 | 29,753 |
| Long-term trade receivables | 0 | 136,613 |
| **Total** | **33,538** | **166,366** |

**Table 52: Long-term operating receivables**

Long-term operating receivables are assets used in the maintenance of facilities, which are grouped per operators of multi-apartment buildings according to the Housing Act.

Long-term trade receivables are receivables that mature within a period of more than one year. As at December 31 2021, the Company does not disclose long-term operating receivables, as they are all due within one year or were repaid in full in advance. They include receivables on account of construction work performed for Titus Lama d.o.o., which will be repaid in 2022 ( receivables due from Hidria AET d.o.o., which was fully repaid in 2021.

Receivables of all categories are initially recognised at amounts arising from the relevant documents under the assumption that the amounts owed will be settled.

## 2.6 Deferred tax assets

Deferred tax assets are the amounts of income tax that will be credited in the future with respect to deductible temporary differences, the transfer of unused tax losses to the next periods, and the transfer of unused tax credits into subsequent periods.

Deferred tax assets for deductible temporary differences are recognised if it is probable that sufficient amount of taxable profit will be available in future against which deductible temporary differences can be utilised.

Deferred tax assets for all deductible temporary differences arising from investments in subsidiaries, affiliates and associates, as well as from interests in joint ventures are recognised if, and only if, it is probable that temporary differences will be eliminated in the foreseeable future and taxable profits will be available in the future against which temporary differences can be utilised.

Deferred tax assets for unused tax losses and tax credits are recognised if it is probable that future taxable profits will be available against which these unused tax losses and unused tax credits can be utilised.

An entity reassesses on each reporting date previously unrecognised deferred tax assets and recognises deferred tax assets if it is probable that future taxable profit will be available against which deferred tax assets can be utilised. An enterprise reduces the carrying amount of deferred tax assets if it is no longer probable that sufficient taxable profit will be available in future against which some or all of such deferred tax assets can be utilised. Any such reduction is reversed if it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are offset if, and only if, the entity has a legal right to offset current tax receivables and assessed tax liabilities, and deferred tax assets and liabilities relate to corporate income tax payable to the same tax authority.

Company reports €664,277 of deferred tax assets (2020: €922,689). Applicable tax rate for financial year 2021 is 19 percent (the same as in 2020), which is expected to be applied also in the coming years. Largest decrease in deferred tax assets was recognised on account of unused tax relief, i.e., investment relief in the amount of €1,228,002, which the Company intends to utilise in this year, and it formed them in 2020.

Effects of differences between the accounting value of items disclosed in the statement of financial position and their tax value are calculated in accordance with the balance sheet liability method for all temporary differences. Deferred tax assets are the amounts of tax recognised on account of provisions and allowances for receivables that will be utilised in future periods based on deductible temporary differences, and on account of unused tax losses based on amendments to the Corporate Income Tax Act.

Based on the adopted decisions on the operation of distribution companies in Slovenia and their objectives, which the Company is required to achieve in the coming years, the Company's management believes that in the future the Company will have available sufficient taxable profits against which deferred tax assets can be utilised.

MOVEMENTS IN DEFERRED TAX ASSETS IN 2021 — in EUR

| | from provisions | from deferred receivables | from unused tax relief | from impaired investments | Total |
|---|---|---|---|---|---|
| Balance 01.01.2021 | 513,896 | 160,563 | 233,320 | 14,909 | 922,689 |
| Increases recognized in profit or loss | 11,932 | 0 | 0 | 0 | 11,932 |
| Decreases recognized in equity | -21,542 | 0 | 0 | 0 | -21,542 |
| Decreases recognized in profit or loss | -5,330 | -10,152 | -233,320 | 0 | -248,803 |
| **Balance 31.12.2021** | **498,957** | **150,411** | **0** | **14,909** | **664,277** |

**Table 53: Movements in deferred tax assets in 2021**

MOVEMENTS IN DEFERRED TAX ASSETS IN 2020 in EUR

| | from provisions | from deferred receivables | from unused tax relief | from impaired investments | Total |
|---|---|---|---|---|---|
| Balance 01.01.2020 | 473,700 | 192,973 | 0 | 14,909 | 681,583 |
| Increases recognized in profit or loss | 21,557 | 0 | 233,320 | 0 | 254,877 |
| Increases recognized in equity | 18,640 | 0 | 0 | 0 | 18,640 |
| Decreases recognized in profit or loss | 0 | -32,410 | 0 | 0 | -32,410 |
| **Balance 31.12.2020** | **513,896** | **160,563** | **233,320** | **14,909** | **922,689** |

**Table 54: Movements in deferred tax assets in 2020**

## 2.7 Non-current assets held for sale or disposal groups

Non-current assets held for sale or assets of disposal groups are those non-current assets for which it is reasonably assumed that their carrying amount will be settled predominantly through their sale rather than their further use. This condition is deemed to have been complied with only, if the sale is highly probable and if the assets or group of assets are in the condition that makes the sale possible. Management needs to be committed to the closing of the sale process within a year from the asset's reclassification to non-current assets held for sale or to the assets of disposal group.

Assets related to the subsidiary for which it is planned that the controlling influence will be lost, are reclassified to the group of assets for disposal irrespective of whether the controlling company is planning to keep the minority stake after the sale or not. Non-current assets held for sale and assets of disposal groups are measured at the lower of their carrying amount or fair value less costs to sell. In 2021, Company does not disclose short-term assets for sale (in 2020, investment in the subsidiary E3 d.o.o. in the amount of €6,522,017 was recognised as an item of non-current assets held for sale). On February 26 2020, the Company signed a Contract with Petrol, d.d. for the sale and purchase of a 100% stake in E 3, d.o.o. On October 28 2020, the Slovenian Competition Protection Agency (AVK) issued a Decision confirming that it did not oppose the concentration of Petrol d.d. and E 3, d.o.o., and stating that the concentration complied with competition rules. Sales transaction of 100% stake in company E3 , d.o.o., to Petrol, d.d., was completed on January 5 2021, when all suspensive conditions were met in accordance with the sales contract. Company was sold for €14,950,000, the value of the investment was €6,522,017, and the recognized revenue amounted to to €8,427,983.

## 2.8 Inventories

Inventories consist of materials, small tools in the warehouse, unfinished services and merchandise.

Inventories also include small tools with useful life of up to one year and those with values of up to €500, whose life period exceeds more than one year. These are means of protection and small tools in stock, which are recognised in the off-balance sheet records when they are put to use.

Inventories are initially measured at cost, comprising the purchase price and direct costs of acquisition.

Purchase price is reduced by obtained discounts.

At the end of the financial year, the Company verifies whether inventories should be revalued due to impairment. Inventories of material are revalued due to impairment if their book value exceeds the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, decreased by the estimated costs of completion and the estimated costs related to the sale.

Declining values of inventories are accounted for using the moving average prices method.

in EUR

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Materials | 1,408,095 | 1,134,801 |
| Small tools | 32,338 | 28,152 |
| Merchandise | 0 | 1,810 |
| **Total** | **1,440,433** | **1,164,763** |

**Table 55: Inventories**

Largest share of inventories comprise materials intended for the maintenance and construction of electric power facilities and equipment. Compared to the previous year, the inventories increased by 23.67%.

Reason for the increase in inventories is the fact that the prices of strategic materials in 2021 increased by an average of 16%. Higher value of inventories is also affected by the reserved value of material in the amount of more than 30% of inventories and partly also by unrecorded material on projects in warehouses.

No inventories were impaired either in 2021 or 2020, as prices of materials have remained approximately at the same level as in previous years and the Company holds no obsolete inventories of material. Furthermore, the inventory value is matched with the latest known purchase prices on a monthly basis based on physical stock count of materials and small tools. In 2021, the credit note relating to costs amounted to €12,895 (2020: cost of €9,279). In the year under review, inventories valued at €107,206 had no movements in more than 12 months (2020: €114,753 of inventories with no movement in the past three years), which accounts for 7.44% (2020: 9.87%) of inventories that are crucial for the maintenance of energy facilities and as such were not impaired.

## 2.9 Short-term investments

Investments are financial assets held by the Company in order to increase its financial revenue. They comprise investments in financial debts of other companies. Adopted accounting policies are described in detail in Notes to long-term investments. At the end of 2021, the Company reports no short-term deposits placed with banks.

## 2.10 Short-term operating receivables

Receivable is recognised in the accounting records and the balance sheet as an asset if it is probable that economic benefits associated with it will flow to the entity and if its original value can be determined reliably. Receivables of all categories are initially recognised at amounts arising from the relevant documents under the assumption that they will be paid. Subsequent increases or decreases in receivables increase or reduce operating or financial revenues or expenses. Subsequent increases or decreases in receivables are primarily changes in their value due to subsequent discounts, returns of goods sold, recognised complaints or errors found subsequent to the sale. After initial recognition, receivables are measured at amortised cost. Amortised cost of a receivable is the amount at which the receivable is measured at initial recognition less repayments and impairment due to uncollectibility. Operating receivables falling due in the next twelve months are disclosed in the balance sheet as short-term operating receivables, while those maturing in a period of more than twelve months are recognised as long-term operating receivables. Receivables denominated in foreign currencies are translated into the local currency at the reference exchange rate of the European Central Bank on the balance sheet date. Increase in receivables increases financial revenue, while decrease increases financial expenses. Interest on receivables from external customers is recorded as receivables for which allowances are recognised due to a doubt regarding their recovery. Interest income is recognised on the settlement date. Operating receivables are revalued to account for their impairment when objective reasons occur or at the end of the accounting period. Impairment is recognised based on objective evidence resulting from events occurring subsequent to initial recognition, such as operating data and similar evidence.

Doubtful and disputed receivables include:

- outstanding receivables, incurred before 2020,
- disputed receivables and
- receivables due from business partners undergoing insolvency proceedings and compulsory settlements.

SHORT-TERM OPERATING RECEIVABLES in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Short-term receivables from sales:** | | |
| - to group companies | 0 | 27,349 |
| - on domestic market | 7,104,893 | 6,494,743 |
| **Value adjustment** | **-265,202** | **-313,980** |
| | **6,839,691** | **6,208,112** |
| **Interest receivables:** | | |
| - to group companies | 0 | 0 |
| - to other customers | 39,386 | 46,368 |
| **Value adjustment** | **-36,954** | **-43,199** |
| | **2,432** | **3,168** |
| **Advances:** | | |
| | **11,530** | **10,540** |
| Other operating receivables: | | |
| - to group companies | 0 | 0 |
| - to state and other institutions | 679,797 | 547,873 |
| - to employees | 0 | 0 |
| - to others | 92,223 | 51,874 |
| **Value adjustment** | **-4,872** | -3,281 |
| | **767,149** | **596,465** |
| Total | 7,620,801 | 6,818,286 |

**Table 56: Short-term operating receivables**

MATURITY STRUCTURE OF RECEIVABLES: in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Receivables not yet due | 5,978,966 | 6,072,676 |
| Receivables due up to 30 days | 118,216 | 126,708 |
| Receivables due from 31 to 60 days | 1,871 | 11,123 |
| Receivables due from 61 to 90 days | 261,424 | 206 |
| Receivables due from 91 to 365 days | 479,850 | 566 |
| Receivables due over 365 days | 1,797 | 0 |
| Total | 6,842,123 | 6,211,280 |

**Table 57: Maturity structure of receivables**

Maturity structure of receivables:

As at December 31 2021, maturity structure of receivables is as follows:

- 87.38% of outstanding receivables has not matured,
- 1.73% of receivables is overdue up to 30 days,
- 0.03% of receivables is overdue from 31 to 60 days and
- 10.86% of receivables is overdue more than 60 days, amounting to €743,070.

VALUE ADJUSTMENT OF SHORT-TERM OPERATING RECEIVABLES in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Balance 1.1. | 360,461 | 531,039 |
| Recovered written-off receivables | -6,876 | -7,103 |
| Final write-off of receivables | -52,674 | -171,848 |
| Formation of value adjustments in the year | 6,116 | 8,373 |
| **Balance 31.12.** | **307,027** | **360,461** |

in EUR

| | | Use and elimination | | | |
|---|---|---|---|---|---|
| | Balance 31.12.2020 | New formation | Receivable write-off | Receivables recovered | Balance 31.12.2021 |
| Value adjustment of trade receivables | 313,980 | 2,129 | 46,281 | 4,627 | 265,202 |
| Value adjustment of default interest receivables | 43,199 | 353 | 6,118 | 480 | 36,954 |
| Value adjustment of other short-term receivables | 3,281 | 3,634 | 275 | 1,768 | 4,872 |
| **Total value adjustment of receivables** | **360,461** | **6,116** | **52,674** | **6,876** | **307,027** |

**Table 58: Allowances of short-term operating receivables**

Doubtful and disputed receivables were impaired according to the individual receivable and business partner. In 2021, the Company recognised 0.08% of receivable allowances. Of total short-term operating receivable allowances recognised in 2021, 1.91% was recovered and 14.61% was written off. Majority of receivables were due for the use of the network. They were written-off after the completion of bankruptcy proceedings with no repayment made to the creditors. Receivables are not insured however, most of them are of such a nature that in the event of default and after repeated reminders, we sanction debtors through termination of access to the distribution network.

Majority of operating receivables from the State and other institutions comprise VAT receivables amounting to €594,776 and refundable salary substitutes of €85,016.

Other operating receivables are mainly due from SODO for overpayment of network charge, receivables on behalf of SODO relating to the network charge for connected load, services provided to SODO, rent receivables and receivables due from insurance companies for damages claimed.

## 2.11 Cash and cash equivalents

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Cash in banks | 6,160,041 | 1,837,633 |
| **Total** | **6,160,041** | **1,837,633** |

**Table 59: Cash and cash equivalents**

Cash and cash equivalents comprise:

- cash in hand,
- deposit money on accounts at banks,
- cash in transit,
- cash equivalents are readily available investments which may in the near future be converted into a predetermined amount of cash without any significant risk (e.g. deposits with maturity of up to three months).

Cash comprises cash on hand in the form of bank notes and coins, as well as cheques received.

Deposit money is cash in bank accounts, or deposited with another type of financial institution and may be used for payment purposes.

Cash in transit is the cash being transferred from a cash register or a safe deposit box to a relevant account in a bank or another type of financial institution, and is not credited to that account on that same day.

On initial recognition, cash is carried at amounts arising from the relevant documents. Monetary assets denominated in foreign currencies are translated into the local currency at the balance sheet at the reference rate of the European Central Bank. Exchange rate differences resulting from changes in foreign exchange rates are recognised either as a financial income or expense.

## 2.12 Short-term deferred costs and accrued income

v EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| VAT on advances received | 1,071 | 652 |
| Short-term deferred costs | 24,165 | 38,046 |
| Short-term accrued income | 356,896 | 227,692 |
| **Total** | **382,131** | **266,390** |

**Table 60: Short-term deferred costs and accrued income**

These comprise VAT included in advances received, overpayments, and deferred costs of invoices received in 2021 and referring to the financial year 2022.

Short-term accrued income refers to the short-term part of the preliminary statement of account issued by SODO for rent and services rendered in 2020, maturing in 2022 in the amount of €253,124, for 2021, the company discloses another €103,782 of revenues from the provision of services for SODO, d.o.o., from the supply and installation of meters to users, while the company does not disclose any other uncharged revenues. Planned formation and drawing of accruals and prepaid expenditure does not substantially deviate from the actual balance, except in reference to the preliminary settlement issued by SODO, which is accounted for at the end of the business year based on the applicable calculation methodology.

in EUR

| | VAT on advances received | Short-term deferred costs | Short-term accrued income | Vouchers | Total |
|---|---|---|---|---|---|
| Balance 1.1.2020 | 673 | 23,805 | 2,789,912 | 49 | 2,814,439 |
| Increase | 740 | 1,148,428 | 114,248 | 0 | 1,263,417 |
| Decrease | -762 | -1,134,187 | -2,676,469 | -49 | -3,811,466 |
| **Balance 31.12.2020** | **652** | **38,046** | **227,692** | **0** | **266,390** |
| Increase | 1,508 | 1,101,490 | 356,906 | 0 | 1,459,904 |
| Decrease | -1,089 | -1,115,371 | -227,702 | 0 | -1,344,163 |
| **Balance 31.12.2021** | **1,071** | **24,165** | **356,896** | **0** | **382,131** |

**Table 61: Movements in short-term deferred costs and accrued income**

## 2.13 Equity

Capital of the Company consists of:

- share capital,
- capital reserves,
- legal reserves,
- reserves for treasury shares and interests,
- treasury shares and interests,
- other profit reserves,
- fair value reserves,
- retained earnings and
- net profit for the financial year.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Share capital | 110,465,795 | 110,465,795 |
| Capital reserves | 46,306,588 | 46,306,588 |
| Statutory reserves | 1,811,793 | 1,100,257 |
| Other profit reserves | 12,420,553 | 3,419,804 |
| Fair value reserves | -1,316,754 | -1,538,070 |
| Retained earnings | 0 | 0 |
| Net profit for the financial year | 4,518,431 | 2,254,068 |
| **Total** | **174,206,406** | **162,008,442** |

**Table 62: Equity**

Share capital of Elektro Primorska is divided into 18,783,898 ordinary registered no-par value shares. Each share has an equal holding and associated amount in the share capital. Ordinary shares are shares that give their holders:

- right to participate in management of the company,
- right to profit (dividends),
- right to an adequate share of the assets after the liquidation or bankruptcy of the company.

All shares are of one class.

### OTHER CAPITAL COMPONENTS

Capital reserves derive from a general capital revaluation adjustment that was converted into capital reserves on transition to the SAS 2006.

Fair value reserve arose on the revaluation of investments to fair value.

Retained earnings is the proportionate amount of the reversal of actuarial losses on payment of severance to employees.

All equity components other than the share capital belong to shareholders in proportion to their equity stakes in share capital.

Result of the 2021 business year is positive and amounts to €14.314.717. Of that, €84,001 was allocated to cover losses brought forward from previous years incurred on derecognition of that same amount of actuarial losses. In accordance with the competencies stipulated in the Companies Act (ZGD-1) and the Articles of Association, the Management Board allocated 5% of the remainder of the net profit generated in 2021 to legal reserves (€711,536) and €9,000,749 to profit reserves. Profit available for distribution amounting to €4,518,431 consists of undistributed net profit generated in 2021.

According to the resolution of the General Meeting of Shareholders of July 1 2021, the Company allocated €2,254,068 of distributable profit of the financial year 2020 to dividends.

As at December 31 2021, the carrying amount of one share stands at **€9.27** (2020: €8.62).

Changes in equity in 2020 and 20201 are disclosed in the statement of changes in equity.

## 2.14 Provisions and long-term accrued costs and deferred income

Provisions are made for present obligations arising from obligating past events and are expected to be settled within a period not determined with certainty, and whose amount can be reliably estimated. Provisions for long-service bonuses and severance pay upon retirement have the nature of accrued costs. They are set aside for the settlement of expected obligations that will arise from obligating past events and are reduced by the incurrence of actual costs for the settlement of which they were created.

Provisions for severance pay and long-service bonuses are set aside in accordance with the Slovenian legislation and are paid to employees upon retirement in the amount of estimated future payments discounted at the balance sheet date. When an employee fulfils the requirements set for retirement, he/she is entitled to termination benefits paid in a lump sum. Furthermore, employees are entitled to long-service bonuses for each full ten years of service with the same employer. Provisions for termination benefits and long-service bonuses are set aside using the projected unit credit method i.e. the method based on anticipated significance of individual units or the method of accounting for employee benefits in line with the work performed. Following assumptions are considered in the formation of provisions: the number of employees on the balance sheet date 2021; their gender, age, status, salary level and total length of service and the length of service of each employee on the balance sheet date; the amount of long-service bonuses and severance pay in accordance with the relevant collective agreement; staff fluctuation and employee mortality in 2021, taking into account: SLO2007; the selection factor for the active population 75%; probability of disability based on the BUZ/BV 1990x and BUZ/BV 1990y model; 4 percent growth in the average wage in the Republic of Slovenia (2020: 3.5 percent), the annual wage growth in the Company of 3.0 percent (the same as in 2020), the annual percentage of wage growth in the electricity sector of 3.0 percent (2020: 3.0 percent), the employer's contribution rate of 16.1 percent and a 0.9852 percent discount rate for calculating the present value of the Company's future liabilities (2020: 0.3475 percent). Actuarial gains or losses on termination benefits are recognised directly in equity, whereas actuarial gains or losses from long-service bonuses and service costs and interests are recognised in profit or loss. Long-term provisions are directly decreased by costs for the settlement of which they were originally created. Provisions are recognised based on the differences reported by the actuary as at December 31 of each year and the balance in the accounting records.

## PROVISIONS

v EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Balance 1.1. | 5,409,436 | 4,986,319 |
| Formation | 338,586 | 657,947 |
| Drawing | -434,778 | -234,831 |
| Derecognition | -61,068 | 0 |
| **Balance 31.12.** | **5,252,176** | **5,409,436** |

**Table 63: Provisions**

in EUR

| | Provisions for long-service bonuses | Provisions for severance pay | Total |
|---|---|---|---|
| 0.5% discount rate reduction | 56,422 | 227,346 | 283,768 |
| 0.5% discount rate increase | -52,076 | -206,961 | -259,037 |
| Wage growth by 0.5% | 56,953 | 226,803 | 283,756 |
| Wage drop by 0.5% | -53,182 | -209,044 | -262,225 |

**Table 64: Sensitivity analysis 2021**

in EUR

| | Provisions for long-service bonuses | Provisions for severance pay | Total |
|---|---|---|---|
| 0.5% discount rate reduction | 61,477 | 241,832 | 303,309 |
| 0.5% discount rate increase | -56,633 | -219,980 | -276,613 |
| Wage growth by 0.5% | 61,662 | 240,912 | 302,574 |
| Wage drop by 0.5% | -57,498 | -221,922 | -279,421 |

**Table 65: Sensitivity analysis 2020**

Additional provisions of €338,586 (2020: €657,947) were set aside on account of: payroll costs amounting to €320,357 (2020: €372,913), interest expense of €18,229 (2020: €36,976), was not formed directly through equity in 2021 as an actuarial surplus was identified (2020: €248,059). Lower value of the additionally recognized provision arises from the higher discount rate used to calculate post-employment benefits. Company paid a total €292,024 of long-service bonuses and severance pay on retirement.

in EUR

| | Severance pay | Long-service bonuses | Total post-employment benefits of employees |
|---|---|---|---|
| **Balance as of Jan 1 2020** | **3,799,591** | **1,186,728** | **4,986,320** |
| Current service costs | 229,469 | 94,084 | 323,552 |
| Past service cost | 0 | 0 | 0 |
| Interest expense | 28,597 | 8,379 | 36,976 |
| Post-employment benefits paid | -124,767 | -110,064 | -234,831 |
| Actuarial surplus /loss | 248,058 | 49,361 | 297,419 |
| Reversal | 0 | 0 | 0 |
| **Balance as of Dec 31 2020** | **4,180,948** | **1,228,488** | **5,409,436** |
| Current service costs | 225,439 | 94,918 | 320,357 |
| Past service cost | 0 | 0 | 0 |
| Interest expense | 13,984 | 4,245 | 18,229 |
| Post-employment benefits paid | -197,829 | -94,195 | -292,024 |
| Actuarial surplus /loss | -142,754 | -61,068 | -203,822 |
| Reversal | 0 | 0 | 0 |
| **Balance as of Dec 31 2021** | **4,079,789** | **1,172,387** | **5,252,176** |

**Table 66: Movements in provisions for post-employment benefits**

## LONG-TERM ACCRUED COSTS AND DEFERRED INCOME

in EUR

| | Assets acquired free-of-charge | Average connection costs | Co-financing of facility construction | Support received | Co-financing of cohesion meters | Co-financing of project Sova uharica | Other | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance 1.1.2021** | **7,174,573** | **1,773,059** | **127,665** | **130,494** | **891,119** | **546,708** | **47,968** | **10,691,585** |
| Formation | 1,869,231 | 0 | 0 | 4,500 | 0 | 0 | 0 | 1,873,731 |
| Derecognition | -1,220 | 0 | 0 | 0 | 0 | 0 | -2,933 | -4,153 |
| Drawing on revenue | -300,640 | -110,299 | -7,024 | -23,110 | -65,102 | -28,810 | 0 | -534,984 |
| **Balance 31.12.2021** | **8,741,944** | **1,662,760** | **120,641** | **111,884** | **826,017** | **517,899** | **45,035** | **12,026,179** |

**Table 67: Long-term accrued costs and deferred income**

In 2021, the Company recognised €1,869,231 of additional deferred income on account of free-of-charge acquisition of energy facilities from legal and natural persons (2020: €399,783). Fixed assets received free of cost consist of connections of customers that the parent company has taken over among its property, plant and equipment with the obligation to take care of their maintenance and renovation in accordance with regulations (General Conditions for Connection to the Distribution Electric System, Official Gazette RS No. 126/07, 37/11).

In 2021, the Company received already recognized funds for support from European funds for the Eagle Owl project in the amount of €164,724 (2020: €55,779), €14,800 of funds received relates to covering the Company's current costs for the project, which the Company recognized as revenues.

Drawing on long-term accruals and property, plant and equipment received free of charge (mostly from household connections received free of cost) and co-financing of facility and equipment construction in the amount of €401,575 (in 2020 it amounted to €382,727) represents the amount of annual depreciation calculated from individual asset received free of charge or in the share of co-financed fixed assets. Average connection costs represent funds collected in the past from connection to the electricity network. They are intended for financing the electricity infrastructure. Accruals are drawn at a rate of 3.33% (same as in previous years), which corresponds to the average depreciation rate of energy facilities. Depreciation of these facilities amounted to €110,299 (the same as in 2020). Co-financing of the facility construction is based on dedicated funds for co-financing of the energy facility construction.

These funds are drawn in accordance with the charged depreciation of the relevant facility.

In 2014, the Company received State grant in the amount of €30,491 for reconstruction of the facility in Bovec after the damage caused by the earthquake, and European funds for the SUNSEED project of total €191,553, of which €23,092 was received in 2016. Both projects have now been completed. Following completion of the two investments, long-term accruals decreased by €4,788 of depreciation accounted for in 2021, which was recognised under other operating revenue (the same in 2020: €4,788).

In 2021, the Company was not granted additional European funds from cohesion to co-finance the purchase and installation of smart electricity meters for the period 2017 - 2022, equal to 33% of the cost. Eligibility of these funds is subject to the audit. No funds were withdrawn from the grant in 2021. Funds are withdrawn in the amount equal to annual depreciation amounting to €65,102, calculated based on the share of each co-financed meter and recognised in other operating income.

Planned formation and drawing of long-term accrued items does not substantially deviate from their actual formation and drawing.

## 2.15 Long-term liabilities

Long-term financial liabilities refer to long-term borrowings raised to finance the investment activity.

Debts are classified into financial and operating debts, while depending on their maturity they are grouped into long-term and short-term.

Liabilities are initially recognised in the amounts arising from the corresponding documents about their incurrence, under assumption that creditors demand their payment. Long-term liabilities are increased by accrued interest, for which an agreement with creditors exists, and decreased by repaid amounts and any other settlements in agreement with the creditor. They are also reduced by the amounts payable in the next twelve months, which are recognised under current liabilities. Accrued interest on long-term and short-term liabilities is recognised as a financial expense.

Long-term and short-term debts denominated in foreign currencies are translated into local currency at the exchange rate of the European Central Bank on the transaction date.

Exchange rate differences accrued by the settlement date or the balance sheet date are recognised either as financial income or expense.

Short-term liabilities may subsequently be increased (irrespective of any payments or other settlement), or decreased by the amounts agreed with creditors. Subsequent increases in short-term liabilities increase the relevant operating or financial expenses.

After initial recognition, liabilities are usually measured at amortised cost using the effective interest rate to the extent that costs have a significant impact on the change in the effective interest rate. Debts for which the agreed or contractual interest rate does not significantly differ from the effective interest rate, are recognised in the balance sheet at their initial value less any repaid amounts.

Liabilities are written-off after the limitation period has expired whereas before that period has elapsed, they may only be written-off if so agreed in writing with the creditor.

Book value of long-term liabilities is equal to their amortised cost, less the amounts that mature within a period of one year, which are transferred to short-term liabilities. Interest on long-term liabilities is recorded as financial expenses or as an increase in the cost of the underlying asset until it is made ready for its intended use.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Long-term financial liabilities** | | |
| Bank Sparkasse d.d. | 0 | 0 |
| Bank Intesa Sanpaolo | 5,325,000 | 7,250,000 |
| European Investment Bank | 19,988,889 | 18,022,217 |
| **Total** | **25,313,889** | **25,272,217** |
| Short-term part of long-term liabilities | 3,933,333 | 4,122,227 |
| **Total** | **29,247,222** | **29,394,444** |
| **Total long-term liabilities** | **29,247,222** | **29,394,444** |

**Table 68: Long-term liabilities**

Long-term financial liabilities are secured by bills and comprise borrowings that fall due after 2022. Ministry of Finance issues consent to the borrowings raised by the Company, after the most favourable bidder is selected and approved.

In November of the financial year, the Company took out an additional loan in the amount of €5,000,000 from the European Investment Bank.

All the borrowings mature by the end of October 2033 at the latest. Value of borrowings that fall due over a period of more than five years from the reporting date amounts to €20,400,000. In 2020, the value of borrowings that matured over a period of more than five years from the reporting date amounted to €20,436,111.

Annual interest rates on seven borrowings are fixed ranging from 0.661% to 1.104%. Interest on borrowings is calculated and paid monthly or quarterly. Company's financial commitments are determined by contract between parties.

## 2.16 Lease liabilities

Lease liabilities arise from contracts for lease of assets, the value of which was calculated in accordance with provisions of SAS 1.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Long-term lease liabilities | 387,320 | 333,018 |
| Short-term lease liabilities | 55,943 | 49,217 |
| **Total lease liabilities** | **443,262** | **382,235** |

MOVEMENTS IN LEASE LIABILITIES: in EUR

| | 2021 | 2020 |
|---|---|---|
| **Balance 01.01.** | **382,235** | **301,173** |
| Increase | 113,639 | 122,474 |
| Interests | 7,946 | 5,856 |
| Payment of rents | -60,557 | -47,268 |
| Decrease due to change in rental value | 0 | 0 |
| Derecognition | 0 | 0 |
| **Balance 31.12.** | **443,262** | **382,235** |

**Table 69: Lease liabilities**

## 2.17 Short-term liabilities

Short-term liabilities are disclosed separately as short-term financial liabilities and short-term operating liabilities.

in EUR

| Short-term part of long-term loans | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Short-term revolving credit Intesa San Paulo | 3,933,333 | 4,122,227 |
| Total short-term financial liabilities to banks | 0 | 3,500,000 |
| **Dividend liabilities** | **3,933,333** | **7,622,227** |
| Short-term lease liabilities | 5,229 | 5,229 |
| Total short-term financial liabilities | 55,943 | 49,217 |
| **Skupaj kratkoročne finančne obveznosti** | **3,994,505** | **7,676,674** |
| SHORT-TERM OPERATING LIABILITIES | | |
| Liabilties to group companies | 0 | 29,716 |
| Liabilities to suppliers | 8,963,157 | 6,832,658 |
| Liabilities for advances | 12,473 | 19,231 |
| **Total short-term operating liabilities to suppliers** | **8,975,630** | **6,881,604** |
| Liabilties to group companies | 0 | 0 |
| Liabilities to employees | 1,930,846 | 1,467,963 |
| Liabilities to state and other institutions | 649,356 | 57,197 |
| Other liabilities | 147,380 | 3,729 |
| Total other short-term operating liabilities | 2,727,582 | 1,528,889 |
| **Total short-term operating liabilities** | **11,703,211** | **8,410,493** |
| TOTAL SHORT-TERM LIABILITIES | 15,697,716 | 16,087,167 |

**Table 70: Short-term liabilities**

Short-term liabilities to banks include instalments of long-term borrowings that mature in 2022.

Compared to the end of the previous year, operating liabilities increased by €3,296,937 mostly on account of an increase in supplier payables (by €2,130,499), payables to employees and the State increased as well in total by €1,055,041 (mainly due to corporate income tax liabilities amounting to €579,830 for 2021, and liabilities to employees higher by €462,883), the increase in other liabilities stems from assignment (by €142,726 mainly for assignment for fixed assets).

Short-term liabilities to employees are payables for December wages and the 2021 performance bonus amounting to €94,283 in accordance with collective agreement for the industry. Final amount of the profit generated by the Company was recognised in the middle of March 2022, when SODO issued a preliminary statement for the financial year 2021. Advance payment of the bonus has already been calculated and paid, and the difference to the final amount was calculated by the company among the costs in December 2021. Payables to the State comprise value added tax, and liabilities to the State and other institutions on account of payroll taxes.

## 2.18 Short-term accrued costs and deferred income

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| VAT on advances given | 1,914 | 1,914 |
| Short-term deferred income | 8,718 | 352,412 |
| Accrued costs | 760,556 | 708,021 |
| **Total** | **771,188** | **1,062,347** |

**Table 71: Short-term accrued costs and deferred income**

Short-term accrued costs include VAT on advances granted. Short-term deferred revenue is recognized for invoices issued where the work has not yet been completed in full, therefore revenue has not yet been recognized in this part.

In 2021, the Company set aside €716,367 of provisions on account of unutilised annual leave (2020: €687,666), while €19,709 of provisions was recognised on account of interest payable on borrowings as at December 31 2021, for which the Company is expected to receive the invoice in 2022. Increase in provisions for unutilised annual leave is due to higher gross amount of employee compensation. Company also recognized €22,202 in provisions for compensation to an employee from accident at work that will not be covered by insurance premium.

v EUR

| | VAT on advances given | Short-term deferred income | Accrued costs | Total |
|---|---|---|---|---|
| Balance 1.1.2020 | 1,914 | 0 | 619,866 | 621,780 |
| Increase | 0 | 352,412 | 705,744 | 1,058,156 |
| Decrease | 0 | 0 | -617,589 | -617,589 |
| **Balance 31.12.2020** | **1,914** | **352,412** | **708,021** | **1,062,347** |
| Increase | 0 | 8,718 | 758,278 | 766,997 |
| Decrease | 0 | -352,412 | -705,744 | -1,058,156 |
| **Balance 31.12.2021** | **1,914** | **8,718** | **760,556** | **771,188** |

**Table 72: Movements in short-term accrued costs and deferred income**

Planned formation and drawing of long-term deferrals does not substantially deviate from their actual formation and drawing.

# 3. Notes to the income statement

Company compiles its income statement under provisions of SAS 21.6 (2016) in Format I.

In accordance with the newly adopted SAS 15 (2019), revenue is recognised when it is reasonably certain that the entity will receive the consideration.

Sales revenue is recognised when the Company fulfils (or is in the process of fulfilling) its contractual obligations. Contractual obligation is the Company's performance obligation to supply or render to the customer the contractually agreed goods or services. The Company fulfils its performance obligation on transfer of the contractually agreed goods or services to the customer. Goods or services are deemed transferred when the customer acquires control over those goods and services. The customer obtains control of the goods or services when he or she acquires the right to decide on their use and the right to practically all the remaining benefits of those goods or services. Such control also includes the ability to prevent others from directing the use of the goods or services or gain benefits from those goods and services. Benefits from goods or services comprise potential cash flows (receipts or cost savings) that can be obtained in different ways either directly or indirectly.

Company achieved revenues:

- from rent,
- sale of services,
- capitalised own products and services,
- other operating revenues,
- financial income and
- other income.

Use of electricity network is charged to business customers through a special account based on the volume of transmitted energy and capacity charges. Company charges the use of the energy network and OVE and SPTE contributions to its customers in its own name and for the account of SODO within the framework of the services it provides for SODO. Revenues from the sale of services include electrical installation services and maintenance of devices owned by subscribers. Scope of these revenues depends on customer orders. Revenues generated in 2021 are recognised based on the prices set for supplementary activities effective since January 1 2018. Company also provides services to the network users. These include network connections and disconnections, fuses replacement and additional on-demand scanning. Since January 1 2013, revenues from these services are no longer included in the Company's revenues, as they are performed on behalf of SODO who transfers the funds charged to it to the Company on a monthly basis.

Revenues include rentals from the lease of infrastructure and services provided to SODO in accordance with the signed contract and annexes to the contract. Amount of rentals and services rendered is based on the regulatory framework defined by the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system. Legal Act contains Annex 1 - Parameters for setting network charges for the regulatory period from January 1 2019 to December 31 2021. Pursuant to this Act, on December 11 2018, the Energy Agency by decision no. 211-42/2018-58/452 laid down the regulatory framework for the distribution system operator's activity during the regulatory period from January 1 2019 to December 31 2021. On November 29 2019 contract was concluded with SODO for the period from 2019 to 2021.

Revenues from capitalised own products and services derive from the preparation of documentation, construction, electro-installation and other works for the construction of facilities by the Company.

Other operating revenues related to products and services include the drawing of long-term accrued costs and deferred revenue, as well as revaluation operating income arising on disposal of property, plant and equipment, and on recovery of impaired receivables, subsidies received and insurance proceeds.

Financial income and expenses comprise interest and dividend income.

## 3.1 Operating revenue

in EUR

| | 2021 | 2020 |
|---|---|---|
| **Net sales** | | |
| - from electricity | 0 | 0 |
| - from infrastructure rents | 18,781,271 | 15,962,081 |
| - from other rents | 463,998 | 360,277 |
| - from SODO d.o.o. services | 19,403,822 | 18,746,032 |
| - from other services | 2,211,060 | 1,891,032 |
| - from merchandise | 111,432 | 267,736 |
| **Total** | **40,971,583** | **37,227,158** |
| **Capitalized own products and services** | **11,562,494** | **10,369,174** |
| **Other operating revenues from:** | | |
| - drawing on provisions | 522,160 | 435,392 |
| - sales of fixed assets | 88,553 | 186,210 |
| - recovered written-off receivables | 7 | 7,767 |
| - other revaluation revenues | 9,615 | 14,889 |
| - subsidies received | 603,367 | 1,186,277 |
| - compensation received | 505,065 | 383,546 |
| - other operating revenues | 175,122 | 15,546 |
| **Total** | **1,903,889** | **2,229,626** |
| **Total operating revenues** | **54,437,966** | **49,825,958** |

**Table 73: Operating revenue**

### 3.1.1 Net sales

Net sales revenues are up by €3,744,425 compared to the previous year mostly due to the increase in the preliminary settlement of account for lease of infrastructure and services rendered in 2021 for SODO, d.o.o. (in total amount of €2,880,841, of which €28,523 in regulatory interest; as a result of mitigating the effects of the COVID-10 coronavirus crisis on network users, the Agency reduced the weighted average cost of capital for leased assets from 5.26% to 4.13%). Revenues from other rent (up by €103,721) and services for the market (up by €320,028) also rose compared to the previous year. Revenues from the sale of merchandise are down on the previous year (sale of meters to foreign customers amounted to €106,800, and in 2020 it amounted to €249,200).

### 3.1.2 Capitalised own products and services

In 2021, capitalised own products and services rose by €1,193,321. Most of them are revenues from new constructions of electricity infrastructure. Revenues from capitalized own products represent capitalized labour costs in 58 % (in the amount of €6,744,101), the rest are material costs (in the amount of €4,818,328).

### 3.1.3 Other operating revenue

Compared to the previous year, other operating revenue decreased by €325,737.

Revaluation operating revenues from the sale of fixed assets also decreased. Revenues from the sale of fixed assets relate to the surplus of the sales value over the carrying amount of fixed assets sold. Company generated €52,600 of proceeds from the sale of apartments in 2021. Collected receivables that were written-off previously include an amount of receivables, which were already eliminated from the accounting records, but were subsequently settled in 2021. Subsidies received comprise State grant for the employment of workers with disabilities above the required quota, revenues from the drawing of accruals of the SUNSEED project, utilisation of cohesion funds for electricity meters and funds from the Eurasian eagle-owl conservation project, all in the amount equal to the depreciation. Decrease in subsidies received from the state (amounting €440,205in 2021, of which €79,312 for reimbursement of the consequences of the COVID -19 epidemic) is a result of the adopted Acts Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences in 2020 (in the amount of €660,071). All revenues from subsidies received pursuant to the intervention measures are unconditional. Insurance proceeds relate to claims recognised by insurance companies for damages to the energy facilities and cars. In 2021, they are up by €121,519 compared to the previous year.

Most of the revenues (in the amount of €54,331,166) were achieved in 2021 through sales on the domestic market, only the sales of meters was achieved through sales abroad.

in EUR

| Other operating revenues from drawing on provisions: | 2021 | 2020 |
|---|---|---|
| Depreciation of fixed assets acquired free of charge | 301,860 | 286,944 |
| Depreciation of fixed assets built from av. connection costs | 110,299 | 110,299 |
| Use of provisions to co-finance theconstruction of energy facilities | 7,024 | 7,024 |
| Elimination of provisions for severance pay and long-service bonuses | 61,068 | 0 |
| Elimination of provisions for unused annual leave | 41,909 | 31,124 |
| **Total** | **522,160** | **435,392** |

**Table 74: Other operating revenues from utilisation of provisions**

## 3.2 Operating expenses

Expenses are recognised when decreases in economic benefits in a period are associated with the reduction in assets or increase in liabilities and these decreases can be measured reliably. Expenses are recognised simultaneously with the recognition of the decrease in assets or increase in liabilities.

Operating expenses include all expenses incurred in the financial year, recorded by natural types, such as costs of materials and services, employee benefits, write-downs and other operating expenses, based on documents that prove that they are linked to the economic benefits.

Operating expenses from revaluation arise upon impairment or disposal of property, plant and equipment and intangible assets, and in relation to impairment of current assets.

€285,609 of revaluation expenses is not included in the cost analysis by functional groups as they are reported in the income statement under write-offs.

in EUR

| Year | Production cost | Sales cost | Costs of general activities | Total |
|---|---|---|---|---|
| 2020 | 34,753,331 | 1,799,554 | 6,967,446 | 43,520,331 |
| **2021** | **37,644,994** | **1,896,175** | **7,457,778** | **46,998,947** |

**Table 75: Analysis of costs by functional groups**

in EUR

| Cost by type | 2021 | 2020 |
|---|---|---|
| Cost of electricity and merchandise sold | 89,848 | 215,243 |
| Costs of material | 7,581,769 | 6,097,870 |
| Costs of services | 6,384,279 | 5,528,331 |
| Labour costs | 18,903,654 | 18,268,773 |
| Depreciation | 13,561,528 | 12,941,305 |
| Other operating costs | 182,171 | 135,792 |
| **Total** | **46,703,249** | **43,187,314** |

**Table 76: Costs by primary types**

### 3.2.1 Cost of goods, materials and services

Cost of electricity and goods sold comprise €89,848 of the cost of merchandise sold (2020: €215,243). Decrease is due to the lower purchase of meters for sale on foreign markets. In 2021, the Company did not recognise any cost of electricity purchased, as since the financial year 2017, SODO has been purchasing electricity on account of losses for all electricity distribution companies in Slovenia.

**Cost of materials** refers to spare parts and materials used in maintenance, elimination of damages and costs of installation materials used in the provision of services for the Company's own needs and for the market of total in the amount of €6.597.710 (2020: €5,260,042); cost of fuel amounting to €335,149 (2020: €327,251); electricity consumed in the amount of €176,883 (2020: €178,703); office supplies amounting to €58,337 (2020: €49,666); cost of small tools amounting to €229,862 (2020: €170,904), and the cost of ancillary material and professional literature. Company monitors the cost of materials not only by substance, but also by the nature of work for which these materials were consumed.

**Cost of services** comprises the cost of fixed asset maintenance amounting to €2,172,906 (2020: €1,707,882); cost of health, advisory, legal and educational services, software and studies of total €771,586 (2020: €639,127); insurance premiums and banking charges amounting to €1,152,755 (2020: €1,119,340); cost of computer processing in the amount of €751,535 (2020: €749,105); telephone and postal services of €460,571 (2020: €373,714); and other costs incurred during ordinary operations such as membership fees, utility services, cleaning services and similar, amounting to €1,076,050 (2020: €939,163).

Cost of services in 2021 includes €98,613 of remuneration paid to six members of the Supervisory Board (2020: €94,085). Amount includes net payments, fringe benefits, income tax and contributions. Company did not grant any loans or issued any guarantees to members of the Supervisory Board.

Remuneration of the Supervisory Board members in 2021:

in EUR

| of which: | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Supervisory Board Member | Gross receipt | Supervisory Board appointment | Bonus | Attendance fee Supervisory Board | Travel reimburse-ment | Audit Committee appointment | Attendance fee reimburse-ment | Travel reimbur-sement |
| STANISLAV RIJAVEC | 13,948 | 12,628 | | 1,320 | | | | |
| NIKOLAJ ABRAHAMSBERG | 10,949 | 9,260 | | 1,595 | 94 | | | |
| RUDOLF PEČOVNIK | 13,877 | 8,419 | | 1,595 | 691 | 2,105 | 836 | 232 |
| DARKO LIČEN | 18,983 | 11,589 | | 2,145 | | 3,753 | 1,496 | |
| MARKO FIČUR | 13,445 | 11,300 | | 2,145 | | | | |
| VALDI MORATO | 13,445 | 11,300 | | 2,145 | | | | |
| JULIJAN FORTUNAT | 4,879 | 4,329 | | 550 | | | | |
| PAVEL REBERC | 3,548 | 2,886 | | 550 | 112 | | | |
| JASNA KALŠEK | 5,136 | 2,886 | | 550 | 244 | 894 | 440 | 122 |
| MATEJ LONCNER | 5,797 | | | | | 4,441 | 1,320 | 36 |
| ALEKSANDER IGLIČAR | 1,886 | | 0 | | 0 | 1,208 | 550 | 127 |
| **TOTAL** | **105,892** | 74,595 | 0 | 12,595 | **1,141** | 12,402 | 4,642 | 517 |

**Table 77: Remuneration of the Supervisory Board members**

In 2021, a total of €19,208 of remuneration was paid to other members of the Audit Committee. Of total cost of the audit, advisory and other financial services amounting to €157,346 (2020: €142,305) €11,500 was paid to the auditors for the audit of the Annual Report.

in EUR

| Company | Ernst&Young | Ernst&Young |
|---|---|---|
| | 2021 | 2020 |
| Auditing the annual report | 9,500 | 8,500 |
| Other assurance services | 1,800 | 1,000 |
| Other non-audit services | 200 | 400 |
| **Total for audit company** | **11,500** | **9,900** |

**Table 78: Cost of the Annual Report audit**

In 2021, the Company allocated €80,343 for advertising, sponsorships and hospitality (in 2020: €109,176).

### 3.2.2 Labour costs

in EUR

| | 2021 | 2020 |
|---|---|---|
| **Labour costs** | | |
| Salary costs | 13,442,053 | 12,884,823 |
| Costs of supplementary pension insurance | 662,845 | 638,029 |
| Costs of contributions and other benefits from salaries | 2,211,400 | 2,112,368 |
| Other labour costs | 2,587,357 | 2,633,553 |
| **Total** | **18,903,654** | **18,268,773** |

**Table 79: Labour costs**

Other labour costs include reimbursements to employees, accident insurance, social assistance, and the cost of provisions for severance pay and long-service bonuses in the amount of €1,278,447 (2020: €1,697,371). Costs of the annual leave bonus amounted to €988,553 in 2021 (2020: €936,182). Labour costs include €716,367 of expenses for unused annual leave in the financial year 2021 (2020: €687,666).

A total of 487 employees received salary based on the collective agreement in 2021. Average number of employees in 2021 was 481, an increase of eight employees compared to the average headcount in 2020. In 2021, nine employees received €637,335 of salary based on the employment contracts, which are not subject to the tariff part of the collective agreement (in 2020, nine employees received a total €602,543), not including President of the Management Board.

Gross remuneration paid to members of the Management Board in 2021:

in EUR

| | Fixed part of receipts | Reimburs-ment of costs | Bonuses - insurance premiums | Other receipts and other bonuses | Total |
|---|---|---|---|---|---|
| Blažica Uroš | 102.290 | 1.432 | 110 | 7.374 | 111.207 |

**Table 80: Gross remuneration paid to the Management Board in 2021**

President of the Management Board and employees on individual employment contracts were not approved any loans or issued any guarantees by the Company.

### 3.2.3 Write-offs

Company applies straight-line depreciation method. During the overall useful life of an individual asset, the Company consistently allocates its depreciable amount among the individual accounting periods as depreciation of the period. All assets that are subject to depreciation are classified into depreciation groups. Each group has a technical depreciable fixed period of life, based on which the depreciation rate is calculated. Fixed assets are depreciated individually. Table below provides an overview of depreciation rates used in 2021. Same depreciation rates were also applied in the financial year 2020.

in %:

| | 2021 | 2020 |
|---|---|---|
| Intangible assets (excluding software) | 3.33 - 20.00 | 3.33 - 20.00 |
| Computer equipment and software | 33.3 | 33.3 |
| Real estate (land and buildings) | 0.00 - 5.00 | 0.00 - 5.00 |
| Transformers | 2.86 - 3.33 | 2.86 - 3.33 |
| Electronic meters | 4.17 - 6.67 | 4.17 - 6.67 |
| Transport vehicles | 8.33 | 8.33 |
| Cars | 12.5 | 12.5 |
| Other tangible fixed assets | 2.50 - 20.00 | 2.50 - 20.00 |
| Works of art | 0.00 | 0.00 |

**Table 81: Depreciation rates**

in EUR

| | 2021 | 2020 |
|---|---|---|
| **Write-offs** | | |
| Amortisation of intangible assets | 1,733,684 | 1,569,403 |
| Depreciation of facilities | 5,928,236 | 5,903,790 |
| Depreciation of equipment | 5,835,079 | 5,415,512 |
| Depreciation of investment property | 8,838 | 8,765 |
| Depreciation of the right to use assets | 55,690 | 43,835 |
| **Total depreciation and amortisation** | **13,561,528** | **12,941,305** |
| Revaluation expenses for: | | |
| - intangible and tangible assets | 279,194 | 420,611 |
| - current assets | 6,415 | 9,516 |
| **Total revaluation expenses** | **285,609** | **430,127** |
| **Total write-offs** | **13,847,137** | **13,371,433** |

**Table 82: Write-offs**

In 2021, the Company recognised €279,194 of revaluation expenses from intangible assets and property, plant and equipment (€153,629 refers to facilities, €125,564 to equipment) as a result of inventory write-off of unserviceable assets and their disposal at the lower market price than was the assets' carrying amount.

Operating expenses from revaluation of current assets in the amount of €9,516 refer to allowances and write-off of receivables on account of the use of network and services, and accrued interest receivable.

### 3.2.4 Other operating expenses

in EUR

| | 2021 | 2020 |
|---|---|---|
| **Other operating expenses** | | |
| Provisions for claims | 0 | 0 |
| **Total provisions** | **0** | **0** |
| Benefits, independent of profit or loss | 42,069 | 37,012 |
| Expenditure on environmental protection | 92,369 | 93,336 |
| Bonuses for students in practice | 24,797 | 5,443 |
| Other costs | 22,936 | 0 |
| **Total other costs** | **182,171** | **135,792** |
| **Total other operating expenses** | **182,171** | **135,792** |

**Table 83: Other operating expenses**

Majority of levies that are independent of profit or loss refers to various types of fees and taxes. Environmental protection expenditure includes compensation for the use of building land.

## 3.3 Financial income

Financial income arises in connection with investments and receivables in the form of accrued interest, and is recognised when there is no doubt about their size or settlement.

v EUR

| | 2021 | 2020 |
|---|---:|---:|
| Financial revenue from the sale of company  E 3 d.o.o. | 8,427,983 | 0 |
| Financial revenue from shares | 4,026 | 253,494 |
| Financial revenue from loans granted | 0 | 30 |
| Financial revenue from operating receivables | 43,431 | 14,244 |
| **Total** | **8,475,440** | **267,767** |

**Table 84: Financial income**

Greatest value is the financial income from the sale of the subsidiary E 3, d.o.o. Company was sold for €14,950,000, the value of the investment was 6,522,017, while recognized revenue amounted to €8,427,983, other financial revenues from shares in 2021 are calculated dividends from financial investments of Zavarovalnica Triglav, d.d., in the amount of €4,026 (in 2020: €3,494; in 2020, the revenue from the received share of the subsidiary E 3, d.o.o., was also disclosed, in the amount of €250,000).

Interest is charged to customers using the network and services on late payments and on the amount of receivables outstanding as at 31 December 31 2021., €33,902 of accrued interest relates to regulatory obligations arising from the preliminary statement for 2021 and final statement for 2020.

## 3.4 Financial expenses

in EUR

| | 2021 | 2020 |
|---|---:|---:|
| Expenses from loans received from banks | 165,157 | 218,488 |
| Expenses from other financial liabilities | 26,175 | 42,832 |
| Expenses from operating liabilities | 1,024 | 3,197 |
| **Total** | **192,356** | **264,517** |

**Table 85: Financial expenses**

Financial expenses from liabilities to banks are lower than in the previous year and comprise interest charged by the bank on short-term and long-term borrowings raised. Part of the interest on long-term borrowings that increases the cost of investments is not reported under financial expenses.

Expenses from other financial liabilities comprise €18,229 of interest from actuarial calculations and lease liabilities of total €7,946.

Expenses from operating liabilities comprise default interest payable to suppliers and to the State for taxes and other duties.

## 3.5 Other income

Other income and expenses are difficult to forecast as they are not expected to occur regularly. In 2021, the Company did not generate any extraordinary revenues.

in EUR

| | 2021 | 2020 |
|---|---|---|
| Other revenues | 33 | 0 |
| **Total** | **33** | **0** |

**Table 86: Other income**

Other income and expenses arise from events or transactions that do not occur regularly or frequently.

## 3.6 Other expenses

in EUR

| | 2021 | 2020 |
|---|---|---|
| Compensation | 8,177 | 12,179 |
| Other expenses | 95,164 | 56,321 |
| **Total** | **103,342** | **68,500** |

**Table 87: Other expenses**

Other expenses comprise donations of total €60,824 (2020: €40,973), and other expenses not indispensable for business in the amount of €34,313, the rest are expenses for compensations of €8,177 (paid for damages caused during the maintenance of assets or construction of new assets, which do not form the purchase value of the new asset and the one –time repayable easement of smaller value) and other expenses.

## 3.7 Current tax and deferred tax assets/liabilities

Income tax payable by the Company in 2021 amounts to €1,077,295 (2020: €460,020).

Current tax is determined in accordance with the tax legislation enacted at the balance sheet date. Management occasionally revises its taxation approach where application of individual tax legislation depends on its interpretation. Wherever suitable, the Company sets aside provisions for tax amounts that the management anticipates will have to pay to the tax authorities.

Deferred tax assets and liabilities for income tax are accounted for using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognised. Deferred tax asset is also recognised on account of unused tax losses and unused tax credits carried forward to the next period, if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax is determined on the basis of tax rates and tax legislation enacted on the balance sheet date and for which it is assumed will be in effect when the relating deferred tax assets are realised or deferred tax liabilities are settled, and when taxable profit is available against which temporary differences can be utilised.

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

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

CALCULATION OF CORPORATE INCOME TAX FOR 2021 in EUR

| | 2021 | 2020 |
|---|---|---|
| **Pre-tax profit** | **15,628,883** | **6,143,266** |
| Revenues that reduce the tax base | -4,258,174 | -261,260 |
| Expenditures that increase the tax base | 1,021,357 | 1,018,505 |
| Expenditures that decrease the tax base | -122,693 | -245,492 |
| Expenditures that decrease the tax base - error correction | 0 | 0 |
| Reduction of the tax base on the basis of relief | -6,839,679 | -4,122,508 |
| Other | 240,277 | -111,354 |
| **Tax base** | **5,669,972** | **2,421,156** |
| Tax rate | 19% | 19% |
| **Income tax** | **-1,077,295** | **-460,020** |
| **Effective current tax rate** | **6.89%** | **7.49%** |
| Increase /decrease in deferred tax | -236,871 | 222,467 |
| **Effective tax rate** | **8.41%** | **3.87%** |

**Table 88: Calculation of corporate income tax**

Company reports €1,077,295 of income tax payable as at December 31 2021 (2020: €460,020). Company utilised €5,799,681 of investment relief (2020: €3,095,043); the allowance for voluntary supplementary pension insurance in the amount of €650,892 (2020: €646,679); €318,479 of relief for employment of persons with disabilities (2020: €337,715); and other relief amounting in total to €70,626 (2020: €43,072). In 2021, the Company does not show any unused relief (in 2020 it had them for investments in the amount of €1,228,002 , which it fully drew in 2021).

RATIO BETWEEN ACTUAL AND CALCUALTED TAX RATE

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | rate | amount | rate | amount |
| **Pre-tax profit** | | **15,628,883** | | **6,143,266** |
| Income tax using the official rate | 19.00% | 2,969,488 | 19.00% | 1,167,221 |
| Amounts that negatively affect the tax base | | 247,691 | 0 | 195,924 |
| - amount from the decrease of expenses to the level of tax deductible expenses | | 194,058 | | 193,516 |
| - increase in revenue to taxable level | | 0 | | 0 |
| - exemption of expenses, for exempt dividends | | 40,071 | | 2,408 |
| - change in the method of accounting | | 13,562 | | 0 |
| **Amounts that positively affect the tax base** | | **840,345** | | **119,849** |
| - amount from the increase of expenses to the level of tax deductible expenses | | 23,312 | | 46,644 |
| - amount from the decrease of revenues to the level of taxable income | | 809,053 | | 49,639 |
| - change due to the transition to anew method of accounting (change in the tax base for already taxed post-employment benefits) | | 7,980 | | 23,566 |
| - error elimination of the previous period | | 0 | | 0 |
| **Tax relief** | | **1,299,539** | | **783,277** |
| -applied, decreasing the amount of tax payable | | 1,299,539 | | 783,277 |
| **Current tax** | **6.89%** | **-1,077,295** | **7.49%** | **-460,020** |
| Increase/decrease in deferred tax | | -236,871 | | 222,467 |
| **Tax in the income statement** | **8.41%** | **-1,314,166** | **3.87%** | **-237,553** |

**Table 89: Reconciliation of taxes for the financial year**

Corporate income tax and deferred taxes in 2021:

TAX EXPENSE DISCLOSED IN THE INCOME STATEMENT — in EUR

| | 2021 | 2020 |
|---|---|---|
| Tax of the current year | -1,077,295 | -460.020 |
| Deferred tax assets/liabilities | -236,871 | 222.467 |
| Other taxes not included in other items | | |
| **Tax expense** | **-1,314,166** | **-237.553** |

**Table 90: Corporate income tax and deferred taxes**

CHANGES IN DEFERRED TAXES RECOGNIZED IN THE INCOME STATEMENT — in EUR

| | 2021 | 2020 |
|---|---|---|
| **Balance as of Jan 01** | **754,036** | **531,569** |
| Provisions | 6,602 | 21,557 |
| Receivables | -10,152 | -32,410 |
| Unused tax relief | -233,320 | 233,320 |
| Investment impairment | 0 | 0 |
| **Changes in deferred tax assets/liabilities** | **-236,871** | **222,467** |
| **Balance as of Dec 31** | **517,166** | **754,036** |

CHANGES IN DEFERRED TAXES RECOGNIZED IN EQUITY — in EUR

| | 2021 | 2020 |
|---|---|---|
| **Balance as of Jan 01** | **168,653** | **150,013** |
| Change in revaluation of deferred tax on provisions | -21,542 | 18,640 |
| Receivables | 0 | 0 |
| Tax losses | 0 | 0 |
| **Changes in deferred tax assets/liabilities** | **-21,542** | **18,640** |
| **Balance as of Dec 31** | **147,111** | **168,653** |

**Table 91: Changes in deferred taxes**

## 3.8 Net profit or loss

in EUR

| | 2021 | 2020 |
|---|---|---|
| Operating result | 7,449,108 | 6,208,516 |
| Financial result | 8,283,084 | 3,250 |
| Result from extraordinary operations | -103,309 | -68,500 |
| Pre-tax profit | 15,628,883 | 6,143,266 |
| Corporate income tax | -1,077,295 | -460,020 |
| Deferred tax assets | -236,871 | 222,467 |
| **Net profit or loss** | **14,314,717** | **5,905,713** |

**Table 92: Net profit or loss**

## 3.9 Total comprehensive income for the period

Total comprehensive income for the period amounts to €14,452,032 and consists of €16,102 relating to the revaluation of available-for-sale investments (shares of Zavarovalnica Triglav d.d.), and positive amounts of other components of comprehensive income on account of actuarial earnings of €121,212 (elimination of the amount of actuarial earnings in 2021 in the amount of €142,754 and the formed amount of value adjustments of revaluation surpluses for deferred actuarial earnings taxes in the amount of  €21,542).

in EUR

| | pojasnilo | 2021 | 2020 |
|---|---|---|---|
| 20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD | 4.9. | 14,314,717 | 5,905,714 |
| Reserves arising from fair value measurement | | 16,102 | -7,814 |
| Other componenets of comprehensive income net effect | | 121,212 | -229,418 |
| **Total comprehensive income of the accounting period** | | **14,452,032** | **5,668,481** |

**Table 93: Statement of comprehensive income**

# 4. Notes to the cash flow statement

Cash flow statement is compiled under the direct method in format I of SAS 22.6 (2016). Data for the statement of cash flows is derived from records of cash receipts and payments from the Company's accounts.

## 4.1 Cash receipts from operating activities

Receipts from operating activities consist of inflows to the business accounts. These are the receipts from sales of products and services and other income from operations, such as the revenue to cover the cost of network use for the account of SODO, and compensations not recognised as revenue, and receipts from co-financing and network charge for connected load. Receipts from operating activities include revenue from the value added tax charged on services rendered and supplies of goods. Cash flows from operating activities decreased in 2021 by €3,419,299 compared to 2020, mostly on account of a drop in operating revenues from network use and reduction in services rendered on behalf of SODO. Majority of receipts from operating activities stem from services based on the contract concluded with SODO for the provision of services and lease of electricity infrastructure.

## 4.2 Cash disbursements from operating activities

Operating expenditures are outflows from accounts consisting of operating expenses paid for materials, services, salaries, charges and other outflows. Majority of these refer to the outflows on account of the cost of the network use, which are not recognised as expenses of the Company. Operating expenses are down by €566,084, mainly on account of higher expenses for materials and services, as well as other operating expenses, most of which comprise expenses for the use of the network and related contributions.

## 4.3 Receipts from investing activities

Receipts from investing are inflows arising from interest and shares in profits, as well as revenues from disposal of fixed assets and investments.

In 2021, the Company realized €16,525,338 higher investment income, mainly on account of the sale of its subsidiary E 3, d.o.o., as a long-term investment, for which it received €14,500,000.

## 4. 4 Expenditure for investing activities

Expenditures for investing comprise outflows for payment of invoices for the acquisition of intangible assets, property, plant and equipment and investments. Company spent €20,574,250 on its investing activities in 2021, exclusive of the cost of capitalised own work.

## 4.5 Proceeds from financing

Receipts from the financing activities are amounts remitted to the long-term and short-term borrowings. In 2021, the Company withdrew €3,700,000 of an approved short-term revolving credit and received a new tranche of a long-term EIB loan of €5,000,000.

## 4.6 Cash disbursements from financing activities

Expenditures for financing activities comprise payments of interest, dividends and repayment of borrowings. Most of the Company's financing expenses (€12,347,222) refer to the repayment of long-term and short-term borrowings of which €7,200,000 refers to repayment of a short-term revolving credit and €5,147,222 to repayment of current amounts of long-term borrowings. Financing expenses include dividends paid in 2020 in the amount of €2,254,068.

## 4.7 Net cash for the period

Company generated €99,874,937 of cash inflows in 2021 (2020: €85,168,898) and €95,552,529 of cash outflows (2020: €86,296,898). Cash receipts and disbursements include appropriate amounts of duties, in particular VAT and excise duties, in accordance with the invoices received or issued.

Difference between initial and closing balance of cash and cash equivalents in 2021 is positive cash result of €4,322,408 (2020: negative cash result of €1,128,000).

Company generated net cash inflow from operating activities in the amount of €13,836,251. Net cash used in investing activities amounts to €3,358,332 and is a result of major investment activity and at the same time much better than last year on the account of a long-term investment sale, while net cash outflow for financing activities of €6,155,511 refers to dividends paid to the shareholders.

# 5. Disclosure of related party transactions

Company reports receivables from and liabilities to the following related parties:

- Informatika, d.d., Maribor (11.9% equity holding),
- Stelkom, d.o.o., Ljubljana (6.32% holding).

As at  December31 2021, Elektro Primorska, d.d., reports the following receivables from and liabilities to its related parties:

in EUR

| Receivables: | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Receivables from company E3, d.o.o. | 0 | 27,349 |
| Receivables from company Stelkom, d.o.o. | 67,810 | 54,500 |
| **Total** | **67,810** | **81,849** |

| Liabilities: | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Liabilities to company E3, d.o.o. | 0 | 29,716 |
| Liabilities to Informatika, d.d. | 174,049 | 172,083 |
| **Total** | **174,049** | **201,799** |

**Table 94: Receivables and liabilities**

Elektro Primorska, d.d., recognised the following revenues and expenses from transactions with its related parties in the 2021 income statement:

- Informatika, d.d., Maribor (11.9% equity holding),
- Stelkom, d.o.o., Ljubljana (6.32% holding),
- E 3, d.o.o., Nova Gorica, for the period from January 1  to January 4 2021, when it was 100% owned by the company and for the same period to company Knešca, d.o.o., Most na Soči, which was an associate of a subsidiary E 3, d.o.o., and therefore indirectly linked also to the parent company Elektro Primorska, d.d.

in EUR

| Revenues: | 2021 | 2020 |
|---|---|---|
| Net sales of services and goods E3, d.o.o. | 23,299 | 473,057 |
| Net sales Stelkom, d.o.o. | 134,246 | 142,960 |
| Net sales Knešca d.o.o. | 9 | 0 |
| Financial revenue from shares | 0 | 250,000 |
| Default interest Stelkom d.o.o. | 92 | 469 |
| **Total** | **157,646** | **866,486** |

| Expenditure: | 2021 | 2020 |
|---|---|---|
| Costs of purchasing materials and services E3, d.o.o. | 3,069 | 194,284 |
| Costs of services Informatika d.d. | 848,236 | 834,539 |
| **Total** | **851,305** | **1,028,823** |

**Table 95: Revenue and expenses**

Management estimates that in relationship with the parent company, no transactions were concluded, which would result in an advantage or disadvantage for any of the related parties involved.

# 6. Contingent liabilities of the Company

In the opinion of legal experts, none of the legal actions is likely to have a significant impact on the profit or loss. Furthermore, it was assessed that provisions set aside for such purposes are sufficient and would cover contingent liabilities of the Company.

Bid bonds and warranty guarantees issued by the banks (on account of rendering services to external clients), as well as a guarantee referring to the undrawn amount of overdraft facility are reported in the off-balance sheet records. Company reports no liabilities arising from pledged real estate as none of the Company's properties is either mortgaged or subject to a lien.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Bank guarantees issued | 126,947 | 146,147 |
| **Total** | **126,947** | **146,147** |

**Table 96: Contingent liabilities of the Company**

# 7. Financial risk management

Financial risks the Company is exposed to are those risk factors that directly threaten the achievement of the Company's planned profit and capital adequacy. Significant financial risks include credit, liquidity, interest and market risks, as well as the risk of internal or external fraud.

**Credit risk** is the risk of the Company incurring a loss due to default by its debtors and arises on late settlement of receivables. Systematic monitoring of debtors' financial position and use of executive proposals to recover the receivables, mitigate the Company's credit risk exposure. Company's exposure to credit risk is assessed as low.

**Market risks** result from failure to render services on the market, which affects the Company's cash flow. Market risks are assessed as moderate.

**External fraud** arises due to the theft of electricity, and affects cash flow. Risk of external fraud is assessed as low.

**Internal fraud** arises due to potential conclusion of false contracts and corruption, both of which impact the cash flow. Risk of external fraud is assessed as low.

**Liquidity risk** arises from imbalance of the inflows and outflows dynamics. Company monitors and plans its short- and long-term solvency daily, to ensure timely adjustment and cash flow planning, and maintain liquidity risk within the acceptable parameters and manageable.

**Interest rate risk:** Due to short-term and long-term borrowings from domestic and foreign banks, the Company could be exposed to the risk of changes in reference interest rates, which could affect its financing costs. As a result, the Company carefully and continuously monitors its exposure to interest rate risk and takes appropriate measures to mitigate it. Due to the current economic situation and the fact that all the long-term borrowings were agreed at a fixed interest rate, it is assessed that the Company is not exposed to the interest rate risk.

Additional information is included in the risk management section of the Elektro Primorska Annual Report.

# 8. Events after the balance sheet date

On February 22 2022, the National Assembly adopted the Act Determining the Measures to Mitigate the Consequences of Rising Energy Prices (hereinafter the Act). Act came into force on March 5 2022.

Adoption of the Act will have a significant impact on the operations of the parent company in 2022 (estimated loss of revenues amounts to €9,058,837). Statrting points for the revised business plan of the company for 2022 have been prepared, which are summarized below:

- Reduction of investments from €22 million to €15 million.
- Reduction of external services in the areas of maintenance services for SODO (felling, dismantling. ..) and in the maintenance of business facilities , vehicles or machinery, ICT, measuring and control devices and donations, sponsorships in the total amount of approximately €1,040,000.

In March 2022, a military invasion of Ukraine was carried out by Russia, which caused unrest in the financial markets. This uncertainty causes large daily fluctuations in the prices of stocks, bonds, commodities and currencies and results in rapidly rising oil and gas prices.

Prices of most raw materials have been rising for more than a year due to the economic recovery following the release of measures against the COVID-19 pandemic. Sharp increase in demand cannot be quickly filled by supply due to logistical barriers and bottlenecks in supply chains. As a result, price inflation in the areas of materials and energy will have a significant impact on the Company's current and future operations. More expensive borrowing on the debt capital market is also expected in the future.

After the balance sheet date (December 31 2021) and until the date of the adoption of the annual report (May 19 2022), the Company received preliminary statement of account from SODO, d.o.o., for the 2021 regulation year. Preliminary statement of accounts in 2021 is based on non-audited financial statements. It is clear from the preliminary statement of accounts that based on the value of paid advances in 2021, the contractual value of services and rental of electricity infrastructure already charged is by €2,880,841 lower than the values established on the basis of the preliminary settlement of accounts (undercharged rent in the amount of €997,381 and undercharged services in the amount of €1,883,460). Therefore, the Company increased revenues from services under the contract with SODO in the amount of €1,854,937 and increased the value of rental income from the lease of energy infrastructure by €997,381, and recognised €28,523 of regulatory interest.

# 9. Financial statements with notes according to the Energy Act and the Companies Act

In accordance with Article 38 of the Energy Act, the Company is required to compile financial statements separately for the energy market activities and separately for other activities. Individual activities are business segments that the Company must, in accordance with the general disclosure under the Companies Act (ZGD), specifically disclose in its Annual Report.

At the end of the year, Elektro Primorska, d.d, compiles financial statements for the Company as a whole. As an annex to the notes to the financial statements it attaches the financial statements in accordance with Article 38 of the Energy Act. In this respect the Company must distinguish the activity of electricity supply from its other activities.

Below are the criteria set for:

- calculating indirect cost allocation to individual activities and
- criteria according to which assets, liabilities, revenues and expenses are allocated to individual activities.

## 9.1 Notes to the balance sheet items

Balance sheet is a presentation of assets and liabilities as at December 31 2021.

Physical distribution of assets per activity was carried out in 2001 by the group of experts from technical field appointed by the Company in cooperation with its financial sector.

Division of assets and liabilities to common activities is carried out and assigned to individual activities in accordance with agreed criteria as at the balance sheet date. Method of setting the criteria is described below.

Amounts of share capital and capital reserves were reported in the balance sheet as at December 31 2001 and the value of latter has remained unchanged. Amounts of other components of equity, such as reserves and profit are changing from one year to another.

In the balance sheet as at December 31 2021, after the allocation of results, receivables and liabilities between activities were offset through share capital.

## 9.2 Notes to the profit and loss account items

In the profit and loss account, revenues and expenditure are disclosed per individual activity. These are direct revenues and expenses of each activity and revenues and expenses of general activities distributed based on the agreed criteria displayed.

## 9.3 Criteria for allocating revenues and expenses, assets and liabilities of common activities to individual activities

| | | |
|---|---|---|
| Key 1 | share of labour costs | labour costs of the activity / total labour costs |
| Key 2 | share of present value of intangible assets and tangible fixed assets | present value of fixed assets of the activity x 100 / present value of total fixed assets |
| Key 3 | revenue share | revenue of the activity x 100 / total revenue |
| Key 4 | share of material consumption | consumption of material from warehouse for activity x 100 / total consumption of material from warehouse |
| Key 5 | share of material and servie costs | consumption of material and services of the activity x 100 / total consumption of material and services |

## 9.4 Sub-balance sheet according to the Energy Act as at December 31 2021

in EUR

| Assets | ED infrastructure and services for SODO | Market activities | Total | Criterion for allocating joint activities |
|---|---|---|---|---|
| A. Long-term assets: | | | | |
| I. Intangible assets and long-term accrued and deferred asset items | 5,907,011 | 9,420 | 5,916,432 | |
| 1. Long-term rights | 3,267,755 | 9,342 | 3,277,097 | key 2 |
| 2. Other long-term accrued and deferred asset items | 2,639,257 | 78 | 2,639,335 | key 2 |
| 3. Intangible assets in acquisition | 0 | 0 | 0 | key 2 |
| II. Tangible fixed assets | 209,476,198 | 1,414,460 | 210,890,658 | |
| 1. Land | 4,961,348 | 681,682 | 5,643,030 | key 2 |
| 2. Buildings | 132,990,417 | 553,624 | 133,544,042 | key 2 |
| 3. Equipment | 64,369,242 | 97,801 | 64,467,043 | key 2 |
| 4.Right to use the asset | 354,013 | 81,198 | 435,211 | key 2 |
| 5. Fixed assets in acquisition | 6,801,177 | 155 | 6,801,332 | key 2 |
| a.) opredmetena osnovna sredstva v gradnji in izdelavi | 6,798,329 | 154 | 6,798,483 | key 2 |
| b.) Predujmi za pridobitev opredmetenih osnovnih sredstev | 2,849 | 0 | 2,849 | |
| III. Investment property | 0 | 243,700 | 243,700 | key 2 |
| IV. Long-term financial investments | 291,657 | 11,206 | 302,864 | |
| 1. Shares and stakes in group companies | 0 | 0 | 0 | key 1 |
| 2. Other shares and stakes | 291,657 | 11,206 | 302,864 | key 1 |
| V. Long-term operating receivables | 17,521 | 16,017 | 33,538 | |
| 1. Long-term trade receivables | 0 | 0 | 0 | |
| 2. Long-term receivables due from others | 17,521 | 16,017 | 33,538 | key 1 |
| VI. Deferred tax assets | 637,674 | 26,602 | 664,277 | key 1,3 |
| Total long-term assets | 216,330,062 | 1,721,406 | 218,051,468 | |
| B. Short-term assets: | | | | |
| I. Short-term assets for sale | 0 | 0 | 0 | ključ 1 |
| II. Stocks | 1,368,165 | 72,268 | 1,440,433 | |
| 1. Material | 1,368,165 | 72,268 | 1,440,433 | ključ 1, 4 |
| 2. Incomplete services | 0 | 0 | 0 | |
| 3. Products and merchandise | 0 | 0 | 0 | |
| III. Short-term financial investments | 0 | 0 | 0 | |
| 1. Short-term loans to others | 0 | 0 | 0 | ključ 1 |
| IV. Short-term operating receivables | 7,030,932 | 589,869 | 7,620,801 | |
| 1. Operating receivables due from group companies | 0 | 0 | 0 | ključ 3 |
| 2. Operating trade receivables | 6,318,662 | 534,991 | 6,853,653 | ključ 3 |
| 3. Operating receivables due from others | 712,270 | 54,878 | 767,149 | ključ 3 |
| V. Monetary assets | 3,984,673 | 2,175,368 | 6,160,041 | ključ 3 |
| Total short-term assets | 12,383,770 | 2,837,505 | 15,221,275 | |
| C. Short-term accrued and deferred asset items | 380,940 | 1,192 | 382,131 | ključ 3 |
| TOTAL ASSSETS | 229,094,771 | 4,560,103 | 233,654,874 | |

**Table 97: Sub-balance sheet (assets) according to the Energy Act as at December 31 2021**

in EUR

| Liabilities | ED infrastructure and services for SODO | Market activities | Total | Criterion for allocating joint activities |
|---|---|---|---|---|
| A. Capital: | | | | |
| I. Called-up capital | 107,572,291 | 2,893,503 | 110,465,795 | |
| 1. Share capital | 107,572,291 | 2,893,503 | 110,465,795 | |
| II.Capital reserves | 45,885,198 | 421,390 | 46,306,588 | |
| III. Profit reserves | 14,111,388 | 120,958 | 14,232,346 | |
| 1. Statutary reserves | 1,803,096 | 8,697 | 1,811,793 | |
| 2. Reserves for own shares and business stakes | 0 | 0 | 0 | |
| 3. Own shares and own business stakes (deductible item) | 0 | 0 | 0 | |
| 4. Other profit reserves | 12,308,292 | 112,261 | 12,420,553 | |
| IV. Reserves arising from fair value measurement | -1.268.033 | -48.721 | -1.316.754 | key 1 |
| V.Net profit or loss from previous periods | 0 | 0 | 0 | |
| VI. Net profit or loss for the period | 3,942,148 | 576,283 | 4,518,431 | |
| Total capital | 170,242,993 | 3,963,413 | 174,206,406 | |
| B. Provisions and long-term accrued and deferred liability items | 17,232,392 | 45,964 | 17,278,355 | |
| 1. Provisions | 5,214,067 | 38,109 | 5,252,176 | key 1 |
| 2. Long-term accrued and deferred liability items | 12,018,325 | 7,854 | 12,026,179 | |
| C. Long-term liabilities | 25,611,028 | 90,181 | 25,701,209 | |
| I. Long-term financial liabilities | 25,611,028 | 90,181 | 25,701,209 | |
| 1. Long-term financial liabilities to banks | 25,313,889 | 0 | 25,313,889 | |
| 3. Other long-term financial liabilities | 297,139 | 90,181 | 387,320 | |
| Č. Short-term liabilities | 15,254,927 | 442,789 | 15,697,716 | |
| I. Short-term financial liabilities | 3,991,206 | 3,299 | 3,994,505 | |
| 1. Short-term financial liabilities to banks | 3,933,333 | 0 | 3,933,333 | |
| 2. Other short-term financial liabilities | 57,873 | 3,299 | 61,172 | key 1 |
| II. Short-term operating liabilities | 11,263,721 | 439,490 | 11,703,211 | |
| 1. Short-term operating liabilities to group companies | 0 | 0 | 0 | key 5 |
| 2. Short-term operating liabilities to suppliers | 8,628,429 | 334,728 | 8,963,157 | key 2, 5 |
| 3. Short-term operating liabilities based on advances | 6,556 | 5,917 | 12,473 | key 3 |
| 4. Other short-term operating liabilities | 2,628,737 | 98,845 | 2,727,582 | key 1 |
| Total liabilities | 58,098,347 | 578,933 | 58,677,280 | |
| D. Short-term accrued and deferred liability items | 753,431 | 17,757 | 771,188 | key 3 |
| TOTAL LIABILITIES | 229,094,771 | 4,560,103 | 233,654,874 | |

**Table 98: Sub-balance sheet (assets) according to the Energy Act as at December 31 2021**

## 9.5 Sub-balance sheet according to the Energy Act as at December 31 2020

in EUR

| Assets | ED infrastructure and services for SODO | Market activities | Total | Criterion for allocating joint activities |
|---|---|---|---|---|
| **A. Long-term assets:** | | | | |
| **I. Intangible assets and long-term accrued and deferred asset items** | **3,451,727** | **9,398** | **3,461,125** | |
| 1. Long-term rights | 3,441,060 | 9,394 | 3,450,454 | key 2 |
| 2. Other long-term accrued and deferred asset items | 10,667 | 3 | 10,670 | key 2 |
| 3. Intangible assets in acquisition | 0 | 0 | 0 | key 2 |
| **II. Tangible fixed assets** | **197,847,908** | **1,346,922** | **199,194,830** | |
| 1. Land | 4,924,363 | 681,682 | 5,606,045 | key 2 |
| 2. Buildings | 128,251,378 | 560,214 | 128,811,592 | key 2 |
| 3. Equipment | 58,766,148 | 103,928 | 58,870,075 | key 2 |
| 4.Right to use the asset | 376,163 | 1,099 | 377,262 | key 2 |
| 5. Fixed assets in acquisition | 5,529,856 | 0 | 5,529,857 | key 2 |
| a.) Property, plant and equipment under construction | 5,529,834 | 0 | 5,529,834 | key 2 |
| b.) Advances for acquisition of property, plant and equipment | 23 | 0 | 23 | |
| **III. Investment property** | **0** | **223,353** | **223,353** | |
| **IV. Long-term financial investments** | **273,142** | **13,619** | **286,761** | key 2 |
| 1. Shares and stakes in group companies | 0 | 0 | 0 | key 1 |
| 2. Other shares and stakes | 273,142 | 13,619 | 286,761 | |
| **V. Long-term operating receivables** | **14,898** | **151,468** | **166,366** | |
| 1. Long-term trade receivables | 0 | 136,613 | 136,613 | |
| 2. Long-term receivables due from others | 14,898 | 14,855 | 29,753 | |
| **VI. Deferred tax assets** | **886,908** | **35,781** | **922,689** | key 1,3 |
| **Total long-term assets** | **202,474,584** | **1,780,541** | **204,255,124** | |
| **B. Short-term assets:** | | | | |
| **I. Short-term assets for sale** | **6,212,267** | **309,750** | **6,522,017** | |
| **II. Stocks** | **1,099,069** | **65,694** | **1,164,763** | |
| 1. Material | 1,099,069 | 63,884 | 1,162,953 | key 1, 4 |
| 2. Incomplete services | 0 | 0 | 0 | |
| 3. Products and merchandise | 0 | 1,810 | 1,810 | |
| **III. Short-term financial investments** | **0** | **0** | **0** | |
| 1. Short-term loans to others | 0 | 0 | 0 | key 1 |
| **IV. Short-term operating receivables** | **6,115,946** | **702,340** | **6,818,286** | |
| 1. Operating receivables due from group companies | 0 | 27,349 | 27,349 | key 3 |
| 2. Operating trade receivables | 5,575,777 | 618,693 | 6,194,471 | key 3 |
| 3. Operating receivables due from others | 540,168 | 56,297 | 596,465 | key 3 |
| **V. Monetary assets** | **304,915** | **1,532,718** | **1,837,633** | key 3 |
| **Total short-term assets** | **13,732,196** | **2,610,501** | **16,342,698** | |
| **C. Short-term accrued and deferred asset items** | **226,491** | **39,898** | **266,390** | key 3 |
| **TOTAL ASSSETS** | **216,433,272** | **4,430,940** | **220,864,212** | |

**Table 99: Sub-balance sheet (assets) according to the Energy Act as at December 31 2020**

in EUR

| Liabilities | ED infrastructure and services for SODO | Market activities | Total | Criterion for allocating joint activities |
|---|---|---|---|---|
| A. Capital: | | | | |
| **I. Called-up capital** | **107,336,819** | **3,128,976** | **110,465,795** | |
| 1. Share capital | 107,336,819 | 3,128,976 | 110,465,795 | |
| **II.Capital reserves** | **45,885,198** | **421,390** | **46,306,588** | |
| **III. Profit reserves** | **4,445,722** | **74,339** | **4,520,061** | |
| 1. Statutary reserves | 1,094,976 | 5,281 | 1,100,257 | |
| 2. Reserves for own shares and business stakes | 0 | 0 | 0 | |
| 3. Own shares and own business stakes (deductible item) | 0 | 0 | 0 | |
| 5. Other profit reserves | 3,350,746 | 69,058 | 3,419,804 | |
| **IV. Reserves arising from fair value measurement** | **-1,465,022** | **-73,047** | **-1,538,070** | key 1 |
| **V.Net profit or loss from previous periods** | **0** | **0** | **0** | |
| **VI. Net profit or loss for the period** | **1,812,638** | **441,430** | **2,254,068** | |
| Total capital | 158,015,354 | 3,993,087 | 162,008,442 | |
| B. Provisions and long-term accrued and deferred liability items | 16,038,706 | 62,316 | 16,101,021 | |
| 1. Provisions | 5,355,340 | 54,096 | 5,409,436 | key 1 |
| 2. Long-term accrued and deferred liability items | 10,683,366 | 8,220 | 10,691,585 | |
| C. Long-term liabilities | 25,594,587 | 10,649 | 25,605,235 | |
| I. Long-term financial liabilities | 25,594,587 | 10,649 | 25,605,235 | |
| 1. Long-term financial liabilities to banks | 25,272,217 | 0 | 25,272,217 | |
| 3. Other long-term financial liabilities | 322,369 | 10,649 | 333,018 | |
| Č. Short-term liabilities | 15,732,122 | 355,044 | 16,087,167 | |
| **I. Short-term financial liabilities** | **7,674,824** | **1,850** | **7,676,674** | |
| 1. Short-term financial liabilities to banks | 7,622,227 | 0 | 7,622,227 | |
| 2. Other short-term financial liabilities | 52,597 | 1,850 | 54,447 | key 1 |
| **II. Short-term operating liabilities** | **8,057,298** | **353,195** | **8,410,493** | |
| 1. Short-term operating liabilities to group companies | 27,487 | 2,229 | 29,716 | key 5 |
| 2. Short-term operating liabilities to suppliers | 6,575,983 | 256,675 | 6,832,658 | key 2, 5 |
| 3. Short-term operating liabilities based on advances | 3,841 | 15,390 | 19,231 | key 3 |
| 4. Other short-term operating liabilities | 1,449,987 | 78,902 | 1,528,889 | key 1 |
| Total liabilities | 57,365,414 | 428,009 | 57,793,423 | |
| D. Short-term accrued and deferred liability items | 1,052,503 | 9,844 | 1,062,347 | key 3 |
| TOTAL LIABILITIES | 216,433,272 | 4,430,940 | 220,864,212 | |

**Table 100: Sub-balance sheet (equity and liabilities) according to the Energy Act as at December 31 2020**

## 9.6 Profit or loss account according to the Energy Act for the year 2021

in EUR

| 2021 | ED infrastructure and services for SODO | Market activities | Total | Criterion for allocating joint activities |
|---|---|---|---|---|
| **1. Net sales revenue** | **38,315,020** | **2,656,563** | **40,971,583** | |
| a. on the domestic market | 38,315,020 | 2,549,763 | 40,864,783 | key 3 |
| b. in the foreign market | 0 | 106,800 | 106,800 | |
| **2. Change in incomplete services** | **0** | **0** | **0** | |
| **3. Capitalized own products and services** | **11,560,100** | **2,395** | **11,562,494** | |
| **4. Other operating revenues** | **1,832,060** | **71,829** | **1,903,889** | key 1, 2 |
| **5. Costs of goods, material, and services** | **-12,415,541** | **-1,640,356** | **-14,055,897** | |
| a. costs of goods sold and material used | -6,389,453 | -1,282,164 | -7,671,617 | key 1, 5 |
| b. costs of services | -6,026,087 | -358,192 | -6,384,279 | key 2, 5 |
| **6. Labour costs** | **-18,310,956** | **-592,698** | **-18,903,654** | |
| a. cost of wages and salaries | -13,002,255 | -439,798 | -13,442,053 | key 1 |
| b. costs of supplementary pension insurance for employees | -654,008 | -8,837 | -662,845 | key 1 |
| c. social security cost | -2,140,126 | -71,273 | -2,211,400 | key 1 |
| č. other labour costs | -2,514,566 | -72,791 | -2,587,357 | key 1 |
| **7. Amortization/depreciation expense** | **-13,794,434** | **-52,703** | **-13,847,137** | |
| a. depreciation | -13,511,801 | -49,727 | -13,561,528 | key 2 |
| b. operating expenses from revaluation of intangible and tangible fixed assets | -278,917 | -276 | -279,194 | key 2 |
| c. operating expenses from revaluation of operating current assets | -3,716 | -2,699 | -6,415 | key 3 |
| **8. Other operating expenses** | **-172,305** | **-9,866** | **-182,171** | key 1 |
| **9. Financial revenues from shares** | **8,120,014** | **311,995** | **8,432,009** | |
| a. in group companies | 8,116,138 | 311,846 | 8,427,983 | key 1 |
| b. in other companies | 3,877 | 149 | 4,026 | key 1 |
| **10. Financial revenues from given loans** | **0** | **0** | **0** | |
| a. to others | 0 | 0 | 0 | key 1 |
| **11. Financial revenues from operating receivables** | **42,900** | **531** | **43,431** | |
| a. due from others | 42,900 | 531 | 43,431 | key 3 |
| **13. Financial expenses from financial liabilities** | **-187,201** | **-4,131** | **-191,332** | |
| a. from loans, received from banks | -164,890 | -266 | -165,157 | |
| b. from other operating liabilities | -22,311 | -3,864 | -26,175 | key 5 |
| **14. Financial expenses from operating liabilities** | **-917** | **-107** | **-1,024** | |
| a. from accounts and bills payable | -384 | -38 | -422 | key 5 |
| b. from other operating liabilities | -533 | -69 | -602 | key 5 |
| **15. Other revenues** | **33** | **0** | **33** | key 1 |
| **16. Other expenses** | **-99,542** | **-3,800** | **-103,342** | key 1 |
| PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD | 14,889,231 | 739,652 | 15,628,883 | |
| **17. Income tax** | **-974,863** | **-102,431** | **-1,077,295** | |
| **18. Deferred taxes** | **-225,677** | **-11,194** | **-236,871** | key 1,2, 3 |
| **19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD** | **13,688,691** | **626,026** | **14,314,717** | |

**Table 101: Profit or loss account according to the Energy Act for the year 2021**

## 9.7 Profit or loss account according to the Energy Act for the year 2020

in EUR

| 2020 | ED infrastructure and services for SODO | Market activities | Total | Criterion for allocating joint activities |
|---|---|---|---|---|
| **1. Net sales revenue** | **34,708,442** | **2,518,715** | **37,227,158** | |
| a. on the domestic market | 34,708,442 | 2,518,715 | 37,227,158 | key 3 |
| **2. Change in incomplete services** | **0** | **0** | **0** | |
| **3. Capitalized own products and services** | **10,366,958** | **2,215** | **10,369,174** | |
| **4. Other operating revenues** | **2,019,805** | **209,822** | **2,229,626** | key 1, 2 |
| **5. Costs of goods, material, and services** | **-10,484,582** | **-1,356,862** | **-11,841,444** | |
| a. costs of goods sold and material used | -5,242,252 | -1,070,861 | -6,313,113 | key 1, 5 |
| b. costs of services | -5,242,331 | -286,000 | -5,528,331 | key 2, 5 |
| **6. Labour costs** | **-17,496,195** | **-772,578** | **-18,268,773** | |
| a. cost of wages and salaries | -12,327,578 | -557,245 | -12,884,823 | key 1 |
| b. costs of supplementary pension insurance for employees | -622,072 | -15,957 | -638,029 | key 1 |
| c. social security cost | -2,022,041 | -90,327 | -2,112,368 | key 1 |
| č. other labour costs | -2,524,504 | -109,049 | -2,633,553 | key 1 |
| **7. Amortization/depreciation expense** | **-13,305,777** | **-65,656** | **-13,371,433** | |
| a. depreciation | -12,890,663 | -50,643 | -12,941,305 | key 2 |
| b. operating expenses from revaluation of intangible and tangible fixed assets | -409,617 | -10,995 | -420,611 | key 2 |
| c. operating expenses from revaluation of operating current assets | -5,498 | -4,018 | -9,516 | key 3 |
| **8. Other operating expenses** | **-128,372** | **-7,420** | **-135,792** | key 1 |
| **9. Financial revenues from shares** | **241,455** | **12,039** | **253,494** | |
| a. in group companies | 238,127 | 11,873 | 250,000 | key 1 |
| b. in other companies | 3,328 | 166 | 3,494 | key 1 |
| **10. Financial revenues from given loans** | **28** | **2** | **30** | |
| a. to others | 28 | 2 | 30 | key 1 |
| **11. Financial revenues from operating receivables** | **13,077** | **1,167** | **14,244** | |
| a. due from others | 13,077 | 1,167 | 14,244 | key 3 |
| **12. Financial expenses from impairments and financial investment write-offs** | **0** | **0** | **0** | key 6 |
| **13. Financial expenses from financial liabilities** | **-257,478** | **-3,842** | **-261,320** | |
| a. from loans, received from banks | -218,384 | -104 | -218,488 | |
| b. from other operating liabilities | -39,094 | -3,738 | -42,832 | key 5 |
| **14. Financial expenses from operating liabilities** | **-3,178** | **-19** | **-3,197** | |
| a. from accounts and bills payable | -98 | 11 | -87 | key 5 |
| b. from other operating liabilities | -3,080 | -30 | -3,110 | key 5 |
| **15. Other revenues** | **0** | **0** | **0** | key 1 |
| **16. Other expenses** | **-65,890** | **-2,610** | **-68,500** | key 1 |
| **PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD** | **5,608,292** | **534,974** | **6,143,266** | |
| **17. Income tax** | **-385,163** | **-74,856** | **-460,020** | |
| **18. Deferred taxes** | **221,413** | **1,054** | **222,467** | key 1,2, 3 |
| **19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD** | **5,444,542** | **461,172** | **5,905,714** | |

**Table 102: Profit or loss account according to the Energy Act for the year 2020**

## 9.8 Cash flow statement according to the Energy Act for the year 2021

in EUR

| 2021 | ED infrastructure and services for SODO | Market activities | Total EP | Criterion for allocating joint activities |
|---|---|---|---|---|
| **A. OPERATING CASH-FLOW** | | | | |
| **1. Operating receipts** | **70,532,113** | **3,426,907** | **73,959,019** | |
| a. Receipts from sales of products and services | 39,040,816 | 3,354,466 | 42,395,282 | K-1, K-3, K-4, K-5 |
| b. Other operating receipts | 31,491,297 | 72,440 | 31,563,737 | K-1, K-2, K-3, K-5 |
| **2. Operating expenditure** | **-57,230,114** | **-2,900,600** | **-60,130,714** | |
| a. Expenditure for purchase of material and services | -7,472,798 | -2,181,891 | -9,654,689 | K-3, K-4, K-5 |
| b. Expenditure for salaries and employees profit shares | -17,793,829 | -575,198 | -18,369,027 | K-1 |
| c. Expenditure on benefits of all kinds | -2,452,948 | -139,754 | -2,592,702 | K-1, K-3 |
| d. Other operating expenditure | -29,510,540 | -3,757 | -29,514,296 | K-4, K-5 |
| 3. Positive or negative cash flow from operating activities | 13,301,999 | 526,307 | 13,828,305 | |
| **B. CASH FLOWS IN INVESTING ACTIVITIES** | | | | |
| **4. Receipts in investing activities** | **16,490,608** | **725,310** | **17,215,918** | |
| a. Receipts from received interest and profit shares | 13,729 | 519 | 14,248 | K-1, K-3 |
| b. Receipts from disposal of tangible fixed assets | 154,050 | 97,620 | 251,669 | K-2 |
| c. Receipts from disposals of long-term financial investments | 1,925,998 | 74,002 | 2,000,000 | K-1 |
| d. Receipts from disposals of short-term financial investments | 14,396,832 | 553,168 | 14,950,000 | |
| **5. Expenditure in investing activities** | **-20,439,528** | **-134,722** | **-20,574,250** | |
| a. Expenses for acquisition of intangible assets | -1,262,621 | -9,896 | -1,272,518 | K-2 |
| b. Expenses for acquisition of tangible fixed assets | -17,250,909 | -50,823 | -17,301,732 | K-2 |
| c. Expenses for acquisition of ST financial investments | -1,925,998 | -74,002 | -2,000,000 | |
| d. Expenses for acquisition of LT financial investments | 0 | 0 | 0 | K-1 |
| **6. Positive or negative cash flow from investing activities** | **-3,948,919** | **590,587** | **-3,358,332** | |
| **C. CASH FLOWS IN FINANCING ACTIVITIES** | | | | |
| **8. Receipts in financing activities** | **8,287,233** | **412,767** | **8,700,000** | |
| a. Receipts from long-term loans obtained | 5,000,000 | 0 | 5,000,000 | |
| b. Receipts from short-term loans obtained | 3,287,233 | 412,767 | 3,700,000 | |
| **9. Expenditure in financing activities** | **-13,960,554** | **-887,011** | **-14,847,565** | **K-5** |
| a. Expenditure for given interest | -245,890 | -386 | -246,275 | K-3 |
| b. Capital expenditure | 0 | 0 | 0 | |
| c. Expenditure for repayment of long-term loans | -5,147,222 | 0 | -5,147,222 | |
| d. xpenditure for repayment of short-term loans | -6,396,778 | -803,222 | -7,200,000 | K-1 |
| e. Expenditure for dividend | -2,170,665 | -83,403 | -2,254,068 | |
| **10. Positive or negative cash flow from financing activities** | **-5,673,321** | **-474,244** | **-6,147,565** | |
| **11. Total surplus of receipts or expenditure** | **3,679,758** | **642,650** | **4,322,408** | |
| **Č. CLOSING CASH BALANCE** | 3,984,673 | 2,175,368 | 6,160,041 | |
| X. Opening cash balance | 304,915 | 1,532,718 | 1,837,633 | |
| Y. CASH FLOW FOR THE PERIOD | 3,679,758 | 642,650 | 4,322,408 | |
| **Closing cash balance as of 31.12.2016** | **3,984,673** | **2,175,368** | **6,160,041** | |

**Table 103: Cash flow statement according to the Energy Act for the year 2021**

## 9.9 Cash flow statement according to the Energy Act for the year 2020

in EUR

| 2020 | ED infrastructure and services for SODO | Market activities | Total EP | Criterion for allocating joint activities |
|---|---|---|---|---|
| A. OPERATING CASH-FLOW | | | | |
| **1. Operating receipts** | **74,818,500** | **2,809,018** | **77,627,518** | |
| a. Receipts from sales of products and services | 42,898,927 | 2,763,409 | 45,662,336 | K-1, K-3, K-4, K-5 |
| b. Other operating receipts | 31,919,573 | 45,609 | 31,965,182 | K-1, K-2, K-3, K-5 |
| **2. Operating expenditure** | **-58,043,042** | **-2,635,818** | **-60,678,860** | |
| a. Expenditure for purchase of material and services | -7,256,763 | -1,610,165 | -8,866,928 | K-3, K-4, K-5 |
| b. Expenditure for salaries and employees profit shares | -16,967,831 | -845,862 | -17,813,693 | K-1 |
| c. Expenditure on benefits of all kinds | -2,947,282 | -174,065 | -3,121,347 | K-1, K-3 |
| d. Other operating expenditure | -30,871,166 | -5,726 | -30,876,893 | K-4, K-5 |
| 3. Positive or negative cash flow from operating activities | 16,775,458 | 173,200 | 16,948,657 | |
| B. CASH FLOWS IN INVESTING ACTIVITIES | | | | |
| **4. Receipts in investing activities** | **300,958** | **140,423** | **441,380** | |
| a. Receipts from received interest and profit shares | 257,042 | 14,887 | 271,929 | K-1, K-3 |
| b. Receipts from disposal of tangible fixed assets | 43,916 | 125,536 | 169,452 | K-2 |
| c. Receipts from disposals of short-term financial investments | 0 | 0 | 0 | K-1 |
| **5. Expenditure in investing activities** | **-14,792,176** | **-24,555** | **-14,816,731** | |
| a. Expenses for acquisition of intangible assets | -1,347,579 | -10,575 | -1,358,155 | K-2 |
| b. Expenses for acquisition of tangible fixed assets | -13,444,597 | -13,979 | -13,458,576 | K-2 |
| c. Expenses for acquisition of ST financial investments | 0 | 0 | 0 | |
| d. Expenses for acquisition of LT financial investments | 0 | 0 | 0 | K-1 |
| **6. Positive or negative cash flow from investing activities** | **-14,491,219** | **115,868** | -14,375,351 | |
| C. CASH FLOWS IN FINANCING ACTIVITIES | | **0** | **0** | |
| **8. Receipts in financing activities** | **6,600,000** | **500,000** | **7,100,000** | |
| a. Receipts from long-term loans obtained | 0 | 0 | 0 | |
| b. Receipts from short-term loans obtained | 6,600,000 | **500,000** | 7,100,000 | |
| **9. Expenditure in financing activities** | **-9,576,223** | **-1,225,084** | **-10,801,307** | |
| a. Expenditure for given interest | -290,816 | -190 | -291,006 | K-5 |
| b. Capital expenditure | 0 | 0 | 0 | K-3 |
| c. Expenditure for repayment of long-term loans | -4,280,556 | 0 | -4,280,556 | |
| d. xpenditure for repayment of short-term loans | -2,500,000 | -1,100,000 | -3,600,000 | |
| e. Expenditure for dividend | -2,504,851 | -124,894 | -2,629,746 | K-1 |
| **10. Positive or negative cash flow from financing activities** | **-2,976,223** | **-725,084** | **-3,701,307** | |
| **11. Total surplus of receipts or expenditure** | **-691,984** | **-436,017** | **-1,128,000** | |
| Č. CLOSING CASH BALANCE | 304,915 | 1,532,718 | 1,837,633 | |
| X. Opening cash balance | 996,899 | 1,968,735 | 2,965,633 | |
| Y. CASH FLOW FOR THE PERIOD | **-691,984** | -436,017 | -1,128,000 | |
| **Closing cash balance as of 31.12.2020** | **304,915** | **1,532,718** | **1,837,633** | |

**Table 104: Cash flow statement according to the Energy Act for the year 2020**

# D

# Business Report of the Elektro Primorska Group

# 1. Profile of the Elektro Primorska Group

## 1.1 Composition of the Group

Elektro Primorska Group comprises the following entities:

- Elektro Primorska, d.d., as the parent company,
- E 3, d.o.o., a subsidiary, in which the parent company holds a 100% stake for the period from January 1 2021 to January 4 2021,
- Knešca, d.o.o., located in Most na Soči, in which E 3 holds a 47.27% stake, as an associated company for the period from January 1 2021 to January 4 2021.

Following entities are included in the consolidation; the parent company Elektro Primorska, d.d., and its subsidiary E 3, d.o.o., which is included in the consolidation as a discontinued operation for the period from January 1 2021 to January 4 2021.

Parent company Elektro Primorska, d.d., reports €174,206,406 of equity as at December 31 2021. Company achieved positive result in 2021 and generated €14,314,727 of net profit.

Subsidiary E 3, d.o.o., recognised as a discontinued operation (the parent company signed a contract for the sale of a 100% stake in the subsidiary in 2020), reports €180,442 of net loss for the first four days in 2021. On the day of the spin-off as at January 4 2021, the company discloses €14,998,865 of equity.

## 1.2 Profile of the subsidiary E 3, d.o.o.

Subsidiary E3 energetika, ekologija, ekonomija, d.o.o., was established on November 15 2004 by Elektro Primorska, d.d., as the only shareholder. Basis for the establishment of the subsidiary was the Energy Act, which called for a legal separation of regulated market and production activities.

| | | |
|---|---|---|
| Name of the Company: | E 3 energetika, ekologija, ekonomija, d.o.o. | |
| Abbreviated name: | E 3, d.o.o. | |
| The registered seat: | Nova Gorica, Erjavčeva 24 | |
| VAT ID number: | 17851262 | |
| Company number: | 2010593 | |
| Business accounts are held at the following banks: | SI56 0475 0000 1095 763 Nova KBM, d.d.<br>SI56 0294 5025 9665 734 NLB, d.d. | |
| The subsidiary is registered in the register of Companies at the District Court in Nova Gorica under the registration number 1/04504/00 | | |
| Share capital: | 6.522.016,72 EUR | |
| Owner of the subsidiary: | Elektro Primorska, d.d., 100% | |
| The company representative: | Darko Pahor | |
| | KNEŠCA, d.o.o. | |
| | E 3, d.o.o., Nova Gorica | 47,27% |
| | (9) individuals | 52,73% |

E 3, d.o.o, began regular operations on January 1 2005, after it obtained a license for performance of energy activities of electricity production and trading on December 3 2004. Company E 3 is composed of three organisational units, namely:

- purchase and sale of energy division,
- production and services division, and
- general services division.

Company began providing commercial public service of the heat distribution system operator in the municipality Šempeter - Vrtojba on May 1 2010. In accordance with the concession agreement, the company assumed the task of supplying heat to the Podmark residential complex.

On January 1 2011, the company merged with the spin-off part of Elektro Primorska, which is engaged in the purchase and sale of electricity. Company holds licenses for performing energy-related activities of electricity generation, heat production, distribution and supply, and trade representation and mediation in the electricity market.

On the day of the spin-off, the company had 49 employees (same as on December 31 2020).

A contract for the sale of a 100% stake in the company was signed in 2020 and thus, E 3 is reported in the consolidated financial statements of the Group as a discontinued operation in the income statement and as an asset held for sale in the statement of financial position for the period from January 1 2021 to January 4 2021.

## 1.3 Profile of the associate company Knešca, d.o.o.

In June 2006, subsidiary E 3, d.o.o., acquired a 23.61% stake in the company Knešca, d.o.o., and in July of that same year also additional 23.66% stakes held by four (4) natural persons, bringing total stake in the company to 47.27%. Stake was subsequently (in 2012) transferred as a contribution in kind to subsidiary JOD, d.o.o. On January 1 2017, E 3, d.o.o., merged with its subsidiary and transferred the contribution in kind from JOD, d.o.o, to E 3, d.o.o. In comparison with other (9) individual owners, E 3, d.o.o, holds a significant 47.27% stake in Knešca d.o.o. As at December 31 2020 the company is presented as a non-current asset held for sale.

| | | |
|---|---|---|
| Name of the Company: | KNEŠCA, d.o.o., Proizvodnja električne energije | |
| Abbreviated name: | KNEŠCA d.o.o. | |
| The registered seat: | Kneža 78, Most na Soči | |
| VAT ID number: | 92002307 | |
| Company number: | 5617383 | |
| Business account number: | SI56 2700 0000 0204 363 | |
| The subsidiary is registered in the register of Companies at the District Court in Nova Gorica under the registration number 1/04504/00. | | |
| Share capital: | €129,361 | |
| | E 3, d.o.o. | 47.27% |
| Owners of the company: | Natural entities | 52.73% |
| Director of the company: | Vincenc Hozjan | |

# 2. Performance analysis of the Elektro Primorska Group

Elektro Primorska Group ended the financial year 2021 with a net profit of €5,623,432, which is less than in 2020. Main reason is the exclusion of a subsidiary E 3, d.o.o., in 2021. due to the sale of the company, the parent company recognized €8,427,983 of financial revenues, while the Group realized losses from the sale of the subsidiary of €409,113. Consolidated financial statements take into account the operations of this company for 2021 only in the amount of four days. In 2021, the Group's total revenues from continuing and discontinued operations amounted to €55,822,057 (2020: €146,034,988), which is by €90,212,931 or 61.77% less than in 2020. Decrease is due to the sale of subsidiary in early 2021. Largest group of revenues is represented by operating revenues in the amount of €55,554,962 (2020: €145,780,794), which represents 99.52% of the Group's total revenue. Largest increase was in terms of net sales revenues on the domestic market and realized investments under own management.

Group's expenses from continuing and discontinued operations in 2021 amounted to €48,886,393 (2020: €139,569,876) and were by €90,683,483 lower than in 2020. Largest group of expenses is represented by operating expenses, namely in the amount of €48,590,080 (2020: €139,153,014). Operating expenses include the highest labour costs, which represent 68.95% of the Group's total operating expenses and amount to €18,923,974, which is by €1,315,588 less than last year's labour costs.

Value of assets from continuing and discontinued operations of the Elektro Primorska Group decreased in 2021 and amounted to €233,654,874 as at December 31 2021, the decrease is due to derecognition of assets for the sale of the subsidiary in the amount of €39,210,137 (disclosed in item Non-current assets held for sale 7.2.9.1). Largest increase, however, was on the side of property, plant and equipment, which amount to €210,455,447. Among current assets the largest value goes to short-term operating receivables, which as at December 31 2021 amounted to €6,853,653.

Group capital from continuing operations as at December 31 2021 amounts to €174,206,406 and has increased by €3,506,677 compared to the previous year. Share of capital in equity and liabilities of the Group at the end of 2021 amounts to 74.56% and is by 7.44 percentage points higher than in the previous year. At the end of the year, Group's non-current liabilities amounted to €42,979,564 and were by €1,273,307 higher than in the previous year, mainly on the account of the increase in deferred revenues of the Group fort he receive preliminary statement in 2021. Among Group's current liabilities in the amount of €16,468,905, operating liabilities in the amount of €11,690,739 represent the largest share.

| A. THE BASIC FINANCING STATE RATIOS | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Equity | 174,206,406 | 170,699,728 |
| Equity and liabilities | 233,654,874 | 253,376,715 |
| **Equity financing rate** | **74.56%** | **67.37%** |
| Total equity and long-term debts (including provisions) and long-term accruals | 217,185,970 | 212,405,985 |
| Equity and liabilities | 233,654,874 | 253,376,715 |
| **Long-term financing rate** | **92.95%** | **83.83%** |
| Debts | 59,448,468 | 82,676,986 |
| Equity and liabilities | 233,654,874 | 253,376,715 |
| **Debt financing rate** | **25.44%** | **32.63%** |

| B. THE BASIC INVESTMENT RATIOS | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Fixed assets (at book values) | 213,732,543 | 202,291,551 |
| Assets | 233,654,874 | 253,376,715 |
| **Operating fixed assets rate** | **91.47%** | **79.84%** |
| Long-term and short-term investments | 302,864 | 286,761 |
| Assets | 233,654,874 | 253,376,715 |

| | | |
|---|---|---|
| **Investment assets rate** | **0.13%** | **0.11%** |
| Non-current assets | 218,051,468 | 204,310,074 |
| Assets | 233,654,874 | 253,376,715 |
| **Long-term assets rate** | **93.32%** | **80.63%** |
| **C. THE BASIC HORIZONTAL FINANCIAL STRUCTURE RATIOS** | **31.12.2021** | **31.12.2020** |
| Equity | 174,206,406 | 170,699,728 |
| Assets (at book values) | 213,732,543 | 202,291,551 |
| **Equity to fixed assets rate** | **81.51%** | **84.38%** |
| Liquid assets | 6,160,041 | 1,837,633 |
| Short-term liabilities | 16,468,905 | 40,970,730 |
| **Acid test ratio** | **37.40%** | **4.49%** |
| Liquid assets and short-term receivables | 13,780,842 | 8,463,196 |
| Short-term liabilities | 16,468,905 | 40,970,730 |
| **Quick ratio** | **83.68%** | **20.66%** |
| Short-term assets | 15,603,406 | 49,066,641 |
| Short-term liabilities | 16,468,905 | 40,970,730 |
| **Current ratio** | **94.74%** | **119.76%** |

| **D. THE BASIC EFFICIENCY RATIOS** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Operating revenue | 54,741,384 | 49,477,415 |
| Operating expenses | 47,498,244 | 43,477,708 |
| **Operating efficiency ratio** | **1.152** | **1.138** |
| Revenue | 54,788,841 | 49,495,182 |
| Expenses | 47,690,599 | 43,742,225 |
| **Total operating efficiency ratio** | **1.149** | **1.132** |

| **E. PROFITABILITY RATIOS** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| EBITDA (operating income - operating expenses + AM + revaluation) | 21,090,277 | 19,371,703 |
| Gross operating yield | 54,741,384 | 49,477,415 |
| **EBITDA margin** | **38.53%** | **39.15%** |
| EBIT (operating revenue - operating expenses) | 7,243,141 | 5,999,707 |
| Gross operating yield | 54,741,384 | 49,477,415 |
| **EBIT margin** | **13.23%** | **12.13%** |
| Net profit or loss | 5,623,432 | 6,236,188 |
| Sales revenue | 40,948,757 | 36,754,101 |
| **Net return on revenue** | **13.73%** | **16.97%** |
| Net profit or loss | 5,623,432 | 6,236,188 |
| Average assets | 243,995,378 | 250,449,596 |
| **Net return on assets ratio (ROA)** | **2.30%** | **2.49%** |
| Net profit or loss | 5,623,432 | 6,236,188 |
| Average capital (excluding net profit or loss for the year) | 169,641,351 | 165,917,801 |
| **Net return on equity ratio (ROE)** | **3.31%** | **3.76%** |
| Total dividends paid for the year | 2,254,068 | 2,629,746 |
| Average share capital | 110,465,795 | 94,424,806 |
| **Dividend to share capital ratio** | **0.020** | **0.028** |

| | | |
|---|---|---|
| Dividends paid in the current year | 2,254,068 | 2,629,746 |
| Average capital | 169,641,351 | 165,917,801 |
| **Dividend to share capital ratio** | **1.33%** | **1.58%** |
| **F. SHARES** | **31.12.2021** | **31.12.2020** |
| Equity | 174,206,406 | 170,699,728 |
| Number of shares | 18,783,898 | 18,783,898 |
| Number of treasury shares | 0 | 42,899 |
| **Book value per share (in EUR)** | **9.27** | **9.11** |
| Net profit or loss | 5,623,432 | 6,236,188 |
| Weighted average number of ordinary shares | 18,783,898 | 18,783,898 |
| Diluted average number of ordinary shares | 18,783,898 | 18,783,898 |
| **Basic and diluted earnings per share (EUR/share)** | **0.30** | **0.33** |

**Table 105: Key performance ratios of Elektro Primorska Group**

# 3. Risk management

Risks are managed in accordance with the integrated risk management (IRM) methodology of the Elektro Primorska Group. Subsidiary E 3, d.o.o, buys and sells electricity and as such is largely exposed to the market risks. Elektro Primorska Group is exposed to various risks, all of which are monitored on a regular basis, and the Group adopts relevant measures to mitigate the risks and ensure stable operating conditions. Risk management is one of the key tasks of the Elektro Primorska Group management.

It is primarily subsidiary E 3, d.o.o, that is exposed to the market risk. Risk results from uncertain price movements on the domestic and foreign electricity markets, where the company is present, and from the open positions of its trading portfolio. An open position that is exposed to market risk arises when the aggregate quantity of electricity purchased at a fixed price over a given accounting period deviates from the quantities sold at a fixed price. In doing so, the risk is managed largely by ensuring that each sale has an appropriate purchase transaction, and vice versa. To hedge open positions, the company uses the option of purchasing electricity through several »open« contracts, which allow optimum electricity purchase in several markets in addition to contracts with delivery at a fixed price, and by setting limits that prevent open positions to exceed the percentage quantities of electricity as provided by the Regulation.

Quantitative risks. This type of risks is more pronounced in the subsidiary primarily as a result of risks arising from the difference between the forecast (leased) and the actual quantities of supplied electricity. Quantitative risks are borne by the company in open agreements, i.e., in all contracts with end customers and qualified producers. Company manages these risks through a comprehensive information support used for long- and short-term forecasting of electricity consumption and delivery, and by active and daily monitoring of deviations at all measurement points included in the subgroup. Quantitative risk of E 3, d.o.o, is assessed as moderate.

Price risks are linked to increased competition and uncertainty in the electric power market. EP Group manages price risks through appropriate pricing policies and coordinated maturity of the sales and purchase agreements. Price risk of the Group is assessed as moderate.

Credit risk arises as a result of losses due to untimely fulfilment or even default on the part of customers. Group limits credit risk by carefully checking creditworthiness of its customers, continuous monitoring and managing credit exposure to individual customers according to the set limits, and by consistent monitoring of outstanding receivables. To mitigate the credit risk, sale transactions in the electricity sector are mostly secured by instruments, including appropriate collateral. Risk management is associated not only with collateral, but mainly with the defined contractual terms and conditions of sale, which the Group enforces for all types of transactions. Risk is assessed as low.

**Liquidity risk and risks associated with cash flows** arise, if the group companies are unable to meet their financial obligations on maturity. As the companies ensure daily monitoring and planning of short- and long-term solvency based on regular coordination and planning of cash flows, the liquidity risk is within the range of acceptable parameters and is manageable. Risk is assessed as moderate.

**Interest rate risk.** Due to short-term and long-term borrowings from domestic and foreign banks, the Group could be exposed to the risk of changes in reference interest rates, which could affect its financing costs. As a result, both companies carefully monitor their exposure to interest rate risk on an ongoing basis and take appropriate measures to mitigate it. Due to the current economic situation and the fact that all the long-term borrowings were agreed at a fixed interest rate, it is assessed that the Group is not exposed to the interest rate risk.

**Legislative risk** results from changes in market rules or legislation on the Slovenian and foreign electricity markets, and may affect business results. Developments in the relevant legislation are monitored by the parent company and its subsidiary E 3, d.o.o, to ensure prompt response to any potential changes by adjusting their trading and production activities. As Elektro Primorska strictly complies with the requirements of the General Data Protection Regulation (GDPR) issued by the EU with regard to the processing of personal data and on the free movement of thereof, the level of such risks is moderate.

**Operational risk** is present in all business operations carried out by the group companies. Risk of financial losses may arise due to lack of efficacy of information technology, quality processes or control processes. Risks are mitigated by the internal control system based on the principle that all major operations are performed under control of at least two persons, by ensuring permanent improvements to and upgrading of the information structure, and automatic control of the individual process stages. In addition, the group companies endeavour to mitigate the risk by precisely specifying all the processes, clearly defining the roles of individuals, including their powers and responsibilities, and adopting relevant policies and manuals. Operational risks are mitigated by highly professional, experienced and motivated employees. Risk is assessed as low.

**Human resources risk** is associated with a potential loss or shortage of qualified personnel. Group companies employed 485 staff as at December 31 2021 (2019: 525 employees from discontinued and maintained operations), of which 408 men (2020: 423 from discontinued and maintained operations) and 77 women (2020: 102 from discontinued and maintained operations). Companies manage the risk by continuous training of employees, promoting further education, by creating good working conditions, providing accident insurance, financing supplementary pension schemes, and facilitating secondary activities that affect the well-being of employees. Risk is assessed as moderate.

# 4. Operations of the Elektro Primorska Group

Companies in the Elektro Primorska Group are engaged in various activities. Most important of those are implemented by the parent company, as its main activities include electricity distribution and management of the network grid, and by activities carried out by its subsidiary E 3, d.o.o.. Subsidiary E 3, d.o.o., is mainly engaged in the purchase and sale of electricity, as well as in electricity production from renewable resources, and co-generation and supply of steam and hot water within the scope of its public services of providing heat supply. Subsidiary was recognized and accounted for as part of the Group only for the period from January 1 2021 to January 4 2021.

two companies individually and collectively achieved and exceeded all planned objectives. Group ended the financial year with a profit , the result is lower than in 2020, mainly due to the sale of the subsidiary.

# 5. Event after the balance sheet date

On February 22 2022, the National Assembly adopted the Act Determining the Measures to Mitigate the Consequences of Rising Energy Prices (hereinafter the Act). Act came into force on March 5 2022.

Adoption of the Act will have a significant impact on the operations of the parent company in 2022 (estimated loss of revenues amounts to €9,058,837). Statrting points for the revised business plan of the company for 2022 have been prepared, which are summarized below:

- Reduction of investments from €22 million to €15 million.
- Reduction of external services in the areas of maintenance services for SODO (felling, dismantling...) and in the maintenance of business facilities, vehicles or machinery, ICT, measuring and control devices and donations, sponsorships in the total amount of approximately €1,040,000.

In March 2022, a military invasion of Ukraine was carried out by Russia, which caused unrest in the financial markets. This uncertainty causes large daily fluctuations in the prices of stocks, bonds, commodities and currencies and results in rapidly rising oil and gas prices.

Prices of most raw materials have been rising for more than a year due to the economic recovery following the release of measures against the COVID-19 pandemic. Sharp increase in demand cannot be quickly filled by supply due to logistical barriers and bottlenecks in supply chains. As a result, price inflation in the areas of materials and energy will have a significant impact on the Group's current and future operations.

In the period subsequent to the reporting date (December 31 2021) and adoption of the Annual Report on May 14 2021, the Group received preliminary statement of accounts from SODO, d.o.o., for the 2021 regulation year. Preliminary statement of accounts for 2021 is based on non-audited financial statements. It is clear from the preliminary statement of accounts that based on the value of paid advances in 2021, the contractual value of services and rental of electricity infrastructure already charged is €2,880,841 lower than the values established in the preliminary settlement of accounts (understatement of rent in the amount of €997,381 and services undercharged by €1,883,460, according to the value of advance payments of the year). Therefore, the Group increased revenues from services under the contract with SODO, d.o.o., in the amount of €1,854,937 and the value of rental income from the lease of energy infrastructure by €997,381, and recognised €28,523 of regulatory interest.

# 6. Consolidated financial statements

## INDEPENDENT AUDITOR'S REPORT

Building a better working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ELEKTRO PRIMORSKA d.d.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

**Opinion**

We have audited the consolidated financial statements of Group ELEKTRO PRIMORSKA (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31 2021, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

**Key audit matters**

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Own work capitalized

As at 31 December 2021, the net book value of the property, plant and equipment amounts to EUR 210.455 thousand, as disclosed in Note *7.3.3 – Property plant and equipment* and own work capitalized amount to EUR 11.562 thousand, as disclosed in Note 7.4 .1.2 *Own work capitalized, respectively*.

The Group also carries out the activity of own construction of buildings and equipment, in particular in facilities and equipment in connection with the electricity distribution network.
Investments in property, plant and equipment built by the company itself is valued on the basis of estimated hourly rates of contractors/employees, which includes, in addition to labour costs, other direct and indirect costs.

The determination of the cost of the underlying assets built by the companies within the Group themselves includes management assessments and estimates of the inclusion of direct as well as indirect costs attributable to the construction of the property, plant and equipment as laid down by the IAS 16.

In respect of valuation and allocation of assets, there is a risk that costs which do not meet the criteria for capitalisation in accordance with IAS 16 are inappropriately recorded in the statement of financial position rather than expensed.

Due to significance of management assessments and judgements related to the assessment of the amount and composition of costs included in the cost of construction of property, plant and equipment, we consider this matter to be key audit matter.

Our audit procedures included considering the appropriateness of the Group's own work capitalisation accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards as adopted by the EU., in particular IAS 16 – Property, plant and equipment.

We obtained an understanding of the capitalisation of own work process and evaluated and tested design of respective controls.

We inquired by the management about management's assessments and estimates in relation to capitalized own products and services. We inquired those responsible for investments regarding the process of capitalising our own products and services.

We performed analytical procedures over own work capitalized compared to the previous years and to the budget.

We obtained the list of the additions to the property, plant and equipment with capitalized own work, and reconciled it to the trail balance.

In addition, we also carried out substantive testing in relation to each element of capitalized costs and for a sample of capitalized costs, which was determined on the basis of materiality and professional judgement, verified supporting documentation, obtained an understanding of their nature and assessed whether the conditions for recognition of assets were met, namely:

- We obtained the calculation of the hourly rates used in capitalising labour costs and verified their adequacy according to the type of work carried out
- For the costs of the material consumed, we obtained supporting documentation and basis for book entries
- Verified supporting documentation and basis for book entries for travel expenses
- We verified the reasonableness and adequacy of other direct costs
- We verified the recording of capitalized own work in the company's financial statements.

We also considered the adequacy of the *Group's* disclosures in Note 7.3.3 – Property plant and equipment and 7.4.1.2 Own work capitalized and their compliance and their compliance with International Financial Reporting Standards as adopted by the EU.

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Sale of subsidiary E3 d.o.o

| | |
|---|---|
| As disclosed in the 7.2.9.1. Non-current assets (disposal groups) held for sale and Note 7.4.3. Other operating expenses the Group on 5 January 2021 finalized the sale of its subsidiary E3 d.o.o., based on the signed Share Purchase Agreement in February 2020.<br><br>The Share Purchase Agreement included several control-takeover conditions, which were finally fulfilled on 5.1.2021 when the control over the subsidiary was actually lost.<br><br>As disclosed in the Note 7.4.3. Other operating expenses, the Group realized a loss on this transaction in the amount of EUR 409 thousand.<br><br>Due to the significance of the management's assessment of the date of loss of control and the magnitude of the impact of the derecognition of the investment in subsidiary in the statement of financial position in 2021, this area has been set as a key audit matter. | We assessed the accounting treatment for this transaction including derecognition of Non-current Assets held-for-sale presentation and timing of recording of the associated effects.<br><br>We obtained the Share purchase agreement and other supporting documentation as well as supervisory board approval for the transaction.<br><br>We inquired by the management regarding this transaction and management's judgments about the date of loss of control.<br><br>We assessed if the conditions set in the Share Purchase Agreement regarding the loss of control over subsidiary by the Company had been met on 5 January 2021.<br><br>We verified the entry in the Court register for the company E3 d.o.o. on the withdrawal of the shareholder Elektro Primorska d.d. from the ownership of company E 3 d.o.o. on 5.1.2021 and receipt of the purchase price on 5.3.2021.<br><br>We also considered the adequacy of the Group's disclosures in 7.2.9.1 - Non-current assets (disposal groups) held for sale and Note 7.4.3. *Other operating expenses* and their compliance with International Financial Reporting Standards as adopted by the EU. |

**Other Information**

Other information comprises the information included in the consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e., whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

**Responsibilities of management, audit committee and the supervisory board for the consolidated financial statements**

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

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

The audit committee and the supervisory board are responsible for overseeing the Group's financial reporting process. The supervisory board is responsible to approve the audited annual report.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA 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 audit rules, we exercise professional judgment and maintain professional skepticism 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 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's/Group's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company/Group 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 regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other

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matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

*Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council*

Appointment and Approval of Auditor

We were appointed as auditors of the Group at the general meeting of shareholders/owners on 28 June 2019, the president of the supervisory board has signed the audit agreement on October 16, 2019. The agreement was signed for the period of 3 years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 7 years. Sanja Košir Nikašinović and Lidija Šinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

Consistence with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Group.

Ljubljana, 22 April 2022

Sanja Košir Nikašinović
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

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## 6.1 Consolidated statement of financial position of the Group as at December 31 2021

in EUR

| Assets | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 7.3.1. | 3,277,097 | 3,450,454 |
| Rights to use assets | 7.3.2. | 435,211 | 377,262 |
| Tangible fixed assets | 7.3.3. | 210,455,447 | 198,841,097 |
| Investment property | 7.3.4. | 243,700 | 223,353 |
| Other shares and stakes | 7.3.5. | 302,864 | 286,761 |
| Operating receivables | 7.3.7. | 33,538 | 166,366 |
| Other non-current assets | 7.3.8. | 2,639,335 | 10,670 |
| Deferred tax assets | 7.3.9. | 664,277 | 954,110 |
| **Total non-current assets** | | **218,051,468** | **204,310,074** |
| **Short-term assets** | | | |
| Non-current assets for sale | 7.2.9.1. | 0 | 39,210,137 |
| Stocks | 7.3.10. | 1,440,433 | 1,164,763 |
| Assets under contracts with customers | 7.3.13. | 269,262 | 1,149,013 |
| Operating receivables | 7.3.12. | 6,853,653 | 6,029,668 |
| Income tax receivables | 7.3.12.1. | 497,465 | 364,449 |
| Other receivables | 7.3.12.1. | 269,684 | 231,446 |
| Other short-term assets | 7.3.14. | 112,870 | 38,698 |
| Cash and cash equivalents | 7.3.15. | 6,160,041 | 1,837,633 |
| **Total short-term assets** | | **15,603,406** | **50,025,807** |
| **Total assets** | | **233,654,874** | **254,335,881** |

**Table 106: Consolidated statement of financial position of the Group as at December 31 2021 (assets)**

in EUR

| | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Capital and liabilities** | | | |
| **Capital** | | | |
| Share capital | | 110,465,795 | 110,465,795 |
| Capital reserves | | 46,306,588 | 46,306,588 |
| Statutory reserves | | 1,811,793 | 1,217,430 |
| Other profit reserves | | 12,420,553 | 11,879,220 |
| Fair value reserves | | -1,316,754 | -1,623,947 |
| Retained profit or loss | | 4,518,431 | 2,454,643 |
| **Total capital** | **7.3.16.** | **174,206,406** | **170,699,728** |
| Provisions for post-employmen and other long-term employee benefits | 7.3.17. | 5,252,176 | 5,409,436 |
| Deferred revenue | 7.3.18. | 12,026,179 | 10,691,585 |
| Financial liabilities | 7.3.19. | 25,701,209 | 25,605,235 |
| **Total non-current liabilities** | | **42,979,564** | **41,706,256** |
| **Short-term liabilities** | | | |
| Non-current liabilities for sale | 7.2.9.1. | 0 | 23,851,024 |
| Financial liabilities | 7.3.21. | 3,994,505 | 7,676,674 |
| Operating liabilities | 7.3.21. | 11,690,739 | 8,361,454 |
| Income tax liabilities | | 0 | 0 |
| Liabilities under contracts with customers | 7.2.22. | 21,191 | 19,231 |
| Other liabilities | 7.2.23. | 762,470 | 2,021,513 |
| **Total short-term liabilities** | | **16,468,905** | **41,929,896** |
| **Total liabilities** | | **59,448,468** | **83,636,152** |
| **Total capital and liabilities** | | **233,654,874** | **254,335,881** |

**Table 107: Statement of financial position of the Group as at  December 31 2021**

Notes to the financial statements are an integral part thereof and should be read in conjunction with them.

## 6.2 Consolidated profit and loss account for the financial year ended as at December 31 2021

in EUR

| | Note | 2021 | 2020 |
|---|---|---|---|
| Net sales revenue: | 7.4.1.1. | 40,948,757 | 36,754,101 |
| - revenue from contracts with customers | | 21,706,054 | 20,455,541 |
| - other sales revenue | | 19,242,702 | 16,298,560 |
| Change in the value of work in progress | | 0 | 0 |
| Capitalized own products and services | 7.4.1.2 | 11,562,494 | 10,493,687 |
| Other operating revenues | 7.4.1.3 | 2,230,133 | 2,229,626 |
| Costs of goods and material | 7.4.2. | -7,668,548 | -6,118,753 |
| Costs of services | 7.4.2. | -6,384,279 | -5,513,894 |
| Labour costs | 7.4.2. | -18,903,654 | -18,268,773 |
| Depreciation | 7.4.2. | -13,561,528 | -12,941,305 |
| Impairments and write-offs | 7.4.2. | -285,609 | -430,691 |
| - of which net impairments and write-offs of operating receivables | | -6,415 | -10,080 |
| Other operating expenses | 7.4.3. | -694,625 | -204,292 |
| **OPERATING RESULT** | | **7,243,141** | **5,999,707** |
| **Share of profit or loss on investments, valued according to equity method** | | **0** | **0** |
| Financial revenues | 7.4.4. | 47,456 | 17,767 |
| Financial expenses | 7.4.5. | -192,356 | -264,517 |
| **Net increase/decrease in cash and cash equivalents** | | **-144,899** | **-246,750** |
| **PRE-TAX PROFIT** | | **7,098,242** | **5,752,957** |
| **Tax charged** | **7.4.6.** | **-1,077,295** | **-460,020** |
| **Deferred tax** | | **-236,871** | **222,574** |
| **Income tax** | | **-1,314,166** | **-237,446** |
| **NET PROFIT OR LOSS FROM CONTINUED OPERATIONS** | **7.4.7.** | **5,784,076** | **5,515,511** |
| Discontinued operations | 7.2.9.1. | -160,644 | 720,676 |
| **NET PROFIT OR LOSS FROM DISCONTINUED OPERATIONS** | | **-160,644** | **720,676** |
| **TOTAL NET PROFIT FOR THE BUSINESS YEAR** | | **5,623,432** | **6,236,188** |
| **Earnings per share (in EUR)** | | **0.30** | **0.33** |
| **Adjusted earnings per share (in EUR)** | | **0.30** | **0.33** |
| **Earnings per share of continued operations (in EUR)** | | **0.31** | **0.29** |
| **Adjusted earnings per share (in EUR)** | | **0.31** | **0.29** |

**Table 108: Consolidated profit and loss account for the financial year ended as at December 31 2021**

Notes to the financial statements are an integral part thereof and should be read in conjunction with them.

## 6.3 Consolidated statement of comprehensive income for the year ended as at December 31 2021

in EUR

| | 2021 | 2020 |
|---|---|---|
| **Net profit** | **5,623,432** | **6,236,188** |
| Other comprehensive income for the year | | |
| **Other comprehensive income for the year, which will be recognized in the income statement in the future** | | |
| Revaluation of financial investments measured at fair value through equity -continued operations | 16,102 | -7,814 |
| **Net other comprehensive income for the year, which will be recognized in the income statement in the future** | **16,102** | **-7,814** |
| **Other comprehensive income for the year, which will not be recognized in the income statement in the future** | | |
| Actuarial gains/losses on severance pay provisions | | |
| -continued operations | 142,754 | -248,058 |
| -discontinued operations | | -45,614 |
| Impact of deferred taxes | | |
| -continued operations | -21,542 | 18,640 |
| -discontinued operations | | 4,072 |
| **Net other comprehensive income for the year, which will not be recognized in the income statement in the future** | **121,212** | **-270,960** |
| **Total other comprehensive income of the year (after taxes)** | **137,315** | **-278,774** |
| **Total comprehensive income of the year (after taxes)** | **5,760,746** | **5,957,414** |

**Table 109: Consolidated statement of comprehensive income for the year ended as at December 31 2021**

## 6.4 Consolidated cash flow statement for the year ended 31 December 2021

in EUR

| | Note | 2021 | 2020 |
|---|---|---|---|
| **A. OPERATING CASH-FLOW** | | | |
| **1.Operating receipts** | | **74,504,879** | **250,821,903** |
| a. Receipts from sales of products and services | | 42,941,142 | 217,305,161 |
| b. Other operating receipts | | 31,563,737 | 33,516,742 |
| **2. Operating expenditure** | | **-60,487,702** | **-232,399,459** |
| a. Expenditure for purchase of material and services | | -10,011,677 | -122,751,019 |
| b. Expenditure for salaries and employees profit shares | | -18,369,027 | -19,705,134 |
| c. Expenditure on benefits of all kinds | | -1,910,061 | -7,420,747 |
| d. Expenditure for income tax | | -682,641 | -1,132,708 |
| d. Other operating expenditure | | -29,514,296 | -81,389,851 |
| **3. Positive or negative cash flow from operating activities** | | **14,017,177** | **18,422,444** |
| **B. CASH FLOWS IN INVESTING ACTIVITIES** | | | |
| **4. Receipts in investing activities** | | **17,215,963** | **827,965** |
| a. Receipts from received interest | | 10,268 | 146,135 |
| b. Receipts from profit shares | | 4,026 | 68,495 |
| c. Receipts from disposal of tangible fixed assets | | 251,669 | 560,185 |
| d. Receipts from disposals of long-term financial investments | | 14,950,000 | 0 |
| e. Receipts from disposals of short-term financial investments | | 2,000,000 | 53,150 |
| **5. Expenditure in investing activities** | | **-20,574,250** | **-16,165,642** |
| a. Expenses for acquisition of intangible assets | | -1,272,518 | -1,564,648 |
| b. Expenses for acquisition of tangible fixed assets | | -17,301,732 | -14,552,043 |
| c. Expenses for acquisition of LT and ST financial investments | | -2,000,000 | -48,950 |
| **6. Positive or negative cash flow from investing activities** | | **-3,358,287** | **-15,337,677** |
| **7. Positive or negative cash flow from operating and investing activities** | | **10,658,890** | **3,084,766** |
| **C. CASH FLOWS IN FINANCING ACTIVITIES** | | | |
| **8. Receipts in financing activities** | | **8,700,000** | **51,950,000** |
| a. Receipts from long-term loans obtained | | 5,000,000 | 0 |
| b. Receipts from short-term loans obtained | | 3,700,000 | 51,950,000 |
| **9. Expenditure in financing activities** | | **-14,916,068** | **-55,810,321** |
| a. Expenditure for given interest | | -254,221 | -328,977 |
| b. Capital expenditure | | 0 | 0 |
| c. Expenditure on rights to use of leased assets | | -60,557 | -54,376 |
| d. Expenditure for repayment of long-term loans | | -5,147,222 | -4,347,222 |
| e. Expenditure for repayment of short-term loans | | -7,200,000 | -48,450,000 |
| f. Expenditure for dividend | | -2,254,068 | -2,629,746 |
| **10. Positive or negative cash flow from financing activities** | | **-6,216,068** | **-3,860,321** |
| **11. Total positive or negative cash flow** | | **4,442,822** | **-775,554** |
| Č. CLOSING CASH BALANCE | | 6,280,454 | 2,629,851 |
| **X. Opening cash balance** | | **1,837,633** | **3,405,406** |
| **Y. CASH FLOW FOR THE PERIOD** | 7.5. | **4,442,822** | **-775,554** |
| **Cash eliminated in the re-quaification/elimination process** | | **-120,414** | **-792,219** |
| **Closing cash balance on the last day of the accounting period** | | **6,160,041** | **1,837,633** |

**Tabela 110: Consolidated cash flow statement for the year ended as at December 31 2021**

Notes to the financial statements are an integral part thereof and should be read in conjunction with them.

## 6.5 Consolidated statement of changes in equity for the year ended as at December 31 2021

in EUR

| | Called-up capital | | Profit reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserves | Statutory reserves | Reserves for own shares | Own shares | Other profit reserves | Fair value reserves | Net profit brought forward | Net profit of the business year | Total capital |
| | I/1 | II | III/1 | | | III/5 | IV | V/1 | VI/1 | |
| A.1. Balance 31.12.2020 | 110,465,794 | 46,306,588 | 1,217,430 | 0 | 0 | 11,879,220 | -1,623,947 | 0 | 2,454,643 | 170,699,728 |
| A.2. Balance 1.1.2020 | 110,465,794 | 46,306,588 | 1,217,430 | 0 | 0 | 11,879,220 | -1,623,947 | 0 | 2,454,643 | 170,699,728 |
| **B.1. Changes in equity capital – transactions with owners** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **-2,254,068** | **0** | **-2,254,068** |
| a) Withdrawal of own shares | 0 | 0 | | | 0 | | | | | 0 |
| b) Release of reserves for own shares | | | | 0 | | | | 0 | 0 | 0 |
| c) Dividend payment | 0 | 0 | 0 | | | 0 | 0 | -2,254,068 | | -2,254,068 |
| **B.2. Total comprehensive income of reporting period** | **0** | **0** | **0** | | | **0** | **137,315** | **0** | **5,623,432** | **5,760,746** |
| a) Entry of net profit or loss for the reporting period | 0 | 0 | 0 | | | 0 | 0 | 0 | 5,623,432 | 5,623,432 |
| b) Fair value reserves | 0 | 0 | 0 | | | 0 | 16,102 | 0 | 0 | 16,102 |
| b) Other components of comprehensive income for the reporting period | 0 | 0 | 0 | | | 0 | 121,212 | 0 | 0 | 121,212 |
| **B.3. Changes within capital** | **0** | **0** | **594,363** | **0** | **0** | **541,333** | **169,878** | **2,254,068** | **-3,559,643** | **0** |
| a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital | 0 | 0 | 0 | | | | 0 | 2,254,068 | -2,254,068 | 0 |
| b) Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control | 0 | 0 | 711,536 | | | 529,140 | -19,103 | 84,001 | -1,305,575 | 0 |
| c) Allocation of part of net profit to form additional reserves by resolution of the General Meeting | 0 | | | | | 0 | | 0 | 0 | 0 |
| d) Changes due to the sale of subsidiary | | | -117,173 | | | 12,193 | 104,980 | | 0 | 0 |
| e) Other changes within capital | 0 | 0 | 0 | | | 0 | 84,001 | -84,001 | 0 | 0 |
| **C. Balance 31.12.2021** | **110,465,794** | **46,306,588** | **1,811,793** | **0** | **0** | **12,420,553** | **-1,316,754** | **0** | **4,518,431** | **174,206,406** |
| **Distributable profit 2021** | | | | | | | | **0** | **4,518,431** | **4,518,431** |

**Table 111: Consolidated statement of changes in equity for the year ended as at December 31 2021**

Notes to the financial statements are an integral part thereof and should be read in conjunction with them.

## 6.6 Consolidated statement of changes in equity for the year ended as at December 31 2020

in EUR

| | Called-up capital | | Profit reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserves | Statutory reserves | Reserves for own shares | Own shares | Other profit reserves | Fair value reserves | Net profit brought forward | Net profit of the business year | Total capital |
| | I/1 | II | III/1 | | | III/5 | IV | V/1 | VI/1 | |
| A.1. Balance 31.12.2019 | 78,383,817 | 46,306,588 | 1,037,440 | 0 | 0 | 40,291,393 | -1,399,772 | 90,257 | 2,662,337 | 167,372,061 |
| A.2. Balance 1.1.2020 | 78,383,817 | 46,306,588 | 1,037,440 | 0 | 0 | 40,291,393 | -1,399,772 | 90,257 | 2,662,337 | 167,372,061 |
| **B.1. Changes in equity capital – transactions with owners** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **-2,629,746** | **0** | **-2,629,746** |
| a) Withdrawal of own shares | 0 | 0 | | | 0 | | | | | 0 |
| b) Release of reserves for own shares | | | | 0 | | | | 0 | 0 | 0 |
| c) Dividend payment | 0 | 0 | 0 | | | 0 | 0 | -2,629,746 | 0 | -2,629,746 |
| **B.2. Total comprehensive income of reporting period** | **0** | **0** | **0** | | | **0** | **-278,774** | **0** | **6,236,188** | **5,957,414** |
| a) Entry of net profit or loss for the reporting period | 0 | 0 | 0 | | | 0 | 0 | 0 | 6,236,188 | 6,236,188 |
| b) Change in revaluation surplus on financial investments | 0 | 0 | 0 | | | 0 | -7,814 | 0 | 0 | -7,814 |
| b) Other components of comprehensive income for the reporting period | 0 | 0 | 0 | | | 0 | -270,960 | 0 | 0 | -270,960 |
| **B.3. Changes within capital** | **32,081,977** | **0** | **179,990** | | | **-28,412,173** | **54,600** | **2,539,489** | **-6,443,882** | **0** |
| a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital | 0 | 0 | 0 | | | 250,000 | 0 | 2,629,746 | -2,879,746 | 0 |
| b) Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control | 0 | 0 | 179,990 | | | 3,419,804 | 0 | -35,657 | -3,564,136 | 0 |
| c) Allocation of part of net profit to form additional reserves by resolution of the General Meeting | 32,081,977 | | | | | -32,081,977 | | 0 | 0 | 0 |
| d) Other changes within capital | 0 | 0 | 0 | | | 0 | 54,600 | -54,600 | 0 | 0 |
| **C. Balance 31.12.2020** | **110,465,794** | **46,306,588** | **1,217,430** | **0** | **0** | **11,879,220** | **-1,623,947** | **0** | **2,454,643** | **170,699,728** |
| Distributable profit 2020 | | | | | | | | 0 | 2,454,643 | 2,454,643 |

**Table 112: Consolidated statement of changes in equity for the year ended as at December 31 2020**

Notes to the financial statements are an integral part thereof and should be read in conjunction with them.

# 7. Financial report of the Elektro Primorska Group

## 7.1 General notes and disclosures

Consolidated financial statements of the Group have been compiled in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU Regulation, and which were adopted by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC"), as endorsed by the European Union, and in compliance with provisions of the Companies Act (ZGD). These consolidated financial statements have been prepared under IFRS.

## 7.2 Basis of preparation of consolidated financial statements and significant accounting policies

### 7.2.1 Statement of compliance

Management Board approved the separate financial statements of the Company and consolidated financial statements of the Group on May 14 2021.

Consolidated financial statements of the Elektro Primorska Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC"), as adopted by the European Union, and in compliance with the Companies Act.

### 7.2.2 Basis of measurement

Group's financial statements are prepared based on the historical costs convention. Methods applied in the measurement of fair values are presented in Note 7.8.

### 7.2.3 Functional and presentation currency

Financial statements contained in this report are presented in euros (€) without cents, which is the functional and presentation currency of the Group. Due to rounding of figures, insignificant deviations may occur in the sums contained in the tables.

Transactions in foreign currencies are translated into euro at the exchange rate of the European Central Bank (ECB) on the transaction date. Exchange rate differences between the date of the transaction and the date of payment are recognised in profit or loss as a financial expense or income.

### 7.2.4 Going concern assumption

Parent company continues to operate as a going concern without any risk of its operations being endangered.

### 7.2.5 Discontinued operations

In accordance with the contract for the sale of a 100% stake in E 3, d.o.o., signed in February 2020, in the financial years 2020 and 2021, the subsidiary was considered as a discontinued operation. Group presents the spin-off company as a discontinued operation, which is an important segment of operations, generating revenue from the sales of electricity to end customers. Discontinued operations are excluded from continuing results and presented in the income statement as a single amount of the net profit from discontinued operations. In the statement of financial position, assets of discontinued operations are presented under non-current assets/ liabilities held for sale. Additional disclosures are provided in the continuation. Cash flow statement contains transactions from continued and discontinued operations, while the cash flow by segments is disclosed (in section 7.2.9.1.).

### 7.2.6 Segment reporting

Company is not required to apply provisions of IFRS 8 and therefore its data is not disclosed by segments.

### 7.2.7 Use of estimates and judgements

In the preparation of financial statements, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying amount of assets and liabilities, revenues and expenses. Pricing and related assumptions and uncertainties are disclosed in the notes to the individual financial statement items. Those estimates, judgements and assumptions are regularly revised. Since estimates and assumptions are subject to subjective judgement and some degree of uncertainty, subsequent actual results may differ from those estimates. Any changes in accounting estimates are recognised in the period when the change occurred, providing the change only affects that particular period; however, when the change also impacts future periods, they are recognised in the period of the change occurring and future periods.

## ESTIMATES AND ASSUMPTIONS ARE USED PRIMARILY WHEN MAKING THE FOLLOWING JUDGEMENTS

### LEASES (NOTE 7.3.2.)

Group has made the following accounting judgements that have a significant impact on the determination of the right-of-use assets and lease liabilities:

- **Identification of lease contracts**
  contract is identified as a lease if it renders the Group the right to control the leased asset. Group controls the asset if it is able to use the asset and is entitled to the economic benefits from the asset.

- **Determining the term of the lease**
  Lease term is determined as the period during which the lease cannot be terminated, inclusive of:

a. period for which the option to extend the lease applies, if it is reasonably certain that the lessee will exercise the option;
b. period for which the option to terminate the lease applies, if it is reasonably certain that the lessee will not exercise the option. Generally, the lease term is agreed in the contract. Where the contractual period is not specified, the lease term is assessed based on the Group's needs to use the asset, considering the Group's plans and long-term business policies.

- **Determining the discount rate**
  Discount rate is determined based on the interest rate at which the Group can obtain comparable assets on the market with a comparable maturity.

## ASSESSMENT OF REVENUE FROM CONTRACTS WITH CUSTOMERS (NOTE 7.3.13.)

Key judgements relating to revenue recognition refer to revenues from contracts with customers and sales made in the name and on behalf of third parties.

**Revenue from contracts with customers**

Group has adopted the following accounting judgements, which have a significant impact on the determination of the amount and timing of revenue recognition from contracts with customers:

- **Determining the point in time when contractual obligations are fulfilled:**
  Revenue from the sale of goods and services is recognised at the time of sale. From the time of sale, the Group no longer has control of the goods or services sold.

**Sales made in the name and for the account of third parties**

Group invoices network charge on behalf of SODO, d.o.o. These network charges are not recognised as revenue, but rather as an obligation to SODO, d.o.o. Group has no discretionary right when determining the price for the network charges invoiced on behalf of third parties.

**Capitalised costs to obtain contracts**

Group has examined the impact of the assessment of deferred income under IFRS 15 in terms of costs to obtain contracts with customers and found that the Group has no non-capitalised costs as at December 31 2021 (as at December 31 2020 these costs amounted to €149,131).

## ASSESSMENT OF USEFUL LIVES OF DEPRECIABLE ASSETS (NOTES 7.3.1. AND 7.3.3.)

Economic life of an asset is assessed in consideration of expected physical wear and tear, technical and functional obsolescence and expected legal and other restrictions of use. Group revises economic lives of all significant assets to determine whether due to changed circumstances, the asset's assessed economic life has changed resulting in the revaluation of the amortisation/depreciation of an asset.

## ASSETS' IMPAIRMENT TESTING

Information on significant estimates about uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements applies to and is presented within:

- fixed assets (notes 7.3.1. and 7.3.2.),
- investment in associates (note 7.2.9.1.),
- other shares and stakes (note 7.3.5.),
- financial receivables (notes 7.3.7. and 7.3.12.).

### FAIR VALUE ASSESSMENT OF ASSETS (NOTE 7.2.9.)

Financial assets measured at fair value through profit or loss are recognised at fair value. All other items in the financial statements are recognised at cost or amortised cost.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities,
Level 2 – valuation techniques for which the lowest level input is directly or indirectly observable,
Level 3 – valuation techniques for which the lowest level input is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the reporting date.

Fair value measurement hierarchy of the Group's assets and liabilities is presented in Note 7.2.9. while accounting policies applied to individual financial statement items are explained in section 3.p.

Group regularly checks if there has been a change in control held in joint ventures and associates, thus ensuring that investments are adequately reported in the financial statements.

Evidence of investors' significant influence is shown by one or more of the following facts, namely:

- representation on the Board of Directors or equivalent decision-making body of the company in which the Group/Company has invested,
- participation in policy-making processes, including participation in decisions about dividends,
- material transactions between the investor and the company in which the Group has invested.

### ASSESSMENT OF PROVISIONS FOR LEGAL DISPUTES (NOTE 7.2.9.)

Individual Group companies have filed multiple lawsuits and the Group ensures regular estimate of the need for provisions for these legal disputes. Provision is recognised when companies have present obligations (legal or constructive) as a result of past events, a reliable estimate can be made of the amount of obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are not recognised in the financial statements as their actual existence will be confirmed only upon the occurrence or non-occurrence of one or more uncertain future events not completely within the control of the Group.

Management of individual companies continually assess contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. Provision is recognised in the financial statements of the period in which the change in probability occurs.

### ASSESSMENT OF PROVISIONS FOR POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT EMPLOYEE BENEFITS (NOTE 7.2.9.)

Defined benefit obligations include the present value of termination benefits on retirement and long-service bonuses. They are recognised on the basis of the actuarial calculation approved by the management. Actuarial calculation is made by using assumptions and estimates effective at the time of the calculation, and may, as a result of future changes, differ from actual assumptions applicable at that future time. This applies primarily to determination of the discount rate, assessment of employee turnover, mortality assessment, as well as assessment of the increase in salaries. Due to the complexity of the actuarial calculation and the long-term nature of the item, defined benefit obligations are sensitive to changes in the above estimates and assessments.

Assumptions are detailed in Note 7.2.9.

### ASSESSMENT OF DEFERRED TAX ASSET UTILISATION

Group recognises deferred tax assets arising from provisions for long-service bonuses and retirement benefits, impairment of receivables and tax losses.

At the financial statement date, the Group verifies the amount of disclosed deferred tax assets and liabilities. Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 7.2.8 Changes in accounting policies

Accounting policies used in the financial statement compilation are the same as those used in the previous financial year, except for newly adopted or amended standards and interpretations adopted by the Group for annual periods beginning on or after January 1 2021, as described in continuation.

**Amendments to Interest Rate Benchmark Reform – second phase – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

In August 2020, the IASB published the results of the second phase of the Interest Rate Benchmark Reform, namely the amendments to standards IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, thus concluding its work in response to the reference interest rate reform. Amendments provide temporary relief from the reporting of the effects of a replacement of an interbank rate (IBOR) with the alternative risk-free rate (RFR) on financial reporting. Amendments provide companies with a practical solution to the calculation of changes in the basis for determining the contractual cash flows of financial assets and liabilities, whereby the company must adjust the effective interest rate to reflect market interest rate movements. In addition to this amendment, it provides companies with certain relief from the abolition of hedging, including a temporary exemption from the requirement that the reference interest rate defined as a hedged item must meet separately identifiable requirements.

Amendments to the standard did not affect its consolidated / separate financial statements.

**Amendments to IFRS 16: Leases - COVID 19 Related Rent Concessions**

Amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30 2021;
- there is no substantive change to other terms and conditions of the lease.

Amendments to the standard did not affect the Group's financial statements, as there was no change in rents related to Covid-19.

### NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED, RELEVANT TO THE GROUP

Standards and interpretations described below have not come into effect by the date of the consolidated financial statements. Group will apply the new and revised standards and interpretations when they come into force. Group did not early adopt any standards.

**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**

Amendments address a known discrepancy between the requirements of IFRS 10 and those of IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Main consequence of the amendments is that the company recognizes the full amount of profit or loss when the transaction involves operations (whether or not it is located in a subsidiary). For transactions with assets that the company does not use in its operations, the company recognizes only a portion of the gain or loss even if the assets are located in a subsidiary. In December 2015, the International Accounting Standards Board postponed the effective date of the standard indefinitely, pending the results of the survey of accounting for assets using the equity method.

Group is currently assessing the impact of the amendments and will adopt them on the required effective date.

**Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**

Amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. Amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the entity issuing own equity instruments.

Originally, the amendments were effective for annual periods beginning on or after January 1 2022. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. January 1 2023, to provide companies with more time to implement any classification changes resulting from the amendments.

In November 2021, the Board of Directors published a draft Public Hearing (ED), which explains how the company handles obligations that are subject to commitments to be met on a date following the reporting period.

In particular, the Board proposes a limited scope of the amendments to IAS 1, which effectively repeal the 2020 amendments, which require the company to classify obligations that are subject to commitments that are required to be met only within the next twelve months after the reporting period, to short-term liabilities, if it does not meet them at the end of the reporting period.

Instead, the proposed amendments require the company to present separately and further disclose all non-current liabilities associated with commitments that is required to meet only within the next twelve months after the reporting period if it fails to meet them at the end of the reporting period.

Proposed amendments are effective for annual periods beginning on or after January 1 2024 and are required to be applied retrospectively by the company in accordance with the requirements of IAS 8. Early use of amendments is allowed. At the same time, the Board of Directors proposed postponing the entry into force of the 2020 amendments, which means that before the entry into force of the proposed amendments, the company does not need to change the existing practice.

Early adoption is permitted. Group is currently assessing the impact of the amendments and will adopt them on the required effective date.

**Amendments to IAS 16: Property, plant and equipment**

Amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

Amendments are effective for annual periods beginning on or after January 1 2022. Early adoption is permitted.

Group does not expect the amendments to have a significant impact on its consolidated financial statements.

**Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets**

Amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.

Amendments are effective for annual periods beginning on or after January 1 2022. Early adoption is permitted.

Group is currently assessing the impact of the amendments and will adopt them on the required effective date.

**Amendments to IFRS 16: Leases: Covid-19- Related Rent Concessions beyond June 30 2021 (amendment)**

Amendments to the standard are effective for annual periods beginning on or after April 1 2021, with early application permitted in financial statements that were not authorized for issue at the date of publication of the amendments to the standard. In March 2021, the International Accounting Standards Board amended the conditions for applying the practical solution of IFRS 16, which allows lessees not to consider rental adjustment s directly due to the Covid-19 pandemic in accordance with IFRS 16. company can make a practical relief when considering lease adjustment where an individual lease reduction only affects payments that would have originally fallen due on or before June 30 2022 and provided that all the conditions for applying the practical solution are met.

Amendments to the standard did not affect the Group's financial statements, as there was no change in rents related to Covid-19.

**Amendments to IAS 1: Presentation of Financial Statements and Position 2 on IFRS – Disclosure of Accounting Policies**

Amendments are effective for annual periods beginning on or after January 1 2023. Early adoption is permitted. Amendments set out guidelines for assessing materiality in the disclosure of accounting policies and replace the requirement to disclose »significant« accounting policies with the requirement to disclose »material« accounting policies. At the same time the position contains guidance and illustrative examples to assist in the application of the concept of materiality in assessing the disclosure of accounting policies.

Company has assessed the impact of the amendments on the Group's financial statements and believes that they will not be significantly affected.

**Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**

Amendments are effective for annual periods beginning on or after January 1 2023. Early adoption is permitted. Amendments address changes in accounting policies and estimates at the beginning of this period or later and define accounting estimates as monetary amounts in the financial statements that are uncertain in terms of their measurement. Amendments also clarify what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors. Amendments to the standard have not yet been approved by the EU.

Group is currently assessing the impact of the amendments and will adopt them on the required effective date.

**Amendments to IAS 12: – Income Taxes: Deferred Tax related to Assets and Liabilities arising form a Single Transaction**

Amendments are effective for annual periods beginning on or after January 1 2023. Early adoption is permitted. In May 2021, the IASB issued amendments to IAS 12, which limited the application of the initial recognition exemption under IAS 12 and determined how an entity should account for deferred tax on certain transactions, such as leases and decommissioning liabilities. According to the amendments, the exception does not apply to transactions whose taxable amount is equal to the amount of deductible temporary differences on initial recognition. Only exception is when the taxable amount of a leased asset and related liabilities (or liabilities related to the decommissioning and decommissioning of an asset component) is not equal to the amount of deductible temporary differences.

Group is currently assessing the impact of the amendments and will adopt them on the required effective date.

**AMENDMENTS: ANNUAL IMPROVEMENTS 2018-2020**

Annual Improvements 2018-2020 make minor amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards, IFRS 9: Financial Instruments, IAS 41: Agriculture and the Illustrative Examples accompanying IFRS 16: Leases.

Amendments are effective for annual periods beginning on or after January 1 2022. Early adoption is permitted. Amendments have so far not been endorsed by the EU.

Group does not expect the amendments to have an impact on its consolidated/separate financial statements.

### 7.2.9 Significant accounting policies

Measurement of economic categories presented in the financial statements is based on historical cost and final fair values recorded in books of accounts. The following are the main accounting policies.

**a. Consolidation**

Following entities are included in consolidation: the parent company Elektro Primorska d.d., subsidiary E 3, d.o.o., and associate Knešca, d.o.o., for the period from January 1 2021 to January 4 2021.

Consolidated financial statements comprise:

- consolidated statement of financial position,
- consolidated profit and loss account,
- consolidated statement of comprehensive income,

- consolidated cash flow statement,
- consolidated statement of changes in equity and
- notes to the consolidated financial statements.

Companies in the Elektro Primorska Group are committed to their individual calculation of corporate income tax liability.

In the consolidated financial statements, the Elektro Primorska Group is addressed as a single entity. Consolidated financial statements are compiled based on original financial statements of the group companies, with relevant consolidating adjustments, which are not posted in the separate financial statements of the group companies.

Consolidated financial statements are compiled based on full consolidation of discontinued operations of subsidiary E 3, d.o.o. and the equity method applied in the consolidation of the associate Kneščа, d.o.o.

Consolidation procedures are applied to:

- settlement of the parent company's investments with the capital of the subsidiary,
- elimination of intercompany receivables and liabilities,
- elimination of intercompany revenue and expenses,
- elimination of intercompany inflows and outflows,
- increase of the investment in the associated company by the attributable amount of capital, less dividends paid and the relevant financial revenue and expenses.

### b. Business combinations

Business combinations are accounted for using the purchase method at the date of the merger, which is the acquisition date, i.e. the date when the Group obtains control. Control gives the Group the power to decide on the financial and operating policies of an entity so as to obtain benefits from its activities.

Contingent liabilities in a business combination are recognised at fair value at the acquisition date. If a contingent liability is classified as equity, it is not remeasured and its settlement is accounted for within equity. Group recognises subsequent changes in fair value of contingent liabilities in profit or loss.

**Accounting for acquisitions of non-controlling interests**

Group accounts for purchases of non-controlling interests where there is no change in control of the entity, as transactions with owners and therefore no goodwill is recognised. Changes in non-controlling interests are based on the proportionate share of the net assets of the subsidiary. Any surplus, i.e., the difference between the cost of the additional investment and the carrying amount of the assets is recognised in equity.

**Subsidiaries**

Subsidiaries are entities controlled by the Group.

Control exists when:

- the investor is entitled to variable returns from its involvement in the business of the investee,
- the investor has the ability to affect the return based on its control of the investee, i.e., the investment recipient,
- there is a link between power and return.

Financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date the control commences until the date the control ceases. Accounting policies of subsidiaries are consistent with those of the Group.

After loss of control, the Group derecognises the assets and liabilities of the subsidiary, non-controlling interests and the other components of equity related to the subsidiary. Any surpluses or deficits that arise from the loss of control are recognised in profit or loss. Any stakes retained by the Group in its former subsidiary are measured at fair value at the date when the control is lost. Subsequently, it is accounted for as an investment in associate (accounted for under the equity method) or as available-for-sale financial asset depending on the level of control. Changes in equity interest of the parent company in a subsidiary that do not result in loss of control are accounted for as equity transactions (i.e., transactions with owners) and recognised as other profit reserves.

**Investments in associates and joint ventures**

Associates are those entities in which the Group has significant influence, but does not control their financial or operating policies. Joint ventures are those entities over whose activities the Group has joint control and which are based on contractual agreement requiring unanimous consent for financial and operating decisions. On initial recognition, investments in associates and joint ventures are measured at cost; after the initial recognition they are accounted for under the equity method. Consolidated financial statements include the Group's share in the profits and losses of jointly controlled companies accounted for under the equity method (after relevant adjustments in the accounting policies) from the date that significant influence commences and until the date it ceases. If the Group's share of losses in an associate or jointly controlled entity is greater than its stake, the carrying amount of the Group's interest is reduced to nil and its share in any further losses is no longer recognised.

**Transactions eliminated from the consolidated financial statements**

Balances, profits and losses arising from intra-group transactions have been eliminated from the consolidated financial statements of the Group. Unrealised gains arising from transactions with associates are accounted for under the equity method and are eliminated to the extent of the Group's stake in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### c. Foreign currency translation

**Foreign currency translations**

Transactions in foreign currencies are translated into the functional currency of the Group entities at exchange rates prevailing on the transaction date. At the end of reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rate. Foreign exchange rate gains or losses are differences between amortised cost denominated in the functional currency at the beginning of the period adjusted for effective interest and payments made during the period, and the amortised cost in foreign currency translated at the exchange rate prevailing at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate prevailing at the date when the fair value is determined. Non-monetary items denominated in foreign currencies that are reported at cost are translated into the functional currency at the exchange rate applicable on the transaction date. Any differences arising from the translation of foreign currency are recognised in profit or loss.

**Financial statements of the Group companies**

Consolidated financial statements are presented in euros. For the purpose of the consolidated financial statements, items of each individual company in the Group that is included in the consolidation are translated into the reporting currency as follows:

- assets and liabilities in each individual statement of financial position (including goodwill), are translated at the ECB exchange rate prevailing at the reporting date;
- revenues and expenses of foreign operations are translated into euros at the exchange rates prevailing at the date of conversion.

Foreign exchange differences are recognised in other comprehensive income as translation reserve and as a component of equity. Relevant share of foreign exchange rate differences arising from foreign subsidiaries that are not wholly owned, is allocated to non-controlling interest. When a foreign operation is disposed of in part or in full, the relevant amount in the translation reserve is reclassified to profit or loss as revenue or expense arising from disposal. If the Group disposes of only one part of its interest in a subsidiary that includes a foreign operation while maintaining control, the relevant share of the amount is reclassified to non-controlling interest. If the Group disposes of only one part of its investment in an associate or jointly controlled entity that includes a foreign operation, and maintains significant influence or joint control, the relevant share of the amount is reclassified to profit or loss.

### d. Financial instruments

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. Classification is based on the following criteria: the entity's business model for managing the assets; and whether the instrument's contractual cash flows represent solely »payments of principal and interest« on the principal amount outstanding.

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient. Group initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical benefit are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section »Revenue from contracts with customers«.

In order for financial assets to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are »solely payments of principal and interest (SPPI)« on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. Business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments),
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments),
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments),
- financial assets at fair value through profit or loss.

**Financial assets at amortised cost (debt instruments)**

Group measures financial assets at amortised cost if both of the following conditions are met:

- financial asset is held within a business model with the objective of holding to collect contractual cash flows and
- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Group's financial assets at amortised cost include trade receivables and loans to associates and the director, recognised under other long-term investments.

**Financial assets at fair value through other comprehensive income (hereinafter: OCI) (debt instruments)**

Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- financial asset is held within a business model with the objective of holding to collect contractual cash flows and selling, and
- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. All remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Group's debt instruments at fair value through OCI include investments in debt instruments quoted on an active market, recognised under other long-term investments.

**Financial assets at fair value through OCI (equity instruments) )**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation, and which are not held for trading purposes. Classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as an item of other income in the statement of profit or loss when the entity's right to payment is established, unless such income is used by the entity to recover part of the cost of the asset, in which case such profits are recognised in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Group elected to classify irrevocably its non-listed equity investments under this category.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through profit or loss.

**Derecognition**

Financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- rights to receive cash flows from the asset have expired or
- Group has transferred the right to receive cash flows from the asset or assumed and obligation to pay in due course the cash flows to third parties under a »pass-through« arrangement, and or (a) the Group has transferred all risks and rewards of the asset, or (b) the Group neither transferred nor retained all risks and rewards of the asset, but transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a »pass-through« arrangement, it evaluates if, and to what extent it has retained the risks and rewards of ownership. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, it continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. Transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

## FINANCIAL LIABILITIES

**Initial recognition and measurement**

Initially, all financial liabilities are measured at fair value, including loans, borrowings and payables, net of directly attributable transaction costs.

Group's financial liabilities include trade and other liabilities, loans and borrowings including bank overdrafts and derivative financial instruments.

**Subsequent measurement**

Measurement of financial liabilities depends on their classification as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This group also includes derivatives that are not designated as hedging instruments in the hedging relationship as defined by hedging instruments in hedge accounting under IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

On initial recognition, financial liabilities are classified to the fair value through profit or loss group only if, they meet the criteria prescribed by IFRS 9. Group has not designated any of its financial liabilities at fair value through profit or loss.

**Loans and borrowings**

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Any gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Amortisation of EIR is recognised in the profit or loss as an item of financial expenses.

This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

Financial liability is derecognised when the obligation under liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing obligation are substantially modified, such and exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. Difference in the respective carrying amounts is recognised in the profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable right to offset the recognised amounts and if there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### e. Equity

Total capital of an entity is its liability towards its owners which falls due if the entity ceases to operate. It is determined by the amounts invested by owners and the amounts generated in the course of operation that belong to the owners.

Total capital consists of:

**Called-up capital**

Called-up capital of the parent company Elektro Primorska, d.d., Nova Gorica, is the share capital, which is defined in the Articles of Association, registered at the Court and was paid by the owners. Dividends paid on ordinary shares are recognised as a liability in the period in which they are approved at the General Meeting.

**Legal reserves**

Legal reserves are amounts of retained profit from previous years, earmarked mainly for the settlement of potential future losses. They are recognised on their occurrence by the body responsible for preparation of the annual report, or based on the decision of the relevant authority.

**Fair value reserves** comprise effects of measurement of available-for-sale financial assets at fair value and actuarial gains or losses from provisions for post-employment and other long-term employee benefits.

**Reserves for treasury shares**

If the parent company or its subsidiaries acquire an ownership interest in the parent company, the amount paid, including transaction costs less tax, is deducted from total equity as treasury shares until such shares are cancelled, reissued or disposed of. If treasury shares are subsequently sold or reissued, the consideration received net of transaction costs and related tax effects is included in the capital reserves.

**Dividends**

Dividends are recognised in the Group's consolidated financial statements in the period in which they are declared by the Annual Meeting.

## f. Intangible assets

**Development studies and long-term rights**

Development studies and long-term rights include the design and production of new or substantially improved software applications. Group capitalises development costs of software solutions providing the following conditions are met: the costs can be measured reliably; the development of software solution is technically and commercially feasible; there is likelihood of future economic benefits flowing to the entity; the Group has sufficient resources to complete the development and aims to use the relevant software solution. Capitalised development costs of software solutions include direct costs of labour and other costs that can be directly attributed to making the asset ready for its intended use.

**Other intangible assets**

Other intangible assets with limited useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Cost of an item of intangible assets includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are recognised as part of the cost of the asset. Intangible assets are subsequently measured using the cost model. In addition to goodwill and rights arising from the concession for construction of gas networks and distribution described below, the majority of the Group's intangible assets comprise software. Group has no intangible assets with indefinite useful life other than goodwill.

**Subsequent expenditure**

Subsequent expenditures on an item of intangible assets are added to the carrying amount of the asset if it is reasonable to believe that the future economic benefits from the asset will flow to the Group and if its costs can be reliably measured. All other expenditure is recognised in profit or loss when incurred.

**Amortisation**

Amortisation is recognised according to the straight-line method in the period of the estimated expected functional life periods of individual items of intangible asset. Amortisation begins when the asset becomes available for its use.

Assessed useful lives of intangible assets in the current and comparable financial period:

in %

| | 2021 | 2020 |
|---|---|---|
| Intangible assets (excluding software) | 3.33–20.00 | 3.33–20.00 |
| Software | 33.3 | 33.3 |

**Table 113: Amortisation rates – intangible assets**

Impairment of assets is explained in detail in point k.

## g. Property, plant and equipment

Items of property, plant and equipment are reported at cost less accumulated depreciation and accumulated impairment losses, except for land which is recognised at cost less accumulated impairment losses. Cost of an item of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are recognised as part of the cost of the asset. Items of property, plant and equipment are subsequently measured under the cost model.

Cost of self-constructed items of property, plant and equipment comprises all directly attributable costs required to design, manufacture and make the asset ready for its use and operation as intended by management. Following costs can be directly attributed to the cost of the assets:

- cost of materials and services used to manufacture the asset,
- employee benefits arising from the manufacture of the asset,

- relevant share of the overheads. Capitalised costs do not reduce the costs classified according to their natural types; instead, they are recognised under expenses. In addition, an entity recognises revenue from capitalised own products.

**Subsequent expenditure**

Subsequent expenditures on an item of property, plant and equipment are added to the carrying amount of the asset if it is reasonable to believe that the future economic benefits from the asset will flow to the Group and if its costs can be reliably measured. All other expenditure (e.g. regular maintenance) is recognised in profit or loss when incurred.

**Depreciation**

Depreciation is accounted for using the straight line method, taking into account the useful life of each individual (component) part of an asset. Leased assets are depreciated over the term of the lease and their useful lives. Land is not depreciated. Depreciation begins when the asset becomes available for its use. Construction in progress is not depreciated.

Assessed useful lives of the assets in the current and comparable financial period:

v %

| | 2021 | 2020 |
|---|---|---|
| Intangible assets (excluding software) | 3.33 - 20.00 | 3.33 - 20.00 |
| Real estate (land and buildings) | 0.00 - 5.00 | 0.00 - 5.00 |
| Computer equipment | 33.3 - 50.0 | 33.3 - 50.0 |
| Transformers | 2.86 - 3.33 | 2.86 - 3.33 |
| Electronic meters | 4.17 - 6.67 | 4.17 - 6.67 |
| Transport vehicles | 8.33 | 8.33 |
| Cars | 12.5 | 12.5 |
| Other tangible fixed assets | 2.50 - 20.00 | 2.50 - 20.00 |
| Works of art | 0.00 | 0.00 |

**Table 114: Depreciation rates - property, plant and equipment**

Assets' residual values and useful lives are reviewed annually and adjusted as and when necessary.

Gains and losses on disposal or elimination of the assets are determined by comparison of the proceeds from sale and their carrying amount. Gains and losses on disposal are recognised in profit or loss. Items of property, plant and equipment that are available for sale are recognised separately from other assets. Depreciation of those assets is not accounted for in the year of their disposal.

Impairment of assets is explained in detail in point k.

### h. Investment property

Investment properties are properties which are held by the Group to earn rental income or for their appreciation or both. Investment properties are recognised at cost less accumulated depreciation and accumulated impairment losses. Investment property is measured at cost.

Depreciation method and rates are the same as those applied to other property, plant and equipment.

Impairment of assets is explained in detail in point k.

### i. Leases

Group has made the following accounting judgements that have a significant impact on the determination of the right-of-use assets and lease liabilities:

- **Identification of lease contracts**
  Contract is identified as a lease if it renders the Group the right to control the leased asset. Group controls the asset if it is able to use the asset and is entitled to the economic benefits from the asset.
- **Determining the term of the lease**
  Group determines the lease term as the period during which the lease cannot be terminated, inclusive of:

  a. the period for which the option to extend the lease applies, if it is reasonably certain that the lessee will exercise the option;
  b. the period for which the option to terminate the lease applies, if it is reasonably certain that the lessee will not exercise the option.

Generally, the lease term is agreed in the contract. Where the contractual period is not specified, the lease term is assessed based on the Group's needs to use the asset, considering the Group's plans and long-term business policies. ease is classified as a finance lease if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are considered operating leases where leased assets (lease of assets) or long-term financial receivables (assets leased out) are not recognised in the consolidated statement of financial position of the Group.

- **Determining the discount rate**
  Discount rate is determined based on the interest rate at which the Group can obtain comparable assets on the market with a comparable maturity.

### j. Inventory

Inventories of merchandise and materials are measured at the lower of their cost or net realisable value.

Cost includes the asset's purchase price, import duties and direct costs of purchase. Any discounts received are deducted from the cost. Direct costs of acquisition comprise transport costs, costs of loading, reloading and unloading, transport insurance costs, costs of monitoring the goods, agency costs and similar costs incurred to the initial storage if they are borne by the buyer, and non-refundable duties (excise duty). Purchase price discounts include those listed on the invoice as well those obtained subsequently in relation to a specific purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs of sale. Group assesses the net realisable value of inventories at each reporting date. If the net realisable value of inventories is lower than their carrying amount, the Group recognises impairment of inventories. Write-down of damaged, expired and obsolete inventories is made regularly during the year for individual items of inventories.

Declining values of inventories are accounted for using the weighted average price method.

### k. Impairment of assets

#### Financial assets

Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since the initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### Non-financial assets

Carrying amounts of the Group's material non-financial assets are reassessed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is assessed.

Recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing purposes, the assets that cannot be tested individually are grouped into the smallest cash generating groups from continued use and which are predominantly independent of cash generated by other assets or groups of assets (cash generating unit).

Impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment loss on a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit (group of units) in proportion to the carrying amount of each asset in the unit.

Goodwill that is part of the carrying amount of the investment in the associate or joint venture using the equity method is not recognised separately and is not tested for impairment separately. Instead, the total amount of investment in an associate is tested for impairment as a single asset when there is objective evidence that an investment in the associate is impaired.

### l. Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money, and risks specific to the liability.

Most significant provisions include:

**Provisions for post-employment benefits and other non-current employee benefits**

Pursuant to the legislation, collective agreement and internal rules, the Group is liable to pay to its employees long-service bonuses and severance pays upon retirement. For these purposes the Group sets aside relevant amount of provisions. There are no other obligations relating to post-employment benefits.

Provisions are determined by discounting, at the reporting date, the estimated future benefits in respect of retirement benefits and long-service bonuses paid to employees. Obligation is calculated by estimating the cost of severance pays upon retirement and the cost of all expected long-service bonuses until retirement. Calculation is made by a certified actuary using the projected unit credit method. Payments made for severance upon retirement and long-service bonuses reduce the amount of provisions set aside.

Employee benefit costs and interest charges are recognised in profit or loss, whereas the restatement of post-employment benefits or unrealised actuarial gains or losses arising from severance payments are recognised in other comprehensive income as a revaluation surplus.

**Provisions for disputes**

Provision for disputes is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are not recognised in the financial statements as their existence will be confirmed by future events which cannot be predicted.

### m. Long-term deferred revenues

Government grants and other subsidies received to cover costs are recognised as revenue in the periods in which the costs to be compensated by those grants and subsidies are incurred. Other revenue is recognised when it is reasonable to expect that it will result in receipts.

**Long-term deferred revenues**

Long-term deferred revenue includes primarily deferred revenues from fixed assets acquired free-of-charge, which are decreased in line with the depreciation of these assets and Government grants, which are transferred to revenues in accordance with the contract.

### n. Revenue recognition

Elektro Primorska Group's core activity is managing the infrastructure for the distribution of electricity and the purchase and sale of electricity and other energy sources on the retail and wholesale market. Furthermore, it generates operating revenues in the segment of the cogeneration and production of electricity from renewable sources and sale of services on the market.

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, while considering specific terms and conditions of an individual contract. Transfer of control over those goods and services depends on terms and conditions of the contract. In general, control is transferred when goods are accepted by the customer or the service is performed.

Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the Group considers the effects of variable consideration and the existence of significant financing components.

**Variable consideration**

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. Variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Group does not award subsequent bonuses and discounts to customers, and thus, the consideration is not variable.

**Significant financing component**

In some cases, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15.63, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less.

**Contract balances**

Contract assets

Contract asset is the right to an amount of consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

Receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of consideration is due). Refer to accounting policies applicable to recognition of financial instruments.

Contract liabilities

Contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Cost to obtain contracts

Group pays sales commission to its sales agents for each contract they conclude for the supply of electricity. Group has elected to capitalize the cost of sales commission paid to its sales agents.

### o. Financial income and expense

**Financial income** comprises interest income from financial assets, income from disposal of available-for-sale financial assets, recovered written-off or impaired receivables, change in fair value of financial assets designated at fair value through profit or loss, foreign exchange gains, and gains from hedging instruments which are recognised in profit or loss. Interest income is recognised as it accrues using the applicable statutory interest rate method.

**Financial expenses** include borrowing costs (unless they are capitalised), foreign exchange losses, changes in fair value of financial assets designated at fair value through profit or loss, impairment losses recognised on financial assets, and receivable impairments recognised in profit or loss.

Borrowing costs are recognised in profit or loss using the effective interest rate method.

### p. Taxation

Taxes include current tax and deferred tax. Taxes are recognised in profit or loss, except to the extent they relate to business combinations or items recognised directly in other comprehensive income.

**Current tax liabilities** are calculated based on taxable profit for the year. Taxable profit differs from the net profit reported in the profit or loss because it does not include the items of revenue or expenses that are taxable or deductible in other financial years, nor items that are never taxable or deductible. Current tax liability of the Group is assessed using tax rates applicable at the reporting date.

**Deferred tax** is disclosed entirely using the »balance sheet« liability method based on temporary differences as the difference between the amount attributed to an asset or liability for tax purposes (tax base) and the carrying amount of that asset or liability in the separate financial statements of the group companies. Deferred tax is calculated based on tax rates (and legislation) effective as at the reporting date and which are expected to be in use when the deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax assets are offset against deferred tax liabilities when an entity has a legal right to offset current assets and liabilities, and deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

### q. Determination of fair value

According to the adopted accounting policies, the Group determines fair value of non-financial and financial assets and liabilities, either for the purpose of measuring individual assets (valuation techniques or a business combination) or for additional disclosure of fair values.

Fair value is estimated price at which an asset can be sold or a liability transferred in an orderly transaction between knowledgeable buyer and knowledgeable seller in an arm's length transaction. In determining the fair value of financial instruments, the Group observes the following fair value hierarchy in accordance with IFRS 13:

- level 1 - values based on quoted prices in active markets for identical assets or liabilities,
- level 2 - values other than quoted prices from level 1, but which can be obtained directly from the market (prices for identical or similar assets or liabilities in a less active or inactive markets) or indirectly (e.g. values derived from quoted prices in an active market based on interest rates and yield curves, implied volatilities and credit spreads),
- level 3 - inputs that are not based on observable market data, however unobserved data must reflect the assumptions that market participants would use in pricing the asset or liability, including risk assumptions.

For assessing the fair value of financial instruments, the Group uses quoted prices. If a financial instrument is not quoted on a regulated market or the market is considered inactive, the Group applies level 2 or level 3 inputs to determine the fair value of a financial instrument.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability of the Group.

Fair values have been determined for measurement and/or disclosure purposes based on the methods presented below.

**Intangible assets**

Fair value of intangible assets is determined using the future discounted cash flows expected to be derived from the use or sale of the assets.

**Property, plant and equipment**

Fair value of property, plant and equipment is their market value. Market value of property is the estimated amount for which a property could be sold on the valuation date. Market value of equipment is based on quoted market prices for similar assets.

**Investment property**

Fair value of investment property is assessed using the total value of expected cash flows from lease of the property. In determining fair value of property, a yield that reflects the risk specific to the asset is considered in the calculation based on the annual discounted net cash flows.

**Inventory**

Fair value of inventories acquired in a business combination is determined based on the estimated selling price achieved in the ordinary course of business, less estimated costs to sell.

**Receivables and loans**

Fair value of receivables and loans is estimated at the present value of future cash flows discounted at the market rate of interest at the reporting date. Fair value assessment takes into account credit risk arising from these financial assets.

**Non-derivative financial liabilities**

For reporting purposes, fair value is calculated as the present value of future principal and interest payments discounted at the market interest rate at the end of the reporting period. In accordance with IFRS 7, fair value of short-term financial liabilities is not determined as the carrying amounts of these liabilities are a reasonable approximation of their fair value.

### r. Net earnings per share

Group discloses basic and diluted earnings per share. Basic earnings per share is calculated by dividing the net profit belonging to the owners by the weighted average number of ordinary shares. Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding in the financial period for the effects of all potential ordinary shares, which are convertible bonds and stock options granted to employees. As the Group has no convertible bonds or share options granted to employees, the basic earnings per share is equal to diluted earnings per share.

### s. Cash flow statement

Cash flow statement comprises cash flows from operating, investing and financing activities. Cash flow statement is compiled using the direct method. Cash flows from operating activities comprise inflows from the sale of products and services, as well as inflows from other receipts from operations, and operating costs paid in the financial year such as costs of materials, services, salaries, levies and other outflows from operating activities. Cash flows from investing activities comprise payments in connection with acquisition and disposal of intangible assets and property, plant and equipment, and materials for the acquisition of property, plant and equipment. Cash flows from financing activities present changes in the amount or composition of equity, increase or decrease of debts, and dividend payments.

#### 7.2.9.1 Non-current assets (disposal groups) held for sale

Non-current assets held for sale or assets of disposal groups are those non-current assets for which it is reasonably assumed that their carrying amount will be settled predominantly through their sale rather than their further use. This condition is deemed to have been complied with only if the sale is highly probable and if the assets or group of assets are in the condition that makes the sale possible. Management needs to be committed to the closing of the sale process within a year from the asset's reclassification to non-current assets held for sale or to the assets of disposal group.

Assets related to the subsidiary for which it is planned that the controlling influence will be lost, are reclassified to the group of assets for disposal irrespective of whether the controlling company is planning to keep the non-controlling stake after the sale or not.

Non-current assets held for sale and assets of disposal groups are measured at the lower of carrying amount or fair value less costs to sell. Main groups of assets and liabilities classified as held for sale are disclosed separately in the notes below.

In accordance with the contract for the sale of a 100% stake in the subsidiary E 3, d.o.o., signed in 2020, which was effected in the beginning of 2021, when last suspensive conditions were met, the operations of the subsidiary are presented under item Discontinued operations.

Profit or loss of discontinued operations in 2021 is presented below:

in EUR

| EUR | Notes | 2021 | 2020 |
|---|---|---|---|
| Net sales revenue: | 7.3.1. | 1,029,493 | 95,543,486 |
| - revenue from contracts with customers | | 1,029,493 | 95,543,486 |
| - other sales revenue | | 0 | 0 |
| Change in the value of work in progress | | 0 | 0 |
| Capitalized own products and services | 7.3.1. | 1,117 | 168,920 |
| Other operating revenues | 7.3.1. | 2,225 | 590,974 |
| **OPERATING REVENUES** | | **1,032,834** | **98,509,079** |
| Costs of goods and material | 7.3.2. | -1,168,638 | -88,830,130 |
| a. cost of goods and materials sold and materials used | | -1,151,150 | -9,938,212 |
| Costs of services | | -17,488 | -3,697,016 |
| Labour costs | 7.3.2. | -20,320 | -1,970,788 |
| a. cost of wages and salaries | | -14,550 | -12,482,748 |
| b. costs of supplementary pension insurance for employees | | -638 | -658,285 |
| c. social security cost | | -2,359 | -2,141,729 |
| č. other labour costs | | -2,773 | -2,744,852 |
| Write-offs | 7.3.2. | -5,886 | -14,414,545 |
| Depreciation | | -5,805 | -828,765 |
| Impairments and write-offs | | -81 | -265,249 |
| -of which net impairments and operating receivables write-offs | | -81 | -264,466 |
| Other operating expenses | 7.3.3. | -726 | -201,133 |
| **OPERATING RESULT** | | -162,735 | 510,297 |
| Share of profit or loss on investments, valued according to equity method | | 0 | 71,936 |
| Financial revenues | 7.3.4. | 382 | 164,490 |
| Financial expenses | 7.3.5. | -225 | -34,569 |
| **Net increase/decrease in cash and cash equivalents** | | **158** | **129,921** |
| **PRE-TAX PROFIT** | | **-162,578** | **712,154** |
| **Tax charged** | **7.3.6.** | **0** | **-18,131** |
| **Deferred tax** | | **1,933** | **26,653** |
| **Income tax** | | **1,933** | **8,522** |
| **NET PROFIT OR LOSS OF THE BUSINESS YEAR FROM DISCONTINUED OPERATIONS** | **7.3.7.** | **-160,644** | **720,676** |

Subsidiary has the following assets at the date of disposal:

| | |
|---|---|
| Intangible fixed assets | 445,774 |
| Land | 273,927 |
| Buildings | 4,675,210 |
| Equipment | 2,792,196 |
| Rights to use | 25,339 |
| Investments in associates | 924,713 |
| Assets under contracts with customers | 1,304,566 |
| Operating receivables | 25,576,112 |
| Other receivables | 1,370,458 |
| Other assets of the company E3, d.o.o. | 1,821,843 |
| **Total** | **39,210,137** |

Subsidiary has the following liabilities at the date of disposal:

| | |
|---|---|
| Deferred revenue | 598,039 |
| Financial liabilities | 3,257,643 |
| Operating liabilities | 17,844,315 |
| Liabilities under contracts with customers | 1,089,841 |
| Other liabilities of the company E3, d.o.o. | 1,061,186 |
| **Total** | **23,851,024** |

Result from sales of the subsidiary:

| | |
|---|---|
| Net assets | 15,359,113 |
| Purchase price | 14,950,000 |
| **Sales result** | **-409,113** |

Net impact on cash upon the sale of the subsidiary in 2021 amounts to € 14,829,586.

Presentation of net cash flow from discontinued operations:

| **Cash flow in discontinued operations** | **2021** |
|---|---|
| Opening balance | 0 |
| Operating activities | 120,368 |
| Investing activities | 0 |
| Financing activities | 45 |
| Net cash flow of 2020 | 120,414 |
| **Closing balance of cash flow** | **120,414** |

## 7.3 Notes to consolidated statement of financial position

Consolidated statement of financial position comprises assets, equity and liabilities of the parent Elektro Primorska, d.d., its subsidiary E 3, d.o.o., and the associated company.

### 7.3.1 Intangible assets

Value of intangible assets increased in 2021 following the acquisition of long-term rights in the amount of €1,527,793 (2020: €1,227,390), mostly on account of upgrading the existing programs and licenses. Reduction in intangible assets being acquired relates to the assets transferred to development studies or long-term rights. Due to complaints in the process of obtaining building permits, since 2014 the Group has recognised amortisation of studies in progress as the value of invested assets in the planned construction of wind power plants. Group has unlimited rights to its intangible assets. Movements in intangible assets in 2021 are presented in the following table:

in EUR

| 2021 | Deferred costs of development studies | Long-term rights | Intangible assets in acquisition | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| **Balance 1.1.** | **645,721** | **8,732,766** | **1,105,017** | **10,483,504** |
| Increase in year | 0 | 33,284 | 1,527,793 | 1,561,077 |
| Increase from ongoing investments | 0 | 1,527,793 | -1,527,793 | 0 |
| Decrease in year | 0 | -82,525 | | -82,525 |
| **Balance 31.12.** | **645,721** | **10,211,318** | **1,105,017** | **11,962,056** |
| **Value adjustments** | | | | |
| **Balance 1.1.** | **645,721** | **5,282,312** | **1,105,017** | **7,033,050** |
| Depreciation in year | 0 | 1,733,684 | 0 | 1,733,684 |
| Write-off in year | 0 | 0 | 0 | 0 |
| Decrease in year | 0 | -81,775 | 0 | -81,775 |
| **Balance 31.12.** | **645,721** | **6,934,221** | **1,105,017** | **8,684,959** |
| **Carrying amount** | | | | |
| **Balance 1.1.** | **0** | **3,450,454** | **0** | **3,450,454** |
| **Balance 31.12.** | **0** | **3,277,097** | **0** | **3,277,097** |

**Table 115: Movements in intangible assets in 2021**

Following are the most significant items of intangible assets held by the Group:

- IBM software for the new ERP system,
- software for GIZ data and
- licenses for the new AX ERP system and Maximo.

Group reports no commitments for the acquisition of intangible assets as at December 31 2021 or year 2020. However, it has concluded contracts for €1,534,667 for the acquisition and recognition of intangible fixed assets. Contracts are concluded for the period from 2022 to 2024.

As at December 31 2021, 28.77% of all intangible assets in use was fully amortised (as at December 31 2020: 41.74%). Share is calculated based on the cost of the assets.

In 2021, the company did not recognize assets from research and development activities (also not in 2020), but it had €33,782 of costs from this activity.

Movements in intangible assets in 2020 are presented in the following table:

in EUR

| 2020 | Deferred costs of development studies | Long-term rights | Intangible assets in acquisition | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| **Balance 1.1.** | **645,721** | **9,560,518** | **1,147,503** | **11,353,742** |
| Increase in year | 0 | 0 | 1,227,390 | 1,227,390 |
| Increase from ongoing investments | 0 | 1,269,876 | -1,269,876 | 0 |
| Decrease in year | 0 | -2,097,628 | | -2,097,628 |
| **Balance 31.12.** | **645,721** | **8,732,766** | **1,105,017** | **10,483,504** |
| **Value adjustments** | | | | |
| **Balance 1.1.** | **645,721** | **5,810,536** | **1,105,017** | **7,561,274** |
| Depreciation in year | 0 | 1,569,403 | 0 | 1,569,403 |
| Write-off in year | 0 | 0 | 0 | 0 |
| Decrease in year | 0 | -2,097,628 | 0 | -2,097,628 |
| **Balance 31.12.** | **645,721** | **5,282,312** | **1,105,017** | **7,033,050** |
| **Carrying amount** | | | | |
| **Balance 1.1.** | **0** | **3,749,982** | **42,486** | **3,792,468** |
| **Balance 31.12.** | **0** | **3,450,454** | **0** | **3,450,454** |

**Table 116: Movements in intangible assets in 2020**

*Reclassification to non-current assets held for sale due to expected sale of the subsidiary.

### 7.3.2 Right-of-use assets

Right-of-use assets stem from the use of various commercial real estate such as offices and other buildings, equipment and cars, which the Company obtained under lease arrangements. Terms and conditions of the lease are subject to individual contracts and vary according to the type and term of an individual lease. Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group determines the lease term as the period during which the lease cannot be terminated, inclusive of the period for which the option to extend the lease applies and the period for which the period to terminate the lease applies, considering the certainty that either of the two options may or may not be exercised.

Lease term depends on the type of leased asset and ranges from:

- 14 years for land (the same in 2020),
- 10 to 17 years for offices and other buildings (the same in 2020 ),
- 1 to 5 years for cars (the same in 2020).

Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Lease liabilities relating to short-term leases and leases of low-value assets are recognised as an expense over the lease term.

For all other leases, the Group recognised lease liabilities and the right-of-use assets.

Group recognises the right-of-use assets at the commencement date of the lease. Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. Cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Depreciation rates applied to the right-of-use assets are as follows:

in %

| Right-of-use assets | 2021 | 2020 |
|---|---|---|
| Real estate | 5.94 - 9.3 | 5.94 - 9.3 |
| Cars | 20 - 30.77 | 20 - 70.59 |

If ownership of the leased asset transfers to the Group at the end of the lease term or the Group exercises a purchase option, the depreciation is calculated based on the estimated useful life of the asset.

**Short-term leases and leases of low-value assets**

Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain an option to purchase). It also applies the lease of low-value assets recognition exemption to leases of low value assets in connection with the lease of assets considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Movements in the right-of-use assets in 2021:

in EUR

| 2021 | Building right | Land | Facilities | Equipment | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| **Balance 01.01.2021** | **0** | **6,053** | **264,732** | **164,046** | **434,831** |
| New acquisitions | 82,495 | 0 | 0 | 31,143 | 113,639 |
| Decrease in the year | | 0 | 0 | 0 | 0 |
| **Balance 31.12.2021** | **82,495** | **6,053** | **264,732** | **195,190** | **548,470** |
| **Value adjustments** | | | | | **0** |
| Balance 01.01.2021 | | 865 | 33,746 | 22,959 | 57,569 |
| Depreciation in the year | 2,357 | 432 | 16,873 | 36,028 | 55,690 |
| Decrease in the year | | | | | 0 |
| **Balance 31.12.2021** | **2,357** | **1,297** | **50,618** | **58,986** | **113,259** |
| **Carrying amount** | | | | | |
| **Balance 01.01.2021** | **0** | **5,188** | **230,986** | **141,088** | **377,262** |
| **Balance 31.12.2021** | **80,138** | **4,756** | **214,113** | **136,203** | **435,211** |

**Table 117: Movements in the right-of-use assets in 2021**

Movements in the right-of-use assets in 2020:

in EUR

| 2020 | Land | Facilities | Equipment | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| **Balance 01.01.2020** | **6,053** | **264,732** | **71,722** | **342,506** |
| New acquisitions | 0 | 0 | 122,474 | 122,474 |
| Decrease in the year | 0 | 0 | -30,149 | -30,149 |
| **Balance 31.12.2020** | **6,053** | **264,732** | **164,046** | **434,831** |
| **Value adjustments** | | | | **0** |
| **Balance 01.01.2020** | **432** | **16,873** | **26,578** | **43,883** |
| Depreciation in the year | 432 | 16,873 | 26,530 | 43,835 |
| Decrease in the year | | | -30,149 | -30,149 |
| **Balance 31.12.2020** | **865** | **33,746** | **22,959** | **57,569** |
| **Carrying amount** | | | | |
| **01/01/2020** | **5,621** | **247,859** | **45,144** | **298,623** |
| **Balance 31.12.2020** | **5,188** | **230,986** | **141,088** | **377,262** |

**Table 118: Movements in the right-of-use assets in 2020**

### 7.3.3 Property, plant and equipment

Items of property, plant and equipment are checked for signs of impairment at each reporting day. If any such indication exists, the asset's recoverable amount is assessed.

Cost of self-constructed items of property, plant and equipment comprises all directly attributable costs required to design, manufacture and make the asset ready for its use and operation as intended by management. Following costs can be directly attributed to the cost of the assets:

- cost of materials and services used to manufacture the asset,
- employee benefits arising from the manufacture of the asset,
- relevant share of the overheads.

Capitalised costs do not reduce the costs classified according to their natural types; instead, they are recognised in expenses. In addition, an entity recognises revenue from capitalised own products.

Elektro Primorska Group reports the following property, plant and equipment:

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Land | 5,643,030 | 5,629,573 |
| Buildings | 133,544,042 | 128,811,592 |
| Equipment | 64,467,043 | 58,870,076 |
| Property, plant and equipment in acquisition | 6,801,309 | 5,529,834 |
| Advances for property, plant and equipment | 23 | 23 |
| **Total property, plant and equipment** | **210,455,447** | **198,841,097** |

**Table 119: Property, plant and equipment**

Movements in property, plant and equipment in 2021:

in EUR

| 2021 | Land | Buildings | Equipment | Fixed assets in acquisition and advances | Total |
|---|---|---|---|---|---|
| **Balance 1.1.** | | | | | |
| **Increase in year** | **5,629,573** | **403,336,334** | **168,653,182** | **6,358,888** | **583,977,977** |
| Increase from ongoing investments | | 1,869,231 | 0 | 21,940,247 | 23,809,478 |
| Decrease in year | 62,181 | 9,011,973 | 11,594,618 | -20,668,772 | 0 |
| Sale of subsidiary | -25,196 | -5,744,357 | -4,662,966 | 0 | -10,432,519 |
| Balance 31.12. | -23,529 | 0 | 0 | 0 | -23,529 |
| **Value adjustments** | **5,643,030** | **408,473,181** | **175,584,834** | **7,630,364** | **597,331,408** |
| **Balance 1.1.** | | | | | |
| **Depreciation in year** | | **274,524,742** | **109,783,107** | **829,032** | **385,136,880** |
| Decrease in year | 0 | 5,928,236 | 5,835,079 | 0 | 11,763,315 |
| Increase in year | 0 | -5,523,839 | -4,500,396 | 0 | -10,024,235 |
| Balance 31.12. | 0 | 0 | 0 | 0 | 0 |
| Carrying amount | | 274,929,139 | 111,117,790 | 829,032 | 386,875,961 |
| **Balance 1.1.** | | | | | |
| **Balance 31.12.** | **5,629,573** | **128,811,592** | **58,870,075** | **5,529,856** | **198,841,097** |
| **Stanje 31. 12.** | **5,643,030** | **133,544,042** | **64,467,043** | **6,801,332** | **210,455,447** |

**Table 120: Movements in property, plant and equipment in 2021**

Borrowing costs relating to property, plant and equipment amounted to €85,412 in 2021 (2020: €68,294).

Of total property, plant and equipment in use at December 31 2021, 41.26% was fully depreciated (2020 year-end: 41.74%). Share of fully depreciated property, plant and equipment is calculated in consideration of their cost. Land is excluded from the calculation.

Items of property, plant and equipment of the Group increased on account of new purchases made in 2021 amounting to €23,809,478 (2020: €20,396,389). Largest investment of €18,792,977 was made in the electricity infrastructure.

Accumulated depreciation of property, plant and equipment of the Group increased in 2021 by the amount of annual depreciation of €11,763,315 (2020: €11,319,302) and reduced by the assets' disposal and impairment.

Depreciation of property, plant and equipment being acquired was made in the past on account of investments in the construction of wind power plants.

None of the Elektro Primorska Group's assets were acquired under finance lease and all the assets are currently being used.

All the items of property, plant and equipment are free of liens.

As at December 31 2021, financial commitments for acquisition of property, plant and equipment amounted to €29,247,222 (20202: €33,675,000).

Balance of unrealized contracts for supply of property, plant and equipment as at December 31 2021 amounts to €5,800,000 (as at December 31 2020: €6,600,000).

Movements in property, plant and equipment in 2020:

in EUR

| 2020 | Land | Buildings | Equipment | Fixed assets in acquisition and advances | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| **Balance 1.1.2020** | **5,627,581** | **397,697,349** | **163,240,432** | **3,317,965** | **569,883,327** |
| Increase in year | 31,014 | 368,126 | 0 | 19,997,249 | 20,396,389 |
| Increase from ongoing investments | 0 | 7,902,516 | 9,053,810 | -16,956,326 | 0 |
| Decrease in year | -29,021 | -2,631,657 | -3,641,060 | 0 | -6,301,739 |
| **Balance 31.12.2020** | **5,629,573** | **403,336,334** | **168,653,182** | **6,358,888** | **583,977,977** |
| **Value adjustments** | | | | | |
| **Balance 1.1.2020** | | **270,966,790** | **107,902,346** | **829,032** | **379,698,168** |
| Depreciation in year | 0 | 5,903,790 | 5,415,512 | 0 | 11,319,302 |
| Decrease in year | 0 | -2,345,838 | -3,534,752 | 0 | -5,880,590 |
| Increase in year | 0 | 0 | 0 | 0 | 0 |
| **Balance 31.12.2020** | | **274,524,742** | **109,783,106** | **829,032** | **385,136,880** |
| **Carrying amount** | | | | | |
| **Balance 1.1.2020** | **5,627,581** | **126,730,559** | **55,338,087** | **2,488,933** | **190,185,159** |
| **Balance 31.12.2020** | **5,629,573** | **128,811,592** | **58,870,076** | **5,529,856** | **198,841,097** |

**Table 121: Movements in property, plant and equipment in 2020**

### 7.3.4 Investment property

Group generated €58,416 of income from lease of investment property in 2021 (2020: €64,360).

in EUR

| | Investment property - land | Investment property - facilities | Fixed assets in acquisition and advances | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| **Balance 1.1.2021** | **6,668** | **840,993** | **12,048** | **859,710** |
| Increase in year | 0 | 0 | 29,186 | 29,186 |
| Increase from ongoing investments | 17,691 | 23,542 | -41,234 | 0 |
| Decrease in year | 0 | -19,528 | | -19,528 |
| **Balance 31.12.2021** | **24,360** | **845,008** | **0** | **869,368** |
| **Value adjustments** | | | | |
| **Balance 1.1.2021** | **0** | **636,357** | **0** | **636,357** |
| Depreciation in year | 0 | 8,838 | | 8,838 |
| Decrease in year | 0 | -19,528 | | -19,528 |
| **Balance 31.12.2021** | **0** | **625,667** | **0** | **625,667** |
| **Carrying amount** | | | | |
| **Balance 1.1.2021** | **6,668** | **204,636** | **12,048** | **223,353** |
| **Balance 31.12.2021** | **24,360** | **219,341** | **0** | **243,700** |

**Table 122: Investment property 2021**

Increase in the investment property arises on account of investments in holiday facilities owned by the parent company.

in EUR

| | Investment property - land | Investment property - facilities | Fixed assets in acquisition and advances | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| **Balance 1.1.2020** | **6,668** | **888,786** | **0** | **895,454** |
| Increase in year | 0 | 345 | 12,048 | 12,393 |
| Increase from ongoing investments | 0 | 0 | 0 | 0 |
| Decrease in year | 0 | -48,138 | 0 | -48,138 |
| **Balance 31.12.2020** | **6,668** | **840,993** | **12,048** | **859,710** |
| **Value adjustments** | | | | |
| **Balance 1.1.2020** | **0** | **675,385** | **0** | **675,385** |
| Depreciation in year | 0 | 8,765 | | 8,765 |
| Decrease in year | 0 | -47,793 | | -47,793 |
| **Balance 31.12.2020** | **0** | **636,357** | **0** | **636,357** |
| **Carrying amount** | | | | |
| **Balance 1.1.2020** | **6,668** | **213,401** | **0** | **220,070** |
| **Balance 31.12.2020** | **6,668** | **204,636** | **12,048** | **223,353** |

**Table 123: Investment property 2020**

Increase in the investment property arises on account of investments in holiday facilities owned by the parent company.

### 7.3.5 Long-term investments

Long-term investments of Elektro Primorska Group include investments in stakes and shares of other companies amounting to €302,864 (2020: €286,761).

in EUR

| Investments in shares of associate companies: | 31. 12. 2021 | 31. 12. 2020 |
|---|---|---|
| **Other shares and stakes:** | | |
| Informatika Maribor, d.d. | 240,755 | 240,755 |
| Zavarovalnica Triglav, d.d. | 87,142 | 71,040 |
| Primorski tehnološki park, d.o.o. | 1,808 | 1,808 |
| Stelkom d.o.o., Ljubljana | 57,837 | 57,837 |
| | **387,543** | **371,440** |
| Impairment of investment Informatika, d.d. | -78,470 | -78,470 |
| Impairment of investment Stelkom, d.o.o. | -6,209 | -6,209 |
| | **-84,679** | **-84,679** |
| Total | 302,864 | 286,761 |
| Total long-term financial investments | 302,864 | 286,761 |

**Table 124: Investments of the Group**

Group's investments in equity of non-listed companies held for the foreseeable future, are measured and classified as equity instruments at fair value through other comprehensive income. Group irrevocably classified to this group its investments in shares and stakes in companies, as well as investments in mutual funds and bonds. No impairment loss was recognised in profit or loss on these investments in prior periods. Movements in listed equity instruments at fair value through other comprehensive income:

in EUR

| | |
|---|---|
| Balance 1. 1. 2020 | 78,854 |
| Adjustment to market value | -7,814 |
| Balance 31. 12. 2020 | 71,040 |
| Balance 1. 1. 20201 | 71,040 |
| Adjustment to market value | 16,102 |
| **Balance 31. 12. 2021** | **87,142** |

**Table 125: Movements in listed equity instruments at fair value through OCI**

In 2021, the Group recognised €16,102 of adjustment to listed non-current investments (financial assets at fair value through OCI) to the market value or fair value in other comprehensive income (in 2020: - €7,814). Group recognised no adjustments in profit or loss either in 2021 or 2020.

### 7.3.6 Non-current financial receivables

Group reports no loans issued or long-term deposits placed.

### 7.3.7 Non-current operating receivables

Long-term operating receivables of €33,538 (2020: €166,366) comprise:

- Long-term receivables in the amount of €33,538 are due from the operators of facilities, who accrue funds intended for the maintenance of facilities in accordance with the Housing Act.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Receivables from apartment building operators | 33,538 | 29,753 |
| Long-term trade receivables | 0 | 136,613 |
| **Total** | **33,538** | **166,366** |

### 7.3.8 Other non-current assets

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Deferred rental costs | 1,572 | 1,589 |
| Preliminary settlement | 2,627,717 | 4,191 |
| Deferred costs for licenses | 9,687 | 4,472 |
| Other deferred costs | 359 | 419 |
| **Total** | **2,639,335** | **10,670** |

**Table 126: Non-current deferred costs and cost of acquiring customers**

Other non-current assets of the Group comprise pre-paid lease liabilities in the amount of €1,572, long-term deferred costs of licence fees amounting to €9,687 and €359 of other long-term deferred costs.

Great value is represented by long-term deferred revenues from the preliminary settlement of the company SODO, d.o.o., for 2021, received in March 2022, on the basis of the Contract on lease of electricity distribution infrastructure and provision of services for distribution operators and the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system, in the amount of €2,627,717 (€1,717,971 refers to the services provided and €909,746 to rental income).

Funds from this title will be repaid in the new regulatory period, which begins in 2023.

Costs that are transferred to profit or loss within 12 months after the reporting date are recognised under current assets.

### 7.3.9 Deferred tax assets

Deferred tax assets of €664,277 (2020: €954,110) are recognised under long-term assets. In 2021, deferred tax assets decreased by €289,833 in 2020, on account of a decrease in receivables arising from tax relief not utilised, actuarial calculations made by the parent company, and short-term operating receivables.

Deferred tax assets are calculated based on the future income tax rate of 19%, the same as in 2020.

DEFERRED TAX ASSETS

| | from provisions | from impaired receivebles | from impaired investments | from retained earnings | from unused tax relief | Total |
|---|---|---|---|---|---|---|
| **Balance 1.1.2020** | **473,701** | **224,286** | **14,909** | **0** | **0** | **712,896** |
| Increase | 40,196 | 107 | 0 | 0 | 233,320 | 273,624 |
| Decrease | 0 | -32,410 | 0 | 0 | 0 | -32,410 |
| **Balance 31.12.2020** | **513,897** | **191,983** | **14,909** | **0** | **233,320** | **954,110** |
| **Balance 01.01.2021** | **513,897** | **191,983** | **14,909** | **0** | **233,320** | **954,110** |
| Increase | 11,932 | 0 | 0 | 0 | 0 | 11,932 |
| Decrease | -26,871 | -41,572 | 0 | 0 | -233,320 | -301,764 |
| **Balance 31.12.2021** | **498,957** | **150,411** | **14,909** | **0** | **0** | **664,277** |

**Table 127: Deferred tax assets**

Effects of differences between the accounting value of the items disclosed in the statement of financial position and their tax value are calculated in accordance with the balance sheet liability method for all temporary differences. Deferred tax assets are the amounts of tax recognised on account of provisions and allowances for receivables that will be utilised in future periods based on deductible temporary differences, and on account of unused tax losses.

TAX EXPENSE DISCLOSED IN THE INCOME STATEMENT — in EUR

| | 2021 | 2020 |
|---|---|---|
| Tax of the current year | -1,077,295 | -460,020 |
| Deferred tax assets/liabilities | -236,871 | 222,574 |
| Tax expense | -1,314,166 | -237,446 |
| **Tax expense recognised in profit or loss** | **-1,314,166** | **-237,446** |

**Table 128: Tax expense recognised in profit or loss**

CHANGES IN DEFERRED TAXES RECOGNIZED IN THE INCOME STATEMENT — in EUR

| | 2021 | 2020 |
|---|---|---|
| **Balance as of Jan 01** | **785,457** | **562,883** |
| Provisions | 6,602 | 21,557 |
| Receivables | -41,572 | -32,303 |
| Investment impairment | 0 | 0 |
| Unused tax relief | -233,320 | 233,320 |
| Requalification* | 0 | 0 |
| **Changes in deferred tax assets/ liabilities** | **-268,291** | **222,574** |
| **Balance as of Dec 31** | **517,166** | **785,457** |

**Table 129: Movements in deferred taxes recognised in profit or loss**

MOVEMENTS IN DEFERRED TAXES RECOGNISED IN EQUITY — in EUR

| | 2021 | 2020 |
|---|---|---|
| **Balance as of Jan 01** | **168,653** | **150,013** |
| Change in revaluation of deferred tax on provisions | -21,542 | 18,640 |
| **Changes in deferred tax assets/ liabilities** | **-21,542** | **18,640** |
| **Balance as of Dec 31** | **147,111** | **168,653** |

**Table 130: Movements in deferred taxes recognised in equity**

in EUR

| Type of deferred taxes | 01/01/2021 | Formation | Use | Elimination | 31/12/2021 |
|---|---|---|---|---|---|
| From temporary differences of revaluation of receivables | 191,983 | 1,219 | -1,306 | -41,485 | 150,411 |
| From temporary differences of provisions | 513,897 | 11,932 | -26,871 | 0 | 498,957 |
| From temporary differences of impaired investments | 14,909 | 0 | 0 | 0 | 14,909 |
| From temporary differences of unused tax relief | 233,320 | 0 | -233,320 | 0 | 0 |
| From temporary differences of intermediate profits | 0 | 0 | 0 | 0 | 0 |
| **Total** | **954,110** | **13,150** | **-261,498** | **-41,485** | **664,277** |

**Table 131: Movements in deferred tax assets in 2021**

Group estimates that in future it will have sufficient amount of taxable profits against which all deferred tax assets can be utilised.

Group did not recognise any deferred tax liabilities, because there are no bases for their recognition.

### 7.3.10 Inventories

No inventories were impaired in 2021 or 2020, since inventory values are matched with the latest known purchase prices on a monthly basis based on physical stock count of materials and small tools. In 2021, the cost amounted to €12,895 (while in 2020, the value was negative in the amount of €9,279).

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Material | 1,408,095 | 1,134,801 |
| Small tools | 32,338 | 28,152 |
| Merchandise | 0 | 1,810 |
| **Total** | **1,440,433** | **1,164,763** |

**Table 132: Inventories**

### 7.3.11 Short-term investments

Group reports no short-term investments as at December 31 2021 nor as at December 31 2020.

### 7.3.12 Short-term trade and other receivables

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Operating receivables | 6,853,653 | 6,029,668 |
| Current tax receivables | 497,465 | 364,449 |
| Other receivables | 269,684 | 231,446 |
| **Total trade receivables and other receivables** | **7,620,801** | **6,625,563** |

**Table 133: Short-term trade and other receivables**

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Short-term receivables from sales:** | | |
| - on domestic market | 4,494,045 | 4,673,575 |
| - in foreign market | 0 | 0 |
| **Value adjustment** | **-265,202** | **-478,309** |
| | **4,228,843** | **4,195,266** |
| **Short-term rental receivables:** | **2,610,848** | **1,821,168** |
| **Interest receivables:** | | |
| - to other customers | 39,386 | 46,368 |
| **Value adjustment** | **-36,954** | **-43,673** |
| | **2,432** | **2,694** |
| **Advances** | **11,530** | **10,540** |
| **Value adjustment** | **0** | **0** |
| | **11,530** | **10,540** |
| **Operating receivables to others:** | | |
| - to state and other institutions | 679,797 | 547,873 |
| of which for current tax | 497,465 | 364,449 |
| - to employees | 0 | 0 |
| - to others | 92,223 | 51,874 |
| **Value adjustment** | **-4,872** | **-3,851** |
| | **767,149** | **595,895** |
| **Total** | **7,620,801** | **6,625,563** |

**Table 134: Short-term trade receivables of the Group**

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Receivables not yet due | 5,978,966 | 5,881,014 |
| Receivables due up to 30 days | 118,216 | 126,531 |
| Receivables due from 31 to 60 days | 1,871 | 10,811 |
| Receivables due from 61 to 90 days | 261,424 | 206 |
| Receivables due from 91 to 365 days | 479,850 | 566 |
| Receivables due over 365 days | 1,797 | 0 |
| **Total** | **6,842,123** | **6,019,128** |

**Table 135: Maturity structure of trade receivables and interest receivable of the Group**

Elektro Primorska Group recognises allowances of individual receivables per individual business partner for all receivables believed not to be settled. These include: vse neplačane terjatve pred letom 2021,

- outstanding receivables from past periods,
- disputed receivables and
- receivables due from business partners undergoing bankruptcy and compulsory settlement, as well as
- amounts of individual groups of receivables, which the Group believes will not be settled.

Share of trade receivable allowances accounts for 4.49% of total receivables. In 2021, receivable write-downs and impairments recognised in operating expenses amounted to €6.415 compared to €10,080 reported in 2020, which shows a good receivable recovery process in the company.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Balance 1.1.** | **525,834** | **695,849** |
| Recovered written-off receivables | -172,249 | -7,103 |
| Final write-off of receivables | -52,674 | -171,848 |
| Formation of value adjustments in the year | 6,116 | 8,936 |
| Re-qualifications | 0 | 0 |
| **Balance 31.12.** | **307,027** | **525,834** |

**Table 136: Movements in trade receivable allowances**

#### 7.3.12.1 Short-term receivables due from others

Of total receivables due from others amounting to €767,149 (2020: €595,895), the largest amount is due from the State on account of corporate income tax credit referring to the financial year 2021, and VAT refund of €679,792 (2020: €153,071). Remaining amount comprises other receivables.

### 7.3.13 Contract assets and cost to obtain contracts

Contract assets comprise €269,262 of short-term deferred revenues from the sale of services rendered (2020: €1,149,013), majority of which refers to assets from the preliminary statement, which the Group received in March 2022 from SODO in reference to services rendered in the financial year 2021, amounting to €165,480. Group does not disclose any costs to obtain contracts either in 2021 or 2020.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Assets under contracts with customers | 269,262 | 1,149,013 |
| Customer acquisition costs | 0 | 0 |
| **Total** | **269,262** | **1,149,013** |

**Table 137: Contract assets**

Lower value of from short-term assets based on contracts with customers in 2021 stems from the parent company's preliminary settlement of 2021, which is higher than in the previous year (2020: €352.412). But due to the adopted measure of the National Assembly to mitigate the energy crisis (on February 22 2022 the National Assembly adopted the Act Determining the Measures to Mitigate the Consequences of Rising Energy Prices (ZUOPVCE), published in the Official Gazette of the Republic of Slovenia, no. 29/2022) it transferred major part to long-term assets 971 (in the amount of €1,717,971). Parent company received the preliminary statement in March 2022 and took it into account when preparing the financial statements. No contract assets were impaired.

### 7.3.14 Other current assets

Other current assets of the Group comprise deferred costs and expenses and short-term accrued income as presented in the table below:

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| VAT on advances received | 1,071 | 652 |
| Short-term deferred costs | 24,165 | 38,046 |
| Short-term accrued income | 87,635 | 0 |
| **Total** | **112,870** | **38,698** |

**Table 138: Deferred costs and accrued income**

Deferred costs or expenses of total €38,698 (2020: €38,698) comprise the following items:

- VAT on advances received and overpayments;
- short-term deferred costs include deferred costs of annual licences in the amount of €8,349, and other deferred costs such as the cost of subscriptions, insurance premiums and similar amounting to €15,816;
- short-term accrued income in 2021 include settlement of rent for electricity infrastructure in the amount of €87,635, which refers to the short-term part of the preliminary settlement for 2021.

### 7.3.15 Cash and cash equivalents

Cash and cash equivalents comprise:

- cash in hand,
- deposit money in accounts at banks,
- cash in transit,
- cash equivalents as readily available investments which may in the near future be converted into a predetermined amount of cash without any significant risk (e.g. deposits with maturity of up to three months).

Cash comprises cash on hand in the form of bank notes and coins, as well as cheques received.

Deposit money is cash in bank accounts, or deposited with another type of financial institution and may be used for payment purposes.

Cash in transit is the cash being transferred from a cash register to a relevant account in a bank or another type of financial institution, and is not credited to that account on that same day.

On initial recognition, cash is carried at amounts arising from the relevant documents. Monetary assets denominated in foreign currencies are translated into the local currency at the balance sheet at the reference rate of the European Central Bank. Exchange rate differences resulting from changes in foreign exchange rates are recognised either as a financial income or expense.

Cash also includes cash on transaction accounts held by group companies at commercial banks.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Cash in banks | 6,160,041 | 1,837,633 |
| **Total** | **6,160,041** | **1,837,633** |

**Table 139: Cash and cash equivalents of the Group**

### 7.3.16 Equity

As at December 31 2021, the Group's equity of €174,206,406 is composed of:

- share capital,
- capital reserves,
- legal reserves,
- reserves for treasury shares,
- other profit reserves,
- fair value reserve,
- retained earnings and
- net profit for the financial year.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Share capital | 110,465,795 | 110,465,795 |
| Capital reserves | 46,306,588 | 46,306,588 |
| Statutory reserves | 1,811,793 | 1,217,430 |
| Other profit reserves | 12,420,553 | 11,879,220 |
| Fair value reserves | -1,316,754 | -1,623,947 |
| Retained earnings | 0 | 0 |
| Net profit for the financial year | 4,518,431 | 2,454,643 |
| **Total** | **174,206,406** | **170,699,728** |

**Table 140: Equity of the Group**

Share capital of the Elektro Primorska Group consists of the equity of the parent company, which is divided into 18,783,898 ordinary registered shares. Each share has an equal interest and attributable amount in the share capital. Share capital is fully paid. In 2021, the value of share capital did not change.

Capital reserves of the Group originates from the general capital revaluation adjustment of the parent company, which was transferred to capital reserves on transition to SAS 2006. Capital reserves may be used under the terms and for the purposes provided by law. There were no changes to the amount of capital reserve in 2021.

Profit reserves - legal and other profit reserves are amounts of retained profit from previous years, mainly to cover potential future losses. Based on the proposal of the Management Board of the Group, on adoption of the Annual Report, the Supervisory Board allocated €541,333 of the net profit for the year to other profit reserves in accordance with Article 230 of the Companies Act (ZGD-1) and paid €2,254,068 of dividends to shareholders.

Treasury shares - if the parent company or its subsidiaries acquire an ownership interest in the parent company, the amount paid, including transaction costs less tax, is deducted from total equity as treasury shares until such shares are cancelled, reissued or disposed of. If treasury shares are subsequently sold or reissued, the consideration received net of transaction costs and related tax effects is included in equity.

As at December 31 2021 or December 31 2020, the controlling company held no treasury shares.

Fair value reserve includes the cumulative change in the fair value of available-for-sale financial assets and post-employment benefits. Compared to year 2020, the fair value reserve decreased by €307,192 to €-1,316,754 as at December 31 2021. Total change results from a €16,102 increase in the fair value of available-for-sale financial assets; a reduction of €226,755 is on account of restatement of post-employment benefits; and a €21,542 increase refers to the deferred tax effect on restatement of post-employment benefits, while a €85,877 decrease results from other changes in equity.

Undistributed net profit for the financial year in the amount of €4,518,431 (2020: €2,454,643) consists of the profits of the parent company and business performance of its subsidiary E 3,d.o.o., for the first four days of 2021.

Compared to the previous year, retained earnings increased by €2,063,789 in 2021. Retained earnings comprise €5,623,432 of profit achieved in 2021, decreased by the appropriation of €2,254,068 of distributable profit to dividends according to the resolution of the 26th General Meeting held on July 1 2021, and €1,135,696 transferred to other profit reserves, as well as other changes in equity. Movements in equity of the Group in 2020 and 2021 are presented in the statement of changes in equity.

Dividend per share - In 2021, gross dividend per share amounted to €0.24 (2020: €0.14).

Earnings per share - basic earnings per share amounted to €0.30 in 2021, down 9.83% compared to 2020, when it stood at €0.33. Profit of the Group in the amount of €5,623,432 (2020: €6,236,188) was considered in the calculation, as was the weighted average number of issued shares (18,783,898 shares, the same as in 2020.

Basic earnings per share is calculated by dividing the net profit belonging to the owners by the weighted average number of ordinary shares (excluding treasury shares). Group has no diluted ordinary shares, therefore there is no difference between basic and diluted earnings per share.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Net profit or loss (in EUR) | 5,623,432 | 6,236,188 |
| Number of shares issued | 18,783,898 | 18,783,898 |
| Number of own shares at the beginning of the year | 0 | 0 |
| Number of own shares at the end of the year | 0 | 0 |
| Weighted average number of ordinary shares issued | 18,783,898 | 18,783,898 |
| Adjusted average number of ordinary shares | 18,783,898 | 18,783,898 |
| **Basic and adjusted earnings per share (EUR/share)** | **0.30** | **0.33** |

**Table 141: Earnings per share**

All shares issued by the controlling company are ordinary registered shares.

### Distributable profit

Group recognised distributable profit in accordance with the provisions of the Companies Act. It also recognised the prescribed amount of legal reserves. Group's Management Board proposed to allocate €711,536 of profit to legal reserves, €529,140 to other profit reserves, relevant amount to cover past losses incurred on reversal of actuarial losses, and relevant amount to unappropriated profit for distribution to shareholders. Appropriation of the distributable profit of €4,518,431 as at the year-end will be decided by the General Meeting based on the proposal of the Management and the Supervisory Boards. Final amount of dividends for the year ended as at December 31 2021 has not yet been proposed or confirmed at the General Meeting and therefore, no liabilities for dividends are reported in the financial statements.

## 7.3.17 Provisions and long-term deferred income

Provisions are made for present obligations arising from obligating past events and are expected to be settled within a period that cannot be determined with certainty, and whose size can be reliably estimated.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Balance 1.1.** | **5,409,436** | **4,986,319** |
| Formation | 338,586 | 657,947 |
| Drawing | -434,778 | -234,831 |
| Derecognition | -61,068 | 0 |
| **Balance 31.12.** | **5,252,176** | **5,409,436** |

**Table 142: Provisions of the Group**

Group reports €5,252,176 of provisions for post-employment and other non-current employee benefits (2020: €5,409,436).

Provisions for obligations to employees arising from post-employment and other non-current benefits are based on actuarial calculation using the following assumptions:

- number of employees at the reporting date of 2021; their gender, age, status, salary level and total length of service and the length of service of each employee at the reporting date;
- 0.9852-percent annual discount rate was applied in the calculation of the present value of future obligations of the entity (2020: 0.3475-percent);
- amount of long-service bonuses and severance pay in accordance with the applicable collective agreement;
- staff turnover, which depends largely on their age;
- mortality rate, considering the following: SLO 2007; 75% selection factor for active population, the same as in 2020;
- 3.0% wage growth in the company, the same as in 2020;
- 4.0% increase in the average wage in the Republic of Slovenia (2020: 3.5%).

## PROVISIONS FOR POST-EMPLOYMENT AND OTHER NON-CURRENT BENEFITS OF THE EMPLOYEES

in EUR

| | Severance pay | Long-service bonuses | Total post-employment benefits of employees |
|---|---|---|---|
| **Balance as of Jan 1 2020** | **3,799,591** | **1,186,728** | **4,986,320** |
| Current service costs | 229,469 | 94,084 | 323,552 |
| Past service cost | 0 | 0 | 0 |
| Interest expense | 28,597 | 8,379 | 36,976 |
| Post-employment benefits paid | -124,767 | -110,064 | -234,831 |
| Actuarial surplus /loss | 248,058 | 49,361 | 297,419 |
| Reversal | 0 | 0 | 0 |
| **Balance as of Dec 31 2020** | **4,180,948** | **1,228,488** | **5,409,436** |
| Current service costs | 225,439 | 94,918 | 320,357 |
| Past service cost | 0 | 0 | 0 |
| Interest expense | 13,984 | 4,245 | 18,229 |
| Post-employment benefits paid | -197,829 | -94,195 | -292,024 |
| Actuarial surplus /loss | -142,754 | -61,068 | -203,822 |
| Reversal | 0 | 0 | 0 |
| **Balance as of Dec 31 2021** | **4,079,789** | **1,172,387** | **5,252,176** |

**Table 143: Provisions for post-employment benefits**

Additional provisions of total €338,586 (2020: €657,947) were set aside on account of: payroll costs amounting to €320,357 (2020: €323,552); interest expense of €18,229 (2020: €36,976). In 2021, no provisions were formed directly through equity as an actuarial surplus was identified (in 2020 €248,058 of provisions were formed directly through equity). In 2021, the Group paid €292,024 in long-service bonuses and severance pay (€234,831 was paid in 2020) however, it did not recognise any reversal of provisions (the same in 2020).

Lower value of additionally recognized provision arises from the higher discount rate used to calculate post-employment benefits.

**Sensitivity analysis**

in EUR

| | Long-service bonuses provisions | Severance pay provisions | Total |
|---|---|---|---|
| 0.5% discount rate reduction | 56,422 | 227,346 | 283,768 |
| 0.5% discount rate increase | -52,076 | -206,961 | -259,037 |
| Wage growth by 0.5% | 56,953 | 226,803 | 283,756 |
| Wage drop by 0.5% | -53,182 | -209,044 | **-262,225** |

**Table 144: Sensitivity analysis of post-employment benefits**

## 7.3.18 Long-term deferred income

| | Assets acquired free-of-charge | Average connection costs | Co-financing of facility construction | Support received | Co-financing of cohesion meters | Co-financing of project Sova uharica | Other | Total in EUR |
|---|---|---|---|---|---|---|---|---|
| **Balance 1.1.2021** | **7,174,573** | **1,773,059** | **127,665** | **130,494** | **891,119** | **546,708** | **47,968** | **10,691,585** |
| Formation | 1,869,231 | 0 | 0 | 4,500 | 0 | 0 | 0 | 1,873,731 |
| Derecognition | -1,220 | 0 | 0 | 0 | 0 | 0 | -2,933 | -4,153 |
| Drawing on revenue | -300,640 | -110,299 | -7,024 | -23,110 | -65,102 | -28,810 | 0 | -534,984 |
| **Balance 31.12.2021** | **8,741,944** | **1,662,760** | **120,641** | **111,884** | **826,017** | **517,899** | **45,035** | **12,026,179** |

| | Assets acquired free-of-charge | Average connection costs | Co-financing of facility construction | Support received | Co-financing of cohesion meters | Co-financing of project Sova uharica | Other | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance 1.1.2020** | **7,061,734** | **1,883,359** | **134,689** | **120,385** | **955,067** | **467,545** | **42,185** | **10,664,963** |
| Formation | 399,783 | 0 | 0 | 61,082 | 0 | 103,974 | 7,656 | 572,495 |
| Derecognition | 0 | 0 | 0 | -31,082 | 0 | 0 | -1,873 | -32,955 |
| Drawing on revenue | -286,944 | -110,299 | -7,024 | -19,891 | -63,948 | -24,811 | 0 | -512,918 |
| Balance 31.12.2020 | 7,174,573 | 1,773,059 | 127,665 | 130,494 | 891,119 | 546,708 | 47,968 | 10,691,585 |

**Table 145: Long-term deferred income in 2021 and 2020**

* Reclassification to non-current assets held for sale due to expected sale of the subsidiary

In 2021, the Group recognised additional €1,869,231 of long-term deferred income on account of free-of-charge acquisition of energy facilities from legal and natural persons. Property, plant and equipment acquired free-of-charge consists of customer connections that the parent company accepted as its fixed assets and assumed the responsibility for their maintenance and renovation in accordance with applicable regulations (General Conditions for connection to the distribution Electric system, Official Gazette of the RS Nos. 126/07, 37/11). Utilisation of deferred income from fixed assets obtained free-of-charge (mainly free-of-charge household connections) and co-financing of construction of facilities and equipment in the amount of €401,575 (2020: €293,968) is equal to the annual depreciation of an individual asset obtained free-of-charge or to the proportionate amount of the co-financed item of fixed assets.

Average connection costs comprise funds collected on account of connections to the power grid. These were accrued until 30 June 2007 in connection with the implementation of the GJS SODO on the basis and in accordance with the regulations, in particular the Act determining the methodology for charging for the network charge, the methodology for setting the network charge, and the criteria for establishing eligible costs for electricity networks (Official Gazette of the RS, No 121/2005 and beyond). Average connection cost is a one-off amount paid for connection to the network or an increase in the connected load. Funds thus collected are earmarked for financing of the electricity infrastructure construction and renovation. Deferrals are utilised at the level of 3.33% (the same as in the previous year), which corresponds to an average depreciation rate of power facilities. In 2021, depreciation of these facilities amounted to €110,299, the same as in the previous year.

Co-financing of the facility construction is based on dedicated funds for co-financing of the energy facility construction. These funds are drawn in accordance with the charged depreciation of the relevant facility.

In 2021, the Group was not granted additional European Cohesion funds for co-financing the purchase and installation of smart electricity meters for the period 2017 - 2022, in the proportion of 33% of the cost. Funds are withdrawn in the amount equal to annual depreciation amounting to €65,102, calculated based on the share of each co-financed meter and recognised in other operating income.

Planned formation and drawing of long-term deferrals does not substantially deviate from their actual formation and drawing.

In 2014, the Group received State grant in the amount of €30,491 for reconstruction of the facility in Bovec, which was damaged by the earthquake, and the European funding for the SUNSEED project of total €191,553 (2016: €23,092). Renovation of the facility in Bovec is now completed as is the SUNSEED project. For the purpose of completion of the two investments, long-term deferrals decreased by €4,788 of depreciation accounted for in 2021, which was recognised under other operating revenue (2020: €19,891).

Group has additionally recognized the newly received incentive from the Eco Fund for the purchase of electric vehicles in the amount of €4.500.

No additional liabilities are reported by the Group on account of long-term deferred income from compensation claims.

In 2021, the Group recognised no additional provisions on account of the co-financing of the Eurasian eagle-owl project (2020: €103,974). Funds are used for the insulation of medium voltage power lines. In 2021, the Group drew on €28,810 of funds, equal to the depreciation recognised in 2021.

Project falls under the auspices of »Ensuring appropriate use of karst grasslands and rock walls for conservation of selected habitat types and species in the Natura 2000 network – Karst » in short »FOR THE KARST«, which is a nature conservation project aimed at improving status of significant habitat types and species in the Natura 2000 - Karst region. Project is co-financed from the European Regional Development Fund by the European Union and the Republic of Slovenia. A variety of nature protection measures implemented over a period from 1 September 2017 to 31 July 2021 worth in total €3,189,527.95, will improve the status of the three most endangered habitat types, helping to preserve 27 endangered species of plants and animals in the Natura 2000 Karst area. Project area extends throughout the Karst region, from Hrastovlje on the southern edge of the Karst to Štanjel in the north.

### 7.3.19 Non-current financial liabilities

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Long-term financial liabilities | 29,690,485 | 29,776,680 |
| Short-term part of long-term liabilities | -3,989,276 | -4,171,444 |
| **Long-term financial liabilities** | **25,701,209** | **25,605,235** |
| **Total long-term liabilities** | **25,701,209** | **25,605,235** |

**Table 146: Non-current financial liabilities**

Debts are classified into financial and operating debts, while depending on their maturity they are grouped into long-term and short-term.

Long-term financial liabilities to the Intesa Sanpaolo bank are collateralised by bills of exchange, while the long-term financial liabilities to the European Investment Bank are uncollateralised. All borrowings are due and payable by no later than October 2033. Total €20,400,000 of borrowings falls due within 5 years of the reporting date (2020: €20,436,110).

In November, the Company drew the second tranche of contract no. 91.118, which it has concluded with the European Investment Bank, in the amount of €5,000,000.00.

Seven of the borrowings were agreed at a fixed rate of interest ranging from 0.661% to 1.104% per annum. Interest on borrowings is calculated and paid monthly or quarterly.

Credit agreements with the European Investment Bank include financial covenants made at the level of the Elektro Primorska Group, which the Group must comply with. In accordance with point 6.10 of the three contracts we have concluded with the European Investment Bank, we are fulfilling our financial covenants.

Group fulfils all contractual covenants.

Movements in financial liabilities in 2021 and 2020:

in EUR

| Movements in financing liabilities | Balance 01.01.2021 | Cash flow Inflows | Cash flow Outflows | Non-monetary changes | Balance 31/12/2021 |
|---|---|---|---|---|---|
| Bank loans | 32,894,444 | 8,700,000 | -12,347,222 | 0 | **29,247,222** |
| Dividends | 5,229 | | -2,254,068 | 2,254,068 | **5,229** |
| Financial liabilities for credit interests | 16,264 | | -254,221 | 257,362 | **19,405** |
| Lease liabilities | 382,235 | | -60,557 | 121,585 | **443,262** |
| **Total** | **33,298,173** | **8,700,000** | **-14,916,068** | **2,633,014** | **29,715,118** |

**Table 147: Financial liabilities 2021**

in EUR

| Movements in financing liabilities | Balance 01.01.2020 | Cash flow Inflows | Cash flow Outflows | Non-monetary changes | Balance 31/12/2020 |
|---|---|---|---|---|---|
| Bank loans | 33,675,000 | 7,100,000 | -7,880,556 | 0 | **32,894,444** |
| Dividends | 5,229 | | -2,629,746 | 2,629,746 | **5,229** |
| Financial liabilities for credit interests | 18,713 | | -291,006 | 288,557 | **16,264** |
| Lease liabilities | 301,174 | | -47,268 | 128,330 | **382,235** |
| **Total** | **34,000,117** | **7,100,000** | **-10,848,576** | **3,046,632** | **33,298,173** |

**Table 148: Financial liabilities 2020**

### 7.3.20 Lease liabilities

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Long-term lease liabilities | 387,320 | 333,018 |
| Short-term lease liabilities | 55,943 | 49,217 |
| **Total lease liabilities** | **443,262** | **382,235** |

Movements in lease liabilities

in EUR

| | 2021 | 2020 |
|---|---|---|
| **Balance 01.01.** | **382,235** | **301,173** |
| Increase | 113,639 | 122,474 |
| Interest | 7,946 | 5,856 |
| Payment of rents | -60,557 | -47,268 |
| Decrease due to change in rental value | 0 | 0 |
| Derecognition | 0 | 0 |
| **Balance 31.12.** | **443,262** | **382,235** |

**Table 149: Movements in lease liabilities in 2021 and 2020**

### 7.3.21 Short-term liabilities

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| SHORT-TERM FINANCIAL LIABILITIES | | |
| Short-term financial liabilities to banks | 0 | 3,500,000 |
| Current amounts of long-term borrowings | 3,933,333 | 4,122,227 |
| Current amount of long-term lease liabilities | 55,943 | 49,217 |
| Dividends payable | 5,229 | 5,229 |
| **Total short-term financial liabilities** | **3,994,505** | **7,676,674** |
| | | |
| Supplier payables | 8,963,157 | 6,832,565 |
| **Total supplier payables** | **8,963,157** | **6,832,565** |
| Payables to employees | 1,930,846 | 1,467,963 |
| Payables to the State and other institutions (excluding income tax) | 649,356 | 57,197 |
| Other liabilities | 147,380 | 3,729 |
| **Total other short-term payables** | **2,727,582** | **1,528,889** |
| **Total short-term operating liabilities** | **11,690,739** | **8,361,454** |
| **Corporate income tax payable** | **0** | **0** |
| Total | 11,690,739 | 8,361,454 |
| TOTAL SHORT-TERM LIABILITIES | **15,685,244** | **16,038,128** |

**Table 150: Short-term liabilities of the Group**

Short-term financial liabilities of the Group include current amounts of long-term borrowings and short-term lease liabilities maturing in 2022.

Supplier payables of the Group increased by €2,130,592 compared to the previous year, due to accelerated investment activity at the end of the year (in 2020 they were lower than those recorded in 2019 by €2,387,146). Liabilities are not collateralised and no assets were pledged or guarantees issued for them. Payables to the State increased by €592,159 compared to the previous year, mostly on account of liabilities for value added tax payable.

Payables to employees are obligations for the December salaries and settlement of the bonus for successful performance in 2021.

### 7.3.22 Contract liabilities

Group recognised €21,191of contract liabilities on account of advances and securities received (2020: €19,231). Most of these refer to performance bonds and overpayments for services rendered.

### 7.3.23 Other liabilities

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| VAT on advances given | 1,914 | 1,914 |
| Short-term deferred income | 0 | 1,311,578 |
| Accrued costs | 760,556 | 708,021 |
| **Total** | **762,470** | **2,021,513** |

**Table 151: Other liabilities**

Other liabilities include short-term accrued expenses and VAT in advances granted. Group did not recognize deferred rental income in 2021 (2020: €1,311,578).

Accrued expenses comprise:

- provisions on account of annual leave not utilised in 2020 amounting to €687,666 (2019: €599,192);
- accrued expenses based on the preliminary settlement of rent for the electricity network in 2020 in the amount of €1,311,578;
- accrued interest expense on borrowings amounting to €18,078 (2019: €18,396);
- other liabilities in the amount of €4,192.

### 7.3.24 Contingencies and guarantees issued

In the opinion of legal experts, none of the legal actions brought against or filed by the Group is likely to have a significant impact on the Group's profit or loss. Group believes that provisions set aside for these purposes are sufficient to cover any contingencies.

Bid bonds and warranty guarantees issued by the banks (on account of rendering services to external clients) are reported in the off-balance sheet records. On the balance sheet cut-off date, the value of bank guarantees is recognised as a liability of the Group in respect of which guarantees were issued.

In 2021, the Group obtained €146,147 worth of bank guarantees as performance bonds.

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Liabilities for guarantee | | |
| Liabilities from pledged real estate | 0 | 0 |
| Bank guarantees issued | 126,947 | 146,147 |
| **Total** | **126,947** | **146,147** |

**Table 152: Contingencies of the Group**

## 7.4 Notes to consolidated profit or loss account

### 7.4.1 Operating revenue

in EUR

| | 2021 | 2020 |
|---|---|---|
| Net sales | 40,948,757 | 36,754,101 |
| Capitalized own products and services | 11,562,494 | 10,493,687 |
| Other operating revenues | 2,230,133 | 2,229,626 |
| **Total operating revenues** | **54,741,384** | **49,477,415** |

**Table 153: Operating revenue of the Group**

#### 7.4.1.1 Net sales

Net sales revenue consists of:

in EUR

| | 2021 | 2020 |
|---|---|---|
| **Revenue from contracts with customers** | **21,706,054** | **20,455,541** |
| a.) Revenue from sales of products | 0 | 0 |
| b.) Revenues from sales of services | 21,594,622 | 20,187,805 |
| c.) Revenues from sales of merchandise | 111,432 | 267,736 |
| **Other revenues from sales** | **19,242,702** | **16,298,560** |
| **Total operating revenues** | **40,948,757** | **36,754,101** |

**Table 154: Net sales revenue**

Revenue from contracts with customers on the domestic market in 2021:

in EUR

| | 2021 | 2020 |
|---|---|---|
| Revenues from the sale of services of electricity network maintenance | 19,403,822 | 18,746,032 |
| Revenues from the sale of services to the market | 2,190,800 | 1,709,509 |
| **Total revenues from sales of services** | **21,594,622** | **20,455,541** |

**Other revenue from sale** comprises revenues from rental agreements, the largest share of which (€18,781,271) refers to the revenues from renting the electricity network to SODO, d.o.o.

### 7.4.1.2 Capitalised own effects

Majority of revenues from capitalised own products and services and other operating revenues was recognised by the parent company. In 2021, the Group recognised €11,562,494 of these revenues (2020: €10,493,687). Revenues from capitalised own products and services were earned from drawing up project documentation and from participating in the construction of investment facilities.

### 7.4.1.3 Other operating revenue

Other operating revenues comprise revenues from drawing on accrued depreciation of assets acquired free-of-charge, co-financing of facility construction, average connection charges, and reversal of provisions for post-employment benefits on account of severance pay and long-service bonuses. Major decrease in subsidies received in 2021 is mainly due to the government grants as part of the intervention measures to curb the spread of the Covid-19 pandemic in 2020. Total amount of subsidies received in 2020 of €660,071 and €79,312 in 2021 are unconditional. Large part of other operating revenue in the amount of €505,065 relates to insurance proceeds on account of damages to the assets (2020: €383,546). Other operating revenue decreased in 2021 by €325,705, mainly on account of government subsidies as an intervention package to curb the spread of the Covid-19 pandemic, and due to the change in the method of recording refunds. In 2020, the Group switched from the net principle of recording refunds to the gross method of accounting and recognised €364,029 of subsidies and labour costs.

in EUR

| Other operating revenues from: | 2021 | 2020 |
|---|---|---|
| - drawing and elimination of provisions | 522,160 | 435,392 |
| - sales of fixed assets | 88,553 | 186,210 |
| - overdue liabilities write-off | 0 | 0 |
| - recovered written-off receivables | 7 | 7,767 |
| - subsidies received | 603,367 | 1,186,277 |
| - compensation received, contractual damages | 505,065 | 383,546 |
| - effect of subsisdiary sale | 326,212 | 0 |
| - other operating revenues | 175,154 | 15,546 |
| **Total** | **2,230,133** | **2,229,626** |

**Table 155: Other operating revenue of the Group**

## 7.4.2 Operating expenses

| Cost by type | | in EUR |
|---|---|---|
| | **2021** | **2020** |
| Costs of material and services | 14,052,828 | 11,632,647 |
| Labour costs | 18,903,654 | 18,268,773 |
| Write-offs | 13,847,137 | 13,371,996 |
| Other operating costs | 285,513 | 204,292 |
| **Total** | **47,089,131** | **43,477,708** |

**Table 156: Operating expenses of the Group**

Operating expenses include costs recognised per individual types, such as costs of energy, materials and services, employee benefits, write-downs and other operating expenses.

| COST OF MATERIALS: | | in EUR |
|---|---|---|
| | **2021** | **2020** |
| Energy costs | 587,847 | 311,594 |
| Material costs | 5,959,435 | 4,769,835 |
| Costs of auxiliary material | 78,108 | 89,969 |
| Costs of spare parts and maintenance material | 638,274 | 490,208 |
| Write-off of small inventory | 229,862 | 170,904 |
| Costs of office supplies and professional literature | 68,424 | 58,219 |
| Cost of goods and materials sold | 89,848 | 215,243 |
| Other costs of material | 16,749 | 12,783 |
| **Total costs of material** | **7,668,548** | **6,118,753** |

**Table 157: Cost of materials of the Group**

COSTS OF SERVICES: in EUR

| | 2021 | 2020 |
|---|---|---|
| Cost of services in the production and provision of services | 103,974 | 42,632 |
| Costs of transport services | 1,179 | 266 |
| Costs of maintenance services | 2,196,152 | 1,707,882 |
| Rents | 88,863 | 100,841 |
| Reimbursement of work-related expenses to employees | 29,422 | 10,262 |
| Costs of banking services and insurance premiums | 1,150,253 | 1,118,038 |
| Commission costs | 2,502 | 1,302 |
| Costs of intellectual and personal services | 771,586 | 624,690 |
| Costs of fairs, advertising and representation | 80,343 | 109,176 |
| Costs of services of natural persons, including duties | 156,345 | 139,207 |
| Costs of other services | 1,803,658 | 1,659,598 |
| **Total costs of services** | **6,384,279** | **5,513,894** |

**Table 158: Cost of services of the Group**

In 2021, the cost of services increased by €870,385, mostly on account of an increase in the cost of maintenance of assets and facilities, while the cost of licenses, education and insurance premiums increased, and the cost of legal fees and health services decreased.

Elektro Primorska Group expenses include meeting fees paid to members of the Supervisory Boards of the group companies. In 2021, total remuneration of the Supervisory Boards amounted to €117,821 (2020: €115,092) and was paid in the parent company. Cost of intellectual and personal services includes fees paid for the audit of the Annual Report of the Group in the amount of €9,500 (2020: €15,500).

Cost of audit of the entire Group (continued and discontinued operations):

in EUR

| Company | Ernst&Young | Ernst&Young |
|---|---|---|
| | 2021 | 2020 |
| Auditing the annual report | 9,500 | 15,500 |
| Other assurance services | 1,800 | 2,000 |
| Other non-audit services | 200 | 800 |
| **Total for audit company** | **11,500** | **18,300** |

**Table 159: Amounts paid for the audit of the annual report of the Group**

## LEASE PAYMENTS

in EUR

| | 2021 | 2020 |
|---|---|---|
| Depreciation of the right to use | 55,690 | 43,835 |
| Financing expenses | 7,946 | 5,856 |
| Rental costs | 88,863 | 100,841 |
| **Total amount recognized as an expense or expenditure** | **152,499** | **150,532** |

**Table 160: Lease payments**

Lease payments include short-term lease payments, payments for lease of low-value assets and lease payments for assets not controlled by the Group.

LABOUR COSTS: in EUR

| | 2021 | 2020 |
|---|---|---|
| Costs of gross wages and salaries | 13,442,053 | 12,884,823 |
| Pension insurance costs | 662,845 | 638,029 |
| Costs of other social insurance | 2,211,400 | 2,112,368 |
| Commuting reimbursement | 471,750 | 442,847 |
| Reimbursement of meal expenses during worktime | 601,289 | 596,371 |
| Reimbursement for annual leave | 988,553 | 936,182 |
| Post-employment and other long-term benefits | 320,357 | 372,913 |
| Other reimbursements and refunds | 205,409 | 285,240 |
| **Total labour costs** | **18,903,654** | **18,268,773** |

**Table 161: Labour costs of the Group**

Individual Management Boards of Group companies have a single member each. In total, they received €111,207 of remuneration in 2021 (2020: €109,141). On average, the Elektro Primorska Group had 481 employees in 2021 considering continued operations (2020: 522 employees, considering both, continued and discontinued operations, and 473 employees of the continued operations).

| Level according to BP | Average number of employees |
|---|---|
| | 2021 |
| 8/2 | 1 |
| 8/1 | 4 |
| 7 | 54 |
| 6/2 | 52 |
| 6/1 | 63 |
| 5 | 174 |
| 4 | 119 |
| 3 | 11 |
| 2 | 2 |
| 1 | 1 |
| **Total** | **481** |

**Table 162: Number of persons employed per level of formal education**

Members of the Management Board and employees on individual employment contracts were not approved any loans or granted any sureties for their obligations.

| DEPRECIATION COSTS: | | in EUR |
|---|---|---|
| | 2021 | 2020 |
| Amortisation of intangible assets | 1,733,684 | 1,569,403 |
| Depreciation of tangible fixed assets - facilities | 5,928,236 | 5,903,790 |
| Depreciation of tangible fixed assets - equipment | 5,835,079 | 5,415,512 |
| Depreciation of investment property | 8,838 | 8,765 |
| Amortizacija pravice do uporabe sredstva | 55,690 | 43,835 |
| **Total amortisation and depreciation** | **13,561,528** | **12,941,305** |

**Table 163: Depreciation costs of the Group**

Total €13,561,528 of depreciation was recognised by the Group in 2021 (2020: €12,941,305).

| WRITE-OFFS AND IMPAIRMENTS | | in EUR |
|---|---|---|
| | 2021 | 2020 |
| Revaluation expenses for intangible and tangible assets | 279,194 | 420,611 |
| evaluation expenses for current assets | 6,415 | 10,080 |
| **Total revaluation expenses** | **285,609** | **430,691** |

**Table 164: Impairment and write-off**

Group recognised €285,609 of the write-off and impairment of intangible assets, property, plant and equipment, and working capital (2020: €430,691). Of that, €279,194 (2020: €420,611) relates to impairment and write-off of fixed assets, and €6,415 to receivable allowances (2020: €10,080). Group did not recognise any inventory allowances in 2021 or 2020.

### 7.4.3 Other operating expenses

| OTHER OPERATING EXPENSES: | | in EUR |
|---|---|---|
| | 2021 | 2020 |
| Sponsorships and donations | 60,824 | 40,973 |
| Environmental duties and non-business duties | 182,171 | 135,792 |
| Expenses on elimination of investments in subsidiaries | 409,113 | 0 |
| Other operating expenses | 42,518 | 27,527 |
| **Total other operating expenses** | **694,625** | **204,292** |

Charges, independent of profit or loss, relate to the land and water contribution in the amount of €92,369 (2020: €93,336); accrued compensation for damages caused by the parent company Elektro Primorska primarily to individuals on their land during the facility construction or maintenance; financial aid and donations; administrative and legal fees; and other expenses that are not essential to the business.

In 2021, the increase in these expenses is mainly due to the loss due to the exclusion of the subsidiary from the Elektro Primorska Group. Loss is calculated between the purchase price received and the net value of disposable assets in the amount of €409,113.

### 7.4.4 Financial income

Financial income of the Elektro Primorska Group amounted to €47,456 in 2020 (2020: €17,767). Of that, €4,026 (2020: €3,494), relates to income from stakes held and the remaining amount to interest income.

| FINANCIAL REVENUE: | | in EUR |
|---|---|---|
| | 2021 | 2020 |
| Financial revenue from shares | 4,026 | 3,494 |
| Financial revenue from loans | 0 | 30 |
| Financial revenue from operating receivables | 43,431 | 14,244 |
| **Total** | **47,456** | **17,767** |

**Table 165: Financial income of the Group**

### 7.4.5 Financial expenses

Financial expenses of €192,356 (2020: €264,517) consist of interest on short- and long-term bank borrowings, default interest charged by suppliers, interest from actuarial calculations, regulatory default interest and financial lease liabilities. Compared to the previous year, financial expenses from bank borrowings decreased by €53,331, default interest payable to suppliers increased by €335, while interest from actuarial calculations are lower by €18,747.

Value of capitalized interest in 2021 amounts to € 85,412, and in 2020 it amounted to €68,294. In the case of assets that are acquired over a longer period of time, the cost of borrowing is also included in the cost, interest is capitalized. Value of capitalized interest is attributed to the individual asset upon activation.

| FINANCIAL EXPENSES: | | in EUR |
|---|---|---|
| | 2021 | 2020 |
| Expenses from impairments and financial investment write-offs | 0 | 0 |
| Expenses from financial liabilities to banks | 165,157 | 218,488 |
| Expenses from lease liabilities | 7,946 | 5,856 |
| Expenses from financial liabilities from actuarial calculations | 18,229 | 36,976 |
| Expenses from financial liabilities to suppliers | 422 | 87 |
| Expenses from financial liabilities to others | 602 | 3,110 |
| **Total** | **192,356** | **264,517** |

**Table 166: Financial expenses of the Group**

### 7.4.6 Current tax and deferred tax assets/ liabilities

Corporate income tax expense for the financial year encompasses current and deferred tax. Tax is recognised in profit or loss unless it relates to the items that are recognised in other comprehensive income or directly in equity. In this case it is recognised in other comprehensive income or directly in equity. Elektro Primorska Group recognised €1,314,166 of corporate income tax payable in 2021 (2020: €237,446). Corporate income tax rate applicable in 2021 was 19%, the same as in 2020. Group recognised €236,871 of deferred tax assets (2020: €222,574).

| TAX EXPENSE DISCLOSED IN THE INCOME STATEMENT | | in EUR |
|---|---|---|
| | 2021 | 2020 |
| Tax of the current year | -1,077,295 | -460,020 |
| Deferred tax assets/liabilities | -236,871 | 222,574 |
| **Tax expense** | **-1,314,166** | **-237,553** |

Decrease in deferred taxes compared to 2020, is on account of drawing on non-utilised tax relief in 2021.

| | | in EUR |
|---|---|---|
| | 2021 | 2020 |
| Provisions | 6,602 | 21,557 |
| Receivables | -10,152 | -32,410 |
| Unused tax relief | -233,320 | 233,320 |
| **Changes in deferred tax assets/ liabilities** | **-236,871** | **222,467** |

**Table 167: Movements in deferred tax assets**

Movements in deferred tax assets are disclosed in Note 6.2.7.

### 7.4.7 Net profit

Group achieved pre-tax profit of €7,098,242 from continued operations in 2021 (2020: €5,752,957).

Net profit from continuing operations amounts to €5,784,076, while the total net profit of the Group (inclusive of the profit of discontinued operations) for the financial year 2021, amounts to €5,623,432 (2020: €6,236,188).

TAX EXPENSE, DISCLOSED IN THE INCOME STATEMENT in EUR

| | 2021 | 2020 |
|---|---|---|
| Current tax | -1,077,295 | -460,020 |
| Deferred tax | -236,871 | 222,574 |
| Other taxes, not disclosed in other items | | |
| **Income tax** | **-1,314,166** | **-237,446** |
| Pre-tax profit or loss | 7,098,242 | 5,752,957 |
| **Tax calculated at the applicable 19% tax rate** | **1,348,666** | **1,093,062** |
| Adjustment of revenues to the level of tax deductible | -4,258,174 | -261,260 |
| Adjustment of expenses to the level of tax deductible | 898,664 | 773,576 |
| Application of tax relief | -6,839,679 | -4,122,508 |
| Other (change in accounting method) | 240,277 | -111,354 |
| **Total tax base** | **-2,860,669** | **2,031,410** |
| Taxes | -1,314,166 | -237,446 |
| **Effective tax rate** | **18.51%** | **4.13%** |

**Table 168: Corporate income tax**

## 7.5 Notes to consolidated cash flow statement

Consolidated cash flow statement is compiled under the direct method based on data and balances reported in books of account, showing movements in cash flows during the accounting period.

Difference between the opening and closing balance of cash and cash equivalents in 2021 is the cash inflow of €4,442,822 (2020: cash outflow of €775,554).

Consolidated cash flow statement is presented jointly for continued and discontinued operations (for period from January 1 2021 to January 4 2021), free of offset transactions. Result of cash flows from discontinued operations is disclosed in Note 7.2.9.1.

While the Group achieved net cash inflow from operating activities, it reports net cash outflows from investing and financing activities.

Receipts from operating activities consist of inflows to the business accounts. These are the receipts from sales of products and services and other income from operations, such as the revenue to cover the cost of network use for the account of SODO, d.o.o., compensations not recognised as revenue, and receipts from co-financing and network charge for connected load. Receipts from operating activities include revenue from the value added tax charged on services rendered and supplies of goods.

Cash flows from operating activities decreased in 2021 by €176,317,024 compared to 2020, mainly due sale of the subsidiary. Major amount of receipts from operating activities of €38,900,605 was earned on services based on the contract concluded with SODO, d.o.o., for the provision of services and lease of electricity infrastructure.

Operating expenditures are outflows from accounts consisting of operating expenses paid for materials, services, salaries, charges and other outflows. Majority of these refers to the outflows on account of the cost of the network use (€29,291,657), which are not recognised as expenses of the Group.

Receipts from investing are inflows arising from interest and shares in profits, as well as gains on disposal of fixed assets and investments. In 2021, the Group generated €14,950,000 of inflows from the sale of its subsidiary.

Expenditures for investing comprise outflows for payment of invoices for the acquisition of intangible assets, property, plant and equipment and investments. Group spent €18,574,250 on investments in 2021, exclusive of the cost of capitalised own work.

Receipts from financing activities refer to the long-term and short-term borrowings. In 20201, the Group raised a new long-term borrowings in the amount of €5,000,000, and it did drew €8 million of funds from short-term revolving credits.

Expenditures for financing activities comprise payments of interest, dividends and repayment of borrowings. Most of the financing expenses refer to the repayment of long-term and short-term borrowings of €12,347,222, of which €7,200,000 refers to the repayment of a short-term revolving credit and €5,147,222 to repayment of current amounts of long-term borrowings raised for the purpose of investment activity. Financing expenses include dividends paid in 2021 in the amount of €2,254,068.

### Net cash for the period

Group generated €100,420,842 of cash inflows in 2021 (2020: €303,599,868) and €95,978,020 of cash outflows (2020: €304,375,422). Cash receipts and disbursements include appropriate amounts of duties, in particular VAT and excise duties, in accordance with the invoices received or issued.

Difference between the opening and closing balance of cash and cash equivalents in 2021 is the cash inflow of €4,442,822 (2020: cash outflow of €775,554) for continued and discontinued operations. When considering the eliminations due to subsidiary sell-off in the amount of €120,414, the cash flow in 2021 stands at €6,160,041.

## 7.6 Financial instruments and risk management

This section includes disclosures relating to financial instruments, financial risks and risk management, while risk management procedures and controls are detailed in the business report in section »Risk Management«. Group is exposed to liquidity risk, credit risk and market risk, which comprises the interest rate risk associated with existing assets and liabilities, and anticipated future transactions, as well as price risks. Group does not use derivative financial instruments to hedge against these risks.

### 7.6.1 Credit risk

Receivable recovery process is a key element of the working capital management of the Elektro Primorska Group. Credit control process, powers for authorisation of payment terms extension and control over receivable recovery are determined in internal rules. System of regular reporting on trade receivables' maturity and customers' payment discipline is an integral part of credit control. Reporting system enables timely detection of customers with an increased risk of default and ensures effective credit risk management.

In 2021, the Group actively monitored its trade receivable balances and pursued its adopted policy of granting limited sales on hire purchase and requiring relevant amount and quality of collateral.

In addition to the internal receivable recovery system, the Group ensures receivable recovery by engaging help of qualified agencies, in particular for receivables of the subsidiary for which all means of receivable recovery had been exhausted.

Maximum exposure to credit risk is equal to the carrying amount of financial assets from continued operations. Carrying amount of financial assets as at December 31 2021 is presented in the table below:

v EUR

| | 31. 12. 2021 | 31. 12. 2020 |
|---|---|---|
| Financial assets at fair value through other comprehensive income | 0 | 924,713 |
| Non-current financial receivables | 0 | 0 |
| Non-current operating receivables | 33,538 | 166,366 |
| Short-term financial receivables | 0 | 0 |
| Short-term operating receivables (excluding receivables from the state) | 6,842,123 | 6,019,128 |
| Other receivables (excluding receivables from the state) | 87,351 | 48,592 |
| Assest under contracts with customers | 269,262 | 189,847 |
| Cash and cash equivalents | 6,160,041 | 1,837,633 |
| **Total** | **13,392,315** | **9,186,278** |
| **Non-derivative financial liabilities at amortized cost** | | |
| Bank loans and other financial liabilities ( including leases) | -29,695,714 | -33,281,909 |
| Operating liabilities (excluding long-term liabilities and | -9,110,537 | -6,836,387 |
| Short-term liabiities to state, employees and from advances) | | |
| **Total non-derivative financial liabilities** | **-38,806,251** | **-40,118,296** |

**Table 169: Carrying amount of financial assets as at December 31 2021**

At the reporting date, trade receivables are mostly exposed to the credit risk.

in EUR

| | Non past due | Due up to 30 days | Due from 31 to 60 days | Due from 61 to 90 days | Due from 91 to 365 days | Due over 365 days | Total |
|---|---|---|---|---|---|---|---|
| Accounts receivable | 5,978,966 | 118,216 | 1,871 | 261,424 | 479,850 | 1,797 | 6,842,123 |
| Other receivables (excluding receivables from the state) | 75,317 | 1,176 | 430 | 253 | 2,157 | 8,018 | 87,351 |
| **Total balance 31.12.2021** | **6,054,283** | **119,392** | **2,301** | **261,677** | **482,006** | **9,815** | **6,929,474** |

| | Non past due | Due up to 30 days | Due from 31 to 60 days | Due from 61 to 90 days | Due from 91 to 365 days | Due over 365 days | Total |
|---|---|---|---|---|---|---|---|
| Accounts receivable | 5,881,014 | 126,531 | 10,811 | 206 | 566 | 0 | 6,019,128 |
| Other receivables (excluding receivables from the state) | 36,444 | 956 | 458 | 423 | 1,073 | 9,239 | 48,592 |
| **Total balance 31.12.2020** | **5,917,458** | **127,487** | **11,269** | **629** | **1,638** | **9,239** | **6,067,720** |

**Table 170: Maturity structure of trade and other receivables**

in EUR

| | Value adjustment of short-term trade receivables | Value adjustment of short-term interest receivables | Value adjustment of other short-term receivables (excluding receivables from the state) | Total |
|---|---|---|---|---|
| **Balance 01.01.2020** | **638,149** | **55,195** | **2,505** | **695,849** |
| Formation of value adjustments of receivables | 5,396 | 315 | 3,225 | 8,936 |
| Elimination of value adjustments of receivables | -4,670 | -2,112 | -321 | -7,103 |
| Write-off | -160,566 | -9,724 | -1,558 | -171,848 |
| **Balance 31.12.2020** | **478,309** | **43,673** | **3,851** | **525,834** |
| | | | | |
| **Balance 01.01.2021** | **478,309** | **43,673** | **3,851** | **525,834** |
| Formation of value adjustments of receivables | 2,129 | 313 | 3,674 | 6,116 |
| Elimination of value adjustments of receivables | -168,957 | -954 | -3,359 | -173,270 |
| Write-off | -46,281 | -6,078 | -315 | -52,674 |
| **Balance 31.12.2021** | **265,201** | **36,954** | **3,851** | **306,006** |

**Table 171: Movements in receivable allowances**

Insured receivables – In 2021 and 2020, none of the Group's receivables were insured.

### 7.6.2 Liquidity risk

Liquidity risk is the risk of the Group not being able to settle its liabilities on maturity. Aim of an entity is to always have at disposal sufficient amount of liquid assets to meet its obligations both, under normal operating conditions, as well as in the event of unexpected circumstances. Elektro Primorska Group pursues a policy of strict payment discipline and stable cash flows. In 2021, the Group only occasionally had to draw on its short-term borrowings. Group settles all of its liabilities regularly and within agreed deadlines. Liquidity risk of the Group is assessed as moderate.

in EUR

| | Book value of liabilities | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| | | Liability | From 0 to 6 months | From 7 to 12 months | From 1 to 5 years | Over 5 years |
| Non-current financial liabilities | 25,313,889 | 26,636,126 | 0 | | 17,629,244 | 9,006,882 |
| Short-term financial liabilities | 3,933,333 | 4,164,178 | 2,034,347 | 2,129,831 | 0 | 0 |
| Short-term operating liabilities to suppliers (no advances) | 8,968,625 | 8,968,625 | 8,959,171 | 3,893 | 0 | 5,561 |
| Lease liabilities | 443,262 | 443,262 | 27,129 | 26,729 | 174,435 | 214,969 |
| Other liabilities, excluding liabilities to state, employees and advances | 147,380 | 147,380 | 147,380 | 0 | 0 | 0 |
| **Total liabilities 31.12.2021** | **38,806,490** | **40,359,572** | **11,168,028** | **2,160,452** | **17,803,679** | **9,227,413** |

**Table 172: Maturity of liabilities from continued operations in 2021**

in EUR

| | Book value of liabilities | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| | | Liability | From 0 to 6 months | From 7 to 12 months | From 1 to 5 years | Over 5 years |
| Non-current financial liabilities | 24,247,222 | 24,966,335 | 0 | 0 | 15,865,341 | 9,100,994 |
| Short-term financial liabilities | 8,647,222 | 8,890,244 | 6,864,142 | 2,026,102 | 0 | 0 |
| Short-term operating liabilities to suppliers (no advances) | 6,832,565 | 6,832,565 | 6,824,678 | 1,523 | 6,364 | 0 |
| Lease liabilities | 367,960 | 418,587 | 27,453 | 27,453 | 211,030 | 152,650 |
| Other liabilities, excluding liabilities to state, employees and advances | 3,729 | 3,729 | 3,729 | 0 | 0 | 0 |
| **Total liabilities 31.12.2020** | **40,098,698** | **41,111,459** | **13,720,002** | **2,055,079** | **16,082,735** | **9,253,644** |

**Table 173: Maturity of liabilities from continued operations in 2020**

### 7.6.3 Interest rate risk

Interest rate risk is the risk of a loss occurring due to unfavourable interest rate fluctuations. Exposure to interest rate risk is mostly associated with the increase in the Euribor reference rate, as the Group's borrowings are tied to Euribor. Interest rate risk is assessed as low and hence, no hedging instruments are used to hedge the risk. Group is exposed to interest rate risk associated with borrowings raised at a variable Euribor rate.

Exposure to interest rate risk of the Group:

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Financial liabilities | 29,247,222 | 29,394,444 |
| **Net financial instruments at fixed rate of interest** | **29,247,222** | **29,394,444** |

**Table 174: Financial instruments at fixed rate of interest**

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Financial receivables | 0 | 0 |
| Financial liabilities | -443,262 | -3,887,464 |
| **Net financial instruments at variable rate of interest** | **-443,262** | **-3,887,464** |

**Table 175: Financial instruments at variable rate of interest**

As at the reporting date, a change in interest rates by 100 or 200 base points would increase/decrease net profit by the amounts reported below. Cash flow sensitivity analysis associated with financial instruments at variable rates of interest assumes that all other variables remain unchanged. Considering the fact that the Euribor is negative, the change of 100 base points would have a minimum impact on the cash flow variability in 2021.

In 2021, the Group has not concluded financial loans at variable interest rates, so there is no impact on cash flow due to changes in interest rates.

**CHANGE IN THE PROFIT OR LOSS ON AN INCREASE OF 100 BASE POINTS**

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Cash flow variability (net) - 100 bt | 0 | 1,590 |
| Cash flow variability (net) + 100 bt | 0 | -1,590 |

### 7.6.4 Currency risk

Financial and operating receivables and liabilities as at December 31 2021 and December 31 2020 are denominated in euros and therefore, the Group's exposure to currency risk is assessed as low and as such is not disclosed.

## 7.7 Capital management

Key purpose of capital management is to ensure capital adequacy of the Group and the greatest possible financial stability and solvency for the purpose of financing operations, and for increasing the value of the group companies for the shareholders. Hence, the Group pursues a stable dividend policy. Group uses net debt to equity ratio to monitor its capital adequacy. Net financial debt comprises borrowings less cash and cash equivalents. Group is financially stable, as evidenced by the net debt to equity ratio from continued operations (for 2020 the value is shown for continued and discontinued operations):

in EUR

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Non-current financial liabilities | 25,701,209 | 25,773,713 |
| Short-term financial liabilities | 3,994,505 | 10,765,839 |
| Total financial liabilities | 29,695,714 | 36,539,552 |
| Total equity | 174,206,406 | 170,699,728 |
| **Debt/equity** | **0.170** | **0.214** |
| Cash and cash equivalents | 6,160,041 | 2,629,851 |
| Net financial liability | 23,535,673 | 33,909,701 |
| **Net debt/equity** | **0.135** | **0.199** |

**Table 176: Net debt/equity ratio**

## 7.8 Fair value and carrying amounts of financial instruments

in EUR

| | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value |
| **Non-derivative financial assets at fair value** | | | | |
| Financial assets at fair value through other comprehensive income | 87,142 | 87,142 | 71,040 | 71,040 |
| **Non-derivative fianancial assets at amortized cost** | | | | |
| Financial receivables | 0 | 0 | 0 | 0 |
| Short-term operating receivables (excluding receivables from the state) | 6,842,123 | 6,842,123 | 6,019,128 | 6,019,128 |
| Non-current operating receivables | 33,538 | 33,538 | 166,366 | 166,366 |
| Assets under contracts with customers | 269,262 | 269,262 | 189,847 | 189,847 |
| Cash and cash equivalents | 6,160,041 | 6,160,041 | 1,837,633 | 1,837,633 |
| **Total non-derivative financial assets** | **13,392,106** | **13,392,106** | **8,284,014** | **8,284,014** |
| **Non-derivative financial liabilities at amortized cost** | | | | |
| Bank loans and other financial liabilities ( including leases) | -29,695,714 | -29,695,714 | -33,281,909 | -33,281,909 |
| Operating liabilities (excluding long-term liabilities and | -9,110,537 | -9,110,537 | -6,836,387 | -6,836,387 |
| Short-term liabiities to state, employees and from advances) | | | | |
| **Total non-derivative financial liabilities** | **-38,806,251** | **-38,806,251** | **-40,118,296** | **-40,118,296** |

**Table 177: Fair value and carrying amounts of financial instruments**

In terms of fair value, assets and liabilities are classified in three levels:

- **level 1** – assets at market price;
- **level 2** – assets not classified within level 1 and the value of which is determined directly or indirectly based on observable market data;
- **level 3** – assets the value of which cannot be determined using observable market data.

Fair values of financial assets and liabilities according to the fair value hierarchy:

| | 31/12/2021 | | | 31/12/2020 | | |
|---|---|---|---|---|---|---|
| | level 1 | level 2 | level 3 | level 1 | level 2 | level 3 |
| **Assets measured at fair value** | | | | | | |
| Financial assets at fair value through other comprehensive income | 87,142 | 0 | 0 | 71,040 | 0 | 0 |
| **Total assets measured at fair value** | **87,142** | **0** | **0** | **71,040** | **0** | **0** |
| **Assets for which fair value is disclosed** | | | | | | |
| Non-current financial receivables | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current financial receivables | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current operating receivables | 0 | 0 | 33,538 | 0 | 0 | 166,366 |
| Short-term operating receivables (excluding receivables from the state) | 0 | 0 | 6,842,123 | 0 | 0 | 6,019,128 |
| Assets under contracts with customers | | | 269,262 | | | 189,847 |
| Cash and cash equivalents | 0 | 0 | 6,160,041 | 0 | 0 | 1,837,633 |
| **Total assets for which fair value is disclosed** | **0** | **0** | **13,304,963** | **0** | **0** | **8,212,974** |

**Table 178: Fair values of financial assets according to the fair value hierarchy**

| | 31/12/2021 | | | 31/12/2020 | | |
|---|---|---|---|---|---|---|
| | level 1 | level 2 | level 3 | level 1 | level 2 | level 3 |
| **Assets measured at fair value** | | | | | | |
| **Liabilities for which fair value is disclosed** | | | | | | |
| Non-current financial liabilities (including leases) | 0 | 0 | -25,701,209 | 0 | 0 | -25,605,235 |
| Short-term financial liabilities (including leases) | 0 | 0 | -3,994,505 | 0 | 0 | -7,676,674 |
| Operating liabilities (excluding long-term liabilities and short-term liabiities to state, employees and from advances) | 0 | 0 | -9,110,537 | 0 | 0 | -6,836,387 |
| **Total liabilities for which fair value is disclosed** | **0** | **0** | **-38,806,251** | **0** | **0** | **-40,118,296** |

**Table 179: Fair values of financial liabilities according to the fair value hierarchy**

## 7.9 Events after the balance sheet date of the Elektro Primorska Group

In the period subsequent to the reporting date (December 31 2021) and adoption of the Annual Report on May 14 2021, the Group received preliminary statement of accounts from SODO, d.o.o., for the 2021 regulation year on the basis of the Contract on the lease of electricity distribution infrastructure and the provision of service for the distribution operator. Preliminary statement of accounts for 2021 is based on non-audited financial statements. It is clear from the preliminary statement of accounts that based on the value of paid advances in 2021, the contractual value of services and rental of electricity infrastructure already charged is €2,880,841higher than the values established in the preliminary settlement of accounts (rent in the amount of €997,381 and services overcharged by €1,883,460 EUR). Therefore, the Group increased revenues from services under the contract with SODO, d.o.o., in the amount of €1,854,937 and the value of rental income from the lease of energy infrastructure by €997,381, and recognised €28,523 of regulatory interest.

Group is making regular repayments of its borrowings and settles its tax liabilities when due. In addition, it has no liquidity issues due to the pandemic.

On February 26 2020, the Company signed a Contract with Petrol, d.d., for the sale and purchase of a 100% stake in

E 3, d.o.o. On October 28 2020, the Slovenian Competition Protection Agency (AVK) issued a Decision confirming that it did not oppose the concentration of Petrol d.d., and E 3, d.o.o., and stating that the concentration complied with competition rules. Sale of a 100% stake in E 3, d.o.o., to Petrol d.d., was completed on January 5 2021. Based on the sale, the Elektro Primorska Group incurred a loss in the amount of €409,113.

## 7.10 Operating lease liabilities and receivables

### 7.10.1 Group as a lessee

Group recognised liabilities from operating lease of property, plant and equipment, which primarily relate to leases of business premises, fibre optics for telecommunications, and lease of electricity infrastructure for the provision of public service of electricity distribution, which the Group did not recognise as the right-of-use assets, as they are not under control of the Group and are being shared.

in EUR

| Maturity | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Up to 1 year | 89,863 | 100,841 |
| From 1 up to and including 5 years | 422,377 | 504,205 |
| **Total** | **512,240** | **605,046** |

**Table 180: Operating lease liabilities relating to property, plant and equipment**

Real estate, in particular offices, are leased for a period of 1-5 years, while equipment and cars are leased for a period of up to 12 months. Lease contracts are concluded for an indefinite period of time (for duration of services provision), while lease of electricity infrastructure has been agreed for a period of 30 years with an option to extend the lease. In 2021, the Group recognised €89,863 of operating lease liabilities (2020: €100,841).

### 7.10.2 Group as a lessor

Group discloses receivables for operating lease of property, plant and equipment. They relate to rental of apartments, commercial premises and, above all, electricity infrastructure of the parent company.

in EUR

| Maturity | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Up to 1 year | 19,242,702 | 16,298,560 |
| From 1 up to and including 5 years | 96,223,778 | 81,587,991 |
| **Total** | **115,466,480** | **97,886,551** |

**Table 181: Receivables for operating lease of property, plant and equipment**

Lease contracts are mostly concluded for an indefinite period, while lease of energy infrastructure is agreed for the duration of the concession agreement (until June 30 2057), granted to the infrastructure lessee SODO, d.o.o., by the Republic of Slovenia. In the profit or loss, the Group recognised rental income of €19,242,702 in 2021 (2020: €16,298,560), under revenue from sale of services on the domestic market.

# 8. Statement of management responsibility – Group operations

Management has approved the Financial Statements of the Group companies for 2021 and Business Report of the Group for the period from January 1 2021 to December 31 2021, and the accompanying accounting policies and notes thereto contained in the proposed Annual Report.

Management Board is responsible for the preparation of the Annual Report that gives a true and fair presentation of the financial position of the Group and of its financial performance for year 2021.

Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and due diligence of a good manager. Furthermore, the Management Board confirms that the financial statements and notes thereto have been compiled under the assumption of a going concern, and in accordance with the applicable legislation and International Financial Reporting Standards (IFRS) as endorsed by the EU.

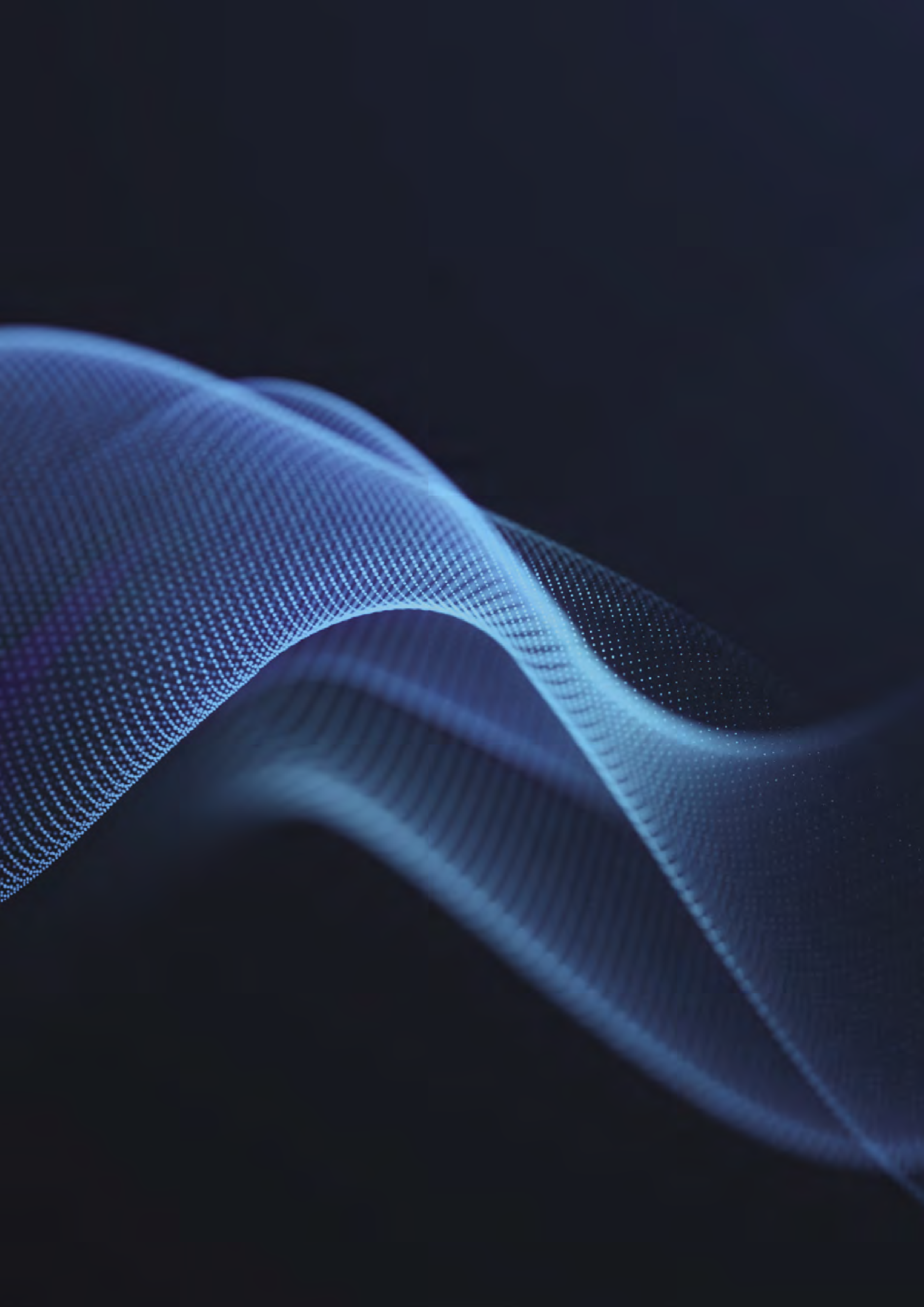
Management Board is also responsible for the appropriate accounting system and adoption of measures to secure the assets, and to prevent and detect fraud and other irregularities and/or illegal acts.

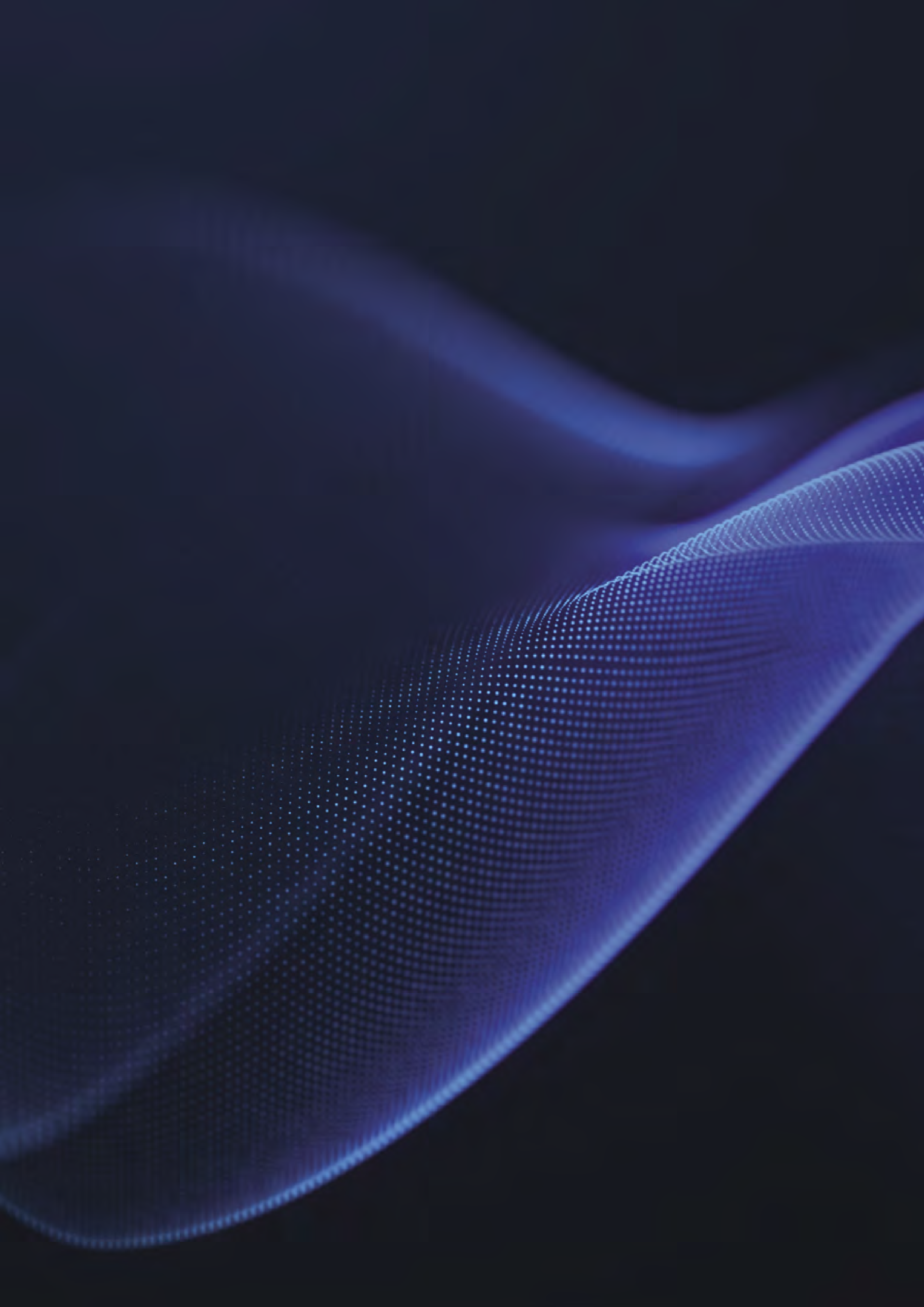
In its operations, the Group strictly abides by the laws and tax regulations, and the Management Board does not expect any significant obligations in this respect.

Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. Management of the Group is not aware of any circumstances that may result in a significant tax liability.

**Uroš Blažica**,
President of the Management Board

Nova Gorica, April 22 2022





# INDEX OF CHARTS, FIGURES, AND TABLES

## A. INDEX OF CHARTS



## B. INDEX OF FIGURES



## C. INDEX OF TABLES

# LIST OF ABBREVIATIONS

| | |
|---|---|
| **BDP** | gross domestic product |
| **CUO** | price for network use |
| **COT** | comprehensive risk management |
| **D** | electricity distribution |
| **DE** | distribution unit |
| **DCV** | remote control centre |
| **DV** | transmission line |
| **DVPLM** | remotely controlled switch point |
| **DVE** | domestic energy sources |
| **EFQM** | The European Foundation for Quality Management |
| **EIMV** | Elektroinštitut Milan Vidmar |
| **ERP** | enterprise resource planning |
| **EBIT** | earnings before interest and tax |
| **GIS** | geographic information system |
| **GIZ** | economic interest grouping |
| **I** | investments |
| **IIS** | integrated information system |
| **ISV** | integrated management system |
| **JR** | public lighting |
| **KBV** | cable conduit |
| **KEE** | quality of electricity |
| **NIS** | network information system |
| **NN** | low voltage |
| **NR** | internal audit |
| **OVE** | renewable energy resources |
| **RAST** | program of operating costs rationalisation |
| **REDOS** | development of Slovenian electricity distribution network |
| **RP** | substation |
| **RS** | Republic of Slovenia |
| **RTP** | transformer substation |
| **SAIDI** | average interruption duration index |
| **SAIFI** | average interruption frequency index |
| **SCADA** | distribution networks system monitoring |
| **SDH** | Slovenian Sovereign Holding |
| **SM** | standing place |
| **SN** | medium voltage |
| **SOD** | Slovenian Compensation Fund |
| **SODO** | distribution network system operator |
| **SODO EP** | activity of Elektro Primorska d.d., implementing a service for SODO |
| **SPTE** | co-generation of heat and electricity |
| **TP** | transformer station |
| **UDO** | distribution network management |
| **URE** | efficient use of electricity |
| **UMAR** | Institute of Macroeconomic Analysis and Development |
| **UKV** | ultra-short waves |
| **VN** | high voltage |
| **VZD** | maintenance |
| **ZSDH** | Slovenian Sovereign Holding Act |

Elektro Primorska
podjetje za distribucijo električne energije, d.d.