



Elektro Primorska

podjetje za distribucijo električne energije, d.d.

# Annual Report

of Elektro Primorska, d.d.  
Financial Year

# 2022



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ANNUAL REPORT  
OF ELEKTRO PRIMORSKA, D.D.

22

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A

Business Report  
of the Company  
Elektro Primorska d.d.



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

# 1. Report of the Management Board<sup>1</sup>

Elektro Primorska, d.d., mostly operates in a regulated and partly competitive environment, which is influenced by domestic economic trends and legislation. Business in 2022 was strongly affected by the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices adopted in February. Loss of revenue from network deficit, according to SODO preliminary calculation, thus amounts to €9.612 million, which represents more than 20 percent of the annual planned revenue. We could not foresee such a revenue loss as brought about by the intervention act in any of the risk management scenarios, but we nevertheless acted quickly and decisively. Despite the difficult business conditions, we remained focused on the customer. We continued to focus on making investments in the network and providing services for customers. In 2022, despite major liquidity challenges, we made investments in the network of slightly less than € 20 million, with which we successfully improve the quality of supply and at the same time increase the availability of the network for the needs of new active customers.

In 2022, we invested a lot of energy in the approval process, where the number of applications received increased significantly compared to the previous year. By optimizing and partially digitizing the process, as well as with the necessary personnel reinforcements, we significantly reduced the average time for issuing approvals. At the same time, it should also be emphasized that on the Elektro Primorska network we record a relatively small number of rejected applications, which indicates that we are always actively looking for technical solutions for the successful solution of each application.

We tried to make up for the loss of income with even greater activity in the area of sales of goods and services, where we recorded slightly more than € 0.5 million higher realization than planned, and by limiting some non-business-critical costs, which was made more difficult by the rise in the prices of materials and services. Despite the higher sales of goods and services on the market, only 81.2% of planned revenues were realized on an annual basis. Realized costs and expenses are 5.81% or € 2,579,373 higher than planned. Categories of costs and expenses that deviate the most from the planned values are »depreciation and amortisation«, which is higher due to the larger volume of activated investments than planned, and »labour costs«, which is mainly the result of a larger number of employees than we planned and the adjustment of wages with rising consumer prices. Costs of merchandise and the costs of materials and services were also higher than planned, which is the result of greater activity in the marketing department and, at the same time, an increase in the prices of materials and services.

Despite the implemented measures to manage the consequences of the intervention act, the company Elektro Primorska, d.d., ended the

<sup>1</sup> GRI 102-14

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financial year with a negative operating result of €2,660,855 or with a net operating result of €-1,540,336.

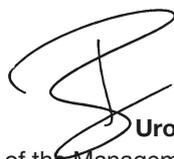
Company is in a sufficiently good condition that a negative business result in 2022 will not have a significant impact on operations and the achievement of ambitious goals in the next five-year period, which mainly brings increased needs to invest in the low-voltage network due to the needs of new active customers.

This year's report is also prepared 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. Reporting according to the GRI guidelines is based on measurable indicators of the organization's economic, social and environmental impact. Selected indicators show the company's orientation towards continuous progress in the area of achieving economic, environmental and social goals. At Elektro Primorska, we have chosen a set of indicators in accordance with our own sustainable development guidelines. When preparing the content, the key were the principles of sustainable reporting as well as 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 on the environment in which it operates.

By incorporating the principles of sustainable development and social responsibility into our business processes, we plan to direct our operations and business to meeting the expectations of all key stakeholders in the future as well. By understanding the wishes of users and with responsibility towards the environment and employees, we want to create a business environment that, with an innovative approach, enables a high level of service quality, efficient infrastructure development and the implementation of new market projects.

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

Nova Gorica, April 24, 2023



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

## 2. Statement of Management's Responsibility

Management has approved the financial statements for financial year 2022 and the business report for the period from 1 January to 31 December 2022, 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 2022. 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. Management is not aware of any circumstances that could give rise to a potentially significant liability in this respect.

In Nova Gorica, April 24, 2023

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



## 3. Supervisory Board Report

### COMPOSITION OF THE SUPERVISORY BOARD

Supervision over the performance of the Company was carried out in accordance with the authorisations and competences defined in the Companies Act. It is 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.

In the period from January 1, 2022 to December 31, 2022, the Supervisory Board comprised the following members:

- **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**, not a member of any of the management or supervisory bodies of related or unrelated companies,
- **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 companies eIUS, d.o.o. and Bekom Plus, 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.

### WORK OF THE SUPERVISORY BOARD

In 2022, the Supervisory Board diligently and responsibly supervised the operations of the company Elektro Primorska, d.d. Business supervision involved monitoring of the realisation of business objectives and long-term business and financial development of the Company. 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. Supervisory Board believes that cooperation with the Management Board was professional and conducted at appropriate level.

Supervisory Board met at seven regular sessions in 2022 and adopted a total of 72 decisions as well as discussed the following important topics:

- it discussed monthly, quarterly and interim reports on the operation of the 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 5<sup>th</sup> regular meeting on May 19 2022, it reviewed and approved the audited annual report of Elektro Primorska d.d. and the Elektro Primorska Group for the financial year 2021; it 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; it gave its consent to the Management Board's proposal for the appropriation of distributable profit for the financial year 2021; it discussed and approved material for the General Meeting and proposals for resolutions of the General Meeting of Shareholders; 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.

Members of the Supervisory Board attended the meetings 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 78 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 2022, the Audit Committee acted in the following composition: Jasna Kalšek, Chairperson of the Audit Committee, Darko Ličen, internal member, ter mag. Aleksander Igljučar, external member.

Audit Committee met at five regular sessions in 2022 and adopted a total of 48 resolutions.

First three sessions were devoted to the preparation of the basis for the Supervisory Board's consideration and 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. Audit Committee participated in the preparation of the contract between authorized auditor and the company and in determining the most important areas of auditing.

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

- quarterly reports on the operation and proposals for improvement of business operations,
- reports on internal audits carried out,
- quarterly reports on the implementation of internal audit recommendations and an annual report on the operation of the internal audit,
- quarterly and annual risk management reports, and
- other matters as requested by the Supervisory Board.

In 2022, the Audit Committee paid special attention to monitoring the implementation of the measures taken by the management board to mitigate the consequences of the adoption of the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices (ZUOPVCE).

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. 78 of the Annual Report. Gross remuneration of the external member of the Audit Committee amounted to 7,045.58 gross in 2022.

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

At its 13th regular meeting, on May 24 2023, the Supervisory Board discussed the Annual Report of Elektro Primorska, d.d., 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 of its statements of income, changes in equity and cash flows. 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 positive opinion issued by the authorized auditor, the Supervisory Board had no objections and approved the Annual Report of Elektro Primorska for the financial year 2022. Thus, the Annual Report of Elektro Primorska d.d. for 2022 was adopted.

Supervisory Board supports the Management Board's proposal that the determined balance profit in the amount of €635,348 remains undistributed. Supervisory Board will jointly with the Management Board submit its proposal for distributable profit appropriation to the General Meeting of Shareholders.

In Nova Gorica, May 24, 2023

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



## 4. Corporate Governance Statement

### 4.1 Statement of compliance with the Corporate Governance Code

In 2022, 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, d.d., in accordance with provisions of the Slovenian Sovereign Holding Act (ZSDH-1), as amended on March 2 2016, May 17 2017, November 28 2019, March 17 2021 and in June 2022.

In 2022, 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.

Code is publicly available on the following website:

[Kodeks upravljanja družb s kapitalsko naložbo države\\_junij\\_2022.pdf \(sdh.si\)](#)

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

Company Elektro Primorska, d.d., meets the recommendations and expectations of the Slovenian Sovereign Holding, d.d., as adopted in August 2020.

### 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 2022: a. review of the planning process in the company; b. review of the network charge measuring and billing process; c. review of the process of connecting the user to the network; d. review of the process of implementation of services for SODO; e. review of the public procurement process. In 2022, company BDO Revizija, 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 4<sup>th</sup> regular session on March 9 2022.

Financial statement audit of the parent and its subsidiary is 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 2022, 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 2022, the Company held no treasury shares.

## 4.5 Management Board<sup>2</sup>

### 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 22<sup>nd</sup> 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 Powers and operation

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 in the previous financial year. In addition to the basic salary, the President of the Management Board is also entitled to a performance bonus, which is determined in accordance with the Rules on rewarding the performance of the management board of June 27 2022 an the adopted decision of the Supervisory Board of the company. 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 out only in case of fulfilment of the quantitative and qualitative criteria set out in the Rules on rewarding the performance of the management board, and the payment of 50% of the remuneration is postponed for at least two years. 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 composition

Supervisory Board of Elektro Primorska Company 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 its acts. Term

<sup>2</sup> GRI 102-18

of office of the members of the Supervisory Board is four years, with a possibility of reappointment. In 2022, the Supervisory Board of Elektro Primorska, d.d. was composed of the following members:

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 Powers and operation

Powers of the Supervisory Board are defined by law and the Articles of Association of Elektro Primorska, d.d. 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 sessions in 2022. 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 company Elektro Primorska, d.d. In 2022, Audit Committee appointed by the Supervisory Board, operated in the following composition:

Jasna Kalšek, Chairperson of the Audit Committee, Darko Ličen, internal member, and mag. Aleksander Igličar, external member.

No other committees were set up by the Supervisory Board in 2022.

#### 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 16<sup>th</sup> 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. In 2022, the Annual General Meeting of Shareholders was held on June 27 2022.

At the AGM, the shareholders were informed of the audited Annual Report of the Elektro Primorska Company

for 2021 and the audited consolidated Annual Report of Elektro Primorska Group for 2021.

Shareholders decided that from the €4,518,431 of distributable profit determined as at December 31 2021 the amount of €2,254,067.76 will be paid in the form of dividends in the gross value of €0.12 per share. Remainder of the balance sheet profit in the amount of €2,264,363.24 remains undistributed. On July 29 2022, the company paid dividends to shareholders registered with KDD on July 28 2022.

Shareholders granted the Company's Management Board and Supervisory Board discharge for the work performed in the financial year 2021. As the authorized auditor for the financial years 2022, 2023 and 2024, the Shareholders' Meeting appointed the auditing company Ernst & Young Revizija, poslovno svetovanje, d.o.o., Ljubljana, Dunajska cesta 111, 1000 Ljubljana.

Some resolutions have been challenged by small shareholders. On August 30 2022, the Company received a lawsuit from a small shareholder, Kalantia Limited, 28 Oktovriou, 261, VIEW POINT TOWER, 3035, Limassol, Cyprus, challenging the decision on the use of distributable profit for 2021. Court case has not yet been concluded on the first instance.

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# 5. Presentation of the Company

## 5.1 Company Profile

Name of the Company <sup>3</sup> :	Elektro Primorska, podjetje za distribucijo električne energije, d.d.
Abbreviated name:	Elektro Primorska, d.d.
Registered seat <sup>4</sup> :	Erjavčeva ulica 22, 5000 Nova Gorica
Phone:	05 339 67 00
Fax:	05 339 67 05
VAT ID number:	37102656
Company number:	5229839
Business accounts:	04750 0000510950 Nova KBM, d.d. 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 of the Company:	110,465,794.61 EUR
Ownership as at Dec 31 2022 <sup>5</sup> :	79.68% Republic of Slovenia 17.07% PIDs, funds, commercial entities 3,25% Workers, retired employees, other
Supply area:	SW, W, NW of Slovenia
Size of the supply area:	4,335 km <sup>2</sup>
Number of customers:	137,519
Quantity of electricity supplied:	1,549.77 GWh
Website:	<a href="http://www.elektro-primorska.si">http://www.elektro-primorska.si</a>
E-mail:	<a href="mailto:info@elektro-primorska.si">info@elektro-primorska.si</a>

Area EP  
4,335 km<sup>2</sup> 22%

Area RS  
20,256 km<sup>2</sup>

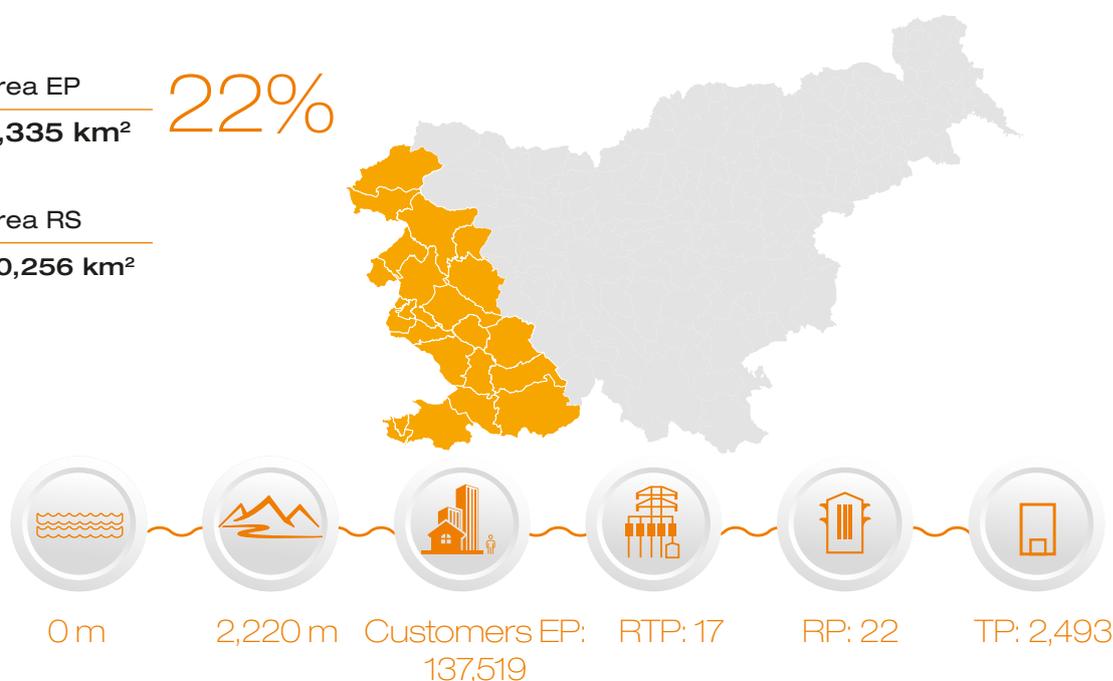


Figure 1: Geographical area of operation of the company Elektro Primorska, d.d.<sup>6</sup>

<sup>3</sup> GRI 102-1

<sup>4</sup> GRI 102-3

<sup>5</sup> GRI 102-5

<sup>6</sup> GRI 102-6

## 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).

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.

Special services of the management:

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

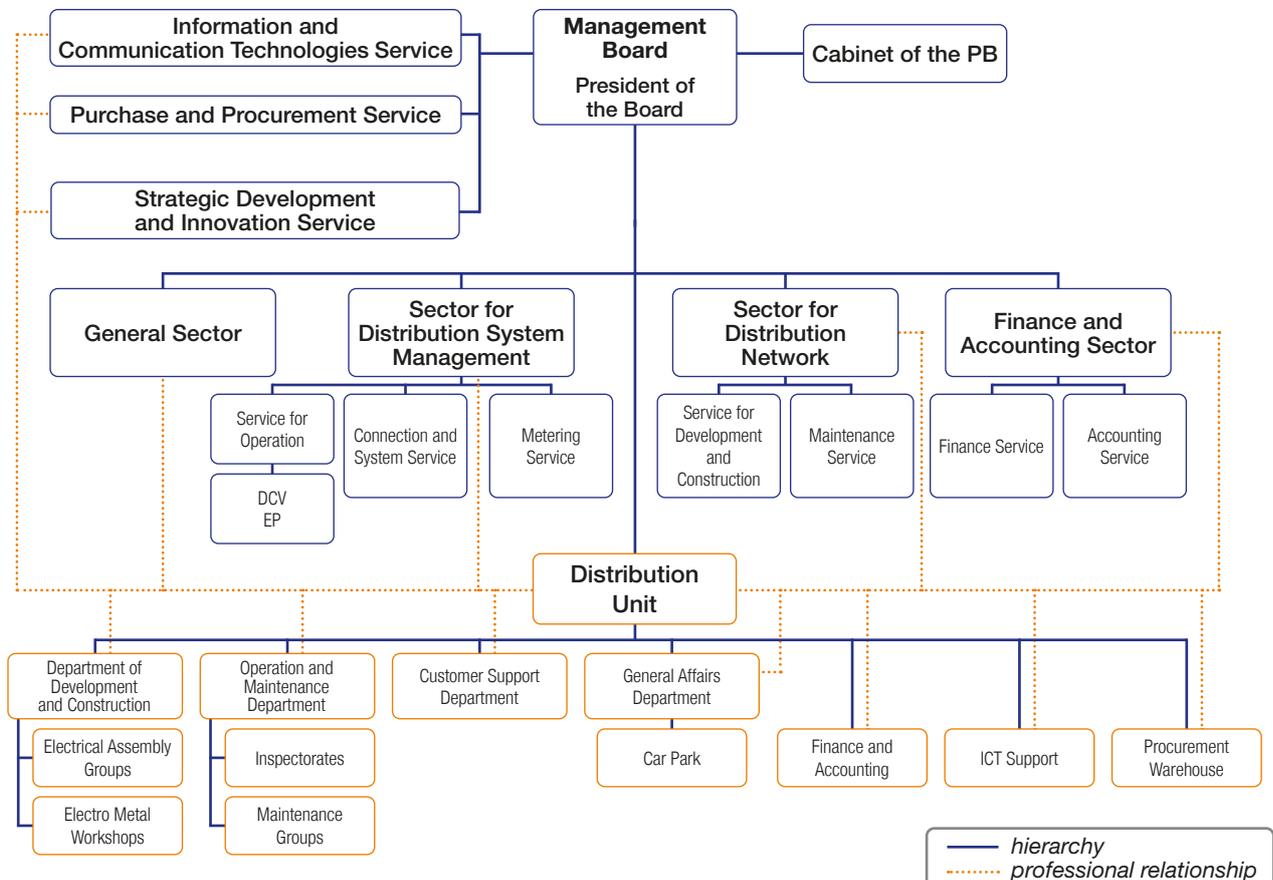


Figure 2: Organisation chart of the Company

# 6. Sustainability Report

## 6.1 Sustainable business framework

Whole world is facing increasingly pronounced climate changes and the challenges they bring to our everyday lives. As part of the European Green Deal, the European Union committed itself to carbon neutrality in Europe by 2050. By adopting the Fit for 55 package in 2021, it commits to reducing greenhouse gas emissions in the EU by at least 55% by 2030 compared to 1990 levels. In order to realize these goals, Slovenia adopted the Climate Strategy (Resolution on the Slovenian climate long-term strategy 2050), in which it adopted the vision that by 2050 it will be a climate-neutral country and society resistant to climate change, which will efficiently manage energy and natural resources, while at the same time maintaining a high level of competitiveness of the low-carbon circular economy.

Objectives of the Climate Strategy and its comprehensive National Energy and Climate Plan (NEPN) are based on joint projections of sectoral greenhouse gas emissions. Aforementioned documents set the goal of reducing emissions by 34% for the energy sector for the year 2030 compared to 2005 (for that part of the energy sector that is not included in emissions trading). Slovenian energy industry therefore faces ambitious goals of decarbonisation and the related energy transition to low carbon.

Energy crisis in Europe is not just a temporary shock, but will require adjustments as soon as possible. With this goal in mind, the EU presented the REPowerEU plan, which aims to reduce the EU's dependence on Russian fossil fuels, focusing on energy conservation, diversification of energy supply and accelerating the substitution of fossil fuels. In achieving climate neutrality and reducing dependence on fossil fuels, electricity distribution companies are recognized as one of the most important subjects of the energy transition. Company Elektro Primorska, d.d., which covers 22% of the area of the electric power system of the Republic of Slovenia, is thus becoming an even more important support pillar of society's decarbonisation. With this, it embarks on the path of transformation that will

enable the economy and the population to live a more sustainable way of modern life. System operator of the distribution network SODO obtained the consent of the Energy Agency on the Development Plan of the distribution network of electricity in the Republic of Slovenia for the period from 2023 to 2032, which foresees investments in the Slovenian distribution network of electricity in the amount of €3.5 billion.

In the company Elektro Primorska, d.d., we understand social responsibility and sustainable development as a way of management and progress, in which, while ensuring compliance with legislation, norms and standards we respond flexibly to the current challenges of society and strive to strengthen social well-being through our activities. We are aware that the success of this transition depends on efforts for more radical systemic changes, how we will know how to respond in practice to uncertain market conditions, new customer habits and preferences, and investments in new technologies.

### WE CONTRIBUTE TO THE GLOBAL SUSTAINABILITY GOALS OF UNITED NATIONS

Operations of the company Elektro Primorska, d.d., in the field of sustainable development, are also guided by the United Nations' global sustainability goals, which were adopted in 2015 as an action plan for people, the planet Earth and well-being of all. All countries and all stakeholders are committed to this, in order to shift the world onto the path of sustainable growth and resilience. These goals seek to end poverty, protect the planet, ensure prosperity by balancing economic, social and environmental sustainability. Thus, at Elektro Primorska, we also committed ourselves to the implementation of seven sustainable development goals, which were identified at the workshop by the Working Group for Sustainable Development.

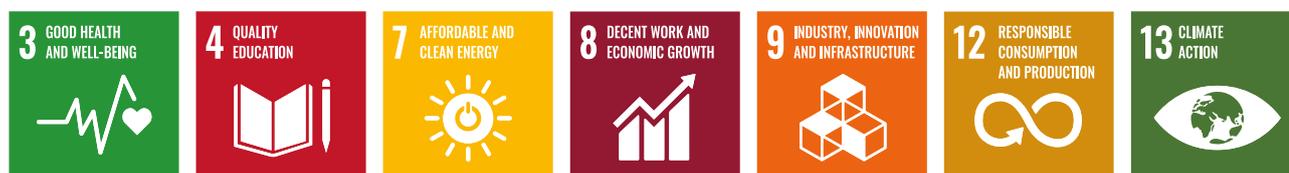


Figure 3: Company Elektro Primorska, d.d., contributes to the seven selected sustainable goals of the United Nations

Operation of the company Elektro Primorska, d.d., is also directed by the current National energy and Climate Plan of the republic of Slovenia, which is in the process of being updated from the beginning of 2023, with five key goals. Future operations of our company will be particularly strongly influenced by the fourth goal, which regulates energy security and the internal energy market with the listed indicators:

- ensure reliable and competitive energy supply,
- increasing the resistance of the electricity distribution network against disturbances,
- increase the share of underground medium-voltage network from the current 35% to at least 50%,
- further development of system services and active role of customers,
- development of energy storage technologies, infrastructure and services,
- establish a development-oriented regulatory framework for determining the level of the network charge for the transition to a climate-neutral society,
- support for the development of an efficient and competitive market for the full use of the flexibility of the electricity system and new technologies,
- support for inter-sectoral integration and implementation of new inter-sectoral system services,

- promote development and research cooperation between companies in the sector and outside it.

Based on the key goals from the current National Energy and Climate Plan of the RS and other national strategic documents, in 2022 we started preparing the Strategic Plan of the company Elektro Primorska, d.d., for a five-year period from 2023 to 2027. Company Elektro Primorska, d.d., in this plan highlights five challenges related to the transition to a low-carbon society. In achieving climate neutrality and reducing dependence on fossil fuels, electricity distribution companies (EDC) are recognized as one of the most important subjects of the energy transition. Even before the deterioration of geopolitical conditions, the transformation of the energy sector redefined the future role of electricity distribution companies through the strengthening of requirements for stronger and more agile management of the electricity distribution network and through the need for faster development of new market functions (e.g. flexibility, optimization of production, storage, e-mobility). Company Elektro Primorska is one of the five electricity distribution companies in Slovenia and, like most EDCs in Europe, it faces many challenges as a result of the new EU energy policy and trends on the energy market. Period of transition to a low-carbon society brings the following challenges:

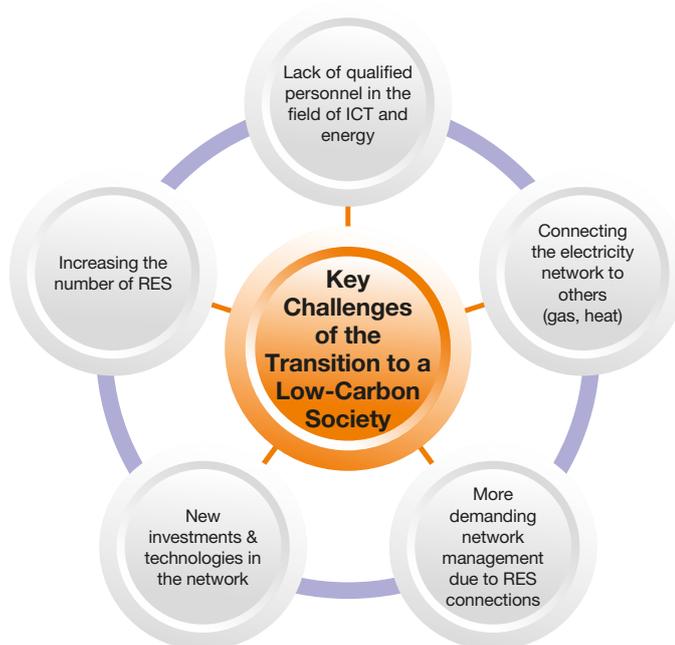


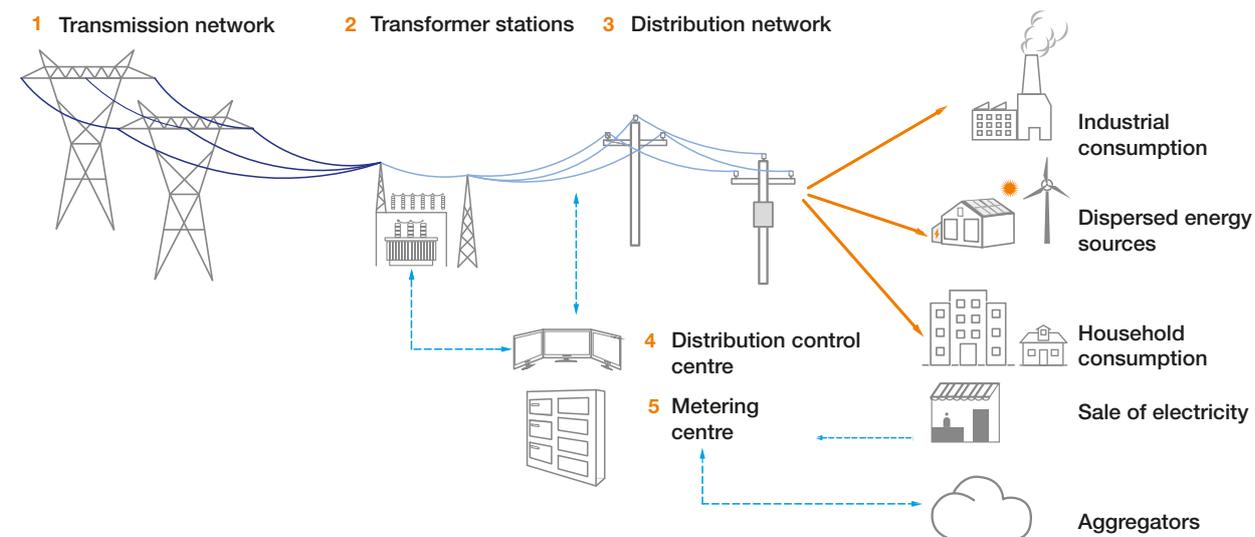
Figure 4: Key challenges of the transition to a low-carbon society in Elektro Primorska, d.d.

In the coming years, we can expect a rapid growth in the number of electric vehicles, a faster transition of households entirely to electric energy and further growth in the number of renewable sources connected to the distribution network. In the power industry, the faster electrification of heating (heat pumps) and transport (e-mobility) will have to be covered as much as possible by production from RES. Digitization of the energy market – the EU Action Plan of October 18 2022 highlights the requirement (in accordance with the Green Deal and the REPowerEU Plan) for a digital and sustainable transformation of electricity system. Timely investment in strengthening the network and smart grids will have a significant impact on the greater reliability of the distribution network.

## 6.2 Business model<sup>7</sup>

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 km<sup>2</sup> and thus represents a good fifth 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. Due to the challenges brought about by the transition to a low-carbon society, the company will have to adapt processes and introduce new business models, as well as strengthen itself with highly qualified staff and connect with research institutions, organizations and consortia.



### Electricity distribution activity

- 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.

### DEES management

- 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.

Figure 5: Business model and value added chain

<sup>7</sup> GRI 102-2

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

We need to think about the world, which we are handing over to the younger generations, today. In the company Elektro Primorska, d.d., we designed a new five-year Strategic Plan for the period 2023–2027, within which we set renewed strategic plans to fulfil the vision and mission,

based on the four values that describe our behaviours. Our strategic goals are intertwined with the objectives of sustainable development and responsible to social, natural and company capital. As a company, we want to get closer to the customer with a reliable supply of electricity and at the same time enable a smooth green transition to a low-carbon society.



Figure 6: Vision, mission and values in a strategic house<sup>8</sup>

<sup>8</sup>GRI 102 – 16

Strategic plan of EP for the period 202 to 2027 is based on five strategic directions, which include a strategy of sustainable development and social responsibility:

1. Strategy for the development of market-oriented activities
2. Strategy for the development of smart grids and digitization
3. Strategy for process optimization and business rationalization
4. Strategy of sustainable development and social responsibility
5. Strategy for forming partnerships with other EDCs

### 6.3.1 Strategic direction: Strategy of sustainable development and social responsibility<sup>9</sup>

Company Elektro Primorska, d.d., owns key infrastructure and a lot of knowledge and wants to become an important strategic partner in the region in the field of green transition. Company carries out its core and market activities in a sustainable manner, which supports economic development and at the same time enables socially just and environmentally responsible development. In its daily operations, it includes care for society, the environment and management of relations with stakeholders. With a positive attitude towards all stakeholders, the company builds its reputation and creates long-term trust. Company understands sustainable development and social responsibility through three aspects: environmental €, social (S) and governance (G):

- (E): contribution to sustainable development and attitude to environment,
- (S): attitude towards the community and consideration of the expectations of various stakeholders (e.g. owners, employees, suppliers, users, partner organizations),
- (G): operating in accordance with applicable legislation, international norms, corporate integrity and fair business practices.

Within the framework of the strategic orientation Strategy of sustainable development and social responsibility, following strategic projects will be implemented in the company:

1. SP No. 4: Paperless business
2. SP No. 5: Project of technological modernization of MV overhead power lines, safe for birds
3. SP No. 9: Cooperation with the local community in joint projects
4. SP No. 25: Management and development of key personnel
5. SP No. 27: Modernization of low-voltage network for the needs of connecting production facilities to RES, heat pumps and e-mobility

Company's sustainable operations are not narrowly limited only to the Strategy of social responsibility and sustainable development, but are part of all the strategic directions of the company's Strategic Plan for the period from 2023 to 2027.

<sup>9</sup> GRI 2-23

**6.3.2 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 a culture of quality and implementing continuous improvements in our operations. We regularly conduct

self-assessments according to the EFQM model of excellence, which we understand as a path to excellence in sustainable development. Among the strategic projects of the Strategic Plan for the period from 2023 to 2027, we also included obtaining the ISO 27001 certificate, an information security management system, which will be important due to the higher requirements for information security in the construction of a smart network.



Figure 7: Quality management systems in Elektro Primorska, d.d.

## NON-FINANCIAL INDICATORS

In addition to financial indicators, Elektro Primorska Company has been measuring nine 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. We removed the measurement of sponsorship and donor funds from the set of indicators, as we defined them as less relevant for achieving the decarbonisation of the company.<sup>10</sup>

Non-financial indicators	2019	2020	2021	2022
Share of underground cable network	31%	32%	34%	34%
Average time required to issue consent	23.50 days	19.90 days	24.50 days	30.96 days
Share of measuring points connected in the advanced low voltage measuring system (average in SLO 78% in 2020)	49%	57%	66%	85%
Share of electricity losses (4.21% Slovenian average in 2020)	4.69%	5.06%	4.40%	5.10%
Number of unplanned long-term interruptions / user (SAIFI)	2.13	1.76	1.71	0.91
Investing in environmental management (in thousands of EUR)	531.19	497.42	584.41	3,614.32
Staff turnover (in %)	5.10	2.54	2.91	4.61
Number of training hours per employee	9.3	8.04	14.7	9.30
Share of sick leave (in %)	5.71	6.08	5.65	7.70

Table 1: 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, 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.

Working Group meets regularly at work meetings, receives additional training in the field of sustainability reporting, connects with various experts in the field of ESG and coordinates views on the sustainable management of the company at workshops and manages the process of identifying and preventing impacts.

Report is issued annually and has been prepared for the second year according to the principles of sustainable

reporting and in accordance with the international guidelines for sustainable reporting GRI Standards. For the financial year 2022, we refer to the GRI Standards [2016]. Principle of materiality was implemented in the company through an online survey in which six stakeholder groups participated.

Report includes reporting in accordance with the GRI standards [2016] and presents key information on the management, economic, environmental and social aspects and their-long-term impact on the company's operations.

Content of the chapter Sustainability Report and Reporting Boundaries was designed by the Working Group on Sustainable Development in three workshops with a team and inclusive approach, as well as independent work in data collection. In determining the content, the group built measured negative and positive impacts, built relationships with stakeholders, included important topics in the company's Strategic Development Plan, and designed the first draft of a process that will reduce negative impacts and risks in the future (Figure 8). To achieve the quality of reporting, they followed the principles of accuracy, balance, clarity, comparability, comprehensiveness, sustainable context, timeliness and verifiability.

<sup>10</sup> GRI 2-4

Reporting boundaries or data we disclose refer to the company Elektro Primorska, d.d., as a whole, unless otherwise indicated in the report<sup>11</sup>.

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:

Content	PAGE
report and brief analysis of sustainable development issues relevant to the company (especially environmental, social and human resources issues)	19
description of the company's policies regarding the above (environmental, social, human resources and other) issues	50, 79
report on relations with company's main stakeholders	27, 28, 29
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	47, 48
business performance and position of the company	90
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	19-21
report on achievements and targets based on selected non-financial performance indicators.	25

**Table 2: Reporting on the sustainable development of the company – overview**

Report presents an overview of operations in the period from January 1 to December 31 for year 2022<sup>12</sup>. Questions regarding the sustainable report can be sent to the following e-mail address: [info@elektro-primorska.si](mailto:info@elektro-primorska.si)<sup>13</sup>.

<sup>11</sup> GRI 102-46

<sup>12</sup> GRI 102-50

<sup>13</sup> GRI 102-53

## 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.



Figure 8: 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)
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 of goods and services	Timely orders, clear requirements for goods and services, regular settlement of liabilities	Public procurement portal, e-mail, correspondence, meetings, complaints
SUPPLIERS	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
	Network users	Quality, reliable and secure electricity supply	Website, Call Centre, DCV, notices through media, text messages, on-duty installer
CUSTOMERS	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<sup>14</sup><sup>14</sup> GRI 102-40

## 6.6 Management of material topics<sup>15</sup> and materiality matrix<sup>16</sup>

Elektro Primorska, d.d., selects, manages and reports on material sustainability topics in accordance with the GRI

2016 international standards. In doing so, it follows four steps that are part of the process by which it identifies, prevents, mitigates and explains how it deals with its actual and potential negative impacts on the economy, environment and people.



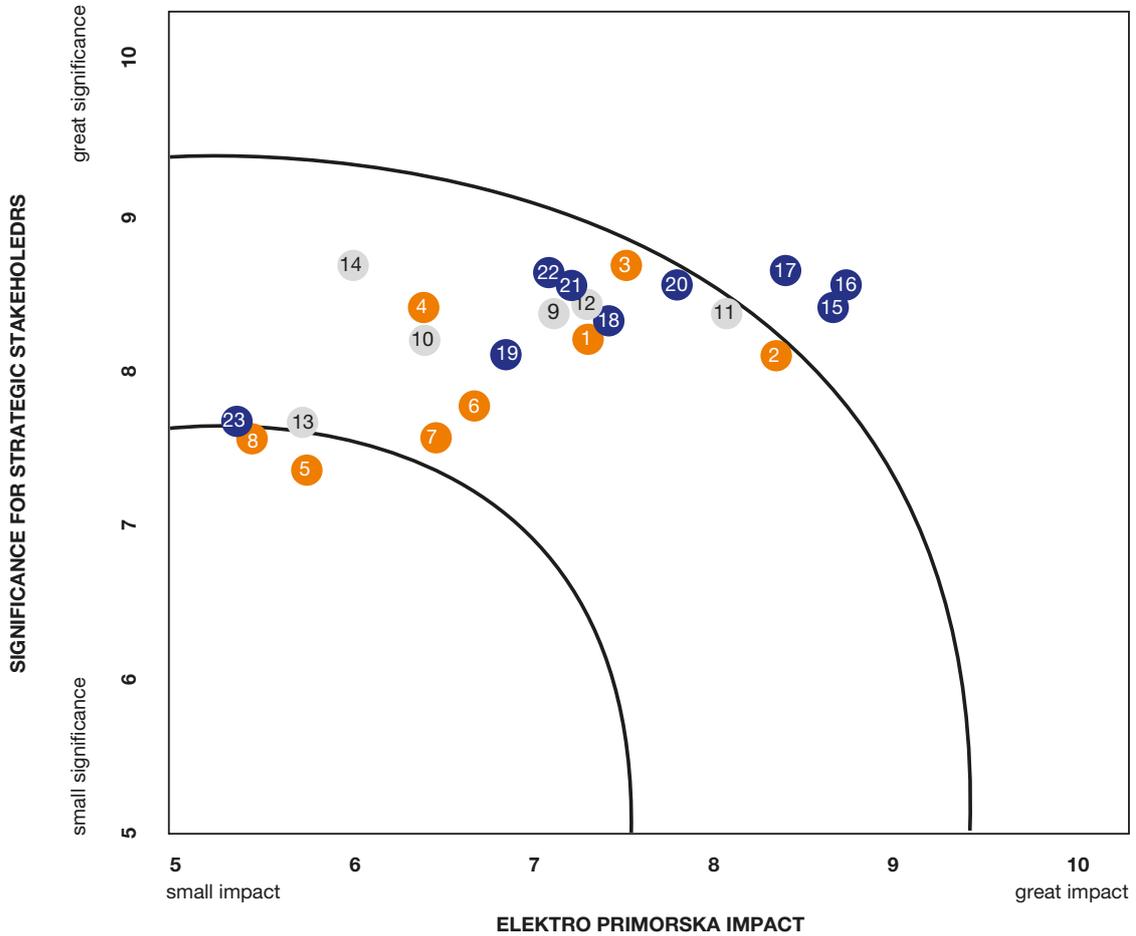
Figure 9: Process of identifying and managing material topics

<sup>15</sup> GRI 102-47

<sup>16</sup> GRI 3-2

Materiality matrix is the result of the process by which the company measures, identifies negative and positive impacts and manages relations with strategic stakeholders. Therefore, the list of the material topics is both the result of consultation and involvement of strategic stakeholders. We focus our efforts on correct, balanced and two-way cooperation and communication with stakeholders. We identified material topics of sustainable development using a combination of quantitative and qualitative research methods and an online tool. We conducted a multi-stakeholder online survey to identify important sustainability topics, in which six groups of stakeholders participated with 48 completed questionnaires. Thus, we have inclusively identified the topics that we present visually in the matrix.<sup>17</sup> With the questionnaire, we assessed the materiality from the point of view of two perspectives: the influence of the company Elektro Primorska and the materiality for strategic stakeholders. To achieve greater transparency, we have divided 23 material sustainability topics into three categories: economic-management, social and environmental aspects. In 2022, we also included material topics in the Strategic Plan of Elektro Primorska for the period 2023 to 2027 in order to manage them even more sustainably. We highlighted the exposed topics in black circles on the matrix, at the same time we replaced the material topic of Sponsorships and donations with the topic of Local communities, which broadly covers cooperation with the local community and represents an important strategic goal in the company's Strategic Plan for the period 2023–2027.

<sup>17</sup> GRI 102-43



MANAGEMENT - ECONOMIC ASPECT	<ul style="list-style-type: none"> <li>1. Economic performance</li> <li>2. Investments in the infrastructure</li> <li>3. Reliability of electricity supply</li> <li>4. Anti-corruption action and integrity</li> <li>5. Risk management</li> <li>6. Cyber security</li> <li>7. Digitization of business</li> <li>8. Innovation</li> </ul>
ENVIRONMENTAL ASPECT	<ul style="list-style-type: none"> <li>9. Efficient energy use</li> <li>10. GHG emissions</li> <li>11. Siting of facilities</li> <li>12. Climate change</li> <li>13. Biodiversity</li> <li>14. Waste</li> </ul>
SOCIAL ASPECT	<ul style="list-style-type: none"> <li>15. Training and on-the-job knowledge transfer</li> <li>16. Health and safety at work</li> <li>17. Accidents at work and near events</li> <li>18. Career development</li> <li>19. Diversity, equal opportunity and non-discrimination</li> <li>20. Communication with employees</li> <li>21. Customer satisfaction</li> <li>22. Transparent communication of services</li> <li>23. Local community</li> </ul>

Figure 10: Materiality matrix

In the table below, we highlight material topics and link them to the SD goals and GRI disclosures, place them in strategic goals, and set success indicators and five-year goals for them.

In the coming years, we will monitor the success of achieving the set goals on an annual basis.

Material topics	Strategic goals	Indicator	Starting point (year 2021)	5-year goal	GRI
  <b>Occupational health and safety and accidents</b>	Identification and assessment of safety risks at work (ISO 45001)	Number of accidents at work			403-1,
		Severity of injuries at work			403-2,
 <b>Local communities</b>	Maintaining reputation in the local community and more coordinated operation	Frequency of accidents at work			403-5,
		Employee training			403-6,
		Share of lost working days due to accidents			403-9
  <b>Training and knowledge transfer</b>	Management and development of key personnel Employee satisfaction	Average number of hours of training per employee		↑ 14%	401-1, 401-2, 404-1,
		Share of training costs for prospective/managerial personnel			↑ 25%
 <b>Innovation</b>	Rise of innovation	Number of useful proposals and innovations per year	35	60	
  <b>Siting of facilities</b>	Increasing the quality of service in the area of connection and increasing customer satisfaction	Average time to connect the network user (issue of SZP+ issue of PoP + connection)	70 days	45 days	
		Average time for issuing consent for connection of RES	40 days	20 days	
 <b>GHG emissions</b>	Reducing CO <sub>2</sub> emissions	Withdrawal of MV switchgear with TG gas SF6	Replacement of MV switchgear with clean air passage (legal requirement)	0	/
		Share of electricity losses	4.40%		305-1 305-2 305-3
 <b>Biodiversity</b>	Project of technological modernization of medium-voltage overhead power lines, safe for birds	- Reconstruction of the 20kV power line field with adapted stands - Installation of insulating caps		1 approx. 3,000 pieces	304-2
 <b>Investments in infrastructure</b>	Ensure a further high level of network modernization  Improving business continuity and customer satisfaction	CAPEX / net revenues from sales	57.30%	71.69%	203-1
		- Average duration of unplanned long-term interruptions (SAIDI)	46.89	29.5	
 <b>Reliability of electricity supply</b>	Increasing the resistance of the distribution system	- Average number of unplanned long-term interruptions (SAIFI)	1.48	1.15	
		- Average number of unplanned short-term interruptions (MAIFI)	6.38	4.7	25.28% (0.8% growth)
  <b>Economic performance</b>	Market activity performance  Management of business costs	Growth in revenues from marketing activities	/	5% per year	201-1
		Labour cost/value added	47.0%	43.7%	
 <b>Cyber security</b>	Maintaining cyber security	Obtaining quality standard ISO-270001	0	1	
		Number of successful cyber attacks	0	0	

Table 4: Strategic management and measurement of material topics

## 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 maintenance<sup>18</sup>

#### 6.7.1.1 State of electricity infrastructure

In 2022, 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)	648,770	246,708	616,433	513,126	2,025,037
KBV: 10 kV–35 kV (m)	143,647	230,748	206,873	89,529	670,797
NNO (m)	1,558,075	1,145,314	959,533	968,506	4,631,428
RTP + RP (pcs)	16	8	7	7	38
TP (pcs)	829	527	601	518	2,475

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

**Table 5: Physical volume of electric power devices as at DEC 31 2022**

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

In 2022, 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 €16,077,602 in 2022. 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, from 2019 the maintenance funds 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).

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

<sup>18</sup> GRI 203-1

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.

Type of work	Plan(€)	Actual (€)	Actual (€)	%	%
	2022	2022	2021	2:1	2:3
	1	2	3	4	5
Maintenance of electricity infrastructure	8,316,486	6,895,707	8,026,067	82.92	116.39
Implementation and organisation of emergency service	680,795	755,826	711,932	111.02	94.19
Conducting of operation	1,185,608	1,325,233	1,381,661	111.78	104.26
Process management	437,243	423,883	380,238	96.94	89.70
Telecommunication support	361,393	416,735	347,321	115.31	83.34
Management of protective devices	244,832	196,966	195,369	80.45	99.19
Development	190,361	261,699	252,912	137.48	96.64
Monitoring and establishing quality of supply	130,938	102,794	116,191	78.51	113.03
Electricity metering	2,426,814	1,877,124	2,022,532	77.35	107.75
Provision of access services	861,135	897,032	937,492	104.17	104.51
Connecting users to distribution network	937,685	2,623,668	1,908,881	279.80	72.76
Other services for users	304,312	249,834	255,528	82.10	102.28
<b>TOTAL SERVICES FOR SODO</b>	<b>16,077,602</b>	<b>16,026,501</b>	<b>16,536,124</b>	<b>99.68</b>	<b>103.18</b>
Other service SODO	502,113	892,595	775,475	177.77	86.88
Elimination of damage to the EE infrastructure	804,848	785,287	1,014,737	97.57	129.22
Maintenance of other facilities and devices – excluding market	3,692,000	3,880,760	3,930,928	105.11	101.29
<b>TOTAL</b>	<b>21,076,563</b>	<b>21,585,143</b>	<b>22,257,264</b>	<b>102.41</b>	<b>103.11</b>

**Table 6: Actual services for SODO in 2022**

In 2022, the Company spent €16,026,501 on provision of services for SODO, which accounts for 99.68% of planned funds for the period, down 3.08% compared to 2021.

### ACHIEVEMENT OF THE SET GOALS AND COMPARISON WITH 2021

Financial achievement of the plan for the provision of services for SODO is practically the same as planned. Actual inspections of devices accounted for 101.2%, metering for 103.3% and devices for 96.3% 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 self-sufficient solar power plants to the distribution network.

#### 6.7.1.3 Investments

Basis for the preparation of the annual investment plan for 2022 are the Development Plan for the Electricity Distribution System for a period from 2021 to 2030 and the Investment Plan for a period of 3 years. Development plan 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 2022, 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 2022 was carried out in accordance with the 2022 plan version 1 in the amount of €22,000,000.

Total €19,911,439 was invested in facilities, equipment purchases and project documentation, accounting for 90.51% of the planned funds (€23,475,021 was spent in 2021).

Investment groups	Realised funds	Share per investment group
Facilities	13,109,639 EUR	65.84% of total funds
Equipment	5,623,187 EUR	28.24% of total funds
Documentation	1,178,613 EUR	5.92% of total funds
Total	19,911,439 EUR	

**Table 7: Investments by major investment groups**

Compared to the 2021-2030 development plan, we invested less funds in 2022 than planned.

Type of plan	Value of plan	Realization of plan 2022	Realization of plan
Development plan for the period 2021–2030	20,399,338 EUR	20,058,280 EUR*	98.46%
Investment plan for 2022	22,000,000 EUR	19,911,439 EUR	90.51%

\* In 2022, Elektro Primorska, d.d., invested €19,911,439. 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 €174,140.92. We both invested a total of €20,085.579.80.

**Table 8: Review of the realization of the plan in comparison with the development plan**

In 2022, 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

By carrying out the planned investments, we eliminated bad voltage conditions in individual areas, reconstructed decrepit transmission lines and built new transmission lines, which increased the loopiness of the medium voltage network. Major investments in 20kV overhead lines: reconstruction of DV 20 kV Senik–Golo Brdo (1.9 km), DV 20 kV RTP Kobarid–RP Plužna (0.9 km), DV Podprvič (0.85 km), DV Zavrzelno (0.8 km), DV 20 kV odsek Kremance–Lukežiči (0.5 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: KBV Slovenska vas (1.5 km), KBV Rombi (1 km), KBV Lokvica (0.9 km), KBV Zalošče 3 (0.9 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 Ogalce (1.55 km), NNO Plestenice 2 (1.2 km), NNO Gorenc (0.9 km), NNO Na Logu (0.83 km), NNO Potravno (0.7 km) NNO Piščanci (0.8 km), NNO Šmarje (0.72 km), EKK for NNO 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 Lokev center, TP Volče znamenje, TP Bač.

	2022	2021	2020	2019
MV- overhead lines	12.03 km	25.61 km	16.83 km	28.78 km
MV- underground lines	22.60 km	47.68 km	34.96 km	29.19 km
Low-voltage network	45.26 km	51.74 km	57.51 km	44 km
Transformer stations	73.33 pcs	99.28 pcs	84.32 pcs	58.60 pcs

**Table 9: Physical indicators of constructed and renovated devices**

## TRANSFORMER SUBSTATIONS (RTP) HV/MV

Following investments in RTP 110/20kV were carried out in 2022:

- RTP 110/20 kV Izola – in 2021, together with the company ELES, we started the construction of 110 kV switchyard. In 2022, we carried out construction work for the construction of 110 kV switchyard. Goal of the investment is to reduce the losses of electricity distribution and ensure a reliable supply of customers.
- RTP 110/20 kV Gorica – due to technical wear and tear, we replaced the power inverter system for own use.
- RTP 110/20 kV Koper – due to technical wear and tear, we replaced the rectifier and inverter system for own use.
- RTP 110/20 kV Sežana - due to technical wear and tear, we replaced the rectifier and inverter system for own use.
- RTP 110/20 kV Pivka – we completed the replacement of the power transformer TR 1. Replacement of the transformer was carried out due to the increase in peak loads.
- RTP Tolmin – we completed the work to replace the power transformer TR2. In addition, during the reconstruction of the 110 kV transmission lines, we adjusted the data exchange with ELES.
- RTP 110/20 kV Idrija – we replaced worn-out grounding resistors in the 110 kV transformer field TR 1 and TR 2. We also replaced the system 2 battery in 2022.
- RTP 110/20 kV Cerčno – we replaced the 20 kV bushings in the 20 kV switchyard.
- RTP 110/20 kV Plave – in 2022, we replaced the fire control panel in the 20 kV switchyard facility.

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

In 2022, we implemented the following investments in RTP MV/MV and RP MV distribution stations:

- RP Sela – we have replaced the rectifier system.
- RP Ledine – we installed a measuring device to control consumption.
- RP Hubelj – we installed capacitive dividers and voltage presence indicators.

## POWER FACILITIES

Investments in power facilities were carried out in order to ensure reliable supply of electricity to all our customers. A total of €12,408,043 was invested in the power facilities (facilities up to 20kV and distribution transformer stations), accounting for 92.95% of the plan (2021: €14,676,817). Share for power facilities in the total realization is 62.32%.

## BUSINESS AND OPERATIONAL FACILITIES

In 2021, we arranged the premises at the Erjavčeva 24 office building, carried out the second phase of the renovation of the service facility at DU Koper, replaced the cooling unit at the company's headquarters, replaced UPS devices in office buildings and other minor investment maintenance work was carried out at facilities. A total €208,693 was invested in business facilities and €492,902 in operational facilities.

## TOTAL FACILITIES

A total €13,109,639 was invested in power facilities and buildings, accounting for 95.46% of the plan (2021: €15,678,216). As much as 65.84% of funds was invested in facilities.

## REMOTE CONTROL

Following major investments were implemented:

- replacement of communication and station computers at RTP Plave,
- installation of new remote controlled threshold switching points (DVPLMs); in 2022, we installed 2 new DVPLMs, namely on the locations of Idrija–Vojsko and Idrija–Črni vrh;
- at the DCV we implemented the following investments:
- 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 completed the installation of the resonant choke at RTP Gorica,
- we installed software for monitoring the operation and parameterization of protection devices.

## TELECOMMUNICATIONS

Following major investments were implemented:

- 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

We continued with the installation of meters compliant with the Advanced Metering System (AMS). Situation is as follows:

- number of installed meters, compliant with AMS: 132,735 pcs
- share of installed meters compliant with AMS: 98%
- number of installed meters integrated in AMS: 126,514 pcs
- share of installed meters integrated in AMS: 93%

In addition, we purchased:

- 220 industrial meters,
- 150 control meters,
- 54 concentrators.

## TOOLS

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

## TRANSPORT

We purchased four new passenger cars, a small truck, and one off-road vehicle, to replace the existing obsolete ones.

## OFFICE SUPPLIES

Office equipment was purchased to replace the obsolete equipment.

## IT

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

## EQUIPMENT

Total of €5,623,187 was invested in equipment, accounting for 79.04% of all planned funds (2021: €6,567,791). Of total invested, 28,24% 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 2022 [€]	Actual 2022 [€]	Actual 2021 [€]	%	%
		1	2	3	2:1	2:3
	HV power lines	0	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	3,584,000	3,459,004	5,772,252	96.51%	59.92%
1.3	MV overhead lines	716,000	824,672	1,250,270	115.18%	65.96%
1.4	MV underground lines	2,868,000	2,634,332	4,521,982	91.85%	58.26%
	LV power lines	3,000,000	2,904,593	2,972,817	96.82%	97.71%
1.5	LV overhead lines	1,571,000	1,697,751	1,542,008	108.07%	110.10%
1.6	LV underground lines	1,429,000	1,206,842	1,410,472	84.45%	85.56%
1.7	Other LV	0	0	20,337	0.00%	0.00%
	<b>SUBSTATIONS</b>	<b>6,765,130</b>	<b>6,044,447</b>	<b>5,931,747</b>	<b>89.35%</b>	<b>101.90%</b>
1.8	RTP HV/MV	2,809,099	2,349,488	1,648,461	83.64%	142.53%
1.9	RTP MV/MV	0	1,784	32,966	0.00%	5.41%
1.10	RP MV	0	15,417	44,404	0.00%	34.72%
1.11	TP	2,448,400	2,013,715	2,736,578	82.25%	73.59%
1.12	TRANSFORMERS	1,507,631	1,664,042	1,469,338	110.37%	113.25%
	<b>TOTAL FACILITIES UP TO 20 kV</b>	<b>10,540,031</b>	<b>10,058,555</b>	<b>11,817,606</b>	<b>95.43%</b>	<b>85.11%</b>
	<b>TOTAL POWER FACILITIES</b>	<b>13,349,130</b>	<b>12,408,043</b>	<b>14,676,817</b>	<b>92.95%</b>	<b>84.54%</b>
1.13	Protective devices	113,000	43,426	150,785	38.43%	28.80%
1.14	Remote control	529,001	134,931	367,069	25.51%	36.76%
1.15	Telecommunications	180,000	103,998	120,394	57.78%	86.38%
1.16	Metering devices	2,391,800	2,462,851	3,478,478	102.97%	70.80%
1.17	Process IT	740,000	106,113	194,870	14.34%	0.00%
1.18	Ancillary devices	0	0	3,252	0.00%	0.00%
1.20	Smart grids	180,000	114,366	0	63.54%	0.00%
	<b>TOTAL SECONDARY EQUIPMENT</b>	<b>4,133,801</b>	<b>2,965,684</b>	<b>4,314,848</b>	<b>71.74%</b>	<b>68.73%</b>
	<b>TOTAL POWER FACILITIES AND EQUIPMENT</b>	<b>17,482,931</b>	<b>15,373,728</b>	<b>18,991,665</b>	<b>87.94%</b>	<b>80.95%</b>
2.1	Business facilities	170,500	208,693	596,746	122.40%	34.97%
2.2	Operational facilities	214,000	492,902	404,653	230.33%	121.81%
	<b>TOTAL NON-POWER FACILITIES</b>	<b>384,500</b>	<b>701,595</b>	<b>1,001,399</b>	<b>182.47%</b>	<b>70.06%</b>
2.3	Mechanisation	0	5,227	90,607	0.00%	5.77%
2.4	Tools	178,300	104,160	175,403	58.42%	59.38%
2.5	Transport	374,000	207,538	448,324	55.49%	46.29%
2.6	Office supplies	73,000	77,996	9,009	106.84%	865.74%
2.7	Business data processing	2,335,000	2,252,581	1,494,723	96.47%	150.70%
2.8	Holiday facilities	20,000	10,000	34,877	50.00%	28.67%
	<b>TOTAL NON-POWER DISTRIBUTION EQUIPMENT</b>	<b>3,364,800</b>	<b>2,657,503</b>	<b>2,252,944</b>	<b>78.98%</b>	<b>117.96%</b>
3.1	Project documentation	1,152,269	1,178,613	1,229,013	102.29%	95.90%
	<b>TOTAL DOCUMENTATION</b>	<b>1,152,269</b>	<b>1,178,613</b>	<b>1,229,013</b>	<b>102.29%</b>	<b>95.90%</b>
	<b>TOTAL FACILITIES</b>	<b>13,733,630</b>	<b>13,109,639</b>	<b>15,678,216</b>	<b>95.46%</b>	<b>83.62%</b>
	<b>TOTAL EQUIPMENT</b>	<b>7,114,101</b>	<b>5,623,187</b>	<b>6,567,792</b>	<b>79.04%</b>	<b>85.62%</b>
	<b>TOTAL</b>	<b>22,000,000</b>	<b>19,911,439</b>	<b>23,475,021</b>	<b>90.51%</b>	<b>84.82%</b>

Table 10: Overview of the actual investments made in 2022

### ACHIEVEMENT OF THE SET GOALS AND COMPARISON WITH 2021

In 2022, Elektro Primorska, d.d., implemented its investments in accordance with the adopted plan, and invested a total €22,000,000. Investment realisation is lower than the plan by 9.49%. Compared to 2021, the realisation of the planned investments decreased by 15.18%.

Investments in electricity distribution infrastructure were carried out in accordance with the operational investment plan, which was created as a result of the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices. In 2022, we invested mainly in ensuring a reliable electricity supply and in the connection of dispersed sources or self-sufficiency in electricity. We achieved this by increasing the capacity of low-voltage lines and upgrading transformer stations. In addition, part of the investment funds was allocated to the strengthening of the MV network and constructing a new RTP Izola.

Investments in equipment have been partially postponed to 2023 due to difficulties in securing funds.

### INDICATORS OF SUSTAINABLE OPERATION

To ensure »green« operations, Elektro Primorska joins reporting on sustainable operations. Criterion for assessing sustainable operations is the contribution to mitigating climate change, as defined by Commission Delegated Regulation (EU) 2021/2139 of June 4 2021.

Assessment of sustainable operations is best demonstrated by the indicator of sustainable operations, which reflects the ratio between the realized investments in »green investments« and the total realized investments in Elektro Primorska for the current year.

<b>Realization of investments</b>	<b>19,911,439 EUR</b>
Green investment	15,373,728 EUR
Share of »green investments«	77.21% of all funds

Table 11: Indicator of sustainable development

### 6.8 Risk management<sup>19</sup>

Those in charge at Elektro Primorska Company regularly assessed risk exposure throughout the year and managed it. We estimate that by observing high standards of risk management, we have made a significant contribution to the achievement of the Company's set goals. This proves that the Company's risk management system is adequate and indispensable in the process of strategic planning and in making current business decisions.

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. Goal of comprehensive risk management is to reduce risks to an acceptable level and contributes to controlling the processes and helps the management board and wider management lead the company in the right direction.

For risk management, the company Elektro Primorska has adopted a comprehensive risk management methodology. Identifying and assessing the identified risk ensures that we deal with the key risks. In the company, we deal with several types of risks, which are classified in accordance with the methodology into four categories, namely: financial, operational, strategic and legislative categories. Identification of risks takes place on the basis of determining the presence of uncertainty and exposure to potential negative financial effects, which adequately define the individual risk. Each recognized risk is evaluated on the basis of the set limits and thus defined in a qualitative risk matrix, which shows the significance of each risk in terms of frequency of occurrence and the estimated damage.

<sup>19</sup> GRI 102-30

				DAMAGE ASSESSMENT			
				LOW	MEDIUM	HIGH	VERY HIGH
ASSESSMENT				1	2	3	4
FREQUENCY OF OCCURRENCE	Very high level of risk 8-16	OFTEN	4	4	8	12	16
	High level of risk 8-9	LESS OFTEN	3	3	6	9	12
	Medium level of risk 4-6	RARELY	2	2	4	6	8
	Low level of risk 0-3	EXTREMELY RARELY	1	1	2	3	4

Table 12: Flow chart of risk categorization in terms of significance

In the company, the risks are regulated in more detail in the previously mentioned risk methodology and supported by information using the Fermion application. Company has all identified risks entered in the risk register, which is regularly monitored and supplemented at least once a month. Information support gives us the impact of risks on the company’s operations based on the quantitative assessment. For identified risks, using the value at

Risk (VaR) method, the application calculates the worst possible negative effect of the realization of these risks. On the basis of a prepared risk register and a qualitative and quantitative assessment of risks, the company approaches each risk in such a way as to avoid the risk, reduce the risk, or transfer it to a third party or accept the risk. Company manages the identified risks with measures.

**ACTIVITIES IN THE FIELD OF RISK IN 2022**

At the beginning of the financial year 2022, 30 risks were recorded in the company Elektro Primorska. In addition to the standard monthly monitoring of risks by administrators,

in 2022 there were two additional coordinations and identified risks.

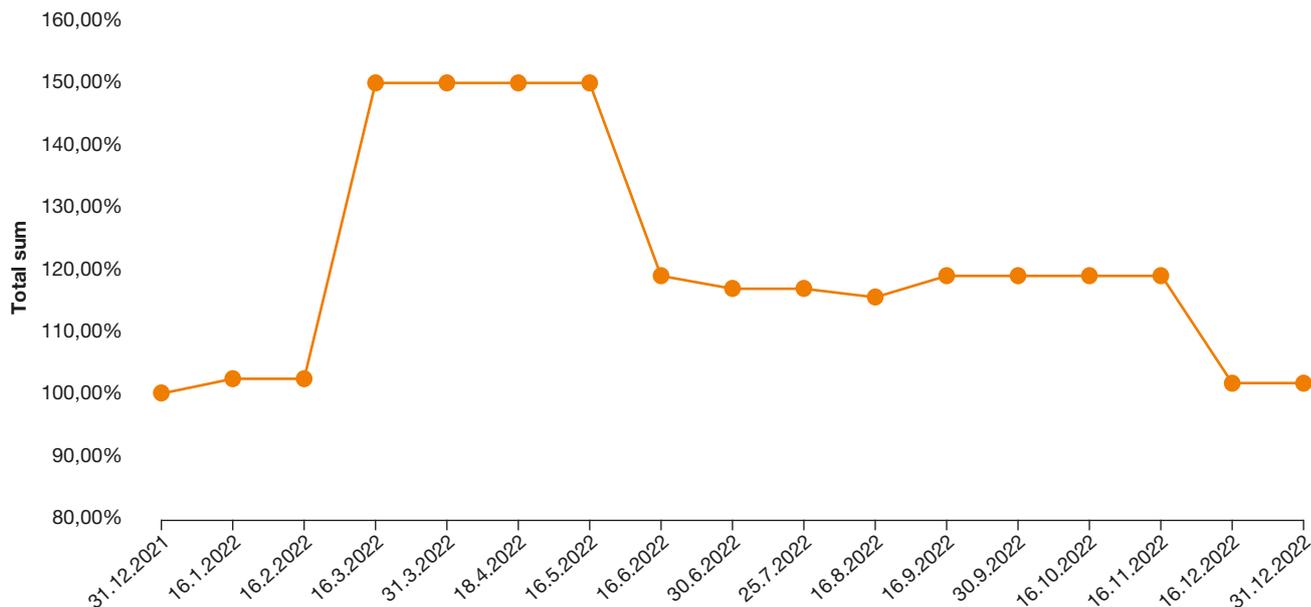
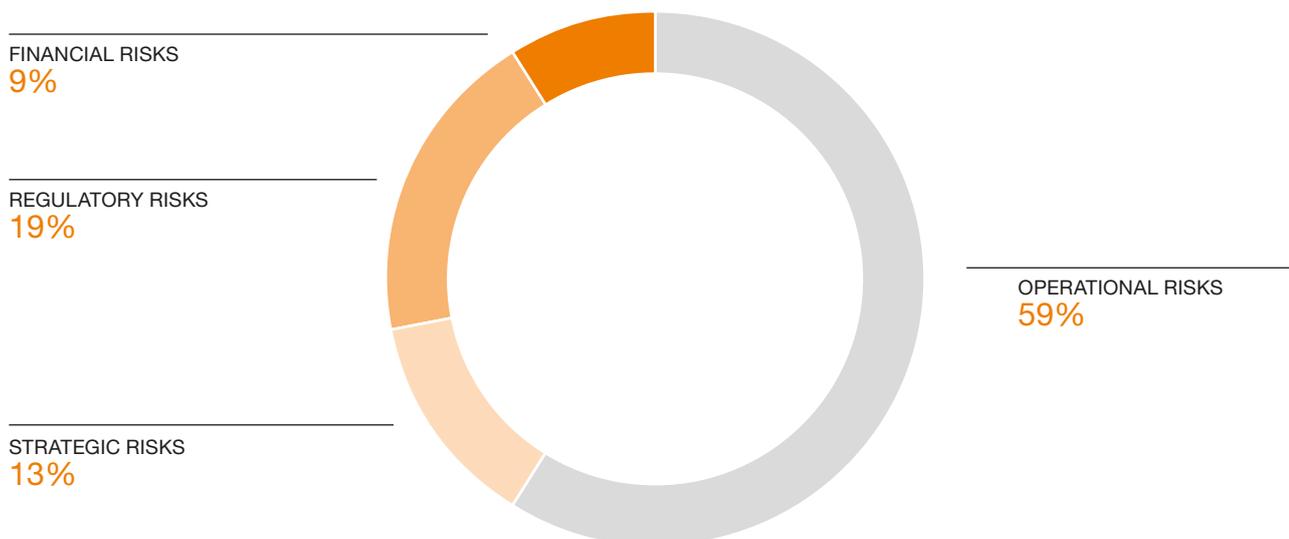


Chart 1: Total contribution to the risk profile

## STATE OF RISKS AT THE END OF 2022

As at December 31 2022, there was 30 active identified risks in the company, which are classified to four categories. Three risks belong to the category of financial risks (9% of all risks), 19 risks to the category of operational risks (59%

of all risks), four risk to the category of strategic risks (13% of all risks) and six risks to the category of regulatory risks (19% of all risks).



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

According to the qualitative rating scale at the end of the year, we did not recognize any risk with a very high rating. However, we have identified one risk with a high level of risk, namely the risk of cyber security, and six risk with a medium level of risk, namely the risks System operation in the area of maintenance, Control over traffic in the information network, Installation/replacement of MCD, Inability to ensure the availability of ICT-services, EU GDPR Regulation and Change in prices or rate of return set by the state/regulator. Remaining 25 risk represented a low level of risk. Risks are managed within individual organizational units. According to the qualitative assessment, all other identified risks are in the area of low level of risks.

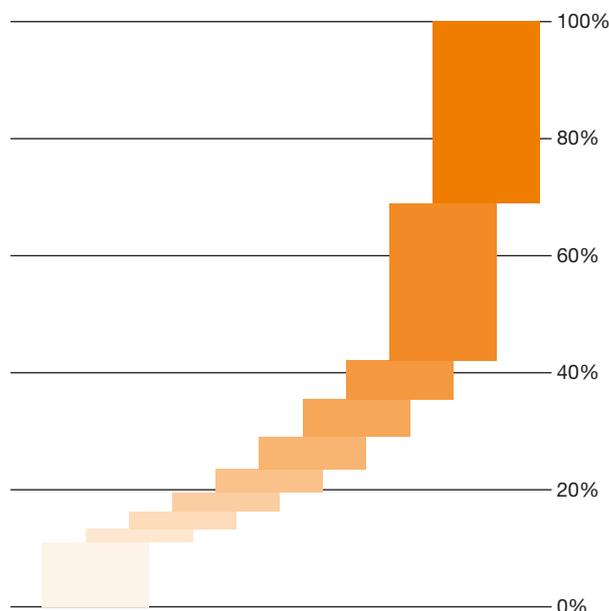
In the quantitative assessment of risks in the company Elektro Primorska, the largest share of the total contribution to the risk profile is twelve significant risks, with at least 15 of the total contribution to the risk profile. Majority of such risks are in the category of operational risks. Among the 19

active risks, eight are significant in this category, namely: Risk of cyber security, Inability to ensure the availability of ICT-services, Installation/replacement of MCD, System operation in the area of maintenance, Termination of a key supplier or contractor, Replacement of key personnel in ICT, Rising prices of materials and equipment and Risk of major accidents. Share represented by this category in relation to the overall risk profile is 56%. Slightly smaller share, namely 38%, to the total contribution to the risk profile is represented by the category of legislative risks. Three significant risks are identified in the category, namely: Change in prices or rate of return set by the state/regulator, Breach of EIB commitments and EU GDPR Regulation. Share of the contribution to the risk profile of the categories of Financial risks and Strategic risks is small, namely 1% or 5%. There is only one significant risk in these two categories, which is Disconnection of power in the Strategic risks category. As part of the quantitative risk assessment, five key risks were identified at the end of the year, whose contribution to the risk

profile represented more than 5% of the total value. From the Chart Contribution to the risk profile, it can be seen that the biggest impact on the total contribution to the risk profile is the risk Changes in prices or rates of return set by the state/regulator (31%), which includes the impact of the WACC calculation by the regulator, with which the company's revenues may decrease with the new accounting period. Risk also includes the risk of government measures, as part of which an intervention act

was adopted to limit the consequences of the epidemic, as part of which, among other things the return on assets of distribution companies was reduced. Second most influential risk is Cyber security risk (27%), which includes the risk of phishing emails, payment in cryptocurrencies, cyber hacking and data theft.

- Change in rates of return set by the state/regulator
- Risk of cyber security
- Inability to ensure the availability of ICT-services
- Installation/replacement of MCD
- System operation in the area of maintenance
- Breach of EIB commitments
- Disconnection of power
- EU GDPR Regulation
- Termination of a key supplier or contractor
- Other



**Chart 3: Contribution to the risk profile**

Three more key risks were identified, namely the risk Inability to ensure the availability of ICT-services (7%), which includes the risk of non-functioning of key processes related to the operation of ICT service due to various causes, Installation/replacement of MCD (6%), which represent the risk of unrealized obligations from the cohesion contract for the purchase of smart meters and the risk due to the assessment of eligibility for the allocation of European funds from the title of cohesion (ministry) and System operation in the area of maintenance (6%), which includes the risk that the devices of the distribution power system are exposed to malfunctions due to internal causes (age, wear and tear) as well as due to the action of natural forces.

Working group for sustainable development held two team workshops, where it identified risks that are directly related to the way of achieving sustainable goals and realizing the green transition. Results of the identification process show that most risks are already included in the register of operational risks. At the first workshop, we identified the risks that Elektro Primorska recognizes in the context of contributing to the global sustainable development goals of the United Nations 2030 Agenda, which organizations use to set their sustainable development strategies.

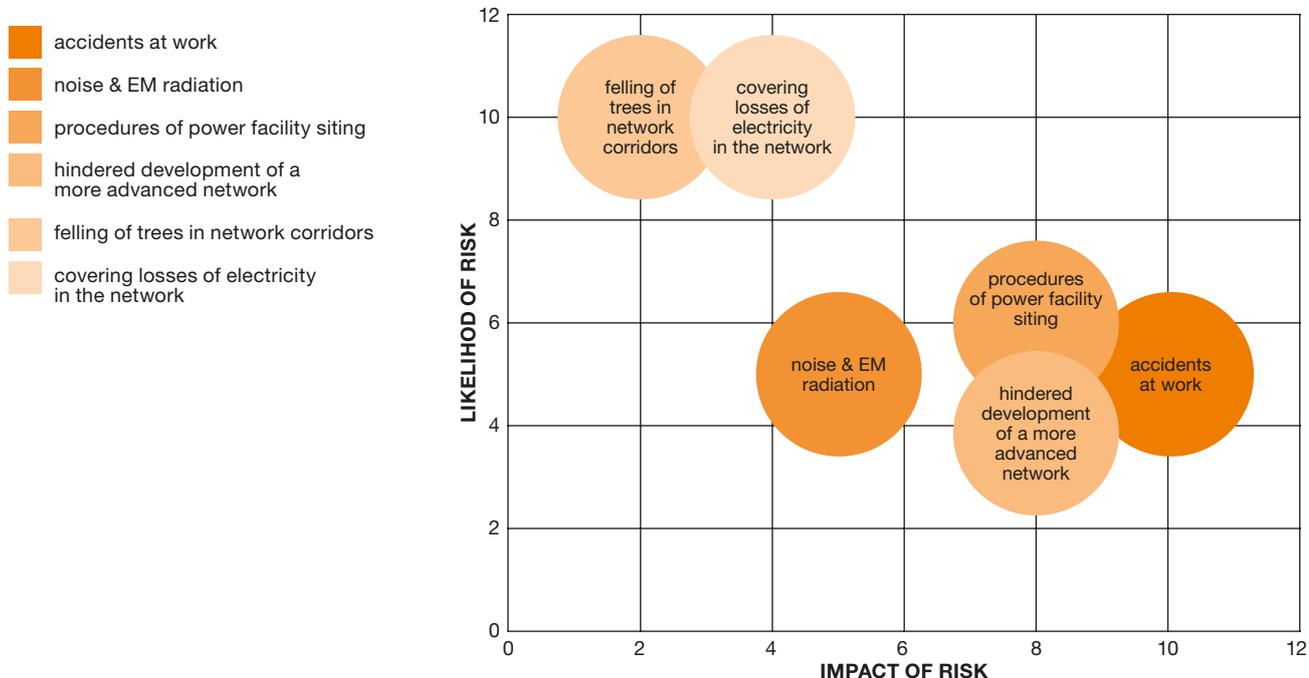


Chart 4: Risk matrix

In terms of preparations for the upcoming regulation, which gives greater importance to the early identification and management of risks with scenarios and the search for potential opportunities, the Working Group for Sustainable Development, at its second workshop, also identified risks stemming from physical climate-related

risks and transition risks, which are defined by the TCFD standard (Task force on climate-related financial disclosures) and drafts of new ESRS standards (E1). Aim of the workshop was to identify new risks for better risk management related to sustainable goals and the green transition of the company.

Key system elements of the company	Identified physical risks associated with climate change		
	Wet snow	Ice	Strong wind (bora)
Overhead infrastructure	■	■	■
Underground infrastructure	■	■	■
Employees – field work	■	■	■

Legend: ■ high ■ medium ■ low

Chart 5: Identified physical risks associated with climate change

Identified transition risks	
<b>H</b>	Investments in new projects Changing user habits
<b>M</b>	Uncertainty in the electricity price market Rising prices for greenhouse gas emissions New regulation for withdrawal of existing MV switchgear with the GHG SF6 and clean air passage Shift in consumer preferences and backlash
<b>L</b>	Increased costs of natural materials

Legend: ■ high ■ medium ■ low

Chart 6: Identified transition risks

## 6.9 Management of social impacts<sup>20</sup>

### 6.9.1 Employees<sup>21</sup>

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. We focus our activities in the field of human resources management primarily on the creation of methods and practices that enable the acquisition and retention of quality staff, the creation of systems for systematic development of employees' knowledge, skills and abilities, and the creation of a stimulating and orderly working environment.

In 2022, due to the intervention act at the beginning of the year, we had less funds available for education and employment, so activities in this area were also somewhat curtailed. Greater emphasis was placed on continuing to improve the managerial competencies of managers at all levels, on the systematic transfer of knowledge to new employees and on employees who were redeployed to other jobs, and on employee training within the framework of available resources. Within the framework of the Learning Brand certificate, we started to set up a mentoring system in the company and carried out a competency assessment for five perspective personnel. A lot of effort was also devoted to harmonizing the rules on the variable part of the salary with the social partners, which is good basis for starting the implementation of employee remuneration next year.

#### 6.9.1.1 Composition of employees<sup>22</sup>

A total of 476 workers were employed by the Company as at December 31 2022, of which 2% were fixed-term employees. Average number of employees in 2022 was 477, decrease of four compared to the average headcount in 2021.

Employee turnover in the company is still low and amounts to 4.61%, compared to the previous year it is higher by more than a half. Dominant reasons for termination of employment are retirement, followed by voluntary termination.

Absenteeism due to sick leave was 7.70% and increased by thirty-six percent compared to 2021.

Elektro Primorska, d.d.	
Total number of employees as at 31.12.2022	476
Average number of employees in year	477
Number of new employees hires in year <sup>23</sup>	10
Number of departures in year	23
Number of permanent employees	465
Number of fixed-term employees	11
Number of employees with disabilities	29

Table 13: Overview of employees in Elektro Primorska, d.d.

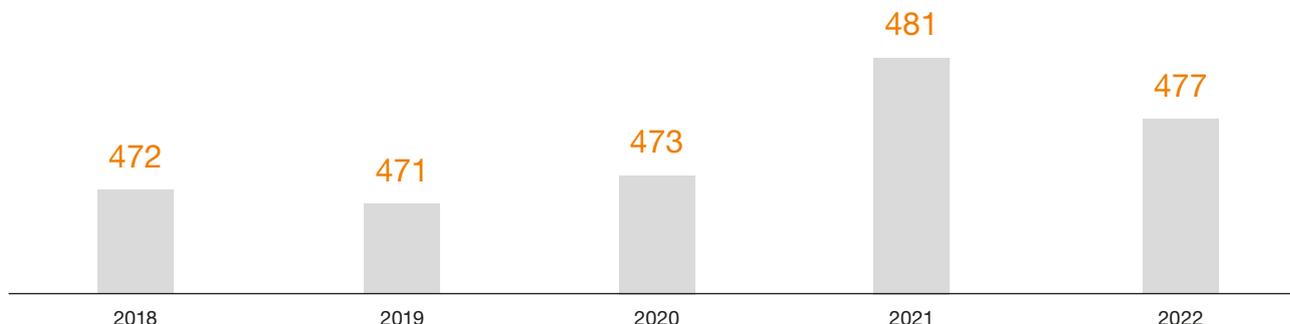


Chart 7: Movements in the average number of employees over the period 2018–2022

<sup>20</sup> GRI 103-2, GRI 103-3

<sup>21</sup> GRI 102-8

<sup>22</sup> GRI 405-1

<sup>23</sup> GRI 401-1

Activity	Number of employees as at 31.12.2021	Structure (%)	Number of employees as at 31.12.2022	Structure (%)
Main activity (distribution network sector, electricity system management sector, strategic development and innovation service)	381	78.56	372	78.15
Common services (management, financial and accounting sector, general sector, procurement, information technology)	104	21.44	104	21.85
<b>Total</b>	<b>485</b>	<b>100</b>	<b>476</b>	<b>100</b>

Table 14: Overview of employees in Elektro Primorska, d.d.

### AGE STRUCTURE OF EMPLOYEES

Average age of employees in the company is 45.9 years, which increased by 0.6 year compared to the previous year.

Age group	Number of employees
1 up to 20 years	0
2 21-30	40
3 31-40	109
4 41-50	154
5 51-60	140
6 61 and over	33
<b>Total</b>	<b>476</b>

Table 15: Number of employees in Elektro Primorska, d.d, per individual age group

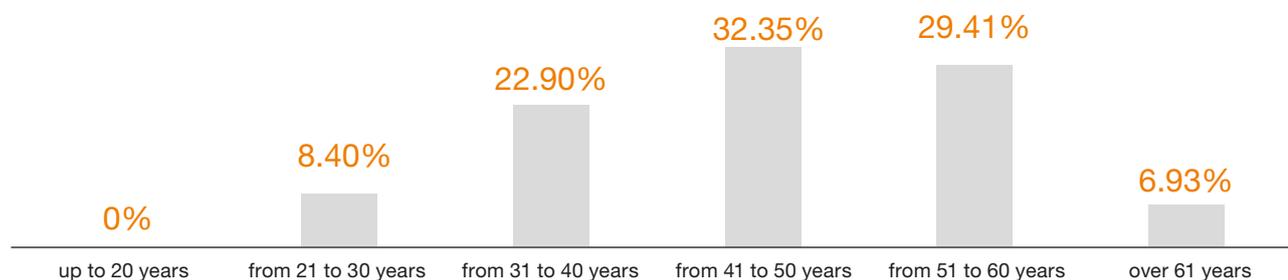


Chart 8: Age structure of employees of Elektro Primorska, d.d.

## STRUCTURE OF EMPLOYEES ACCORDING TO GENDER

Structure of employees according to gender does not change significantly from one year to the other. In 2022, there are half a percent more women in the gender structure of employees compared to the previous year, however

the share of male employees is still very 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	398
2	female	78
	<b>Total</b>	<b>476</b>

Table 16: Number of employees in Elektro Primorska, d.d., by gender

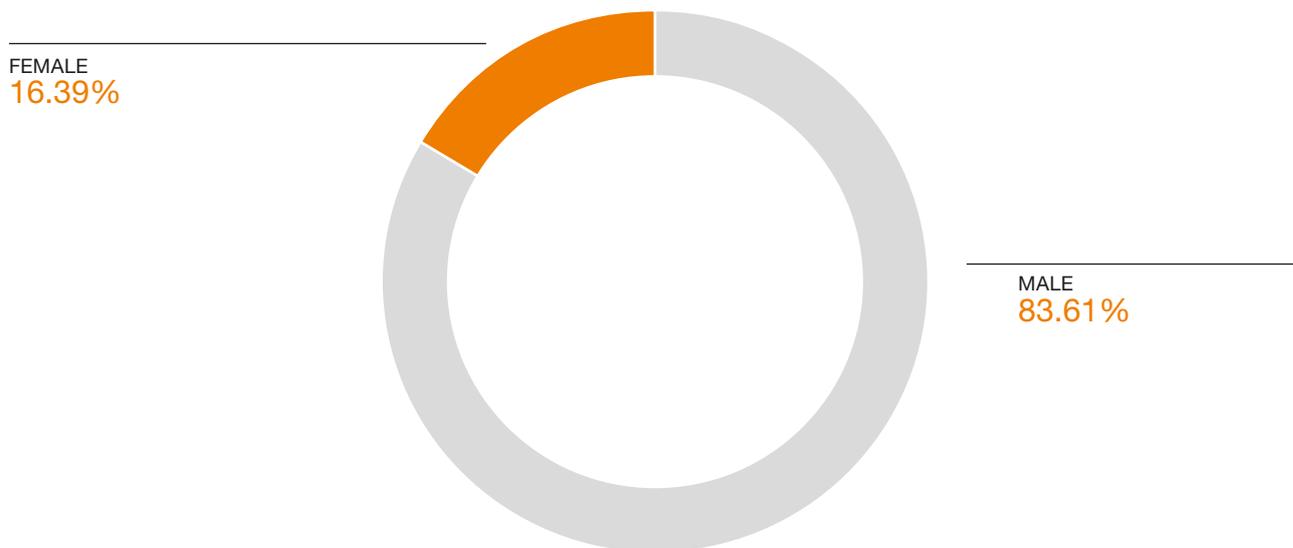


Chart 9: Structure of employees in Elektro Primorska, d.d., according to gender

## STRUCTURE OF EMPLOYEES ACCORDING TO THE YEARS OF SERVICE

In 2022, 63% of employees have completed 20 or more years of service.

	Years of service	Number of employees
1	up to 5 years	30
2	from 6 to 10 years	50
3	from 11 to 20 years	96
4	from 21 to 30 years	136
5	from 31 to 40 years	135
6	over 40 years	29
	<b>Total</b>	<b>476</b>

Table 17: Number of employees in Elektro Primorska, d.d., according to the years of service

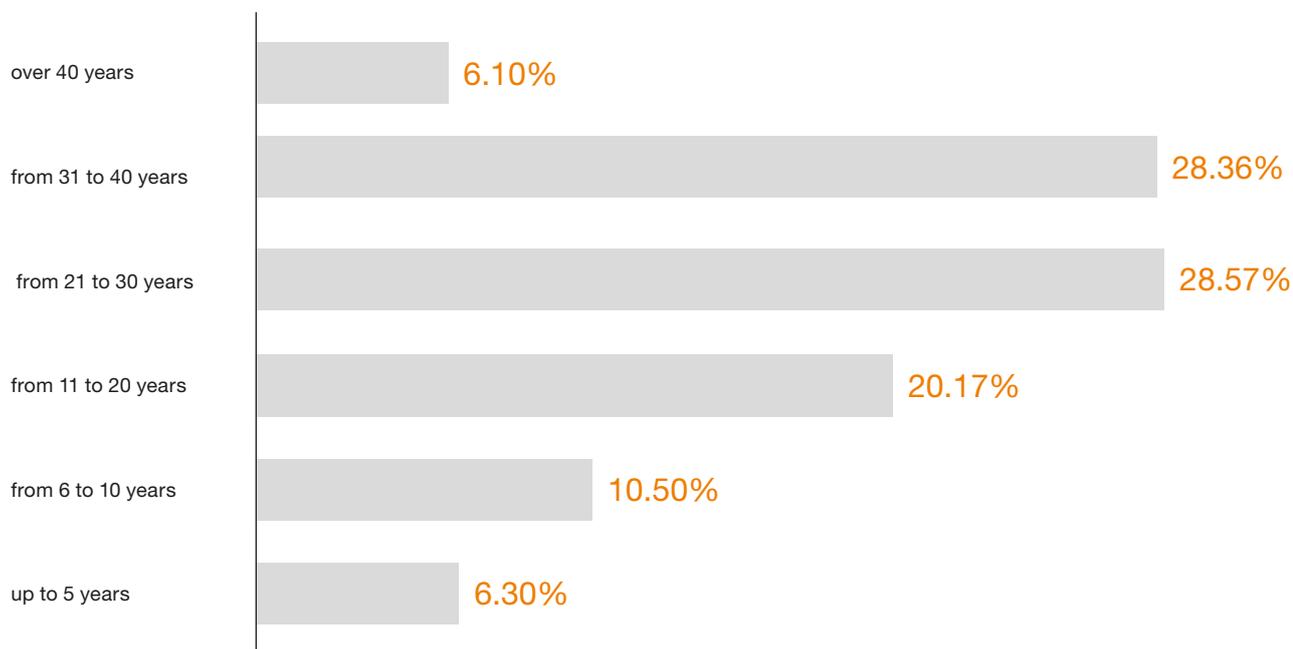


Chart 10: Structure of employees according to the years of service in Elektro Primorska, d.d.

## EDUCATIONAL STRUCTURE OF EMPLOYEES

Educational structure of employees is comparable to the previous year. Compared to 2021, the share of employees with levels of education 6/2 and 7 increased slightly, while

the share of employees with levels 3, 4 and 6/1 slightly decreased.

Level according to BP	Number of employees as at 31.12.2021	Structure (%)	Number of employees as at 31.12.2022	Structure (%)
8/2	1	0.21	1	0.21
8/1	5	1.03	5	1.05
7	54	11.13	56	11.76
6/2	52	10.72	54	11.35
6/1	63	12.99	62	13.03
5	176	36.29	176	36.97
4	116	23.92	110	23.11
3	11	2.27	10	2.10
2	2	0.41	1	0.21
1	1	0.21	1	0.21
<b>TOTAL</b>	<b>485</b>	<b>100</b>	<b>476</b>	<b>100</b>

Table 18: Educational structure of employees in Elektro Primorska, d.d.

## NEW EMPLOYEES HIRES<sup>24</sup>

In order to implement the business strategy, it is necessary to have a committed and professional staff, which we also follow when recruiting new colleagues.

In 2022, we hired ten new employees, which represents 2.1% of all employees. According to the demographic structure, the largest share of new employees are men between ages of 23 and 28, while the majority of new employees have level 5 of electrical education. Average age of new employees is 31.7 years.

<sup>24</sup> GRI 401-1

## AGE STRUCTURE

Age group	Number of new employees
up to 20 years	0
21–30 years	6
31–40 years	3
41–50 years	1
51–60 years	0
<b>Total</b>	<b>10</b>

Table 19: Age structure of new employees in 2022

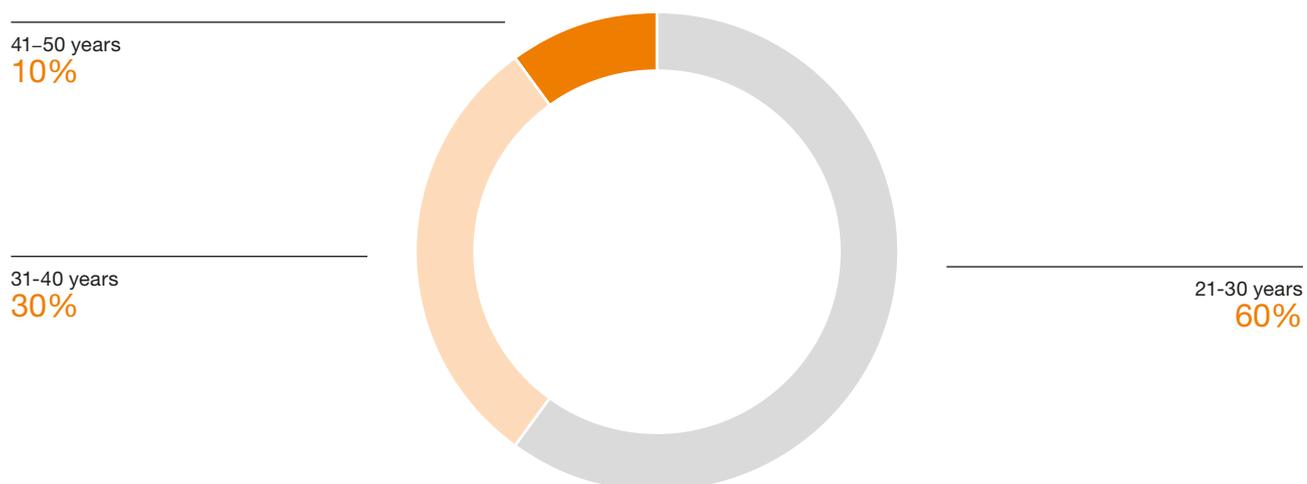


Chart 11: Age structure of new employees in 2022

## GENDER STRUCTURE

Gender	Number of new employees
Male	7
Female	3
<b>TOTAL</b>	<b>10</b>

Table 20: Number of new employees in 2022 by gender

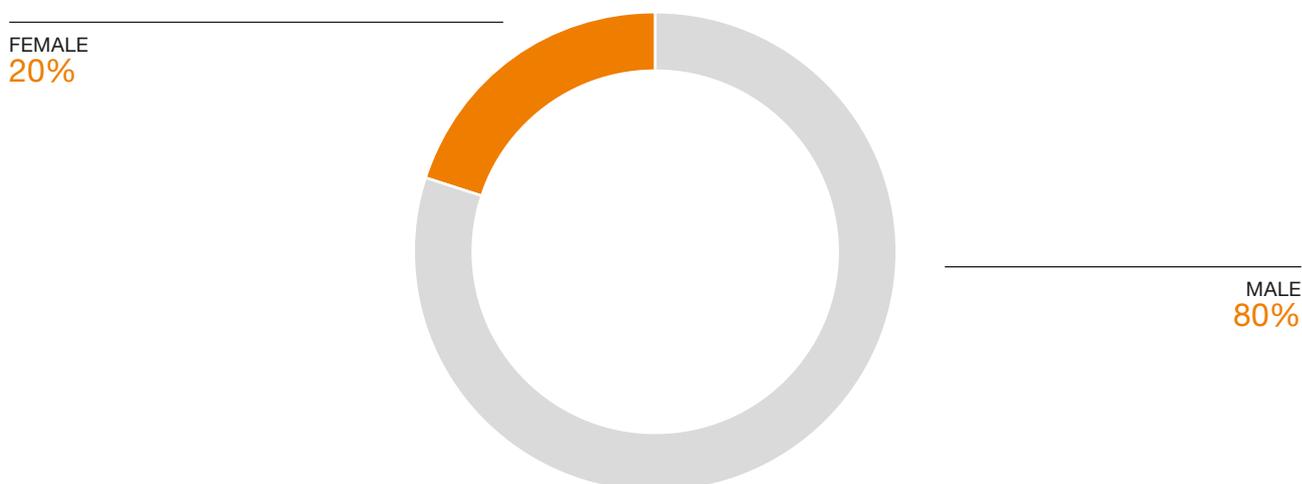


Chart 12: Structure of new employees in 2022 by gender

### 6.9.1.2 Education of employees<sup>25</sup>

Aware that investing in the development and training of employees is essential for the success of the organization and the realization of goals, in 2022 we continued with a systematic approach to planning trainings, implementing them and evaluating their effectiveness. Each employee attended at least one form of education or training. Average number of hours of training per employee in 2022 was 9.30 hours. Most of the professional trainings were in the field of energy, occupational safety, changes in legislation and effective managing. For the needs of additional education and development of employees (tuition fees, workshops, seminars ...) in 2022 we allocated €66,104.63 or €139 per employee. Share of education and trainings is lower due to lower funds allocated to education due to the loss of income as a result of the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices.

Company has concluded 15 contracts with employees wishing to obtain higher professional education, most of them for the title of power engineer.

In addition to acquiring new knowledge, the transfer of knowledge between employees and induction of new employees are also important. In 2022, we put more emphasis on this, as within the framework of the Learning Brand certificate we approached the project of organizing mentoring in a systematic way. As part of this, we referred five mentors to training to acquire the necessary skills for effective mentoring. We will continue training mentors in the coming year as well.

Given that the company has not had any problems with recruiting new personnel so far, we have not announced any personnel scholarships, but we note that in the future it will be necessary to re-announce scholarships, especially for the students of the first and second Bologna degrees in the field of electrical engineering.

<sup>25</sup> GRI 404 – 1

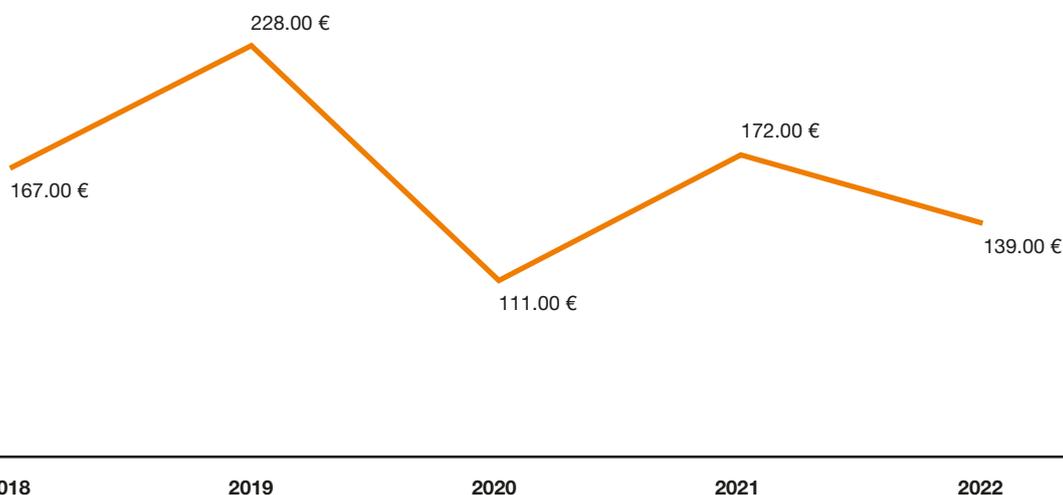


Chart 13: Resources intended for employee trainings (in euros /employee)

### 6.9.1.3 Communication with employees

In the company, we are aware that open and regular communication between employees and the management of the company and between the employees themselves is of key importance. In 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. In the company, we take care of responsible and regular communication, encourage communication at all levels and consequently create a productive working atmosphere, increase the sense of belonging and build a culture of mutual trust and respect. Internal communication most often takes place at meetings, through personal and telephone conversations, websites, e-mails and intranet pages. Intranet page regularly and transparently informs all employees about news, events and activities in the company. Direct superiors also play a major role in internal communication, as we strive to ensure that the information provided reaches all employees. Internal 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. 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. Our representative in the newsletter's council ensures that the Company is properly presented and represented in the newsletter and on the portal [www.nas-stik.si](http://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<sup>26</sup> 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. New revision of the OT 2023, which includes changes regarding the health care of university and secondary students, is in the approval phase.

#### **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. As a result of the tests, we decided to purchase new gloves in 2023, which will reduce the risk of cuts.

#### **Identification and investigation of incidents<sup>27</sup>**

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

employees are involved in the investigation. Thus, in 2022, we dealt with two almost events.

#### **Monitoring of OSH indicators**

In the annual report the company monitors indicators on injuries at work<sup>28</sup>, 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

#### **Training of employees on safety and health at work<sup>29</sup>**

In the period from January 1 2022 to December 31 2022, 15 new employees took part in training and knowledge testing in occupational health and safety and fire safety, 26 students received training for safe and healthy work before completing a mandatory internship or student job at Elektro Primorska, d.d., while 62 employees attended the hybrid workshop on Mental health care. Two expert officers took part in training for OSH and fire safety training – licence for expert officers.

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.

<sup>26</sup> GRI 403-1

<sup>27</sup> GRI 403-2

<sup>28</sup> GRI 403-2

<sup>29</sup> GRI 403-5

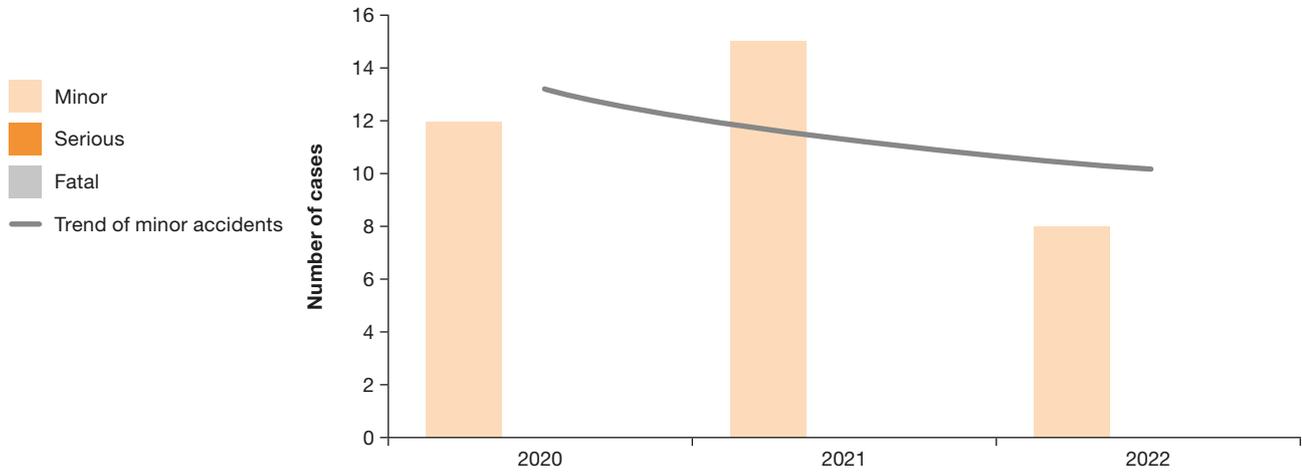


Chart 14: Number of accidents at work in the period 2020–2022

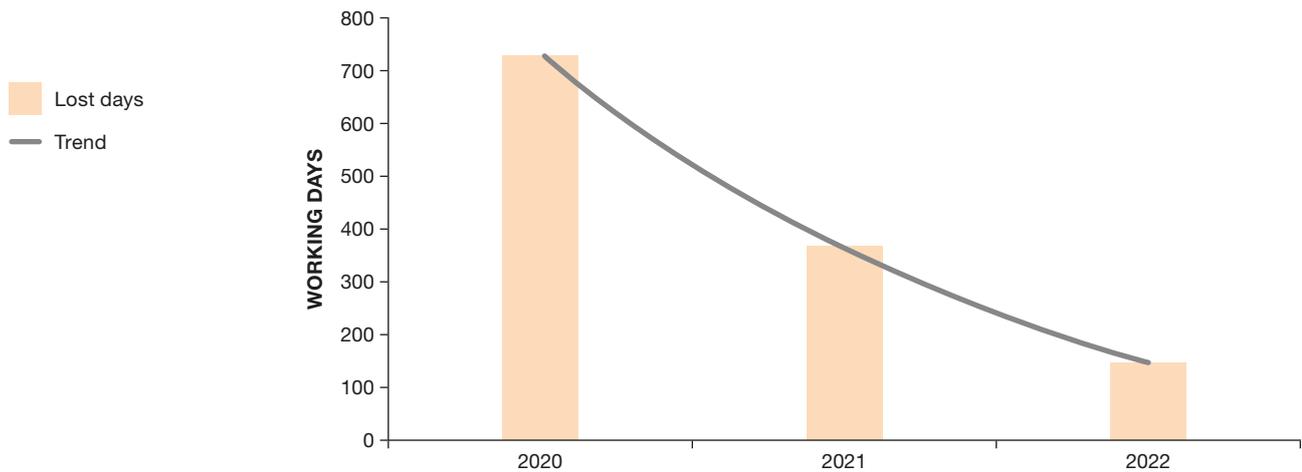


Chart 15: Share of lost working days due to injuries at work

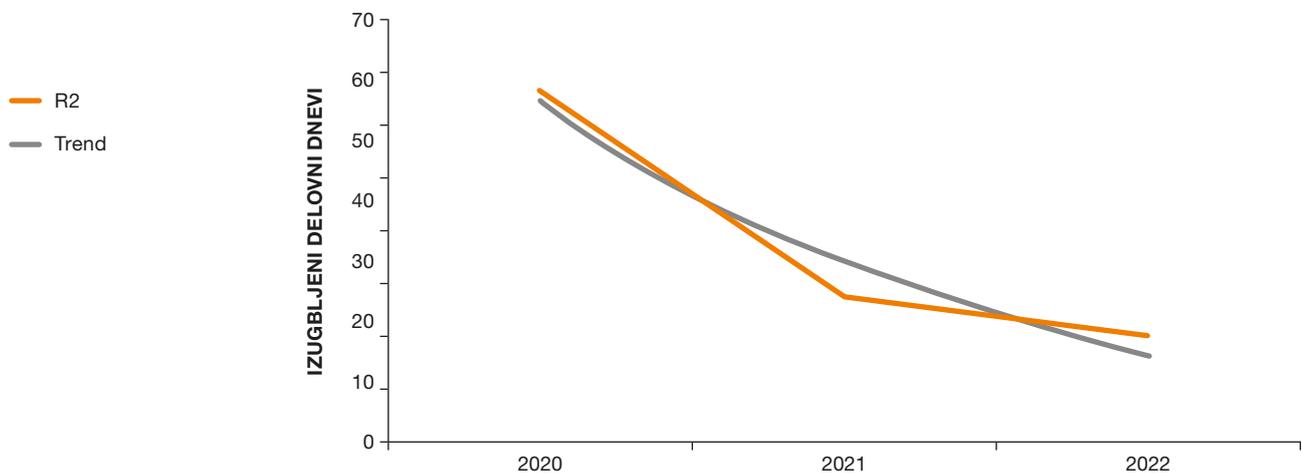


Chart 16: Severity of injuries at work

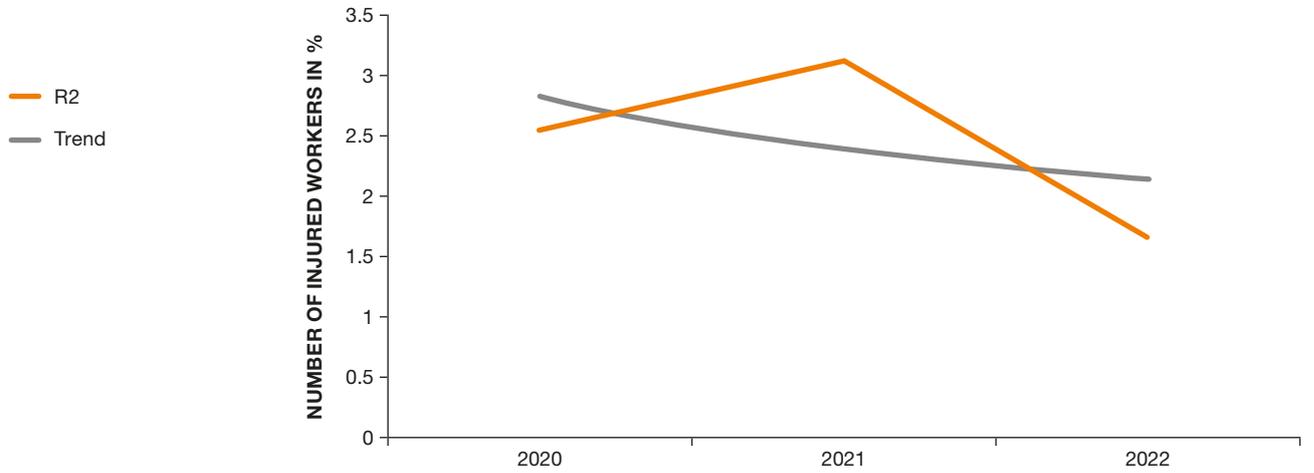


Chart 17: Frequency of accidents at work

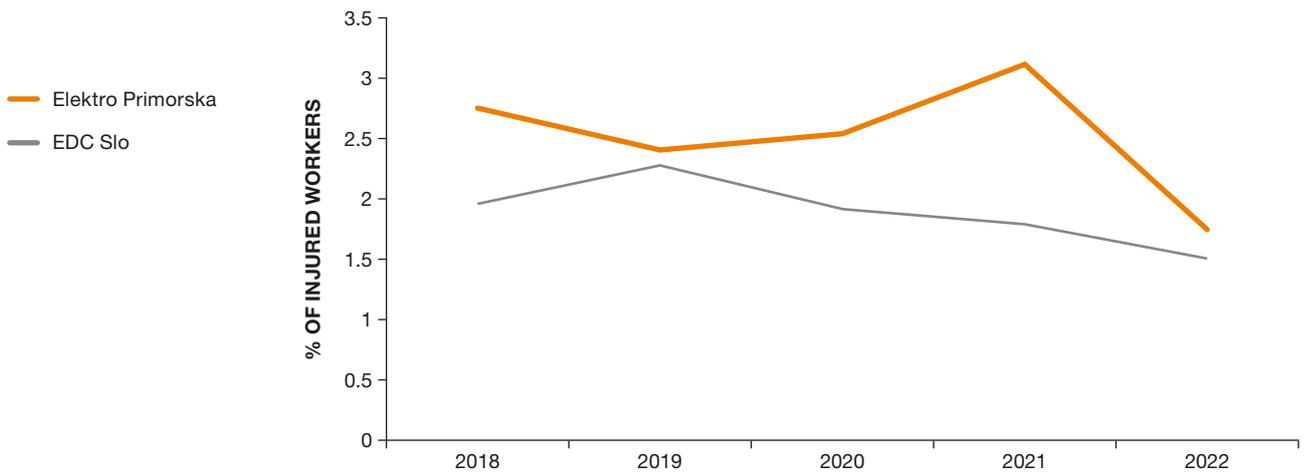


Chart 18: Injured workers at Elektro Primorska, d.d., compared to the entire distribution of Slovenia

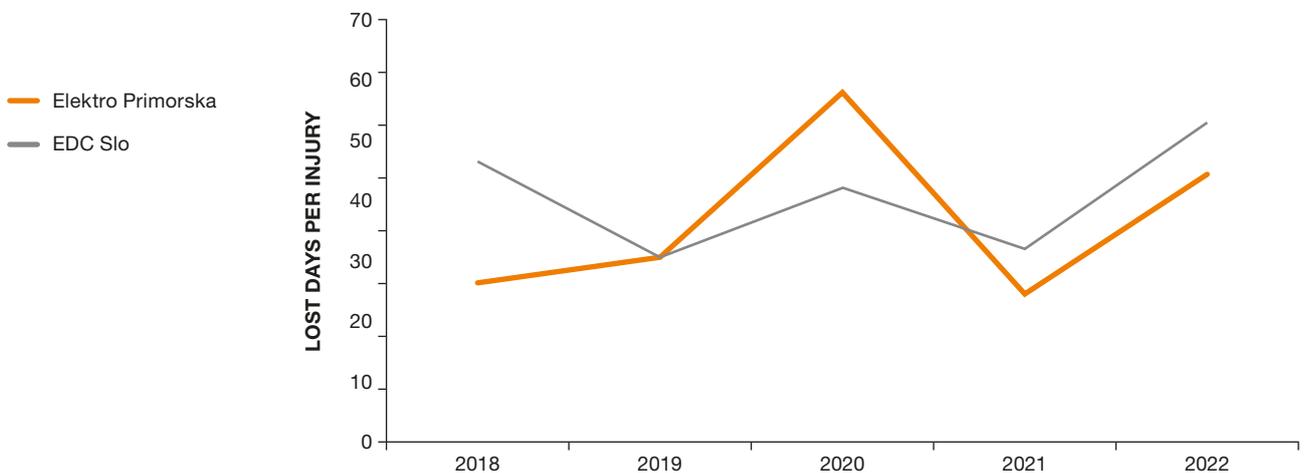


Chart 19: Number of lost working days per injury at Elektro Primorska, d.d., compared to the entire distribution of Slovenia

#### 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.

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.

Company 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.

Company 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.

In 2022, the company prepared a new ten-year development plan (DP) for the distribution network for period 2023-2032, where the total sum of all investments in this period amounts to €372 million. Compared to the previous development plan, we have significantly increased investment in low-voltage networks and advanced (smart) grids, as we believe that these investments are key to the successful implementation of the green transition. Important steps have been taken in the recent period in the field of digitization and computerization. In the company,

we were successful in 2022 with the application of three EU projects.

Projects STREAM and OPENTUNITY are development demonstration projects within the Horizon Europe package and cover the flexibility market with a special emphasis on the role of the distribution company. Project DSElektroDis is financed within the framework of the Recovery and Resilience Plan, development area Digital Transformation (financed by the European Union NextGenerationEU). Elektro Primorska is the leading partner of the project, and three other Slovenian companies also participate as project partners. Purpose of the project is to establish unified and flexible access to data from various sources in key IT and OT systems and to ensure their storage, processing, mutual exchange and display with the most modern tools and applications for data analytics. As part of the project, a strategy for the company's digital transformation was created in the 1<sup>st</sup> phase. Currently, the project is in the 2<sup>nd</sup> development phase, where an integration platform is being established with integration to data sources (GIS, MDMS- meters, SCADA, eIS) and key applications of the project are being developed (topology creation, calculation of network capacity for connecting RSs and new users, support for the approval process ...).

#### 6.9.1.6 Diversity and equal opportunities<sup>30</sup>

Establishing an environment in which employees have equal opportunities is a principle that the company follows in all its activities. Latter also affects their commitment, which is reflected in the company's success.

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<sup>31</sup>, special holiday on the first of September for parents of first-graders and the possibility of going to the doctor or dentist with compensation for up to four hours. Benefits we offer in the care for our employees are: payment of voluntary supplementary pension

<sup>30</sup> GRI 401-1

<sup>31</sup> GRI 401-2

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, although new hires are still dominated by men, as the advertised job vacancies are mainly or exclusively applied for by men, the age of new employees is very diverse – from younger to older.

Management Board of the Company has one member. Four member team of sector directors also participates in the management of the company, one of whom is a woman, which represents 25%.<sup>32</sup>

A total of 29 workers with disabilities were employed by the Company as at December 31 2022. Nine workers with disabilities performed their duties on a part-time basis for 4 hours, one for 6 hours, while the other 19 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 2022, we reached the statutory quota for five months and even exceeded it in seven 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 with disabilities.

## 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 use the website of Elektro Primorska Company as a tool for communication with various publics. On the website, we publish all the information that our manager requests from us, and that which we are obliged to publish according to the Access to Public Information Act. Online application is also available to customers to inform them about planned power outages in a household, company or other facility. Upon registration, they receive a notification to their e-mail address or in the form of a text message to their mobile phone. Informing customers about planned shutdowns is essential and necessary, as this is the only way we can safely and in the shortest possible time carry out all the necessary work on power plants. Works are carefully planned, so we inform customers about the interruption of electricity supply at least 48 hours before the interruption. Notices about planned shutdowns are published on the company's website and radio stations.

»Moj elektro« is a system for unified access to measurement data. Electricity distribution companies have established a common free unified online portal »Moj elektro« - a system for uniform access to metering data, where users can access their metering data, regardless of the electricity distribution area or supplier. It is intended for end users (consumers and producers of electricity) who until now have not had the possibility of centralized access to measurement data at their own or authorized measurement points. Users will also be able to access the data of other beneficiaries on the portal with the appropriate authorizations.

### 6.9.2.1 Access to the network

In 2022, the organisation of the electricity distribution remained unchanged and distribution system operator - SODO, d.o.o., based in Maribor, remained responsible 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

<sup>32</sup> GRI 405-1

to SODO. Recognized revenues and, consequently, costs related to the purchase of electricity to cover losses in the distribution network are received by SODO.

#### 6.9.2.2 Revenues from network usage

In 2022, several changes to the network charge appeared. In accordance with the provisions of the Legal Act on the methodology for determining the regulatory framework and network charges for the electricity distribution system, a pricelist was adopted, valid from January 1 2022. In order to avoid the consequences of high energy prices, the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices (ZUOPVCE) was adopted, which reduced the price lists of network charges (transmission and distribution) to €0/kWh for energy and to €0/kW for billing power. New price list was introduced on May 1, which is identical to the price list from January 1, 2022 and was valid only until the end of August. New price list was adopted on September 1, which differs only in the contributions of billing power for RES and SPTE for consumer groups without power measurement and households consumption, and the VAT rate was also reduced from 22% to 8.5% for electricity energy.

Due to the above, a rebalancing of the original plan with known price lists for 2022 was prepared, where the impact of the Act on emergency measures to mitigate the consequences of high energy prices was taken into account.

**Price list January 2022 – comparison:** prices increased by 10.78%. Tariff for billing the network charge for transmission system is unchanged. Tariff for excessive reactive energy increased by 1.23%. Tariff items for the distribution system increased by 14.16% compared

to the 2021 price lists. Despite the price increase, we have lower revenues in 2022 due to the introduction of the ZUOPVCE Act. Price list of the network charge for the distribution system decreased by 2.51% in 2022 compared to 2018. This means that the revenues of the system operator of the electricity distribution company are also lower. Contribution to support the production of electricity in cogenerations with high efficiency and from renewable energy sources has not changed. Also, in 2022, the contribution for energy efficiency, which is intended to ensure energy savings for end customers, did not increase.

**Price list February 2022 – comparison:** Adoption of the ZUOPVCE Act reduced the price lists of network charges for transmission and distribution to the network by 100% in the period from February 1, 2022 to April 30, 2022. This means a reduction in the basic income of the distribution and transmission network for three months.

A total 15,586,111 kW of power and 1,549,773 kWh of electricity was invoiced to electricity consumers in the area of Elektro Primorska in 2022. Total revenues from network charges and contributions amounted to € 56,235,946. Total revenue index compared to the value recorded in 2021 of 0.8107 is down 18.7931% (source: internal EP reports). Revenues from network charges for the distribution network decreased by 15.46%. Reason is the adoption of measures to mitigate the consequences of high electricity prices.

Number of customers connected to the Elektro Primorska distribution network rose by 815 to 137,519 as at December 31 2022.

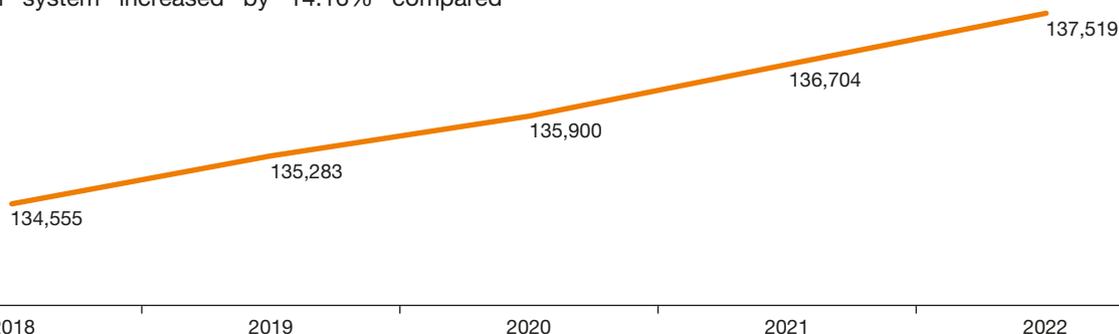


Chart 20: Changes in number of customers in period 2018–2022

#### 6.9.2.3 Acquired and transmitted electricity in 2022

In 2022, a total 1,510,606 MWh of electricity was acquired from the transmission network and 118,107 MWh from the

electricity producers. In total, 1,628,714 MWh of electricity was acquired into the distribution network. Comparison of

acquired quantities of electricity between 2022 and 2021 shows a 6.37% decrease in the electricity acquisition from the transmission system, and a 20.81% drop in electricity acquired from qualified producers. Index of total acquired volume in the distribution network of 0.924 is down 7.59% compared to the previous year. A total 1,549,773.0 MWh of electricity was invoiced to customers in 2022. Index of invoiced electricity compared to quantities invoiced in 2021 amounts to 0.9180, a decrease of 8.20%.

In 2022, we record a significant decrease in the consumption and, consequently, the acquisition of electricity. Latter can be attributed to the exit of the largest customer Salonit to the closed distribution system and a partial increase in electricity prices. Considering the year 2021, we are recording a 32.26% decrease in uptake from hydroelectric power plants included in the distribution network. Latter can be attributed to lower amounts of annual precipitation.

Month	Realization in 2022 [kWh]	Realization in 2021 [kWh]	Plan 2022 [kWh]	Index of realization (2022/2021)
January	144,077,313	143,499,398	142,358,555	1.0040
February	133,310,763	127,616,217	128,003,661	1.0446
March	141,590,896	149,993,096	135,021,998	0.9440
April	123,499,094	133,234,780	115,774,250	0.9269
May	123,726,776	135,863,624	120,293,778	0.9107
June	130,458,529	138,658,513	124,032,001	0.9409
July	134,845,386	148,844,180	134,085,819	0.9060
August	121,984,780	135,808,237	127,062,467	0.8982
September	120,135,546	137,647,195	124,905,149	0.8728
October	116,040,169	140,696,929	126,328,712	0.8248
November	124,620,346	143,377,971	128,091,814	0.8692
December	135,483,369	153,043,321	133,108,544	0.8853
<b>Total</b>	<b>1,549,772,967</b>	<b>1,688,283,461</b>	<b>1,539,066,748</b>	<b>0.9180</b>

**Table 21: Monthly peaks of transmitted electricity**

In 2022, transmission of electricity to Italy was not recorded.

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

In 2022, the tariff item for excessively take over reactive power was €0.00352/kWh for the HV feed and €0.00902/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, d.d. issues invoices for excess of accepted reactive power in its own name and for the account of SODO, d.o.o. In 2022, 51,367,731 kvarh of excessive reactive energy from electricity networks of all customers in the area of Elektro Primorska was invoiced amounting in total to € 463,316.92. Index of excess of acquired reactive power compared to quantities recorded in 2021 amounts to 0.9805, down 1.95%.

#### **6.9.2.5 Electricity losses in the distribution network**

Losses in the electricity distribution system in 2022 amounted to 78,941,001 kWh, which accounts for 5.09% of total invoiced electricity to all customers. Excluding the influence of Salonit, we record a 6.33% higher loss compared to 2021. Partial increase in losses can be attributed to lower consumption in the business part and the impact of advance payments.

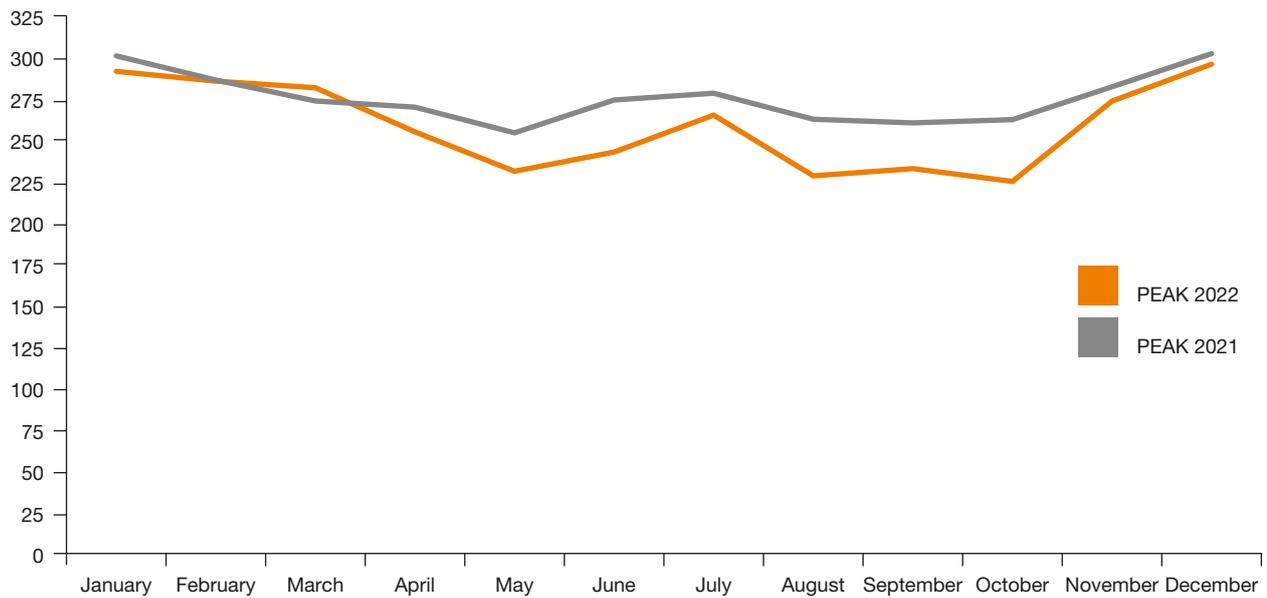
Recognised expenses to cover losses amount to €4,365,292, while the cost of losses amounts to €4,227,291. At the moment, the final calculation for 2022 has not yet been carried out, but according to the preliminary calculation, we will be stimulated and thus receive a credit for achieving lower losses than recognized for 2022 in the amount of €138,001.

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

In 2022, the peak consumption of Elektro Primorska, d.d., distribution system occurred on Tuesday, December 13 2022 at 8.45am and amounted to 296,196 MW. Compared to 2021 (302,222 MW) it decreased by 6,026 MW or

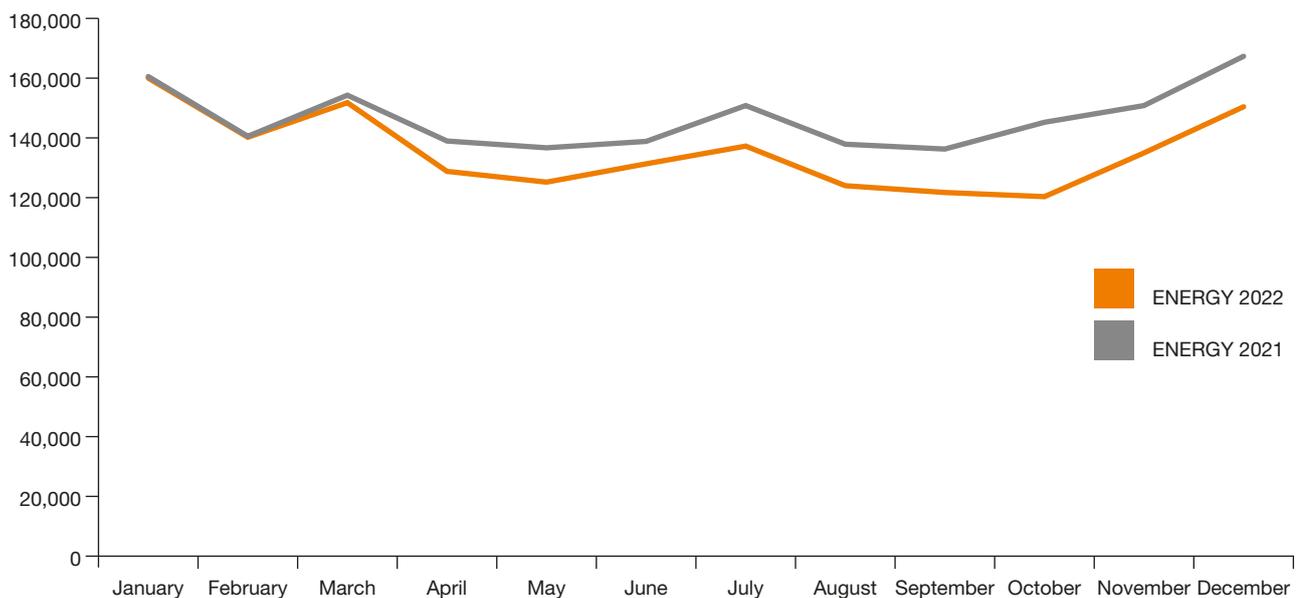
1.99%. Peaks are calculated on the basis of 15-minute average values of measurements and not multi-hour as in previous years.

**P [MW]**



**Chart 21: Monthly electricity consumption peaks in 2022**

**W [MWh]**



**Chart 22: Monthly amount of electricity acquired in 2022**

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

As at December 31 2022, a total 507 conventional electricity producers were connected to the distribution

network of Elektro Primorska and 2,222 self-sufficient energy producers. In 2022, we are recording a rapid growth of conventional power plants and self-sufficiencies. This is due to numerous incentive for RES in 2022.

Energy source	Number of power plants ***	Production 2022 [kWh]	Production 2021 [kWh]	Share of production 2022	2022/2021
HE SENG	24	47,357,085	73,469,927	32.12%	0.645
HE other	62	24,223,426	32,201,086	16.43%	0.752
Solar power stations	393	43,397,100	37,745,564	29.44%	1.150
Wind power stations	3	5,687,413	5,545,704	3.86%	1.026
SPTe	23	9,460,656	12,160,540	6.42%	0.778
Self-supply*	2,222	17,171,153	8,648,553	11.65%	1.985
Battery storage **	2	127,219	7,894	0.09%	16.116
<b>Total</b>	<b>2,729</b>	<b>147,424,052</b>	<b>169,779,268</b>		<b>0.8683</b>

**Table 22: Electricity production by source of primary energy**

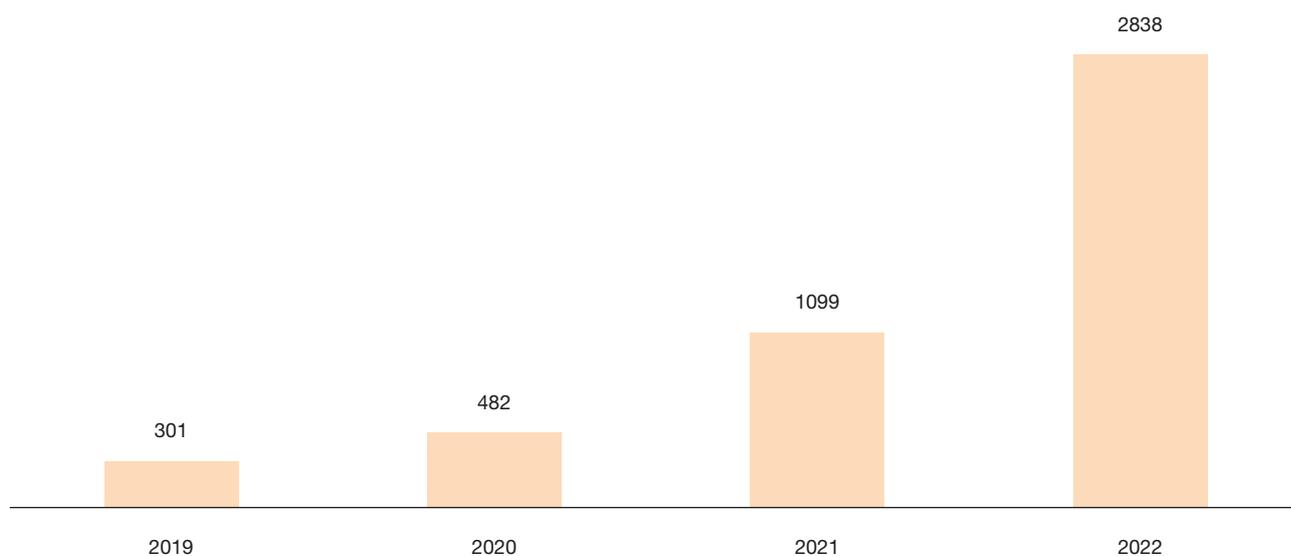
Note:

\* 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.

\*\* In 2022, the second 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 23: Number of applications for self-sufficiency received in the period 2019–2022**

### 6.9.2.8 Quality of electricity supply

#### VOLTAGE QUALITY

Permanent monitoring of voltage quality in Elektro Primorska, d.d., in 2022 is provided by 72 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 57 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 2022 show a deterioration in the state of compliance of voltage quality with the requirements of the standard on HV level from 98.57% in 2021 to 96.03% in 2022 and a deterioration from 94.93% at the MV level in 2021 to 90.92% in 2022.

Vast majority of voltage quality deviations in 2022 occurred during the breakdown of 110 kV loop in Northern Primorska and during summer storms due to lightning strikes and periods of strong northern wind. In 2022, in all measuring points (72) 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 41 measuring sites, while an increase in flicker was detected at 70 measuring points, and on two measuring points we detected a deviation on the harmonics level. We did not detect deviations in voltage imbalance, signal voltages or frequency in 2022.

#### CONTINUITY OF SUPPLY

We recorded 671 unplanned interruptions of power in the Elektro Primorska, d.d. area that lasted longer than three minutes on high- and medium- voltage electric power plants in 2022, 17 of those were failures of the 110/MV kV and MV/MV kV power transformers. Data presented in tables 19, 20 and 21 was obtained from the application of the Energy Agency (AE).

For the purposes of the ordinary and extraordinary maintenance of installations, 1,536 disconnections were carried out, which led to the planned blackouts. DCV Elektro Primorska issued 2,801 of security work orders. Total number of unplanned and planned interruptions lasting more than three minutes reached 2,207, which is slightly lower than in the previous year.

Number of interruptions lasting more than 3 minutes	In 2022	In 2021	Index 22/21
Number of unplanned interruptions	671	782	0.858
Number of planned interruptions – disconnections	1,536	1,427	1.076
<b>Total number of planned and unplanned interruptions</b>	<b>2,207</b>	<b>2,209</b>	<b>0.999</b>

Table 23: Number of interruptions lasting more than 3 minutes

SAIFI (system average interruption frequency index)	in 2022	in 2021	Index 22 / 21
Average number of unplanned interruptions per customer	1,661	1,705	0.974
Average number of planned interruptions – disconnections per customer	1,987	0,977	2.034
<b>Average number of planned and unplanned interruptions per customer</b>	<b>3,648</b>	<b>2,682</b>	<b>1.360</b>

Table 24: SAIFI– system average interruption frequency index

<b>SAIDI (system average interruption duration index)</b>	<b>in 2022</b>	<b>in 2021</b>	<b>Index 22 / 21</b>
Average interruption duration in hours due to unplanned interruptions	1.06	1.01	1.05
Average interruption duration in hours due to planned interruptions - disconnections	2.38	2.21	1.08
<b>Average interruption duration in hours due to planned and unplanned interruptions</b>	<b>3.44</b>	<b>3.22</b>	<b>1.07</b>

**Table 25: SAIDI – system average interruption duration index**

Based on the incentives for the quality of electricity supply for the area of continuity of power supply, we will receive an incentive in the amount of €374,498 for 2022 according to the preliminary calculation. 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 already 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, d.o.o. Commercial quality indicators for 2022 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 2022, we worked with local communities and other infrastructure managers on the following projects:

- Construction of a medium-voltage and low-voltage network in the business zone Kromberk (simultaneous construction with the Nova Gorica Municipality),
- Construction of cable ducting Mokraška vas–Spodnja Idrija (simultaneous construction with DRSI),
- Construction of a medium-voltage line in the valley of Kanomlje (simultaneous construction with DRSI),
- Construction of cable ducting for medium voltage lines from Napoleon bridge to Lazar campsite.
- Construction of low-voltage network Livek (simultaneous construction with DRSI),
- Construction of the bicycle path Postojna–Grobišče (simultaneous construction with the Postojna Municipality),
- Reconstruction of Tržaška cesta in Postojna (simultaneous construction with the Postojna Municipality).

##### 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 2022, we allocated €21,215.45 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, energy and computer science.

##### 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 campaigns, and we also develop charitable activities ourselves. We also provide support to various entities and associations in need with our services, materials and rental of our means of transport. In 2022, we allocated €31,300 for sponsorships and donations. Since the adoption of the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices at the beginning of 2022, in the company Elektro Primorska we have cancelled all non-essential expenses, including sponsorships and donations, therefore the amount of funds allocated for this purpose is, compared to the previous year significantly lower. Rules on the allocation of sponsorship and donation funds have been published on our website. In 2022, Elektro Primorska Company allocated €3,500 in donations and €27,800 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. On our website <https://elektro-primorska.si/> we publish all key information and events. We answer all questions to the media in a timely manner, and we are always available for additional explanations. Our guide in relations with the media is transparent and up-to-date communication, which is primarily based on the company's operations, new services and sponsorship collaborations, network innovations and completed important electricity facilities.

We regularly participate in the creation of the Slovenian electrical economy magazine »Naš stik«, where we publish current news and contributions.

According to the data of our outsourcer who is preparing collection of media publications about the company, in 2022 we recorded a total of 393 media releases, which means slightly more than in the previous year, of which: 3 television publications, 21 publications of the press agency, 181 internet publications, 150 printed publications and 38 radio publications. They were mostly neutral, there was no negative coverage of the company in the media in 2022.

### 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	2017	2018	2019	2020	2021	2022
Indirect CO <sub>2</sub> emissions of consumed electricity	858,380	792,326	767,615	745,174	791,162	*
Electricity losses in the distribution network [kWh]	83,634,143	79,286,837	78,602,768	80,654,444	74,274,160	78,978,303

Indicator	2017	2018	2019	2020	2021	2022	
CO <sub>2</sub> emissions from the consumption of energy products (NG, LPG, ELFO) for heating	158,731	127,584	131,700	132,900	111,500	120,100	
CO <sub>2</sub> emissions due to fuel consumption for company vehicles and other machinery	886,947	817,815	811,100	779,200	777,400	730,000	
Amount of gases for maintenance of electricity infrastructure and cooling devices (chlorofluorocarbons, HCFCs, HFCs)	7.8	3.2	0.0	4.0	17.8	0.0	
Environmental incidents (chemical, oil and fuel spills)	0	0	0	0	0	0	
Received identified environmental violations from the inspector	1	1	0	1	0	0	

**Table 26: Energy efficiency and carbon footprint indicators (scope 1, 2 and 3)**<sup>33 34 35 36 37</sup>

<sup>†</sup> values of emission factors for electricity for 2022 are not yet known

### 6.10.2 Biodiversity<sup>38</sup>

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

Following the Za Kras project, in which Elektro Primorska insulated 1,250 medium-voltage electric poles, the Slovenian society for the observation and study of birds (DOPPS) conducted the 25<sup>th</sup> group count of the Eurasian eagle owl population in March 2023. Results exceeded expectations with as many as four new territories of the eagle owl were formed in the area of the measures. According to DOPPS, this shows great effectiveness of protective measures when they are carried out correctly and in a targeted manner, and at the same time points to the necessity of implementing them in other areas as well. At Elektro Primorska, we note that with the

implementation of the project we have achieved a double effect, an electricity network that is now safer for birds and a better quality supply of electricity to our customers.

#### “LIFE FOR LIFELINES” PROJECT

Based on the results of the “Za Kras” Project, in 2022, we applied, together with the DOPPS BirdLife Slovenia and the Veterinary Faculty, 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.

<sup>33</sup> GRI 302-1

<sup>34</sup> GRI 302-4

<sup>35</sup> GRI 305-1

<sup>36</sup> GRI 305-2

<sup>37</sup> GRI 305-3

<sup>38</sup> GRI 304-2

### 6.10.3 Waste<sup>39</sup>

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	2022
Amount of generated waste (T)	1,690	3,567	10,095	13,758	5,240	6,595	4,333
Amount of construction waste generated (T)	1,411	3,391	9,702	13,446	5,240	6,222	4,191
Amount of hazardous waste generated (T)	107.2	50.2	156.8	152.3	74.0	203.2	17.5

Table 27: Amounts of generated waste

## 6.11 Statement of non-financial reporting

Company Elektro Primorska, d.d., hereby submits a statement on non-financial reporting, in which under chapter 6 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 24 2023



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

<sup>39</sup> GRI 306 - 2

## 6.12 GRI indicators list

This report has been prepared in accordance with the GRI Standards: Core option.<sup>40</sup>

GRI STANDARD	Disclosure	Chapter		Page in AR
<b>GRI 101 [2016]: Foundation</b>				
	Reporting principles	6.4.	Approach to sustainable management	20
	Using the GRI Standards for sustainability reporting	6.4.	Approach to sustainable management	20
<b>GRI 102 [2016]: GENERAL DISCLOSURES</b>				
<b>Organizational profile</b>				
102-1	Name of the organization	5.1.	Company profile	20
102-2	Activities, brands, products, and services	6.2.	Business model	25
102-3	Location of headquarters	5.1.	Company profile	20
102-5	Ownership and legal form	5.1.	Company profile	20
102-6	Markets served	5.1.	Company profile	20
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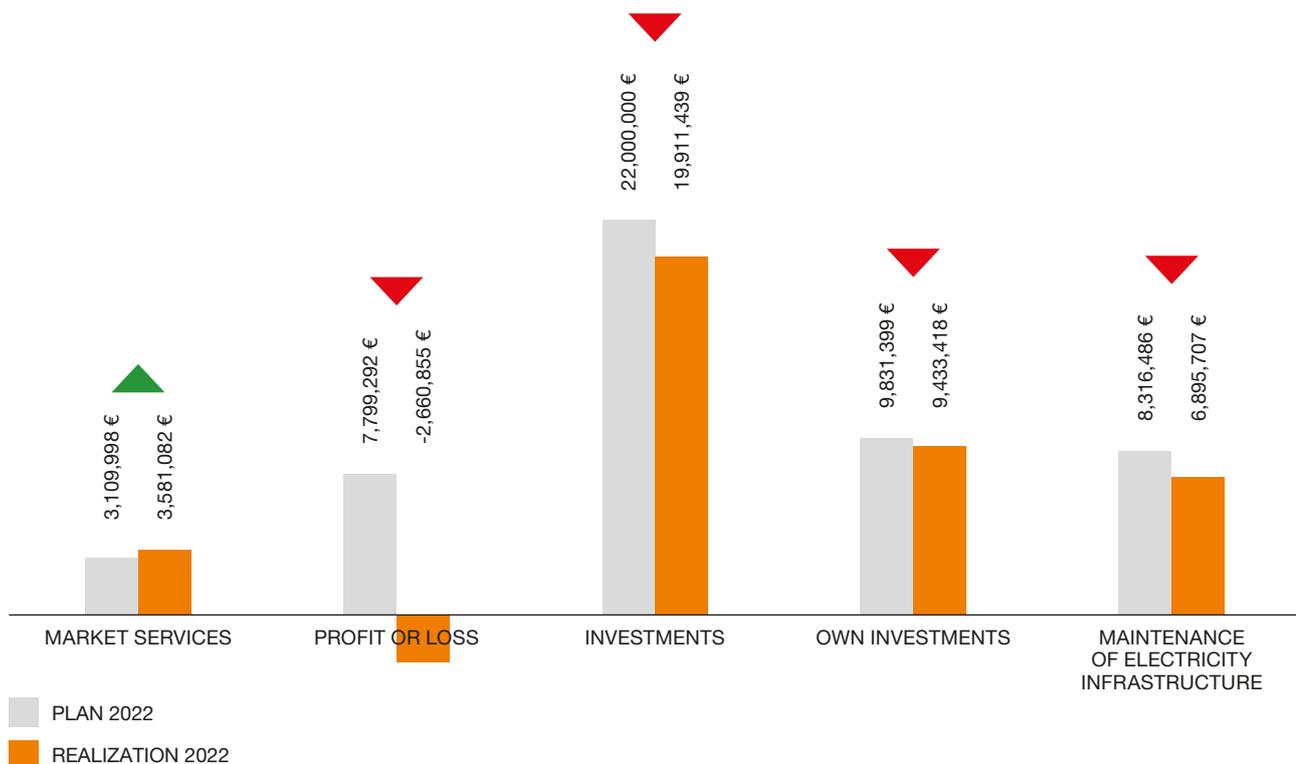
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## 7. Realisation of the Annual Goals In 2022

Our operations in 2022 were also primarily aimed at network users and care for the maintenance and development of the electric power infrastructure. By developing the electricity distribution network and investing in the infrastructure, we try to provide customers with appropriate voltage conditions, better operational safety and greater reliability of electricity supply within

the prescribed values, voltage quality in accordance with regulations and environmental protection in accordance with legislation.

Financial realization of the Company's fundamental business goals for 2022 is presented below.



**Chart 24: Financial realisation of the Company's fundamental business goals in 2022**

In 2022, we did not realize most of the fundamental business goals. Biggest deviation can be seen in the realization of the business results, which is significantly lower than planned for the period due to the loss of income, which is the result of the adoption of the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices (ZUOPVCE).

In the area of services for the market, we increased our activities with the aim of at least partially compensating for the loss of income from network charges. Planned realization of services for the market has been exceeded.

Management was forced to take a series of measures to mitigate the consequences of adopting the ZUOPVCE, among which is the limitation of costs for the implementation of investments and maintenance of the electric power infrastructure. That is why the realization in these two areas is lagging behind the plans. Realization of investments under own direction is consistent with the planned values.

Realization of key financial and non-financial indicators of the company's operations for 2022 is presented in the table below.

<b>Economic indicators</b>	<b>PLAN 2022</b>	<b>REALIZATION 2022</b>
ROA	3.02	-0.66
EBITDA margin	42.30	28.67
Net financial debt / EBITDA	1.55	2.84
CAPEX in net sales revenue	54.12	59.79
Value added per employee (in 000 EUR)	85.94	66.85
ROE (in %)	4.01	-0.89%
<b>Operational indicators</b>		
Electricity distribution in MWh	1,539,066	1,549,773
Connected load in MW – total	1,991.66	1,963.182
Connected load in MW – business customers	826.45	791.212
Connected load in MW – households	1,165.21	1,171.970
SAIDI	34.35	34.69
Share of electricity losses in the distribution system	5.50	5.10
OPEX in regulated activity per distributed electricity	28.55	28.07
SAIFI	1.3	0.91
MAIFI	6.47	5.98
<b>Sustainability indicators</b>		
Investing in environmental management (in thousand EUR)	1,000.00	3,614.32
Employee turnover (in %)	2.90	4.61
Number of training hours per employee	10.00	9.30
Share of sick leave (in %)	5.20	7.70
Sponsorships and donations (in %)	0.07	0.10

**Table 28: Key financial and non-financial indicators of the company's operations (2022)**

Upcoming period can be briefly defined as a period of energy efficiency and diversification, in which to achieve the desired goals, we will absolutely need a modern or smart distribution network, one that will respond in almost real time to the needs of all stakeholders who are directly connected to it. Based on the assumption just presented, we formulated the Company's Strategy for the period 2023–2027.

## 8. 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.

Type of work	Plan(€)	Realisation (€)	Realisation (€)	Comparison(%)	Comparison (%)
	2022	2022	2021	2:1	2:3
	1	2	3	4	5
Market services	2,500,000	2,861,286	1,896,154	114	151
Other services	610,000	719,796	779,726	118	92
<b>TOTAL</b>	<b>3,110,000</b>	<b>3,581,082</b>	<b>2,675,880</b>	<b>115</b>	<b>134</b>

Table 29: Realization of services for external customers in 2022

Following major services were carried out in 2022 for the market:

- implementation of MV cable lines, transformer station and LV network Incom 4 in Ajdovščina
- implementation of transformer station TP Silos in Ajdovščina
- implementation of transformer station TP Meblo in Nova Gorica
- implementation of transformer station TP DSO in Koper
- implementation of transformer station TP GEAPRODUKT in Dekani
- implementation of transformer station TP MARINBLU
- implementation of MV and LV network Stara vas Sežana
- implementation of MV cable lines and transformer station TP Strelišče Bač II
- implementation of LV outlet TP OC 1 Neverke
- implementation of MV cable lines and transformer station TP Obrtna cona Kobarid–South
- implementation of MV cable lines, transformer station and LV network TKK Srpenica
- construction and maintenance of public lighting in the municipalities

These services also include provision of holiday facilities.

In 2022, we were successful in providing services to the market, as we exceeded the planned revenue by 15%, and the realization from 2021 by 34%.

## 9. 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 key information systems 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 2022:

- AX business information system is currently in use and we take part in the implementation of upgrades and offer user support. At the beginning of the year, we started with workshops and coordination of processes for the new version of AX365. Regular meetings of the project council, project groups of all four distribution companies and internal meetings of the project group took place;
  - MAXIMO information system used in maintenance is currently in use and we take part in the implementation of upgrades and offer user support. We have introduced mobile support to make field work easier;
  - GIS information system is currently in use, for which we provide support and continuously upgrade it with new functionalities;
  - CDWH data warehouse is used by key staff for reporting purposes and is currently being upgraded with new checks and we are also preparing for a renovation due to the new version of AX;
  - we upgraded computer network and integrated new facilities, mainly for the purpose of electrical power facility management;
  - the established security operations centre within Informatika, d.o.o., is operating 24/7 and is connected to the local traffic and server control system (SIEM). At monthly meetings, we coordinated activities related to potential dangers;
  - our tool for monitoring and analysing traffic in a computer network, which intercepts attempts at cyber intrusions and non-standard network intrusions, has intercepted quite a few potential threats mainly caused by unscrupulous users, already;
  - 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 upgraded the server equipment for the needs of the measurement centre renovation;
  - 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 and report to the relevant agencies and ministries;
  - we participate in GIZ work and project groups, where we coordinate activities between distribution companies.
-

## 10. Events After the Balance Sheet Date

In 2023, we expect a gradual easing of inflation, which will remain high at 7.1% (IMAD Spring Forecast – March 2023). Due to higher prices, the consequences will be felt in the segment of energy products, materials and services.

Higher inflation also increases interest rates, which affects the cost of loans and other financial instruments.

With the impact of inflation, the cost of living also increases, which can lead to workers' demands for wage increases. This will also be affected by further pressures from the labour market due to the lack of personnel.

All the mentioned facts will have an impact on the company's operations due to higher costs of materials and services in the maintenance and investment segment, the effects will also be visible in higher labour costs and higher financial expenses due to more expensive debt sources of financing investments.

Events after the end of the accounting period had no impact on the financial statements for 2022.

# 11. Analysis of the Company's Performance<sup>41</sup>

Company Elektro Primorska closed the 2022 financial year with a net loss of €1,547,196, which is less than planned and achieved in 2021. Loss stems from the adopted Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices, which results in a loss of revenue due to the reduced recognized return for 2022 (according to SODO's preliminary calculation in the amount of €9.612 million) and, as a result, a negative preliminary calculation for 2022, from address of rents and services rendered for the company SODO, d.o.o., in the total amount of €542,196. In 2022, the Company's revenues amounted to €44,492,215, which is €18,421,223 or 29.3% less than in 2021. Largest decrease was in financial revenues, namely by €8,387,462 as a results of the recognition of sale of the subsidiary E 3, d.o.o. in 2021, and reduction of net sales revenues by €7,671,262. Largest group of revenues is represented by operating revenues in the amount of €44,435,768, which represents 99.87% of the company's total revenues. In 2022, the company also generated lower capitalized own products, while other operating revenues were also lower.

Company incurred €47,084,506 of expenses in 2022, down €200,050 compared to the 2021 financial year. Operating expenses of €46,447,956 account for the largest share in total expenses. Operating expenses include the highest labour costs, which represent 40.30% of the company's total operating expenses and amounted to €19,002,156, which is by €98,502 higher than last year's labour costs.

Assets of Elektro Primorska Company increased in 2022 to €235,919,751 as at December 31 2022, the largest increase (€5,691,358) was reported in tangible fixed assets which amount to €216,582,015 at the year-end. Largest increase in 2022 was due to investments made by the Company in the amount of €19,911,439. Short-term operating receivables of €8,841,472 account for the majority of current assets as at December 31 2022, with an increase of €1,987,818 compared to the previous year.

Company's equity amounted to €171,027,609 as at December 31 2022, a decrease of €3,178,797 compared to the previous year as a consequence of the realized loss of the year. At the end of 2022, the share of equity in total liabilities amounted to 72.50%, down 1.75 percentage point compared to the previous year. At the year-end, long-term liabilities amounted to €30,920,926, up €5,219,717 compared to the previous year, mostly due to higher long-term financial liabilities to banks. Short-term liabilities of €16,115,204 are up by €417,487 compared to the previous year. Largest increase of €1,915,152 is reported in short-term financial liabilities to banks, while supplier payables dropped by €2,328,417.

<sup>41</sup> GRI 201-1

# 12. 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:

<b>A. BASIC FINANCING STATE RATIOS (INVESTMENTS)</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
equity	171,027,609	174,206,406
liabilities	235,919,751	233,654,874
<b>equity financing rate</b>	<b>72.49%</b>	<b>74.56%</b>
sum of equity and long-term debts (including provisions ) and long-term accruals and deferred income	217,303,828	217,185,970
liabilities	235,919,751	233,654,874
<b>debt financing rate</b>	<b>92.11%</b>	<b>92.95%</b>
debts	62,391,423	58,677,280
liabilities	235,919,751	233,654,874
<b>long-term financing rate</b>	<b>26.45%</b>	<b>25.11%</b>
<b>B. BASIC INVESTMENT RATIO</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
fixed assets (book value)	216,582,015	210,890,658
assets	235,919,751	233,654,874
<b>operating fixed assets rate</b>	<b>91.80%</b>	<b>90.26%</b>
long-term and short-term investments	297,417	302,864
assets	235,919,751	233,654,874
<b>investment assets rate</b>	<b>0.13%</b>	<b>0.13%</b>
sum of fixed assets and long-term deferred costs and accrued income		
investment property, long-term investments and long-term operating receivables	222,252,456	217,387,192
assets	235,919,751	233,654,874
<b>long-term assets rate</b>	<b>94.21%</b>	<b>93.04%</b>
realized investments	19,911,439	23,475,021
planned investments	18,400,000	24,000,000
<b>investment turnover ratio</b>	<b>108.21%</b>	<b>97.81%</b>
<b>C. RATIOS OF HORIZONTAL FINANCIAL STRUCTURE</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
equity	171,027,609	174,206,406
fixed assets (book value)	216,582,015	210,890,658
<b>equity to fixed assets ratio</b>	<b>78.97%</b>	<b>82.61%</b>
liquid assets	887,022	6,160,041
short-term liabilities	16,115,204	15,697,716
<b>immediate solvency ratio</b>	<b>5.50%</b>	<b>39.24%</b>
sum of liquid assets and short-term receivables	10,339,516	13,780,842

short-term liabilities	16,115,204	15,697,716
<b>quick ratio</b>	<b>64.16%</b>	<b>87.79%</b>
short-term assets	11,849,206	15,221,275
short-term liabilities	16,115,204	15,697,716
<b>current ratio</b>	<b>73.53%</b>	<b>96.96%</b>
<b>D. EFFICIENCY RATIOS</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
operating income	44,435,768	54,437,966
operating expenses	46,447,956	46,988,858
<b>operating efficiency ratio</b>	<b>0.957</b>	<b>1.159</b>
revenue	44,492,215	62,913,439
expenditure	47,084,506	47,284,556
<b>total efficiency ratio</b>	<b>0.945</b>	<b>1.331</b>
<b>E. BASIC PROFITABILITY RATIOS</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
EBITDA (operating revenues-operating expenses+AM+revaluation)	12,738,824	21,296,244
gross return on business	44,435,768	54,437,966
<b>EBITDA margin</b>	<b>28.67%</b>	<b>39.12%</b>
EBIT (operating revenues-operating expenses)	-2,012,188	7,449,108
gross return on business	44,435,768	54,437,966
<b>EBIT margin</b>	<b>-4.53%</b>	<b>13.68%</b>
net profit or loss	-1,547,196	14,314,717
turnover	33,300,321	40,971,583
<b>net return on revenue</b>	<b>-4.65%</b>	<b>34.94%</b>
net profit or loss	-1,547,196	14,314,717
average assets	234,787,313	227,259,543
<b>return on assets ratio (ROA)</b>	<b>-0.66%</b>	<b>6.30%</b>
net profit or loss	-1,547,196	14,314,717
average equity (no net profit or loss for the period)	173,390,605	160,950,065
<b>return on equity ratio (ROE)</b>	<b>-0.89%</b>	<b>8.89%</b>
sum of dividends for the financial year	2,254,068	2,254,068
average share capital	110,465,795	110,465,795
<b>dividends to share capital ratio</b>	<b>2.04%</b>	<b>2.04%</b>
dividend paid in the current year	2,254,068	2,254,068
average equity	173,390,605	160,950,065
<b>dividend-to-equity ratio</b>	<b>1.30%</b>	<b>1.40%</b>
<b>F. SHARES</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
equity	171,027,609	174,206,406
number of shares	18,783,898	18,783,898
number of own shares	0	0
<b>book value per share (in EUR)</b>	<b>9.11</b>	<b>9.27</b>
net profit or loss	-1,547,196	14,314,717
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
<b>basic and diluted earnings per share (EUR/share)</b>	<b>-0.08</b>	<b>0.76</b>

Table 30: Indicators

## 12.1 Basic financing state ratios (investments)

No.	Description	2022	2021	2020	2019	2018	2017	2016
1.	<b>Equity financing rate</b> equity/liabilities	0.725	0.746	0.734	0.737	0.728	0.731	0.739
2.	<b>Debt financing rate</b> equity, long-term debts and long-term provisions/liabilities	0.921	0.930	0.922	0.947	0.922	0.919	0.921
3.	<b>Long-term financing rate</b> debts/liabilities	0.264	0.251	0.262	0.260	0.269	0.265	0.258

**Table 31: 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 2022, the equity financing rate of 72.5% decreased by 2.07 percentage point compared to 2021. This is due to a drop in capital value and simultaneous increase in liabilities (the Company's loss in 2022 and at the same time there was an increase in the Company's liabilities compared to 2021), long-term and short-term financial liabilities from financing and leases increased as well, while short-term operating liabilities decreased), all of which is reflected in the lower value of the ratio in 2022.

**Debt financing rate** shows the debt financing of the Company's assets. In 2022, the ratio stood at 92.1%, down 0.86 percentage points compared to 2021, which is primarily due to lower capital and short-term operating liabilities, especially lower liabilities to suppliers and at the same time higher long-term and short-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 or 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 26.4% in 2022, up 1.32 percentage points compared to 2021. Reason is the rise in short-term debts in the overall structure of liabilities, and an increase in liabilities, above all, the short-term financial obligations to banks for the revolving credit, which was obtained in 2020 to cover current costs and the increase in long-term financial obligations to banks for the implementation of investments in 2022.

## 12.2 Basic investment ratios

No.	Description	2022	2021	2020	2019	2018	2017	2016
1.	<b>Operating fixed assets rate</b> fixed assets/assets	0.918	0.903	0.902	0.883	0.868	0.869	0.897
2.	<b>Investment assets rate</b> long-term and short-term investments/ assets	0.001	0.001	0.001	0.001	0.032	0.033	0.035
3.	<b>Long-term assets rate</b> fixed assets, long-term investments and long-term operating receivables/assets	0.928	0.905	0.905	0.885	0.904	0.903	0.933

**Table 32: 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 91.8% shows that in 2022, 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, which does not change from one year to the other.

**Investment assets rate** indicates the share of investments in the assets. In 2022, 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 2022, the ratio is higher than in 2021 and amounts to 92.8%. High ratio is the result of the increase in fixed assets in the overall structure of assets in 2022, as a result of major investments made.

### 12.3 Ratios of horizontal financial structure

No.	Description	2022	2021	2020	2019	2018	2017	2016
1.	<b>Equity to fixed assets ratio</b> equity/fixed assets	0.790	0.826	0.813	0.835	0.838	0.842	0.823
2.	<b>Immediate solvency ratio</b> liquid assets/short-term liabilities	0.055	0.392	0.114	0.276	0.144	0.309	0.124
3.	<b>Quick ratio</b> liquid assets and short-term receivables/ short-term liabilities	0.642	0.878	0.538	0.877	0.607	0.791	0.594
4.	<b>Current ratio</b> short-term assets/short-term liabilities	0.735	0.970	1.016	1.596	0.932	0.846	0.645

Table 33: 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 decreased (by 3.6 percentage points) compared to the previous year, which means that in 2022, a higher 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 2022, the ratio decreased by 33.7 percentage points compared to 2021 to 0.06, mostly due to a decrease in cash and cash equivalents and somewhat higher 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 2022, the ratio stands at 64.2%, down 23.6 percentage points compared to 2021, meaning that 64.82% of short-term liabilities are settled with liquid assets and short-term receivables. Decrease in the value of the ratio in 2022 is due to a decrease in liquid assets (cash) of the company and a slight increase in short-term liabilities in 2022.

**Current ratio** reflects the Company's ability to settle its short-term liabilities with short-term receivables, showing its short-term solvency position. In 2022, the ratio amounts

to 73.5%, down 23.4 percentage points compared to 2021, due to the decrease in short-term assets (at the expense of a lower value of monetary assets) and a simultaneous increase in short-term liabilities (especially short-term bank liabilities). Ratio further shows that in 2022, the Company did not settle 26.5% of its total short-term liabilities with short-term assets (receivables).

## 12.4 Efficiency ratios

No.	Description	2022	2021	2020	2019	2018	2017	2016
	<b>Operating efficiency ratio</b>							
1.	operating income/operating expenses	0.957	1.159	1.142	1.224	1.201	1.211	1.217
	<b>Total efficiency ratio</b>							
2.	revenue/expenditure	0.945	1.331	1.140	1.217	1.188	1.198	1.200

**Table 34: 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 2022, the ratio amounted to 95.7%, which means that operating expenses exceeded operating expense revenues by 4.3%, and the cost

efficiency worsened in comparison with the previous year (by 20.19 percentage points).

**Total efficiency ratio** is the ratio between total revenue and total expenditure. Ratio stood at 94.5% in 2022, down 38.6 percentage points compared to the previous year, reflecting a drop in the overall efficiency. In 2022, at the expense of the adopted Act on emergency measures to mitigate the prices of energy products, the Company did not profitably manage the assets of the Company's owners with the available funds as in previous years.

## 12.5 Basic profitability ratios

No.	Description	2022	2021	2020	2019	2018	2017	2016
	<b>Net return on revenue</b>							
1.	net profit or loss/turnover	-0.046	0.349	0.159	0.201	0.173	0.185	0.174
	<b>Return on assets ratio ROA</b>							
2.	net profit or loss/average assets	-0.007	0.063	0.027	0.038	0.032	0.036	0.034
	<b>Return on equity ratio ROE</b>							
3.	net profit or loss/average equity (no net profit or loss for the period)	-0.009	0.089	0.037	0.053	0.045	0.050	0.049

**Table 35: 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 €4.6 of loss per €100 of revenue, down €39.56 compared to 2021.

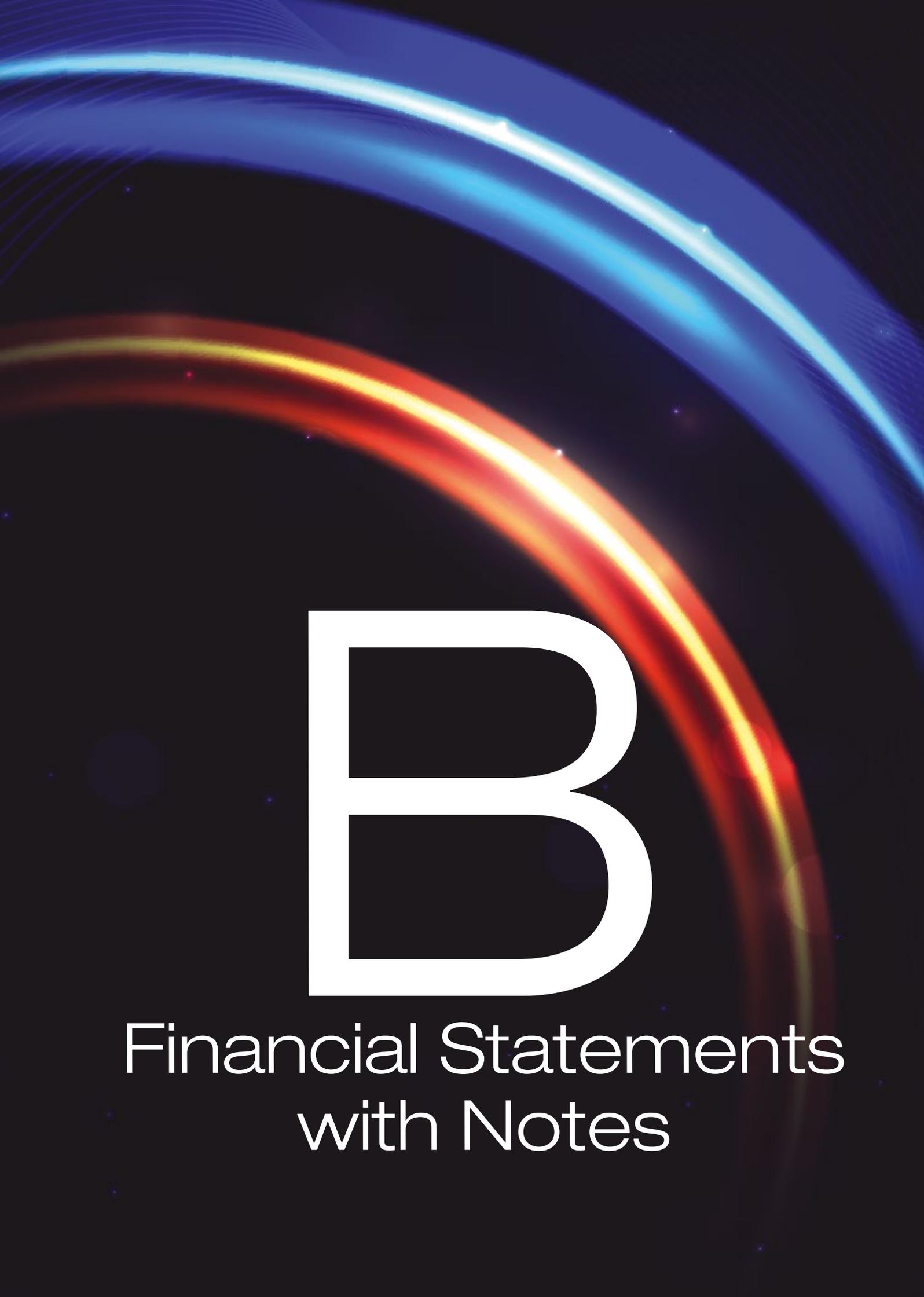
**Return on assets ratio (ROA)** shows the share of profits that the Company achieves with its own resources and how successful the management has been in managing the Company's assets. ROA amounted to - 0.7% in 2022, down 6.95 percentage point on the previous year. This is due to the increase in the Company's fixed assets (major investments in the infrastructure in 2021) and a simultaneous drop in the business result of the year or loss realization as a consequence of the energy crisis. Value of the ratio is negative this year due to loss realization, 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 -0.10% in 2022, down 9.78 percentage point compared to the previous year. Reason is realized net loss of the Company compared to the previous year, when a high net profit was achieved due to the sale of a subsidiary E 3, d.o.o.







# B

Financial Statements  
with Notes





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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 statement of financial position as at 31 December 2022, 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 Elektro Primorska d. d. as at 31 December 2022 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 matter**

Key audit matter is a matter 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 an opinion on these matters. For the 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 2022, the net book value of the property, plant and equipment amounts to EUR 216,582 thousand, as disclosed in Note 2.2 – *Property plant and equipment* and own work capitalized amount to EUR 9,412 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.

**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

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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- 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.

#### **Responsibilities of management and those in charge with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union/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.

Those in charge with governance are responsible for overseeing the Company's financial reporting process and to approve the 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 the 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 internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the 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 those in charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those in charge with governance 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 those in charge with governance, 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.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### **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 on 27.6.2022, the president of the supervisory board has signed the audit agreement on 6.10.2022. The agreement was signed for the period of three 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 8 years.

Simon Podvinski and Aljaž Ojsteršek 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 April 21, 2023.

#### **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, April 24, 2023.

  
 Simon Podvinski  
 Partner, Certified auditor  
 Ernst & Young d.o.o.  
 Dunajska cesta 111, Ljubljana

  
 Aljaž Ojsteršek  
 Certified auditor

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

# 1. Balance sheet

		in EUR	
	Note	31/12/2022	31/12/2021
<b>Assets</b>			
<b>A. Long-term assets:</b>			
<b>I. Intangible assets and long-term accrued and deferred asset items</b>	<b>2.1.</b>	<b>3,305,176</b>	<b>5,916,432</b>
1. Long-term rights		3,246,586	3,277,097
3. Other long-term accrued and deferred asset items		58,590	2,639,335
<b>II. Tangible fixed assets</b>	<b>2.2.</b>	<b>216,582,015</b>	<b>210,890,658</b>
1. Land		5,668,082	5,643,030
2. Buildings		138,103,445	133,544,042
3. Equipment		64,603,998	64,467,043
4. Right to use the asset		804,519	435,211
4. Fixed assets in acquisition		7,401,971	6,801,332
<b>III. Investment property</b>	<b>2.3.</b>	<b>238,110</b>	<b>243,700</b>
<b>IV. Long-term financial investments</b>	<b>2.4.</b>	<b>297,417</b>	<b>302,864</b>
2. Other shares and stakes		297,417	302,864
<b>V. Long-term operating receivables</b>	<b>2.5.</b>	<b>1,829,738</b>	<b>33,538</b>
1. Long-term trade receivables		1,796,974	0
2. Long-term receivables due from others		32,764	33,538
<b>VI. Deferred tax assets</b>	<b>2.6.</b>	<b>1,634,869</b>	<b>664,277</b>
<b>Total long-term assets</b>		<b>223,887,325</b>	<b>218,051,468</b>
<b>B. Short-term assets:</b>			
<b>II. Stocks</b>	<b>2.7.</b>	<b>1,509,690</b>	<b>1,440,433</b>
1. Material		1,509,690	1,440,433
<b>IV. Short-term operating receivables</b>	<b>2.8.</b>	<b>9,452,494</b>	<b>7,620,801</b>
2. Operating trade receivables		8,841,472	6,853,653
3. Operating receivables due from others		611,022	767,149
<b>V. Monetary assets</b>	<b>2.9.</b>	<b>887,022</b>	<b>6,160,041</b>
<b>Total short-term assets</b>		<b>11,849,206</b>	<b>15,221,275</b>
<b>C. Short-term accrued and deferred asset items</b>	<b>2.10.</b>	<b>183,220</b>	<b>382,131</b>
<b>TOTAL ASSETS</b>		<b>235,919,751</b>	<b>233,654,874</b>

Table 36: Balance sheet (assets)

		in EUR	
	Note	31/12/2022	31/12/2021
<b>Liabilities</b>			
<b>A. Capital:</b>			
<b>I. Called-up capital</b>		<b>110,465,795</b>	<b>110,465,795</b>
1. Share capital		110,465,795	110,465,795
<b>II. Capital reserves</b>		<b>46,306,588</b>	<b>46,306,588</b>
<b>III. Profit reserves</b>		<b>14,232,346</b>	<b>14,232,346</b>
1. Statutory reserves		1,811,793	1,811,793
5. Other profit reserves		12,420,553	12,420,553
<b>IV. Reserves arising from fair value measurement</b>		<b>-612,468</b>	<b>-1,316,754</b>
<b>V. Net profit or loss from previous periods</b>		<b>635,348</b>	<b>0</b>
<b>VI. Net profit or loss for the period</b>		<b>0</b>	<b>4,518,431</b>
<b>Total capital</b>	<b>2.11.</b>	<b>171,027,609</b>	<b>174,206,406</b>
<b>B. Provisions and long-term accrued and deferred liability items</b>	<b>2.12.</b>	<b>15,355,293</b>	<b>17,278,355</b>
1. Provisions		4,496,197	5,252,176
2. Long-term accrued and deferred liability items		10,859,096	12,026,179
<b>C. Long-term liabilities</b>	<b>2.13.</b>	<b>30,920,926</b>	<b>25,701,209</b>
<b>I. Long-term financial liabilities</b>		<b>30,920,926</b>	<b>25,701,209</b>
1. Long-term financial liabilities to banks		30,365,404	25,313,889
3. Other long-term financial liabilities	2.14.	555,522	387,320
<b>Č. Short-term liabilities</b>	<b>2.15.</b>	<b>16,115,204</b>	<b>15,697,716</b>
<b>I. Short-term financial liabilities</b>		<b>6,115,704</b>	<b>3,994,505</b>
1. Short-term financial liabilities to banks		5,848,485	3,933,333
2. Other short-term financial liabilities		267,219	61,172
<b>II. Short-term operating liabilities</b>		<b>9,999,500</b>	<b>11,703,211</b>
2. Short-term operating liabilities to suppliers		6,634,740	8,963,157
3. Short-term operating liabilities based on advances		8,109	12,473
4. Other short-term operating liabilities		3,356,650	2,727,582
<b>Total liabilities</b>		<b>62,391,423</b>	<b>58,677,280</b>
<b>D. Short-term accrued and deferred liability items</b>	<b>2.16.</b>	<b>2,500,719</b>	<b>771,188</b>
<b>TOTAL LIABILITIES</b>		<b>235,919,751</b>	<b>233,654,874</b>

Table 37: 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

		in EUR	
	Note	financial year 2022	financial year 2021
<b>1. Net sales revenue</b>	<b>3.1.1.</b>	<b>33,300,321</b>	<b>40,971,583</b>
a. on the domestic market		33,190,521	40,864,783
b. in the foreign market		109,800	106,800
<b>3. Capitalized own products and services</b>	<b>3.1.2.</b>	<b>9,411,775</b>	<b>11,562,494</b>
<b>4. Other operating revenues</b>	<b>3.1.3.</b>	<b>1,723,672</b>	<b>1,903,889</b>
<b>5. Costs of goods, material, and services</b>	<b>3.2.</b>	<b>-12,345,571</b>	<b>-14,055,897</b>
a. costs of goods sold and material used		-7,088,603	-7,671,617
b. costs of services		-5,256,968	-6,384,279
<b>6. Labour costs</b>	<b>3.2.</b>	<b>-19,002,156</b>	<b>-18,903,654</b>
a. cost of wages and salaries		-13,605,185	-13,442,053
b. costs of supplementary pension insurance for employees		-676,305	-662,845
c. social security cost		-2,204,382	-2,211,400
č. other labour costs		-2,516,283	-2,587,357
<b>7. Amortization/depreciation expense</b>	<b>3.2.</b>	<b>-14,751,012</b>	<b>-13,847,137</b>
a. depreciation		-14,427,452	-13,561,528
b. operating expenses from revaluation of intangible and tangible fixed assets		-267,753	-279,194
c. operating expenses from revaluation of operating current assets		-55,807	-6,415
<b>8. Other operating expenses</b>	<b>3.2.</b>	<b>-349,217</b>	<b>-182,171</b>
<b>9. Financial revenues from shares</b>	<b>3.3.</b>	<b>44,547</b>	<b>8,432,009</b>
a. in group companies		0	8,427,983
b. in other companies		44,547	4,026
<b>11. Financial revenues from operating receivables</b>	<b>3.3.</b>	<b>11,900</b>	<b>43,431</b>
a. due from others		11,900	43,431
<b>13. Financial expenses from financial liabilities</b>	<b>3.4.</b>	<b>-592,451</b>	<b>-191,332</b>
a. from loans, received from banks		-231,769	-165,157
b. from other operating liabilities		-360,682	-26,175
<b>14. Financial expenses from operating liabilities</b>	<b>3.4.</b>	<b>-546</b>	<b>-1,024</b>
a. from accounts and bills payable		-305	-422
b. from other operating liabilities		-241	-602
<b>15. Other revenues</b>	<b>3.5.</b>	<b>0</b>	<b>33</b>
<b>16. Other expenses</b>	<b>3.6.</b>	<b>-43,553</b>	<b>-103,342</b>
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD		-2,592,291	15,628,883
<b>17. Income tax</b>	<b>3.7.</b>	<b>0</b>	<b>-1,077,295</b>
<b>18. Deferred taxes</b>	<b>3.7.</b>	<b>1,045,094</b>	<b>-236,871</b>
<b>19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>3.8.</b>	<b>-1,547,196</b>	<b>14,314,717</b>

Table 38: 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

		in EUR	
	note	2022	2021
<b>20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>3.9.</b>	<b>-1,547,196</b>	<b>14,314,717</b>
Reserves arising from fair value measurement		-5,446	16,102
Other components of comprehensive income net effect		627,913	121,212
<b>Total comprehensive income of the accounting period</b>		<b>-924,729</b>	<b>14,452,032</b>

**Table 39: 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

		in EUR	
	Note	2022	2021
<b>A. OPERATING CASH-FLOW</b>			
<b>1. Operating receipts</b>	<b>4.1.</b>	<b>64,206,875</b>	<b>73,959,019</b>
a. Receipts from sales of products and services		37,948,696	42,395,282
b. Other operating receipts		26,258,180	31,563,737
<b>2. Operating expenditure</b>	<b>4.2.</b>	<b>-57,441,299</b>	<b>-60,122,768</b>
a. Expenditure for purchase of material and services		-10,549,873	-9,646,743
b. Expenditure for salaries and employees profit shares		-19,301,494	-18,369,027
c. Expenditure on benefits of all kinds		-3,171,175	-2,592,702
d. Other operating expenditure		-24,418,756	-29,514,296
<b>3. Positive or negative cash flow from operating activities</b>		<b>6,765,576</b>	<b>13,836,251</b>
<b>B. CASH FLOWS IN INVESTING ACTIVITIES</b>			
<b>4. Receipts in investing activities</b>	<b>4.3.</b>	<b>253,524</b>	<b>17,215,918</b>
a. Receipts from received interest and profit shares		55,113	14,248
b. Receipts from disposal of tangible fixed assets		198,410	251,669
c. Receipts from disposals of long-term financial investments		0	2,000,000
d. Receipts from disposals of short-term financial investments		0	14,950,000
<b>5. Expenditure in investing activities</b>	<b>4.4.</b>	<b>-16,662,540</b>	<b>-20,574,250</b>
a. Expenses for acquisition of intangible assets		-2,273,113	-1,272,518
b. Expenses for acquisition of tangible fixed assets		-14,389,427	-17,301,732
c. Expenses for acquisition of LT and ST financial investments		0	-2,000,000
<b>6. Positive or negative cash flow from investing activities</b>		<b>-16,409,016</b>	<b>-3,358,332</b>
<b>C. CASH FLOWS IN FINANCING ACTIVITIES</b>			
<b>8. Receipts in financing activities</b>	<b>4.5.</b>	<b>28,400,000</b>	<b>8,700,000</b>
a. Receipts from long-term loans obtained		10,000,000	5,000,000
b. Receipts from short-term loans obtained		18,400,000	3,700,000
<b>9. Expenditure in financing activities</b>	<b>4.6.</b>	<b>-24,029,579</b>	<b>-14,855,511</b>
a. Expenditure for given interest		-342,177	-254,221
b. Capital expenditure		0	0
c. Expenditure for repayment of long-term loans		-3,933,333	-5,147,222
d. Expenditure for repayment of short-term loans		-17,500,000	-7,200,000
e. Expenditure for dividend		-2,254,068	-2,254,068
<b>10. Positive or negative cash flow from financing activities</b>		<b>4,370,421</b>	<b>-6,155,511</b>
<b>11. Total positive or negative cash flow</b>		<b>-5,273,018</b>	<b>4,322,408</b>
<b>Č. CLOSING CASH BALANCE</b>		<b>887,022</b>	<b>6,160,041</b>
<b>X. Opening cash balance</b>		<b>6,160,041</b>	<b>1,837,633</b>
<b>Y. CASH FLOW FOR THE PERIOD</b>	<b>4.7.</b>	<b>-5,273,018</b>	<b>4,322,408</b>
<b>Closing cash balance on the last day of the accounting period</b>		<b>887,022</b>	<b>6,160,041</b>

Table 40: 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 (2022)

in EUR

2022	Called-up capital		Profit reserves				Fair value reserves	Net profit brought forward	Net profit of the business year	Total capital
	Share capital	Capital reserves	Statutory reserves	Reserves for own shares	Own shares	Other profit reserves				
	I/1	II	III/1			III/5	IV	V/1	VI/1	
A.1. 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
<b>A.2. Balance as of Jan 1 2022</b>	<b>110,465,794</b>	<b>46,306,588</b>	<b>1,811,793</b>	<b>0</b>	<b>0</b>	<b>12,420,553</b>	<b>-1,316,754</b>	<b>0</b>	<b>4,518,431</b>	<b>174,206,406</b>
<b>B.1. Changes in equity capital – transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,254,068</b>	<b>0</b>	<b>-2,254,068</b>
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>B.2. Total comprehensive income of reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>			<b>0</b>	<b>622,467</b>	<b>0</b>	<b>-1,547,196</b>	<b>-924,729</b>
a) Entry of net profit or loss for the reporting period	0	0	0			0	0	0	-1,547,196	-1,547,196
b) Change in revaluation surplus on financial investments	0	0	0			0	-5,446	0	0	-5,446
b) Other components of comprehensive income for the reporting period	0	0	0			0	627,913	0	0	627,913
<b>B.3. Changes within capital</b>	<b>0</b>	<b>0</b>	<b>0</b>			<b>0</b>	<b>81,820</b>	<b>2,889,416</b>	<b>-2,971,235</b>	<b>0</b>
a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital	0	0	0			0	0	2,971,235	-2,971,235	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	0			0	0	0	0	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	81,820	-81,820	0	0
<b>C. Balance as of Dec 31 2022</b>	<b>110,465,794</b>	<b>46,306,588</b>	<b>1,811,793</b>	<b>0</b>	<b>0</b>	<b>12,420,553</b>	<b>-612,468</b>	<b>635,348</b>	<b>0</b>	<b>171,027,609</b>
<b>Distributable profit 2022</b>								<b>635,348</b>	<b>0</b>	<b>635,348</b>

Table 41: Statement of changes in equity for the year ended as at December 31 2022

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 (2021)

in EUR

2021	Called-up capital		Profit reserves				Fair value reserves	Net profit brought forward	Net profit of the business year	Total capital
	Share capital	Capital reserves	Statutory reserves	Reserves for own shares		Other profit reserves				
				Own shares	Other profit reserves					
A.1. 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
<b>A.2. Balance as of Jan 1 2021</b>	<b>110,465,794</b>	<b>46,306,588</b>	<b>1,100,257</b>	<b>0</b>	<b>0</b>	<b>3,419,804</b>	<b>-1,538,070</b>	<b>0</b>	<b>2,254,068</b>	<b>162,008,442</b>
<b>B.1. Changes in equity capital – transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,254,068</b>	<b>0</b>	<b>-2,254,068</b>
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>B.2. Total comprehensive income of reporting period</b>	<b>0</b>	<b>0</b>	<b>0</b>			<b>0</b>	<b>137,315</b>	<b>0</b>	<b>14,314,717</b>	<b>14,452,032</b>
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>B.3. Changes within capital</b>	<b>0</b>	<b>0</b>	<b>711,536</b>			<b>9,000,749</b>	<b>84,001</b>	<b>2,254,068</b>	<b>-12,050,354</b>	<b>0</b>
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
<b>C. Balance as of Dec 31 2021</b>	<b>110,465,794</b>	<b>46,306,588</b>	<b>1,811,793</b>	<b>0</b>	<b>0</b>	<b>12,420,553</b>	<b>-1,316,754</b>	<b>0</b>	<b>4,518,431</b>	<b>174,206,406</b>
<b>Distributable profit 2021</b>								<b>0</b>	<b>4,518,431</b>	<b>4,518,431</b>

Table 42: Statement of changes in equity for the year ended as at December 31 2021

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





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



# 1. Basis for the Compilation of Financial Statements

Financial statements have been prepared in accordance with provisions of Slovene Accounting Standards (SAS) 2016 and SAS amendments in 2019, 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 going concern and accrual accounting 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 parties**

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 2021 Annex 2 for contract values for 2022, on March 25 2022 Annex 3, which determines the financial contract values for 2022 and on October 17 2022 Annex 4, which regulates mutual relations due to the provisions of the intervention act ZUOPVCE, 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. On June 21 2018 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. 46/18, 47/18 - amend., 86/18, 76/19, 78/19 - amend., 85/20, 145/21, 172/21 - ZOOE (unofficial consolidated version of the act). Pursuant to this Act, on November 11 2021, the Energy Agency by decision no. 211-46/2021-20 laid down the regulatory framework for the distribution system operator's activity

during the regulatory period from January 1 2022 to December 31 2022. Decision envisages the eligible costs, broken down by individual distribution network areas, which determine the framework of funds for individual company in an individual year of the regulatory period.

New price list of over-standard services for SODO came into effect on April 7 2022.

## 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 in the accounting statements and the balance sheet 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.

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 €1,989,560 invested in 2022 (2021: €1,527,793) 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 2022, the company allocated €42,181 for the purchase of programs and systems for the detection and prevention of systemic threats. In 2022, 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 corrected the values 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 2022, 41.52% of all intangible assets in use was fully amortised (31.12.2021: 28.77%). Share is calculated based on the cost of the intangible assets.

Company discloses €1,009,231 of trade payables on account of the intangible assets' acquisition as at December 31 2022 (2021 year-end: €817,565), and €417,536 of unrecorded liabilities based on contracts agreed for the purchase of licenses (2021: €1,534,667).

Decrease in the value of long-term accrued costs and deferred revenues represents the transfer of obligations by SODO, d.o.o., from the regulatory year 2021 to long-term receivables, in the total amount of €2,627,717, which will be settled in the following regulatory periods, from and including 2023 onwards (one third of the stated amount in each individual year, as provided by the provisions of the Contract on lease of electricity distribution infrastructure and provision of services for distribution operators or in accordance with the provisions of the valid legal act on the methodology for determining the regulatory framework). Receivables from this title, which will be repaid in 2023, are transferred to short-term receivables.

Movements in intangible assets in 2022 are presented in the following table:

2022	Deferred costs of development studies	Long-term rights	Other long-term deferred costs and accrued income	Intangible assets in acquisition	Total
<b>Acquisition cost</b>					<b>in EUR</b>
Balance 1.1.	645,721	10,211,318	2,639,335	1,105,017	14,601,392
Increase in year	0	0	50,919	1,989,560	2,040,479
Increase from ongoing investments	0	1,989,560	0	-1,989,560	0
Decrease in year	0	-796,420	-2,631,664	0	-3,428,084
Balance 31.12.	645,721	11,404,458	58,590	1,105,017	13,213,786
<b>Value adjustments</b>					
Balance 1.1.	645,721	6,934,221	0	1,105,017	8,684,960
Depreciation in year	0	2,020,070	0	0	2,020,070
Decrease in year	0	-796,420	0	0	-796,420
Balance 31.12.	645,721	8,157,872	0	1,105,017	9,908,610
<b>Carrying amount</b>					
Balance 1.1.	0	3,277,097	2,639,335	0	5,916,432
<b>Balance 31.12.</b>	<b>0</b>	<b>3,246,586</b>	<b>58,590</b>	<b>0</b>	<b>3,305,176</b>

Table 43: Movements in intangible assets in 2022

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

2021	Deferred costs of development studies	Long-term rights	Other long-term deferred costs and accrued income	Intangible assets in acquisition	Total
<b>Acquisition cost</b>					<b>in EUR</b>
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
<b>Value adjustments</b>					
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
Balance 31.12.	0	750	0	0	750
Carrying amount	0	-82,525	0	0	-82,525
Balance 1.1.	645,721	6,934,221	0	1,105,017	8,684,959
<b>Stanje 1.1.</b>					
Balance 31.12.	0	3,450,455	10,670	0	3,461,125
<b>Stanje 31.12.</b>	<b>0</b>	<b>3,277,097</b>	<b>2,639,335</b>	<b>0</b>	<b>5,916,432</b>

Table 44: Movements in intangible assets in 2021

## 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:

	<b>2022</b>	<b>2021</b>
		in %
Intangible assets (excluding software)	3.33 - 20.00	3.33 - 20.00
Computer equipment and software	0.00 - 5.00	0.00 - 5.00
Real estate (land and buildings)	33.3	33.3
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 45: 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 2022 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 2022 are presented in the following table:

in EUR					
2022	Land	Buildings	Equipment	Fixed assets in acquisition and advances	Total
<b>Acquisition cost</b>					
Balance 1.1.2022	5,643,030	408,473,181	175,584,834	7,630,364	597,331,408
Increase in year	0	22,330	0	17,712,621	17,734,952
Increase from ongoing investments	35,282	10,807,991	6,268,709	-17,111,982	0
Decrease in year	-10,230	-16,809,771	-2,414,938	0	-19,234,939
Balance 31.12.2022	5,668,082	402,493,730	179,438,605	8,231,003	595,831,420
<b>Value adjustments</b>					
Balance 1.1.2022	0	274,929,139	111,117,790	829,032	386,875,961
Depreciation in year	0	6,047,041	6,085,940	0	12,132,981
Decrease in year	0	-16,585,895	-2,369,123	0	-18,955,019
Increase in year	0	0	0	0	0
Balance 31.12.2022	0	264,390,285	114,834,607	829,032	380,053,924
<b>Carrying amount</b>					
Balance 1.1.2022	5,643,030	133,544,042	64,467,043	6,801,332	210,455,447
<b>Balance 31.12.2022</b>	<b>5,668,082</b>	<b>138,103,445</b>	<b>64,603,998</b>	<b>7,401,971</b>	<b>215,777,496</b>

**Table 46: Movements in property, plant and equipment in 2022**

Net carrying amount of the items of property, plant and equipment increased by €5,322,049 in 2022 compared to the previous year (2021: an increase of €11,637,878). Movements in property, plant and equipment relate to new acquisitions amounting to €17,734,952 (2021: €23,809,478), depreciation of €12,132,981 (2021: €12,042,219) and disposals in the carrying amount of €279,921 (2021: €408,285).

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 €1,999,296 of payables to suppliers of property, plant and equipment as at December 31 2022 (2021 year-end: €2,810,050), and €3,200,000 of contingencies arising from signed binding contracts (2021 year-end: €1,999,296).

As at December 31 2022, 40.17% of all property, plant and equipment in use was fully depreciated (2021: 41.26%). 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. 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 2022, the cost of leased infrastructure amounted to €539,421,369 (2021: €527,108,734),

depreciation to €351,418,331 (2021: €344,129,301) and the carrying amount to €188,003,038 (2021: €182,979,433).

	in EUR	
	2022	2021
Land	3,519,046	3,493,994
Infrastructure facilities	124,204,218	119,667,666
Infrastructure equipment	59,621,724	59,000,959
Long-term rights	658,050	816,814
	<b>188,003,038</b>	<b>182,979,433</b>

**Table 47: 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 needs for electrical power.

Movements in property, plant and equipment in 2021:

	in EUR				
2021	Land	Buildings	Equipment	Fixed assets in acquisition and advances	Total
<b>Acquisition cost</b>					
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
<b>Value adjustments</b>					
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	386,875,960
<b>Carrying amount</b>					
Balance 1.1.2021	5,606,045	128,811,592	58,870,075	5,529,857	198,817,569
<b>Balance 31.12.2021</b>	<b>5,643,030</b>	<b>133,544,042</b>	<b>64,467,044</b>	<b>6,801,332</b>	<b>210,455,447</b>

**Table 48: Movements in property, plant and equipment in 2021**

## RIGHT-OF-USE ASSETS

Right-of-use assets refer to the use of various commercial real estate (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,
- building right – 35 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:

RIGHTS OF USE	in %	
	2022	2021
Real estate	5.94 - 9.3	5.94 - 9.3
Building title	2.86	0
Equipment	33.33	0
Cars	20	20 - 30.77

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 basis over the lease term.

Movements in the right-of-use assets in 2022:

					in EUR
2022	Building right	Land	Facilities	Equipment	Total
<b>Acquisition cost</b>					
Balance 1.1.2022	82,495	6,053	264,732	195,190	548,470
New acquisitions	0	0	0	634,702	634,702
Decrease in year		0	0	0	0
Balance 31.12.2022	82,495	6,053	264,732	829,892	1,183,172
<b>Value adjustment</b>					
Balance 1.1.2022	2,357	1,297	50,618	58,986	113,259
Depreciation in year	2,357	432	16,873	245,732	265,394
Decrease in year				0	0
Balance 31.12.2022	4,714	1,729	67,491	304,718	378,653
<b>Carrying amount</b>					
01/01/2022	80,138	4,756	214,113	136,203	435,211
<b>Balance 31.12.2022</b>	<b>77,781</b>	<b>4,324</b>	<b>197,240</b>	<b>525,173</b>	<b>804,519</b>

Table 49: Movements in the right-of-use assets in 2022

In 2022, the Company recognized a new right-of-use assets for leased server and telecommunications infrastructure from Informatika for a period of three years.

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

					in EUR
2021	Building right	Land	Facilities	Equipment	Total
<b>Acquisition cost</b>					
Balance 1.1.2021	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
<b>Value adjustment</b>					
Balance 1.1.2021	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
<b>Carrying amount</b>					
01/01/2021	0	5,188	230,986	141,088	377,262
<b>Balance 31.12.2021</b>	<b>80,138</b>	<b>4,756</b>	<b>214,113</b>	<b>136,203</b>	<b>435,211</b>

Table 50: Movements in the right-of-use assets in 2021

## 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 2021.

Cost of depreciation, maintenance and operation of investment property amounted to €68,900 in 2022 (2021: €60,708), of which depreciation of all investment property amounted to €9,007. Company generated €71,528 of revenue from the lease of its investment property (2021: €58,416).

Fair value of investment property is equal to its carrying amount. In 2022, after two years of stagnation due to the Covid 19 epidemic, revenue growth was realized.

Movements in investment property in 2022:

	Investment property - land	Investment property - facilities	Fixed assets in acquisition and advances	Total
in EUR				
<b>Acquisition cost</b>				
Balance 1.1.2022	24,360	845,008	0	869,368
Increase in year	0	0	0	0
Increase from ongoing investments	0	0	5,000	5,000
Decrease in year	0	-4,326	0	-4,326
Balance 31.12.2022	24,360	840,682	5,000	870,042
<b>Value adjustments</b>				
Balance 1.1.2022	0	625,667	0	625,667
Depreciation in year	0	9,007	0	9,007
Decrease in year	0	-2,742	0	-2,742
Balance 31.12.2022	0	631,932	0	631,932
<b>Carrying amount</b>				
Balance 1.1.2022	24,360	219,341	0	243,700
<b>Balance 31.12.2022</b>	<b>24,360</b>	<b>208,750</b>	<b>5,000</b>	<b>238,110</b>

Table 51: Fair value of investment property in 2022

Fair value of investment property in 2021:

in EUR				
	Investment property - land	Investment property - facilities	Fixed assets in acquisition and advances	Total
<b>Acquisition cost</b>				
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
<b>Value adjustments</b>				
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
<b>Carrying amount</b>				
Balance 1.1.2021	6,668	204,636	12,048	223,353
<b>Balance 31.12.2021</b>	<b>24,360</b>	<b>219,341</b>	<b>0</b>	<b>243,700</b>

Table 52: Fair value of investment property in 2021

## 2.4 Long-term financial investments

Financial 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 operations and 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

	31/12/2022		31/12/2021	
	in EUR	Stake/No. of Shares	in EUR	Stake/No. of Shares
Other shares and stakes:				
Informatika Maribor d.d.	240,755	12.97%	240,755	12.97%
Zavarovalnica Triglav d.d.	81,696	2,368	87,142	2,368
Primorski tehnološki park d.o.o.	1,808	0.144%	1,808	0.144%
Stelkom d.o.o. Ljubljana	57,837	3.84%	57,837	6.32%
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	
<b>Total</b>	<b>297,417</b>		<b>302,864</b>	
<b>Total long-term financial investments</b>	<b>297,417</b>		<b>302,864</b>	

**Table 53: Long-term investments**

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

In 2022, 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	
	<b>Other shares and stakes</b>	<b>Total</b>
Balance 1.1.2022	302,864	302,864
Increase	-5,446	-5,446
Decrease	0	0
<b>Balance 31.12.2022</b>	<b>297,417</b>	<b>297,417</b>

Table 54: Movements in financial investments

Company holds an 12.97% of shares of Informatika, d.d., Maribor. Financial investment in the company Zavarovalnica Triglav, d.d. was reconciled with a lower market value of €5,446. Revaluation was recognised in

other comprehensive income under equity. Reserves arising from the revaluation of Zavarovalnica Triglav d.d. shares amount to €79,226 as at December 31 2022.

## 2.5 Long-term operating receivables

LONG-TERM OPERATING RECEIVABLES	in EUR	
	<b>31/12/2022</b>	<b>31/12/2021</b>
Receivables from apartment building operators	32,764	33,538
Long-term trade receivables	1,796,974	0
<b>Total</b>	<b>1,829,738</b>	<b>33,538</b>

Table 55: 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 2022, the Company discloses long-term operating receivables to company SODO, d.o.o., from the preliminary settlement for 2021 in the amount of €1,751,811 and the final settlement in the amount of €45,162. Receivables are due for payment in full by 2025, as stipulated in the provisions of the Agreement on the lease of electricity infrastructure and the provision of services for the distribution operator or in accordance with the provisions of the applicable act on the methodology for determining the regulatory framework.

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. Company 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 €1,634,869 of deferred tax assets (2021: €664,277). Applicable tax rate for this year is 19 percent (the same as in 2021), which is expected to be applied also in the coming years. Largest increase in deferred tax

assets was recognised on account of unused tax relief, i.e., investment relief in the amount of €757,222, which the Company will draw on in the coming years and for which realized profit is expected. Deferred taxes also increased for the declared tax loss in 2022 in the amount of €1,686,526, the value of deferred taxes from this title amounts to €320,440.

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 2022

in EUR

	from provisions	from deferred receivables	from unused tax relief	from impaired investments	Total
<b>Balance 01.01.2022</b>	<b>498,957</b>	<b>150,411</b>	<b>0</b>	<b>14,909</b>	<b>664,277</b>
Increases recognized in profit or loss	0	0	1,077,662	0	1,077,662
Decreases recognized in equity	-74,502	0	0	0	-74,502
Decreases recognized in profit or loss	-26,064	-6,503	0	0	-32,568
<b>Balance 31.12.2022</b>	<b>398,390</b>	<b>143,907</b>	<b>1,077,662</b>	<b>14,909</b>	<b>1,634,869</b>

Table 56: Movements in deferred tax assets in 2022

## MOVEMENTS IN DEFERRED TAX ASSETS IN 2021

v EUR

	from provisions	from deferred receivables	from unused tax relief	from impaired investments	Total
<b>Balance 01.01.2021</b>	<b>513,896</b>	<b>160,563</b>	<b>233,320</b>	<b>14,909</b>	<b>922,689</b>
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
<b>Balance 31.12.2021</b>	<b>498,957</b>	<b>150,411</b>	<b>0</b>	<b>14,909</b>	<b>664,277</b>

Table 57: Movements in deferred tax assets in 2022

## 2.7 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	
	31/12/2022	31/12/2021
Material	1,478,916	1,408,095
Small tools	30,774	32,338
Merchandise	0	0
<b>Total</b>	<b>1,509,690</b>	<b>1,440,433</b>

**Table 58: 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 4.81%.

Reason for the increase in inventories is the fact that the prices of strategic materials in 2022 increased by an average of 30%. Higher value of inventories is also affected by the reserved value of material in the amount of more than 15% of inventories and partly also by unrecorded material on projects in warehouses in the amount of 20%.

In 2022, we did not impair any inventories due to obsolescence (also not in 2021), as the company does not have any non-current material stocks. 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 2022, the credit note relating to costs amounted to €9,186 (2021: cost of €12,895). In the year under review, inventories valued at €166,291 had no movements in more than 12 months (2021: €107,206 of inventories with no movement in the past three years), which accounts for 11% (2021: 7.44%) of inventories that are crucial for the maintenance of energy facilities and as such were not impaired.

## 2.8 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 2022,
- disputed receivables and
- receivables due from business partners undergoing insolvency proceedings and compulsory settlements.

Overdue receivables from the company SODO, d.o.o., amounted to €1,823,315 on December 31 2022. As of December 31, 2021, they amounted to €1,443,232 and the company did not impair them, because a partial repayment of these claims by SODO, d.o.o., until the preliminary settlement for 2021 is carried out, and for the rest of these claims and part of the preliminary settlement in 2021, based on Annex 3 to the Contract on the lease of electricity infrastructure and provision of services for the distribution operator, it was foreseen that the unpaid claims from 2021 are covered monthly in twelfths in 2022.

SHORT-TERM OPERATING RECEIVABLES	in EUR	
	31/12/2022	31/12/2021
<b>Short-term receivables from sales:</b>	<b>9,062,522</b>	<b>7,104,893</b>
- to company SODO for services and rent	6,358,973	4,091,669
- on foreign account	2,145,440	2,383,572
- other receivables on domestic market	558,109	629,651
<b>Value adjustment</b>	<b>-233,019</b>	<b>-265,202</b>
- on foreign account	-176,506	-193,031
- other receivables on domestic market	-56,512	-72,171
	<b>8,829,504</b>	<b>6,839,691</b>
<b>Interest receivables:</b>	<b>36,974</b>	<b>39,386</b>
- on foreign account	34,361	38,286
- to other customers	2,613	1,100
<b>Value adjustment</b>	<b>-32,958</b>	<b>-36,954</b>
- on foreign account	-32,121	-36,117
- to other customers	-837	-837
	<b>4,016</b>	<b>2,432</b>
<b>Advances:</b>	<b>7,952</b>	<b>11,530</b>
Other operating receivables:		
- to state and other institutions	563,316	679,797
- to employees	0	0
- to others	54,528	92,223
<b>Value adjustment</b>	<b>-6,823</b>	<b>-4,872</b>
	<b>611,022</b>	<b>767,149</b>
<b>Total</b>	<b>9,452,494</b>	<b>7,620,801</b>

Table 59: Short-term operating receivables

Receivables for operation on a foreign account are receivables for network charges collected on behalf of the SODO company.

OTHER OPERATING RECEIVABLES FROM OTHERS:		in EUR	
	31/12/2022	31/12/2021	
- on behalf of SODO for connecting power and superior services	38,353	40,714	
- for rents	4,022	3,368	
- to SODO for network charge and contributions	11,806	11,295	
- other receivables	348	4,701	
	<b>54,528</b>	<b>60,079</b>	
<b>Value adjustment</b>			
- value adjustment for network charge and connecting power	- 3,027	- 1,503	
- value adjustment for rents	- 3,795	- 3,368	
	<b>- 6,823</b>	<b>- 4,872</b>	

Maturity structure of receivables:

MATURITY STRUCTURE OF RECEIVABLES AT THE END OF THE YEAR:		in EUR	
	31/12/2022	31/12/2021	
Receivables not yet due	6,823,989	5,978,966	
Receivables due up to 30 days	183,194	118,216	
Receivables due from 31 to 60 days	594	1,871	
Receivables due from 61 to 90 days	3,699	261,424	
Receivables due from 91 to 365 days	1,822,045	479,850	
Receivables due over 365 days	0	1,797	
<b>Total</b>	<b>8,833,520</b>	<b>6,842,123</b>	

**Table 60: Maturity structure of receivables**

As at December 31 2022, maturity structure of receivables is as follows:

- 77.25% of outstanding receivables has not matured,
- 2.07% of receivables is overdue up to 30 days,
- 0.01% of receivables is overdue from 31 to 60 days and
- 20.67% of receivables is overdue more than 60 days, amounting to €1,825,744.

VALUE ADJUSTMENT OF SHORT-TERM OPERATING RECEIVABLES	in EUR	
	31/12/2022	31/12/2021
Balance 1.1.	307,027	360,461
Recovered written-off receivables	-6,462	-6,876
Final write-off of receivables	-83,573	-52,674
Formation of value adjustments in the year	55,807	6,116
<b>Balance 31.12.</b>	<b>272,799</b>	<b>307,027</b>

	Use and elimination				
	Balance 31.12.2021	New formation	Receivable write-off	Receivables recovered	Balance 31.12.2022
Value adjustment of trade receivables	265,202	52,795	79,723	5,255	233,019
Value adjustment of default interest receivables	36,954	62	3,737	321	32,958
Value adjustment of other short-term receivables	4,872	2,949	113	885	6,823
<b>Total value adjustment of receivables</b>	<b>307,027</b>	<b>55,807</b>	<b>83,573</b>	<b>6,462</b>	<b>272,799</b>

**Table 61: Allowances of short-term operating receivables**

Doubtful and disputed receivables were impaired according to the individual receivable and business partner. In 2022, the Company recognised 0.56% of receivable allowances. Of total short-term operating receivable allowances recognised in 2022, 2.10% was recovered and 27.22% 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 receivables for advance payments of corporate income tax in the amount of €492,380, for the refund of as yet unrecognized VAT receivables amounting to €15,919 and refundable salary substitutes of €55,012.

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.

## 2.9 Cash and cash equivalents

	in EUR	
	31/12/2022	31/12/2021
Cash in banks	887,022	6,160,041
<b>Total</b>	<b>887,022</b>	<b>6,160,041</b>

**Table 62: 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 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.

## 2.10 Short-term deferred costs and accrued income

	in EUR	
	31/12/2022	31/12/2021
VAT on advances received	1,007	1,071
Short-term deferred costs	121,269	24,165
Short-term accrued income	60,944	356,896
Vouchers	0	0
<b>Total</b>	<b>183,220</b>	<b>382,131</b>

**Table 63: Short-term deferred costs and accrued income**

These comprise VAT included in advances received, overpayments of network charge, and deferred costs of invoices received in 2022 for expenditure referring to the financial year 2023 (these are mostly license costs, contractual interest costs for long-term loans and other costs that are accrued monthly).

Company reports short-term accrued income from the DIGIT project, the first phase of which has been completed, and from this title the company also activated a fixed asset. Project is co-financed in the amount of 70% of the value by the European Union, the funds will be transferred in 2023. 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	Total
<b>Balance 1.1.2021</b>	<b>652</b>	<b>38,046</b>	<b>227,692</b>	<b>266,390</b>
Increase	1,508	1,101,490	356,906	1,459,904
Decrease	-1,089	-1,115,371	-227,702	-1,344,163
<b>Balance 31.12.2021</b>	<b>1,071</b>	<b>24,165</b>	<b>356,896</b>	<b>382,131</b>
Increase	1,800	1,121,334	60,954	1,184,088
Decrease	-1,863	-1,024,230	-356,906	-1,383,000
<b>Balance 31.12.2022</b>	<b>1,007</b>	<b>121,269</b>	<b>60,944</b>	<b>183,220</b>

Table 64: Movements in short-term deferred costs and accrued income

## 2.11 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.

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 2022 business year is negative and amounts to €1,547,196. Company allocated part of the carried forward net profit from 2022 (which amounts to €2,264,364) in the amount of €81,820 to cover the carried forward loss from previous years, caused by the elimination of actuarial losses in the amount of €81,820. In accordance

in EUR

	31/12/2022	31/12/2021
Share capital	110,465,795	110,465,795
Capital reserves	46,306,588	46,306,588
Statutory reserves	1,811,793	1,811,793
Other profit reserves	12,420,553	12,420,553
Fair value reserves	-612,468	-1,316,754
Retained earnings	635,348	0
Net profit for the financial year	0	4,518,431
<b>Total</b>	<b>171,027,609</b>	<b>174,206,406</b>

Table 65: Equity

with the competencies stipulated in the Companies Act (ZGD-1) and the Articles of Association, the Management Board allocated part of the net profit carried forward in 2022 to cover the current's year loss. Profit available for distribution in 2022 amounting to €635,348 consists of undistributed net profit generated in 2021.

According to the resolution of the General Meeting of Shareholders of June 27 2022, the Company allocated €2,254,068 of distributable profit of the financial year 2021 to dividends.

As at December 31 2022, the carrying amount of one share stands at **€9.11** (2021: €9.27).

Changes in equity in 2021 and 2022 are disclosed in the statement of changes in equity.

## 2.12 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 formed.

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 2022; 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 2022, 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; 6 percent growth in the average wage in the Republic of Slovenia, 4.5%, 3.5% for years 2023,2024 and 2025 onwards (2021: 3.0 percent), the annual percentage of salary growth in the electrical industry, the same as for the Company (in 2021. 3.0 percent), the employer's contribution rate of 16.1 percent and a 3.7686 percent discount rate for calculating the present value of the Company's future liabilities (2021: 0.9852 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 formed based on the differences reported by the actuary as at December 31 of each year and the balance in the accounting records.

### PROVISIONS

	in EUR	
	31/12/2022	31/12/2021
Balance 1.1.	5,252,176	5,409,436
Formation	302,617	338,586
Drawing	-185,663	-434,778
Derecognition and actuarial gains	-872,933	-61,068
<b>Balance 31.12.</b>	<b>4,496,197</b>	<b>5,252,176</b>

Table 66: Provisions

	v EUR		
	Provisions for long-service bonuses	Provisions for severance pay	Total
0.5% discount rate reduction	44,473	144,753	189,227
0.5% discount rate increase	-41,427	-133,486	-174,913
Wage growth by 0.5%	44,195	143,939	188,134
Wage drop by 0.5%	-41,562	-134,006	-175,567

Table 67: Sensitivity analysis 2022

	v 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 68: Sensitivity analysis 2021

Additional provisions of €302,617 (2021: €338,586) were set aside on account of: payroll costs amounting to €252,710 (2021: €320,357), interest expense of €49,908 (2021: €18,229), was not formed directly through equity in 2022 as an actuarial surplus was identified (same as

in 2021). Lower value of the additionally recognized provision arises from the higher discount rate used to calculate post-employment benefits. Company paid a total €185,663 of long-service bonuses and severance pay on retirement.

	in EUR		
	Severance pay	Long-service bonuses	Total post-employment benefits of employees
<b>Balance as of Jan 1 2021</b>	<b>4,180,948</b>	<b>1,228,488</b>	<b>5,409,436</b>
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
<b>Balance as of Dec 31 2021</b>	<b>4,079,789</b>	<b>1,172,387</b>	<b>5,252,176</b>
Current service costs	162,796	89,914	252,710
Past service cost	0	0	0
Interest expense	38,509	11,398	49,908
Post-employment benefits paid	-117,086	-68,577	-185,663
Actuarial surplus /loss	-702,416	-63,059	-765,474
Reversal	-98,477	-8,982	-107,459
<b>Balance as of Dec 31 2022</b>	<b>3,363,116</b>	<b>1,133,082</b>	<b>4,496,197</b>

Table 69: Movements in provisions for post-employment benefits

## LONG-TERM ACCRUED COSTS AND 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	Co-financing of EU projects DIGIT,STREAM	Other	Total
<b>Balance 1.1.2022</b>	<b>8,741,944</b>	<b>1,662,760</b>	<b>120,641</b>	<b>111,884</b>	<b>826,017</b>	<b>517,899</b>	<b>0</b>	<b>45,035</b>	<b>12,026,179</b>
Formation	29,771	0	0	0	0	35,572	150,670	0	216,013
Derecognition	0	0	0	0	-826,017	0	0	-2,403	-828,420
Drawing on revenue	-387,300	-110,299	-7,024	-16,563	0	-33,490	0	0	-554,677
<b>Balance 31.12.2022</b>	<b>8,384,415</b>	<b>1,552,460</b>	<b>113,617</b>	<b>95,320</b>	<b>0</b>	<b>519,981</b>	<b>150,670</b>	<b>42,632</b>	<b>10,859,096</b>

Table 70: Long-term accrued costs and deferred income

In 2022, the Company recognised €29,771 of additional deferred income on account of free-of-charge acquisition of energy facilities from legal and natural persons (2021: €1,869,231). 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). Based on the new Electricity Supply Act, the Company no longer recognizes newly acquired household connections as free assets.

In 2022, the Company received funds for support from European funds for the Eagle Owl project in the amount of €35,572 (2021: €164,724) and €150,670 of funds for DIGIT and STREAM projects. STREAM project refers to the introduction of flexibility services in the distribution network, and the DIGIT project (DSElektroDIS) refers to the establishment of an integration platform and data analytics system.

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 €427,814 (in 2021 it amounted to €401,575) 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 2021). 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 2022, which was recognised under other operating revenue (the same in 2021: €4,788).

In 2022, the Company eliminated the recognized 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 and the Company estimates with high certainty that these funds will have to be returned in full. For this purpose, the Company formed provisions in the amount of €197,806 as an expense in 2022 (in the amount of the calculated depreciation of the co-financed part of the assets, which was recognized as income in the past), it also internalised late interest for the received funds in the amount of €296,978.

Planned formation and drawing of long-term accrued items does not substantially deviate from their actual formation and drawing, expect for the formation of accrued costs from the return of funds received from cohesion, as mentioned in the previous paragraph.

## 2.13 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 incurrance, 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 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	
	31/12/2022	31/12/2021
<b>Long-term financial liabilities</b>		
Bank Sparkasse d.d.	0	0
Bank Intesa Sanpaolo	4,425,000	5,325,000
European Investment Bank	25,940,404	19,988,889
<b>Total long-term liabilities</b>	<b>30,365,404</b>	<b>25,313,889</b>
Short-term part of long-term liabilities	4,948,485	3,933,333
<b>Total</b>	<b>35,313,889</b>	<b>29,247,222</b>
<b>Total financial liabilities</b>	<b>35,313,889</b>	<b>29,247,222</b>

**Table 71: Long-term liabilities to banks**

Long-term financial liabilities are secured by bills (only a loan from Bank Intesa) and comprise borrowings that fall due after 2023. Ministry of Finance issues consent to the borrowings raised by the Company, after the most favourable bidder is selected and approved.

In May of the financial year, the Company took out an additional loan in the amount of €10,000,000 from the European Investment Bank.

All the borrowings mature by January 2034 at the latest. Value of borrowings that fall due over a period of more than five years from the reporting date amounts to €23,651,515. In 2021, the value of borrowings that matured over a period of more than five years from the reporting date amounted to €20,400,000.

Annual interest rates on eight borrowings are fixed ranging from 0.661% to 2.116%. Interest on borrowings is calculated and paid monthly or quarterly. Company's financial commitments are determined by contract between parties.

According to the measures taken by the government (Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices– ZUOPVCE OG RS No. 29/2022), the company Elektro Primorska, d.d., estimated that it will not fulfil the commitments (financial debt/EBITDA), specified in the loan agreements between the European Investment Bank (EIB) and Elektro Primorska, d.d. As a result of the negotiations, the parties signed a Letter of Waiver of

Rights and Amendments, with which the EIB waives its right to terminate the contract and at the same time repay

the entire remaining debt due to the borrower's violations of commitments, up to and including December 31, 2022.

## 2.14 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	
	31/12/2022	31/12/2021
Long-term lease liabilities	555,522	387,320
Short-term lease liabilities	261,990	55,943
<b>Total lease liabilities</b>	<b>817,511</b>	<b>443,262</b>

Table 72: Lease liabilities

Movements of the lease liabilities:

	in EUR	
	2022	2021
<b>Balance 01.01.</b>	<b>443,262</b>	<b>382,235</b>
Increase	634,702	113,639
Interests	13,796	7,946
Payment of rents	-274,173	-60,557
Decrease due to change in rental value	0	0
Derecognition	-76	0
<b>Balance 31.12.</b>	<b>817,511</b>	<b>443,262</b>

## 2.15 Short-term liabilities

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

	in EUR	
	31/12/2022	31/12/2021
<b>SHORT-TERM FINANCIAL LIABILITIES</b>		
Short-term part of long-term loans	4,948,485	3,933,333
Short-term revolving credit Nova KMB	900,000	0
<b>Total short-term financial liabilities to banks</b>	<b>5,848,485</b>	<b>3,933,333</b>
Dividend liabilities	5,229	5,229
Short-term lease liabilities	261,990	55,943
<b>Total short-term financial liabilities</b>	<b>6,115,704</b>	<b>3,994,505</b>
<b>SHORT-TERM OPERATING LIABILITIES</b>		
Liabilities to suppliers for fixed assets	3,012,583	3,622,215
Liabilities to suppliers for current assets	1,385,815	3,022,273
Liabilities for foreign account (SODO)	2,224,360	2,302,934
Liabilities to foreign suppliers	11,983	15,734
Liabilities for advances	8,109	12,473
<b>Total short-term operating liabilities to suppliers</b>	<b>6,642,849</b>	<b>8,975,630</b>
Liabilities to employees	1,656,218	1,930,846
Liabilities to state and other institutions	254,721	649,356
Other liabilities	1,445,712	147,380
<b>Total other short-term operating liabilities</b>	<b>3,356,650</b>	<b>2,727,582</b>
<b>Total short-term operating liabilities</b>	<b>9,999,500</b>	<b>11,703,211</b>
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>16,115,204</b>	<b>15,697,716</b>

Table 73: Short-term liabilities

Short-term liabilities to banks include instalments of long-term borrowings that mature in 2023.

Compared to the end of the previous year, operating liabilities decreased by €2,332,780 mostly on account of a decrease in supplier payables (by €2,328,417), payables to employees and the State decreased as well in total by €669,263 (mainly due to corporate income tax liabilities amounting to €492,380 for 2022, and not liabilities as in 2021: €579,830), and the decrease in liabilities to employees by €274,628, while increase in other liabilities stems from assignment (by €1,298,331).

Short-term liabilities to employees are payables for December wages and the 2022 performance bonus calculation (amounting to €232,879) in accordance with collective agreement. Final amount of the profit generated by the Company was recognised in the middle of March 2023, when SODO issued a preliminary statement for the financial year 2022. 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 2022. Payables to the State comprise value added tax, and liabilities to the State and other institutions on account of payroll taxes.

## 2.16 Short-term accrued costs and deferred income

	in EUR	
	31/12/2022	31/12/2021
VAT on advances given	1,914	1,914
Short-term deferred income	542,196	8,718
Accrued costs	1,956,609	760,556
<b>Total</b>	<b>2,500,719</b>	<b>771,188</b>

**Table 74: 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.

Short-term accrued costs in the amount of €542,196 refer to the preliminary settlement for 2022, which the company received in March 2023, consisting of a deficit of services

rendered in the amount of €3,865,149 and a surplus from charged energy infrastructure rents in the amount of €4,407,345.

In 2022, the Company set aside €628,201 of provisions on account of unutilised annual leave (2021: €716,367), while €7,611 (2021: €19,709) of provisions was recognised on account of interest payable on borrowings as at December 31 2022, for which the Company is expected to receive the invoice in 2023. Company recognized €1,320,797 in provisions from received European cohesion funds for meters (of which €826,017 refers to the elimination of provisions, €296,978 to accrued interest on late payment and €197,803 of provisions formed from past operations of recognized revenues of accrued depreciation), which the Company will have to return in 2023, when the final legal claim will be issued by the competent ministry.

	in EUR			
	VAT on advances given	Short-term deferred income	Accrued costs	Total
<b>Balance 1.1.2021</b>	<b>1,914</b>	<b>352,412</b>	<b>708,021</b>	<b>1,062,347</b>
Increase	0	8,718	758,278	766,997
Decrease	0	-352,412	-705,744	-1,058,156
<b>Balance 31.12.2021</b>	<b>1,914</b>	<b>8,718</b>	<b>760,556</b>	<b>771,188</b>
Increase	0	542,196	1,956,609	2,498,805
Decrease	0	-8,718	-760,556	-769,274
<b>Balance 31.12.2022</b>	<b>1,914</b>	<b>542,196</b>	<b>1,956,609</b>	<b>2,500,719</b>

**Table 75: 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. 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. Customer obtains control of the goods or services when they acquire 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 RES and SPTE contributions to its customers in its own name and for the account of SODO, d.o.o. 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 2022 are recognised based on the prices set for supplementary activities effective since November 11 2022. 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 statements issued or received.

### 3.1 Operating revenue

	in EUR	
	2022	2021
<b>Net sales</b>		
- from electricity	0	0
- from infrastructure rents	10,663,183	18,781,271
- from other rents	489,253	463,998
- from SODO d.o.o. services	18,975,192	19,403,822
- from other services	3,062,893	2,211,060
- from merchandise	109,800	111,432
<b>Total</b>	<b>33,300,321</b>	<b>40,971,583</b>
<b>Capitalized own products and services</b>	<b>9,411,775</b>	<b>11,562,494</b>
<b>Other operating revenues from:</b>		
- drawing on provisions	721,189	522,160
- sales of fixed assets	173,653	88,553
- recovered written-off receivables	1,934	7
- other revaluation revenues	19,855	9,615
- subsidies received	705,368	603,367
- compensation received	90,942	505,065
- other operating revenues	10,730	175,122
<b>Total</b>	<b>1,723,672</b>	<b>1,903,889</b>
<b>Total operating revenues</b>	<b>44,435,768</b>	<b>54,437,966</b>

Table 76: Operating revenue

#### 3.1.1 Net sales

Net sales revenues decreased by €7,671,262 compared to the previous year, mainly due to lower realized infrastructure rental revenues in 2022. Drop in income from this title is the result of the adopted Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices by the National Assembly on February 22, 2022. Act entered into force on March 5, 2022. Adoption of the Act has a major impact on the company's operations in 2022 (revenue loss amounts to €9,612,79). Company recognized €4,407,345 in negative income from the rental of infrastructure after the preliminary calculation for 2022 by SODO, d.o.o., and for the services rendered, a higher value was realized according to the preliminary calculation by €3,865,149. Revenues from other rents increased by €25,255 and services provided for the market by €851,833. However, revenues from the sale of merchandise decreases (sales of meters abroad amounted to €109,800, and in 2021 it amounted to €111,432).

Most of the revenues (in the amount of €44,325,968) were achieved in 2022 through sales on the domestic market, only sales of meters were achieved through sales abroad.

#### 3.1.2 Capitalised own effects

Company recognizes as capitalized own effects the services it performs for its own needs and capitalizes them among tangible and intangible long-term assets. In 2022, capitalised own effects decreased by €2,150,719. Lower value of realized capitalized own effects is the result of the adopted Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices, which entered into force on March 5, 2022. Company's management prepared an operational investment implementation plan, which reduced the planned investment volume to €17.4 million and then increased it by an additional €1 million. Most of them are revenues from new constructions of electricity infrastructure. Revenues from capitalized own products

represent capitalized labour costs in 59.34% (in the amount of €5,584,325), the rest are material costs (in the amount of €3,827,450).

### 3.1.3 Other operating revenue

Compared to the previous year, other operating revenue decreased by €180,217.

Revaluation operating revenues from the sale of fixed assets increased. Revenues from the sale of fixed assets relate to the surplus of the sales value over the carrying amount of fixed assets sold. In 2022, the Company sold two holiday facilities in Barbariga and reports €106,200 in revenue from this title. 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 2022. 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 and the Eurasian eagle-owl conservation project, all in the amount equal to the depreciation. Increase in subsidies received from the state (amounting €617,180 in 2022, of which €18,603 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 2022, they are down by €414,122 compared to the previous year.

	in EUR	
<b>Other operating revenues from drawing on provisions:</b>	<b>2022</b>	<b>2021</b>
Depreciation of fixed assets acquired free of charge	387,300	301,860
Depreciation of fixed assets built from av. connection costs	110,299	110,299
Use of provisions to co-finance the construction of energy facilities	7,024	7,024
Elimination of provisions for severance pay and long-service bonuses	170,517	61,068
Elimination of provisions for unused annual leave	21,568	41,909
Elimination of provisions for compensation claims	22,202	0
Elimination of other provisions	2,277	0
<b>Total</b>	<b>721,189</b>	<b>522,160</b>

**Table 77: 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 primary types, such as costs

of materials and services, labour costs, 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.

Year	Production cost	Sales costs	Cost of general activities	Total
2021	37.644.994	1.896.175	7.457.778	46.998.947
2022	36.491.330	2.680.949	7.588.667	46.760.946

**Table 78: Analysis of costs by functional groups**

Cost by type	in EUR	
	2022	2021
Cost of electricity and merchandise sold	89,700	89,848
Costs of material	6,998,903	7,581,769
Costs of services	5,256,968	6,384,279
Labour costs	19,002,156	18,903,654
Depreciation	14,427,452	13,561,528
Other operating costs	349,217	182,171
<b>Total</b>	<b>46,124,396</b>	<b>46,703,249</b>

**Table 79: Costs by primary types**

### 3.2.1 Cost of goods, materials and services

Cost of electricity and goods sold comprise €89,700 of the cost of merchandise sold (2021: €89,848). Value represents the purchase value of meters for sale on foreign markets. In 2022, 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 €6,058,938 (2021: €6,597,710); cost of fuel amounting to €459,767 (2021: €335,149); electricity consumed in the amount of €205,213 (2021: €176,883); office supplies amounting to €58,225 (2021: €58,337); cost of small tools amounting to €120,987 (2021: €229,862), 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 €1,523,628 (2021: €2,172,906); cost of health, advisory, legal and educational services, software and studies of total €656,181 (2021: €771,586); insurance premiums and banking charges amounting to €954,260 (2021: €1,152,755); cost of computer processing in the amount of €583,932 (2021: €751,535); telephone and postal services of €368,478 (2021: €460,571); and other costs incurred during ordinary operations such as membership fees, utility services, cleaning services and similar, amounting to €694,046 (2021: €1,076,050).

Cost of services in 2022 includes €98,613 of remuneration paid to six members of the Supervisory Board (2021: €94,867). Amount includes net payments, 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 and Audit Committee members in 2022:

YEAR 2022		in EUR (gross)					
Supervisory Board Member	Gross receipt	of which:					
		Supervisory Board appointment	Attendance fee - Supervisory Board	Travel reimbursement	Audit Committee appointment	Attendance fee - Audit Committee	Travel reimbursement
JULIJAN FORTUNAT	18,820	16,950	1,870				
DARKO LIČEN	17,730	12,430	1,595		2,825	880	
PAVEL REBERC	14,153	11,300	2,145	708			
JASNA KALŠEK	18,756	11,300	2,145	284	4,238	660	130
MARKO FIČUR	13,445	11,300	2,145				
VALDI MORATO	13,445	11,300	2,145				
ALEKSANDER IGLIČAR	7,046				5,650	1,100	296
<b>TOTAL</b>	<b>103,395</b>	<b>74,580</b>	<b>12,045</b>	<b>992</b>	<b>12,713</b>	<b>2,640</b>	<b>426</b>

Table 80: Remuneration of the Supervisory Board and Audit Committee members

In 2022, a total of €18,202 of remuneration was paid to other members of the Audit Committee. Of total cost of the audit, advisory and other financial services amounting to €101,632 (2021: €157,346) €16,800 was paid for the audit of the Annual Report.

Company	v EUR	
	Ernst&Young 2022	Ernst&Young 2021
Auditing the annual report	15,000	9,500
Other assurance services	1,800	1,800
Other non-audit services	0	200
<b>Total for audit company</b>	<b>16,800</b>	<b>11,500</b>

Table 81: Cost of the Annual Report audit

In 2022, the Company allocated €54,747 for advertising, sponsorships and hospitality (in 2021: €80,343).

### 3.2.2 Labour costs

	in EUR	
	2022	2021
<b>Labour costs</b>		
Salary costs	13,605,185	13,442,053
Costs of supplementary pension insurance	676,305	662,845
Costs of contributions and other benefits from salaries	2,204,382	2,211,400
Other labour costs	2,516,283	2,587,357
<b>Total</b>	<b>19,002,156</b>	<b>18,903,654</b>

Table 82: 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 €1,242,517 (2021: €1,278,447). Costs of the annual leave bonus amounted to €1,021,057 in 2022 (2021: €988,553).

A total of 477 employees received salary based on the collective agreement in 2022. Average number of employees in 2022 was 475, a decrease of six employees compared to the average headcount in 2021. In 2022, eight employees (in 2021, eight as well) received salary based on the employment contracts, which are not subject to the tariff part of the collective agreement, not including

President of the Management Board, who received a total of €664,641 in 2022 (in 2021: €637.335).

Gross remuneration paid to members of the Management Board in 2022:

	Fixed part of receipts	Reimbursement of costs	Bonuses - insurance premiums	Other receipts and other bonuses	Total
Blažica Uroš	104,621	1,555	116	8,232	114,524

in EUR

**Table 83: Gross remuneration paid to the Management Board in 2022**

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 tangible fixed 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 2022. Same depreciation rates were also applied in the financial year 2021.

	Depreciation rates in %:	
	2022	2021
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 84: Depreciation rates**

	in EUR	
	2022	2021
<b>Write-offs</b>		
Amortisation of intangible assets	2,020,070	1,733,684
Depreciation of facilities	6,047,041	5,928,236
Depreciation of equipment	6,085,940	5,835,079
Depreciation of investment property	9,007	8,838
Depreciation of the right to use assets	265,394	55,690
<b>Total depreciation and amortisation</b>	<b>14,427,452</b>	<b>13,561,528</b>
Revaluation expenses for:		
- intangible and tangible assets	267,753	279,194
- current assets	55,807	6,415
<b>Total revaluation expenses</b>	<b>323,560</b>	<b>285,609</b>
<b>Total write-offs</b>	<b>14,751,012</b>	<b>13,847,137</b>

Table 85: Write-offs

In 2022, the Company recognised €267,753 of revaluation expenses from intangible assets and property, plant and equipment (€225,776 refers to facilities, €41,977 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 €55,807 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	
	2022	2021
<b>Other operating expenses</b>		
Provisions for claims	197,803	0
<b>Total provisions</b>	<b>197,803</b>	<b>0</b>
Benefits, independent of profit or loss	37,545	42,069
Expenditure on environmental protection	92,172	92,369
Bonuses for students in practice	21,697	24,797
Other costs	0	22,936
<b>Total other costs</b>	<b>151,415</b>	<b>182,171</b>
<b>Total other operating expenses</b>	<b>349,217</b>	<b>182,171</b>

Table 86: Other operating expenses

Provisions for compensation claims refer to provisions for the return of received cohesion funds for measuring and control devices in the amount of €197,803 of the calculated depreciation of previous years.

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.

	in EUR	
	2022	2021
Financial revenue from the sale of company E 3, d.o.o.	0	8,427,983
Financial revenue from shares	44,547	4,026
Financial revenue from operating receivables	11,900	43,431
<b>Total</b>	<b>56,447</b>	<b>8,475,440</b>

**Table 87: Financial income**

Lower value of financial income is due to the sale of the subsidiary company E 3, d.o.o. in 2021. Company was sold for €14,950,000, the value of the investment was 6,522,017, while recognized revenue in this year amounted to €8,427,983. In 2022, higher financial income from shares, in the amount of €44,547, derived from the received shares in the company Informatika, d.d., in

the amount of € 35,786 and calculated dividends from financial investments of Zavarovalnica Triglav, d.d., in the amount of €8,762 (in 2021: €4,026).

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 2022.

### 3.4 Financial expenses

	in EUR	
	2022	2021
Expenses from loans received from banks	231,769	165,157
Expenses from other financial liabilities	360,682	26,175
Expenses from operating liabilities	546	1,024
<b>Total</b>	<b>592,997</b>	<b>192,356</b>

**Table 88: Financial expenses**

Financial expenses from liabilities to banks are higher 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 (value of capitalized interest in 2022 amounts to €136,142, in 2021 it amounted to €85,412).

Expenses from other financial liabilities comprise accrued interest until December 31 2022 for unduly received funds from Cohesion (in the amount of €296,978), interest from actuarial calculations (€49,908) and lease liabilities (€13,796).

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 2022, the Company did not generate any extraordinary revenues.

	v EUR	
	2022	2021
Other revenues	0	33
<b>Total</b>	<b>0</b>	<b>33</b>

Table 89: Other income

Other income and expenses arise from events or transactions that do not occur regularly or frequently.

### 3.6 Other expenses

	v EUR	
	2022	2021
Compensation	825	8,177
Other expenses	42,728	95,164
<b>Total</b>	<b>43,553</b>	<b>103,342</b>

Table 90: Other expenses

Other expenses comprise donations of total €4,733 (2021: €60,824), and other expenses not indispensable for business in the amount of €37,995, the rest are expenses for compensations of €825 (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

Company did not calculate income tax for 2022, as it shows a tax loss in the amount of €1,686,526 (2021: €1,077,295 income tax).

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 directly in equity.

CALCULATION OF CORPORATE INCOME TAX FOR 2022		in EUR	
	2022	2021	
<b>Pre-tax profit / loss</b>	<b>-2,592,291</b>	<b>15,628,883</b>	
Revenues that reduce the tax base	-132,829	-4,258,174	
Expenditures that increase the tax base	828,918	1,021,357	
Expenditures that decrease the tax base	-140,840	-122,693	
Reduction of the tax base on the basis of relief	0	-6,839,679	
Other	350,516	240,277	
<b>Tax base</b>	<b>-1,686,526</b>	<b>5,669,972</b>	
Tax rate	19%	19%	
<b>Income tax</b>	<b>0</b>	<b>-1,077,295</b>	
<b>Effective current tax rate</b>	<b>0.00%</b>	<b>6.89%</b>	
Increase /decrease in deferred tax	1,045,094	-236,871	
<b>Effective tax rate</b>	<b>40.32%</b>	<b>8.41%</b>	

Table 91: Calculation of corporate income tax

As at December 31 2022, the Company has no liability for income tax, as it has a tax loss of €1,686,526 (2021: €1,077,295 income tax liabilities for taxable profit of €5,669,972). In 2022, the Company did not utilise €3,985,380 of investment relief (2021: €5,799,681), which it will draw on in the coming years, as the Company expects taxable profits. Also, in 2022, it did not utilise the relief for the voluntary supplementary pension insurance in the amount of €677,355 (2021: €650,892); €312,494 of relief for

employment of persons with disabilities (2021: €318,479); and other relief amounting in total to €14,182 (2021: €70,626), which are all non-transferable to subsequent periods. On this basis, in 2022, the Company formed deferred taxes for unused investment relief in the amount of €757,222 and €320,440 of deferred taxes for tax losses in 2022 (in 2021, it had no recognized deferred taxes from this title).

	2022		2021	
	rate	amount	rate	amount
<b>Ratio between actual and calculated tax rate</b>				
<b>Pre-tax profit / loss</b>		<b>-2,592,291</b>		<b>15,628,883</b>
Income tax using the official rate	19.00%	0	19.00%	2,969,488
<b>Amounts that negatively affect the tax base</b>		<b>228,314</b>	<b>0</b>	<b>247,691</b>
- amount from the decrease of expenses to the level of tax deductible expenses		157,494		194,058
- amount from the increase of income to the level of taxable income		0		0
- exemption of expenses, for exempt dividends		540		40,071
- change in the method of accounting		70,280		13,562
<b>Amounts that positively affect the tax base</b>		<b>56,219</b>		<b>840,345</b>
- amount from the increase of expenses to the level of tax deductible expenses		26,760		23,312
- amount from the decrease of revenues to the level of taxable income		25,238		809,053
- change due to the transition to anew method of accounting (change in the tax base for already taxed post-employment benefits)		4,222		7,980
- error elimination of the previous period		0		0
<b>Tax relief</b>		<b>0</b>		<b>1,299,539</b>
used to reduce tax liabilities		0		1,299,539
<b>Current tax</b>	<b>0.00%</b>	<b>0</b>	<b>6.89%</b>	<b>-1,077,295</b>
Increase/decrease in deferred tax		1,045,094		-236,871
<b>Tax in the income statement</b>	<b>40.32%</b>	<b>1,045,094</b>	<b>8.41%</b>	<b>-1,314,166</b>

Table 92: Reconciliation of taxes for the financial year

Corporate income tax and deferred taxes in 2022:

TAX EXPENSE DISCLOSED IN THE INCOME STATEMENT	in EUR	
	2022	2021
Tax of the current year	0	-1,077,295
Deferred tax assets/liabilities	1,045,094	-236,871
Other taxes not included in other items		
<b>Tax expense charged to the result</b>	<b>1,045,094</b>	<b>-1,314,166</b>

**Table 93: Corporate income tax and deferred taxes**

CHANGES IN DEFERRED TAXES RECOGNIZED IN THE INCOME STATEMENT	in EUR	
	2022	2021
<b>Balance as of Jan 01</b>	<b>517,166</b>	<b>754,036</b>
Provisions	-26,064	6,602
Receivables	-6,503	-10,152
Unused tax relief	757,222	-233,320
Investment impairment	320,440	0
<b>Changes in deferred tax assets/liabilities</b>	<b>1,045,094</b>	<b>-236,871</b>
<b>Balance as of Dec 31</b>	<b>1,562,260</b>	<b>517,166</b>

CHANGES IN DEFERRED TAXES RECOGNIZED IN EQUITY	in EUR	
	2022	2021
<b>Balance as of Jan 01</b>	<b>147,111</b>	<b>168,653</b>
Change in revaluation of deferred tax on provisions	-74,502	-21,542
Receivables	0	0
Tax losses	0	0
<b>Changes in deferred tax assets/liabilities</b>	<b>-74,502</b>	<b>-21,542</b>
<b>Balance as of Dec 31</b>	<b>72,609</b>	<b>147,111</b>

**Table 94: Changes in deferred taxes**

### 3.8 Net profit or loss

	in EUR	
	2022	2021
Operating result	-2,012,188	7,449,108
Financial result	-536,550	8,283,084
Result from extraordinary operations	-43,553	-103,309
Pre-tax profit	-2,592,291	15,628,883
Corporate income tax	0	-1,077,295
Deferred tax assets	1,045,094	-236,871
<b>Net profit or loss</b>	<b>-1,547,196</b>	<b>14,314,717</b>

Table 95: Net profit or loss

### 3.9 Total comprehensive income for the period

Total comprehensive income for the period amounts to €924,729 (2021: €14,452,032) and consists of €5,446 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 €627,913 (elimination of the amount of actuarial earnings in 2022 in the amount of €702,416 and the formed amount of value adjustments of revaluation surpluses for deferred actuarial earnings taxes in the amount of €74,502).

		in EUR	
	note	2022	2021
<b>20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>3.9.</b>	<b>-1,547,196</b>	<b>14,314,717</b>
Reserves arising from fair value measurement		-5,446	16,102
Other components of comprehensive income net effect		627,913	121,212
Actuarial gains/losses on provisions for severance pay		702,416	142,754
Effect of deferred tax on actuarial gains/losses on provisions for severance pay		-74,502	-21,542
<b>Total comprehensive income of the accounting period</b>		<b>-924,729</b>	<b>14,452,032</b>

Table 96: 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 (2016) 22.6. 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 2022 by €9,752,144 compared to 2021, mostly on account of a drop in operating revenues from network use and reduction in services rendered on behalf of SODO, d.o.o. Majority of receipts from operating activities stem from services based on the contract concluded with SODO, d.o.o., 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 €2,681,469, mainly on account of lower 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 2022, the Company realized €16,962,394 lower 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 in 2021.

### 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. For investment purposes, the Company realized €3,911,710 less expenditure. Expenditures for capitalised own labour costs are not taken into account here.

### 4.5 Proceeds from financing

Receipts from the financing activities are amounts remitted to the long-term and short-term borrowings. In 2022, the Company withdrew €18,400,000 of an approved short-term revolving credit and received a new tranche of a long-term EIB loan of €10,000,000.

### 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 (€21,433,333) refer to the repayment of long-term and short-term borrowings of which €17,500,000 refers to repayment of a short-term revolving credit and €3,933,333 to repayment of current amounts of long-term investment borrowings. Financing expenses include dividends paid in 2021 in the amount of €2,254,068.

### 4.7 Net cash for the period

Company generated €92,860,399 of cash inflows in 2022 (2021: €99,874,937) and €98,133,417 of cash outflows (2021: €95,552,529). 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 2022 is negative cash result of €5,273,018 (2021: positive cash result of €4,322,408).

Company notes positive cash result from operating activities in the amount of €6,765,576. Cash result in investing activities is negative amounting to €16,409,016 and is a result of major investment activity, while cash result for financing activities of €4,370,421 is positive and a result of loans received.

## 5. Disclosure of Related Party Transactions

Company reports receivables from and liabilities to the following related parties:

- Informatika, d.d., Maribor (12.97% equity holding),
- Stelkom, d.o.o., Ljubljana (3.84% holding), E 3, d.o.o., Nova Gorica, sale of company was executed on January 5, 2022.
- As at December 31 2022, Elektro Primorska, d.d., reports the following receivables from and liabilities to its related parties:

in EUR		
<b>Receivables:</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Receivables from company Stelkom, d.o.o.	52,219	67,810
<b>Total</b>	<b>52,219</b>	<b>67,810</b>

in EUR		
<b>Liabilities:</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Liabilities to Informatika, d.d.	777,477	174,049
<b>Total</b>	<b>777,477</b>	<b>174,049</b>

**Table 97: Receivables and liabilities**

Elektro Primorska, d.d., recognised the following revenues and expenses from transactions with its related parties in the 2022 income statement:

- Informatika, d.d., Maribor (12.97% equity holding),
- Stelkom, d.o.o., Ljubljana (3.84% holding),

in EUR		
<b>Revenues:</b>	<b>2022</b>	<b>2021</b>
Net sales of services and goods E3, d.o.o.	0	23,299
Net sales Stelkom, d.o.o.	128,952	134,246
Net sales Knešca d.o.o.	0	9
Financial revenue from shares	0	0
Default interest Stelkom d.o.o.	551	92
<b>Total</b>	<b>129,503</b>	<b>157,646</b>

in EUR		
<b>Expenditure:</b>	<b>2022</b>	<b>2021</b>
Costs of purchasing materials and services E3, d.o.o.	0	3,069
Costs of services Informatika d.d.	703,647	848,236
<b>Total</b>	<b>703,647</b>	<b>851,305</b>

**Table 98: 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.

Company also shows €8,823,965 in the current value of the electricity infrastructure owned by the SODO company, which was transferred to the SODO company based on a mutual agreement on handover and takeover, financed from the funds of the average connection costs and the sales contract.

	in EUR	
	31/12/2022	31/12/2021
Current value of assets owned by SODO	8,823,965	9,378,359
Bank guarantees issued	126,947	126,947
Other off-balance sheet records	106,395	1,268,520
<b>Total</b>	<b>9,057,307</b>	<b>10,773,826</b>

Table 99: 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 internal 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.

Rest of the information is provided in the chapter on the risk management of Elektro Primorska.

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## 8. Events after the Balance Sheet Date

Even in 2023, inflationary expectations are not abating, which will result in higher costs in the areas of materials, energy products and services. We can also expect pressures on wage growth due to the influence of pressures from the labour market and the lack of personnel. Borrowing prices on the debt capital market are stabilizing with the latest monetary measures, but in 2023 the ECB's measures to raise interest rates are still to be expected.

All the mentioned facts will have an impact on the company's operations due to higher costs of materials and services in the maintenance and investment segment, the effects will also be visible in higher labour costs and higher financial expenses due to more expensive debt sources of financing investments.

After the balance sheet date (December 31, 2022) and until the date of acceptance of the annual report (April 24, 2023), the company from SODO, d.o.o., received the preliminary settlement for the regulatory year 2022.

Preliminary settlement for the year 2022 is carried out on the basis of unaudited financial statements and also takes into account the provision on the reduced recognized rate of return for the year 2022 (revenue loss amounts to €9,612,793), as defined in the Legal Act on the methodology for determining the regulatory framework for the electricity distribution system (Official Gazette RS 123/22 2/23 – amend.). From the preliminary calculation, it appears that in 2022 the contractual value of services and the rental of electricity infrastructure was already charged for a total of € 542,196 (an overcharge of rent in the amount of €4,407,345 and an undercharge of services in the amount of €3,865,149, considering the value of advance payments paid in the year), higher than the value established on the basis of the preliminary calculation. On this basis, in 2022 the Company increased revenues from services under the contract with SODO, d.o.o., in the amount of €3,865,149 and reduced the value of revenues from the rental of energy infrastructure in the amount of € 4,407,345.

## 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 disclosures 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, 2022.

### 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 service costs	consumption of material and services of the activity x 100
		total consumption of material and services

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 or loss are changing.

### 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.

## 9.4 Sub-balance sheet according to the Energy Act as at December 31 2022

	in EUR			
	ED infrastructure and services for SODO	Market activities	Total	Criterion for allocating joint activities
<b>Assets</b>				
<b>A. Long-term assets:</b>				
<b>I. Intangible assets and long-term accrued and deferred asset items</b>	<b>3,293,795</b>	<b>11,380</b>	<b>3,305,176</b>	
1. Long-term rights	3,235,255	11,331	3,246,586	key 2
2. Other long-term accrued and deferred asset items	58,540	50	58,590	key 2
3. Intangible assets in acquisition	0	0	0	key 2
<b>II. Tangible fixed assets</b>	<b>215,180,431</b>	<b>1,401,584</b>	<b>216,582,015</b>	
1. Land	4,986,400	681,682	5,668,082	key 2
2. Buildings	137,560,551	542,894	138,103,445	key 2
3. Equipment	64,510,359	93,639	64,603,998	key 2
4. Right to use the asset	722,798	81,721	804,519	key 2
5. Fixed assets in acquisition	7,400,322	1,649	7,401,971	key 2
a.) fixed assets in construction and production	7,400,322	1,649	7,401,971	key 2
b.) Advances for acquisition of fixed assets	0	0	0	
<b>III. Investment property</b>	<b>0</b>	<b>238,110</b>	<b>238,110</b>	key 2
<b>IV. Long-term financial investments</b>	<b>280,674</b>	<b>16,743</b>	<b>297,417</b>	
1. Shares and stakes in group companies	0	0	0	key 1
2. Other shares and stakes	280,674	16,743	297,417	key 1
<b>V. Long-term operating receivables</b>	<b>1,813,488</b>	<b>16,249</b>	<b>1,829,738</b>	
1. Long-term trade receivables	1,796,974	0	1,796,974	
2. Long-term receivables due from others	16,515	16,249	32,764	key 1
<b>VI. Deferred tax assets</b>	<b>1,591,036</b>	<b>43,833</b>	<b>1,634,869</b>	key 1, 3
<b>Total long-term assets</b>	<b>222,159,425</b>	<b>1,727,900</b>	<b>223,887,325</b>	
<b>B. Short-term assets:</b>				
<b>II. Stocks</b>	<b>1,379,677</b>	<b>130,013</b>	<b>1,509,690</b>	
1. Material	1,379,677	130,013	1,509,690	key 1, 4
<b>III. Short-term financial investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	
1. Short-term loans to others	0	0	0	key 1
<b>IV. Short-term operating receivables</b>	<b>8,934,899</b>	<b>517,595</b>	<b>9,452,494</b>	
2. Operating trade receivables	8,383,521	457,951	8,841,472	key 3
3. Operating receivables due from others	551,378	59,644	611,022	key 3
<b>V. Denarna sredstva</b>	<b>2,138,759</b>	<b>3,025,782</b>	<b>887,022</b>	key 3
<b>Total short-term assets</b>	<b>8,175,817</b>	<b>3,673,389</b>	<b>11,849,206</b>	
<b>C. Short-term accrued and deferred asset items</b>	<b>178,666</b>	<b>4,553</b>	<b>183,220</b>	key 3
<b>TOTAL ASSETS</b>	<b>230,513,908</b>	<b>5,405,843</b>	<b>235,919,751</b>	

Table 100: Sub-balance sheet (assets) according to the Energy Act as at December 31 2022

in EUR

Liabilities	ED infrastructure and services for SODO	Market activities	Total	Criterion for allocating joint activities
<b>A. Capital:</b>				
<b>I. Called-up capital</b>	<b>107,572,291</b>	<b>2,893,503</b>	<b>110,465,795</b>	
1. Share capital	107,572,291	2,893,503	110,465,795	
<b>II. Capital reserves</b>	<b>45,885,198</b>	<b>421,390</b>	<b>46,306,588</b>	
<b>III. Profit reserves</b>	<b>14,111,388</b>	<b>120,958</b>	<b>14,232,346</b>	
1. Statutory 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	
<b>IV. Revaluation surplus</b>	<b>-577,988</b>	<b>-34,479</b>	<b>-612,468</b>	key 1
<b>V. Net profit or loss from previous periods</b>	<b>-492,100</b>	<b>1,127,448</b>	<b>635,348</b>	
<b>VI. Net profit or loss for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total capital</b>	<b>166,498,790</b>	<b>4,528,819</b>	<b>171,027,609</b>	
<b>B. Provisions and long-term accrued and deferred liability items</b>	<b>15,314,797</b>	<b>40,496</b>	<b>15,355,293</b>	
1. Provisions	4,463,148	33,049	4,496,197	key 1
2. Long-term accrued and deferred liability items	10,851,649	7,447	10,859,096	
<b>C. Long-term liabilities</b>	<b>30,792,045</b>	<b>128,881</b>	<b>30,920,926</b>	
<b>I. Long-term financial liabilities</b>	<b>30,792,045</b>	<b>128,881</b>	<b>30,920,926</b>	
1. Long-term financial liabilities to banks	30,365,404	0	30,365,404	
3. Other long-term financial liabilities	426,641	128,881	555,522	
<b>Ĉ. Short-term liabilities</b>	<b>15,422,305</b>	<b>692,899</b>	<b>16,115,204</b>	
<b>I. Short-term financial liabilities</b>	<b>6,049,282</b>	<b>66,421</b>	<b>6,115,704</b>	
1. Short-term financial liabilities to banks	5,797,819	50,666	5,848,485	
2. Other short-term financial liabilities	251,464	15,755	267,219	key 1
<b>II. Short-term operating liabilities</b>	<b>9,373,023</b>	<b>626,477</b>	<b>9,999,500</b>	
2. Short-term operating liabilities to suppliers	6,339,603	295,137	6,634,740	key 2, 5
3. Short-term operating liabilities based on advances	6,414	1,696	8,109	key 3
4. Other short-term operating liabilities	3,027,006	329,645	3,356,650	key 1
<b>Total liabilities</b>	<b>61,529,147</b>	<b>862,275</b>	<b>62,391,423</b>	
<b>D. Short-term accrued and deferred liability items</b>	<b>2,485,971</b>	<b>14,748</b>	<b>2,500,719</b>	key 3
<b>TOTAL LIABILITIES</b>	<b>230,513,908</b>	<b>5,405,843</b>	<b>235,919,751</b>	

Table 101: Sub-balance sheet (equity and liabilities) according to the Energy Act as at December 31 2022

## 9.5 Sub-balance sheet according to the Energy Act as at December 31 2021

	ED infrastructure and services for SODO	Market activities	Total	Criterion for allocating joint activities
in EUR				
<b>Assets</b>				
<b>A. Long-term assets:</b>				
<b>I. Intangible assets and long-term accrued and deferred asset items</b>	<b>5,907,011</b>	<b>9,420</b>	<b>5,916,432</b>	
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
<b>II. Tangible fixed assets</b>	<b>209,476,198</b>	<b>1,414,460</b>	<b>210,890,658</b>	
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.) fixed assets in construction and production	6,798,329	154	6,798,483	key 2
b.) Advances for acquisition of fixed assets	2,849	0	2,849	
<b>III. Investment property</b>	<b>0</b>	<b>243,700</b>	<b>243,700</b>	<b>key 2</b>
<b>IV. Long-term financial investments</b>	<b>291,657</b>	<b>11,206</b>	<b>302,864</b>	
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
<b>V. Long-term operating receivables</b>	<b>17,521</b>	<b>16,017</b>	<b>33,538</b>	
1. Long-term trade receivables	0	0	0	
2. Long-term receivables due from others	17,521	16,017	33,538	key 1
<b>VI. Deferred tax assets</b>	<b>637,674</b>	<b>26,602</b>	<b>664,277</b>	<b>key 1, 3</b>
<b>Total long-term assets</b>	<b>216,330,062</b>	<b>1,721,406</b>	<b>218,051,468</b>	
<b>B. Short-term assets:</b>				
<b>I. Short-term assets for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>key 1</b>
<b>II. Stocks</b>	<b>1,368,165</b>	<b>72,268</b>	<b>1,440,433</b>	
1. Material	1,368,165	72,268	1,440,433	key 1, 4
2. Incomplete services	0	0	0	
3. Products and merchandise	0	0	0	
<b>III. Short-term financial investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	
1. Short-term loans to others	0	0	0	key 1
<b>IV. Short-term operating receivables</b>	<b>7,030,932</b>	<b>589,869</b>	<b>7,620,801</b>	
1. Operating receivables due from group companies	0	0	0	key 3
2. Operating trade receivables	6,318,662	534,991	6,853,653	key 3
3. Operating receivables due from others	712,270	54,878	767,149	key 3
<b>V. Monetary assets</b>	<b>3,984,673</b>	<b>2,175,368</b>	<b>6,160,041</b>	<b>key 3</b>
<b>Total short-term assets</b>	<b>12,383,770</b>	<b>2,837,505</b>	<b>15,221,275</b>	
<b>C. Short-term accrued and deferred asset items</b>	<b>380,940</b>	<b>1,192</b>	<b>382,131</b>	<b>key 3</b>
<b>TOTAL ASSETS</b>	<b>229,094,771</b>	<b>4,560,103</b>	<b>233,654,874</b>	

Table 102: Sub-balance sheet (assets) according to the Energy Act as at December 31 2021

in EUR

	ED infrastructure and services for SODO	Market activities	Criterion for allocating Total joint activities
<b>Liabilities</b>			
<b>A. Capital:</b>			
<b>I. Called-up capital</b>	<b>107,572,291</b>	<b>2,893,503</b>	<b>110,465,795</b>
1. Share capital	107,572,291	2,893,503	110,465,795
<b>II. Capital reserves</b>	<b>45,885,198</b>	<b>421,390</b>	<b>46,306,588</b>
<b>III. Profit reserves</b>	<b>14,111,388</b>	<b>120,958</b>	<b>14,232,346</b>
1. Statutory 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
5. Other profit reserves	12,308,292	112,261	12,420,553
<b>IV. Revaluation surplus</b>	<b>-1,268,033</b>	<b>-48,721</b>	<b>-1,316,754</b>
<b>V. Net profit or loss from previous periods</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VI. Net profit or loss for the period</b>	<b>3,942,148</b>	<b>576,283</b>	<b>4,518,431</b>
<b>Total capital</b>	<b>170,242,993</b>	<b>3,963,413</b>	<b>174,206,406</b>
<b>B. Provisions and long-term accrued and deferred liability items</b>	<b>17,232,392</b>	<b>45,964</b>	<b>17,278,355</b>
1. Provisions	5,214,067	38,109	5,252,176
2. Long-term accrued and deferred liability items	12,018,325	7,854	12,026,179
<b>C. Long-term liabilities</b>	<b>25,611,028</b>	<b>90,181</b>	<b>25,701,209</b>
<b>I. Long-term financial liabilities</b>	<b>25,611,028</b>	<b>90,181</b>	<b>25,701,209</b>
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
<b>Č. Short-term liabilities</b>	<b>15,254,927</b>	<b>442,789</b>	<b>15,697,716</b>
<b>I. Short-term financial liabilities</b>	<b>3,991,206</b>	<b>3,299</b>	<b>3,994,505</b>
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
<b>II. Short-term operating liabilities</b>	<b>11,263,721</b>	<b>439,490</b>	<b>11,703,211</b>
1. Short-term operating liabilities to group companies	0	0	0
2. Short-term operating liabilities to suppliers	8,628,429	334,728	8,963,157
3. Short-term operating liabilities based on advances	6,556	5,917	12,473
4. Other short-term operating liabilities	2,628,737	98,845	2,727,582
<b>Total liabilities</b>	<b>58,098,347</b>	<b>578,933</b>	<b>58,677,280</b>
<b>D. Short-term accrued and deferred liability items</b>	<b>753,431</b>	<b>17,757</b>	<b>771,188</b>
<b>TOTAL LIABILITIES</b>	<b>229,094,771</b>	<b>4,560,103</b>	<b>233,654,874</b>

Table 103: Sub-balance sheet (equity and liabilities) according to the Energy Act as at December 31 2021

## 9.6 Profit or loss account according to the Energy Act for the year 2022

				in EUR
2022	ED infrastructure and services for SODO	Market activities	Total	Criterion for allocating joint activities
<b>1. Net sales revenue</b>	<b>29,670,751</b>	<b>3,629,570</b>	<b>33,300,321</b>	
a. on the domestic market	29,670,751	3,519,770	33,190,521	key 3
b. on the foreign market		109,800	109,800	
<b>2. Change in incomplete services</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>3. Capitalized own products and services</b>	<b>9,410,187</b>	<b>1,587</b>	<b>9,411,775</b>	
<b>4. Other operating revenues</b>	<b>1,530,042</b>	<b>193,629</b>	<b>1,723,672</b>	key 1, 2
<b>5. Costs of goods, material, and services</b>	<b>-10,056,866</b>	<b>-2,288,705</b>	<b>-12,345,571</b>	
a. costs of goods sold and material used	-5,239,553	-1,849,050	-7,088,603	key 1, 5
b. costs of services	-4,817,313	-439,655	-5,256,968	key 2, 5
<b>6. Labour costs</b>	<b>-18,109,041</b>	<b>-893,114</b>	<b>-19,002,156</b>	
a. cost of wages and salaries	-12,937,082	-668,103	-13,605,185	key 1
b. costs of supplementary pension insurance for employees	-664,601	-11,704	-676,305	key 1
c. social security cost	-2,097,805	-106,578	-2,204,382	key 1
č. other labour costs	-2,409,554	-106,729	-2,516,283	key 1
<b>7. Amortization/depreciation expense</b>	<b>-14,700,139</b>	<b>-50,873</b>	<b>-14,751,012</b>	
a. depreciation	-14,377,432	-50,020	-14,427,452	key 2
b. operating expenses from revaluation of intangible and tangible fixed assets	-267,658	-96	-267,753	key 2
c. operating expenses from revaluation of operating current assets	-55,049	-757	-55,807	key 3
<b>8. Other operating expenses</b>	<b>-339,505</b>	<b>-9,713</b>	<b>-349,217</b>	key 1
<b>9. Financial revenues from shares</b>	<b>42,039</b>	<b>2,508</b>	<b>44,547</b>	
a. in group companies	0	0	0	key 1
b. in other companies	42,039	2,508	44,547	key 1
<b>10. Financial revenues from given loans</b>	<b>0</b>	<b>0</b>	<b>0</b>	
a. to others	0	0	0	key 1
<b>11. Financial revenues from operating receivables</b>	<b>8,105</b>	<b>3,795</b>	<b>11,900</b>	
a. due from others	8,105	3,795	11,900	key 3
<b>12. Financial expenses from impairments and financial investment write-offs</b>	<b>0</b>	<b>0</b>	<b>0</b>	key 6
<b>13. Financial expenses from financial liabilities</b>	<b>-580,046</b>	<b>-12,405</b>	<b>-592,451</b>	
a. from loans, received from banks	-231,405	-364	-231,769	
b. from other operating liabilities	-348,641	-12,041	-360,682	key 5
<b>14. Financial expenses from operating liabilities</b>	<b>-489</b>	<b>-56</b>	<b>-546</b>	
a. from accounts and bills payable	-292	-13	-305	key 5
b. from other operating liabilities	-197	-43	-241	key 5
<b>15. Other revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	key 1
<b>16. Other expenses</b>	<b>-41,466</b>	<b>-2,087</b>	<b>-43,553</b>	key 1
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	-3,166,427	574,136	-2,592,291	
<b>17. Income tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>18. Deferred taxes</b>	<b>936,566</b>	<b>108,528</b>	<b>1,045,094</b>	key 1, 2, 3
<b>19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>-2,229,861</b>	<b>682,665</b>	<b>-1,547,196</b>	

Table 104: Profit or loss account according to the Energy Act for the year 2022

## 9.7 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
<b>1. Net sales revenue</b>	<b>38,315,020</b>	<b>2,656,563</b>	<b>40,971,583</b>	
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	
<b>2. Change in incomplete services</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>3. Capitalized own products and services</b>	<b>11,560,100</b>	<b>2,395</b>	<b>11,562,494</b>	
<b>4. Other operating revenues</b>	<b>1,832,060</b>	<b>71,829</b>	<b>1,903,889</b>	key 1, 2
<b>5. Costs of goods, material, and services</b>	<b>-12,415,541</b>	<b>-1,640,356</b>	<b>-14,055,897</b>	
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
<b>6. Labour costs</b>	<b>-18,310,956</b>	<b>-592,698</b>	<b>-18,903,654</b>	
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
<b>7. Amortization/depreciation expense</b>	<b>-13,794,434</b>	<b>-52,703</b>	<b>-13,847,137</b>	
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
<b>8. Other operating expenses</b>	<b>-172,305</b>	<b>-9,866</b>	<b>-182,171</b>	key 1
<b>9. Financial revenues from shares</b>	<b>8,120,014</b>	<b>311,995</b>	<b>8,432,009</b>	
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
<b>10. Financial revenues from given loans</b>	<b>0</b>	<b>0</b>	<b>0</b>	
a. to others	0	0	0	key 1
<b>11. Financial revenues from operating receivables</b>	<b>42,900</b>	<b>531</b>	<b>43,431</b>	
a. due from others	42,900	531	43,431	key 3
<b>13. Financial expenses from financial liabilities</b>	<b>-187,201</b>	<b>-4,131</b>	<b>-191,332</b>	
a. from loans, received from banks	-164,890	-266	-165,157	
b. from other operating liabilities	-22,311	-3,864	-26,175	key 5
<b>14. Financial expenses from operating liabilities</b>	<b>-917</b>	<b>-107</b>	<b>-1,024</b>	
a. from accounts and bills payable	-384	-38	-422	key 5
b. from other operating liabilities	-533	-69	-602	key 5
<b>15. Other revenues</b>	<b>33</b>	<b>0</b>	<b>33</b>	key 1
<b>16. Other expenses</b>	<b>-99,542</b>	<b>-3,800</b>	<b>-103,342</b>	key 1
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	14,889,231	739,652	15,628,883	
<b>17. Income tax</b>	<b>-974,863</b>	<b>-102,431</b>	<b>-1,077,295</b>	
<b>18. Deferred taxes</b>	<b>-225,677</b>	<b>-11,194</b>	<b>-236,871</b>	key 1, 2, 3
<b>19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>13,688,691</b>	<b>626,026</b>	<b>14,314,717</b>	

Table 105: Profit or loss account according to the Energy Act for the year 2021

## 9.8 Cash flow statement according to the Energy Act for the year 2022

in EUR

EP d.d., Nova Gorica	ED infrastructure and services for SODO	Market activities	Total EP	Criterion for allocating joint activities
<b>A. OPERATING CASH-FLOW</b>				
<b>1. Operating receipts</b>	<b>59,891,561</b>	<b>4,315,313</b>	<b>64,206,874</b>	
a. Receipts from sales of products and services	33,825,035	4,123,661	37,948,696	K-1, K-3, K-4, K-5
b. Other operating receipts	26,066,526	191,653	26,258,179	K-1, K-2, K-3, K-5
<b>2. Operating expenditure</b>	<b>-53,974,917</b>	<b>-3,466,382</b>	<b>-57,441,299</b>	
a. Expenditure for purchase of material and services	-7,337,326	-3,192,599	-10,529,925	K-3, K-4, K-5
b. Expenditure for salaries and employees profit shares	-19,301,491	-3	-19,301,494	K-1
c. Expenditure on benefits of all kinds	-2,897,655	-273,520	-3,171,175	K-1, K-3
d. Other operating expenditure	-24,438,445	-259	-24,438,705	K-4, K-5
<b>3. Positive or negative cash flow from operating activities</b>	<b>5,916,644</b>	<b>848,932</b>	<b>6,765,575</b>	
<b>B. CASH FLOWS IN INVESTING ACTIVITIES</b>				
<b>4. Receipts in investing activities</b>	<b>92,235</b>	<b>161,290</b>	<b>253,525</b>	
a. Receipts from received interest and profit shares	49,277	5,837	55,114	K-1, K-3
b. Receipts from disposal of tangible fixed assets	42,958	155,452	198,410	K-2
c. Receipts from disposals of long-term financial investments	0	0	0	K-1
d. Receipts from disposals of short-term financial investments	0	0	0	
<b>5. Expenditure in investing activities</b>	<b>-16,634,061</b>	<b>-28,478</b>	<b>-16,662,540</b>	
a. Expenses for acquisition of intangible assets	-2,256,063	-17,050	-2,273,113	K-2
b. Expenses for acquisition of tangible fixed assets	-14,377,998	-11,429	-14,389,427	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
<b>6. Positive or negative cash flow from investing activities</b>	<b>-16,541,826</b>	<b>132,811</b>	<b>-16,409,015</b>	
<b>C. CASH FLOWS IN FINANCING ACTIVITIES</b>				
<b>8. Receipts in financing activities</b>	<b>28,400,000</b>	<b>0</b>	<b>28,400,000</b>	
a. Receipts from long-term loans obtained	10,000,000	0	10,000,000	
b. Receipts from short-term loans obtained	18,400,000	0	18,400,000	
<b>9. Expenditure in financing activities</b>	<b>-23,898,250</b>	<b>-131,329</b>	<b>-24,029,579</b>	
a. Expenditure for given interest	-339,951	-2,226	-342,177	K-5
b. Capital expenditure	0	0	0	K-3
c. Expenditure for repayment of long-term loans	-3,933,333	0	-3,933,333	
d. Expenditure for repayment of short-term loans	-17,500,000	0	-17,500,000	
e. Expenditure for dividend	-2,124,965	-129,102	-2,254,068	K-1
<b>10. Positive or negative cash flow from financing activities</b>	<b>4,501,750</b>	<b>-131,329</b>	<b>4,370,421</b>	
<b>11. Total surplus of receipts or expenditure</b>	<b>-6,123,432</b>	<b>850,414</b>	<b>-5,273,018</b>	
<b>Č. CLOSING CASH BALANCE</b>	<b>-2,138,759</b>	<b>3,025,782</b>	<b>887,022</b>	
<b>X. Opening cash balance</b>	<b>3,984,673</b>	<b>2,175,368</b>	<b>6,160,041</b>	
<b>Y. CASH FLOW FOR THE PERIOD</b>	<b>-6,123,432</b>	<b>850,414</b>	<b>-5,273,018</b>	
<b>Closing cash balance as of 31.12.2022</b>	<b>-2,138,759</b>	<b>3,025,782</b>	<b>887,022</b>	

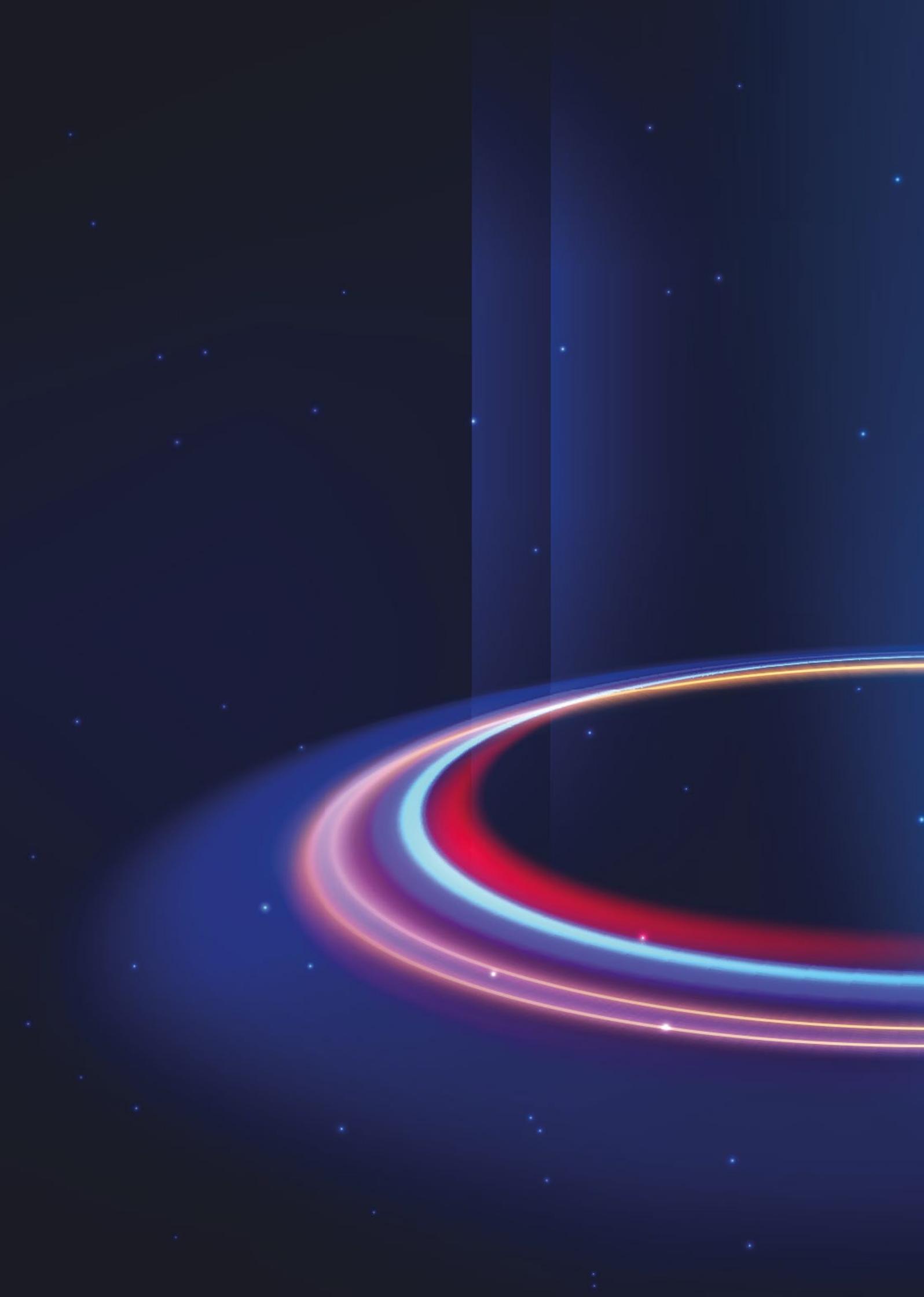
Table 106: Cash flow statement according to the Energy Act for the year 2022

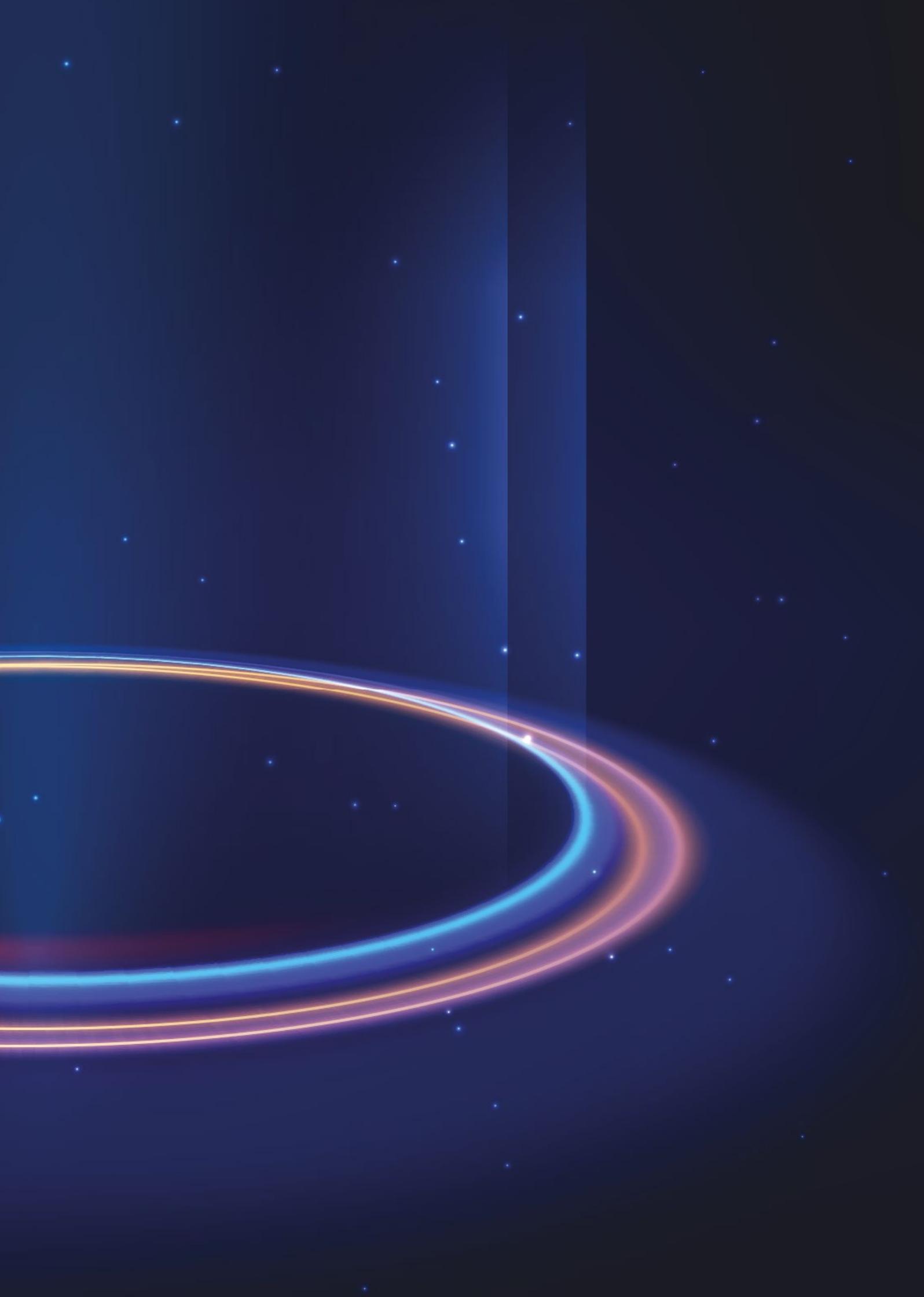
## 9.9 Cash flow statement according to the Energy Act for the year 2021

in EUR

EP d.d., Nova Gorica	ED infrastructure and services for SODO	Market activities	Total EP	Criterion for allocating joint activities
<b>A. OPERATING CASH-FLOW</b>				
<b>1. Operating receipts</b>	<b>70,532,113</b>	<b>3,426,907</b>	<b>73,959,019</b>	
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
<b>2. Operating expenditure</b>	<b>-57,230,114</b>	<b>-2,900,600</b>	<b>-60,130,714</b>	
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
<b>3. Positive or negative cash flow from operating activities</b>	<b>13,301,999</b>	<b>526,307</b>	<b>13,828,305</b>	
<b>B. CASH FLOWS IN INVESTING ACTIVITIES</b>				
<b>4. Receipts in investing activities</b>	<b>16,490,608</b>	<b>725,310</b>	<b>17,215,918</b>	
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	
<b>5. Expenditure in investing activities</b>	<b>-20,439,528</b>	<b>-134,722</b>	<b>-20,574,250</b>	
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
<b>6. Positive or negative cash flow from investing activities</b>	<b>-3,948,919</b>	<b>590,587</b>	<b>-3,358,332</b>	
<b>C. CASH FLOWS IN FINANCING ACTIVITIES</b>				
<b>8. Receipts in financing activities</b>	<b>8,287,233</b>	<b>412,767</b>	<b>8,700,000</b>	
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	
<b>9. Expenditure in financing activities</b>	<b>-13,960,554</b>	<b>-887,011</b>	<b>-14,847,565</b>	
a. Expenditure for given interest	-245,890	-386	-246,275	K-5
b. Capital expenditure	0	0	0	K-3
c. Expenditure for repayment of long-term loans	-5,147,222	0	-5,147,222	
d. Expenditure for repayment of short-term loans	-6,396,778	-803,222	-7,200,000	
e. Expenditure for dividend	-2,170,665	-83,403	-2,254,068	K-1
<b>10. Positive or negative cash flow from financing activities</b>	<b>-5,673,321</b>	<b>-474,244</b>	<b>-6,147,565</b>	
<b>11. Total surplus of receipts or expenditure</b>	<b>3,679,758</b>	<b>642,650</b>	<b>4,322,408</b>	
<b>Č. CLOSING CASH BALANCE</b>	<b>3,984,673</b>	<b>2,175,368</b>	<b>6,160,041</b>	
<b>X. Opening cash balance</b>	<b>304,915</b>	<b>1,532,718</b>	<b>1,837,633</b>	
<b>Y. CASH FLOW FOR THE PERIOD</b>	<b>3,679,758</b>	<b>642,650</b>	<b>4,322,408</b>	
<b>Closing cash balance as of 31.12.2016</b>	<b>3,984,673</b>	<b>2,175,368</b>	<b>6,160,041</b>	

Table 107: Cash flow statement according to the Energy Act for the year 2021





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# LIST OF ABBREVIATIONS

<b>BDP</b>	gross domestic product	<b>RAST</b>	program of operating costs rationalisation
<b>CUO</b>	price for network use	<b>REDOS</b>	development of Slovenian electricity distribution network
<b>COT</b>	comprehensive risk management	<b>RP</b>	substation
<b>D</b>	electricity distribution	<b>RS</b>	Republic of Slovenia
<b>DE</b>	distribution unit	<b>RTP</b>	transformer substation
<b>DCV</b>	remote control centre	<b>SAIDI</b>	average interruption duration index
<b>DV</b>	transmission line	<b>SAIFI</b>	average interruption frequency index
<b>DVPLM</b>	remotely controlled switch point	<b>SCADA</b>	distribution networks system monitoring
<b>DVE</b>	domestic energy sources	<b>SDH</b>	Slovenian Sovereign Holding
<b>EFQM</b>	The European Foundation for Quality Management	<b>SM</b>	standing place
<b>EIMV</b>	Elektroinštitut Milan Vidmar	<b>SN</b>	medium voltage
<b>ERP</b>	enterprise resource planning	<b>SOD</b>	Slovenian Compensation Fund
<b>EBIT</b>	earnings before interest and tax	<b>SODO</b>	distribution network system operator
<b>GIS</b>	geographic information system	<b>SODO EP</b>	activity of Elektro Primorska d.d., implementing a service for SODO
<b>GIZ</b>	economic interest grouping	<b>SPTTE</b>	co-generation of heat and electricity
<b>I</b>	investments	<b>TP</b>	transformer station
<b>IIS</b>	integrated information system	<b>UDO</b>	distribution network management
<b>ISV</b>	integrated management system	<b>URE</b>	efficient use of electricity
<b>JR</b>	public lighting	<b>UMAR</b>	Institute of Macroeconomic Analysis and Development
<b>KBV</b>	cable conduit	<b>UKV</b>	ultra-short waves
<b>KEE</b>	quality of electricity	<b>VN</b>	high voltage
<b>NIS</b>	network information system	<b>VZD</b>	maintenance
<b>NN</b>	low voltage	<b>ZSDH</b>	Slovenian Sovereign Holding Act
<b>NR</b>	internal audit		
<b>OVE</b>	renewable energy resources		



