



Elektro Primorska

podjetje za distribucijo električne energije, d.d.

Annual Report

of Elektro Primorska, d. d.
Financial Year

2023

20

ANNUAL REPORT
OF ELEKTRO PRIMORSKA, D. D.

23

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Business Report
of the Company
Elektro Primorska



A stylized, handwritten signature in white ink, consisting of a large, flowing 'B' and 'J' combined.

Uroš Blažica, predsednik uprave

1. Report of the Management Board¹

Electricity distribution system represents the fundamental infrastructure of sustainable development and the backbone of the energy transition. Without a strong, robust and advanced electricity distribution network, a green transition to a low-carbon society is not possible, which places the electrification of mobility and heating, the active role of users and producers, dispersed renewable energy sources and energy efficiency at the forefront. Elektro Primorska is one of the five electricity distribution companies in the country and is part of the electricity system of the Republic of Slovenia. Company owns electricity distribution infrastructure, which it designs, builds, maintains and leases to the concessionaire of the public utility service, the company ELES.

Ensuring quality electricity supply means more than just supplying households and businesses with energy. In 2023, we have allocated more than €25 million for investment projects, half of which will go into upgrading the medium and low voltage network. Intensive construction on all projects took place throughout the year. Despite the problems with the supply of equipment and longer delivery times, we managed to realize most of the investments related to the construction of critical areas of the network or the provision of new connections and network expansion.

Business normalized in 2023 in terms of revenue compared to the previous year. 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 consumers.

In the period under review, the Company's revenues exceeded the planned by 4.0%. Regulated revenues were lower than in the previous regulatory period due to the reduced return, but we compensated for the lower realization of regulated revenues with a higher realization in the field of services on the market and a higher capitalized own products. Unfortunately, the costs and expenses also exceeded the planned goals by 11.7%, which means that in 2023 we are recording a faster growth of costs and expenses than the growth of revenues. Categories of costs and expenses where we deviated the most from the planned values are labour costs and costs of material and services. Deviation in labour costs is the result of a slower-than-planned reduction in the number of employees and the adjustment of wages to the growth of consumer prices, which in 2023 grew faster than the expectations foreseen in the business plan. Inflation also had a significant impact on the growth of prices for materials and services. There is also a significant impact of the costs associated with the elimination of the consequences of averages in January and in the summer months and the costs associated with the increased volume of work in the field of issuing consents and connections.

Characteristic of 2023 is also the end of the period for submission of applications under the »net metering« scheme. In the last quarter of the year, we received an exceptional increase in applications for the issuance of consents for solar power plants. As many as 2,737 applications were received in the last three months of the year, which represents 53% of all applications received in 2023 (5,198). Due to the increase in labour costs and the costs of materials and services, the Company's operating result is also lower than planned. Net profit for 2023 thus amounts to €4,244,764.

In 2023, the Company continued to incorporate the principles of sustainable development and social responsibility into the business processes, and we plan to direct our operations and business towards 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. As part of the DSElektroDis project, together with the partners in the project, we developed algorithms with

¹ GRI 102-14

appropriate processes and infrastructure for processing the topology of the entire network. Tool enables the systematic elimination of errors in the geographic information system and the reliable creation of a topological model of the network, which is a prerequisite for the implementation of power analysis of the network for the needs of planning and operation, issuing consents and the correct operation of functions in the ADMS system. We will start introducing the latter in Elektro Primorska this year.

We adopted the Strategic Plan of Elektro Primorska for the period 2023 – 2027, which defines the Company's strategic goals for the four-year period. Based on the Company's values, we transformed the Company's vision into strategic goals that help us understand how to achieve the Company's vision. Strategic goals and projects that we have determined are evenly distributed among the environmental (E), social (S) and governance (G) areas, and their realization will enable stable business operations of the Company and at the same time enable or support electrification on which green transition leans. Unlike a vision, strategic goals are measurable and quantifiable. They reflect the strategic direction of the Company in the next period, and therefore they are ambitiously set and time-defined. Strategic goals were formulated with the help of a balanced system of indicators and criteria for measuring the performance of companies with state capital investment.

In the past year and this year, the Company also carried out many activities related to the introduction of a new way of calculating network charges. New method of calculating the network charge aims to encourage as many people as possible to use energy efficiently, whereby the amount of the network charge will be crucially influenced by power. Amount of the network charge will depend on the network load. With these measures and in accordance with European guidelines, we are addressing the challenges associated with the transition to a carbon-free society. Ultimately, we all want to encourage sustainable production and use of energy, contribute to the reduction of the carbon footprint and the realization of the goals regarding the reduction of greenhouse gas emissions. Ultimate goal is to encourage users to contribute to the optimization of the distribution and wider electricity system by adjusting consumption.

I am convinced that with the help of carefully planned projects and a responsible approach, we will be able to manage the challenges of the future short-term period, among them the extraordinary increase in the amount of necessary investments in the network.

Results and successes achieved in the past year are the result of the joint work and engagement of all employees and business partners. In the Company, we are committed to further progress and meeting the expectations of all our stakeholders and strengthening the position of Elektro Primorska as a reliable distributor of electricity.

Dear shareholders and business partners, together with our colleagues, we thank you for the trust shown in the past year.

Nova Gorica, April 26, 2024

Uroš Blažica,
President of the Management Board



2. Statement of Management's Responsibility

Management has approved the financial statements for financial year 2023 and the business report for the period from 1 January to 31 December 2023, 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 2023. 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 Slovenian legislation and Slovenian 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 26, 2024

Uroš Blažica,
President of the Management Board



3. Supervisory Board Report

COMPOSITION OF THE SUPERVISORY BOARD

Supervisory Board of the company Elektro Primorska, d. d., has six members. Four members are shareholder representatives, two are employee representatives. Members of the supervisory board, who are representatives of the shareholder, are elected by the general meeting, while the representatives of the workers are elected by the workers' council in accordance with the law and its acts. Term of office of members of the supervisory board is four years, and members may be reappointed.

Composition of the supervisory board was diverse in 2023, as the supervisory boards consisted of members who differed from each other in terms of education, gender, age, experience and personality characteristics.

Members of the supervisory board 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.

Composition of the supervisory board changed several times in 2023. At the beginning of the year, the supervisory board worked in the following composition: Julijan Fortunat, chairman, Darko Ličen, deputy chairman, Jasna Kalšek, member, mag. Pavel Reberc, member, Valdi Morato, member and Marko Fičur, member.

Marko Fičur, representative of employees in the company's supervisory board, submitted his resignation on February 28, 2023. Resignation takes effect with a notice period and lasts until the date of appointment of a new replacement member of the supervisory board, but no longer than three months. On March 24, 2023, Jurij Janko was elected as a substitute member of the employee representative in the company's supervisory board, for the remainder of the mandate until October 20, 2023.

At the 28th General Meeting of the Company, which was held on August 29, 2023 at the Company's seat, the shareholders voted for the early recall of the member of the supervisory board Mr. Julijan Fortunato and for a mandate period of four years, starting on August 30, 2023, elected Ms. Eva Knez as a member of the supervisory board.

Ms. Knez resigned as a member of the company's supervisory board on October 18, 2023.

On October 21, 2023, Jurij Janko and Amir Bobić took office as employee representatives on the supervisory board for a four-year period.

Workers' council recalled Amir Bobić from the position of the member of the supervisory board on December 19, 2023.

Ms. Jasna Kalšek, as a member of the supervisory board, shareholder representative, submitted her written resignation on December 22, 2023 for personal reasons. Resignation takes effect with a notice period and lasts until the date of appointment of a new (substitute) member of the supervisory board, but no longer than three months.

At the 29th General Meeting of the Company, which took place on February 21, 2024 at the Company's seat, the shareholders learned about the resignation of two members of the supervisory board, representatives of shareholders. They voted to recall Pavel Reberc from the position of member of the company's supervisory board. Mandate of the recalled member ended on February 21, 2024.

Shareholders also voted for new members of the supervisory board at the General Meeting. Tamara Volf Žagar, Mojca Veljkovič and Aleš Markočič were elected as members of the company's supervisory board, representing the interests of the shareholders, for a period of four years, starting on February 22, 2024.

	Function	Mandate from	Mandate to
Julijan Fortunat	Chairman (from Sept 4, 2021)	30. 8. 2021	29. 8. 2023
Darko Ličen	Deputy Chairman (from Sept 4, 2021) Chairman (from Sept 18, 2023)	30. 8. 2021	30. 8. 2025
Pavel Reberc	Deputy Chairman (from Sept 18, 2023)	30. 8. 2021	21. 2. 2024
Jasna Kalšek	member	30. 8. 2021	21. 2. 2024
Eva Knez	member	30. 8. 2023	18. 10. 2023
Marko Fičur	member	20. 10. 2019	23. 3. 2023
Valdi Morato	member	20. 10. 2019	20. 10. 2023
Jurij Janko	member	24. 3. 2023 21. 10. 2023	20. 10. 2023 21. 10. 2027
Amir Bobić	member	21. 10. 2023	19. 12. 2023

Table 1: Composition of the supervisory board in 2023

OPERATION OF THE SUPERVISORY BOARD

In 2023, 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 estimates that cooperation with the Management Board was professional and conducted at appropriate level.

Supervisory Board met at nine regular and two correspondence sessions in 2023, adopted a total of 91 decisions and discussed the following important topics:

- it considered monthly, quarterly and interim reports on the operation of the company Elektro Primorska, d. d.;
- 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 d. d.;
- at its 13th regular meeting on May 24 2023, it reviewed and approved the audited annual report of Elektro Primorska d. d. for 2022, took note of the independent auditor's report on the audit of the non-consolidated financial statements of Elektro Primorska d. d. and gave its consent to the Management Board's proposal for the appropriation of distributable profit for the financial year 2022;

- 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 by on a regular basis. All members were actively involved in discussions on individual agenda items.

Remuneration of members of the supervisory board is disclosed in Table 81 of the Annual Report.

OPERATION OF THE SUPERVISORY BOARD COMMITTEES

In 2023, the supervisory board had an Audit Committee, which contributed to the greater efficiency of the supervisory board. Audit committee provided professional assistance to the supervisory board, especially in the implementation of control over financial reporting, internal controls and risk management of the company.

In 2023, the composition of the audit committee changed.

Until September 18, 2023, the following members worked in the audit committee:

- Jasna Kalšek, chairperson of the audit committee,
- Darko Ličen, internal member of the audit committee,
- mag. Aleksander Igličar, external member of the audit committee.

At its 1st regular session on September 18, 2023, the company's supervisory board recalled Darko Ličen from the position of internal member of the audit committee due to his chairmanship of the supervisory board, and appointed Eva Knez in his place.

In the period from Sept 19, 2023 to Oct 18, 2023, the audit committee was composed of:

- Jasna Kalšek, chairperson of the audit committee,
- Eva Knez, internal member of the audit committee,
- mag. Aleksander Igličar, external member of the audit committee.

On October 18, 2023, Eva Knez resigned as a member of the supervisory board. Her membership in the audit committee also ended on the same day.

From October 19, 2023, the audit committee of the supervisory board operated in an incomplete, two-member composition.

On March 4, 2023, the supervisory board appointed a three-member audit committee:

- Mojca Veljkovič, chairperson of the audit committee,
- Tamara Volf Žagar, internal member of the audit committee,
- mag. Aleksander Igličar, external member of the audit committee.

Audit Committee met at seven regular sessions in 2023 and adopted a total of 52 resolutions.

First three sessions were devoted to the preparation of the basis for the Supervisory Board's discussion and approval of the Annual Report, which included a discussion with external auditors. At its 11th regular session on May 17, 2023, Audit Committee discussed the audited annual report of the company for 2022 and submitted a proposal to the Supervisory Board for approval.

At its sessions, the audit committee also discussed the following topics:

- quarterly reports on the company's operations,
- reports on internal audits carried out,
- quarterly reports on the implementation of internal audit recommendations and annual report on the operation of the internal audit,

- quarterly and annual risk management reports,
- other matters as requested by the supervisory board.

In 2023, the audit committee paid special attention to the issue of exceeding planned costs, with an emphasis on labour costs.

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. 81 of the Annual Report. Gross remuneration of the external member of the Audit Committee amounted to € 7,897.77 gross in 2023.

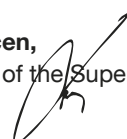
APPROVAL OF THE ANNUAL REPORT AND POSITION ON THE AUDITOR'S REPORT

At its 10th regular meeting on 30. 05. 2024, the Supervisory Board discussed the Annual Report of Elektro Primorska, d.d., inclusive of the report of external auditors, Ernst & Young Audit, poslovnosvetovanje 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 a positive opinion issued by the auditor, the Supervisory Board had no objections and approved the Annual Report of Elektro Primorska d.d. for the financial year 2023. Thus, the Annual Report of Elektro Primorska d. d. for 2023 was adopted.

Supervisory Board supports the Management Board's proposal that the determined distributable profit in the amount of € 1,765,686. 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 30, 2024

Darko Ličen,
Chairman of the Supervisory Board



4. Corporate Governance Statement

4.1 Statement of compliance with the Corporate Governance Code

In 2023, 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. Corporate Governance Code of Companies with State Capital Investment (KKUDD or Code SDH), which was adopted in December 2023, will be applied by the company in 2024.

In 2023, the Company did not comply with the following recommendations KKUDD:

9. AUDIT AND SYSTEM OF INTERNAL CONTROLS

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

Code SDH is publicly available on the following website:

Kodeks korporativnega upravljanja druzb_december 2023.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 December 2023.

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 2023:

- a. review of the process of carrying out warehouse operations in the company;
- b. review of the corporate governance process;
- c. review of the contract concluded with the company Informatika, d. o. o. and review of the realization of the recommendation of the NR IT field from 2021.

In 2023, company KPMG poslovno svetovanje, d. o. o., was selected to carry out the internal audit. Selection was made in accordance with the provisions of the rules on Public Procurement in Elektro Primorska, d.d.

Supervisory Board gave approval of the contract with the selected contractors at its 13th regular session on May 24, 2023.

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 of the Supervisory Board.

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 2023, accounting for 79.69% 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 2023, the Company held no treasury shares.

4.5 Management Board²

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 Blažica President of the Management Board of Elektro Primorska, d.d., for the term of the next four years. His mandate began on 1 July 2016. At its 22nd regular session on March 2 2020, the Supervisory Board of Elektro Primorska, d. d. adopted a resolution on the appointment of the President of the Management Board in accordance with the Articles of Association. Accordingly, Uroš Blažica was appointed President of the Management Board of Elektro Primorska, d. d. for the next 4-year term of office, beginning on July 2 2020. At its 9th regular session on April 23 2024, the Supervisory Board of Elektro Primorska, d.d. unanimously appointed Uroš Blažica President of the Management Board for a mandate period of four years, with a mandate starting on July 2, 2024.

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, d.d., 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 23 2023 and 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

² GRI 102-18

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, d.d., Company has six members. Four members are representatives of shareholders, and two are representatives of workers. General Meeting elects members of the Supervisory Board, representing the shareholders, while representatives of workers are elected by the workers council in accordance with the law and its acts. Term of office of the members of the Supervisory Board is four years, with a possibility of reappointment. Composition of the Supervisory Board of Elektro Primorska, d.d. was changing in 2023. It is described in detail on page 14 of this report.

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, March 17 2021, in June 2022 and December 2023.

Supervisory Board met at nine ordinary and two correspondence sessions in 2023. 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.

Supervisory Board has formed an Audit Committee, which operated in the following composition in 2023:

Jasna Kalšek, Chairperson of the Audit Committee, Darko Ličen, internal member (until Sept 18, 2023), Eva Knez, internal member (from Sept 19, 2023 to Oct 18, 2023) and mag. Aleksander Igličar, external member.

No other committees were set up by the Supervisory Board in 2023.

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

Members of the Supervisory Board and members of its Committees are entitled to remuneration for the performance of their function and attendance fees, as well as reimbursement of expenses, as decided by the resolution of the General Meeting. At the 16th Annual General Meeting held on August 25 2011, the decision was made based on which members of the Supervisory Board are entitled to remuneration for performing their duties in the amount of €11,300 gross per year, to an attendance fee in the amount of €275 gross, and reimbursement of expenses in connection with the performance of their functions. Chairman of the Supervisory Board is entitled to 50% higher payments and attendance fees. For correspondence sessions of the Supervisory Board, members of the Supervisory Board are entitled to 80% of the attendance fee. Members of the Supervisory Board Committees are entitled to a fee for performing their functions, which for each member of the committee amounts to 25% of the basic fee of the Supervisory Board member. Chairperson of an individual Committee is also entitled to an additional payment of 50% of remuneration of members of the Supervisory Board, while Deputy Chairperson 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 Meetings, Shareholders of Elektro Primorska, d.d., 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 2023, the Annual General Meeting of Shareholders was held on August 29, 2023.

At the General Meeting, the shareholders were informed about the audited Annual Report of the Company for 2022, the remuneration of the management board and supervisory board members, as well as the Auditor's

Report and the Report of the Supervisory Board on the verification and approval of the Annual Report for 2022.

Shareholders of Elektro Primorska decided at the General Meeting that the balance sheet profit in the amount of €635,348 remains undistributed. Representative of the shareholder Kalantia Limited announced a challenge to the voted resolution.

Shareholders also decided on the discharge of the management board and the supervisory board, thereby confirming and approving the work of the Management Board and the Supervisory Board in the financial year 2022.

At the General Meeting, the shareholders at the proposal of the Slovenian Sovereign Holding, d.d., voted for the early recall of supervisory board member Julijan Fortunat and elected Eva Knez as member of the supervisory board for a mandate period of 4 years, beginning on August 30, 2023.

5. Presentation of the Company

5.1 Company Profile

Name of the Company ³ :	Elektro Primorska, podjetje za distribucijo električne energije, d. d.
Abbreviated name:	Elektro Primorska, d. d.
Registered seat ⁴ :	Erjavčeva ulica 22, 5000 Nova Gorica
Phone:	05 339 66 00
Fax:	05 339 67 05
VAT ID number:	37102656
Company number:	5229839
Business accounts:	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 20235:	79.69% 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 ²
Number of customers:	138,182
Quantity of electricity supplied:	1,498.115 GWh
Website:	http://www.elektro-primorska.si
E-mail:	info@elektro-primorska.si

Area EP
4,335 km² **22 %**

Area RS
20,256 km²

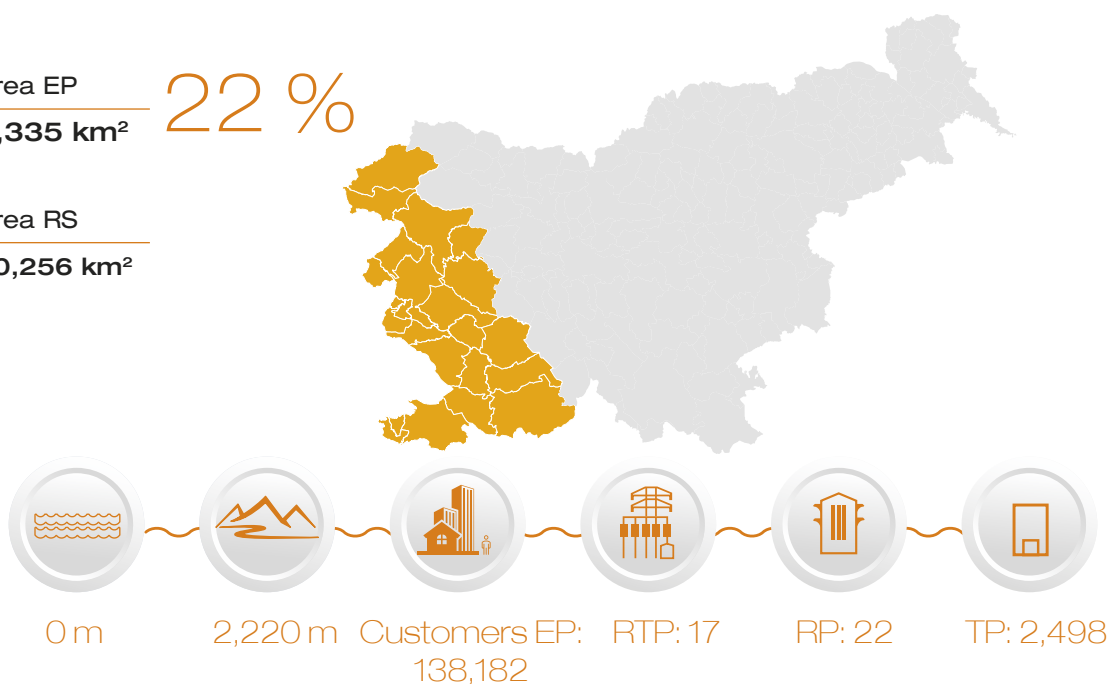


Figure 1: Geographical area of operation of the company Elektro Primorska, d. d.⁶

³ GRI 102-1

⁴ GRI 102-3

⁵ GRI 102-5

⁶ 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).

Special services of the management:

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

Regional distribution units:

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

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

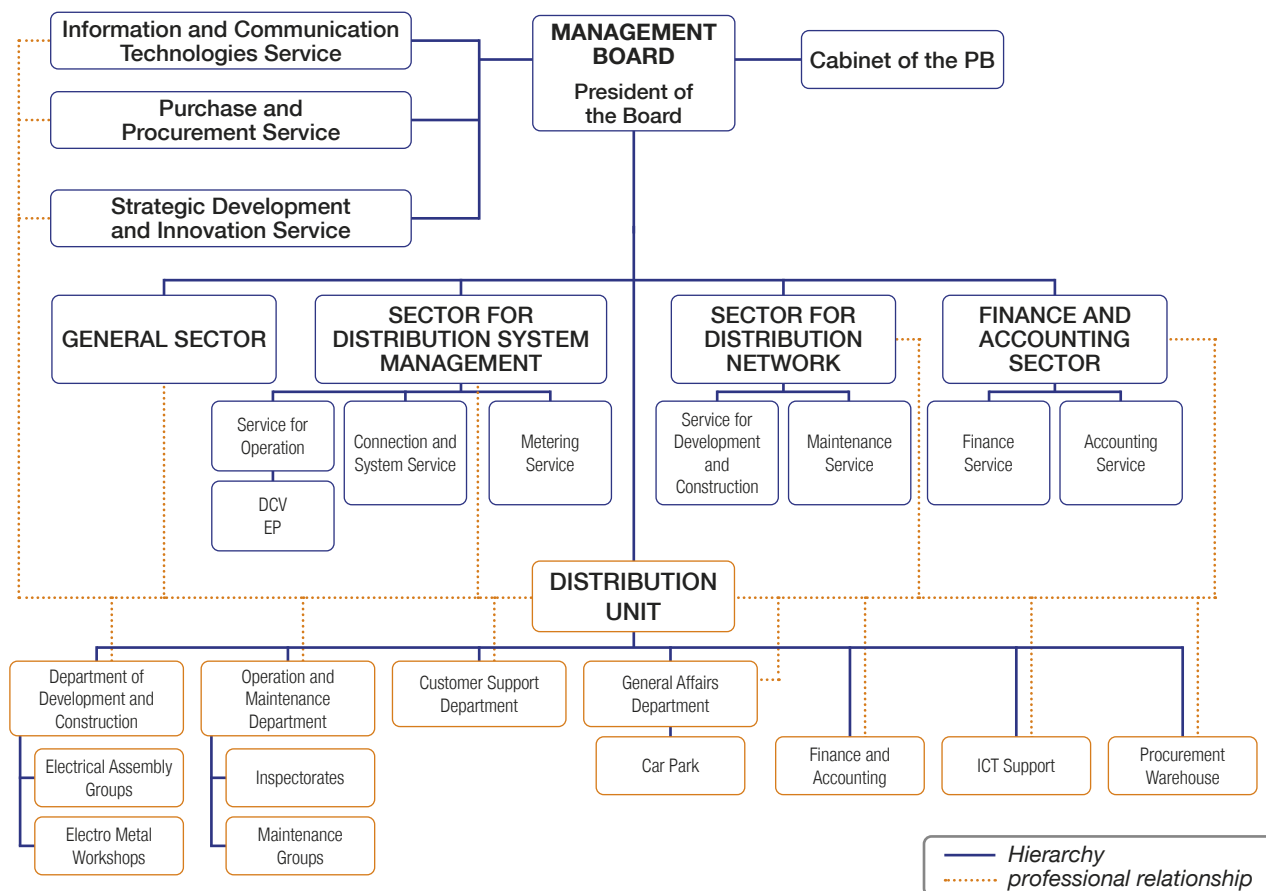


Figure 2: Organisation chart of the Company

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.

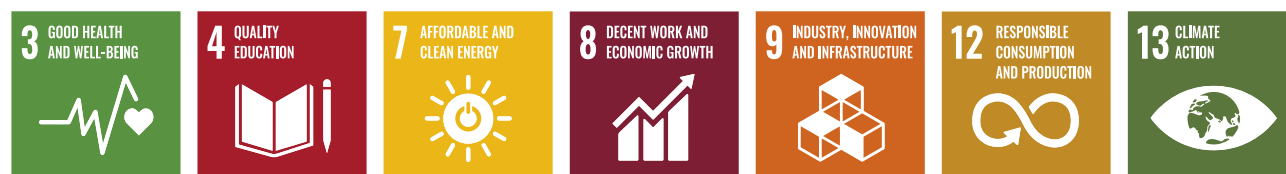


Figure 3: Company Elektro Primorska, d. d., contributes to the seven selected sustainable goals of the United Nations

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:

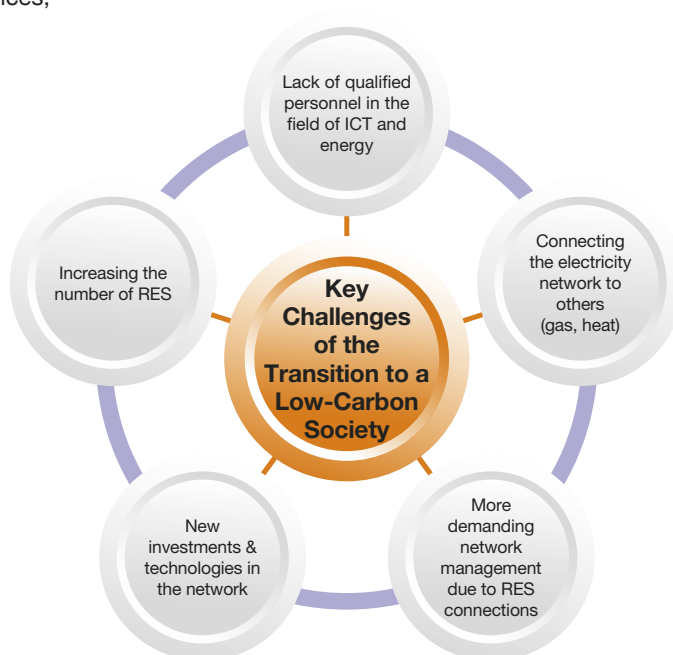


Figure 4: Figure 4: Key challenges of the transition to a low-carbon society in Elektro Primorska, d. d.

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 model⁷

Company Elektro Primorska, d. d., is part of the electricity system of the Republic of Slovenia and one of the five electricity distribution companies in Slovenia. Company's core activities are the management and operation of the distribution system and maintenance, construction and renovation of electricity distribution lines and devices in the area of south-eastern, western and north-eastern parts of Slovenia. It covers 4,335 km² and thus represents 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.

As of December 22, 2022, the founder and sole shareholder of the company SODO d. o. o. became the company ELES, d. o. o., system operator of the transmission power network, in the share of 100%. With the merger of SODO d. o. o., the company ELES, d. o. o., on July 10, 2023, became its legal successor and thus entered into all legal relationships, the subject of which was the company SODO d. o. o.

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.

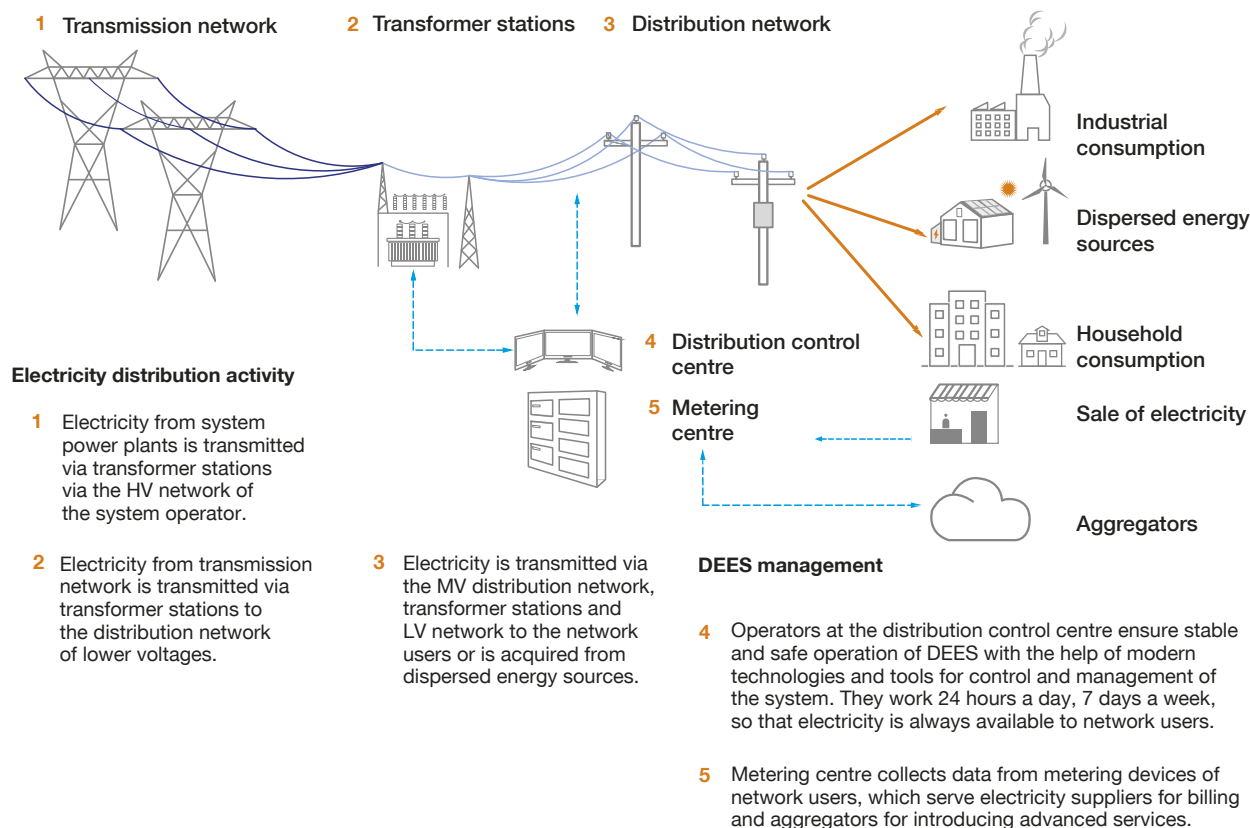


Figure 5: Business model and value added chain

⁷ GRI 102-2

6.3 Realization of the vision, mission and strategic guidelines

In the company Elektro Primorska, d. d., in 2023, we adopted 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.

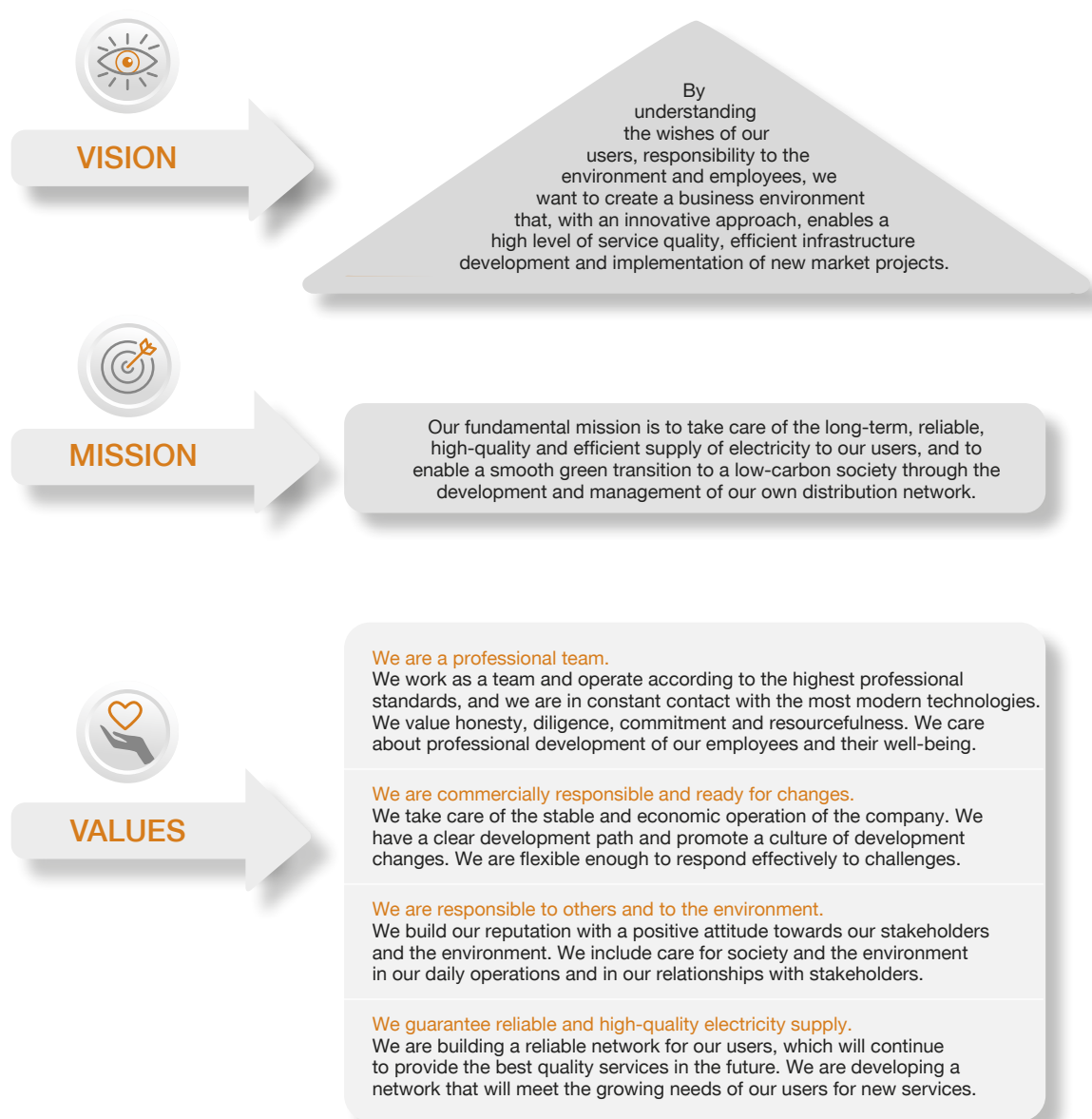


Figure 6: Vision, mission and values in a strategic house⁸

⁸ GRI 102 - 16

Strategic plan of Elektro Primorska, d.d., for the period 2023 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 responsibility⁹

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 (E), 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.

6.3.2 Business compliance and integrity system

In accordance with Recommendation 11 of the Code of Corporate Governance of Companies with State Capital Investment and Recommendation 14 of the Recommendations and Expectations of the Slovenian Sovereign Holding, the company Elektro Primorska, d.d., listed among its fundamental principles operations in accordance with corporate integrity and fair business practice.

In light of the above, the president of the management board appointed a person in charge of business compliance and internal integrity, who in 2023 prepared an amended Code of Ethics for the company, in which the substantive requirements of Chapter 10 of the Code of Corporate Governance of Companies with State Capital Investment were entered. In accordance with the provision of the Code of Corporate Governance of Companies with State Capital Investment, the authorized representative prepared the document Management Policy and Business Compliance of the Company Elektro Primorska, d.d. and Integrity Plan/ Anti-corruption Program of the company Elektro Primorska, d.d., which were confirmed by the supervisory board and adopted by the president of the management board in March 2023. Based on the provisions of the Whistle-blower Protection Act and Recommendation 11.4.3 of the Code of Corporate Governance of Companies with State Capital Investment, the authorized representative prepared the internal Rules on the establishment of an internal reporting channels, which was adopted by the president of the management board in May 2023.

⁹ GRI 2-23

Authorized representative regularly attends working meetings of the authorized persons for business compliance and integrity in companies with capital investment of the state in which SDH, d.d., has a majority share or dominant influence, and which are organized by SDH, d.d. In September 2023, the authorized representative organized an educational meeting in the field of management of the business compliance system and corporate integrity for the president of the management board, directors of sectors, directors of DE and heads of special departments of the management board. Meeting was conducted by the European Institute for Business Compliance and Ethics.

6.3.3 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 14001 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.¹⁰

Non-financial indicators	2019	2020	2021	2022	2023
Share of underground cable network	31%	32%	34%	34%	35%
Average time required to issue consent	23.50 days	19.90 days	24.50 days	30.96 days	45 days
Share of measuring points connected in the advanced low voltage measuring system (average in SLO 78% in 2020)	49%	57%	66%	85%	94
Share of electricity losses (4.21% Slovenian average in 2020)	4.69%	5.06%	4.40%	5.10%	5.13%
Number of unplanned long-term interruptions / user (SAIFI)	2.13	1.76	1.71	0.91	1.45
Investing in environmental management (in thousands of EUR)	531.19	497.42	584.41	3,614.32	806.27
Staff turnover (in%)	5.1	2.54	2.91	4.61	5.48
Number of training hours per employee	9.3	8.04	14.7	9.3	13.50
Share of sick leave (in%)	5.71	6.08	5.65	7.7	6.00

Table 2: Non-financial indicators

6.4 Approach to sustainable management

Management Board of Elektro Primorska, d.d., is responsible for the management of sustainable development. For the purposes of sustainable reporting and management it has set up a special Working Group on Sustainable Development, 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. Group leader is also a member of the project group for sustainable operation of the Economic Interest Association of electricity Distribution. Project group is preparing a joint approach

of all electricity distribution companies (EDPs) in dealing with sustainable operations and sustainable reporting. Sustainability reporting in accordance with the CSRD directive and ESRS standards will be complex and extensive. Large number of data and disclosures will need to be prepared. To avoid the preparation and storage of this data, e.g. in excel tables and at different locations in the company, and to ensure appropriate records and data comparison, EDP will procure the appropriate certified software tool through a joint public procurement.

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 20223, 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.

¹⁰ GRI 2-4

Content of the chapter Sustainability Report and Reporting Boundaries was designed by the Working Group on Sustainable Development in workshops with a team and inclusive approach, as well as independent work in data collection. In determining the content, the group 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. To achieve the quality of reporting, they followed the principles of accuracy, balance, clarity, comparability, comprehensiveness, sustainable context, timeliness and verifiability.

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

Report provides relevant information and contributes to greater transparency of sustainable operations. With this report we follow point 8 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)	23-26
description of the company's policies regarding the above (environmental, social, human resources and other) issues	51-72
report on relations with company's main stakeholders	33-34
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	46
business performance and position of the company	85
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	23-26
report on achievements and targets based on selected non-financial performance indicators.	31

Table 3: 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 2023¹². Questions regarding the sustainable report can be sent to the following e-mail address: info@elektro-primorska.si¹³.

¹¹ GRI 102-46

¹² GRI 102-50

¹³ 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.

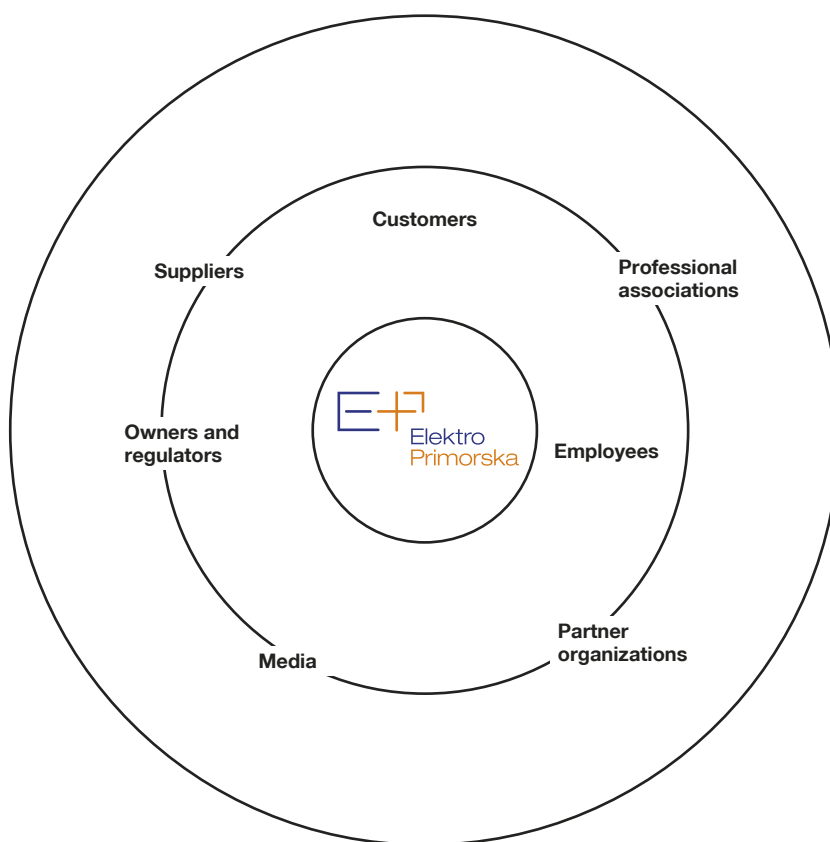


Figure 8: Main groups of strategic stakeholders

STAKEHOLDERS	STAKEHOLDER SUB-GROUPS	INTEREST AND VALUE CREATION FOR STAKEHOLDERS	FORMS OF INCLUSION
OWNERS AND REGULATORS	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
	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	Suppliers of goods and services	Timely orders, clear requirements for goods and services, regular settlement of liabilities	Public procurement portal, e-mail, correspondence, meetings, complaints
	Land owners	Expectations when signing easement contracts and performing maintenance work	Correspondence, meetings, information, damage assessments
	Spatial planning holders	Requirements in opinions for spatial interventions	Formal correspondence, meetings, appointments, e-mail
	European Investment Bank	Expectations for improvement of system indicators SAIDI, SAIFI, reduction of network losses, implementation of environmentally friendly investments	Reports in accordance with the contract, e-mail, meetings, correspondence
	Occupational medicine practitioners, personal physician	Cooperation, clear requirements	Phone, e-mail, annual reports
	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 4: Groups and sub-groups of stakeholders¹⁴¹⁴ GRI 102-40

6.6 Management of material topics¹⁵ and materiality matrix¹⁶

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.

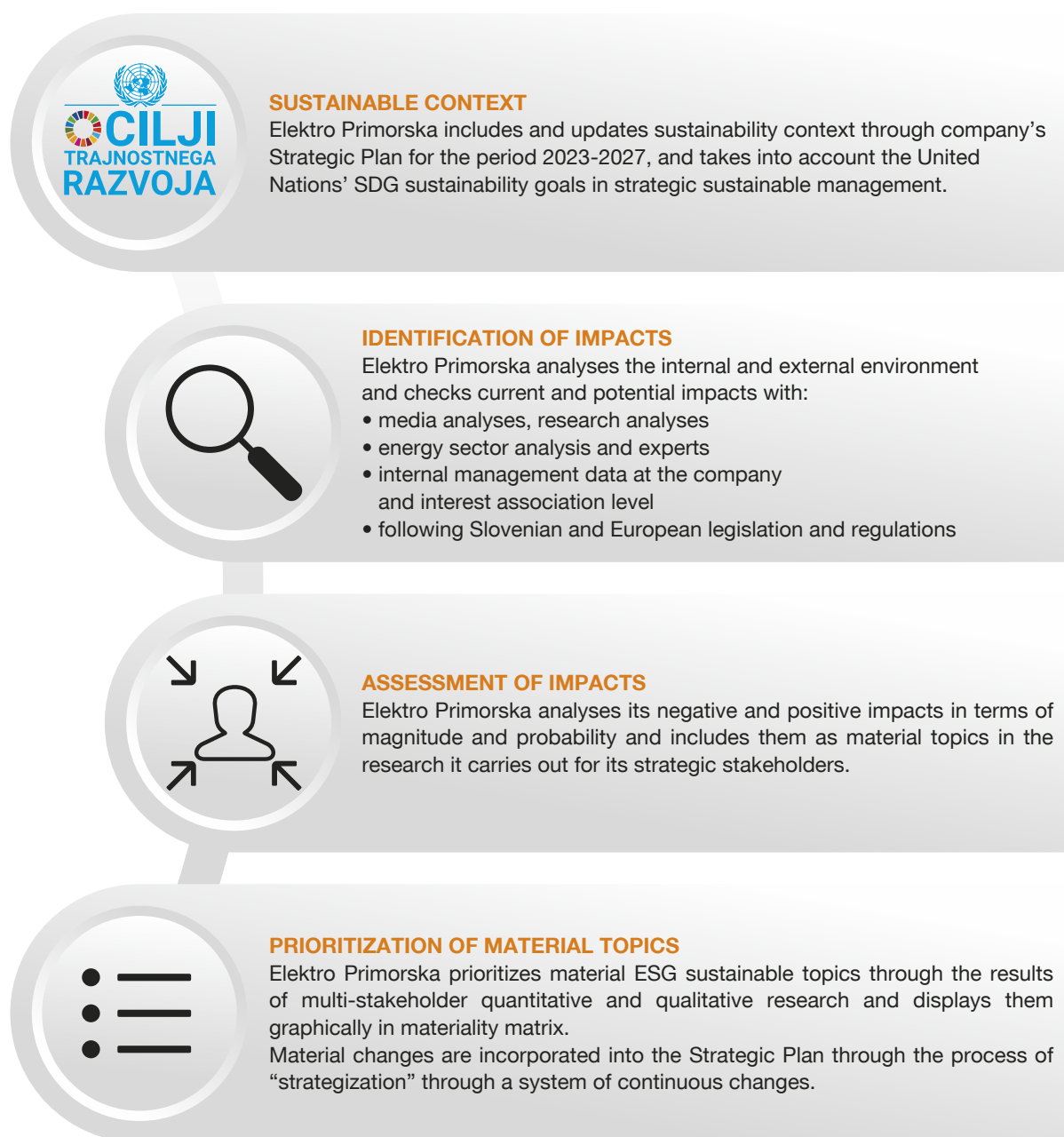


Figure 9: Process of identifying and managing material topics

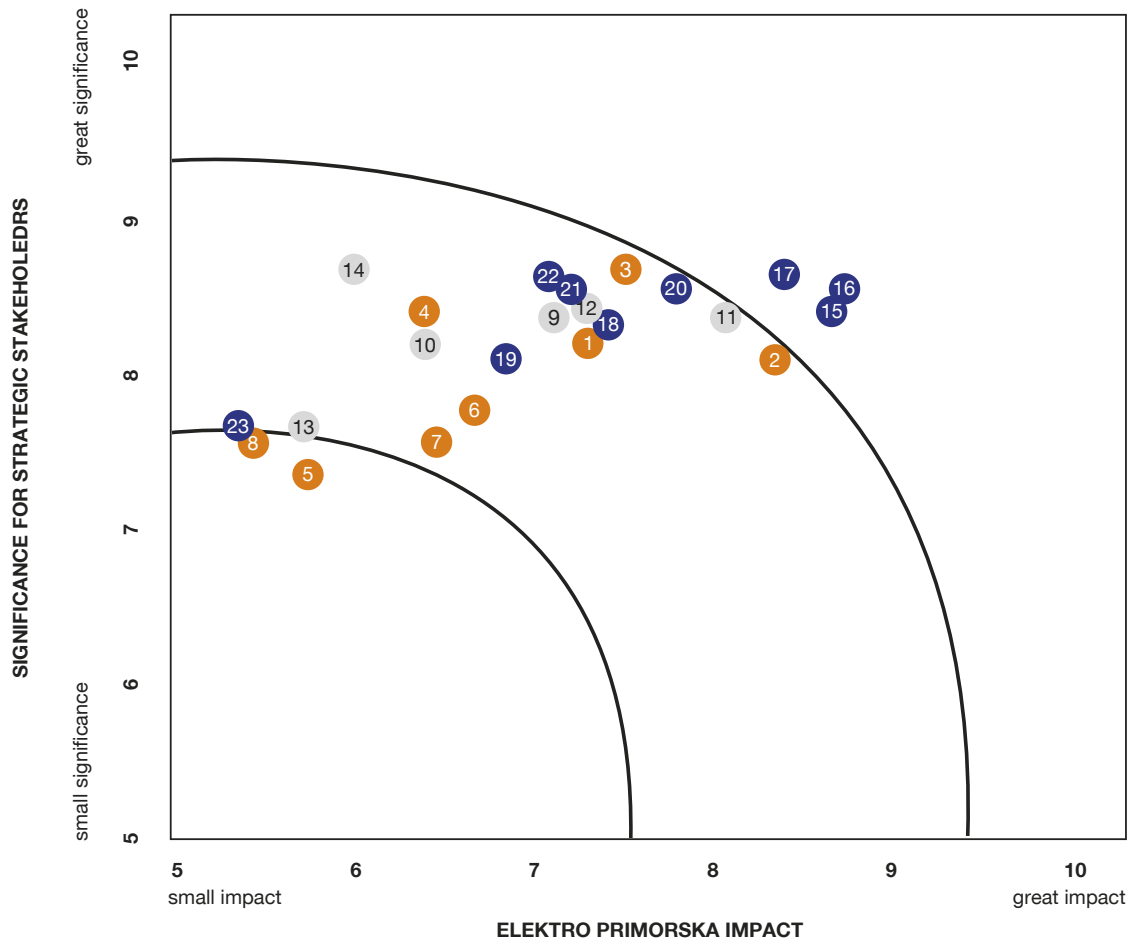
¹⁵ GRI 102-47

¹⁶ 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.¹⁷ 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 2023, we also included material topics in the Strategic Plan of Elektro Primorska, d.d., for the period 2023 to 2027 in order to manage them even more sustainably.

¹⁷ GRI 102-43



[G] MANAGEMENT - ECONOMIC ASPECT	1. Economic performance	[E] ENVIRONMENTAL ASPECT	9. Efficient energy use	[S] SOCIAL ASPECT	15. Training and on-the-job knowledge transfer
	2. Investments in the infrastructure		10. GHG emissions		16. Health and safety at work
	3. Reliability of electricity supply		11. Siting of facilities		17. Accidents at work and near events
	4. Anti-corruption action and integrity		12. Climate change		18. Career development
	5. Risk management		13. Biodiversity		19. Diversity, equal opportunity and non-discrimination
	6. Cyber security		14. Waste		20. Communication with employees
	7. Digitization of business				21. Customer satisfaction
	8. Innovation				22. Transparent communication of services
					23. Local community

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
  Occupational health and safety and accidents	Identification and assessment of safety risks at work (ISO 45001)	Number of accidents at work Severity of injuries at work Frequency of accidents at work Employee training Share of lost working days due to accidents			403-1, 403-2, 403-5, 403-6, 403-9
 Local communities	Maintaining reputation in the local community and more coordinated operation	No. of joint projects with public companies (founded by municipalities)	16	21	413-1
  Training and knowledge transfer	Management and development of key personnel Employee satisfaction	Average number of hours of training per employee Share of training costs for prospective/managerial personnel		↑ 14% ↑ 25%	401-1, 401-2, 404-1, 404-3, 403-5,
 Innovation	Rise of innovation	Number of useful proposals and innovations per year	35	60	
  Siting of facilities	Increasing the quality of service in the area of connection and increasing customer satisfaction Withdrawal of MV switchgear with TG gas SF6	Average time to connect the network user (issue of SZP+ issue of PoP + connection) Average time for issuing consent for connection of RES Replacement of MV switchgear with clean air passage (legal requirement)	70 days 40 days	45 days 20 days	305-1, 305-2, 305-3
 GHG emissions	Reducing CO2 emissions	Share of electricity losses	4.40%	0	/
 Biodiversity	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
 Investments in infrastructure	Ensure a further high level of network modernization	CAPEX / net revenues from sales	57.30%	71.69%	203-1
 Reliability of electricity supply	Improving business continuity and customer satisfaction	- Average duration of unplanned long-term interruptions (SAIDI) - Average number of unplanned long-term interruptions (SAIFI) - Average number of unplanned short-term interruptions (MAIFI)	46.89 1.48 6.38	29.5 1.15 4.7	
	Increasing the resistance of the distribution system	Share of underground cable network MV Share of looped network	24.49% 38%	25.28% (0.8% growth) 40%	
  Economic performance	Market activity performance	Growth in revenues from marketing activities	/	5% per year	201-1
	Management of business costs	Labour cost/value added	47.0%	43.7%	
 Cyber security	Maintaining cyber security	Obtaining quality standard ISO-270001 Number of successful cyber attacks	0 0	1 0	

Table 5: 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 maintenance¹⁸

6.7.1.1 State of electricity infrastructure

In 2023, the electricity system owned 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)	646,692	243,656	615,195	515,155	2,020,698
KBV: 10 kV–35 kV (m)	148,098	234,713	210,585	92,245	670,797
NNO (m)	1,569,144	1,124,141	954,630	965,670	4,613,585
RTP + RP (kos)	16	8	7	8	39
TP (kos)	830	530	614	524	2,498

DV - transmission line KBV - cable conduit, NNO - low-voltage network, JR - public lighting

RTP – transformer substation, RP – substation, TP – transformer station

Table 6: Physical volume of electric power devices as at DEC 31 2023

6.7.1.2 Electricity infrastructure maintenance services and other DEES services

In 2023, 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, d.d., and SODO, d.o.o. 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 €8,125,795 in 2023.

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 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

¹⁸ GRI 203-1

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, d.d., for SODO, d.o.o., 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.

Type of work	Plan(€)	Actual (€)	Actual (€)	%	%
	2023	2023	2022	2:1	2:3
	1	2	3	4	5
Maintenance of electricity infrastructure	4,021,408	4,285,923	3,479,896	1.07	1.23
Implementation and organisation of emergency service	644,175	724,040	677,360	1.12	1.07
Conducting of operation	630,831	709,514	636,712	1.12	1.11
Process management	257,575	261,786	261,955	1.02	1.00
Telecommunication support	241,796	336,895	310,781	1.39	1.08
Management of protective devices	83,939	85,536	82,714	1.02	1.03
Development	155,516	131,145	170,172	0.84	0.77
Monitoring and establishing quality of supply	44,478	44,408	42,423	1.00	1.05
Electricity metering	918,351	1,044,566	873,133	1.14	1.20
Provision of access services	371,831	354,091	364,890	0.95	0.97
Connecting users to distribution network	949,136	1,151,523	1,127,095	1.21	1.02
Other services for users	97,777	113,538	100,198	1.16	1.13
TOTAL SERVICES FOR SODO	8,416,813	9,242,966	8,127,330	1.10	1.14
Elimination of damage to the EE infrastructure	465,000	852,251	446,057	1.83	1.91
Maintenance of other facilities and devices – excluding market	3,065,000	3,264,496	2,954,721	1.07	1.10
TOTAL	11,946,813	13,359,713	11,528,108	1.12	1.16

Table 7: Actual services for SODO in 2023

In 2023, the Company spent €9,242,966 on provision of services for SODO, d.o.o., which accounts for 113.75% of planned funds for the period, up 13.73% compared to 2022.

ACHIEVEMENT OF THE SET GOALS AND COMPARISON WITH 2022

Financial achievement of the plan for the provision of services for SODO, d.o.o., is practically the same as planned. Actual inspections of devices accounted for 97.4%, metering for 100.0% and devices for 94.2% of the plan.

Largest deviation of the realization from the planned values is detected in the elimination of damage to the electrical

energy infrastructure due to large-scale averages in the month of July (storms) and the 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 2023 are the Development Plan for the Electricity Distribution System for a period from 2023 to 2032 and the Investment Plan for a period of 5 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 2023, 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 2023 was carried out in accordance with the 2023 plan version 1 in the amount of €25,000,000.

Total €25,408,758 was invested in facilities, equipment purchases and project documentation, accounting for 101.64% of the planned funds (€19,911,439 was spent in 2022).

Investment groups	Realised funds	Share per investment group
Facilities	17,042,825 EUR	67.07% of total funds
Equipment	7,076,456 EUR	27.85% of total funds
Documentation	1,289,476 EUR	5.07% of total funds
Total	25,408,758 EUR	

Table 8: Investments by major investment groups

Compared to the 2023-2032 development plan, we invested less funds in 2023 than planned.

Type of plan	Value of plan	Realization of plan 2023	Realization of plan
Development plan for the period 2023 – 2032	33,606,571 EUR	25,422,046 EUR*	75.65%
Investment plan for 2023	25,000,000 EUR	25,408,758 EUR	101.64%

*In 2023, Elektro Primorska, d. d., invested €25,408,758. 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 €13,288. We both invested a total of €25,422,046.

Table 9: Review of the realization of the plan in comparison with the development plan

In 2023, 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: DV Odcep Lepena (2.1 km), DV Odcep Nadrožica (1.6 km), DV Most na Nadiži (1.15 km), DV odcep Erzelj (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: SN TP Sabadini (2 km), cable ducting in the direction of the Postojna Railway Station (2 km), SN Mohoreči – Kubed (1.2 km), SN TP Rov (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 Reka (1.35 km), NNO Dolnje Ležehče (1.21 km), NNO Tupelče (1.15 km), NNO Kozlnik (0.7 km), NNO Nova vas (1.62 km), NNO Tržaška Postojna (1.2 km), NNO Majlont (1.0 km), NNO Stopnik (0.98 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 Ribnik, TP Divača Lekarna, TP Porton III.

	2023	2022	2021	2020
MV- overhead lines	13.90 km	12.03 km	25.61 km	16.83 km
MV- underground lines	60.99 km	22.60 km	47.68 km	34.96 km
Low-voltage network	58.01 km	45.26 km	51.74 km	57.51 km
Transformer stations	63.21 pcs	73.33 pcs	99.28 pcs	84.32 pcs

Table 10: Physical indicators of constructed and renovated devices

TRANSFORMER SUBSTATIONS (RTP) HV/MV

Following investments in RTP 110/20kV were carried out in 2023:

- RTP 110/20 kV Ajdovščina – Start of the construction of the GIS switchyard in RTP Ajdovščina, which is foreseen in the confirmed DP and IP for 2023, is postponed to 2024.
- RTP 110/20 kV Hrpelje – Start of the construction of the GIS switchyard in RTP Hrpelje, which is foreseen in the confirmed DP and IP for 2023, is postponed to 2025.
- RTP 110/20 kV Izola – In 2021, together with the company ELES, we started the construction of a 110 kV switchyard. In 2022, we carried

- out construction work for the construction of 110 kV switchyard. We finished the work in 2023. Goal of the investment is to reduce losses in the distribution of electricity and ensure a reliable supply of customers. Start of the reconstruction of the 20 kV part of the switchyard in RTP Izola, which is foreseen in the confirmed DP for 2023, is postponed to 2024.
- RTP Tolmin – due to the end of their useful life, we replaced the system of 1 AKU batteries and carried out the work necessary to integrate the existing equipment into the system built by ELES.
- RTP 110/20 kV Cerkno – construction of the new 20 kV switchyard in RTP Cerkno, which was foreseen in the investment plan (IP) for 2023, is postponed to 2025.

- RTP 110/20 kV Dekani – in 2023 we replaced the fire control panel. Start of the renovation of the 20 kV switchyard and replacement of the secondary equipment in RTP Dekani, which are foreseen in the approved DP and IP for 2023, are postponed to 2024.
- RTP 110/20 kV Gorica – we started with the upgrade of the secondary equipment to include the equipment in the system built by ELES.
- RTP 110/20 kV Ilirska Bistrica – due to unavailability of replacement parts, we replaced the voltage indication system in the 20 kV cells.
- RTP 110/20 kV Koper – the replacement of the 1 AKU battery system was postponed to 2024. In 2023, we replaced the cooling system, which was no longer sufficient to cool the devices in the room for own use.
- RTP 110/20 kV Lucija – Start of the renovation of the 20 kV switchyard and the renovation of the self-use system in RTP Lucija, which is foreseen in the approved DP and IP for 2023, are postponed to 2024. In 2023, we carried out the work necessary to integrate the existing equipment into the system that was built by ELES.
- RTP 110/20 kV Pivka – in 2023 we replaced the system 2 AKU batteries.
- RTP 110/20 kV Plave – in 2023 we replaced the rectifier and inverter system for own use.
- RTP 110/20 kV Postojna – in 2023 we replaced the system 1 AKU batteries
- RTP 110/20 kV Sežana – due to technological wear and tear, we replaced the fire control panel. Beginning of the replacement of secondary equipment RTP Sežana, which are foreseen in the confirmed DP and IP for 2023, are postponed to 2025.
- RTP 110/20 kV Vrtojba – in 2023 we started with the reconstruction of the 20 kV switchyard.

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

In 2023, we implemented the following investments in RTP MV/MV and RP MV distribution stations:

- RP Črni Vrh – we replaced the rectifier system.
- RP Dobrovo – we replaced the AKU batteries. Renovation of 20 kV switchyard in RP

Dobrovo, which was foreseen in the investment plan for 2023, is postponed to 2025.

- RP Gonjače – construction rehabilitation of the building, will be postponed to 2025 due to the regulation of owner rights.
- RTP Hrpelje – we replaced the fire control panel and the rectifier and inverter system.
- RP Kanal – renovation of 20 kV switchyard in RP Kanal, which was foreseen in the investment plan for 2023, is postponed to 2025.
- RP Komen – we replaced the external transport door into the room of 20 kV switchyard
- RP Razdrto – renovation of 20 kV switchyard in RP Razdrto, which was foreseen in the investment plan for 2023, is postponed to 2025 due to timing with the construction of two new 20 kV connecting lines.
- RP Rožna Dolina - we replaced the rectifier system and construction rehabilitated the building of 20 kV switchyard

POWER FACILITIES

Investments in power facilities were carried out in order to ensure reliable supply of electricity. A total of €16,774,063 was invested in the power facilities (facilities up to 20kV, RP and RTP), accounting for 105.03% of the plan (2022: €12,408,043). Share for power facilities in the total realization is 65.48%.

BUSINESS AND OPERATIONAL FACILITIES

In 2023, we renovated the toilets at the Erjavčeva 22 office building, installed charging stations for electric vehicles next to the Elektro Primorska office buildings, replaced the UPS devices in the office buildings, and carried out minor investment maintenance work on the facilities. Invested funds in the category of office buildings amount to €156,523 EUR, and in commercial buildings to €112,239.

TOTAL FACILITIES

A total of €17,042,825 was invested in power facilities and buildings, accounting for 103.30% of the plan (2022: €13,109,639). As much as 66.53% of funds was invested in facilities.

REMOTE CONTROL

Following major investments were implemented:

- replacement of communication and station computers at RTP Hrpelje.
- installation of new remote controlled threshold switching points (DVPLMs). In 2023, we installed 2 new DVPLMs, namely on the locations of Dobravlje – Ajdovščina and Sedlo – Robidišče. BY installing them, we follow the strict legal requirements for a reliable supply of electricity. Goal of the investment is to reduce unsupplied electricity, to reduce the number of short-term and long-term interruptions in the area on front of the installed switch that occur as a result of defects, to shorten the time it takes to eliminate power outages that occurred as a result of the need to change the configuration of the network, relieve operating personnel, lower transport costs as part of investments
- at the DCV we implemented the following investments:
 - continued with the rearrangement of the DCV premises.
 - replaced the inverter for DCV needs.
- 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 40 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: 135,132 pcs
- share of installed meters compliant with AMS: 99%
- number of installed meters integrated in AMS: 128,104 pcs
- share of installed meters integrated in AMS: 94%

In addition, we purchased:

- 240 industrial meters,
- 0 control meters,
- 330 concentrators.

TOOLS

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

TRANSPORT

We purchased twelve new passenger cars, a small truck, and four off-road vehicles, 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 continued to upgrade the GIS functionality and implement the new accounting ERP system and new investment system within the MAXIMO software package.

EQUIPMENT

Total of €7,076,456 was invested in equipment, accounting for 98.21% of all planned funds (2022: €5,623,187). Of total invested, 27,85% relates to equipment.

DOCUMENTATION

Total of €1,289,476 was invested in the project documentation accounting for 5.02% of total funds planned (2022: €1,178,613).

No.	Facility, equipment	Plan 2023 [EUR]	Actual 2023 [EUR]	Actual 2022 [EUR]	%	%
		1	2	3	2:1	2:3
	HV power lines	0	118,236	0	0.00%	0.00%
1.1	HV overhead lines	0	118,236	0	0.00%	0.00%
1.2	HV underground lines	0	0	0	0.00%	0.00%
	MV power lines	5,838,980	7,072,394	3,459,004	121.12%	204.46%
1.3	MV overhead lines	759,000	1,335,753	824,672	175.99%	161.97%
1.4	MV underground lines	5,079,980	5,736,641	2,634,332	112.93%	217.76%
	LV power lines	4,530,582	4,884,001	2,904,593	107.80%	168.15%
1.5	LV overhead lines	1,857,056	1,933,745	1,697,751	104.13%	113.90%
1.6	LV underground lines	2,673,526	2,945,304	1,206,842	110.17%	244.05%
1.7	Other LV	0	4,952	0	0.00%	0.00%
	SUBSTATIONS	5,601,258	4,699,432	6,044,447	83.90%	77.75%
1.8	RTP HV/MV	1,966,500	1,008,857	2,349,488	51.30%	42.94%
1.9	RTP MV/MV	40,000	48,128	1,784	120.32%	2697.70%
1.10	RP MV	344,500	89,688	15,417	26.03%	581.73%
1.11	TP	2,702,988	2,839,141	2,013,715	105.04%	140.99%
1.12	TRANSFORMERS	547,270	713,618	1,664,042	130.40%	42.88%
	TOTAL FACILITIES UP TO 20 kV	13,964,320	15,646,970	10,058,555	112.05%	155.56%
	TOTAL POWER FACILITIES	15,970,820	16,774,063	12,408,043	105.03%	135.19%
1.13	Protective devices	79,000	6,055	43,426	7.66%	13.94%
1.14	Remote control	520,000	803,325	134,931	154.49%	595.36%
1.15	Telecommunications	180,000	160,372	103,998	89.10%	154.21%
1.16	Metering devices	2,366,000	2,356,289	2,462,851	99.59%	95.67%
1.17	Process IT	200,000	311,215	106,113	155.61%	293.29%
1.18	Ancillary devices	0	3,552	0	0.00%	0.00%
1.20	Smart grids	895,000	735,554	114,366	82.18%	643.16%
	TOTAL SECONDARY EQUIPMENT	4,240,000	4,376,361	2,965,684	103.22%	147.57%
	TOTAL POWER FACILITIES AND EQUIPMENT	20,210,820	21,150,425	15,373,728	104.65%	137.58%
2.1	Business facilities	415,000	156,523	208,693	37.72%	75.00%
2.2	Operational facilities	112,000	112,239	492,902	100.21%	22.77%
	TOTAL NON-POWER FACILITIES	527,000	268,762	701,595	51.00%	38.31%
2.3	Mechanisation	0	1,613	5,227	0.00%	30.86%
2.4	Tools	252,790	298,967	104,160	118.27%	287.03%
2.5	Transport	445,000	490,745	207,538	110.28%	236.46%
2.6	Office supplies	93,000	10,919	77,996	11.74%	14.00%
2.7	Business data processing	2,085,000	1,876,083	2,252,581	89.98%	83.29%
2.8	Holiday facilities	90,000	21,767	10,000	24.19%	217.68%
	TOTAL NON-POWER DISTRIBUTION EQUIPMENT	3,492,790	2,700,095	2,657,503	77.30%	101.60%
3.1	Project documentation	1,296,390	1,289,476	1,178,613	99.47%	109.41%
	TOTAL DOCUMENTATION	1,296,390	1,289,476	1,178,613	99.47%	109.41%
	TOTAL FACILITIES	16,497,820	17,042,825	13,109,639	103.30%	130.00%
	TOTAL EQUIPMENT	7,205,790	7,076,456	5,623,187	98.21%	125.84%
	TOTAL	25,000,000	25,408,758	19,911,439	101.64%	127.61%

Table 11: Overview of the actual investments made in 2023

ACHIEVEMENT OF THE SET GOALS AND COMPARISON WITH 2022

In 2023, Elektro Primorska, d.d., implemented its investments in accordance with the adopted plan, and invested a total €25,000,000. Investment realisation is lower than the plan by 1.64%. Compared to 2022, the realisation of the planned investments decreased by 27.61%.

In 2023, 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 completing a new RTP Izola.

INDICATORS OF SUSTAINABLE OPERATION

To ensure »green« operations, Elektro Primorska, d.d., 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, d.d., for the current year.

Realization of investments	25,408,758 EUR
Green investment	21,150,425 EUR
Share of »green investments«	83.24% of all funds

Table 12: Indicator of sustainable development

6.8 Risk management¹⁹

Those in charge at Elektro Primorska, d.d., 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, d.d., 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.

¹⁹ GRI 102-30

				DAMAGE ASSESSMENT			
				LOW	MEDIUM	HIGH	VERY HIGH
ASSESSMENT				1	2	3	4
Very high level of risk 8-16	FREQUENCY OF OCCURRENCE	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 13: 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 2023

At the beginning of the financial year 2023, 32 risks were recorded in the company Elektro Primorska d.d. In addition to the standard monthly monitoring of risks by administrators, an additional coordination and identification of risks took place in 2023.

During the entire observed period, six events were recognized that influenced the change in the valuation of existing risks, one event that influenced the cessation of the existence of one risk and two events that influenced the recognition of one risk and the transformation of another risk.

In the first quarter, two events were identified, the increase in the prices of materials and energy products and the implementation of the measure in practice, which influenced the change in risk assessment, one event, the extension of risk to the entire work process, which

influenced the transformation of risk, and one events which affected the termination of the existence of the risk. In a qualitative sense, in the first quarter the only change in the risk matrix was related to the termination of the existence of one risk. In quantitative terms, one risk passed from a high level of risk to a medium level of risk, which meant that the risk profile decreased by 1.3% at the end of the quarter.

In the second quarter, a new risk related to the company's liquidity was defined in accordance with the Act on Financial Operations, Insolvency Procedures and Forced Termination. Risk has been assessed as low risk and has a negligible impact on the risk profile. In the month of May, the scenarios related to the small shareholders' lawsuit were revised, based on which the evaluation of this risk was changed. In a qualitative sense, the risk in the risk matrix has moved from a low level of risks to a medium level of risks. As a result, this was also reflected in the risk profile, which grew by 2.0% in the second quarter.

In the third and fourth quarter, events in the field of risk management in the company were shaped by weather conditions. Frequent storms in the summer and autumn were the reason for changing evaluation of the risk related to averages twice. Changes did not affect the position of the risk in the risk matrix. In a qualitative sense, the risk remained at a low risk level, but it affected the quantitative risk assessment. Contribution to the risk profile went from a low level of risk to a medium level of risk in the third quarter, and to a high level of risk in the fourth quarter. As a result, the total contribution to the risk profile increased by 3.2% in the last two quarters.

Total contribution to the risk profile changed considerably throughout the year and ended the year at 104% of the value from the beginning of the year.

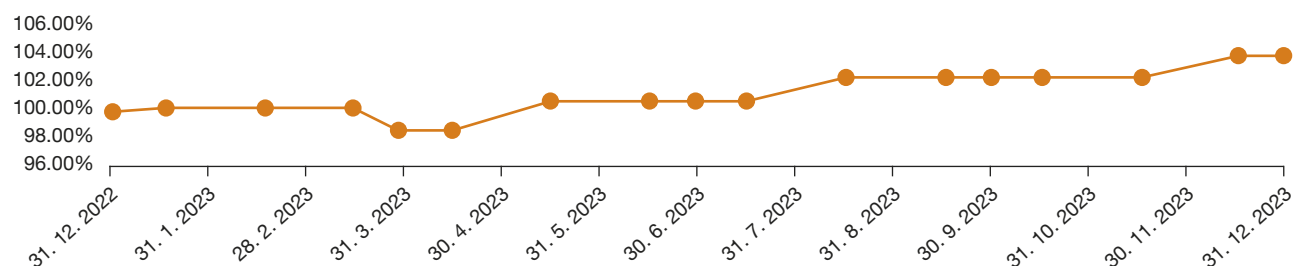


Chart 1: Total contribution to the risk profile

STATE OF RISKS AT THE END OF 2023

As at December 31 2023, there was 32 active identified risks in the company, which are classified to four categories. Four risks belong to the category of financial risks (12% of all risks), 19 risks to the category of operational risks (60%

of all risks), four risk to the category of strategic risks (12% of all risks) and five risks to the category of regulatory risks (16% of all risks).

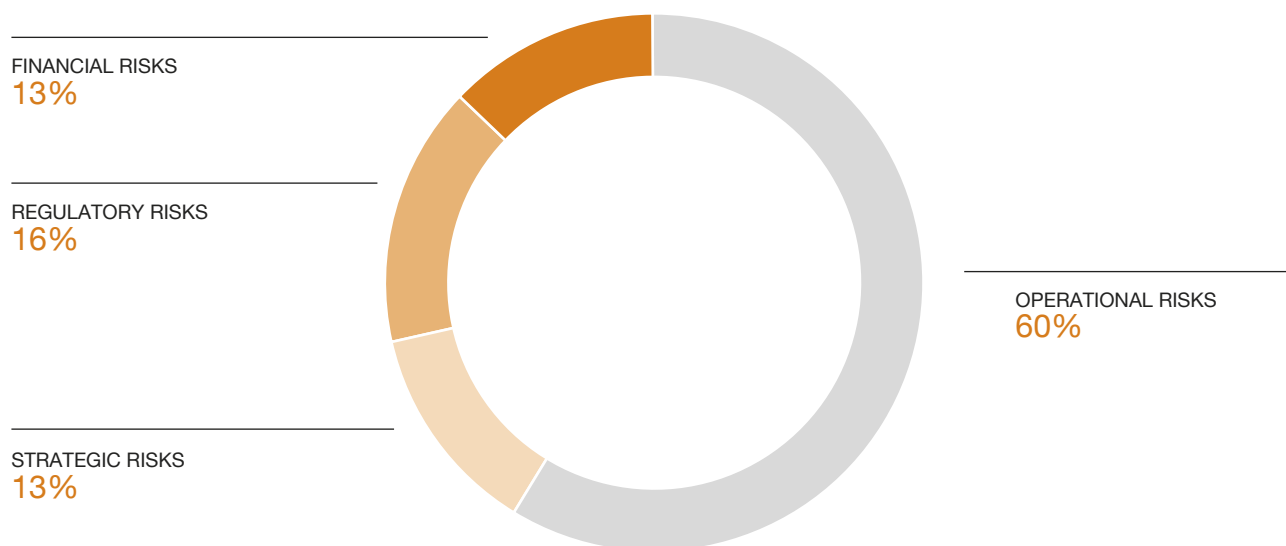


Chart 2: Share of risks by individual category

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 seven risks with a medium level of risk, namely the risks Change in prices or rate of return set by the state/regulator, Implementation of SODO services– Installation/replacement of MCD, Inability to ensure the availability of ICT-services, Lawsuit by small shareholders, System operation in the area of maintenance, Control over traffic in the information network and EU GDPR Regulation. Remaining 24 risk represented a low level of risk.

In the quantitative assessment of risks in the company Elektro Primorska, d.d., the largest share (95%) of the total contribution to the risk profile is fifteen significant risks, with at least 1% of the total contribution to the risk profile. Among them are two risks with a contribution to the risk profile greater than 20%, three risks with a contribution of around 5% and ten risks with a contribution between 1-5%. 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 (29%), which includes the impact of the WACC calculation by the regulator, with which the company's revenues may decrease with the

new accounting period and government measures, as part of which, among other things the return on assets of distribution companies was reduced. Second most

influential risk is Cyber security risk (25%), which includes the risk of phishing emails, payment in cryptocurrencies, cyber hacking and data theft.

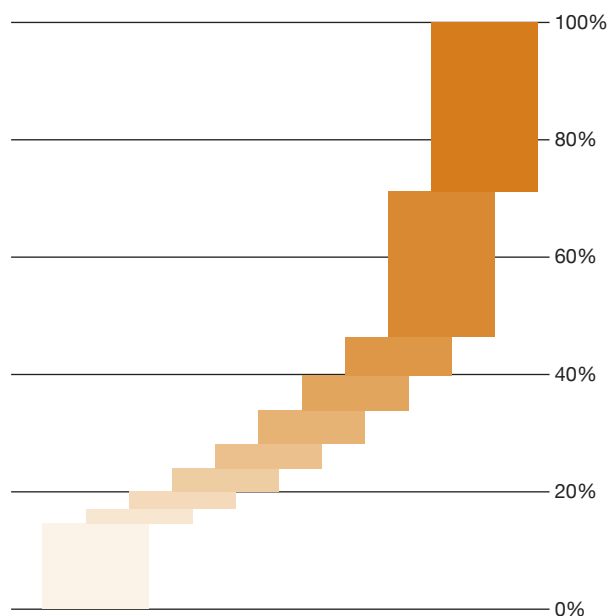
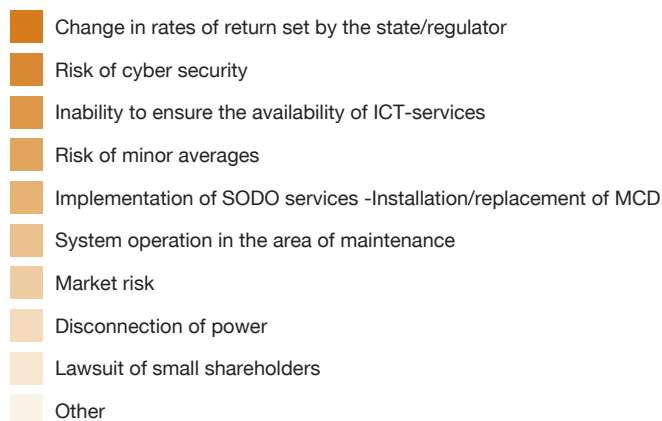


Chart 3: Contribution to the risk profile

Three more key risks were identified, namely: the risk Inability to ensure the availability of ICT-services (6%), which includes the risk of non-functioning of key processes related to the operation of ICT service due to various causes, the risk of minor averages (6%), which includes the occurrence of minor damage to the infrastructure due to the influence of external factors (fire, storm, floods,...) and Implementation of SODO services -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 ten significant risks: System operation in the area of maintenance, Market risk, Disconnection of power, Lawsuit by small shareholders, EU GDPR Regulation, Termination of a key supplier or contractor, replacement of key personnel in ICT, rising prices of materials and equipment, the risk of major averages and the deteriorating general economic situation, which represent a contribution to the risk profile in the amount of 1 – 5% . Remaining seventeen risk represent a smaller contribution to the risk profile than 1%, or a total of around 5%.

Status of the risks in the risk matrix and the flow of the graph showing the total contribution to the risk profile prove that the Company fully controls the risks.

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, d.d., 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.

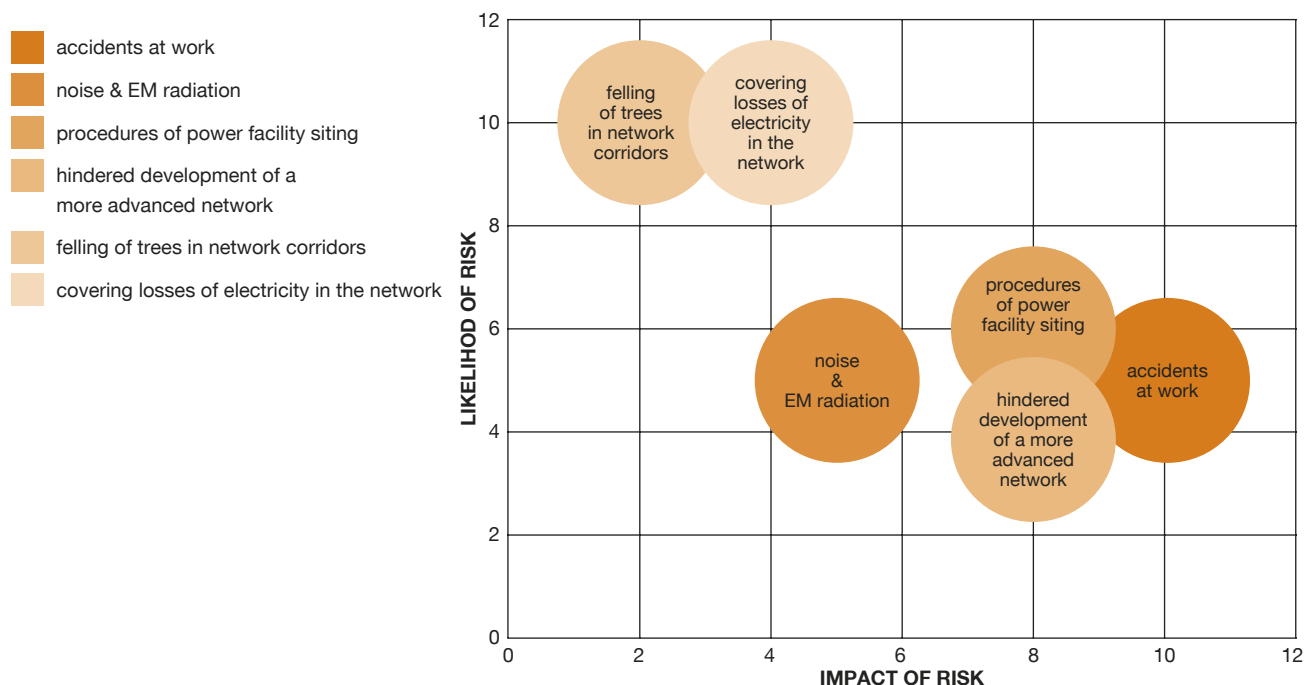


Chart 4: Risk matrix

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	
H	Investments in new projects Changing user habits
M	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
L	Increased costs of natural materials

Legend: ■ high ■ medium ■ low

Chart 6: Identified transition risks

6.9 Management of social impacts²⁰

6.9.1 Employees²¹

Engaged employees are crucial to fulfilling the company's strategy and vision. With their work and ideas, they influence the success of the company, which is why human resources management is also aimed at designing and improving processes and systems for acquiring and retaining key personnel, employee development, succession planning and the creation of a stimulating and orderly work environment.

This year, we dedicated a lot of time to the new information system or upgrading the information system, which would facilitate employee management processes and digitize some regular reports. We prepared a new Rulebook on conducting annual development dialogues and rewarding work performance, and adopted a revised Company's Code of Ethics.

As every year so far, this year as well, we put special emphasis on improving the management skills of managers and on education and development of employees within the framework of available resources. We have retained the »Learning Brand« certificate, which serves us as a tool for creating an environment for lifelong learning and greater personal and professional growth of employees.

This year, at the end of the year, we checked employee satisfaction with the work environment, company management, organization and communication in the company by measuring the organizational culture.

Measured results will be the basis for the creation of the necessary measures and improvements in the management of human resources in the following year.

6.9.1.1 Composition of employees²²

Average number of employees in 2023 was 474, it decreased by three employees compared to the average headcount in 2022.

Employee turnover in the company amounts to 5.48%, and compared to the previous year it is higher by more than 18%. Dominant reasons for termination of employment in more than three quarters of departures are retirements, while other reasons include voluntary termination, resignations by employees and death.

Absenteeism due to sick leave was 6.00% and decreased by 22% compared to 2022.

Elektro Primorska, d. d.	
Total number of employees as at 31. 12. 2023	476
Average number of employees in year	474
Number of new employees hires in year ²³	29
Number of departures in year	26
Number of permanent employees	465
Number of fixed-term employees	27
Number of employees with disabilities	28

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

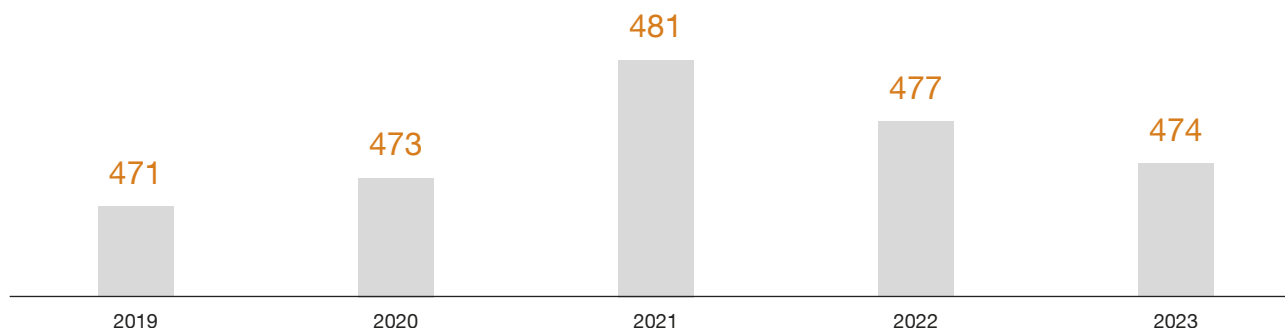


Chart 7: Movements in the average number of employees over the period 2019 – 2023

²⁰ GRI 103-2, GRI 103-3

²¹ GRI 102-8

²² GRI 405-1

²³ GRI 401-1

Activity	Number of employees as at 31. 12. 2022	Structure (%)	Number of employees as at 31. 12. 2023	Structure (%)
Main activity (distribution network sector, electricity system management sector, strategic development and innovation service)	372	78.15	373	78.36
Common services (management, financial and accounting sector, general sector, procurement, information technology)	104	21.85	103	21.64
Total	476	100	476	100

Table 15: Overview of employees in Elektro Primorska, d.d,

AGE STRUCTURE OF EMPLOYEES

Average age of employees in the company is 44.2 years, which decreased by 1.7 year compared to the previous year. With the greater number of retirements and new hires, the staff is getting younger.

	Age group	Number of employees
1	up to 20 years	6
2	21-30	52
3	31-40	116
4	41-50	152
5	51-60	131
6	61 and over	19
	Total	476

Table 16: Number of employees in Elektro Primorska, d.d, per individual age group

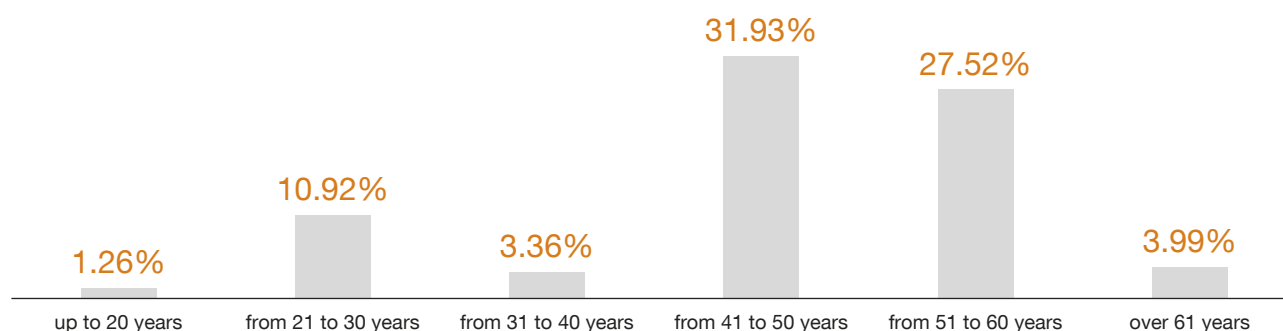


Chart 8: Age structure of employees of Elektro Primorska, d. d.

STRUCTURE OF EMPLOYEES ACCORDING TO GENDER

Structure of employees according to gender does not change significantly from one year to the other. Men predominate, and compared to 2022, there are still a good half a percent more of them. Such a gender structure is the result of the fact that we operate in an industry in which

we employ mainly technical professions, which are mostly performed by men. Women dominate mainly in support services, among technical services they represent 7% of all employees.

	Gender	Number of employees
1	male	401
2	female	75
	Total	476

Table 17: Number of employees in Elektro Primorska, d. d., by gender

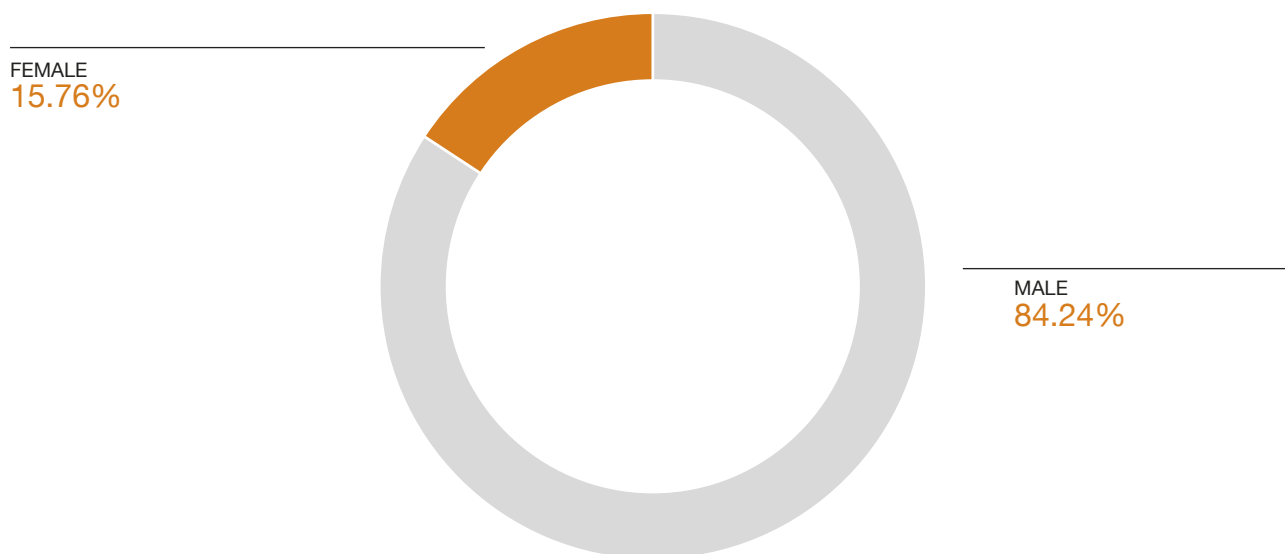


Chart 9: Structure of employees in Elektro Primorska, d. d., according to gender

STRUCTURE OF EMPLOYEES ACCORDING TO THE YEARS OF SERVICE

Share of employees with more than 20 years of service is 59% and is 4% lower compared to the previous year, which is the result of new employments and retirements.

	Years of service	Number of employees
1	up to 5 years	35
2	from 6 to 10 years	57
3	from 11 to 20 years	102
4	from 21 to 30 years	134
5	from 31 to 40 years	126
6	over 40 years	22
	Total	476

Table 18: Number of employees in Elektro Primorska, d. d., according to the years of service

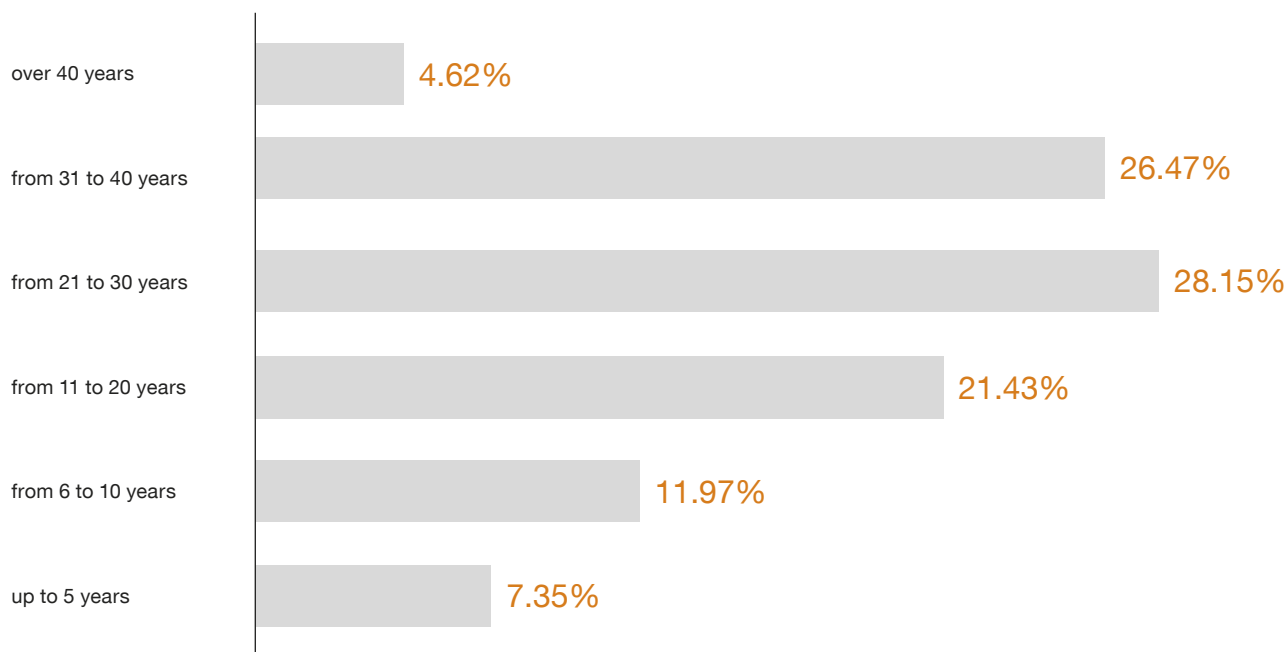


Chart 10: Structure of employees according to the years of service in Elektro Primorska, d. d.

EDUCATIONAL STRUCTURE OF EMPLOYEES

Educational structure of employees in 2023 is comparable to year 2022. Compared to 2022, the share of employees with levels of education 1, 3 and 7 decreased visibly.

Increased share can be detected among employees with level of education 5. At other levels of education, the shares are comparable to last year.

Level according to BP	Number of employees as at 31.12.2022	Structure (%)	Number of employees as at 31.12.2023	Structure (%)
8/2	1	0.21	1	0.21
8/1	5	1.05	5	1.05
7	56	11.76	50	10.50
6/2	54	11.35	55	11.55
6/1	62	13.03	65	13.66
5	176	36.97	181	38.03
4	110	23.11	110	23.11
3	10	2.10	8	1.68
2	1	0.21	1	0.21
1	1	0.21	0	0
TOTAL	476	100	476	100

Table 19: Educational structure of employees in Elektro Primorska, d. d.

NEW EMPLOYEE HIRES

With the changed conditions on the labour market, when it is becoming more and more difficult to obtain suitable staff, we have so far managed to obtain the necessary new employees in 2023.

We hired 29 new employees, which represents 6.1% of all employees. According to the demographic structure, the largest share of new employees are men between ages of 19 and 30, while the majority of new employees have level 4 and 5 of electrical education. Predominantly male gender structure among new employees is the result of the technical professions that we were looking for this year, so women are not even applying as job candidates. Average age of new employees is 27.7 years.

AGE STRUCTURE

Age group	Number of new employees
up to 20 years	7
21-30 years	12
31-40 years	10
41-50 years	0
51-60 years	0
Total	29

Table 20: Age structure of new employees in 2023

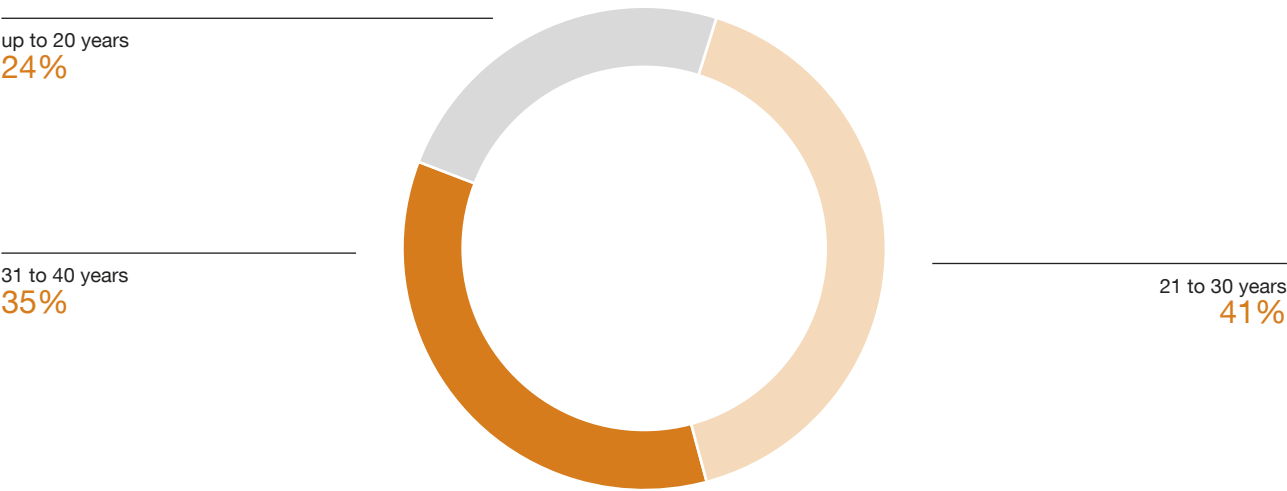


Chart 11: Age structure of new employees in 2023

GENDER STRUCTURE

Gender	Number of new employees
Male	28
Female	1
TOTAL	29

Table 21: Number of new employees in 2023 by gender

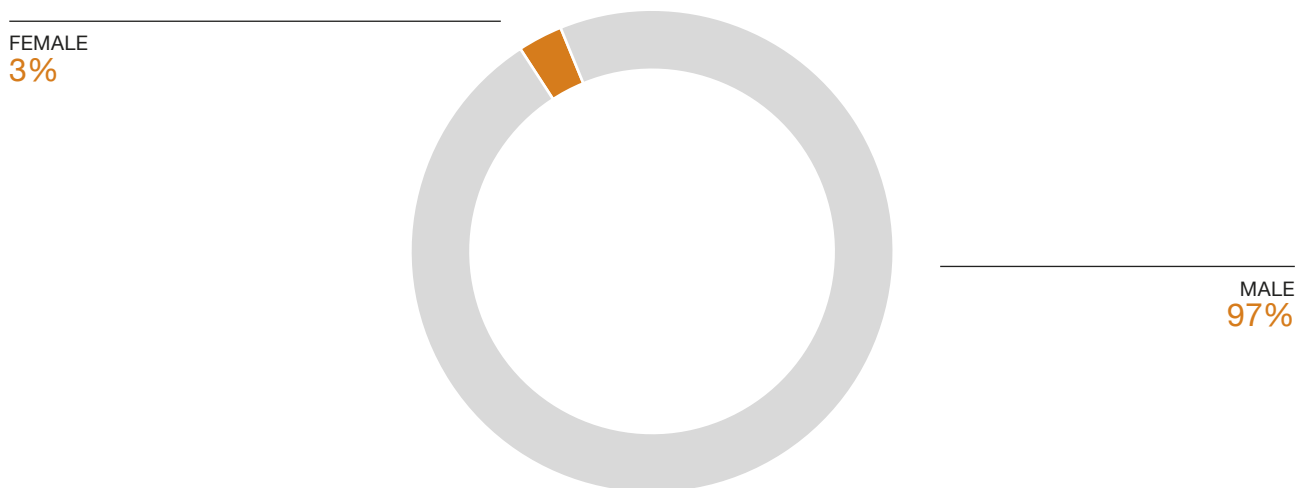


Chart 12: Structure of new employees in 2023 by gender

Due to the challenges in recruiting new personnel, especially in the field of electrical engineering and computer science, in 2023 we again approached the tender for company scholarships. We were satisfied with the interest of students in the scholarships. We awarded nine company scholarships, four for the level 5 of education in electrical engineering, one for the 6/1 level of education in electrical engineering and four scholarships for the 6/2 level of education in computer science and informatics and electro-technology. We intend to continue with the scholarship system and the awarding of new, additional, company scholarships in 2024 as well.

In addition to scholarships, greater emphasis will also need to be placed on building the company's brand, so that we are as attractive as possible to job seekers.

6.9.1.2 Education of employees²⁴

We constantly invest in the development, education and training of our employees, as the knowledge and high qualification of our employees are crucial for the growth and development of the company. In 2023, we continued with a systematic approach to the planning and implementation of training courses and evaluating their effectiveness. Every employee attended at least one form of education or training. Average number of hours of education per employee in 2023 was 13.56 hours. We have enabled our employees to upskill and train in very different professional areas, such as management, energy, legislation, communication, quality, occupational health and safety. For the needs of additional education and development of employees (tuition fees, workshops, seminars, etc.), we allocated €92,447.48 or €195 per employee.

²⁴ GRI 404 – 1

Company has concluded 14 contracts with employees wishing to obtain higher professional education, most of them for the title of power engineer.

Also in 2023, we have retained the »Learning brand« certificate, as a tool that enables the organization's management, above all, to use the maximum potential of employees and create an environment that offers employees personal and professional growth.

We supplemented the classical methods of education with online learning. Employees can access the E-learning online application, where the library offers approximately 250 different themes for professional and personal development (language courses, computer courses, time management, communication, stress management, well-being at the workplace, etc.).

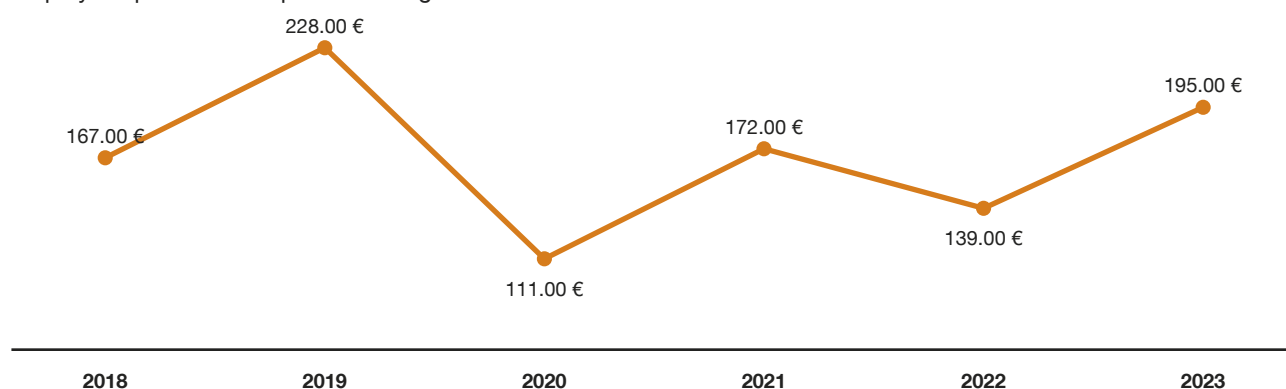


Chart 13: Resources intended for employee trainings (in euros /employee)

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, d.d., 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. »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, we pay even greater attention to safety and health.

Company has an established Occupational Health and Safety Management System²⁵ 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 are:

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. 11 was conducted in April 2023.

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.

Identification and investigation of incidents²⁶;

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 work²⁷ 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 work²⁸

In the period from January 1 2023 to December 31 2023, 26 new employees took part in training and knowledge testing in occupational health and safety and fire safety, 12 students received training for safe and healthy work before completing a mandatory internship or student job at Elektro Primorska, d. d. In 2023, 18 employees were trained to work with lifting baskets and forklifts, and 36 employees were trained to operate chainsaws. 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.

²⁵ GRI 403-1

²⁶ GRI 403-2

²⁷ GRI 403-2

²⁸ GRI 403-5

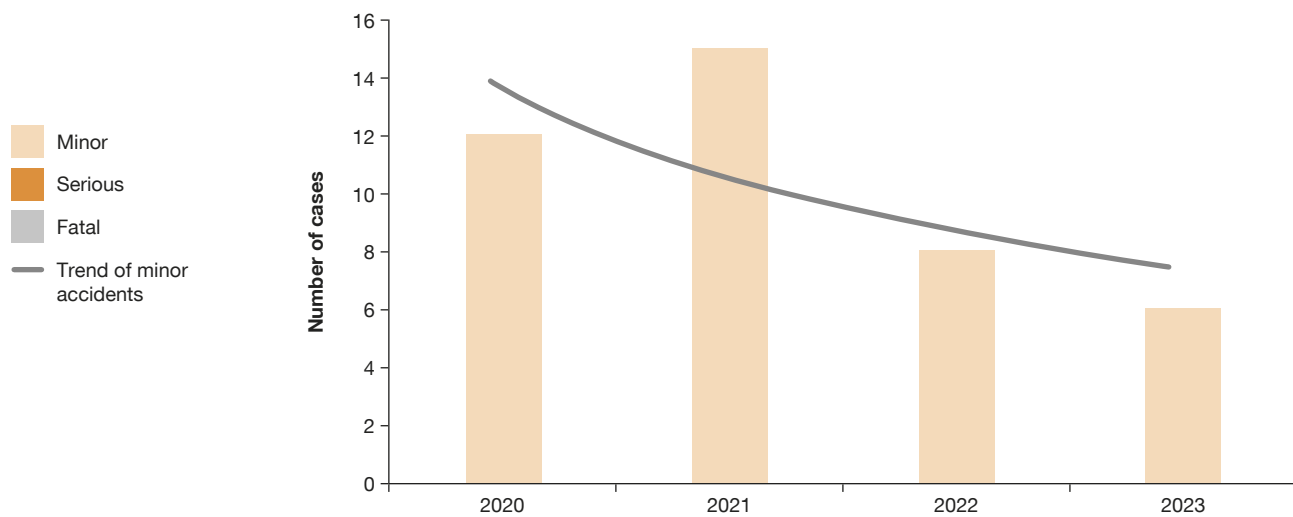


Chart 14: Number of accidents at work in the period 2020 – 2023

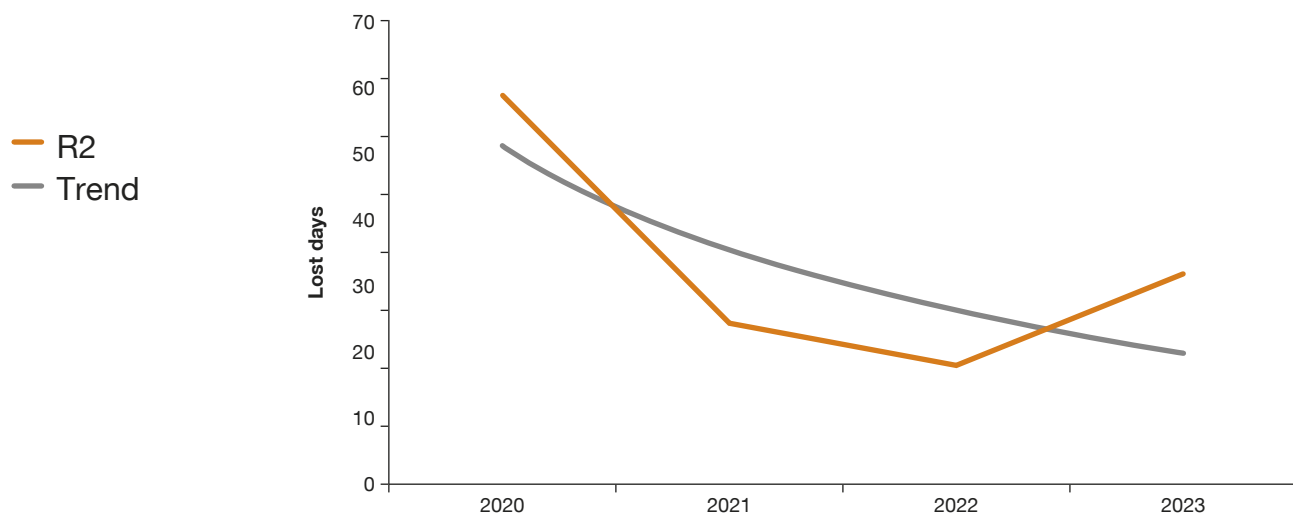


Chart 15: Share of lost working days due to injuries at work

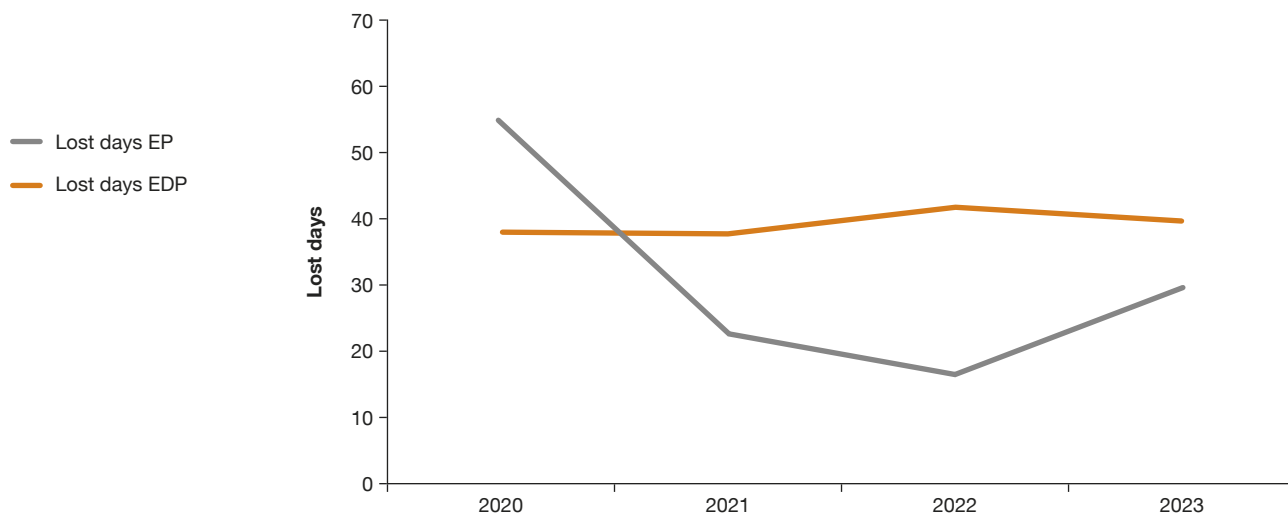


Chart 16: Severity of injuries at work

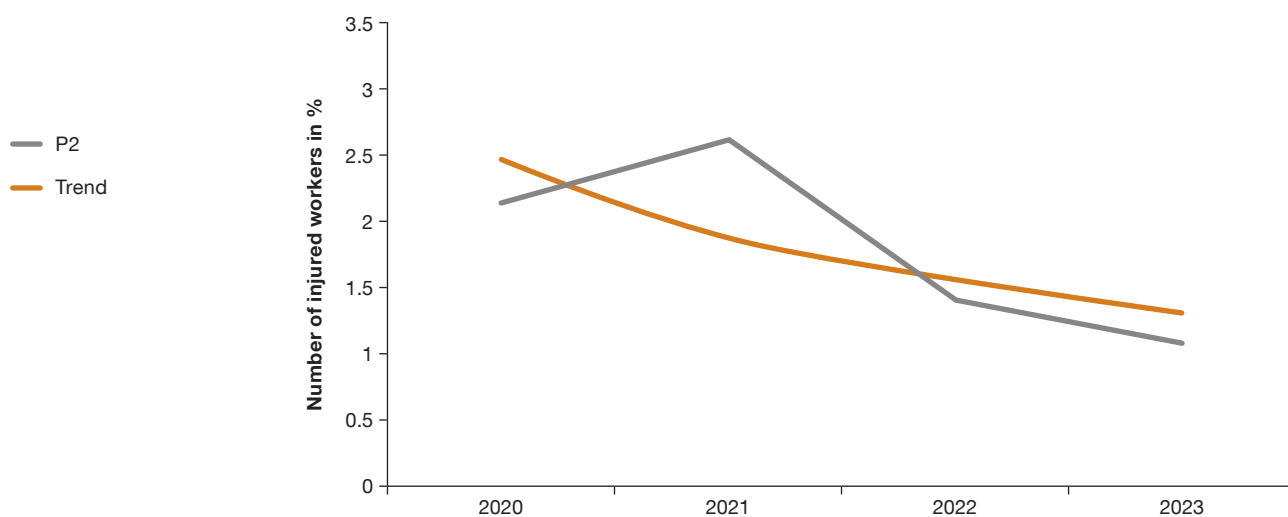


Chart 17: Frequency of accidents at work

6.9.1.5 Employee innovation

In 2021, the company Elektro Primorska, d.d., added the Office for Strategic Development and Innovation to its organizational structure. Main purpose of the service, in addition to performing classic network development, is to actively monitor the latest state of the art 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 and advanced innovative technologies. 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 2023, the company continued with the implementation 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 1st phase. In 2023, the implementation of the 2nd development phase took place, where an integration platform was established with integration to data sources (GIS, MDMS- meters, SCADA, eIS) and key applications of the project were developed (topology creation, network topology fault detection, calculation of network capacity for connecting RSs and new users, support for the approval process, etc.).

6.9.1.6 Diversity and equal opportunities²⁹

Company promotes an inclusive organizational culture that emphasizes the recognition and respect of individual skills, regardless of individual characteristics (gender, age, disability, etc.) in all activities in the company and the creation of an environment in which everyone feels accepted and valued. We also try to achieve this 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. Company has adopted the Agreement on the prevention of mobbing, we also place great emphasis on education in the field of managerial competencies and communication, and this year we also amended the code of ethics. In order to facilitate the reconciliation of work and family life, flexible working hours have been introduced in the Company for many years 31, 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 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,

²⁹ GRI 401-1

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%.

A total of 28 workers with disabilities were employed by the Company as at December 31 2023. Eight 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 at the end of the year did not fulfil the statutory quota laid down by the Decree establishing employment quota for persons with disabilities.

6.9.2 Customers (Note: network users)

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, d.d., 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, d.d., 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 2023, the company SODO, d. o. o., based in Maribor, was taken over by ELES, d.o.o. Despite the change in the contractor of the task of the distribution operator Elektro Primorska, d.d., carries out the tasks of the distribution operator in the same way as before, namely on the basis of the contract for lease of distribution infrastructure and provision of services for the company ELES. As part of performing operational tasks, all revenues from network usage are considered revenues of the company ELES, d.o.o. As the owner of the distribution infrastructure and services provider, Elektro Primorska, d.d., issues monthly invoices for lease of infrastructure and services rendered to ELES. Recognized revenues and, consequently, costs related to the purchase of electricity to cover losses in the distribution network are received by ELES, d.o.o.

6.9.2.2 Revenues from network usage

At the end of 2022, we created a preventive plan to limit consumption (shutdowns due to reductions in consumption) in the event of a problem with the supply of electricity due to a possible lack of energy. There were no instances of supply problems, however in 2023 we noticed a steep decline in consumption compared to 2022.

At the request of the European Commission regulation on reducing electricity consumption by at least 10% (Proposal for a COUNCIL REGULATION on an emergency intervention to address high energy prices, Brussels, 14. 9. 2022 COM(2022) 473 final 2022/0289(NLE)), we prepared a new reduced plan in September 2022. Thus, we reduced the original plan of 1,592,996 MWh by 10.82% to the value of 1,420,639.397 MWh of invoiced quantities.

A total 15,682,119 kW of power and 1,498,115,264 kWh of electricity was invoiced to all electricity consumers in the area of Elektro Primorska, d.d., in 2023. In the area, we can see an increase in billing power by 0.6% and a 3.33% decrease in electricity consumption compared to the previous year. We are faced with many reasons for the decrease in EE consumption, the main of which is the price of electricity. Rest can be attributed to the increase in the number of dispersed resources of own use and environmental changes. Effect of the above is more noticeable in the winter time in the case of a warm winter. Total revenues from network charges and contributions amount to €68,224,463, or an increase of 21.3% compared to 2022. Total revenues based on the charged network charges for the distribution network increased by 31.7% compared to 2022. Latter increase is not an indication of extraordinary consumption rather, it is the result of additional measures to mitigate negative impacts

on the population (three-month drop in network charge revenues). During the year, we recorded minor changes in the price list for the distribution network. Additional measure to mitigate electricity prices was the reduction of the VAT rate from 22% to 9.5% in the period September 1 2022 – June 1 2023. We pay additional attention to the impact of electricity prices to cover losses, where the purchase price in 2023 amounts to €236.70 / MWh, which represents a 342% price increase. Purchase price of electricity for losses amounts to approx. €18.19 million, which represents a 47% share of total distribution system network charge revenues.

Number of customers connected to the Elektro Primorska distribution network rose by 663 to 138,182 as at December 31 2023.

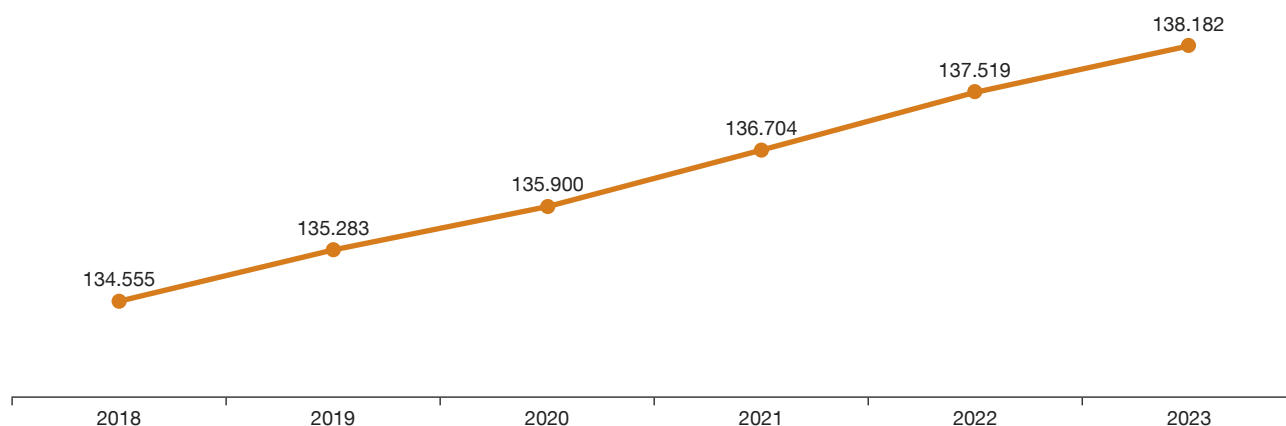


Chart 18: Changes in number of customers in period 2018 – 2023

6.9.2.3 Acquired and transmitted electricity in 2023

In 2023, a total 1,409,155 MWh of electricity was acquired from the transmission network and 165,802 MWh from the electricity producers. In total, 1,574,957 MWh of electricity was acquired into the distribution network. Comparison of acquired quantities of electricity between 2023 and 2022 shows a 6.7% decrease in the electricity acquisition from the transmission system, and a 40.38% increase in the production of dispersed sources. Index of total acquired volume in the distribution network amounted to 0.9667, which means 3.30% lower quantities compared to 2022. A total 1,498,115 MWh of electricity was invoiced to customers in 2023. Index of invoiced electricity compared to quantities invoiced in 2022 amounts to 0.9667, a decrease of 3.33%.

In 2023, we record a significant decrease in the consumption and, consequently, the acquisition of electricity. Latter can be attributed to higher electricity prices and an increased number of self-supplies and electricity producers. Considering the year 2022, we are recording a 63.45% increase in uptake from hydroelectric power plants included in the distribution network. Latter can be attributed to abundant rainfall relative to the year 2022.

Month	Realization in 2023 [kWh]	Realization in 2022 [kWh]	Plan 2023 10% reduced [kWh]	Plan 2023 [kWh]	Index of realization (2023/ 2022)
January	135,691,512	144,077,313	131,105,875	146,866,514	0.942
February	133,501,539	133,310,763	119,596,292	134,023,751	1.001
March	134,462,753	141,590,896	126,431,844	141,772,921	0.95
April	119,816,115	123,499,094	106,836,652	119,133,693	0.97
May	116,288,659	123,726,776	108,563,916	122,194,274	0.94
June	118,857,703	130,458,529	114,775,395	127,838,779	0.911
July	125,671,944	134,845,386	123,375,923	138,816,551	0.932
August	113,993,194	121,984,780	114,496,483	129,231,713	0.934
September	117,584,974	120,135,546	114,899,177	128,944,470	0.979
October	116,334,052	116,040,169	116,713,284	130,934,775	1.003
November	126,927,041	124,620,346	118,781,283	133,198,409	1.019
December	138,985,778	135,483,369	125,063,273	140,040,041	1.026
Total	1,498,115,264	1,549,772,967	1,420,639,397	1,592,995,891	0.967

Table 22: Monthly realization of distributed electricity

In 2023, transmission of electricity to Italy was not recorded.

6.9.2.4 Excess of acquired or distributed reactive power

In 2023, the tariff item for excessively taken 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 ELES, d.o.o. In 2023, 57,355,680 kvarh of excessive reactive energy from electricity networks of all customers in the area of Elektro Primorska, d.d., was invoiced amounting in total to €517,040.70. Index of excess of acquired reactive power compared to quantities recorded in 2022 amounts to 1.1166, increase of 11.66%.

6.9.2.5 Electricity losses in the distribution network

Losses in the electricity distribution system in 2023 amounted to 76,842,065 kWh, which accounts for 5.13% of total invoiced electricity to all customers. Quantitatively, the losses decreased by 2.66%. Despite the decrease, the percentage share of losses in relation to invoiced quantities increased by 0.7% due to lower consumption. Increase in the percentage share of losses can be attributed to lower consumption in the business part and the impact of self-supplies and advance payments.

6.9.2.6 Peak of distribution network consumption and operating hours

In 2023, the peak consumption of Elektro Primorska, d.d., distribution system occurred on Monday, January 30 2023 at 8.30 am and amounted to 285.399 MW. Compared to 2022 (291.311 MW) it decreased by

5.91 MW or 2%. Peaks are calculated on the basis of 15-minute average values of measurements and not multi-hour as in previous years.

P [MW]

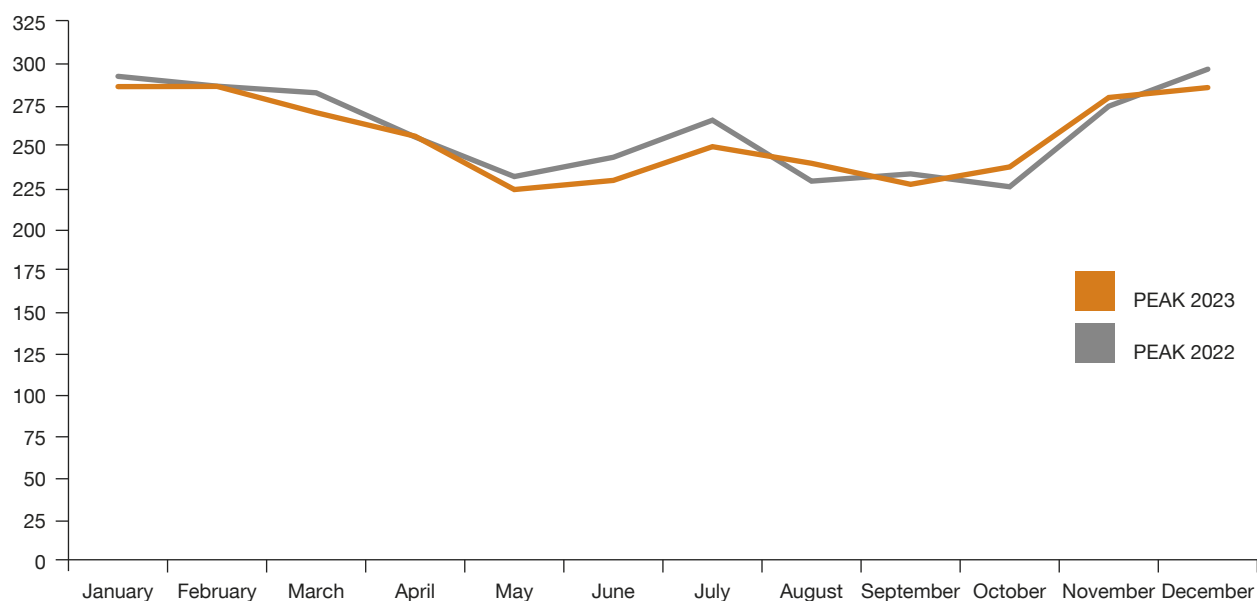


Chart 19: Monthly electricity consumption peaks in 2023

W [MWh]

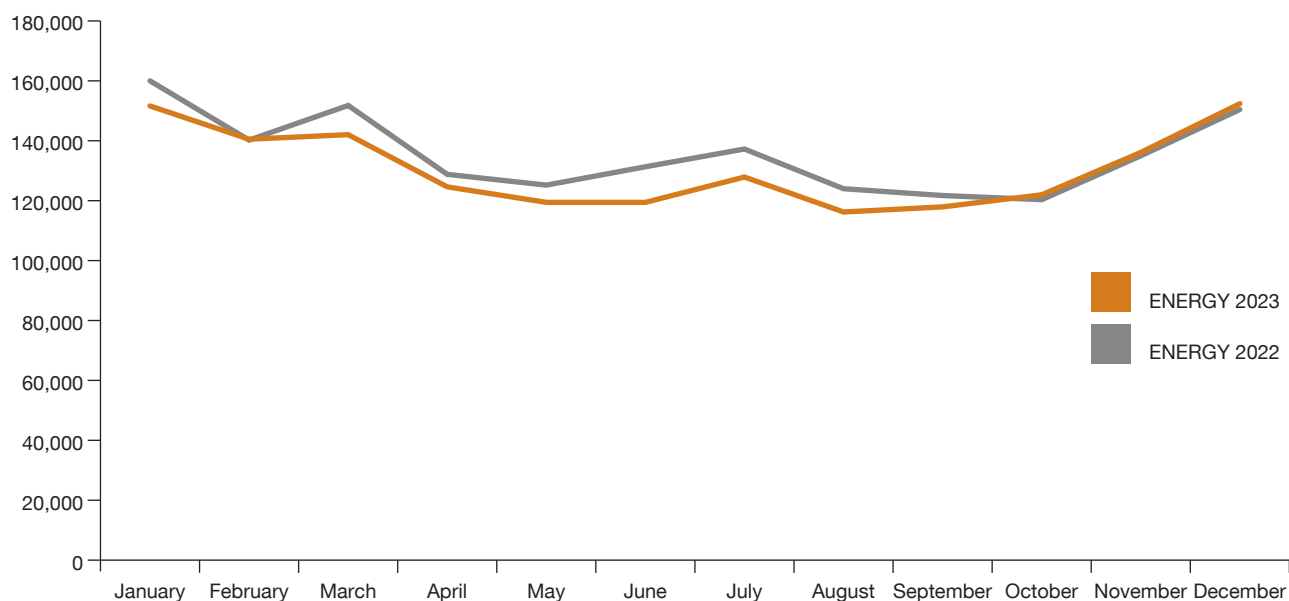


Chart 20: Monthly amount of electricity acquired in 2023 from transmission and qualified producers

6.9.2.7 Electricity generated by producers connected to the distribution network

As at December 31 2023, a total 653 conventional electricity producers were connected to the distribution network of Elektro Primorska, d.d., and 3,923 self-supplies. In 2023, we are recording a rapid growth of

conventional power plants and self-supplies. This is due to numerous incentive for RES in 2023, as well as the last deadline for connection the self-supply according to the EZ-1 billing method "annual netting".

Energy source	Number of power plants ***	Production 2023 [kWh]	Production 2022 [kWh]	Share of production 2023	2023 / 2022
HE SENG	66	81,543,826	47,357,085	37.92%	1.722
HE Other	23	35,452,534	24,223,426	16.48%	1.464
Solar power stations	501	53,610,188	43,397,100	24.93%	1.235
Wind power stations	3	6,365,569	5,687,413	2.96%	1.119
SPTE	36	6,390,132	9,460,656	2.97%	0.675
Self-supply*	3,923	31,125,027	17,171,153	14.47%	1.813
Battery storage **	5	32,150	127,219	0.01%	0.253
Community self-supplies ****	19 / 18*****	561,073		0.26%	
Total	4,576	215,080,499	147,424,052	100%	1.459

Table 23: Electricity production by source of primary energy

Note:

Indicated production takes into account the actual devices. Quantities are not directly comparable to the transmission into the distribution network. In the case of PS2.2. power plants, we indicate the production of P2 measuring points.

* 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.

**** Added data Community Self-Supplies. In 2023, the first Community SS with a new billing method according to ZSROVE appears.

***** In 2023, we have 19 Community SS production facilities. In one case, two power plants under the same Community, that means we have 18 Community SSs.

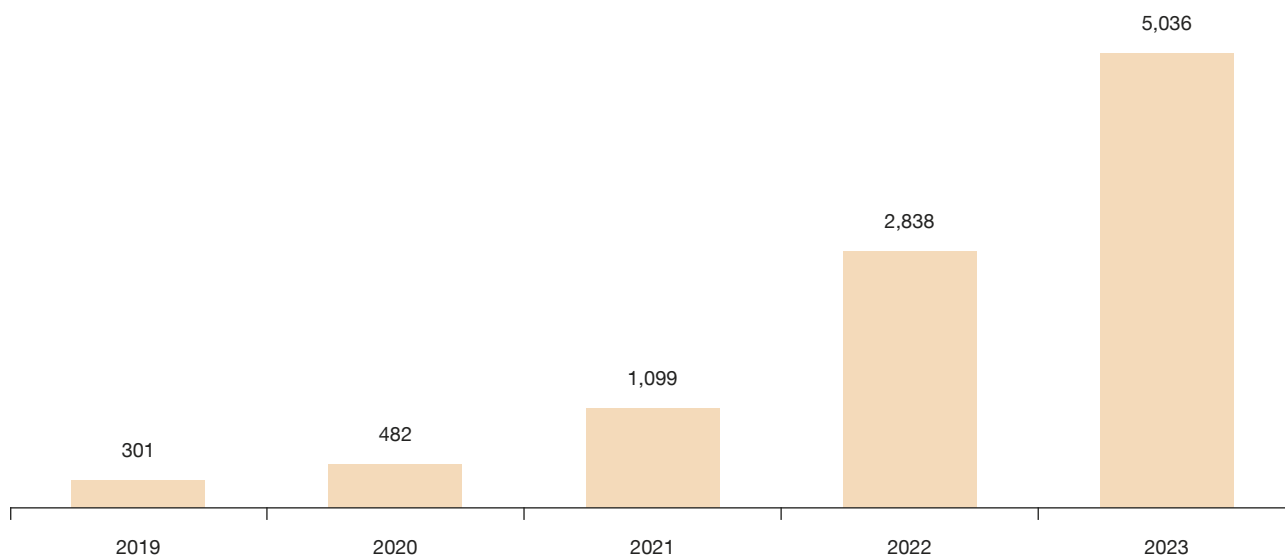


Chart 21: Number of applications for self-supplies received in the period 2019 – 2023

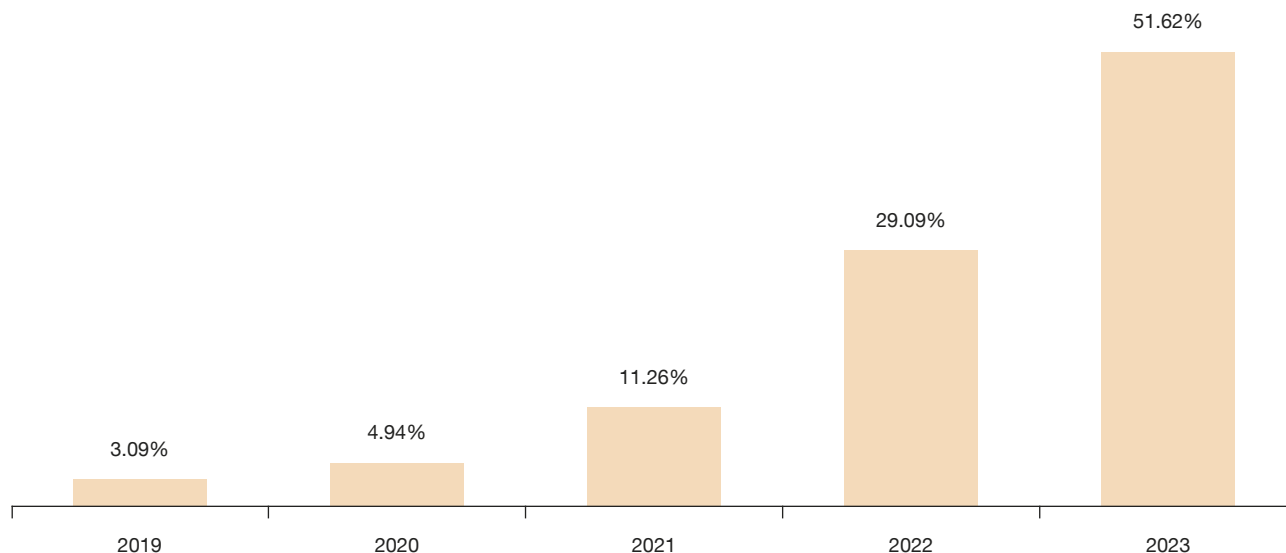


Chart 22: Annual percentage share of all self-supply applications received in relation to applications received during the period 2019 – 2023

From the chart above, it can be seen that in the period from 2019 to 2023, the impact of the number of applications grows exponentially. In 2023, we received 1.62% more applications than the total number of applications received in the period from 2019 to 2022. Number of connected self-supplies in 2023 shows a similar increase compared to 2022, where we have a 94.02% increase in the number of connected self-supplies. Picture is similar with the production to the distribution system, where we are dealing with an 81.3% increase in transmission. In 2023, the impact of self-supply is no longer negligible, as advances for self-supplies directly affect the real picture of the balance sheet and the movement of monthly losses during the year.

6.9.2.8 Quality of electricity supply

VOLTAGE QUALITY

Permanent monitoring of voltage quality in Elektro Primorska, d.d., in 2023 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 2023 show an improvement in the state of compliance of voltage quality with the requirements of the standard on HV level from 96.03% in

2022 to 96.83% in 2023 and a deterioration from 90.92% at the MV level in 2022 to 87.61% in 2023.

Vast majority of voltage quality deviations in 2023 occurred during the summer storms due to lightning strikes and periods of strong northern wind. In 2023, 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 26 measuring sites, while an increase in flicker was detected at 71 measuring points. Deviation on the harmonics level, voltage imbalance, deviations in signal voltages or frequency were not detected in 2023.

CONTINUITY OF SUPPLY

We recorded 1,239 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 2023, 14 of those were failures of the 110/ MV kV and MV/MV kV power transformers. Data presented in tables 22, 23 and 24 was obtained from the application of the Energy Agency (AE).

For the purposes of the ordinary and investment maintenance of installations, 1,325 disconnections were carried out, which led to the planned blackouts. DCV Elektro Primorska, d.d., issued 2,644 of security work orders. Total number of unplanned and planned interruptions lasting more than three minutes reached 2,564, which is slightly higher than in the previous year.

Number of interruptions lasting more than 3 minutes	in 2023	in 2022	Index 23 / 22
Number of unplanned interruptions	1,239	671	1,846
Number of planned interruptions – disconnections	1,325	1,536	0,863
Total number of planned and unplanned interruptions	2,564	2,207	1,162

Table 24: Number of interruptions lasting more than 3 minutes

SAIFI (system average interruption frequency index)	in 2023	in 2022	Index 23 / 22
Average number of unplanned interruptions per customer	2,529	1,661	1,522
Average number of planned interruptions – disconnections per customer	0,806	1,053	0,765
Average number of planned and unplanned interruptions per customer	3,335	3,648	0,914

Table 25: SAIFI– system average interruption frequency index

SAIDI (system average interruption duration index)	in 2023	in 2022	Index 23 / 22
Average interruption duration in hours due to unplanned interruptions	2.01	1.06	1.89
Average interruption duration in hours due to planned interruptions – disconnections	1.82	2.38	0.76
Average interruption duration in hours due to planned and unplanned interruptions	3.83	3.44	1.11

Table 26: SAIDI – system average interruption duration index

Based on the achieved values of continuity of supply indicators in 2023 (mainly the duration of interruptions on rural lines), from incentives and penalties for the quality of electricity supply in the area of continuity of supply, the Elektro Primorska, d.d., would be penalized for approximately €293,000.

However, since the year 2023 was unfavourable (a lot of bad weather) for all distribution companies, the Energy Agency, in accordance with Article 79 of the Act on the methodology for determining the regulatory framework for electricity operators, exempted the year 2023 from quality regulation for all distribution companies.

COMMERCIAL QUALITY

In accordance with the Legal Act on the rules for monitoring the quality of electricity supply (Annex 2 of the Act), the Company regularly monitors commercial quality indicators and reports to the Energy Agency and SODO, d.o.o. Commercial quality indicators for 2023 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 2023, we worked with local communities and other infrastructure managers on the following projects:

- Construction of cable ducting – Bilje for the needs of MV lines (simultaneous construction with DRSI investment and Renče-Vogrsko municipality)
- Construction of cable ducting Ajševica – Roundabout for the needs of MV and LV lines (simultaneous construction with DRSI investment and MONG)
- Construction of cable ducting Aglomeracija Kromberk for the needs of MV and LV lines (simultaneous construction with DRSI investment and MONG)
- Construction of cable ducting Višnje 2 for the needs of LV lines (simultaneous construction with DRSI investment and Municipality of Ajdovščina)
- Construction of cable ducting Škofije – TP Plavje 1 – TP Plavje 2 – TP Badiha (simultaneous construction with Municipality of Koper and Gratel)
- Construction of cable ducting TP Badiha – Urbanci (simultaneous construction with Gratel)
- Arrangement of Vegova Street (simultaneous construction with Municipality of Koper)
- EEN Košta (simultaneous construction with RV Koper, Municipality of Piran, Okolje Piran and Gratel)
- Construction of cable ducting roundabout Lokev (simultaneous construction with Municipality of Sežana, DRSI)
- Construction of cable ducting and cable lines RTP Postojna – ENP Postojna (simultaneous construction with DRSI)
- Construction of cable ducting RTP Postojna – highway underpass – via Razdrto (simultaneous construction with Municipality of Postojna)
- Construction of cable ducting Mokraška vas – Spodnja Idrija (simultaneous construction with DRSI), continued from 2022,
- Construction of low-voltage network Livek (simultaneous construction with DRSI), continued from 2022,
- Construction of low-voltage network, telecommunication network and water supply network Prapetno Brdo (simultaneous construction with Telekom and Komunala Tolmin).

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. Offering the opportunity to carry out practical training brings benefits to both students, who in this way get an insight into real working conditions and the work itself, enable them to gain experience, develop their knowledge and skills, as well as to the company, as it gets an insight into the way of work, competences and interests of students during internship, which is of great help later on in recruiting new personnel and facilitating the management of risks associated with the lack of professional personnel on the labour market.

In 2023, we allocated €47,476.70 for the purposes of practical training. Practical training was completed by a total of 44 pupils and students, most of whom are educated in secondary school, higher and university programs in electrical engineering.

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 2023, we allocated €56,024 for sponsorships and donations. Rules on the allocation of sponsorship and donation funds have been published on our website. In 2023, Elektro Primorska, d.d., Company allocated €19,624 in donations and €36,400 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, d.d., 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 2023 we recorded a total of 3,985 media releases, which is much more than in the previous year, of which : 1% of television publications, 7% of publications of the press agency, 66% of internet publications, 22% of printed publications and only 3% of radio publications. 862 media publications contained the key word Elektro Primorska, d.d., president of the board Uroš Blažica was mentioned in 71 media publications, while other publications are related to keywords by which we monitor the media appearance of the company and the area of interest and activities of distribution companies. They were mostly neutral, there was no negative coverage of the company in the media in 2023.

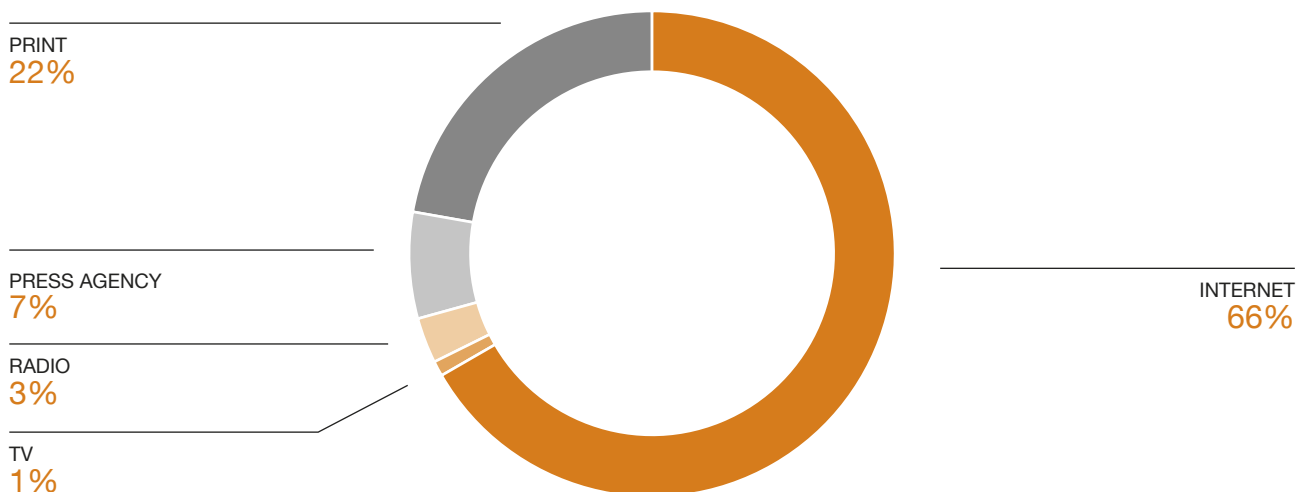


Chart 23: Share of publications by media type

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	2023	
Indirect CO ₂ emissions of consumed electricity	858,380	792,326	767,615	745,174	1,184,058	515,426	*	
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	76,840,364	
CO ₂ emissions from the consumption of energy products (NG, LPG, ELFO) for heating [kg]	158,731	127,584	131,700	132,900	111,500	120,100	96,083	
CO ₂ emissions due to fuel consumption for company vehicles and other machinery [kg]	886,947	817,815	811,100	779,200	777,400	730,000	793,246	
Amount of gases for maintenance of electricity infrastructure and cooling devices (chlorofluorocarbons, HCFCs, HFCs) [kg]	7.8	3.2	0.0	4.0	17.8	0.0	0.0	
Environmental incidents (chemical, oil and fuel spills)	0	0	0	0	0	0	0	
Received identified environmental violations from the inspector	1	1	0	1	0	0	0	

Table 27: Energy efficiency and carbon footprint indicators (scope 1, 2 and 3)^{30 31 32 33 34}

*values of emission factors for electricity for 2023 are not yet known

³⁰ GRI 302-1

³¹ GRI 302-4

³² GRI 305-1

³³ GRI 305-2

³⁴ GRI 305-3

6.10.2 Biodiversity³⁵

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.

“LIFE FOR LIFELINES” PROJECT

Based on the results of the “Za Kras” Project, in 2022-2023, 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. At the beginning of 2024, we received a notification that the candidature was successful.

6.10.3 Waste³⁶

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, d.d., 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.

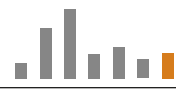
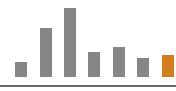

Indicator	2017	2018	2019	2020	2021	2022	2023	
Amount of generated waste [T]	3,567	10,095	13,758	5,240	6,595	4,333	5,283	
Amount of construction waste generated [T]	3,391	9,702	13,446	5,240	6,222	4,191	5,148	
Amount of hazardous waste generated [T]	50.2	156.8	152.3	74.0	203.2	17.5	41.4	

Table 28: Amounts of generated waste

³⁵ GRI 304 – 2

³⁶ GRI 306 – 2

6.11 Statement of non-financial reporting

Company Elektro Primorska, d. d., hereby submits a statement on non-financial reporting, in which under chapter 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 26 2024

Uroš Blažica,
President of the Management Board



6.12 GRI indicators list

This report has been prepared in accordance with the GRI (2016) Standards: core option.³⁷

GRI STANDARD	Disclosure	Chapter	Page in AR
GRI 101 [2016]: Foundation			
	Reporting principles	6.4. Approach to sustainable management	31
	Using the GRI Standards for sustainability reporting	6.4. Approach to sustainable management	31
GRI 102 [2016]: GENERAL DISCLOSURES			
Organizational profile			
102-1	Name of the organization	5.1. Company profile	22
102-2	Activities, brands, products, and services	6.2. Business model	27
102-3	Location of headquarters	5.1. Company profile	22
102-5	Ownership and legal form	5.1. Company profile	22
102-6	Markets served	5.1. Company profile	22
102-8	Information on employees and other workers	6.8.1. Employees	51-63
Strategy			
102-14	Statement from senior decision-maker	1.Report by the Management Board	11-12
102-15	Key impacts, risks, and opportunities	6.1. Sustainable business framework	24-26
102-16	Values, principles, standards, and norms of behaviour	6.3. Realization of the vision, mission and strategic guidelines	28
102-18	Governance structure	4.5. Management Board	18
102-30	Effectiveness of risk management processes	6.8. Risk management	46-50
Stakeholder engagement			
102-40	List of stakeholder groups	6.5. Inclusive communication with stakeholders	33
102-42	Identifying and selecting stakeholders	6.6. Management of material topics and materiality matrix	35
102-43	Approach to stakeholder engagement	6.6. Management of material topics and materiality matrix	35
Reporting practice			
102-46	Defining report content and topic Boundaries	6.4. Approach to sustainable management	31
102-47	List of material topics	6.6. Management of material topics and materiality matrix	35
102-50	Reporting period	6.4. Approach to sustainable management	32
102-53	Contact point for questions regarding the report	6.4. Approach to sustainable management	32
102-54	Claims of reporting in accordance with the GRI Standards	GRI Indicators List	75
102-55	GRI content index	GRI Indicators List	75
GRI 103 [2016]: MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.1. Sustainable business framework	24
103-3	Evaluation of the management approach	6.9. Management of social impacts	51

³⁷ GRI 102-54

GRI STANDARD	Disclosure	Chapter	Page in AR
SPECIFIC DISCLOSURES: ECONOMIC DISCLOSURES			
GRI 201 [2016]: Economic Performance			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.7. Management of economic impacts	39
103-3	Evaluation of the management approach	Table 7: Realization of services for SODO	40
201-1	Direct economic value generated and distributed	11. Analysis of the Company's performance	85
GRI 203 [2016]: Indirect Economic Impacts			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.7. Management of economic impacts	39
103-3	Evaluation of the management approach	6.7.1. Infrastructure investments and maintenance	39
203-1	Infrastructure investments and services supported	6.7.1. Infrastructure investments and maintenance (Tables 6 and 7)	39-40
SPECIFIC DISCLOSURES: ENVIRONMENTAL DISCLOSURES			
GRI 302 [2016]: Energy			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.10. Management of environmental impacts	72
103-3	Evaluation of the management approach	6.10.1. Energy efficiency	72
302-1	Energy consumption within the organization	6.10.1. Energy efficiency (indicators)	72
302-4	Reduction of energy consumption	6.10.1. Energy efficiency (indicators)	72
GRI 305 [2016]: Emissions			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.10. Management of environmental impacts	72
103-3	Evaluation of the management approach	6.10.1. Energy efficiency	72
305-1	Direct (Scope 1) GHG emissions	6.10.1. Energy efficiency (indicators)	72
305-2	Energy indirect (Scope 2) GHG emissions	6.10.1. Energy efficiency (indicators)	72
305-3	Other indirect (Scope 3) GHG emissions	6.10.1. Energy efficiency (indicators)	72
GRI 304 [2016]: Biodiversity			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.10. Management of environmental impacts	72
103-3	Evaluation of the management approach	6.10.2. Biodiversity	73
304-2	Protected and restored habitats	6.10.2. Biodiversity	73
GRI 306 [2020]: Waste			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.10. Management of environmental impacts	72
103-3	Evaluation of the management approach	6.10.3. Waste	73
306-2	Management of significant waste-related impacts	6.10.3. Waste	73
SPECIFIC DISCLOSURES: SOCIAL DISCLOSURES			
GRI 401 [2016]: Employment			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix 6.9. Management of social impacts	35
103-2	Management approach and its components	6.9.1. Employees	51
103-3	Evaluation of the management approach	6.9.1.1. Composition of employees	51
401-1	New employee hires and employee turnover	New employee hires	51
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.9.1.6. Diversity and equal opportunities	62

GRI STANDARD	Disclosure	Chapter	Page in AR
GRI 403 [2018]: Occupational health and safety			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.9. Management of social impacts	51
103-3	Evaluation of the management approach	6.9.1.4. Occupational health and safety	59
403-1	Occupational health and safety management system	6.9.1.4. Occupational health and safety	59
403-2	Hazard identification, risk assessment, and incident investigation	6.9.1.4. Occupational health and safety	59 - 61
GRI 404 [2016]: Training and Education			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.9. Management of social impacts	51
103-3	Evaluation of the management approach	6.9.1. Employees	51
404-1	Average hours of training per year per employee	6.9.1.2. Education of employees	57
404-3	Percentage of employees receiving regular performance and career development reviews	n/a * In the implementation phase.	
GRI 405 [2016]: Diversity and Equal Opportunity			
103-1	Explanation of the material topic and its Boundary	6.6. Management of material topics and materiality matrix	35
103-2	Management approach and its components	6.9. Management of social impacts	51
103-3	Evaluation of the management approach		
405-1	Diversity of governance bodies and employees	6.9.1.6. Diversity and equal opportunities	62

7. Realisation of the Annual Goals in 2023

Our operations in 2023 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 2023 is presented below.

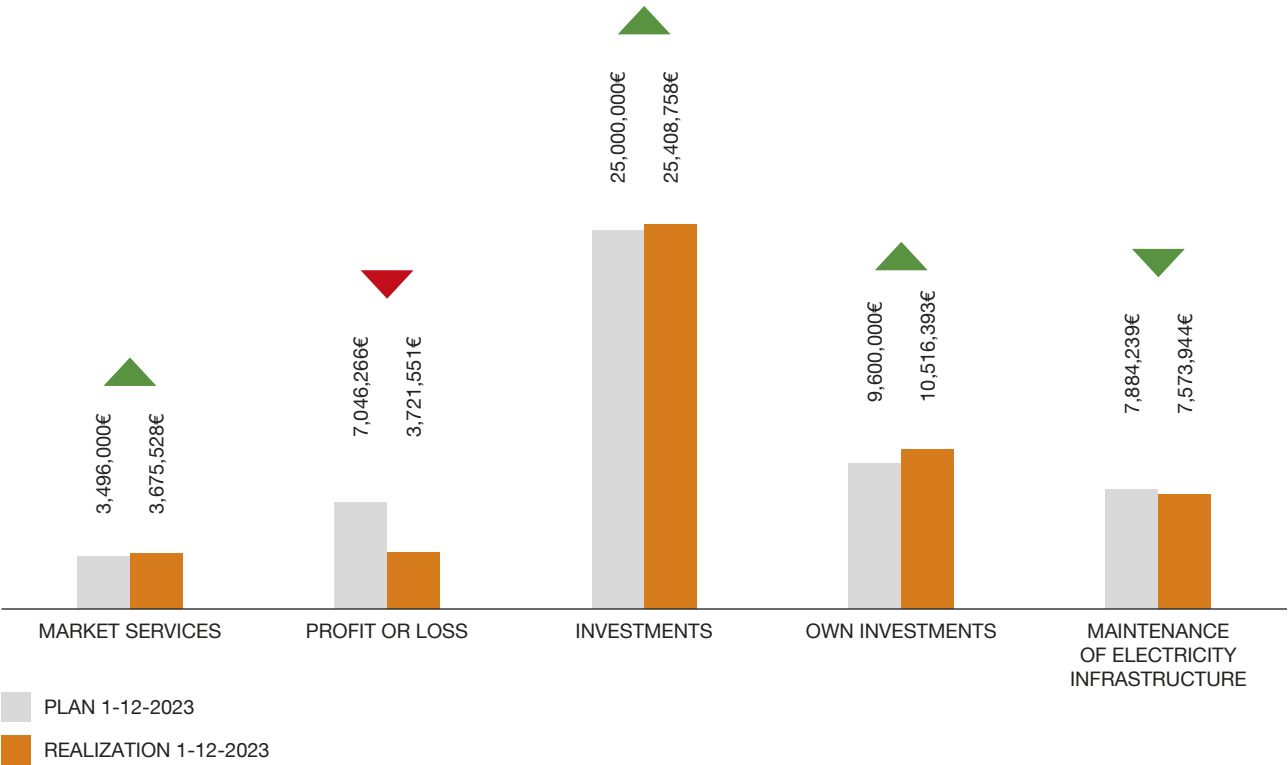


Chart 24: Financial realisation of the Company's fundamental business goals in 2023

Note: Table takes into account the pre-tax profit. Net profit for the accounting period amounts to €4,244,764.

In 2023, the Company achieved or exceeded four out of five goals. Due to exceeding the planned costs, it

realized a profit in the amount of only 53% of the planned business result.

Economic indicators	PLAN 2023	REALIZATION 2023
ROA	2.58	1.75
EBITDA margin	40.74	33.65
Net financial debt / EBITDA	1.86	2.27
CAPEX in net sales revenue	59.57	59.72
Value added per employee (in 000 EUR)	86.93	85.18
ROE (in%)	3.57	2.45
Operational indicators		
Electricity distribution in MWh	1,592,996	1,498,115
Share of investments in LV network (in%)	17	19
Average number of days until the approval for the connection of RES is issued	40	45
Share of positively resolved application for the issue of consents to connect RES (in%)	85	93
Average number Share of positively resolved application for the issue of consents to connect RES of days to perform the connection	25	25
SAIDI	44.22	50.83
Share of electricity losses in the distribution system	5.20	5.13
OPEX in regulated activity per distributed electricity	27.53	49.73
SAIFI	1.39	1.45
MAIFI	4.39	8.31
Sustainability indicators		
Investing in environmental management (in thousand EUR)	800.00	806.27
Employee turnover (in%)	4.80	5.48
Number of training hours per employee	10.00	13.50
Share of sick leave (in%)	6.20	6.00
Sponsorships and donations (in%)	0.19	0.16

Table 29: Key financial and non-financial indicators of the company's operations (2023)

Definitions and formulas

No.	Strategic goals	Definition/Formula
1	SAIDI*	Parameter of average duration of power interruptions in the system
2	Share of losses per distributed electricity *	Total EE taken into the distribution system (=sum of EE taken from the transmission side + production from dispersed energy sources, connected to the distribution system + inter-neighbour exchange) - EE given to customers = EE losses. Share of EE losses is calculated in two ways: EE losses/ total take-up (for international comparisons) and EE losses/ EE Consumption by final customers (the latter method is used by the regulator)
3	OPEX in regulated activity per distributed electricity*	Operating costs in regulated activity per distributed electricity (in time unit)
4	SAIFI*	Parameter of the average frequency of power interruptions in the system
5	MAIFI*	Parameter of the average frequency of short-term power interruptions in the system
6	Share of investments in LV network	Amount of investments in the low-voltage LV network in EUR in an individual year (or quarter or half-year)/ the amount of all investments in EUR in an individual year (or quarter or half-year)
7	Average number of days until approval for the connection of dispersed RES (number of days)	Average number of days from the receipt of a complete application for the issuance of a consent for the connection of dispersed renewable energy sources to the date of the issuance of the consent.
8	Share of positively resolved application for the issue of consents to connect dispersed RES (in%)	Number of positively resolved applications for the connection of dispersed RES/ the number of all received complete applications for the connection of dispersed RES
9	Average number of days to perform the connection (number of days)	Average number of days from the receipt of a complete application for connection to the network to the day of connection to the network.

No.	Economic goals	Definition/Formula
Profitability		
1	ROA (in%)	Net profit of the period after taxes / Average assets of the period * 100
2	EBITDA margin (in%)	EBITDA /Gross profit from operations in the period * 100
Capital structure, financing		
3	Net financial debt / EBITDA	(Short-term + long-term financial liabilities – cash – short-term financial investments) / EBITDA
4	CAPEX in net sales revenue (in%)	Invoiced value of realized investments for the reporting period (without VAT) is used to calculate CAPEX (in%). CAPEX = Turnover debited to synthetic accounts 004, 027, 047 (without free asset acquisitions) / Net sales revenue
Productivity		
5	Value added per employee (in EUR)	(Gross profit from operations – costs of material, goods and services – other operating expenses) / Average number of employees based on working hours in the accounting period

No.	Economic goals	Definition/Formula
6	ROE of the parent company (in%)	Net profit of the period after taxes / Average capital of the period * 100
Operational indicators		
1	Electricity distribution in MWh	
2	Connected load in MW – total	total/summary connection power in the distribution system, which has been allocated through connection consents and is available based on valid connection consents at active metering points (on a given day)

3	Connected load in MW – business customers	total/summary connection power in the distribution system, which has been allocated through connection consents and is available based on valid connection consents at active metering points (on a given day)
4	Connected load in MW - households	total/summary connection power in the distribution system, which has been allocated through connection consents and is available based on valid connection consents at active metering points (on a given day)
Sustainability indicators		
1	Investing in environmental management (in thousand EUR)	Investments in the environment are investments related to environmental management.
2	Employee turnover (in%)	(Departures during the period / average number of employees) × 100
3	Number of training hours per employee	Average number of hours per employee
4	Share of sick leave (in%)	number of days lost due to sick leave / (number of all working days × average number of employees) × 100
5	Sponsorships and donations (in%)	Sponsorships and donations (as a share of net sales revenue)

EBITDA = EBIT + Write-offs (AM + value adjustments)

* In accordance with the Act on the Rules for Monitoring the Quality of Electricity Supply (Official Gazette of the RS No. 59/2015), the definitions and descriptions for SAIDI, SAIFI and MAIFI are as stated in the text below.

SAIDI	Parameter of the average duration of power interruptions in the system (SAIDI) is the ratio between the sum of the duration of power interruptions of individual users in a certain time interval and the total number of users in the system for the duration of this time interval. Parameter SAIDI is expressed in minutes per user depending on the period of observation or reporting (monthly, annually). In LNU, it is expressed in »minutes / user / year«.
Share of EE losses in the distribution system	Share of EE losses in the distribution system is a measure that indirectly indicate the quality of maintenance of the electricity distribution system. Share of EE losses is the ration between the difference of the total EE received in the distribution system at time t (= sum of EE from the transmission side + production from dispersed sources, connected to the distribution system + inter-neighbour exchange) and EE delivered to customers at time t, compared with entire take-up into the distribution system in time t. Share of EE losses is calculated in two ways: EE losses/ total take-up (for international comparisons) and EE losses/ EE Consumption by final customers (the latter method is used by the regulator). In LNU it is expressed in »% per year«.
OPEX in regulated activity per distributed EE	Operational business costs per distributed EE of an individual area of the distribution system are the ratio between the total operating costs (work, material, services, depreciation, other operating costs) in the regulated activity and the total distributed EE in the distribution area at time t. In LNU they are expressed in »EUR / MWh / year«.
SAIFI	Parameter of the average frequency of power interruptions in the system (SAIFI) is the ratio between the total number of power interruptions of users in a certain time interval and the total number of users in the system for the duration of this time interval. Parameter SAIFI is expressed in number of interruptions per user depending on the period of observation or reporting (monthly, annually). In LNU, it is expressed in »number of interruptions/ user / year«.
MAIFI	Parameter of the average frequency of short-term power interruptions (MAIFI) is the ratio between the total number of short-term power interruptions of users in the system in a certain time interval and the total number of users in the system for the duration of this time interval. Parameter MAIFI is expressed in number of interruptions per user depending on the period of observation or reporting (monthly, annually). In LNU, it is expressed in »number of short-term interruptions/ user / year«.

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, d.d., 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 2023	REAL. 2023	REAL. 2022	REAL. 2023/ PLAN 2023	REAL. 2023/ REAL. 2022
OTHER SERVICES	496,000,00€	371,908,34€	719,795,63€	74.98%	51.67%
MARKET SERVICES	3,000,000,00€	3,303,619,42€	2,861,286,25€	110.12%	115.46%
TOTAL	3,496,000,00 €	3,675,527,76 €	3,581,081,88 €	105.14%	102.64%

Table 30: Realization of services for external customers in 2023

Let us list a few more major services for the market that we performed in 2023:

- implementation of transformer station Geaprodukt
- implementation of transformer station DSO Koper
- implementation of transformer station Kamionski terminal
- reconstruction of transformer station Batuje Tovarna
- replacement of MV and LV switch block in TP Iskra
- reconstruction and construction of a part of a new transformer station BIA Separations
- implementation of MV cable lines and transformer station Tedi Sežana
- implementation of MV cable lines TP Jama 3
- implementation of MV cable lines RTP Postojna ENP Postojna
- implementation of MV cable lines and transformer station TKK Srpenica
- implementation of NNO block TKK Srpenica
- relocation of MV cables on the Tolmin bypass

These services also include provision of holiday facilities.

In 2023, we were successful in providing services to the market, as we exceeded the planned revenue by 5%, and the realization from 2022 by 2%.

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, it also takes care of the operation of the digital radio system for the needs of the operation of the energy system and optical connection to energy and business facilities.

In recent years, there has been a great deal of emphasis on information security, the introduction of security tools and user education. In doing so, we set up a joint security operations centre (VOC) in cooperation with other distribution companies.

In addition to activities related to ensuring the operation of equipment and provision of services, we also update the documentation required by legislation in the field of critical infrastructure, business continuity and essential services. We also started the process of obtaining the 27001 standard.

We updated the IT/OT strategy, which is coordinated with the company's strategy and envisages 12 IT projects from the following major areas:

- Improvements to existing information systems
- Network development and management systems
- Data management systems
- Support systems

Our contractual partner company Informatika d.o.o., is responsible for the operation of the key information systems Microsoft D365, IBM MX and the development of new modules for processes relating to the connection and calculation of network charges.

Following major activities were carried out in 2023:

- We upgraded the Microsoft AX business information system to the new D365 version, participated in upgrades and provided user support;
- MAXIMO information system used in maintenance is currently in use and we take part in the implementation of upgrades and offer user support. Introduction of abundant support for users in the field makes the job easier;
- GIS information system is currently in use, for which we provide support and continuously upgrade it with new functionalities; In 2023,

we installed a module for managing optical fibres and all logical connections;

- Key staff reporting system (CDWH data warehouse) was adjusted to the new data structure due to transition to D365 and upgraded with new checks;
- We upgraded computer network and integrated new facilities, mainly for the purpose of electrical power facility management;
- Security operations centre is operating within Informatika, d. o. o., 24/7 and is connected to the local traffic and server control system (SIEM). At monthly meetings, we coordinated activities related to potential dangers;
- With our tool for monitoring and analysing traffic in a computer network, which intercepts attempts at cyber intrusions and non-standard network intrusions, we have been intercepting potential threats mainly caused by unscrupulous users;
- We regularly cooperate with the Office for Information Security, which provides information on cyber security;
- We provided regular maintenance of all wire, radio and optical communications infrastructure including digital VHF network and participated in the upgrading of optical links;
- Mainly in the area of communications, we are participating in the project to upgrade the SCADA system;
- 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 renovation of the measuring centre and other services;
- We manage critical infrastructure process;
- 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

After the balance sheet date (December 31, 2023) and until the date of acceptance of the annual report (April 26, 2024), the company received a preliminary calculation for the regulatory year 2023 from the distribution operator. Preliminary calculation for the year 2023 was carried out on the basis of the company's unaudited financial statements. It follows from the 2023 preliminary calculation that the inter-annually charged advance value of services and electricity infrastructure rental was a total of €1,494,905 lower than the value established on the basis of the preliminary calculation of the regulatory year. At the same time, considering the value of the annual advance payments, the rent in the amount of €223,178 was undercharged, as was the billing of services for €1,271,727.

On this basis, in 2023, the company increased revenues from services under the contract with the distribution operator in the amount €1,271,727 and from rental of energy infrastructure in the amount of €223,178.

11. Analysis of the Company's Performance³⁸

Company Elektro Primorska, d. d., closed the financial year 2023 with a net operating profit of €4,244,764, which is less than planned and more than achieved in 2022 (-€1,547,196). Latter comes mainly from realized net sales revenue, as a result of a decision No. 211-14/2022/39, with which the Agency determined the regulatory framework for the activity holder of the system operator of the distribution network and the individual distribution company in regulatory period of 2023 and the fact that lower net sales revenues were realized in 2022 due to the adoption of the Act on urgent measures to mitigate the impact of high energy prices, which resulted in a loss of income from reduced recognized return for 2022.

In 2023, the company's revenues amounted to €56,417,374, which is €11,925,159 or 26.8% more than in 2022. Largest increase was in the segment of net sales revenues, namely €9,246,083, mainly as a result of higher revenues from rents and services rendered for the distribution operator following the decision for the regulatory framework in 2023 and the impact of the preliminary settlement for 2023 and the final settlement for 2022 (in the amount of €8,860,285 in total) compared to 2022, when there was a drop in revenues from the title of reduced recognized return for 2022. Largest group of revenues is represented by operating revenues, namely in the amount of €56,393,282, which represents 99.96% of the company's total revenues. In 2023, the company also created higher capitalized own products, and revenues from other operating revenues were also higher.

Company's expenses in 2023 amounted to €52,695,823 and are €5,611,317 higher than in 2022. Largest group of expenses is represented by operating expenses, in the amount of €51,791,591. Among operating expenses, the highest are labour costs, which represent 41.35% of all operating expenses of the company and amounted to €21,414,334, which is €2,412,178 higher than last year's labour costs.

Value of assets of the company Elektro Primorska, d. d., increased in 2023 and amounted to €249,647,491 as of December 31, 2023, and the largest increase was on the side of tangible fixed assets, namely by €9,920,143, so that they amounted to €226,502,158 at the end of the year. Biggest increase came from investments that the company realized in 2023 for €25,408,758. Among short-term assets, the largest value represent the short-term trade receivables, which as of December 31 2023 amounted to €9,579,140 and are €737,668 higher than last year.

Capital of the company as of December 31, 2023 amounts to €174,895,003 and has increased by €3,867,394 compared to the previous year, mainly as a result of the realized profit for the year. Share of capital in the company's funds at the end of 2023 amounts to 70.06% and is 2.44 percentage points lower compared to the previous year. Company's long-term liabilities amounted to €36,265,573 at the end of the year and are €5,344,647 higher than last year, mainly due to higher long-term financial liabilities to banks. Company's short-term liabilities in the amount of €20,820,245 are €4,705,041 higher than last year. Biggest increases are on the side of operating liabilities to suppliers, namely €3,809,600, and short-term financial liabilities to banks, in the amount of €1,410,126.

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:

A. BASIC FINANCING STATE RATIOS (INVESTMENTS)	31/12/2023	31/12/2022
equity	174,895,003	171,027,609
liabilities	249,647,662	235,919,751
equity financing rate	70.06%	72.49%
sum of equity and long-term debts (including provisions) and long-term accruals and deferred income	227,948,011	217,303,828
liabilities	249,647,662	235,919,751
debt financing rate	91.31%	92.11%
debts	73,873,253	62,391,423
liabilities	249,647,662	235,919,751
long-term financing rate	29.59%	26.45%
B. BASIC INVESTMENT RATIO	31/12/2023	31/12/2022
fixed assets (book value)	226,502,158	216,582,015
assets	249,647,662	235,919,751
operating fixed assets rate	90.73%	91.80%
long-term and short-term investments	288,419	297,417
assets	249,647,662	235,919,751
investment assets rate	0.12%	0.13%
sum of fixed assets and long-term deferred costs and accrued income		
investment property, long-term investments and long-term operating receivables	232,285,516	222,252,456
assets	249,647,662	235,919,751
long-term assets rate	93.05%	94.21%
realized investments	25,408,758	19,911,439
planned investments	25,000,000	18,400,000
investment turnover ratio	101.64%	108.21%
C. RATIOS OF HORIZONTAL FINANCIAL STRUCTURE	31/12/2023	31/12/2022
equity	174,895,003	171,027,609
fixed assets (book value)	226,502,158	216,582,015
equity to fixed assets ratio	77.22%	78.97%
liquid assets	617,749	887,022
short-term liabilities	20,820,245	16,115,204
immediate solvency ratio	2.97%	5.50%
sum of liquid assets and short-term receivables	10,484,325	10,339,516
short-term liabilities	20,820,245	16,115,204
quick ratio	50.36%	64.16%

short-term assets	12,162,887	11,849,206
short-term liabilities	20,820,245	16,115,204
current ratio	58.42%	73.53%
D. EFFICIENCY RATIOS	31/12/2023	31/12/2022
operating income	56,393,282	44,435,768
operating expenses	51,791,591	46,447,956
operating efficiency ratio	1.089	0.957
revenue	56,417,374	44,492,215
expenditure	52,695,823	47,084,506
total efficiency ratio	1.071	0.945
E. BASIC PROFITABILITY RATIOS	31/12/2023	31/12/2022
EBITDA (operating revenues-operating expenses+AM+revaluation)	18,976,708	12,738,824
gross return on business	56,393,282	44,435,768
EBITDA margin	33.65%	28.67%
EBIT (operating revenues-operating expenses)	4,601,691	-2,012,188
gross return on business	56,393,282	44,435,768
EBIT margin	8.16%	-4.53%
net profit or loss	4,244,764	-1,547,196
turnover	42,546,405	33,300,321
net return on revenue	9.98%	-4.65%
net profit or loss	4,244,764	-1,547,196
average assets	242,783,706	234,787,313
return on assets ratio (ROA)	1.75%	-0.66%
net profit or loss	4,244,764	-1,547,196
average equity (no net profit or loss for the period)	170,838,924	173,390,605
return on equity ratio (ROE)	2.48%	-0.89%
sum of dividends for the financial year	0	2,254,068
average share capital	110,465,795	110,465,795
dividends to share capital ratio	0.00%	2.04%
dividend paid in the current year	0	2,254,068
average equity	170,838,924	173,390,605
dividend-to-equity ratio	0.00%	1.30%
F. SHARES	31/12/2023	31/12/2022
equity	174,895,003	171,027,609
number of shares	18,783,898	18,783,898
number of own shares	0	0
book value per share (in EUR)	9.31	9.11

Table 31: Indicators

12.1 Basic financing state ratios (investments)

No.	Description	2023	2022	2021	2020	2019	2018	2017
1.	Equity financing rate equity/liabilities	0.701	0.725	0.746	0.734	0.737	0.728	0.731
2.	Debt financing rate equity, long-term debts and long-term provisions/liabilities	0.913	0.921	0.930	0.922	0.947	0.922	0.919
3.	Long-term financing rate debts/liabilities	0.296	0.264	0.251	0.262	0.260	0.269	0.265

Table 32: 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 2023, the equity financing rate was 70.1% , which is by 2.44 percentage point less than in 2022. This is due to a simultaneous increase in capital value and relative increase in liabilities (the Company's profit in 2023 and loss in 2022 and at the same time there was an increase in the Company's liabilities compared to 2022, long-term and short-term financial liabilities from financing and short-term operating liabilities increased as well), all of which is reflected in the lower value of the ratio in 2023.

Debt financing rate shows the debt financing of the Company's assets. In 2023, the ratio stood at 91.3%, down 0.8 percentage points compared to 2022, which is primarily due to lower capital increase and long-term and short-term financial liabilities to banks for financing investments in electricity distribution infrastructure, and at the same time higher increase in short-term operating liabilities, especially higher liabilities to suppliers. 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 the distribution operator.

Long-term financing rate amounted to 29.6% in 2023, up 3.14 percentage points compared to 2022. 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 2023. Short-term liabilities to suppliers increased the most, mainly due to increased investments.

12.2 Basic investment ratios

No.	Description	2023	2022	2021	2020	2019	2018	2017
1.	Operating fixed assets rate fixed assets/assets	0.907	0.918	0.903	0.902	0.883	0.868	0.869
2.	Investment assets rate long-term and short-term investments/assets	0.001	0.001	0.001	0.001	0.001	0.032	0.033
3.	Long-term assets rate fixed assets, long-term investments and long-term operating receivables/assets	0.913	0.928	0.905	0.905	0.885	0.904	0.903

Table 33: 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. Lower value of the indicator in 2023, which stands at 90.7%, means that the Company's short-term assets increased relatively more in 2023 (mainly accruals from deferred income) than investments in the renovation and growth 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 2023, 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 2023, the ratio is slightly lower than in 2022 and amounts to 91.3%. 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. Slightly lower value than in the previous year is the result of a relatively greater increase in the Company's short-term assets (short-term deferred assets).

12.3 Ratios of horizontal financial structure

No.	Description	2023	2022	2021	2020	2019	2018	2017
1.	Equity to fixed assets ratio equity/fixed assets	0.772	0.790	0.826	0.813	0.835	0.838	0.842
2.	Immediate solvency ratio liquid assets/short-term liabilities	0.030	0.055	0.392	0.114	0.276	0.144	0.309
3.	Quick ratio liquid assets and short-term receivables/ short-term liabilities	0.504	0.642	0.878	0.538	0.877	0.607	0.791
4.	Current ratio short-term assets/short-term liabilities	0.584	0.735	0.970	1.016	1.596	0.932	0.846

Table 34: 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 1.8 percentage points compared to the previous year, which means that in 2023, 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 2023, the ratio decreased by 2.5 percentage points compared to 2022 to 0.03, mostly due to a decrease in cash and cash equivalents and 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 2023, the ratio stands at 50.4%, down 13.8 percentage points compared to 2022, meaning that 50.4% of short-term liabilities are settled with liquid assets and short-term receivables. Decrease in the value of the ratio in 2023 is due to a decrease in liquid assets (cash) of the company and higher value of short-term liabilities in 2023.

Current ratio reflects the Company's ability to settle its short-term liabilities with short-term receivables, showing its short-term solvency position. In 2023, the ratio amounts to 58.4%, down 15.1 percentage points compared to

2022, due to the increase in short-term liabilities (mainly short-term liabilities to suppliers). Ratio further shows that in 2023, the Company did not settle 41.6% of its total short-term liabilities with short-term assets (receivables).

12.4 Efficiency ratios

No.	Description	2023	2022	2021	2020	2019	2018	2017
1.	Operating efficiency ratio operating income/operating expenses	1.089	0.957	1.159	1.142	1.224	1.201	1.211
2.	Total efficiency ratio revenue/expenditure	1.071	0.945	1.331	1.140	1.217	1.188	1.198

Table 35: 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 2023, the ratio amounted to 108.9%, which means that operating revenues exceeded operating expenses by 8.9%, and the cost efficiency

improved in comparison with the previous year (by 13.2 percentage points).

Total efficiency ratio is the ratio between total revenue and total expenditure. Ratio stood at 107.1% in 2023, up 12.6 percentage points compared to the previous year, reflecting an improvement in the overall efficiency. In 2023, mainly due to the impact of inflation on operations or expenses, the Company managed the assets of the Company's owners somewhat less efficiently, with the available funds, as in previous years.

12.5 Basic profitability ratios

No.	Description	2023	2022	2021	2020	2019	2018	2017
1.	Net return on revenue net profit or loss/turnover	0.100	-0.046	0.349	0.159	0.201	0.173	0.185
2.	Return on assets ratio ROA net profit or loss/average assets	0.017	-0.007	0.063	0.027	0.038	0.032	0.036
3.	Return on equity ratio ROE net profit or loss/average equity (no net profit or loss for the period)	0.025	-0.009	0.089	0.037	0.053	0.045	0.050

Table 36: 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 €10 of profit per €100 of achieved revenue, which is by €14.6 more than in 2022.

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 0.17% in 2023, up 2.4 percentage point on the previous year. Higher value is primarily the result of the increase in the value of the Company's fixed assets (intensive investment in infrastructure in 2023) and the simultaneous higher operating result of the year than the realized loss in 2022. Value of the ratio is relatively low, 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 -2.50% in 2023, which is by 3.4 percentage point more than in the previous year. Reason is realized net profit of the Company in 2023, compared to the realized net loss of the Company in the previous year.

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 balance sheet as at 31 December 2023, 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 the notes to the financial statements, including material accounting policy 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 2023 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 a 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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Capitalised own products and services

As at 31 December 2023, the net book value of the property, plant and equipment amounts to EUR 226.502 thousand EUR (216.582 thousand on 31 December 2022), as disclosed in Note 2.2 – *Property plant and equipment* and Capitalised own products and services amount to EUR 11.906 thousand EUR in 2023 (9.412 thousand EUR in 2022), 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 – *Property, plant and equipment*.

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 the Slovenian Accounting Standard 1 – *Property, plant and equipment* 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.

As part of the audit procedures, we examined the adequacy of the company's accounting policies in terms of the recognition of core own products and services and assessed their compliance with Slovenian accounting standards, in particular SRS 1 – *Property, plant and equipment*.

We gained an understanding of the process for recognizing capitalised own products and services, and evaluated and tested the design of related controls.

We inquired with the management about the estimations and assessments of the management in the distribution of its own products and services. We conducted interviews with those responsible for investments regarding the process of capitalising own products and services.

With regard to capitalised own products and services, we carried out analytical procedures in comparison with the previous year and plan, and obtained a list of new property, plant and equipment from our own products and services and brought it into line with the general ledger.

In addition, we conducted detail tests for each element of capitalised costs, and for a sample of capitalised costs determined on the basis of materiality and professional judgement, we checked the supporting documentation, gained 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
- We 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*.

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



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

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

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

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

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 scepticism throughout the audit. We also:

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



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- 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 9 years.

Simon Podvinski and Mateja Repušič 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 26, 2024.

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.



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THE AUDITOR'S REPORT ON THE ADEQUACY OF THE CRITERIA USED AND THE CORRECTNESS OF THEIR USE

We have performed reasonable assurance engagement as to whether the criteria used to allocate economic categories on individual activities ('criteria for allocation'), which are disclosed in Note *"Financial statements with explanatory notes under the Electricity Supply Act and ZGD"* of the annual report, were relevant and properly used in the separate recording of individual activities of the Elektro Primorska d. d. for the financial year ending 31 December 2023, in accordance with the requirements of Act on Transparency of Financial Relations and Recording of Various Activities (ZPFOLERD -1) and Electricity Supply Act (ZOEE).

Definition of appropriate criteria

In order to assess the appropriateness of the criteria for allocation, we assessed compliance with ZPFOLERD-1 and ZOEE. We assessed whether the criteria for allocation reflect the volume of activities that give rise to an economic category, the allocation of which are intended. If the extent of activities causing an economic category cannot be measured, we assessed whether the allocation criteria was determined on the basis of the proportion of direct costs.

To assess the correct application of the criteria for allocation, we carried out audit procedures, to review whether a particular criterion was used for the allocation of specific economic category for which it was adopted and, in the manner, specified.

As a result, the subject matter information may not be suitable for another purpose.

Responsibility of management and those charged with governance

The management is responsible for the preparation and application of the of appropriate criteria and for their correct use in the preparation and presentation of the disclosure of the Note *"Financial statements with explanatory notes under the Electricity Supply Act and ZGD"* in accordance with the requirements of ZPFOLERD -1, ZOEE and Slovenian Accounting Standard 32, as well as for such internal control as management determines is necessary to enable the preparation of such statements that are free from material misstatement, whether due to fraud or error .

Those charged with governance are responsible for acceptance of the criteria and supervising their use for the preparation of the disclosure.

Auditor's responsibility

Our responsibility is to carry out reasonable assurance engagement and express conclusion whether the allocation criteria were prepared in accordance with the requirements of ZPFOLERD -1 and ZOEE and were appropriate and properly used in the preparation of the disclosure in the annual report *"Financial statements with explanatory notes under the Electricity Supply Act and ZGD"* for the financial year that ended on 31 December 2023.

Our reasonable assurance engagement was carried out in accordance with International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised). This standard requires that we plan and perform the engagement to obtain reasonable assurance for reaching the conclusion.

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

We have acted in accordance with the independence and ethical requirements of the Regulation EU no. 537/2014, and the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (including International Independence Standards) (IESBA Code), which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standards on Quality Management (ISQM) 1, and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements of applicable law and regulation.



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Summary of work performed

Within the scope of the work performed, we have performed primarily the following procedures:

- We obtained and read the internal regulations of Elektro Primorska d. d., which determine the criteria regarding the allocation of direct and indirect assets and liabilities, costs and expenses and revenues to individual activities in accordance with ZPFOLERD - 1 and ZOEE.
- We verified whether the criteria from the first indent were accepted by the supervisory authority, in accordance with Article 8 of ZPFOLERD -1 and whether they are consistently used every business year in accordance with Article 107 of the ZOEE.
- For the criteria used by Elektro Primorska d. d. for the allocation of indirect costs, we verified whether they are based on the activities that cause these costs; if these activities cannot be determined, the indirect costs are allocated based on the share of direct costs.
- We inquired with the management and responsible employees regarding the method, procedures and controls established in the context of cost accounting and the allocation of costs and expenses to individual activities.
- We tested on a sample basis whether the criteria, as adopted in accordance with Article 8 ZPFOLERD-1, were correctly used for keeping separate accounting records for individual activities.
- We verified whether the client uses public and other funds received in connection with the activities it performs on the basis of exclusive or special rights or authorization to finance its other activities in violation of paragraph 2 of Article 7 of ZPFOLERD-1.


The criteria we used to evaluate the results of the procedures are derived from Article 8 of the ZPFOLERD-1:

- The company uses criteria to keep separate accounting records for individual activities. The criteria, which are used to allocate the indirect costs per individual activities, are based on accounting principles (paragraph 1 of Article 8 ZPFOLERD-1).
- When allocating indirect costs, criteria based on the activities that cause these costs should be used. If these activities cannot be determined, the indirect costs are allocated based on the share of direct costs (paragraph 2 of Article 8 ZPFOLERD-1).
- Determination and change of criteria are accepted by the supervisory body of an individual contractor with an exclusive or special right or authorization at the proposal of the management body (Paragraph 3 of Article 8 ZPFOLERD-1).

Conclusion

Based on the procedures carried out and the evidence obtained, in our opinion, the criteria used for the allocation of direct and indirect assets and liabilities, costs and expenses and income, which the company considers when keeping separate accounting records and when compiling separate financial statements for energy activities, and which were used in the preparation of the Note of the annual report *"Financial statements with explanatory notes under the Electricity Supply Act and ZGD"* for the financial year that ended on 31 December 2023, are appropriate and correctly applied in all material respects in accordance with requirement of requirements of ZPFOLERD -1 and ZOEE.

Ljubljana, 26 April 2024


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


Mateja Repušič
Certified Auditor

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

1. Balance Sheet

		in EUR	
	Note	31/12/2023	31/12/2022
Assets			
A. Long-term assets:			
I. Intangible assets and long-term accrued and deferred asset items	2.1.	4,317,326	3,305,176
1. Long-term rights		4,296,907	3,246,586
3. Other long-term accrued and deferred asset items		4,808	58,590
4. Intangible assets in acquisition		15,612	0
Tangible fixed assets	2.2.	226,502,158	216,582,015
1. Land		5,712,472	5,668,082
2. Buildings		141,125,547	138,103,445
3. Equipment		68,930,369	64,603,998
4. Right to use the asset		487,276	804,519
4. Fixed assets in acquisition		10,246,494	7,401,971
Investment property	2.3.	242,953	238,110
Long-term financial investments	2.4.	288,419	297,417
2. Other shares and stakes		288,419	297,417
Long-term operating receivables	2.5.	934,659	1,829,738
1. Long-term trade receivables		898,487	1,796,974
2. Long-term receivables due from others		36,172	32,764
VI. Deferred tax assets	2.6.	2,405,772	1,634,869
Total long-term assets		234,691,288	223,887,325
B. Short-term assets:			
II. Stocks		1,678,562	1,509,690
1. Material		1,678,562	1,509,690
III. Short-term financial investments		0	0
IV. Short-term operating receivables		9,866,576	9,452,494
2. Operating trade receivables		9,579,140	8,841,472
3. Operating receivables due from others		287,436	611,022
V. Monetary assets		617,749	887,022
Total short-term assets		12,162,887	11,849,206
C. Short-term accrued and deferred asset items	2.10.	2,793,487	183,220
TOTAL ASSETS		249,647,662	235,919,751

Table 37: Balance sheet (assets)

		in EUR	
	Note	31/12/2023	31/12/2022
Liabilities			
A. Capital:			
I. Called-up capital		110,465,795	110,465,795
1. Share capital		110,465,795	110,465,795
II. Capital reserves		46,306,588	46,306,588
III. Profit reserves		17,266,904	14,232,346
1. Statutory reserves		2,024,031	1,811,793
5. Other profit reserves		15,242,873	12,420,553
IV. Reserves arising from fair value measurement		-909,970	-612,468
V. Net profit or loss from previous periods		555,481	635,348
VI. Net profit or loss for the period		1,210,206	0
Total capital	2.11.	174,895,003	171,027,609
B. Provisions and long-term accrued and deferred liability items	2.12.	16,787,435	15,355,293
1. Provisions		4,939,901	4,496,197
2. Long-term accrued and deferred liability items		11,847,534	10,859,096
C. Long-term liabilities	2.13.	36,265,573	30,920,926
I. Long-term financial liabilities		36,265,573	30,920,926
1. Long-term financial liabilities to banks		36,017,771	30,365,404
3. Other long-term financial liabilities	2.14.	247,802	555,522
Č. Short-term liabilities	2.15.	20,820,245	16,115,204
I. Short-term financial liabilities		7,520,910	6,115,704
1. Short-term financial liabilities to banks		7,258,611	5,848,485
2. Other short-term financial liabilities		262,299	267,219
II. Short-term operating liabilities		13,299,335	9,999,500
2. Short-term operating liabilities to suppliers		10,444,340	6,634,740
3. Short-term operating liabilities based on advances		13,968	8,109
4. Other short-term operating liabilities		2,841,028	3,356,650
Total liabilities		73,873,253	62,391,423
D. Short-term accrued and deferred liability items	2.16.	879,406	2,500,719
TOTAL LIABILITIES		249,647,662	235,919,751

Table 38: 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 2023	financial year 2022
1. Net sales revenue	3.1.1.	42,546,405	33,300,321
a. on the domestic market		42,546,405	33,190,521
b. in the foreign market		0	109,800
3. Capitalized own products and services	3.1.2.	11,906,125	9,411,775
4. Other operating revenues	3.1.3.	1,940,752	1,723,672
5. Costs of goods, material, and services	3.2.	-15,820,017	-12,345,571
a. costs of goods sold and material used		-8,845,819	-7,088,603
b. costs of services		-6,974,198	-5,256,968
6. Labour costs	3.2.	-21,414,334	-19,002,156
a. cost of wages and salaries		-15,086,817	-13,605,185
b. costs of supplementary pension insurance for employees		-723,077	-676,305
c. social security cost		-2,525,644	-2,204,382
č. other labour costs		-3,078,797	-2,516,283
7. Amortization/depreciation expense	3.2.	-14,375,017	-14,751,012
a. depreciation		-14,223,143	-14,427,452
b. operating expenses from revaluation of intangible and tangible fixed assets		-143,546	-267,753
c. operating expenses from revaluation of operating current assets		-8,327	-55,807
8. Other operating expenses	3.2.	-182,223	-349,217
9. Financial revenues from shares	3.3.	5,920	44,547
a. in group companies		0	0
b. in other companies		5,920	44,547
11. Financial revenues from operating receivables	3.3.	17,317	11,900
a. due from others		17,317	11,900
13. Financial expenses from financial liabilities	3.4.	-822,561	-592,451
a. from loans, received from banks		-647,886	-231,769
b. from other operating liabilities		-174,675	-360,682
14. Financial expenses from operating liabilities	3.4.	-713	-546
a. from accounts and bills payable		-496	-305
b. from other operating liabilities		-217	-241
15. Other revenues	3.5.	855	0
16. Other expenses	3.6.	-80,958	-43,553
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD		3,721,551	-2,592,291
17. Income tax	3.7.	-245,012	0
18. Deferred taxes	3.7.	768,224	1,045,094
19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	3.8.	4,244,764	-1,547,196

Table 39: 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	2023	2022
20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	3.9.	4,244,764	-1,547,196
Reserves arising from fair value measurement		-8,998	-5,446
Other components of comprehensive income net effect		-368,371	627,913
Total comprehensive income of the accounting period		3,867,394	-924,729

Table 40: 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	2023	2022	
A. OPERATING CASH-FLOW				
1. Operating receipts	4.1.	77,759,082	64,206,875	
a. Receipts from sales of products and services		47,756,976	37,948,696	
b. Other operating receipts		30,002,106	26,258,180	
2. Operating expenditure	4.2.	-65,391,085	-57,441,299	
a. Expenditure for purchase of material and services		-11,035,001	-10,549,873	
b. Expenditure for salaries and employees profit shares		-20,868,543	-19,301,494	
c. Expenditure on benefits of all kinds		-1,863,360	-3,171,175	
d. Other operating expenditure		-31,624,180	-24,418,756	
3. Positive or negative cash flow from operating activities		12,367,997	6,765,576	
B. CASH FLOWS IN INVESTING ACTIVITIES				
4. Receipts in investing activities	4.3.	48,093	253,524	
a. Receipts from received interest and profit shares		21,445	55,113	
b. Receipts from disposal of tangible fixed assets		26,648	198,410	
c. Receipts from disposals of long-term financial investments		0	0	
d. Receipts from disposals of short-term financial investments		0	0	
5. Expenditure in investing activities	4.4.	-18,848,815	-16,662,540	
a. Expenses for acquisition of intangible assets		-2,045,642	-2,273,113	
b. Expenses for acquisition of tangible fixed assets		-16,803,173	-14,389,427	
c. Expenses for acquisition of LT and ST financial investments		0	0	
6. Positive or negative cash flow from investing activities		-18,800,722	-16,409,016	
C. CASH FLOWS IN FINANCING ACTIVITIES				
8. Receipts in financing activities	4.5.	33,658,000	28,400,000	
a. Receipts from long-term loans obtained		10,958,000	10,000,000	
b. Receipts from short-term loans obtained		22,700,000	18,400,000	
9. Expenditure in financing activities	4.6.	-27,494,549	-24,029,579	
a. Expenditure for given interest		-746,064	-342,177	
b. Capital expenditure		0	0	
c. Expenditure for repayment of long-term loans		-4,948,485	-3,933,333	
d. Expenditure for repayment of short-term loans		-21,800,000	-17,500,000	
e. Expenditure for dividend		0	-2,254,068	
10. Positive or negative cash flow from financing activities		6,163,451	4,370,421	
11. Total positive or negative cash flow		-269,273	-5,273,018	
Ĉ. CLOSING CASH BALANCE		617,749	887,022	
X. Opening cash balance		887,022	6,160,041	
Y. CASH FLOW FOR THE PERIOD	4.7.	-269,273	-5,273,018	
Closing cash balance on the last day of the accounting period		617,749	887,022	

Table 41: 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 (2023)

in EUR

2023	Called-up capital		Profit reserves							
	Share capital	Capital reserves	Statutory reserves	Reserves for own shares		Other profit reserves	Fair value reserves	Net profit brought forward	Net profit of the business year	Total capital
				Own shares						
	I/1	II	III/1			III/5	IV	V/1	VI/1	
A.1. Balance 31. 12. 2022	110,465,794	46,306,588	1,811,793	0	0	12,420,553	-612,468	635,348	0	171,027,609
A.2. Balance 1. 1. 2023	110,465,794	46,306,588	1,811,793	0	0	12,420,553	-612,468	635,348	0	171,027,609
B.1. Changes in equity capital – transactions with owners	0	0	0	0	0	0	0	0	0	0
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	0	0	0
B.2. Total comprehensive income of reporting period	0	0	0			0	-377,369	0	4,244,764	3,867,394
a) Entry of net profit or loss for the reporting period	0	0	0			0	0	0	4,244,764	4,244,764
b) Change in revaluation surplus on financial investments	0	0	0			0	-8,998	0	0	-8,998
b) Other components of comprehensive income for the reporting period	0	0	0			0	-368,371	0	0	-368,371
B.3. Changes within capital	0	0	212,238			2,822,320	79,867	-79,867	-3,034,558	0
a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital	0	0	0			0	0	0	0	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	212,238			2,822,320	0	0	-3,034,558	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	79,867	-79,867	0	0
C. Balance 31. 12. 2023	110,465,794	46,306,588	2,024,031	0	0	15,242,873	-909,970	555,481	1,210,206	174,895,003
Distributable profit 2023								555,481	1,210,206	1,765,686

Table 42: Statement of changes in equity for the year ended as at December 31 2023

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

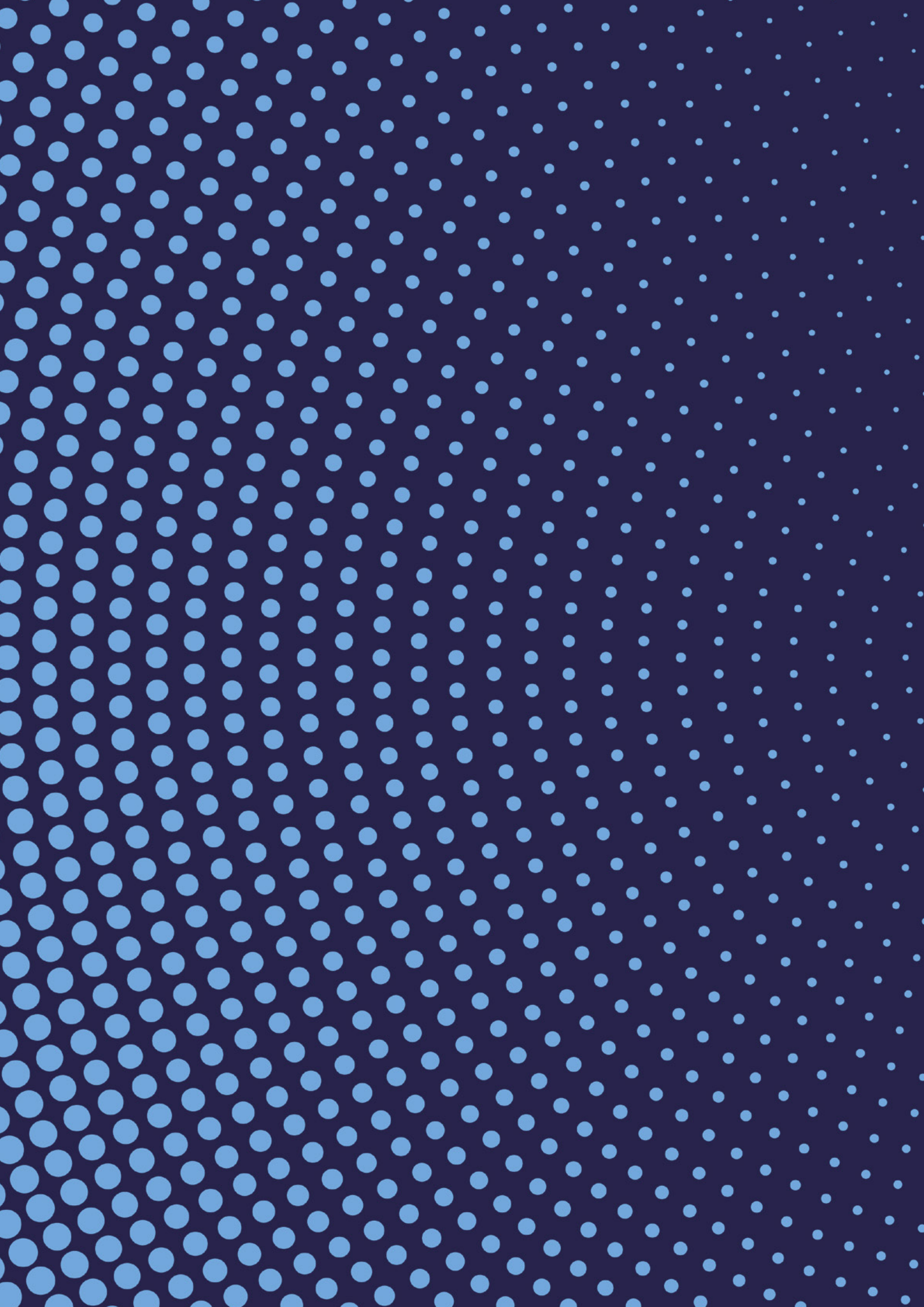
6. Statement of Changes in Equity (2022)

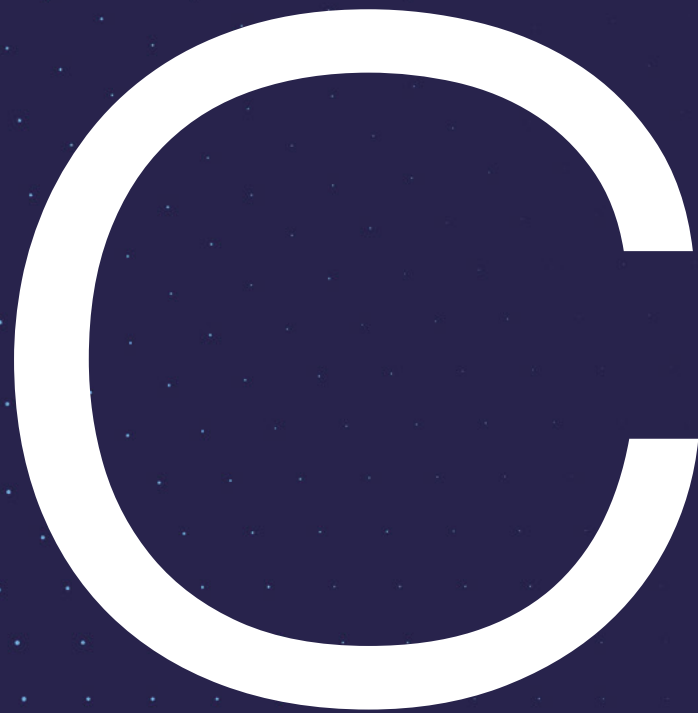
in EUR

2022	Called-up capital		Profit reserves							
	Share capital	Capital reserves	Statutory reserves	Reserves for own shares	Own shares	Other profit reserves	Fair value reserves	Net profit brought forward	Net profit of the business year	Total capital
	I/1	II	III/1			III/5	IV	V/1	VI/1	
A.1. Balance 31. 12. 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
A.2. Balance 1. 1. 2022	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.1. Changes in equity capital – transactions with owners	0	0	0	0	0	0	0	-2,254,068	0	-2,254,068
a) Withdrawal of own shares	0	0							0	0
b) Release of reserves for own shares				0				0	0	0
c) Dividend payment	0	0	0			0	0	-2,254,068	0	-2,254,068
B.2. Total comprehensive income of reporting period	0	0	0			0	622,467	0	-1,547,196	-924,729
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.3. Changes within capital	0	0	0			0	81,820	2,889,416	-2,971,235	0
a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital	0	0	0			0	0	2,971,235	-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
C. Balance 31. 12. 2022	110,465,794	46,306,588	1,811,793	0	0	12,420,553	-612,468	635,348	0	171,027,609
Distributable profit 2022								635,348	0	635,348

Table 43: 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.





Notes to
Financial Statements
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.

With the company ELES, d. o. o., Annex 5 was signed on October 23 2022, which regulates contractual services and financial values for the year 2023.

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

- leases out the infrastructure for rent,
- for the distribution operator, carries out and charges services described in the annex to the contract,
- issues invoices for the use of the network to the end-users of the distribution network on behalf of and for the account of the distribution operator,
- invoices network charges, installed power and over-standard services on behalf and for the account of the distribution operator.

Amounts charged in the name and on behalf of the distribution operator are not shown as income. In accordance with the contract with the distribution operator,

income from rental and services includes income based on the Agency's decision on determining the regulatory framework and income based on the preliminary calculation of deviations from the regulatory framework. Preliminary calculation of the rents and services of the distribution operator shall be carried out by March 1 for the previous year. Surplus/credit is recorded to deferred accruals and deficit/debit to accrued expenses.

On September 27, 2022, in the Official Gazette of the Republic of Slovenia No. 123/22, 2/23 - amend., the Act on the methodology for determining the regulatory framework for electricity operators was published. On the basis of this act, on December 20, 2022, the Energy Agency, by decision No. 211-14/2022/39 established the regulatory framework for the operator of the activity of the system operator of the distribution network and the individual distribution company in the regulatory period from January 1 2023 to December 31 2023. In the decision, eligible costs are planned, broken down by individual areas of the distribution system, which determine the framework of planned funds for each company in the year of the regulatory period.

- **Capitalized own products and services**

These are products and services that the company creates for itself. It must be taken into account that the company cannot show profit in connection to the products or services that it uses for itself.

Determining the purchase value of a fixed asset built in the company includes managerial judgment and assessment regarding the inclusion of direct and indirect manufacturing costs that can be attributed to the construction of the asset, from the perspective of the Slovenian Accounting Standard 1.

Purchase value of a tangible fixed asset built or manufactured by the company is formed by the costs caused by its construction or manufacture and the indirect costs of its construction or manufacture that can be attributed to it. It does not consist of costs not related to its construction or manufacture, and costs not recognized by the market, but consists of borrowing costs for its construction or manufacture and making it ready for its intended use. Purchase value of such a tangible fixed asset cannot be greater than the one from the perspective of SAS 1.10.

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 €2,740,496 invested in 2023 (2022: €1,989,560) 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 2023, the company allocated €42,181 for the purchase of programs and systems for the detection and prevention of systemic threats. In 2023, 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.

In 2023, the company also wrote off €1,105,017 worth of investments in progress, which had already been impaired in previous years in relation to the Volovja reber wind farms. Company estimates that the investment will not be realized.

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. In 2023, the Company wrote these off, as it is not expected that the investment will be implemented.

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 2023, 44.87% of all intangible assets in use was fully amortised (31. 12. 2022: 41.52%). Share is calculated based on the cost of the intangible assets.

Company discloses €1,526,895 of trade payables on account of the intangible assets' acquisition as at December 31 2023 (2022 year-end: €1,009,231), and €417,536 of unrecorded liabilities based on contracts agreed for the purchase of licenses (the same in 2022: €417,536).

Reduction in the value of long-term deferred assets represents the transfer of long-term deferred costs (mainly costs of licenses) to short-term deferred costs.

Movements in intangible assets in 2023 are presented in the following table:

2023	Deferred costs of development studies	Long-term rights	Other long-term deferred costs and accrued income	Intangible assets in acquisition	Total
Acquisition cost					in EUR
Balance 1. 1.	645,721	11,404,458	58,590	1,105,017	13,213,786
Increase in year	0	0	1,083	2,756,107	2,757,191
Transfer	0	0	0		0
Increase from ongoing investments	0	2,740,496	0	-2,740,495	0
Decrease in year	0	-2,021,950	-54,866	-1,105,017	-3,181,833
Balance 31. 12.	645,721	12,123,003	4,808	15,612	12,789,144
Value adjustments					
Balance 1. 1.	645,721	8,157,872	0	1,105,017	9,908,610
Depreciation in year	0	1,690,175	0	0	1,690,175
Transfer of long-term accrued costs to expenses	0	0	0	0	0
Transfer	0	0	0	0	0
Decrease in year	0	-2,021,950	0	-1,105,017	-3,126,967
Balance 31. 12.	645,721	7,826,096	0	0	8,471,817
Carrying amount					
Balance 1. 1.	0	3,246,586	58,590	0	3,305,176
Balance 31. 12.	0	4,296,907	4,808	15,612	4,317,326

Table 44: Movements in intangible assets in 2023

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
Acquisition cost					in EUR
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
Transfer	0	0	0		0
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
Value adjustments					
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
Transfer of long-term accrued costs to expenses	0	-796,420	0	0	-796,420
Transfer	645,721	8,157,872	0	1,105,017	9,908,610
Decrease in year					
Balance 31.12.	0	3,277,097	2,639,335	0	5,916,432
Carrying amount	0	3,246,586	58,590	0	3,305,176
Balance 1.1.					
Balance 31.12.					

Table 45: Movements in intangible assets in 2022

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.

Borrowing costs directly attributable to the purchase, construction or production of an asset under construction are part of the cost of such asset. Other borrowing costs are recognized as an expense. Borrowing costs are interest and other costs that arise in the organization in connection with borrowing financial resources for the acquisition of a tangible fixed asset. These are the costs that could have been avoided if the expenditure on the asset under preparation had not occurred. They are determined in the amount of the actual costs of dedicated loans or on the basis of the criteria for assigning the costs of non-purposed loans, reduced by any possible income from financing in connection with the temporary financial investment of borrowed funds.

Organization begins to add borrowing costs to part of the cost price, when the following conditions are met:

- a) organization incurs expenditure on the asset;
- b) organization incurs borrowing costs;
- c) organization begins the activities necessary to prepare the asset for its intended use.

Organization ceases to capitalize borrowing costs when the activities necessary for its intended use are completed.

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.

Purchase value of a tangible fixed asset built or manufactured by the company is formed by the costs caused by its construction or manufacture and the indirect costs of its construction or manufacture that can be attributed to it. It does not consist of costs not related to its construction or manufacture, and costs not recognized by the market, but consists of borrowing costs for its construction or manufacture and making it ready for its intended use.

Repairs or maintenance of property, plant and equipment are intended 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:

	v %	
	2023	2022
Intangible assets (excluding software)	3.33 - 20.00	3.33 - 20.00
Real estate (land and buildings)	0.00 - 5.00	0.00 - 5.00
Computer equipment	33.3	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 46: 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 2023 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 2023 are presented in the following table:

in EUR					
2023	Land	Buildings	Equipment	Fixed assets in acquisition and advances	Total
Acquisition cost					
Balance 1. 1. 2023	5,668,082	402,493,730	179,438,605	8,231,003	595,831,420
Increase in year	0	0	0	22,649,424	22,649,424
Increase from ongoing investments	45,995	9,210,020	10,548,885	-19,804,901	0
Decrease in year	-1,605	-1,503,971	-1,748,755	-829,033	-4,083,363
Transfer to invest. property	0	0	0	0	0
Transfer	0	0	0	0	0
Balance 31. 12. 2023	5,712,472	410,199,779	188,238,735	10,246,494	614,397,481
Value adjustments					
Balance 1. 1. 2023	0	264,390,285	114,834,607	829,032	380,053,923
Depreciation in year	0	6,107,698	6,158,815	0	12,266,513
Decrease in year	0	-1,423,751	-1,685,055	-829,032	-3,937,837
Increase in year	0	0	0	0	0
Transfer to invest. property	0	0	0	0	0
Balance 31. 12. 2023	0	269,074,233	119,308,367	0	388,382,599
Carrying amount					
Balance 1. 1. 2023	5,668,082	138,103,445	64,603,998	7,401,971	215,777,496
Balance 31. 12. 2023	5,712,472	141,125,547	68,930,369	10,246,494	226,014,882

Table 47: Movements in property, plant and equipment in 2023

Net carrying amount of the items of property, plant and equipment increased by €10,237,385 (in 2022: an increase of €5,322,049). Movements in property, plant and equipment relate to new acquisitions amounting to €22,649,424 (2022: €17,734,952), depreciation of €12,266,513 (2022: €12,132,981) and disposals in the carrying amount of €145,525 (2022: €279,921).

In 2023, the company excluded value adjustments of fixed assets that are being acquired, in the amount of €829,032, the value of which was already determined in 2004, as it estimates that the planned investment in the construction of wind farms will not be realized.

Company has not obtained any fixed assets under financial lease.

Company reports €3,539,589 of recorded payables to suppliers of property, plant and equipment as at December 31 2023 (2022 year-end: €1,999,296), and €6,059,007 of unrecorded contingencies arising from signed binding contracts (2022 year-end: €3,200,000).

As at December 31 2023, 40.76% of all property, plant and equipment in use was fully depreciated (Dec 31, 2022: 40.17%). Share is calculated based on the cost of property, plant and equipment, excluding land.

Since July 1 2007, company SODO, d.o.o., has been providing commercial public service in the area of Elektro Primorska, d.d.. On October 2, 2023, company SODO, d.o.o., was deleted from the court register. ELES, d.o.o., became the universal legal successor of the company SODO, d.o.o., and thereby entered into all legal relationships of the company SODO, d.o.o. In accordance with the agreement between the two, Elektro Primorska, d.d., has leased to the distribution operator all the relevant infrastructure. Electricity distribution infrastructure granted under operating lease to the distribution operator 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 2023, the cost of leased infrastructure amounted to €556,147,501 (2022: €539,421,369), depreciation to €359,534,991 (2022: €351,418,331) and the carrying amount to €188,003,038 (2021: €188,003,038).

A total €22,649,424 was invested in property, plant and equipment in 2023 (in 2022: €17,712,621). 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.

	in EUR	
	2023	2022
Land	3,565,042	3,519,046
Infrastructure facilities	127,727,609	124,204,218
Infrastructure equipment	63,498,777	59,621,724
Long-term rights	1,821,082	658,050
	196,612,509	188,003,038

Table 48: Carrying amount of leased infrastructure

Movements in property, plant and equipment in 2022:

2022	Land	Buildings	Equipment	Fixed assets in acquisition and advances	Total
Acquisition cost					
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
Value adjustments					
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
Transfer to invest. property	0	0	0	0	0
Balance 31. 12. 2022	0	264,390,285	114,834,607	829,032	380,053,924
Carrying amount					
Balance 1. 1. 2022	5,643,030	133,544,042	64,467,043	6,801,332	210,455,447
Balance 31. 12. 2022	5,668,082	138,103,445	64,603,998	7,401,971	215,777,496

Table 49: Movements in property, plant and equipment in 2022

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:

	v %	
RIGHTS OF USE	2023	2022
Real estate	5.94 - 9.3	5.94 - 9.3
Building title	2.86	2.86
Equipment	33.33	33.33
Cars	20	20

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

Company 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 base over the lease term.

Movements in the right-of-use assets in 2023:

in EUR					
2023	Building right	Land	Facilities	Equipment	Total
Acquisition cost					
Balance 01. 01. 2023	82,495	6,053	264,732	829,892	1,183,172
New acquisitions	0	0	0	44,574	44,574
Decrease in year	-34,132	-876	-57,485	-31,466	-123,959
Balance 31. 12. 2023	48,363	5,177	207,247	843,000	1,103,787
Value adjustment					
					0
Balance 01. 01. 2023	4,714	1,729	67,491	304,718	378,653
Depreciation in year	1,323	345	13,363	242,273	257,304
Decrease in year	0			-19,446	-19,446
Balance 31. 12. 2023	6,037	2,074	80,854	527,545	616,510
Carrying amount					
01. 01. 2023	77,781	4,324	197,240	525,173	804,519
Balance 31. 12. 2023	42,326	3,103	126,392	315,454	487,276

Table 50: Movements in the right-of-use assets in 2023

In 2023, the Company recognized a new right-of-use assets for leased passenger cars for a period of five years.

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

in EUR					
2022	Building right	Land	Facilities	Equipment	Total
Acquisition cost					
Balance 01. 01. 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
Value adjustment					
					0
Balance 01. 01. 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
Carrying amount					
01. 01. 2022	80,138	4,756	214,113	136,203	435,211
Balance 31. 12. 2022	77,781	4,324	197,240	525,173	804,519

Table 51: Movements in the right-of-use assets in 2022

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 2022.

Cost of depreciation, maintenance and operation of investment property amounted to €69,960 in 2023 (2022: €68,900), of which depreciation of all investment property amounted to €9,151. Company generated €91,415 of revenue from the lease of its investment property (2022: €71,528).

Fair value of investment property is equal to its carrying amount. In 2023, revenue growth of 27.8% was realized compared to 2022 (in 2022 revenue growth was 22.45% compared to 2021).

Movements in investment property in 2023:

	in EUR			
	Investment property - land	Investment property - facilities	Fixed assets in acquisition and advances	Total
Acquisition cost				
Balance 1. 1. 2022	24,360	840,682	5,000	870,042
Increase in year	0	0	13,994	13,994
Increase from ongoing investments	0	18,994	-18,994	0
Decrease in year	0	0	0	0
Balance 31. 12. 2022	24,360	859,677	0	884,036
Value adjustments				
Balance 1. 1. 2022	0	631,932	0	631,932
Depreciation in year	0	9,151		9,151
Decrease in year	0	0		0
Balance 31. 12. 2022	0	641,083	0	641,083
Carrying amount				
Balance 1. 1. 2022	24,360	208,750	5,000	238,110
Balance 31. 12. 2022	24,360	218,593	0	242,953

Table 52: Fair value of investment property in 2023

Movements in investment property in 2022:

in EUR

	Investment property - land	Investment property - facilities	Fixed assets in acquisition and advances	Total
Acquisition cost				
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
Value adjustments				
Balance 1. 1. 2022	0	625,667	0	625,667
Depreciation in year	0	9,007		9,007
Decrease in year	0	-2,742		-2,742
Balance 31. 12. 2022	0	631,932	0	631,932
Carrying amount				
Balance 1. 1. 2022	24,360	219,341	0	243,700
Balance 31. 12. 2022	24,360	208,750	5,000	238,110

Table 53: Fair value of investment property in 2022

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:

	31/12/2023		31/12/2022	
	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.	72,698	2,368	81,696	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	3.84%
	373,098		382,096	
Impairment of investment Informatika d.d.	-78,470		-78,470	
Impairment of investment Stelkom d.o.o.	-6,209		-6,209	
	-84,679		-84,679	
Total	288,419		297,417	
Total long-term financial investments	288,419		297,417	

Table 54: Long-term financial 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 2023, 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
	Other shares and stakes	Total
Balance 1. 1. 2023	297,417	297,417
Increase	0	0
Decrease	8,998	8,998
Transfer to short-term assets	288,419	288,419
Balance 31. 12. 2023		

MOVEMENTS IN FINANCIAL INVESTMENTS		in EUR
	Other shares and stakes	Total
Balance 1. 1. 2022	302,864	302,864
Increase	-5,446	-5,446
Decrease	0	0
Balance 31. 12. 2022	297,417	297,417

Table 55: Movements in financial investments in 2023 and 2022

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 €8,998. Revaluation was recognised in

other comprehensive income under equity. Reserves arising from the revaluation of Zavarovalnica Triglav d. d. shares amount to €70,227 as at December 31 2023 (as at December 31 2022 they were €79,226).

2.5 Long-term operating receivables

	in EUR	
	31/12/2023	31/12/2022
Receivables from apartment building operators	36,172	32,764
Long-term trade receivables	898,487	1,796,974
Total	934,659	1,829,738

Table 56: 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 2023, the Company discloses long-term operating receivables to the distribution operator, from the preliminary settlement for 2022 in the amount of €898,487. Receivables are due for payment in full by the end of 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 €2.,405,772 of deferred tax assets (2022: €1,634,869). Applicable tax rate for this year is 22 percent (in 2022 it was 19%), on the basis of the Act on reconstruction, Development and Provision of Financial Resources (ZORZFS) and which will be valid for periods until 2028. Largest increase in deferred tax assets was recognised on account of unused tax relief, i.e., investment relief in the amount of €1,163,467, which the Company will draw on in the coming years and for which realized profit is expected. Increase in deferred taxes also results from an increase in the tax rate itself. However, the company eliminated the recognition of deferred taxes from the tax loss in 2022, as it will not have enough taxable profit to be able to use alone.

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 2023

in EUR

	from provisions	from deferred receivables	from unused tax relief	from impaired investments	Total
Balance 01. 01. 2023	398,390	143,907	1,077,662	14,909	1,634,869
Increases recognized in profit or loss	8,474	0	1,163,467	2,354	1,174,295
Decreases recognized in equity	2,679	0	0	0	2,679
Decreases recognized in profit or loss	0	-85,631	-320,440	0	-406,071
Balance 31. 12. 2023	409,543	58,276	1,920,689	17,263	2,405,772

Table 57: Movements in deferred tax assets in 2023

GIBANJE ODLOŽENIH TERJATEV ZA DAVEK LETA 2022

in EUR

	from provisions	from deferred receivables	from unused tax relief	from impaired investments	Total
Balance 01. 01. 2022	498,957	150,411	0	14,909	664,277
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
Balance 31. 12. 2022	398,390	143,907	1,077,662	14,909	1,634,869

Table 58: Movements in deferred tax assets in 2022

2.7 Inventories

Inventories consist of materials and small tools in the warehouse.

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 (if the company were to sell its stock in the market) 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	
	31/12/2023	31/12/2022
Material	1,653,594	1,478,916
Small tools	24,968	30,774
Merchandise	0	0
Total	1,678,562	1,509,690

Table 59: 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 11.19%.

Reason for the increase in inventories is the fact that the prices of strategic materials in 2023 increased by 11%. Higher value of inventories is also affected by the reserved value of material in the amount of more than 28.6% of inventories (in 2022 the reserved value of material was 15% of inventories). Rest are available inventories.

In 2023, we did not impair any inventories due to obsolescence (also not in 2022), 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 2023, the credit note relating to costs amounted to €745 (2022: cost of €9,186). In the last year, inventories valued at €184,354 had no movements in more than one year (2022: €166,291 of inventories with no movement in one year), which accounts for 10.98% (2022: 11%) 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 collectability. 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 2023,
- disputed receivables and
- receivables due from business partners undergoing insolvency proceedings and compulsory settlements.

Overdue receivables from the distribution operator (SODO and ELES, d. o. o.), amounted to €720,643 on December 31 2023, however the company did not impair them as they will be repaid in 2024.

SHORT-TERM OPERATING RECEIVABLES		in EUR
	31/12/2023	31/12/2022
Short-term receivables from sales:	9,784,271	9,062,522
- to company SODO for services and rent	6,198,500	6,358,973
- on foreign account	2,425,412	2,145,440
- other receivables on domestic market	1,160,360	558,109
Value adjustment	-225,626	-233,019
- on foreign account	-171,814	-176,506
- other receivables on domestic market	-53,812	-56,512
	9,558,645	8,829,504
Interest receivables:	38,183	36,974
- on foreign account	36,744	34,361
- to other customers	1,439	2,613
Value adjustment	-32,933	-32,958
- on foreign account	-32,097	-32,121
- to other customers	-837	-837
	5,249	4,016
Advances:	15,246	7,952
Other operating receivables:		
- to state and other institutions	206,679	563,316
- to employees	0	0
- to others	87,090	54,528
Value adjustment	-6,333	-6,823
	287,436	611,022
Total	9,866,576	9,452,494

Table 60: Short-term operating receivables

Receivables for operation on a foreign account are receivables for network charges collected on behalf of the companies SODO, d.o.o. and ELES, d. o. o.

Other operating receivables from others consist of

OTHER OPERATING RECEIVABLES FROM OTHERS:		in EUR
	31/12/2023	31/12/2022
- on behalf of SODO for connecting power and superior services	71,040	38,353
- for rents	3,831	4,022
- to SODO for network charge and contributions	11,806	11,806
- other receivables	414	348
	87,090	54,528
Value adjustment		
- value adjustment for network charge and connecting power	-2,588	- 3,027
- value adjustment for rents	-3,745	- 3,795
	-6,333	- 6,823

Maturity structure of receivables:

	in EUR	
MATURITY STRUCTURE OF RECEIVABLES AT THE END OF THE YEAR:	31/12/2023	31/12/2022
Receivables not yet due	8,565,731	6,823,989
Receivables due up to 30 days	281,982	183,194
Receivables due from 31 to 60 days	340,169	594
Receivables due from 61 to 90 days	372,246	3,699
Receivables due from 91 to 365 days	3,767	1,822,045
Receivables due over 365 days	0	0
Total	9,563,894	8,833,520

Table 61: Maturity structure of receivables

As at December 31 2023, maturity structure of receivables is as follows:

- 89.56% of outstanding receivables has not matured,
- 2.95% of receivables is overdue up to 30 days,
- 3.56% of receivables is overdue from 31 to 60 days and
- 3.93% of receivables is overdue more than 60 days, amounting to €376,013.

VALUE ADJUSTMENT OF SHORT-TERM OPERATING RECEIVABLES	in EUR	
	31/12/2023	31/12/2022
Balance 1. 1.	272,799	307,027
Recovered written-off receivables	-3,684	-6,462
Final write-off of receivables	-12,216	-83,573
Formation of value adjustments in the year	7,994	55,807
Balance 31. 12.	264,893	272,799

	in EUR				
	Use and elimination				
	Balance 31. 12. 2022	New formation	Receivable write-off	Receivables recovered	Balance 31. 12. 2023
Value adjustment of trade receivables	233,019	7,696	11,901	3,187	225,626
Value adjustment of default interest receivables	32,958	49	74	0	32,933
Value adjustment of other short-term receivables	6,823	249	241	497	6,333
Total value adjustment of receivables	272,799	7,994	12,216	3,684	264,893

Table 62: Allowances of short-term operating receivables

Doubtful and disputed receivables were impaired according to the individual receivable and business partner. In 2023, the Company recognised 0.08% of receivable allowances. Of total short-term operating receivable allowances

recognised in 2023, 1.35% was recovered and 4.48% 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 the refund of as yet unrecognized VAT receivables amounting to €153,129 (in 2022 they amounted to €15,919) and refundable salary substitutes of €41,456 (in 2022: €55,012).

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

2.9 Cash and cash equivalents

	in EUR	
	31/12/2023	31/12/2022
Cash in banks	617,749	887,022
Total	617,749	887,022

Table 63: 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	
	31/12/2023	31/12/2022
VAT on advances received	782	1,007
Short-term deferred costs	84,486	121,269
Short-term accrued income	2,708,219	60,944
Total	2,793,487	183,220

Table 64: 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 2023 for expenditure referring to the financial year 2024 (these are mostly license costs, contractual interest costs for long-term loans and other costs that are accrued monthly).

Company reports short-term accrued assets to the account of the distribution operator's preliminary settlement for rent and services in 2023, which is due in 2024 in the amount of €1,494,895, from accrued but not yet charged compensations for insurance of damages incurred in 2023 in the amount of €281,235, for executed works on the market in the amount of €320,408, for the DIGIT project, the first phase of which has been completed, and from which 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 2024. Company also formed funds from Recovery and resilience Plan, in the amount of €515,708, where the company already activated the fixed assets, while the receipt of funds from the EU is expected in 2024. 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 the distribution operator, 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
Balance 1. 1. 2022	1,071	24,165	356,896	382,131
Increase	1,800	1,121,334	60,954	1,184,088
Decrease	-1,863	-1,024,230	-356,906	-1,383,000
Balance 31. 12. 2022	1,007	121,269	60,944	183,220
Increase	1,235	1,651,670	2,708,229	4,361,134
Decrease	-1,460	-1,688,453	-60,954	-1,750,867
Balance 31. 12. 2023	782	84,486	2,708,219	2,793,487

Table 65: Movements in short-term deferred costs and accrued income

2.11 Equity

Capital of the Company consists of:

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

Share capital of Elektro Primorska, d.d., 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 the 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.

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

	in EUR	
	31/12/2023	31/12/2022
Share capital	110,465,795	110,465,795
Capital reserves	46,306,588	46,306,588
Statutory reserves	2,024,031	1,811,793
Other profit reserves	15,242,873	12,420,553
Fair value reserves	-909,970	-612,468
Retained earnings	555,481	635,348
Net profit for the financial year	1,210,206	0
Total	174,895,003	171,027,609

Table 66: Equity

Result of the 2023 business year is positive and amounts to €4,244,764 (in 2022, a loss of €1,547,196 was recognized). Company allocated part of the carried forward net profit from 2021 (which amounts to €635,348) in the amount of €79,867 to cover the carried forward loss from previous years, caused by the elimination of actuarial losses in the amount of €79,867 (in 2022 it was €81,820). By resolution and in accordance with the competencies stipulated in the Companies Act (ZGD-1) and the Articles of Association,

the Management Board allocated 5% of the net profit in 2023 to legal reserves in the amount of €212,238, while for other profit reserves it allocated €2,822,320 of net profit in 2023. Profit available for distribution in 2023 amounting to €1,765,686 consists of the remaining undistributed net profit from 2023 in the amount of €1,210,206 and the net profit carried forward from previous years (€555,481).

According to the resolution of the General Meeting of Shareholders of August 29 2023, the Company did not allocate the distributable profit year 2022 for dividends to shareholders.

As at December 31 2023, the carrying amount of one share stands at **€9.31** (2022: €9.11).

Changes in equity in 2022 and 2023 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 2023; 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 2023, 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; 5.5 percent growth in the average wage in the Republic of Slovenia, 4.5%, 3.5% for years 2024, 2025 and 2026 onwards (2022: 6.0 percent), the annual percentage of salary growth in the electrical industry, the same as for the Company (in 2022: 3.0 percent), the employer's contribution rate of 16.1 percent and a 3.1709 percent discount rate for calculating the present value of the Company's future liabilities (2022: 3.7686 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	
	31/12/2023	31/12/2022
Balance 1.1.	4,496,197	5,252,176
Formation	914,163	302,617
Drawing	-442,194	-185,663
Derecognition and actuarial gains	-28,266	-872,933
Balance 31.12.	4,939,901	4,496,197

Table 67: Provisions

			in EUR
	Provisions for long-service bonuses	Provisions for severance pay	Total
0.5% discount rate reduction	51,532	171,199	222,730
0.5% discount rate increase	-47,867	-157,430	-205,297
Wage growth by 0.5%	50,939	169,314	220,253
Wage drop by 0.5%	-47,789	-157,261	-205,050

Table 68: Sensitivity analysis 2023

			in 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 69: Sensitivity analysis 2022

Additional provisions of €914,163 (2022: €302,617) were set aside on account of: payroll costs amounting to €273,804 (2022: €252,710), interest expense of €156,532 (2022: €49,908), €483,828 of additional provisions was formed directly through equity (in 2022 there was no provisions formed directly through equity as an actuarial

surplus was identified). Higher value of the additionally recognized provision arises from the lower discount rate used to calculate post-employment benefits. Company paid a total €442,194 of long-service bonuses and severance pay on retirement (in 2022 €185,663).

			in EUR
	Severance pay	Long-service bonuses	Total post-employment benefits of employees
Balance as of Jan 1 2021	4,079,789	1,172,387	5,252,176
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
Balance as of Dec 31 2021	3,363,116	1,133,082	4,496,197
Current service costs	176,724	97,079	273,804
Past service cost	0	0	0
Interest expense	114,837	41,694	156,532
Post-employment benefits paid	-338,692	-103,502	-442,194
Actuarial surplus /loss	371,050	112,778	483,828
Reversal	-12,743	-15,524	-28,266
Balance as of Dec 31 2022	3,674,293	1,265,607	4,939,901

Table 70: 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
Balance 1. 1. 2023	8,384,415	1,552,460	113,617	95,320	0	519,981	150,670	42,632	10,859,096
Formation	0	0	0	0	515,708	0	315,096	689,147	1,519,951
Derecognition	0	0	0	0	0	0	0	-2,403	-2,403
Drawing on revenue	-332,789	-110,299	-7,024	-11,226	0	-30,638	-37,134	0	-529,110
Balance 31. 12. 2023	8,051,626	1,442,161	106,593	84,095	515,708	489,343	428,632	729,377	11,847,534

	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
Balance 1. 1. 2022	8,741,944	1,662,760	120,641	111,884	826,017	517,899	0	45,035	12,026,179
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
Balance 31. 12. 2022	8,384,415	1,552,460	113,617	95,320	0	519,981	150,670	42,632	10,859,096

Table 71: Long-term accrued costs and deferred income

In 2023, the Company formed €515,708 of additional long-term accruals and deferred income to co-finance energy infrastructure assets based on the Recovery and Resilience Plan.

In 2023, the Company received funds for support from European funds for the DIGIT project in the amount of €234,325 and €80,772 of funds for Opentunity project. DIGIT project (DSElektroDIS) refers to the establishment of an integration platform and data analytics system, and the Opentunity project to the pre-financing process of the project in the Horizon Europe Pillar.

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 €332,789 (in 2022 it amounted to €427,814) 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 2022). 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. Company classifies the two projects in the group "Received supports". Both projects have now been completed. For the completed part of the two investments, long-term accruals decreased by €4,788 of depreciation accounted for in 2023, which was recognised under other operating revenue (the same in 2022: €4,788). Total value of the calculated depreciation

of the supports received in 2023 amounts to €11,226, which is recognized in other operating revenue.

Long-term deferred income refers to deferred income in the amount of €685,384, which derives from the contract signed between the Company and the company ELES, d. o. o., on the implementation of services of advanced functionality of the island operation of the town of Idrija for a period of 10 years. Annually, the provisions will be used in the amount of €82,246 and will be recognized as operating income. Among other long-term accruals, the company includes long-term advances and guarantees and long-term compensation claims.

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

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

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

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

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

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

Book value of long-term liabilities is equal to their amortised cost, less the amounts that 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	
	31/12/2023	31/12/2022
Long-term financial liabilities		
Bank Intesa Sanpaolo	3,525,000	4,425,000
European Investment Bank	32,492,771	25,940,404
Total long-term liabilities	36,017,771	30,365,404
Short-term part of loans due in 2024	5,347,633	4,948,485
Total	41,365,404	35,313,889
Total financial liabilities	41,365,404	35,313,889

Table 72: Long-term liabilities to banks

Long-term financial liabilities comprise borrowings that fall due after 2024. Of all the loans raised only a loan from Bank Intesa Sanpaolo d.d.. is secured by the bills of exchange. Ministry of Finance issues consent to the borrowings raised by the Company, after the most favourable bidder is selected and approved.

In October of the financial year 2023, the Company concluded a new agreement on long-term borrowing with the European Investment Bank for the period 2023-2025 and in December 2023 drew the first tranche in the amount of €11,000,000.

All the borrowings mature by August 2040 at the latest. Value of borrowings that fall due over a period of more than five years from the reporting date amounts to €24,425,663. In 2022, the value of borrowings that matured over a period of more than five years from the reporting date amounted to €23,651,515.

Annual interest rates on eight borrowings are fixed ranging from 0.661% to 2.116%, one loan agreement is concluded with a variable interest rate, namely EURIBOR 3-M with a surcharge of 0.777%. Interest on borrowings is calculated and paid monthly or quarterly. Company's financial commitments are determined by contract between parties.

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	
	31/12/2023	31/12/2022
Long-term lease liabilities	247,802	555,522
Short-term lease liabilities	257,070	261,990
Total lease liabilities	504,872	817,511

Table 73: Lease liabilities

Movement of lease liabilities:

	in EUR	
	2023	2022
Balance 01.01.	817,511	443,262
Increase	44,574	634,702
Interests	18,144	13,796
Payment of rents	-270,845	-274,173
Decrease due to change in rental value	-104,513	0
Derecognition	0	-76
Balance 31.12.	504,872	817,511

Decrease in the value of lease liabilities is due to the recalculation of values, as a result of the increase in bank interest rates, which are the basis for calculating discounted contractual lease liabilities.

2.15 Short-term liabilities

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

	in EUR	
	31/12/2023	31/12/2022
SHORT-TERM FINANCIAL LIABILITIES		
Short-term part of long-term loans	5,347,633	4,948,485
Short-term liabilities from credit interest	110,978	0
Short-term revolving credit Nova KMB	1,800,000	900,000
Total short-term financial liabilities to banks	7,258,611	5,848,485
Dividend liabilities	5,229	5,229
Short-term lease liabilities	257,070	261,990
Total short-term financial liabilities	7,520,910	6,115,704
SHORT-TERM OPERATING LIABILITIES		
Liabilities to suppliers for fixed assets	5,066,484	3,012,583
Liabilities to suppliers for current assets	2,985,998	1,385,815
Liabilities for foreign account (SODO, ELES)	2,369,167	2,224,360
Liabilities to foreign suppliers	22,691	11,983
Liabilities for advances	13,968	8,109
Total short-term operating liabilities to suppliers	10,458,307	6,642,849
Liabilities to employees	2,084,164	1,656,218
Liabilities to state and other institutions	325,973	254,721
Other liabilities	430,890	1,445,712
Total other short-term operating liabilities	2,841,028	3,356,650
Total short-term operating liabilities	13,299,335	9,999,500
TOTAL SHORT-TERM LIABILITIES	20,820,245	16,115,204

Table 74: Short-term liabilities

Short-term liabilities to banks include instalments of long-term borrowings that mature in 2024.

Compared to the end of the previous year, operating liabilities increased by €3,299,835 mostly on account of an increase in supplier payables (by €3,815,458), payables to employees (€427,946) and the State (€71,252) increased as well. Payables to the State increased mainly due to corporate income tax liabilities amounting to €245,012 for 2023, and not liabilities as in 2022: €492,380. Decrease in other liabilities by €1,014,821 stems from assignment in 2022 in the amount of €1,298,331.

Short-term liabilities to employees are payables for December wages and the 2023 performance bonus calculation (amounting to €443,063) in accordance with collective agreement. Final amount of the profit generated by the Company was recognised in the middle of March 2024, when SODO issued a preliminary statement for the financial year 2023. 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 2023. Payables to the State comprise corporate income tax liabilities, 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	
	31/12/2023	31/12/2022
VAT on advances given	1,914	1,914
Short-term deferred income	82,246	542,196
Accrued costs	795,246	1,956,609
Total	879,406	2,500,719

Table 75: Short-term accrued costs and deferred income

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 deferred revenues in the amount of €82,246 refer to the contract signed between the Company and the company ELES, d. o. o., on the implementation of the services of the advanced functionality of the island operation of the town of Idrija for a period of 10 years, which expires in 2024. Remaining amount of €685,384 is recognized among long-term deferred revenues. Invoice to the company ELES, d. o. o., was issued for the full amount in December 2023.

As of December 31 2023, the Company has formed the accrued liabilities for labour costs on account of unutilised annual leave in 2023 in the amount of €794,283 (2022: €628,201), while €963 (2022: €7,611) of accrued liabilities was recognised on account of interest payable on borrowings as at December 31 2023, for which the Company is expected to receive the clearance in 2024.

Short-term accrued costs and deferred income also include VAT on advances granted.

in EUR

	VAT on advances given	Short-term deferred income	Accrued costs	Total
Balance 1. 1. 2022	1,914	8,718	760,556	1,062,347
Increase	0	542,196	1,956,609	766,997
Decrease	0	-8,718	-760,556	-1,058,156
Balance 31. 12. 2022	1,914	542,196	1,956,609	2,500,719
Increase	0	82,246	791,319	873,565
Decrease	0	-542,196	-1,952,683	-2,494,879
Balance 31. 12. 2023	1,914	82,246	795,246	879,406

Table 76: 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 2023 are recognised based on the prices set for supplementary activities effective from November 1 2022 to November 1 2023, when a new price list was adopted and is valid from then on. 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 the distribution operator in accordance with the signed contract and annexes to the contract. With the company SODO, d. o. o., on November 29 2019, a contract was concluded on the rental of electricity distribution infrastructure and the provision of services for the system operator of the distribution network for the period 2019-2021. 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 for electricity operators. Pursuant to this Act, on December 20 2022, the Energy Agency by decision no. 211-14/2022/39 laid down the regulatory framework for the operator of the activity of the system operator of the distribution network and the individual distribution company during the regulatory period from January 1 2023 to December 31 2023.

Capitalized own products and services include capitalized fixed assets, that, in accordance with SAS, are valued according to the costs that directly relate to them and those general construction and manufacturing costs that can be attributed to the. Value consists of all the direct costs of materials, services and labour, which are necessary for the production and preparation of the asset, as well as the corresponding share of indirect costs. Consumption of materials, hours worked by employees and services are recorded according to individual work orders or projects and recognized in fixed assets and under the item Capitalized own products and services. 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 business effects, 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	
	2023	2022
Net sales		
- from electricity	0	0
- from infrastructure rents	19,487,732	10,663,183
- from other rents	430,382	489,253
- from SODO d.o.o. services	19,010,929	18,975,192
- from other services	3,617,361,87	3,062,893
- from merchandise	0	109,800
Total	42,546,405	33,300,321
Capitalized own products and services	11,906,125	9,411,775
Other operating revenues from:		
- drawing on provisions	782,238	721,189
- sales of fixed assets	21,237	173,653
- recovered written-off receivables	1,632	1,934
- other revaluation revenues	10,430	19,855
- subsidies received	517,545	705,368
- compensation received	600,106	90,942
- other operating revenues	7,564	10,730
Total	1,940,752	1,723,672
Total operating revenues	56,393,282	44,435,768

Table 77: Operating revenue

3.1.1 Net sales revenue

Net sales revenues increased by €9,246,083 compared to the previous year, mainly due to higher realized infrastructure rental revenues in 2023. Higher revenue value 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 in 2022 (revenue loss in 2022 amounted to €9,612,793). Company recognized €223,178 of revenues from the rental of infrastructure after the preliminary calculation for 2023 by ELES, d. o. o., and for the services rendered, a higher value was realized according to the preliminary calculation by €1,271,727. Revenues from other rents decreased by €58,871 and services provided for the market increased by €554,469. Company did not realize revenues from the sale of merchandise (in 2022 sales of meters abroad amounted to €109,800).

All revenues were achieved in 2023 through sales on the domestic market.

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. Among capitalized fixed assets, the company counts assets that, in accordance with SAS, are valued according to the costs that directly relate to them and those general construction and manufacturing costs that can be attributed to them.

In 2023, capitalised own effects increased by €2,494,350. Lower value of realized capitalized own effects in 2022 was the result of the adopted Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices. Company's management prepared an operational investment implementation plan in 2022, which reduced the planned investment volume and consequently also realization. Most of them are revenues from new constructions of electricity infrastructure. Capitalized own effect in 2023 represent capitalized

labour costs in 54.25% (in the amount of €6,458,875), the rest are material costs (in the amount of €5,447,250).

In 2023, the company activated €6,963,969 of new assets from capitalized own effects, namely €614,214

of intangible fixed assets, €3,534,281 of construction facilities and €2,815,474 of equipment. Remaining value from capitalized own effects in the amount of €4,942,156 is still investments in progress.

3.1.3 Other operating revenue

Compared to the previous year, other operating revenue increased by €217,081.

in EUR		
Other operating revenues from:	2023	2022
- drawing on provisions	782,238	721,189
- sales of fixed assets	21,237	173,653
- recovered written-off receivables	1,632	1,934
- other revaluation revenues	10,430	19,855
- subsidies received	517,545	705,368
- compensation received	600,106	90,942
- other operating revenues	7,564	10,730
Total	1,940,752	1,723,672

Revaluation operating revenues from the sale of fixed assets decreased. 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 reported €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 settled in 2023. Subsidies received comprise 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. Decrease in subsidies received from the state (amounting €438,547 in 2023, and €617,180 in 2022) is a result of the adopted Acts Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences in 2020, which still had an impact on operations in 2022. 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 2023, they are up by €509,163 compared to the previous year.

in EUR		
Other operating revenues from drawing on provisions:	2023	2022
Depreciation of fixed assets acquired free of charge	332,789	387,300
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	28,266	170,517
Elimination of provisions for unused annual leave	6,882	21,568
Elimination of provisions for compensation claims	296,978	22,202
Elimination of other provisions	0	2,277
Total	782,238	721,189

Table 78: 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.

€151,874 of revaluation expenses is not included in the cost analysis by functional groups and by primary types, as they are reported in the income statement under write-offs.

Leto	Production cost	Sales cost	Costs of general activities	Total
2022	36,491,330	2,680,949	7,588,667	46,760,946
2023	40,509,577	2,784,535	9,249,837	52,543,949

Table 79: Analysis of costs by functional groups

Cost by primary type	2023	2022
Cost of electricity and merchandise sold	0	89,700
Costs of material	8,845,819	6,998,903
Costs of services	6,974,198	5,256,968
Labour costs	21,414,334	19,002,156
Depreciation	14,223,143	14,427,452
Other operating costs	182,223	349,217
Total	51,639,717	46,124,396

Table 80: Costs by primary types

3.2.1 Cost of goods, materials and services

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 €7,700,435 (2022: €6,058,938); cost of fuel amounting to €516,084 (2022: €459,767); electricity consumed in the amount of €278,582 (2022: €205,213); office supplies amounting to €73,799 (2022: €58,225); cost of small tools amounting to €204,095 (2022: €120,987), and the cost of ancillary material and professional literature. Company monitors the cost of materials not only by substance, but also by the nature of work for which these materials were consumed.

Cost of services comprises the cost of fixed asset maintenance amounting to €2,305,961 (2022: €1,523,628); cost of health, advisory, legal and educational services, software and studies of total €854,333 (2022: €656,181); insurance premiums and banking charges amounting to €964,003 (2022: €954,260); cost of computer processing in the amount of €613,409 (2022: €583,932); telephone and postal services of €415,934 (2022: €368,478); and other costs incurred during ordinary operations such as membership fees, utility services, cleaning services and similar, amounting to €768,720 (2022: €694,046). In 2023, the company had €154,736 in costs for the work of students, concluded through labour recruitment contracts, for 14,635 working hours.

Cost of services in 2023 includes €98,718 of remuneration paid to six members of the Supervisory Board (2022: €98,613). 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 2023:

YEAR 2023		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	14,612	12,621	1,650	341			
DARKO LIČEN	19,519	13,347	2,475		2,252	1,320	125
PAVEL REBERC	14,524	11,529	2,475	520			
JASNA KALŠEK	20,137	11,300	2,475	426	4,238	1,540	158
MARKO FIČUR	4,074	3,524	550				
VALDI MORATO	12,499	10,024	2,475				
JURIJ JANKO	9,701	7,776	1,925				
EVA KNEZ	3,117	1,549	825	186	337	220	
AMIR BOBIĆ	1,276	0	1,276				
ALEKSANDER IGLIČAR	7,898				5,650	1,925	323
SKUPAJ	107,358	71,671	16,126	1,473	12,477	5,005	607

Table 81: Remuneration of the Supervisory Board and Audit Committee members

In 2023, a total of €19,443 of remuneration was paid to other members of the Audit Committee. Of total cost of the audit, advisory and other financial services amounting to €160,416 (2022: €101,632) €16,000 was paid for the audit of the Annual Report.

in EUR		
Company	Ernst&Young	Ernst&Young
	2023	2022
Auditing the annual report	15,000	15,000
Other assurance services	1,000	1,800
Other non-audit services	0	0
Total for audit company	16,000	16,800

Table 82: Cost of the Annual Report audit

In 2023, the Company allocated €83,142 for advertising, sponsorships and hospitality (in 2022: €54,747).

3.2.2 Labour costs

in EUR		
	2023	2022
Labour costs		
Salary costs	15,086,817	13,605,185
Costs of supplementary pension insurance	723,077	676,305
Costs of contributions and other benefits from salaries	2,525,644	2,204,382
Other labour costs	3,075,797	2,516,283
Total	21,414,334	19,002,156

Table 83: 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 €1,634,128 (2022: €1,242,517). Costs of the annual leave bonus amounted to €1,058,088 in 2023 (2022: €1,021,057).

A total of 4972 employees received salary based on the collective agreement in 2023. Average number of employees in 2023 was 474, a decrease of one employee compared to the average headcount in 2022. In 2023, eight employees (in 2022, 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 €716,564 in 2023 (in 2022: €664,641).

Gross remuneration paid to members of the Management Board in 2023:

in EUR

	Fixed part of receipts	Mat. costs for salary	Mat. costs acc. to travel orders	Bonuses - insurance premiums	Other bonuses	Holiday allowance	Total
Blažica Uroš	109,328.44	2,372.70	-	107.79	5,862.43	2,231.86	119,903.22

Table 84: Gross remuneration paid to the Management Board in 2023

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 2023. Same depreciation rates were also applied in the financial year 2022.

Depreciation rates in %:

	2023	2022
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 85: Depreciation rates

	in EUR	
	2023	2022
Write-offs		
Amortisation of intangible assets	1,690,175	2,020,070
Depreciation of facilities	6,107,698	6,047,041
Depreciation of equipment	6,158,815	6,085,940
Depreciation of investment property	9,151	9,007
Depreciation of the right to use assets	257,304	265,394
Total depreciation and amortisation	14,223,143	14,427,452
Revaluation expenses for:		
- intangible and tangible assets	143,546	267,753
- current assets	8,327	55,807
Total revaluation expenses	151,874	323,560
Total write-offs	14,375,017	14,751,012

Table 86: Write-offs

In 2023, the Company recognised €143,546 (2022: €267,753) of revaluation expenses from intangible assets and property, plant and equipment (€80,220 refers to facilities, €63,157 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 €8,327 (2022: €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	
	2023	2022
Other operating expenses		
Provisions for claims	0	197,803
Total provisions	0	197,803
Benefits, independent of profit or loss	35,954	37,545
Expenditure on environmental protection	98,793	92,172
Bonuses for students in practice	47,477	21,697
Other costs	0	0
Total other costs	182,223	151,415
Total other operating expenses	182,223	349,217

Table 87: Other operating expenses

In 2023, the company did not form provisions for compensation claims (in 2022 they referred 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	
	2023	2022
Financial revenue from shares	5,920	44,547
Financial revenue from operating receivables	17,317	11,900
Total	23,237	56,447

Table 88: Financial income

In 2023, financial income from shares is lower by €38,627 (in 2022 the company received shares in the company Informatika, d. d., in the amount of €35,786), it received calculated dividends from financial investments of Zavarovalnica Triglav, d. d., in the amount of €5,920 (in 2022: €8,762).

Interest is charged to customers using the network and services on late payments and on the amount of receivables outstanding as at December 31 2023.

3.4 Financial expenses

	in EUR	
	2023	2022
Expenses from loans received from banks	647,886	231,769
Expenses from other financial liabilities	174,675	360,682
Expenses from operating liabilities	713	546
Total	823,274	592,997

Table 89: 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 2023 amounts to €126,555, in 2022 it amounted to €136,142. When capitalizing interest, the company takes into account the guidelines of the Slovenian Accounting Standards, which state that borrowing costs are interest and other costs that arise in the organization in connection with borrowing financial resources for the acquisition of a tangible fixed asset. These are the costs that could have been avoided if the expenditure on the asset under preparation had not occurred. They are determined in the amount of the actual costs of dedicated loans or on the basis of the criteria for assigning the costs of non-purposed loans, reduced

by any possible income from financing in connection with the temporary financial investment of borrowed funds. Organization begins to add borrowing costs to part of the cost price, when the conditions specified by the standard are met.

Expenses from other financial liabilities comprise: interest from actuarial calculations (2023: €156,532, 2022: €49,908) and lease liabilities (2023: €18,143, 2022: €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 2023, the Company generated only €855 of extraordinary revenues.

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

3.6 Other expenses

	in EUR	
	2023	2022
Compensation	14,917	825
Other expenses	66,041	42,728
Total	80,958	43,553

Table 90: Other expenses

Other expenses comprise donations of total €28.304 (2022: €4,733), and other expenses not indispensable for business in the amount of €37,720 (2022: €37,995), the rest are expenses for compensations of €14,917 (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

For 2023, the company calculated income tax in the amount of €245,012 (in 2022, income tax was not calculated, as the company showed a tax loss in the amount of €1,686,526).

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 2023

in EUR

	2023	2022
Pre-tax profit / loss	3,721,551	-2,592,291
Revenues that reduce the tax base	-25,384	-132,829
Expenditures that increase the tax base	870,777	828,918
Expenditures that decrease the tax base	-674,740	-140,840
Expenditures that decrease the tax base – error correction	0	0
Reduction of the tax base on the basis of relief	-2,195,696	0
Other	-406,971	350,516
Tax base	1,289,536	-1,686,526
Tax rate	19%	19%
Income tax	-245,012	0
Effective current tax rate	6.58%	0.00%
Increase/decrease in deferred tax	768,224	1,045,094
Effective tax rate	-14.06%	40.32%

Table 91: Calculation of corporate income tax

As at December 31 2023, the Company recognized liability for income tax in the amount of €245,012, as it has a taxable base of €1,289,536. In 2023, the Company utilised investment relief in the amount of €1,093,211, relief for the voluntary supplementary pension insurance in the amount of €713,481, relief for employment of persons with disabilities in the amount of €335,169, and other relief amounting in total to €53,836. Unused part of the investment relief from 2022 and part from 2023

will be used by the company in the coming years, as it expects to have taxable profits. On this basis, in 2023, the Company formed deferred taxes for unused investment relief in the amount of €1,163,296, however it eliminated the recognition of €320,440 of deferred taxes for the tax loss in 2022, as the company will not have enough taxable profit in the coming years to be able to utilize it.

RECONCILIATION BETWEEN ACTUAL AND CALCULATED TAX EXPENDITURE TAKING INTO ACCOUNT THE EFFECTIVE TAX RATE

	2023		2022	
	rate	amount	rate	amount
Ratio between actual and calculated tax rate				
Pre-tax profit / loss		3,721,551		-2,592,291
Income tax using the official rate	19.00%	707,095	19.00%	0
Amounts that negatively affect the tax base		165,935	0	228,314
- amount from the decrease of expenses to the level of tax deductible expenses		165,448		157,494
- amount from the increase of income to the level of taxable income		0		0
- exemption of expenses, for exempt dividends		212		540
- change in the method of accounting		275		70,280
Amounts that positively affect the tax base		210,835		56,219
- amount from the increase of expenses to the level of tax deductible expenses		128,201		26,760
- amount from the decrease of revenues to the level of taxable income		4,823		25,238
- change due to the transition to a new method of accounting (change in the tax base for already taxed post-employment benefits)		77,812		4,222
- error elimination of the previous period		0		0
Tax relief		417,182		0
used to reduce tax liabilities		417,182		0
Current tax	6.58%	-245,012	0.00%	0
Increase/decrease in deferred tax		768,224		1,045,094
Tax in the income statement / effective tax rate	14.06%	523,212	-40.32%	1,045,094

Table 92: Reconciliation of taxes for the financial year

Corporate income tax and deferred taxes in 2023:

TAX EXPENSE DISCLOSED IN THE INCOME STATEMENT	in EUR	
	2023	2022
Tax of the current year	-245,012	0
Deferred tax assets/liabilities	768,224	1,045,094
Other taxes not included in other items		
Tax expense charged to the result	523,212	1,045,094

Table 93: Corporate income tax and deferred taxes

CHANGES IN DEFERRED TAXES RECOGNIZED IN THE INCOME STATEMENT		in EUR
	2023	2022
Balance as of Jan 01	1,562,260	517,166
Provisions	8,474	-26,064
Receivables	-85,631	-6,503
Investments	2,354	0
Unused tax relief	1,163,467	757,222
Tax losses	-320,440	320,440
Changes in deferred tax assets/liabilities	768,224	1,045,094
Balance as of Dec 31	2,330,484	1,562,260

CHANGES IN DEFERRED TAXES RECOGNIZED IN EQUITY		in EUR
	2023	2022
Balance as of Jan 01	72,609	147,111
Change in revaluation of deferred tax on provisions	2,679	-74,502
Receivables	0	0
Tax losses	0	0
Changes in deferred tax assets/liabilities	2,679	-74,502
Balance as of Dec 31	75,288	72,609

Table 94: Changes in deferred taxes

3.8 Net profit or loss

		in EUR
	2023	2022
Operating result	4,601,691	-2,012,188
Financial result	-800,037	-536,550
Result from extraordinary operations	-80,103	-43,553
Pre-tax profit	3,721,551	-2,592,291
Corporate income tax	-245,012	0
Deferred tax assets	768,224	1,045,094
Net profit or loss	4,244,764	-1,547,196

Table 95: Net profit or loss

3.9 Total comprehensive income for the period

Total positive comprehensive income for the period amounts to €3,867,394 (2022: -€924,729). It consists of €8,998 relating to the revaluation of available-for-sale investments (shares of Zavarovalnica Triglav d.d.), and

negative amounts of other components of comprehensive income on account of actuarial earnings of €368,371 (formation of the amount of actuarial earnings in 2023 in the amount of €371,050 and the increased amount of value adjustments of revaluation surpluses for deferred actuarial earnings taxes in the amount of €2,679).

			in EUR
NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	Note	2023	2022
	3.9.	4,244,764	-1,547,196
Reserves arising from fair value measurement		-8,998	-5,446
Other components of comprehensive income net effect		-368,371	627,913
Actuarial gains/losses on provisions for severance pay		-371,050	702,416
Deferred tax effect on actuarial gains/losses on provisions for severance pay		2,679	-74,502
Total comprehensive income of the accounting period		3,867,394	-924,729

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.

In 2023, the Company realized €205,430 lower investment income, mainly on account of the lower sale of fixed assets in 2023.

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 the distribution operator, 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 increased in 2023 by €13,552,207 compared to 2022, mostly on account of an increase in operating revenues from network use and services rendered on behalf of the distribution operator, as a result of the adopted Act on emergency measures to mitigate the impact of high energy prices in 2022. Majority of receipts from operating activities stem from services based on the contract concluded with the distribution operator 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 up by €7,949,786, mainly on account of higher 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 financial investments.

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 financial investments. For investment purposes, the Company realized €2,186,275 more expenditure in 2023. 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 2023, the Company withdrew €22,700,000 of an approved short-term revolving credit and received a new tranche of a long-term EIB loan of €10,958,000.

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 refer to the repayment of long-term and short-term borrowings (in the amount of - €26.748.485), of which €21,800,000 refers to repayment of a short-term revolving credit and a total of €4,948,485 to repayment of current amounts of long-term investment borrowings. Financing expenses include dividends paid, which the company did not pay out in 2023 (in 2022 in the amount of €2,254,068).

4.7 Net cash for the period

Company generated €111,465,175 of cash inflows in 2023 (2022: €92,860,399) and €111,734,448 of cash outflows (2022: €98,133,417). 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 2023 is negative cash result of €269,273 (2022: negative cash result of €5,273,018).

Company notes positive cash result from operating activities in the amount of €12,367,997 (in 2022 €6,765,576). Cash result in investing activities is negative amounting to €18,800,722 (€16,409,016) and is a result of major investment activity, while cash result for financing activities of €6,163,451 (€4,370,421) is positive and a result of loans received.

5. Disclosures 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),

As at December 31 2023, Elektro Primorska, d.d., reports the following receivables from and liabilities to its related parties:

	in EUR	
Receivables:	31. 12. 2023	31. 12. 2022
Receivables from company Stelkom, d.o.o.	52,540	52,219
Total	52,540	52,219
Liabilities:	31. 12. 2023	31. 12. 2022
Liabilities to Informatika, d.d.	522,947	777,477
Total	522,947	777,477

Table 97: Receivables and liabilities

Elektro Primorska, d.d., recognised the following revenues and expenses from transactions with its related parties in the 2023 income statement:

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

	in EUR	
Revenues:	2023	2022
Net sales Stelkom, d.o.o.	109,340	128,952
Default interest Stelkom d.o.o.	286	551
Other revenues	2	0
Total	109,628	129,503
Expenditure:	2023	2022
Costs of services Informatika d.d.	752,046	697,376
Financial expenditure Informatika d.d.	7,153	6,271
Total	759,199	703,647

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.

Company keeps in the off-balance sheet records issued tender guarantees and warranty guarantees (when providing services for external clients) and a guarantee for the unused part of the company's overdraft credit. Company reports no liabilities arising from pledged real

estate as none of the Company's properties is either mortgaged or subject to a lien.

On December 31 2023 the company shows €8,267,400 (December 31 2022: €8,823,965) in the current value of the electricity infrastructure owned by the distribution operator, which was transferred to the distribution operator based on a mutual agreement on handover and takeover, financed from the funds of the average connection costs and the sales contract.

	in EUR	
	31/12/2023	31/12/2022
Current value of assets owned by SODO	8,267,400	8,823,965
Bank guarantees issued	126,947	126,947
Other off-balance sheet records	106,395	106,395
Total	8,500,742	9,057,307

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 and regular monitoring of open receivables, 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.

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.

Company has concluded a loan agreement for long-term financing of investments in electricity infrastructure for the

period 2023-2025 in the total amount of €42 million. At the end of 2023, the company still had €31 million of unused financial resources under this contract.

To ensure short-term liquidity, the company has concluded a contract for a short-term overdraft facility in the amount of €5.0 million, which is renewed annually.

Company believes that the amount of negative working capital as of December 31 2023 does not represent a major liquidity risk, given the sector in which the company operates and that the current measures to ensure company's liquidity are adequate.

Interest rate risk: Due to borrowings from domestic and foreign banks, the Company could be exposed to the risk of changes in reference interest rates EURIBOR, which could affect its financing costs. Exposure to risk is assessed as moderate, as the company has only one loan with a variable interest rate, which represents 27% of all long-term loans of the company, therefore it does not use hedging instruments.

Financial instruments at a fixed interest rate		in EUR
	31. 12. 2023	31. 12. 2022
Financial liabilities to banks – long-term	30,365,404	35,313,889
Net financial instruments at a fixed interest rate	30,365,404	35,313,889
Financial instruments at a variable interest rate		in EUR
	31. 12. 2023	31. 12. 2022
Financial liabilities to banks – long-term	11,000,000	0
Net financial instruments at a variable interest rate	11,000,000	0
Total financial instruments		in EUR
	31. 12. 2023	31. 12. 2022
Financial liabilities to banks – long-term	41,365,404	35,313,889
Total net financial instruments	41,365,404	35,313,889
Financial liabilities to banks		in EUR
	31. 12. 2023	31. 12. 2022
Financial liabilities to banks – long-term	41,365,404	35,313,889
Financial liabilities to banks – short-term (revolving)	1,800,000	900,000
Financial liabilities to banks – short-term (interests)	110,978	
Total financial liabilities to banks	43,276,382	36,213,889

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 continuously monitors its exposure to interest rate risk and takes appropriate measures to mitigate it.

	in EUR
Change in profit or loss when the interest rate changes by 100 basis points on the reporting day	31. 12. 2023
Cash flow variability (net) -100 bp	28,633.61
Cash flow variability (net) +100 bp	29,116.14

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.

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

8. Events after the Balance Sheet Date

After the balance sheet date (December 31, 2023) and until the date of acceptance of the annual report (April 26, 2024), the company received a preliminary calculation for the regulatory year 2023 from the distribution operator. Preliminary calculation for the year 2023 was carried out on the basis of the company's unaudited financial statements. It follows from the 2023 preliminary calculation that the inter-annually charged advance value of services and electricity infrastructure rental was a total of €1,494,905 lower than the value established on the basis of the preliminary calculation of the regulatory year. At the same time, considering the value of the annual advance payments, the rent in the amount of €223,178 was undercharged, as was the billing of services for €1,271,727.

On this basis, in 2023, the company increased revenues from services under the contract with the distribution operator in the amount €1,271,727 and from rental of energy infrastructure in the amount of €223,178.

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, 2023.

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, changes in the value of the share capital are in the balance of assets and liabilities between activities in 2023 in the amount of €769,973. Value of capital reserves 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.

9.3 Notes to the cash flow statement items

Cash flow statement shows the receipts and expenditures of individual activities. These are the direct receipts and expenditures of individual activities and the receipts and expenditures of general activities, distributed on the basis of the agreed displayed criteria.

In 2023, the company carried out a cash flow adjustment, namely on the expenditure item for short-term loan repayments in the amount of €5,100,000. Here, part of the expenses for the repayment of short-term loans was paid by the market activity, which had excess assets, fort he regulated activity, which showed a negative cash flow.

9.4 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

9.5 Sub-balance sheet according to the Energy Act as at December 31 2023

				in EUR
	ED infrastructure and services for SODO	Market activities	Total	Criterion for allocating joint activities
Assets				
A. Long-term assets:				
I. Intangible assets and long-term accrued and deferred asset items	4,305,479	11,847	4,317,326	
1. Long-term rights	4,285,191	11,716	4,296,907	key 2
2. Other long-term accrued and deferred asset items	4,785	23	4,808	key 2
3. Intangible assets in acquisition	15,503	109	15,612	key 2
II. Tangible fixed assets	225,150,446	1,351,712	226,502,158	
1. Land	5,030,790	681,682	5,712,472	key 2
2. Buildings	140,595,986	529,561	141,125,547	key 2
3. Equipment	68,835,436	94,932	68,930,369	key 2
4. Right to use the asset	442,756	44,520	487,276	key 2
5. Fixed assets in acquisition	10,245,477	1,018	10,246,494	key 2
a.) fixed assets in construction and production	10,234,709	1,018	10,235,727	key 2
b.) Advances for acquisition of fixed assets	10,768	0	10,768	
III. Investment property	0	242,953	242,953	key 2
IV. Long-term financial investments	276,386	12,033	288,419	
2. Other shares and stakes	276,386	12,033	288,419	key 1
V. Long-term operating receivables	917,255	17,404	934,659	
1. Long-term trade receivables	898,487	0	898,487	
2. Long-term receivables due from others	18,768	17,404	36,172	key 1
VI. Deferred tax assets	2,370,420	35,352	2,405,772	key 1,3
Total long-term assets	233,019,986	1,671,302	234,691,288	
B. Short-term assets:				
II. Stocks	1,341,790	336,772	1,678,562	
1. Material	1,341,790	336,772	1,678,562	key 1, 4
IV. Short-term operating receivables	8,026,182	1,840,394	9,866,576	
1. Operating receivables due from group companies	0	0	0	key 3
2. Operating trade receivables	7,765,350	1,813,790	9,579,140	key 3
3. Operating receivables due from others	260,831	26,605	287,436	key 3
V. Monetary assets	55,938	561,811	617,749	key 3
Total short-term assets	9,423,909	2,738,978	12,162,887	
C. Short-term accrued and deferred asset items	2,471,596	321,891	2,793,487	key 3
TOTAL ASSETS	244,915,491	4,732,171	249,647,662	

Table 100: Sub-balance sheet (assets) according to the Energy Act as at December 31 2023

in EUR

Liabilities	ED infrastructure and services for SODO	Market activities	Total	Criterion for allocating joint activities
A. Capital:				
I. Called-up capital	108,342,264	2,123,530	110,465,795	
1. Share capital	108,342,264	2,123,530	110,465,795	
II. Capital reserves	45,885,198	421,390	46,306,588	
III. Profit reserves	16,818,643	448,261	17,266,904	
1. Statutory reserves	2,014,316	9,715	2,024,031	
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	14,804,328	438,545	15,242,873	
IV. Revaluation surplus	-872,005	-37,965	-909,970	key 1
V. Net profit or loss from previous periods	532,305	23,176	555,481	
VI. Net profit or loss for the period	1,046,778	163,428	1,210,206	
Total capital	171,753,184	3,141,819	174,895,003	
B. Provisions and long-term accrued and deferred liability items	16,038,495	748,940	16,787,435	
1. Provisions	4,883,383	56,518	4,939,901	key 1
2. Long-term accrued and deferred liability items	11,155,113	692,421	11,847,534	key 2
C. Long-term liabilities	36,209,534	56,039	36,265,573	
I. Long-term financial liabilities	36,209,534	56,039	36,265,573	
1. Long-term financial liabilities to banks	36,017,771	0	36,017,771	
3. Other long-term financial liabilities	191,762	56,039	247,802	key 5
Č. Short-term liabilities	20,133,655	686,590	20,820,245	
I. Short-term financial liabilities	7,479,754	41,156	7,520,910	
1. Short-term financial liabilities to banks	7,258,611	0	7,258,611	
2. Other short-term financial liabilities	221,143	41,156	262,299	key 1, 5
II. Short-term operating liabilities	12,653,901	645,434	13,299,335	
2. Short-term operating liabilities to suppliers	9,973,255	471,085	10,444,340	key 2, 5
3. Short-term operating liabilities based on advances	11,450	2,518	13,968	key 3
4. Other short-term operating liabilities	2,669,197	171,831	2,841,028	key 1
Total liabilities	72,381,684	1,491,569	73,873,253	
D. Short-term accrued and deferred liability items	780,623	98,783	879,406	key 3
TOTAL LIABILITIES	244,915,491	4,732,171	249,647,662	

Table 101: Sub-balance sheet (equity and liabilities) according to the Energy Act as at December 31 2023

9.6 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
Assets				
A. Long-term assets:				
I. Intangible assets	3,293,795	11,380	3,305,176	
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
II. Tangible fixed assets	215,180,431	1,401,584	216,582,015	
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	
III. Investment property	0	238,110	238,110	key 2
IV. Long-term financial investments	280,674	16,743	297,417	
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
V. Long-term operating receivables	1,813,488	16,249	1,829,738	
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
VI. Deferred tax assets	1,591,036	43,833	1,634,869	key 1,3
Total long-term assets	222,159,425	1,727,900	223,887,325	
B. Short-term assets:				
II. Stocks	1,379,677	130,013	1,509,690	
1. Material	1,379,677	130,013	1,509,690	key 1, 4
III. Short-term financial investments	0	0	0	
1. Short-term loans to others	0	0	0	key 1
IV. Short-term operating receivables	8,934,899	517,595	9,452,494	
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
V. Monetary assets	-2,138,759	3,025,782	887,022	key 3
Total short-term assets	8,175,817	3,673,389	11,849,206	
C. Short-term accrued and deferred asset items	178,666	4,553	183,220	key 3
TOTAL ASSETS	230,513,908	5,405,843	235,919,751	

Table 102: Sub-balance sheet (assets) 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
Liabilities				
A. Capital:				
I. Called-up capital	107,572,291	2,893,503	110,465,795	
1. Share capital	107,572,291	2,893,503	110,465,795	
II. Capital reserves	45,885,198	421,390	46,306,588	
III. Profit reserves	14,111,388	120,958	14,232,346	
1. 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	
IV. Revaluation surplus	-577,988	-34,479	-612,468	key 1
V. Net profit or loss from previous periods	-492,100	1,127,448	635,348	
VI. Net profit or loss for the period	0	0	0	
Total capital	166,498,790	4,528,819	171,027,609	
B. Provisions and long-term accrued and deferred liability items	15,314,797	40,496	15,355,293	
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	
C. Long-term liabilities	30,792,045	128,881	30,920,926	
I. Long-term financial liabilities	30,792,045	128,881	30,920,926	
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	
Č. Short-term liabilities	15,422,305	692,899	16,115,204	
I. Short-term financial liabilities	6,049,282	66,421	6,115,704	
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
II. Short-term operating liabilities	9,373,023	626,477	9,999,500	
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
Total liabilities	61,529,147	862,275	62,391,423	
D. Short-term accrued and deferred liability items	2,485,971	14,748	2,500,719	key 3
TOTAL LIABILITIES	230,513,908	5,405,843	235,919,751	

Table 103: Sub-balance sheet (equity and liabilities) according to the Energy Act as at December 31 2022

9.7 Profit or loss account according to the Energy Act for the year 2023

in EUR

2023	ED infrastructure and services for SODO	Market activities	Total	Criterion for allocating joint activities
1. Net sales revenue	38,518,729	4,027,675	42,546,405	
a. on the domestic market	38,518,729	4,027,675	42,546,405	key 3
b. on the foreign market	0	0	0	
2. Change in incomplete services	0	0	0	
3. Capitalized own products and services	11,904,920	1,205	11,906,125	
4. Other operating revenues	1,929,613	11,139	1,940,752	key 1, 2
5. Costs of goods, material, and services	-13,253,911	-2,566,106	-15,820,017	
a. costs of goods sold and material used	-7,209,953	-1,635,866	-8,845,819	key 1, 5
b. costs of services	-6,043,958	-930,241	-6,974,198	key 2, 5
6. Labour costs	-20,686,150	-728,184	-21,414,334	
a. cost of wages and salaries	-14,553,658	-533,159	-15,086,817	key 1
b. costs of supplementary pension insurance for employees	-716,467	-6,609	-723,077	key 1
c. social security cost	-2,437,672	-87,972	-2,525,644	key 1
č. other labour costs	-2,978,352	-100,444	-3,078,797	key 1
7. Amortization/depreciation expense	-14,326,749	-48,267	-14,375,017	
a. depreciation	-14,175,276	-47,867	-14,223,143	key 2
b. operating expenses from revaluation of intangible and tangible fixed assets	-143,546	0	-143,546	key 2
c. operating expenses from revaluation of operating current assets	-7,927	-400	-8,327	key 3
8. Other operating expenses	-173,130	-9,093	-182,223	key 1
9. Financial revenues from shares	5,673	247	5,920	
a. in group companies	0	0	0	key 1
b. in other companies	5,673	247	5,920	key 1
10. Financial revenues from given loans	0	0	0	
a. to others	0	0	0	key 1
11. Financial revenues from operating receivables	16,178	1,140	17,317	
a. due from others	16,178	1,140	17,317	key 3
13. Financial expenses from financial liabilities	-737,692	-84,869	-822,561	
a. from loans, received from banks	-592,988	-54,897	-647,886	
b. from other operating liabilities	-144,704	-29,971	-174,675	key 5
14. Financial expenses from operating liabilities	-666	-47	-713	
a. from accounts and bills payable	-482	-14	-496	key 5
b. from other operating liabilities	-184	-33	-217	key 5
15. Other revenues	247	607	855	key 1
16. Other expenses	-78,460	-2,498	-80,958	key 1
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	3,118,602	602,949	3,721,551	
17. Income tax	-153,453	-91,558	-245,012	
18. Deferred taxes	788,884	-20,660	768,224	key 1, 2, 3
19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	3,754,033	490,731	4,244,764	

Table 104: Profit or loss account according to the Energy Act for the year 2023

9.8 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
1. Net sales revenue	29,670,751	3,629,570	33,300,321	
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	
2. Change in incomplete services	0	0	0	
3. Capitalized own products and services	9,410,187	1,587	9,411,775	
4. Other operating revenues	1,530,042	193,629	1,723,672	key 1, 2
5. Costs of goods, material, and services	-10,056,866	-2,288,705	-12,345,571	
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
6. Labour costs	-18,109,041	-893,114	-19,002,156	
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
7. Amortization/depreciation expense	-14,700,139	-50,873	-14,751,012	
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
8. Other operating expenses	-339,505	-9,713	-349,217	key 1
9. Financial revenues from shares	42,039	2,508	44,547	
a. in group companies	0	0	0	key 1
b. in other companies	42,039	2,508	44,547	key 1
10. Financial revenues from given loans	0	0	0	
a. to others	0	0	0	key 1
11. Financial revenues from operating receivables	8,105	3,795	11,900	
a. due from others	8,105	3,795	11,900	key 3
12. Financial expenses from impairments and financial investment write-offs	0	0	0	key 6
13. Financial expenses from financial liabilities	-580,046	-12,405	-592,451	
a. from loans, received from banks	-231,405	-364	-231,769	
b. from other operating liabilities	-348,641	-12,041	-360,682	key 5
14. Financial expenses from operating liabilities	-489	-56	-546	
a. from accounts and bills payable	-292	-13	-305	key 5
b. from other operating liabilities	-197	-43	-241	key 5
15. Other revenues	0	0	0	key 1
16. Other expenses	-41,466	-2,087	-43,553	key 1
PRE-TAX PROFIT OR LOSS OF THE ACCOUNTING PERIOD	-3,166,427	574,136	-2,592,291	
17. Income tax	0	0	0	
18. Deferred taxes	936,566	108,528	1,045,094	key 1, 2, 3
19. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	-2,229,861	682,665	-1,547,196	

Table 105: Profit or loss account according to the Energy Act for the year 2022

9.9 Cash flow statement according to the Energy Act for the year 2023

in EUR

	ED infrastructure and services for SODO	Market activities	Total EP	Criterion for allocating joint activities
A. OPERATING CASH-FLOW				
1. Operating receipts	70,718,403	7,040,679	77,759,082	
a. Receipts from sales of products and services	40,875,193	6,881,783	47,756,976	K-1, K-3, K-4, K-5
b. Other operating receipts	29,843,210	158,896	30,002,106	K-1, K-2, K-3, K-5
2. Operating expenditure	-60,871,690	-4,330,938	-65,202,627	
a. Expenditure for purchase of material and services	-8,019,001	-2,971,619	-10,990,620	K-3, K-4, K-5
b. Expenditure for salaries and employees profit shares	-19,998,153	-870,390	-20,868,543	K-1
c. Expenditure on benefits of all kinds	-1,729,821	-134,102	-1,863,923	K-1, K-3
d. Other operating expenditure	-31,124,715	-354,827	-31,479,542	K-4, K-5
3. Positive or negative cash flow from operating activities	9,846,713	2,709,742	12,556,455	
B. CASH FLOWS IN INVESTING ACTIVITIES				
4. Receipts in investing activities	39,297	8,796	48,093	
a. Receipts from received interest and profit shares	19,253	2,192	21,445	K-1, K-3
b. Receipts from disposal of tangible fixed assets	20,044	6,604	26,648	K-2
c. Receipts from disposals of short-term financial investments	0	0	0	K-1
d. Receipts from disposals of long-term financial investments	0	0	0	
5. Expenditure in investing activities	-19,008,646	-28,627	-19,037,273	
a. Expenses for acquisition of intangible assets	-2,031,419	-14,223	-2,045,642	K-2
b. Expenses for acquisition of tangible fixed assets	-16,977,227	-14,404	-16,991,630	K-2
c. Expenses for acquisition of ST financial investments	0	0	0	
d. Expenses for acquisition of LT financial investments	0	0	0	K-1
6. Positive or negative cash flow from investing activities	-18,969,349	-19,830	-18,989,179	
C. CASH FLOWS IN FINANCING ACTIVITIES				
8. Receipts in financing activities	33,658,000	0	33,658,000	
a. Receipts from long-term loans obtained	10,958,000	0	10,958,000	
b. Receipts from short-term loans obtained	22,700,000	0	22,700,000	
9. Expenditure in financing activities	-22,340,667	-5,153,882	-27,494,549	
a. Expenditure for given interest	-692,182	-53,882	-746,064	K-5
b. Capital expenditure	0	0	0	K-3
c. Expenditure for repayment of long-term loans	-4,948,485	0	-4,948,485	
d. Expenditure for repayment of short-term loans	-16,700,000	-5,100,000	-21,800,000	
e. Expenditure for dividend	0	0	0	K-1
10. Positive or negative cash flow from financing activities	11,317,333	-5,153,882	6,163,451	
11. Total surplus of receipts or expenditure	2,194,697	-2,463,970	-269,273	
Č. CLOSING CASH BALANCE	55,938	561,811	617,749	
X. Opening cash balance	-2,138,759	3,025,782	887,022	
Y. CASH FLOW FOR THE PERIOD	2,194,697	-2,463,970	-269,273	
Closing cash balance as of 31. 12. 2022	55,938	561,811	617,749	

Table 106: Cash flow statement according to the Energy Act for the year 2023

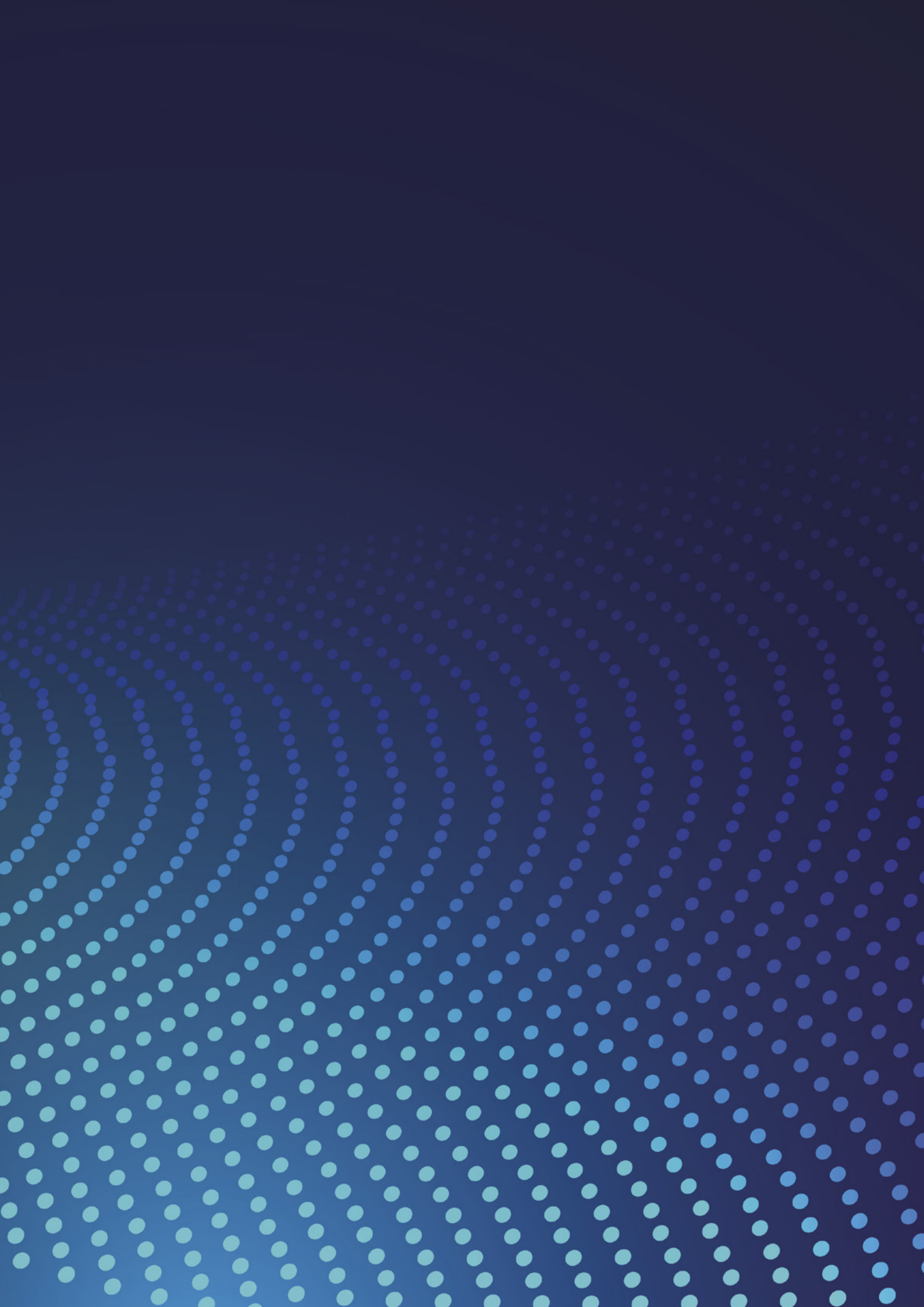
9.10 Cash flow statement according to the Energy Act for the year 2022

in EUR

	ED infrastructure and services for SODO	Market activities	Total EP	Criterion for allocating joint activities
A. OPERATING CASH-FLOW				
1. Operating receipts	59,891,561	4,315,313	64,206,874	
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
2. Operating expenditure	-53,974,917	-3,466,382	-57,441,299	
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
3. Positive or negative cash flow from operating activities	5,916,644	848,932	6,765,575	
B. CASH FLOWS IN INVESTING ACTIVITIES				
4. Receipts in investing activities	92,235	161,290	253,525	
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 short-term financial investments	0	0	0	K-1
d. Receipts from disposals of long-term financial investments	0	0	0	
5. Expenditure in investing activities	-16,634,061	-28,478	-16,662,540	
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
6. Positive or negative cash flow from investing activities	-16,541,826	132,811	-16,409,015	
C. CASH FLOWS IN FINANCING ACTIVITIES				
8. Receipts in financing activities	28,400,000	0	28,400,000	
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	
9. Expenditure in financing activities	-23,898,250	-131,329	-24,029,579	
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
10. Positive or negative cash flow from financing activities	4,501,750	-131,329	4,370,421	
11. Total surplus of receipts or expenditure	-6,123,432	850,414	-5,273,018	
Č. CLOSING CASH BALANCE	-2,138,759	3,025,782	887,022	
X. Opening cash balance	3,984,673	2,175,368	6,160,041	
Y. CASH FLOW FOR THE PERIOD	-6,123,432	850,414	-5,273,018	
Closing cash balance as of 31.12.2022	-2,138,759	3,025,782	887,022	

Table 107: Cash flow statement according to the Energy Act for the year 2022





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LIST OF ABBREVIATIONS

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

