



## ANNUAL REPORT

of Elektro Gorenjska Company and Group  
for year 2022

We provide sustainable energy

**ANNUAL REPORT**

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for year 2022

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## List of abbreviations

<b>AMI</b>	Advanced Meter Infrastructure	<b>OE</b>	Organizational Unit
<b>AGEN</b>	Energy Agency	<b>OMRS</b>	International Accounting Standards Committee
<b>BDP</b>	Gross Domestic Product	<b>OT</b>	Operational Technologies
<b>CAIDI</b>	The Customer Average Interruption Duration Index	<b>OVE</b>	Renewable Energy Sources
<b>CAIFI</b>	The Customer Average Interruption Frequency Index	<b>Contract with SODO</b>	Contract on electricity infrastructure lease and provision of services for electricity distribution system operator
<b>CAPEX</b>	Capital Expenditures	<b>RMU</b>	Ring Main Unit
<b>DV</b>	Overhead power line	<b>RP</b>	Distribution station
<b>EE</b>	Electricity	<b>RRI</b>	Research-Development-Innovation
<b>EEl</b>	Electricity power infrastructure	<b>RTP</b>	Transformer substation
<b>EMS</b>	Electromagnetic radiation	<b>SAIDI</b>	System Average Interruption Duration Index
<b>ENP</b>	Sub-station	<b>SAIFI</b>	System Average Interruption Frequency Index
<b>EU</b>	European Union	<b>SDH</b>	Slovenian Sovereign Holding
<b>GIS</b>	Gas Isolated Substation	<b>SE</b>	Solar power station
<b>GJS DO</b>	Public utility service of the electricity distribution system operator	<b>SN</b>	Medium Voltage
<b>GRI</b>	Global Reporting Initiative	<b>SODO</b>	Distribution network system operator or SODO, d.o.o.
<b>HE</b>	Hydroelectric power station	<b>SPTE</b>	Cogeneration of heat and electricity
<b>HIS</b>	Hybrid Insulation System	<b>SRO</b>	Environmental Management System
<b>IKT</b>	Information and communication technology	<b>SVI</b>	Information Security System
<b>IT</b>	Information technology	<b>(i)SVK</b>	(integrated) Quality Management System
<b>KBV</b>	Cable line	<b>SVI</b>	Sistem varovanja informacij
<b>KN</b>	Local Inspectorate	<b>TP</b>	Transformer station
<b>MAIFI</b>	Momentary Average Interruption Frequency Index	<b>TC</b>	Shopping center
<b>MC</b>	Measuring Center	<b>URE</b>	Efficient energy use
<b>MFE</b>	Small photovoltaic power station	<b>VN</b>	High Voltage
<b>ML</b>	Masuring Laboratory	<b>VZD</b>	Health and Safety at Work
<b>MOK</b>	Municipality of Kranj		
<b>MRS</b>	International Accounting Standards		
<b>NEPN</b>	National Energy and Climate Plan		
<b>NN</b>	Low Voltage		
<b>NNO</b>	Low-voltage Network		

# Table of contents according to GRI standards (Global Reporting Initiative)

GRI STANDARD AND DISCLOSURE	DESCRIPTION	CHAPTER
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102 -2	Activity, products, services	<b>Main activity and fields and areas of operation, Business model of the Elektro Gorenjska Group</b>
102 -3	Headquarters of the organization	<b>Basic data</b>
102- 4	Geographical area of operation	<b>Main activity and fields and areas of operation</b>
102 -5	Ownership and legal form	<b>Share capital and ownership structure, organization</b>
102 -6	Markets (customers, sectoral and geographical distribution)	<b>Main activity and fields and areas of operation</b>
102-7	Size of the organization (number of employees, number of activities, turnover, liabilities/equity, number of products or services)	<b>Basic data, Main activity and fields and areas of operation, Human capital, Financial capital</b>
102 -8	Employee information	<b>Human capital</b>
<b>Management and strategy</b>		
102-14	Statement of the chairman of the board on strategy and sustainable operation	<b>Address of the Chairman of the Board</b>
102-15	Key impacts, risks and opportunities	<b>Development strategy of Elektro Gorenjska Group, Materialities, risks and opportunities</b>
<b>Ethics and integrity</b>		
102-16	Description of values, principles, standards and principles of conduct, such as codes of conduct and ethics, corporate integrity, values, principles and standards of conduct	<b>Development strategy of Elektro Gorenjska Group, Business model of the Elektro Gorenjska Group, Corporate integrity</b>
<b>Management</b>		
102-18	Management structure	<b>Corporate management of the company</b>
102-22	Composition of managing bodies	<b>Corporate management of the company, Supervisory Board</b>
102-30	Effectiveness of risk management	<b>Materialities, risks and opportunities, Managing risks and opportunities, Key development projects</b>
<b>Stakeholder involvement</b>		
102-40	Stakeholder network	<b>Social capital, Stakeholder folder</b>
102-42	Identification and selection of stakeholders	<b>Social capital, Stakeholder folder</b>
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GRI STANDARD AND DISCLOSURE	DESCRIPTION	CHAPTER
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302-1	Energy consumption within the organization	<b>Natural capital (energy)</b>
302-4	Reducing energy consumption	<b>Natural capital (energy)</b>
<b>303 Water and waste water</b>		
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303-5	Water consumption	<b>Natural capital (water)</b>
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304-2	Impacts of activities on biodiversity in protected areas	<b>Natural capital (biodiversity)</b>
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GRI STANDARD AND DISCLOSURE	DESCRIPTION	CHAPTER
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404-3	Proportion of employees involved in regular performance reviews and career development, employee skills development	<b>Human capital, Motivation and employee remuneration</b>
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413-1	Local community involvement activities, impact assessment and development programs	<b>Human capital, Communication with stakeholders</b>
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203-1	Infrastructure investments and supported services	<b>Financial capital, Social capital</b>
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205-1	Number and proportion of activities in which the risks related to corruption were verified	<b>Corporate integrity</b>
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102-47	List of essential topics	<b>Managing risks and opportunities</b>
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# Business report of Company and Group

# 1 Groups's Key Highlights of 2022



## PRODUCTIVE CAPITAL

**5,327** km of network **14** HE  
**68.61%** of MV cables underground **20** MFE  
**87.27%** LV cables underground **7** SPTE



## HUMAN CAPITAL – EMPLOYEES

**319** employees **88.82%** of employees involved in education and training  
 Average education level: **6.29**



## SOCIAL CAPITAL

Electricity produced: **42,098** MWh  
 Electricity distributed: **1,181,834** MWh



## INTELLECTUAL CAPITAL

Information solutions in value € **0.5** million **62** innovation proposals made  
**10** key development projects



## NATURAL CAPITAL

Environmental investments € **12.1** million Total amount of SF<sub>6</sub> gas **6,350** kg  
 Carbon footprint (2021) **38,355** t CO<sub>2</sub>



## FINANCIAL CAPITAL

ROA **0.1%** EBITDA € **12,530** thousand  
 ROE **0.1%** Net profit € **248** thousand

## 1.1 Significant events in 2022

### January



In Radovljica, where the Radovljica-Bled local inspectorate (KN) is located, we opened a new Elektro Gorenjska reception office for our end users.

←  
 New reception office in Radovljica  
 Photo: Renata Križnar



Gorenjske elektrarne and company Merkur have designed new projects for the construction of solar power plants (MFE) on the Merkur's shopping centers.

←  
 Installation of Merkur Velenje solar power plant modules  
 Photo: Elektro Gorenjska archive

### February



In Elektro Gorenjska we successfully completed an external audit of the accreditation area of the Measurement Laboratory.

←  
 External audit of the Measurement Laboratory accreditation area  
 Photo: Elektro Gorenjska archive



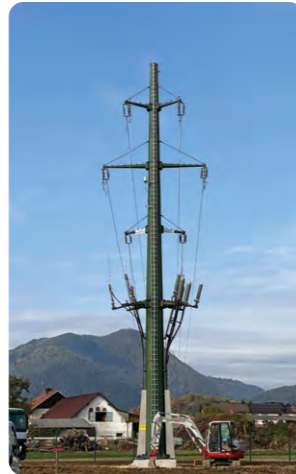
Supervisory Board of Elektro Gorenjska granted a new four-year mandate, starting on June 15 2022, to the Chairman of the Board dr. Ivan Šmon.

Elektro Gorenjska Group revamped the website, which is now even more user-friendly. New website combines the services of Elektro Gorenjska and Gorenjske elektrarne in one place.

↑  
 Local inspectorates in Elektro Gorenjska are equipped with thermographic cameras  
 Photo: Elektro Gorenjska archive



### March



As part of the reconstruction of 110/20 kV distribution transformer station (RTP) Škofja Loka, we built two cable connections to two-system transmission lines connected to the energy facility by March 2022. Two transmission lines (DV) initially have two compaction towers, which represent a new design milestone in the field of planning the transmission lines towers.

← During construction, we were the first in Slovenia to use an innovative design idea of our colleagues - compaction tower. It is the first solution of its kind, where the power line connections via cable lines are terminated in a closed switchgear.  
Photo: Tomaž Sitar



In Elektro Gorenjska Group we adopted and signed the Gender Equality Action Plan.

↑ At the reconstruction of 110/20 kV distribution transformer station Škofja Loka, more than 600 meters of the route of the connecting 110 kV cable line was arranged  
Photo: Tomaž Sitar

### April



Elektro Gorenjska Group hosted a group of eight-graders from the France Prešeren Elementary School in Kranj. We presented them with our activities and professions of our employees.

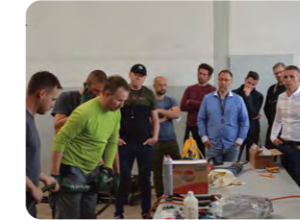
← Operation of a measuring vehicle for cable diagnostics is being presented to a group of eight-graders  
Photo: Renata Križnar



Gorenjske elektrarne included construction of small solar power plants (MFE) suitable for home self-supply into their offer of services.

↑ New Strategy of Elektro Gorenjska Group for the period from 2022 to 2026 is ready

### May



We organized an open day for employees, we presented them with the brochure on the Elektro Gorenjska Group Strategy for the period 2022-2026, as well as the areas and tasks performed by employees in the field.

Elektro Gorenjska Group presented itself at the Employment Cafe of the Kranj School Center, we hosted the students of the Faculty of Electrical Engineering and Higher Vocational College of the Kranj School Center.

↑ At the open day, the employees also saw a demonstration of the coupling production  
Photo: Jan Urbanc



↑ At the two-day event, the young competitors had fun, and above all, they learned a lot of new things  
Photo: Elektro Gorenjska archive

Together with companies ELES and Transformation Lighthouse we organized a new and innovative event – the Electrathon, where we formulated proposals for positioning energy companies in the eyes of the general public.

On May 1 2022, the management of Gorenjske elektrarne was taken over by mag. Aleks Jan, and on June 1 2022 he took over the management of company GEK Vzdrževanje as well.

### June



At the 29<sup>th</sup> regular annual general meeting of shareholders of Elektro Gorenjska we informed the shareholders about the operations of Elektro Gorenjska Group, about the remuneration of the management and the supervisory board, and granted a discharge for the work done. We also decided on the use of part of the distributable profit and the amount of dividends.

← 29<sup>th</sup> general meeting of Elektro Gorenjska shareholders  
Photo: Elektro Gorenjska archive

## June



↑  
At the ICOLIM 2020 conference in Torino  
Photo: Elektro Gorenjska archive

Employees in the Elektro Gorenjska Group participated in various events abroad:

- conference ICOLIM 2020 in Torino, where live work was in the foreground;
- international symposium of ICT technologies InTsikt 2022 in Tuzla, where current projects in the field of ICT technologies in the power industry were presented and
- the final education module of Young Leaders Academy in Dublin, through which employees acquire business, managerial and organizational skills.

We successfully and ahead of schedule put into operation the new 110 kV GIS switchyard, which is part of the investment project of upgrading the energy facility RTP Škofja Loka, which was completed in the autumn of 2022.

## July



For the first time, we organized the Transformator school for five young talents, the first summer school with an interesting program and activities on the topic of finding solutions for the decarbonization and digitization of the Slovenian energy sector.

←  
Transformator Summer School is the first summer school ever organized by an electricity distribution company in Slovenia  
Photo: Elektro Gorenjska archive



↑  
Reconstruction of RTP Primskovo took place in stages  
Photo: Elektro Gorenjska archive

We completed the first phase of the reconstruction of RTP Primskovo with the cabling of a part of 110 kV transmission line Primskovo–Zlato polje. We built the cable ducting, upgraded the platform on the power line tower, mounted the steel support base in the existing switchyard, and carried out the necessary electrical assembly work on the 110 kV cable system.

We put into operation the second energy transformer 110/20 kV 40 MVA and established the normal operating state of the energy facility RTP Škofja Loka.

## August



↑  
Marko Jaklič at a lecture as part of the Transformator Summer School  
Photo: Nejc Petrovič

Due to the extreme drought and resulting low water levels, there were occasional problems with operation of medium-voltage (MV) and low-voltage (LV) network and small hydroelectric power plants (HE) operated by Gorenjske elektrarne.

As part of the Transformator Summer School, we hosted the well known anthropologist Dan Podjed, Ph.D. and red. prof. dr. Marko Jaklič from the Faculty of Economics of University of Ljubljana.

Gorenjske elektrarne prepared as many as 28 applications, with which they applied to the public tender for co-financing the purchase and installation of devices for the production of solar energy (JR SE OVE 2021) in the period 2021–2023.

↓  
Solar power plant on the old building of the company Elektro Gorenjska  
Photo: Robert Jošt



## September



↑  
At the 7<sup>th</sup> strategic conference, all the presidents of the distribution companies management boards and two owner representatives, took part in the discussion  
Photo: Nejc Fon

Slovenian companies for the distribution of electricity, which are united in the Economic Interest Grouping of Electricity Distribution, organized the 7<sup>th</sup> strategic conference in Bled with the title Building a Green Future.

Due to the benefits of live work, we trained a new team of employees for MV and LV live work.

## September



In the fire of an older abandoned building in Majdičev log, our HE Sava which is located directly next to the burned building, was damaged. Due to the damage, it is not operating until further notice.

←  
Hydroelectric power plant Sava was damaged in the fire  
Photo: Elektro Gorenjska archive

## October



We ceremoniously opened the upgraded energy facility of RTP Škofja Loka with connecting 110-kilovolt cables and the building of the local inspectorate. Event was attended by many guests, including the Minister of Infrastructure, mag. Bojan Kumer

↑  
Renovated energy facility supplies more than 9,400 users in the municipality of Škofja Loka  
Photo: Marko Vilfan

Elektro Gorenjska successfully passed the regular external audit of systems: ISO 9001:2015, ISO 14001:2015 and ISO/IEC27001:2013, as well as recovery audit of ISO 45001:2018. While Gorenjske elektrarne once again obtained the quality standard certificates of SIST EN 50001:2001 and SIST EN 9001:2015.



↑  
New charging station for electric vehicles enables charging of two vehicle at the same time  
Photo: Elektro Gorenjska archive

We joined a new development project titled »Intelligent system for control and predictive maintenance of critical infrastructure in the power distribution network (SmartEAM)«, whose goal is to develop an intelligent system for control and predictive maintenance of critical power infrastructure in the electricity distribution network.

Gorenjske elektrarne, in cooperation with the municipality of Škofja Loka, installed a second charging station for e-vehicles in the Novi svet public parking lot in Škofja Loka.

## November



↑  
Guests from Moldova on a tour of the management distribution center  
Photo: Renata Križnar

An eight-member delegation from Moldova also visited our company as part of a two-day study visit. We presented them the operation of the distribution in Slovenia and technical solutions we use in measuring systems and live work.

After a two-year break, we again organized a pre-New Year's charity meeting with our business partners. Together with our partners we collected € 14,000 in funds to continue with the operation of Neodvisen.si program.



↑  
Elektro Gorenjska Group awarded the Neodvisen.si program 8,000 euros  
Photo: Gorazd Kavčič

Employees in the Elektro Gorenjska Group participated in various events:

- 14<sup>th</sup> Höfler days, where two representatives of Elektro Gorenjska presented the importance of cable diagnostics in predictive maintenance;
- CIGRE Slovenia, at which the representative of Elektro Gorenjska presented the current activities of Elektro Gorenjska in the field of data analytics, its impact on the observability of the network and the possibilities of improving the existing processes in the distribution company.
- Enlit Conference, where representatives of Elektro Gorenjska learned about the latest developments in the field of global energy transformation.

## December



↑  
As a result of the fire, the Sava hydroelectric power plant will not operate for the time being, while its rehabilitation will be expensive and long-term  
Photo: Elektro Gorenjska archive

At the end of the year, we organized various events for employees and their children.

Gorenjske elektrarne started the comprehensive rehabilitation of Sava HE, which was badly damaged in the fire of Majdič Mill in Kranj.

## Events after the end of the financial year

On February 13, 2023, the Gorenjske elektrarne subsidiary founded the GEK Solar company. Gorenjske elektrarne Company has a 100% ownership stake in this company.

On March 1, 2023, the merger of the company GEK Vzdrževanje with the company Gorenjske elektrarne was carried out. Cut-off date of the merger was December 31, 2022.

## 1.2 Address of the Chairman of the Board



Chairman of the Board  
dr. Ivan Šmon, MBA  
Photo: Gorazd Kavčič

» As Elektro Gorenjska Group, we have a special place in Gorenjska, as we are the only organization that is present in all Gorenjska region municipalities.«

### Care for Gorenjska is part of our DNA

At the beginning of February 2022, the Supervisory Board of Elektro Gorenjska once again entrusted me with the position of the Chairman of the Board and thus the management of the Elektro Gorenjska Group for the next four-year period.

Providing Gorenjska region with a constant and stable supply of electricity is our first concern. Taking care of the development of Gorenjska, creating opportunities for young people and talents, and listening to those who are sometimes pushed to the edge by life's experiences is our heartfelt responsibility. Mission of the Elektro Gorenjska Group is to provide sustainable energy that creates good in society and nature.

As Elektro Gorenjska Group, we have a special place in Gorenjska, as we are the only organization that is present in all Gorenjska region municipalities. In our hands lies the opportunity to ensure that the future of the 17 Gorenjska region municipalities, which cover a tenth of Slovenia's

surface and are home to around 207,000 inhabitants, will be oriented towards sustainability. As the chairman of the regional development council of the Gorenjska region, I feel responsible for the Elektro Gorenjska Group becoming a unifying link of our unique region.

In this spirit, we formulated a new strategy for the Elektro Gorenjska Group, which I believe supports: a green transition, quality electricity supply, social responsibility and sustainable business.

In it, we defined the vision of becoming an important energy-technology (EnTech) group with top-class personnel and a modern organization that focuses on an advanced distribution system, the production of electricity from renewable sources (RES) and the efficient use of energy.

### Business operations in 2022

Operations of the companies in Elektro Gorenjska Group in 2022 can be assessed as expected, but not in accordance with plans. Due to the act on emergency measures to mitigate the consequences, which was adopted in response to the impact of high energy prices, our revenues decreased

by € 9.9 million, which is about a quarter of our full-year revenues. This unplanned measure radically changed our financial and investment plans and significantly interfered with our ability to connect new users to the distribution network. Together with the other electricity distribution companies, we have been working very hard to compensate for the loss of income since the adoption of the act. We will examine and carry out all possible activities to compensate for the resulting damage.

We were forced to reduce the original investment plan of Elektro Gorenjska, which amounted to € 21 million, by € 9 million. We managed to partially compensate for the decrease in available investment funds with funds from the sale of the remaining investment in the ECE company. Final value of the investments in the company Elektro Gorenjska in 2022 amounted to € 14.8 million, which is definitely not enough to ensure the smooth connection of MFE to the necessary extent. Investments in the entire Elektro Gorenjska Group amounted to € 18.5 million.

Company Elektro Gorenjska ended 2022 with a net loss of € 1.9 million, and the Elektro Gorenjska Group with a net profit of € 248 thousand.

### Investments for reliable and quality supply

Elektro Gorenjska Company has invested more than € 16 million per year in the network for the past five years. According to the strategic documents and according to the actual needs of users, investments in the network must be at least tripled in the next five years. We estimate that we will have to invest as much as € 55 million in the network in 2027 if we want to enable and encourage a sustainable transition. How to ensure such a volume of funds will not only be a challenge for Elektro Gorenjska in the coming years, but a challenge for all stakeholders, from the state as legislator and owner to the regulator that regulates our

activity. Last but not least, the sustainable transition will also be a challenge for us users, who will have to pay for the policy of a carbon-free society.

Of course, the distributors will do everything to obtain as many European grants as possible for the introduction of modern technologies, storage and digitization, which will represent an alternative to reducing the need to invest in strengthening the network, but it is inevitable that green electricity will be significantly more expensive than it is today.

At Elektro Gorenjska, due to the need to maintain the quality of the electricity supply and to ensure the desired connection power to existing and new users, we prioritize strengthening and reconstruction of the network. With every application for the issuance of consent for the connection of a production device for individual self-supply, the number of which has increased enormously in 2022, we try to find an appropriate positive solution together with the user. Unfortunately, due to the reduction in the volume of investment funds in 2022, we were no longer able to guarantee investments in the network, just for the purpose of connecting these power plants, so we had to reject 4% of these applications. Also in 2023, approximately the same trend of rejection of individual applications for the issuance of consent

for self-supply connections, will continue. Therefore, in the coming years, our main challenge will be to secure the largest possible amount of funds for investments, which will enable the connection of power plants to the greatest possible extent, which will inevitably be linked to a higher electricity bill.

In 2022, we completed an important reconstruction of the RTP Škofja Loka with connecting 110-kilovolt cables and the building of the local inspectorate. We are particularly proud of the project, as we were the first in Slovenia to use an innovative design idea of our colleagues – a compaction tower. It is the first such solution in Gorenjska region and in

Slovenia, which is proof that sustainable innovation is truly at home in the Elektro Gorenjska Group.

We laid cables to the 110-kilovolt connection lines at RTP Primskovo and invested in our digitization.

### Good supply chain and development orientation are the guide for the coming years

Considering the past two years, when the consumption of electricity decreased due to well-known epidemiological conditions, a growth trend was observed in 2022. Above all, we notice an increase in peak loads in household consumption, which is the result of the transition to other sources of heating such as heat pumps, air conditioners, other electrical sources.

One of the reasons for higher loads on the LV network is also the fact that users with production devices for individual self-supply want to use all the electricity they produced in the summer for heating purposes in the winter. This requires additional investments in strengthening the distribution network. In the long-term, we assume that electricity consumption will increase faster than in the past. There are several reasons, but they are all related to electrification and decarbonization, because our future will be electric and carbon-free.

Our future will definitely be 3D (digitalization, decarbonization and decentralization) electric. The greener it will be, the more expensive it will become. Elektro Gorenjska will strive to enable the green transition as much as possible. How successful we will be will depend on how many resources we manage to secure for infrastructure investments. Integration of variable RES will have to continue to remain regulated and controlled, and only on this depends if we will continue to have such a high-quality and reliable supply of electricity as we have today. I am sure that we will be wise enough in the future to limit the integration of renewable energy sources of stable supply.

» Elektro Gorenjska is actively pursuing the EU action plan for the digitization of the energy system, which is also reflected in the research and development projects in which we participate.«

In 2023, we will pay special attention to the preparation of the introduction of the new tariff system from January 1 2024, which brings a series of changes in the area of network charge billing.

### We are the holder of change and cross-sector integration

Elektro Gorenjska is actively pursuing the EU action plan for the digitization of the energy system, which is also reflected in the research and development projects in which we participate. Each of the projects addresses a part of the digitization mosaic, thereby demonstrating our commitment to digital transformation for the benefit of the users of our services.

Eight such projects are currently underway, financed by various European and national co-financing mechanisms. **Creators** project is engaged in the development of digital tools to support managers of energy communities. Goal of the **OneNet** project is the development of a pan-European platform for the use of active consumption flexibility services. Activities of the **DigiGrid** project are aimed at the development of the digital twin of the Elektro Gorenjska distribution network. **SmartEAM** project is based on the development of digital tools and a

platform for assessing the remaining lifetime of distribution equipment based on the assessment of their health. Project of **implementing a tool for calculating the network connection capacity** will digitize the area of calculations for the inclusion of RES in the distribution network, which will enable faster processing of approvals for new connections. In the framework of the **DN-FLEX** project, the development of an information platform for the local flexibility market in the field of distribution networks is underway, and the **DRIFT** project, based on these platforms, addresses the development of algorithms for the autonomous management of LV networks with the help of artificial intelligence concepts. By participating in the **TrafoFlex**

project, we want to determine the dynamic thermal limit of distribution transformers solely on the basis of load measurements and weather forecasts.

### We are focused on results

Based on the trust shown, in the new mandate, the management of the Elektro Gorenjska Group will continue to implement the set directions of Elektro Gorenjska Company and its subsidiaries. Key here is that we will successfully manage all the challenges we have witnessed in Slovenia and in the world, and in accordance with our capabilities, effectively take care of the supply of electricity in all 17 Gorenjska municipalities. I am sure that we will continue to create such an environment in which we will provide benefits for users, shareholders, business partners, employees and local communities.

### Despite the challenging conditions, we will ensure stability in all areas

In 2023, we will continue with the reconstruction of the two energy facilities of RTP Primskovo and RTP Zlato polje, and after the construction permit is valid, we will begin the construction of the 110 kilovolt transmission line of Kamnik – Visoko. In 2023, we will allocate € 4.2 million to the high-voltage (HV) level.

At the MV level a larger part, e.i. € 3 million of funds will be intended for the renovation and replacement of overhead lines with new 20 kilovolt cable connections, especially in more exposed places and where new and more reliable equipment is needed due to equipment wear and tear. € 2.75 million of funds will be allocated to the construction of new and replacement transformer stations (TP) and thus follow the country's low-carbon strategy and ensure adequate continuity of supply to end users.

We are continuing with the introduction of advanced measuring systems for users, which will be finally introduced by the end of 2025. Investments in other secondary equipment are also very important, which, in addition to classic management and automation systems with information and communication support, also include investments in new technologies and building blocks of

modern distribution system. We will allocate € 2.2 million of funds for this type of investment.

On the LV network, we will allocate funds for network renewal, with an emphasis on the replacement of conductors with ground cables, we will also carry out reinforcements in parts where there are poor voltage conditions and necessary reinforcements due to the connection of new customers and dispersed energy sources to the network. We have a total of € 4.25 million planned for such projects. Remaining € 3.6 million will be used for investments in telecommunication, tools and measuring devices, as well as business technical and computer equipment. In total, we will allocate € 20 million for investments in 2023.

Among the most important investments in subsidiaries is the revitalization of HE Sava, which was damaged in September 2022 due to a fire in a neighbouring building. Renovation will take a long time and will be a big financial burden.

Investments in ICT equipment, new technologies and other building blocks of modern distribution system will also be very important. Under the auspices of the HR project Transformator, we will develop the Elektro Gorenjska Group into a modern, dynamic and stable working environment.

In the six decades that we will complete in 2023, we have left our mark in many areas. All projects, completed and ongoing investment projects and various engagements in the local community, significantly co-create our future as well as the future of Gorenjska region. All achieved milestones are the result of the commitment of all generations of employees who have been, are or will be employed in the Elektro Gorenjska Group. I would like to thank all my colleagues for all the effort put in, and especially the results achieved in all areas. We are connected by an invisible charge that drives and motivates us. Thank you for your trust, to everyone who enables us to build a lasting future together.



Chairman of the Board  
dr. Ivan Šmon, MBA

### 1.3 Basic data

#### Structure of Elektro Gorenjska Group

Elektro Gorenjska Group consists of the controlling company Elektro Gorenjska and its controlled company Gorenjske elektrarne, which is in 100% ownership of Elektro Gorenjska Company. As associated companies, the Group also considers GEK Vzdrževanje Company, where Gorenjske elektrarne Company has 100% ownership share and company Soenergetika, where Gorenjske elektrarne has 25 percent share. At the end of 2022, Gorenjske elektrarne Company became a 20% owner of Alfi Sol 2 Company. In addition to the financial statements of the parent company Elektro Gorenjska, the financial statements of the Group also include the financial statements of subsidiaries and profit of associated company. In addition to the listed companies, the Elektro Gorenjska Group is also composed of company Informatika in which Elektro Gorenjska owns

a 10.44% stake. We do not include the stated company in the consolidated financial statements of the Group due to irrelevance. None of the companies in the Elektro Gorenjska Group has any subsidiaries.

Elektro Gorenjska Company identifies related parties on the basis of the provisions of International Financial Reporting Standards, in particular IAS 24 and IAS 28, the Companies (ZGD-1, Official Gazette of the RS, no. 65/09 with amendments) and the Corporate Income Tax Act (ZDDPO-2, Official Gazette of the RS, no. 117/06 with amendments).

Elektro Gorenjska does not directly or indirectly own at least 20% of the value or number of shares or stakes in capital, management or control in any company other than those already mentioned. Also, the company does not

control another company on the basis of a contract in a way that is different from the relationship between unrelated parties, or has no significant influence over any of the other companies.

#### Organizational chart of Elektro Gorenjska Company

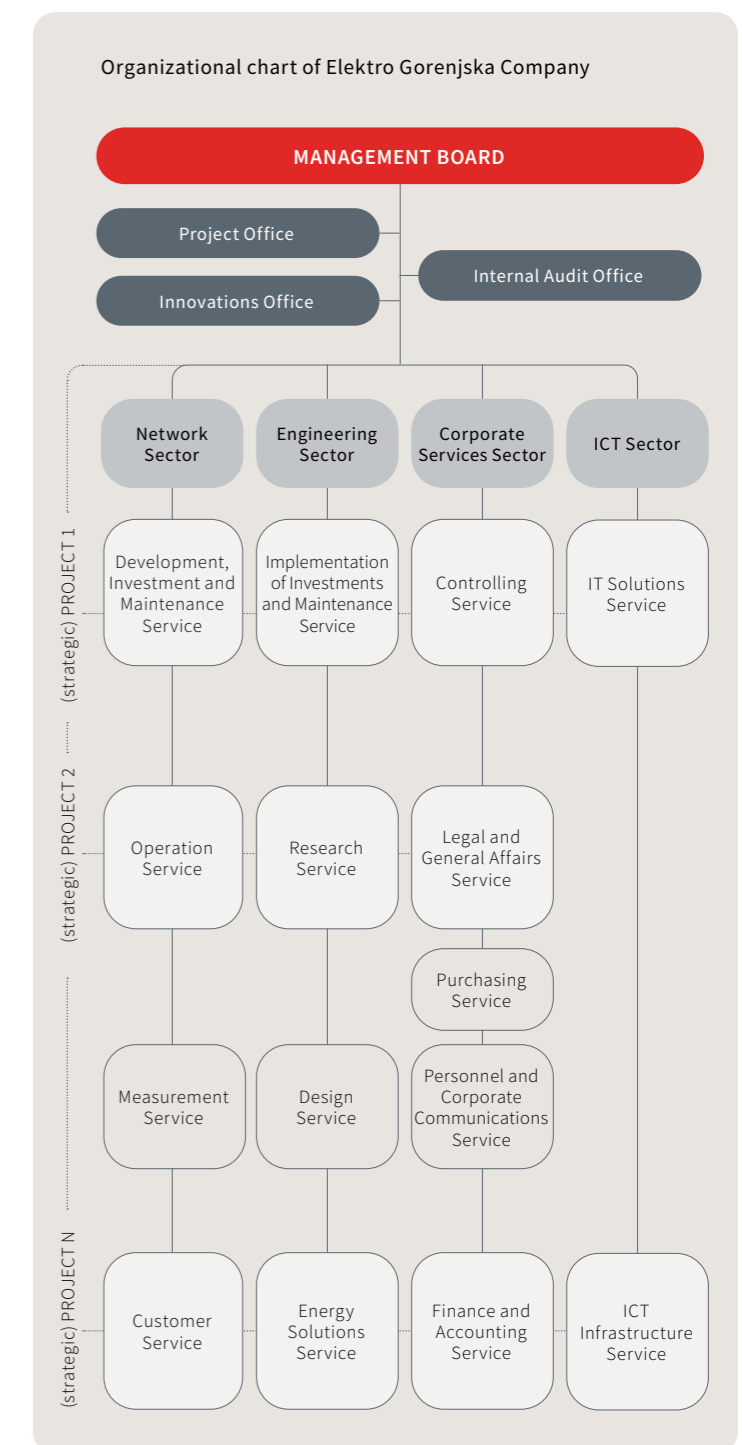
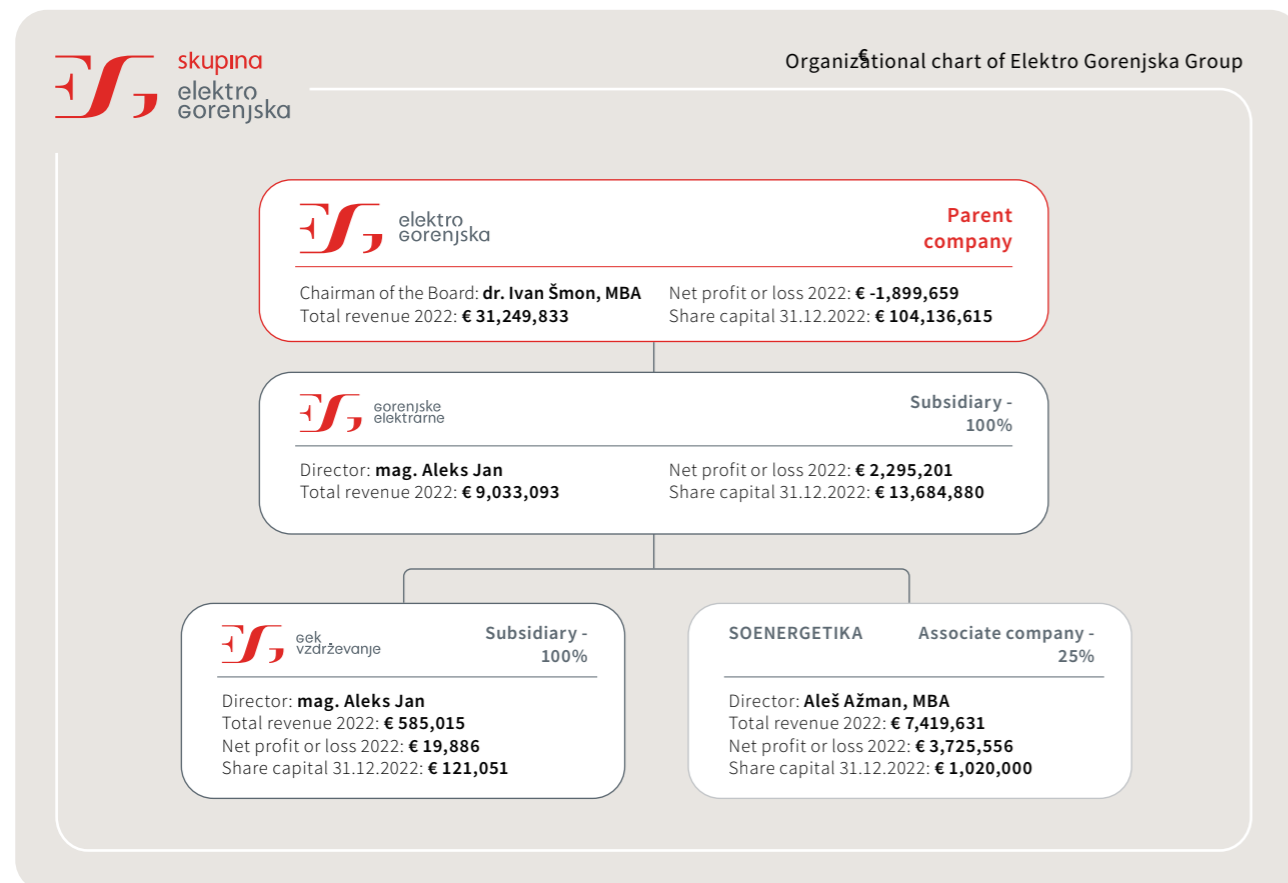
Single-member administration, chairman of the board, is appointed by the supervisory board of Elektro Gorenjska Company. Term of office of the Chairman of the Management Board shall be four years with the possibility of reappointment. Chairman of the Board, dr. Ivan Šmon, MBA, started his re- term on June 15 2022. In accordance with the Statute, the Management Board of the company has a mandate in relation to all issues related to the organization and management of the company. Based on the law, statute, and rules of procedure of the supervisory board the management of the company is obliged to exhaustively and exactly introduce to the supervisory board the course of transactions and company's condition at least four times a year.

Each sector, headed by sector directors, consists of several services. Directly under the Management are the Project and Innovations Office and Internal Audit.

Network Sector manages the tasks of the public utility service distribution operator, which Elektro Gorenjska executes under the contract for SODO Company.

Tasks of the Engineering Sector are to provide services for the Network Sector and other companies in Elektro Gorenjska Group in the segment related to market services.

Corporate Services Sector performs general and financial services, health and safety at work services, and vehicle fleet services for all sectors and companies in Elektro Gorenjska Group. Information and Communication Technologies (ICT) Sector provides information and communication technologies services for all sectors and companies in Elektro Gorenjska Group.

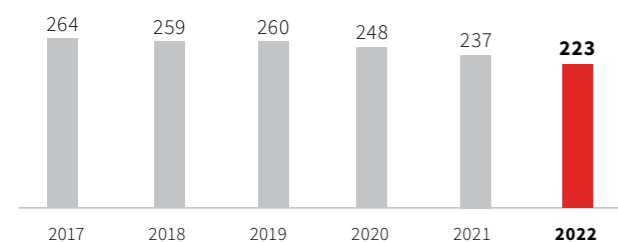


## Share capital and ownership structure

**On December 31 2022, share capital of Elektro Gorenjska Company amounted to € 104,136,615. It is distributed to 17,273,475 of ordinary registered unit shares (designation EGKG). All shares are shares of one category.**

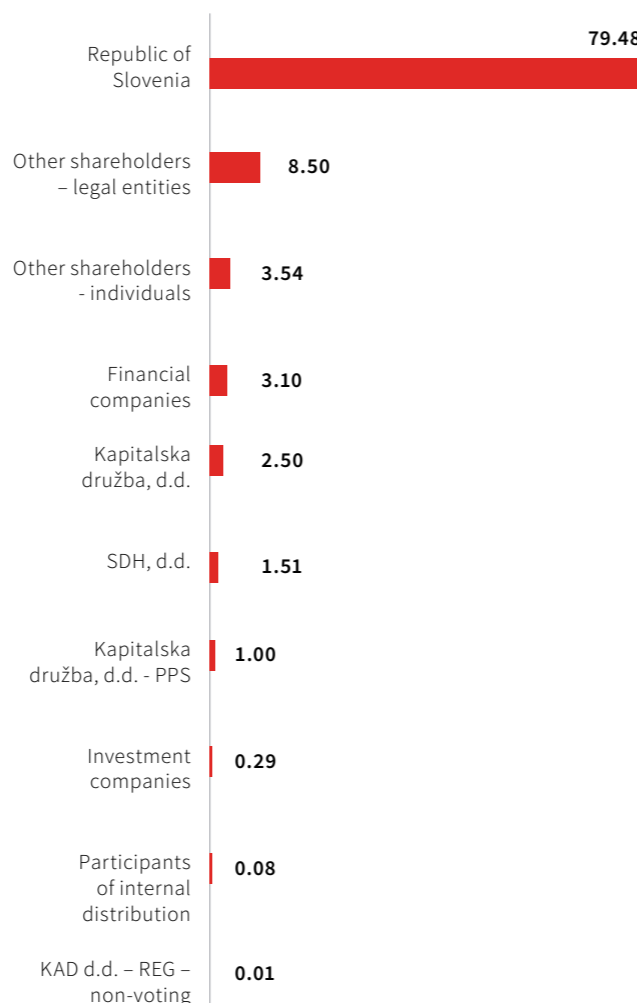
Company has no authorized capital. In 2022 the Elektro Gorenjska Company had no transactions with own shares on a regulated market. As of December 31 2022, 96.38% of company shares were in the ownership of the Republic of Slovenia and legal entities, which represent 19.73% of all shareholders.

Changes in the number of shareholders of Elektro Gorenjska Company from December 31 2017 to December 31 2022



According to the balance as at December 31 2022 the largest shareholder, holding a 79.48 percent share, is the Republic of Slovenia. It is followed by Kapitalska družba holding 2.50 percent share and Bau 1, d.o.o. with 1.67 percent share.

Ownership structure of Elektro Gorenjska Company as of December 31 2022 (in %)



## Business model of the Elektro Gorenjska Group

Business model of the Elektro Gorenjska Group is comparable to the business models of other electricity distribution companies in Slovenia, with the difference that the Elektro Gorenjska Group has traditionally included the production of low-carbon electricity in its value chain. In the times of pan-European decarbonisation, this fact decisively facilitates the addition of the low-carbon portfolio of production units and thus ensures coverage of a large part of the electricity production, transmission and distribution vertical.

Business model of the Elektro Gorenjska Group is presented in this report through the creation of added value on each of the six capitals, management and control systems, as well as the management of risks and opportunities for the entire business and specifically for each of the six capitals it manages.

Business model is schematically presented in chapter **Development strategy of the Elektro Gorenjska Group.**

### Mission, vision, values

#### Mission



We provide **SUSTAINABLE** energy

#### Vision



Elektro Gorenjska Group is an important energy technology (EnTech) Group with top staff and modern organization, focusing on an advanced distribution system, production of electricity from renewable sources and efficient energy use. We co-create the energy of the future with companies, households and local communities in a socially responsible way.

#### Values



**RESPONSIBILITY**  
We assume responsibility



**SUSTAINABLE INNOVATION**  
We are innovative and look for sustainable green solutions



**OPENESS**  
We induce customers' confidence and care for good relationships

## Main activity and fields and areas of operation

### Companies in the Elektro Gorenjska Group are implementing three main activities:

- activity of electricity distribution, which is a regulated activity (contract with SODO),
- activity of electricity production, and
- other activities (market services).

Main activity of the company Elektro Gorenjska is to ensure the distribution of electricity to end users. This is a regulated activity that we carry out under a contract with the company SODO, which has a concession. For many years, the company Elektro Gorenjska has also been present on the market of services in the field of energy activities, where it is active mainly in the segments of construction, engineering and other services for the market. It is also involved in maintenance, carries out activities in the field of research and development, design, works on projects of efficient use of electricity and energy management.

Subsidiary Gorenjske elektrarne produces electricity in hydroelectric power plants, solar power plants and the production of energy in high-efficient cogeneration (SPTE). It has been active in the field of efficient use of electricity and energy management for many years.

GEK Vzdrževanje, d.o.o., is a subsidiary of company Gorenjske elektrarne, which was established in 2017. Company's activity relates to the maintenance of energy facilities owned by Gorenjske elektrarne, as well as services in the field of maintenance of energy devices and other electrical installation services for the market.

Elektro Gorenjska Group also consists of the associated company Soenergetika, which in the electricity supply chain operates in the segment of market activities. Main activity of the company is the production of electricity and heat in cogeneration plants.

### Electricity distribution

Distribution activity includes tasks (services) of a public utility service distribution operator, which Elektro Gorenjska Company performs under the contract for the distribution operator:

- maintenance of primary electricity infrastructure (EEI),
- organization and implementation of emergency service,
- management and operation of electricity distribution network,
- network development planning,
- preparation and management of investments in electricity infrastructure,
- monitoring and determining the quality of electricity supply,
- performing electricity metering,
- providing access services and other user services,
- connecting users,
- providing data to cover electricity losses in the distribution network and SODO supply,
- other user services.

### Electricity production

Production activity includes production of electricity:

- in hydro power plants,
- in solar and photovoltaic power plants, and
- production in high-efficiency cogenerations.

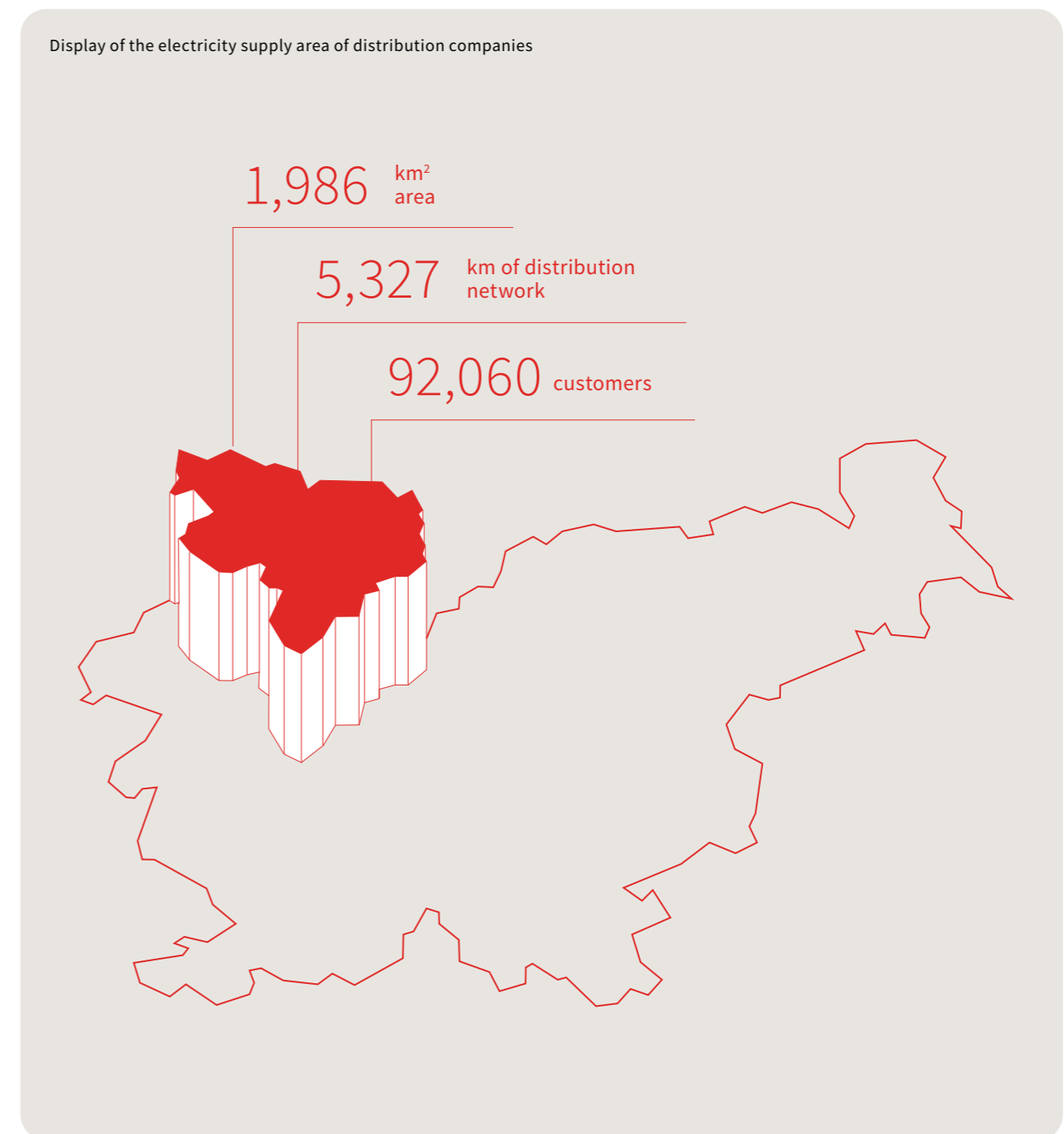
### Other activities

Other activities carried out for both the regulated activities as well as for the market include:

- implementation of investments and maintenance,
- research and development,
- designing,
- electricity efficiency projects and energy management, and
- engineering.

## Main area of operation

Main area of operation of Elektro Gorenjska Group includes northeastern part of Slovenia – Gorenjska region.





## 1.4 Development strategy of Elektro Gorenjska Group

At the beginning of 2022, the Elektro Gorenjska Group prepared a Development strategy for the period 2022–2026. Vision, mission and values derived from the strategy guide the company in the direction of providing sustainable energy, into an important energy-technology group with top personnel and a modern organization that focuses on an advanced distribution system, electricity production from RES, efficient use of energy and to the development of modern digital and sustainable business models.

### Strategic challenges and strategic goals

With the strategy for the period 2022-2026, we want to continue and at the same time upgrade the outlined direction of the Group's business development. We will continue our story of sustainability in a changed regulatory environment, faced with the challenges of technological progress and the green transition.

Our key strategic guidelines until 2026 are:

- business performance: development of the portfolio of activities, sustainable business models and efficient corporate organization of the Group,
- development of an open and lean system of research, development and innovation at the Group level,
- development of personnel and agile organizational culture,
- development of lean and digitized process and project organization.

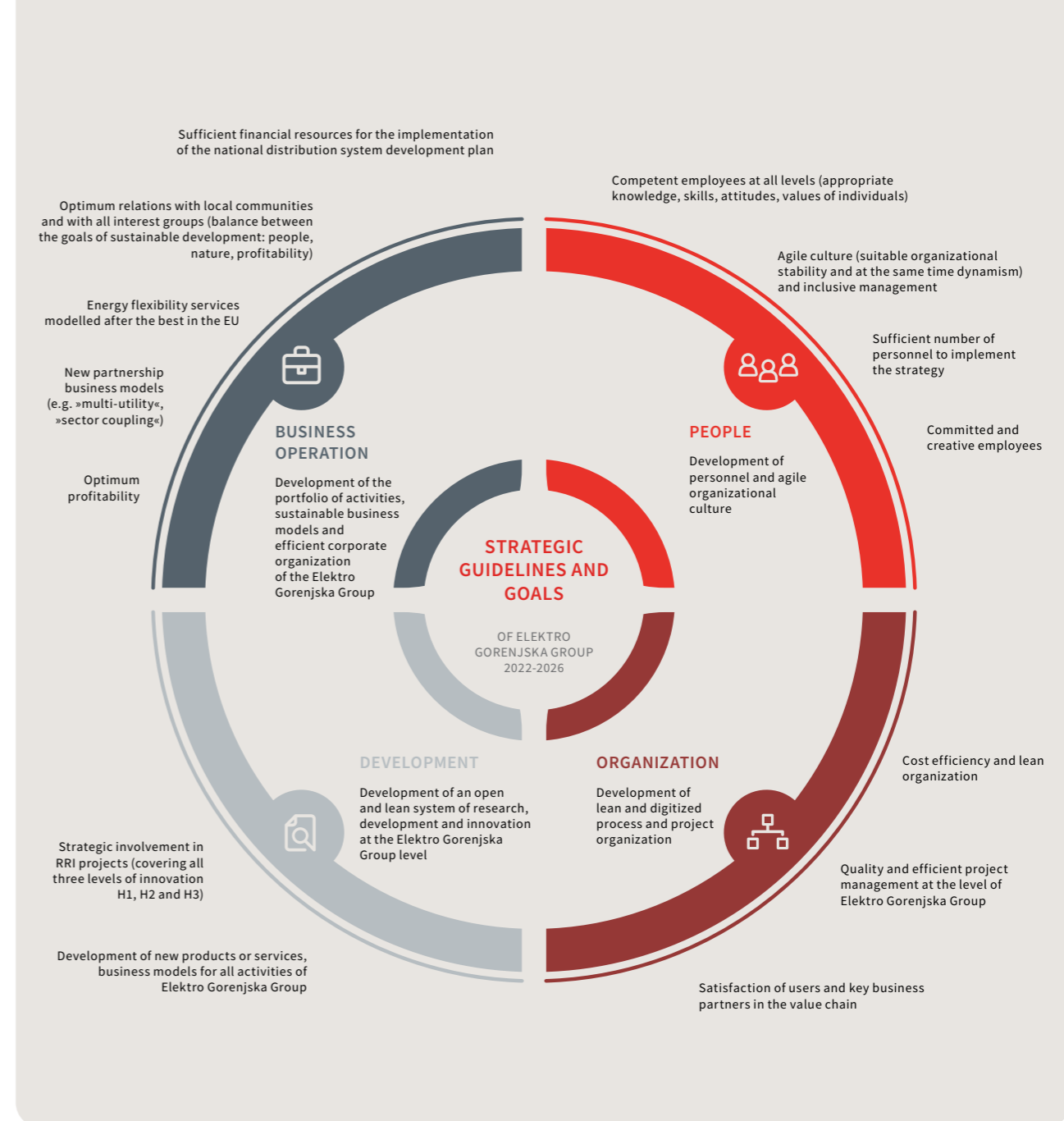
For the realization of each key strategic guideline, we have set several strategic goals, which are measured with indicators. Latter are shown in the rest of the report, where we have divided the chapters into six capitals: financial, social, production, natural, human and intellectual.

We will follow the example of individual successful European distribution companies, with which we will compare ourselves in terms of content, and with

appropriate organization of the Elektro Gorenjska Group, enable development and market orientation while transparently separating market and non-market activities. We will pay special attention to the further development of a modern, open and lean innovation system, which will encourage innovation and enable the implementation of new process solutions and new business models. We will develop the organizational culture in the direction of agility, inclusion, mutual cooperation, assuming responsibility, innovation and goal orientation. With the aim of greater efficiency and effectiveness in conditions of rapid changes, we will improve business processes from both the point of view of internal and external users.




We are aware that protecting the environment and thereby ensuring a quality life for future generations is one of the most important challenges of today. Important topic of the strategy for the period 2022-2026 is therefore the area of sustainable business, within which special attention is paid to the establishment of a model for measuring the company's carbon footprint and the implementation of activities to reduce it. We believe that by using our expertise and climate-friendly solutions, we too can contribute to the decarbonisation of society as a whole and thus to a better quality of life for current and future generations.




Elektro Gorenjska Group business model scheme



## Materialities, risks and opportunities of Elektro Gorenjska Group

Materialities, risks and opportunities of Elektro Gorenjska Group are shown by individual capitals in the table below.

	Materialities	Key risks	Opportunities
<b>FINANCIAL CAPITAL</b> 	Return	Methodology of the Energy Agency and other regulations in the field of electricity distribution	Proactive participation in the preparation of acts
		Liquidity risk	Obtaining non-refundable resources for investment financing
		Interest risk	
		Risk of weather conditions	
		Market risk – reduction in the selling price of electricity	Diversification of production resources and sales products and services
	Availability of production capacity		
<b>SOCIAL CAPITAL</b> 	Implementation of distribution activities and quality of supply/responsiveness	Voltage quality	Maintaining the quality of supply despite the integration of green technology devices and the use of new system services
		Continuity of supply	
		Commercial quality	
		Network efficiency	
	Production of electricity	Quality of service and achieving a great user experience	Upgrade of existing services by offering solutions on battery storage units and other RES measures
	Siting of facilities	Loss of opportunity to build EEI	Cooperation with the legislator for the adoption of more favourable legislation in the field of EEI siting
<b>PRODUCTION CAPITAL</b> 	Reliability of production assets	Lack of investment funds	Obtaining non-refundable resources and other financing resources
		Implementation of ineligible investments	Use of new, more robust technologies in EEI investments
		Defects and averages	Effective modern approaches to asset management (predictive maintenance)
		Loss of opportunity to build EEI	Cooperation with the legislator for the adoption of more favourable legislation in the field of EEI siting
	Capacity of production assets	Purchasing risks	Entering relevant provisions into contracts and cooperating with contract administrators in solving potential problems
		Reduction of subsidies for electricity produced from RES	Entry into the new support scheme
		Risk of weather conditions	
	Market risk – reduction in the selling price of electricity		
	Availability of production capacity		

	Materialities	Key risks	Opportunities
<b>NATURAL CAPITAL</b> 	Energy	Volatile markets and related price-elastic energy prices; inaccessibility of energy sources	Construction and use of own renewable energy sources; more efficient energy management; installation of new renewable energy systems
	Earth	Climate changes and related natural hazards affecting the distribution network (accidents, floods, ice, drought); more difficult siting of electric power infrastructure in protected and more demanding areas; spills of hazardous substances during maintenance and/or upgrading of EEI	Building a robust network using advanced technologies in the field of operation and maintenance; control and comprehensive management of hazardous substances
	Air	Direct emissions resulting from the vehicle fleet; emissions of greenhouse gases (SF <sub>6</sub> ) from devices in operation, caused by mechanical damage to the devices	Implementation of best available technology (BAT); gradual replacement of vehicles in the fleet of companies in the Group with electric vehicles
	Water	Impact of Qes requirements; risk of weather conditions – impact of hydrology; spills of dangerous substances during transport or in the event of accidents	Development of new HE projects in the field of water supply systems; inclusion of communal projects co-financed by the European Union in cooperation with individual municipalities applying for tenders; obtaining grants for aquatic crossing projects; use of advanced vehicles and associated machinery
	Sun	Risk of natural disasters – fire; lifetime; risk of weather conditions	Obtaining grants for the construction of new production facilities
<b>HUMAN CAPITAL</b> 	Motivation	Lack of suitable personnel (newly hired and existing)	Education and training; Transformator Academy, Transformator Summer School, commitment measurement, cooperation with educational institutions, organization of hackathons, scholarships
<b>INTELLECTUAL CAPITAL</b> 	Development of new (own) services (innovation systems)	Operation of own information system	Further process optimization; digitization; marketing of own information services, development of new technological solutions for production and distribution activities; interdisciplinary integration in the Group and transfer of good practices; connecting with educational institutions – creating a base of young talents
		IT/information risks (cyber security, system failure, misuse of information)	
		Lack of adequate personnel	
		Lack of investment funds	
	Leadership ways	Lack of adequate personnel	Connecting with educational institutions – creating a base of young talents, education for improved management approaches
Cyber security	Lack of adequate personnel	Further process optimization	
	Lack of investment funds		
	Protection of information		

## Strategic projects

As key to achieving the goals, the company or Group has identified the following strategic projects:

- **Establishment of a research-development innovation (RRI) center for new technologies, business models and systems in Zlato polje (ŠPAIZA)**

We want to establish an innovation center that will be based on the latest trends and technologies, RES and modern ways of working. It will facilitate the recruitment and development of personnel, the development of the Group's knowledge, and the acquisition of additional revenues for the Group. Ultimate goal of the project is the establishment of a highly innovative energy training ground for research, development and European projects; establishment of a »shop window« of modern energy products and services offered within the Group and establishment of a living laboratory (»living lab« concept), relocation of the research and development department while establishing a »start-up« culture, promotion and positioning of the Group as a leading EnTech company in the region.

- **Preparation of a business plan for the engineering activity**

Goals is to optimizeconsolidate marketing activities within the Group and increase marketing revenues. We will develop urgently needed skills and advanced technological and entrepreneurial mindset in the Group.

- **Optimization of the connection procedures process**

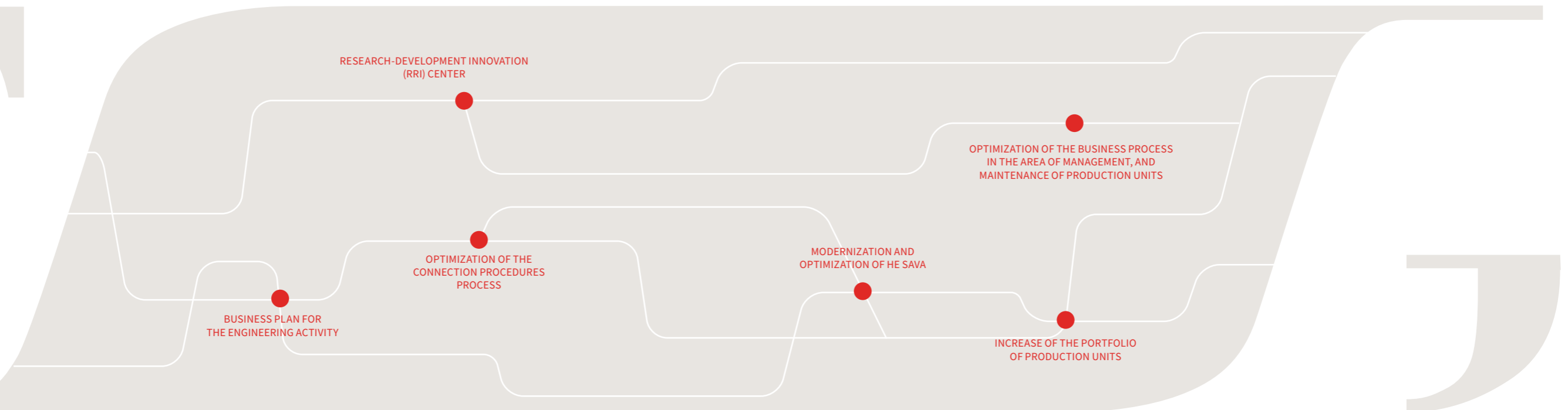
We will optimize the process of connection procedures and fully digitize business with users. For the customer, we will simplify the process from the request to the connection, including by upgrading the »Moj elektro« online application, by optimizing the process of issuing consents, with the help of a tool to support the calculation of installation capacities and loads.

- **Modernization and optimization of HE Sava**

By renovating HE Sava, we will ensure continued production at the existing location, ensure facility safety and production safety, and with modern production equipment, increase production for 20-25%.

- **Optimization of the business process in the area of management, maintenance of production units and increase of the portfolio of production units**

We will increase the portfolio of production units to achieve adequate growth, optimize the business process for effective management and maintenance. In order to fulfill the requirements of the strategy, we will place greater emphasis on commercial and technical skills in the future.



## 2 Business report for 2022

### 2.1 Analysis of the environment and its impact on the operations

Operations of the company and Elektro Gorenjska Group are significantly affected by both the general economic situation and the specific operating conditions dictated by the regulations in the field of electricity.

Economic growth in the euro area and in our most important economic partners slowed down significantly in the second half of 2022, but less than the expectations of international institutions. In the conditions of great geopolitical uncertainty and high prices of energy products and rising inflation, confidence indicators began to decline, the purchasing power of households began to decline, and financing conditions due to the normalization of monetary policy became stricter. Despite a significant slowdown in growth, the economies in the euro area have proven to be more resilient than expected by international institutions and will most likely avoid a technical recession in early 2023. Problems in the supply chains are gradually easing, the prices of energy products have decreased to the level before the war in Ukraine with more reliable supply, companies still have many unfulfilled orders, and indicators are improving.

In 2022, Slovenia's GDP increased by 5.4% in real terms. Economic growth will level off significantly in 2023 (1.8%). Further moderate growth in investments supported by public and EU funds is expected, as well as weak growth in

private consumption and exports, which will grow faster again in the second half of the year. In the next two years, slightly higher GDP growth is expected again (2.5% in 2024 and 2.6% in 2025).

Employment growth moderated in the second half of 2022 amid cooling economic activity and labour shortages, but employment nevertheless reached high growth and unemployment reached its lowest level in the last 30 years. Employment growth and unemployment decline will continue to moderate in 2023, more pronounced in the first half of the year. Even in the next two years, the large labour shortage will not allow for a more visible growth in employment.

Inflation is expected to moderate gradually in 2023, but will remain relatively high on average. In the absence of external shocks, inflation will continue to decline next year, supported by monetary policy measures. Growth of investments in fixed assets will be moderate this year, public investments will make a key contribution to growth, and private investment activity will be lower on average than last year. In 2023, private consumption will grow significantly more slowly than last year, as relatively high inflation and tighter credit conditions will continue to weaken the purchasing power of households. Otherwise, the modest growth of private consumption

Indicators for the Republic of Slovenia	2022	Spring Forecast (February 2023)		
		2023	2024	2025
GDP (real growth, %)	5.4	1.8	2.5	2.6
Employment (growth, %)	2.4	1.0	0.7	0.4
Unemployment (rate, %)	5.8	5.1	4.9	4.7
Inflation (Dec/Dec, %)	10.3	5.1	2.8	2.0
Inflation (average of the year, %)	8.8	7.1	4.2	2.4
Gross salary per employee (real growth, %)	-5.5	1.1	1.8	2.7
Labour productivity – GDP per employee (real growth, %)	2.9	0.8	1.8	2.2

Source: UMAR – Spring forecast of economic trends 2023, March 2023

\* In the Spring Forecast 2023, statistical data, information and adopted measures, known until February 22 2023, were taken into account

will be supported by a high level of employment and moderate wage growth, a lower rate of current savings and government measures to mitigate the high cost of energy. It is estimated that inflation could gradually decrease towards 2% after 2024.

Real growth in the average gross wage will be slightly positive (1.1%) in 2023 and will pick up towards the end of the forecast period. Forecast of growth in gross wages is also accompanied by significant risks in this time. Higher growth than forecast could be affected by the tendency for higher wages in the case of a longer period of high inflation and also due to the rise and possible greater spillover of the growth of the minimum wage into the growth of other wages.

EU countries take various measures to mitigate the consequences of high energy costs and ensure sufficient energy sources. Since October 2021, they have taken a number of measures to protect households and business from high energy costs, initially in response to the rise in energy prices as global demand recovers from the COVID-19 epidemic, and then due to the changed geopolitical situation due to the war in Ukraine. Uncertainty in the international environment is less than in the autumn, but remains high and is mainly related to the course of the war in Ukraine and the situation of the energy markets, the risks to the realization of the forecast are thus less pronounced and more balanced than a few months ago.

General economic trends also have a significant impact on the operations of the Elektro Gorenjska Company or Group. Namely, the amount of distributed electricity depends to a considerable extent on the GDP movement, the ratio of which is given by the elasticity factor. As a rule, the factor is always positive, which means that in line with the planned GDP growth in 2023 and 2024, an increase in the volume of distributed electricity is also expected. This is also confirmed by the consumption forecast, which is prepared in the development plan for the next 10-year period for three possible scenarios (pessimistic, realistic and optimistic). It is clear from the forecast that both electricity consumption and peak power will always increase in any case. With the expected increase in consumption due to new technologies (heat pumps, charging stations for electric vehicles) and in connection with the general decarbonization of the energy sector, it is quite likely that the growth of electricity consumption will even exceed the GDP growth rate in certain periods.

Business will be significantly affected by inflation. Increase in the cost of materials and services is expected, which means an increase in the cost of investments, so we expect that the volume of realized investments will unfortunately be lower than expected in accordance with the available funds. This is an additional argument that it is necessary to provide additional financial resources for investments in EEI, if we want to follow the needs determined by the Development plan 2023–2032.

## 2.2 Key results

Indicator	Unit of measure	Plan	Achieved
Group profit	mio €	7.04	0.248
CAPEX Group	mio €	26.38	18.5
Quantity of produced electricity	MWh	47,160	42,098
Quantity of distributed electricity	MWh	1,201,689	1,181,834
SAIDI (unplanned, own cause)	min/customer	26.5	11.57
SAIFI (unplanned, own cause)	interruption/customer	0.79	0.44
Share of network losses	%	4.04	3.54

**Group ended 2022 with a net profit of € 248 thousand. We produced 42,098 MWh of electricity and distributed 1,182 GWh of electricity.**

Group ended 2022 with a net profit of € 248 thousand. Net profit of € 7.04 million was planned. Main reason for the significantly worse business result is the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices (intervention act, Official Gazette RS, No. 29/22), on the basis of which the tariff items of electricity operators for billing power and assumed working energy for all consumption groups for the period from February 1 2022 to April 30 2022 were reduced to zero. Due to network charge shortfall that arose due to reduction of tariffs, the recognized rate of return of electricity operators has decreased in accordance with the aforementioned act. As a result of these measures, the revenues of Elektro Gorenjska Company were lower by € 9.9 million.

In 2022, we produced 42,098 MWh of electricity, which is 11% less than planned. Lower production is the result of below average water content. Due to low flows in the summer months, some power plants were even stopped for a certain period of time. In addition, the HE Sava was also damaged in the September night fire of an odler, abandoned building in Majdičev log, and will not be able to operate until complete rehabilitation.

We distributed 1,182 GWh of electricity through the network in 2022, which is by 1.7% less than planned. Lower quantities are recorded both for larger business (MV) customers and for household customers. In the case of larger business customers, the lower consumption is the result of the high prices of electricity and other energy products, while in the case of household customers, the number of customers with self-supply devices is increasing, where electricity is charged according to the principle of annual netting.

Values of the power supply continuity indicators (SAIDI, SAIFI) are better than planned mainly due to very favourable weather conditions throughout the year 2022 and adequate maintenance of the electrical energy network.

Group's investments in 2022 amounted to € 18.5 million, which is significantly less than planned. Main reason is the intervention act, on the basis of which revenues and consequently resources for financing the investments of Elektro Gorenjska Company decreased. Company was able to replace part of the loss of resources for financing investments with the purchase price for the sale of the business share in the company ECE. Instead of planned € 21 million, the Elektro Gorenjska Company invested € 14.8 million in 2022.

Network losses were 3.54%, which is the lowest value ever. It is the result of additional strengthening of the network, the installation of new AMI meters and the related elimination of errors at the grid supply points, as well as an increase in the proportion of electricity received from the self-supply production devices.



## 2.3 Financial capital

Financial capital of the Elektro Gorenjska Company and Group is significantly affected by the conditions of regulation in connection with the electricity distribution activity carried out by the company Elektro Gorenjska under the Contract with SODO. In accordance with the strategy of the Elektro Gorenjska Group, we place increasing emphasis on unregulated or market activities as well.

## Important results and key indicators

	Company EG		EG Group	
	2021	2022	2021	2022
<b>Business indicators</b>				
Net financial debt/ EBITDA	2.4	5.9	2.1	4.0
Current ratio (in %)	0.8	0.9	1.1	1.1
Value added (in € 000)	32,229	22,101	35,870	27,402
Share of labour costs in value added (in %)	39.0	60.6	38.9	54.3
EBITDA (in € 000)	19,656	8,715	21,916	12,530
ROA (in %)	3.4	-0.8	3.2	0.1
ROE (in %)	4.9	-1.1	4.6	0.1
Operating revenues per employee (in €)	145,615	104,745	146,933	125,480
Value added per employee (in €)	115,205	76,584	116,365	86,327
<b>Profit and loss statement (in € 000)</b>				
Operating revenues	40,736	30,227	45,292	39,830
Operating expenses	32,690	33,365	36,275	40,413
EBIT	8,046	-3,138	9,017	-583
Cash flow statement	1,047	345	-118	297
Net profit for the financial year	8,174	-1,900	7,898	248
<b>Statement of financial position (in € 000)</b>				
Assets	245,663	247,732	252,115	255,148
- long-term assets	232,906	233,338	233,245	235,094
- short-term assets	12,399	14,147	18,870	20,054
Capital	169,473	166,546	174,625	173,887
Debts	76,190	81,186	77,490	81,262

## Materialities, key risks and opportunities

Materialities	Key risks	Opportunities
Return	Methodology of the Energy Agency and other regulations in the field of electricity distribution	Proactive participation in the preparation of acts
	Liquidity risk	Obtaining non-refundable resources for investment financing
	Interest risk	
	Risk of weather conditions	
	Market risk – reduction in the selling price of electricity	Diversification of production resources and sales products and services
	Availability of production capacity	

## Analysis of the Group's financial position

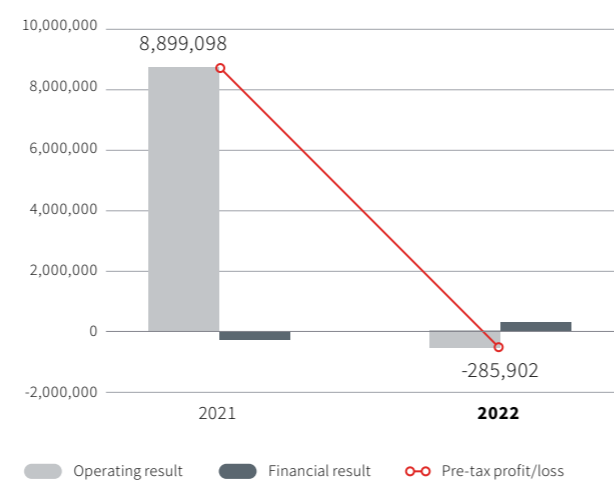
### Elektro Gorenjska Group income and expenditure account analysis

In year 2022, Elektro Gorenjska Group realized a pre-tax loss in the amount of € 286 thousand.

Profit or loss before tax is mainly affected by the operating profit or loss, above all from the distribution activities, which Elektro Gorenjska Company implements under the Contract with SODO and electricity production.

**Operating profit or loss (EBIT)** in 2022 amounted to -€ 583 thousand. Compared to 2021, it was lower by € 9,601 thousand, mainly due to lower operating revenues. Operating revenues were lower in 2022 due to the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices, on the basis of which Elektro Gorenjska's revenues were lower by € 9.9 million.

Composition of profit or loss (in €)

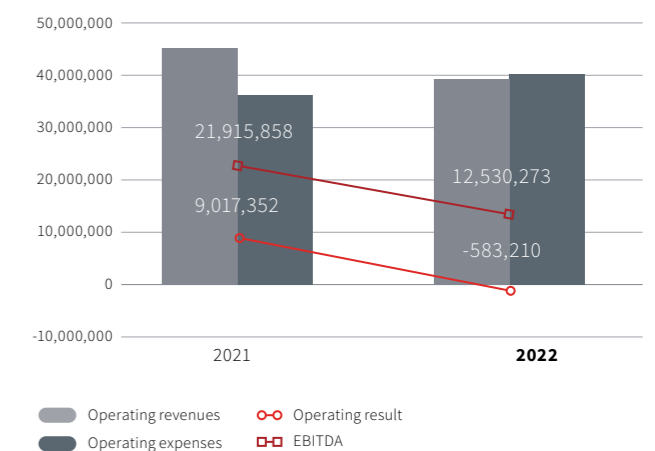


**EBITDA**, as an approximation of cash flow, amounted to € 12,530 thousand, which is by € 9,386 thousand less than in 2021.

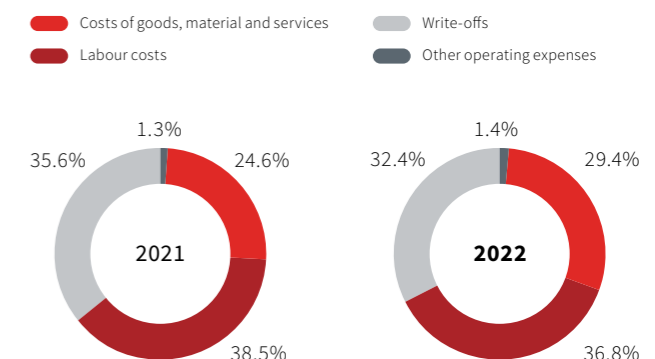
In 2022, Elektro Gorenjska Group generated € 39,830 thousand in operating revenues. Net sales revenues amounted to € 34,619 thousand and were by 12.9% lower than in 2021. Main part of net sales revenues is represented by revenues from the lease of electricity distribution infrastructure and services provided to SODO. In 2022, these revenues amounted to € 23,353 thousand and were by 29% lower than in 2021, which is the consequence of the intervention act, on the basis of which the tariff items of electricity operators for billing power and assumed working energy for all consumption groups for the period from February 1 2022 to April 30 2022 were equal to zero. Revenues from capitalized own products and services amounted to € 3,568 thousand, which is 18.3% less than in 2021. Other operating revenues amounted to € 1,643 thousand, which is by 42% more than in 2021. Main reason for higher other operating revenues is mainly the reimbursed damages from the insurance company.

In 2022, operating expenses amounted to € 40,413 thousand, which is by 11.4% higher than in 2021. Largest share of operating expenses represents labour costs, which in 2022 amounted to € 14,872 thousand. Compared to the previous year, they are higher by 6.6%, which is mainly the result of higher number of employees and wage adjustment. Costs of goods, materials and services amounted to € 11,881 thousand and were by 32.9% higher than in 2021. Costs were higher due to higher costs of materials and services for marketing projects. In 2022, write-offs amounted to € 13,113 thousand, which is similar to 2021. Among them, depreciation costs on account of new investments were higher and revaluation operating expenses were a bit lower. Other operating expenses amounted to € 547 thousand. Largest share among them is the cost of provisions related to the denationalisation of HE Sava.

Operating profit or loss (in €) in years 2022 and 2021



Structure of operating expenses

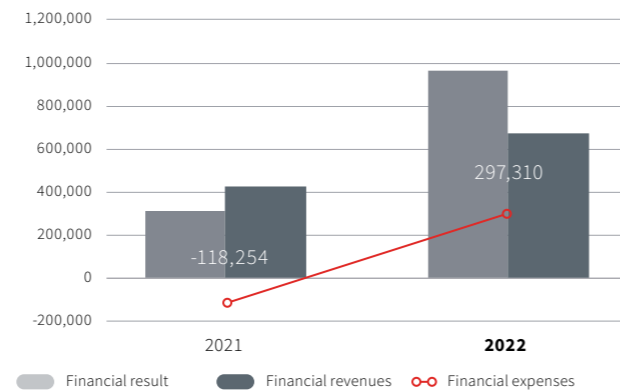


**Financial result in year 2022 was positive and it amounted to € 297 thousand.** Positive result was mainly influenced by financial income from the shares of associated companies. Negative result in 2021 was mainly influenced by interest for loans received from banks for financing investment.

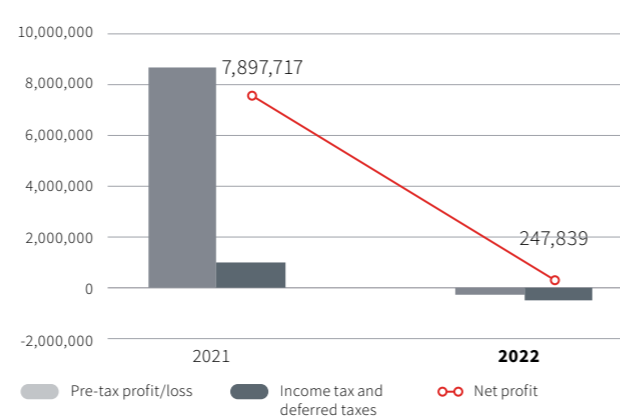
**In 2022, the Group realized a net profit of € 248 thousand,** which is by € 7,650 thousand less than in year 2021, when the company operated with a net profit of € 7,898 thousand. Net profit is lower than in 2021, mainly due to lower revenues under the contract with SODO.

Values of indicators **ROA** and **ROE** are significantly lower in 2022 compared with 2021. As of December 31 2022 the value of indicator ROA and ROE amounted to 0.1%. Values of the indicators is low, which is the result of a decrease in revenues based on the intervention law. Relatively low values of indicators are expected considering the industry and regulation in which the Group operates. Fact is that the value of the ROA indicator is negatively affected by constant investments. At the same time, it should be emphasized that only with constant investments it is possible to pursue the Group's mission or to ensure high-quality and reliable distribution of electricity.

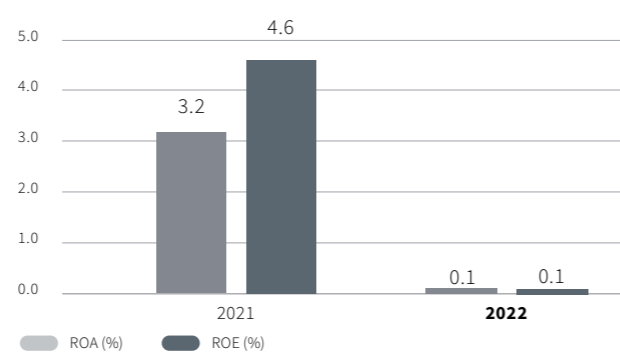
Financial result in years 2022 and 2021 (in €)



Net profit in years 2022 and 2021 (in €)



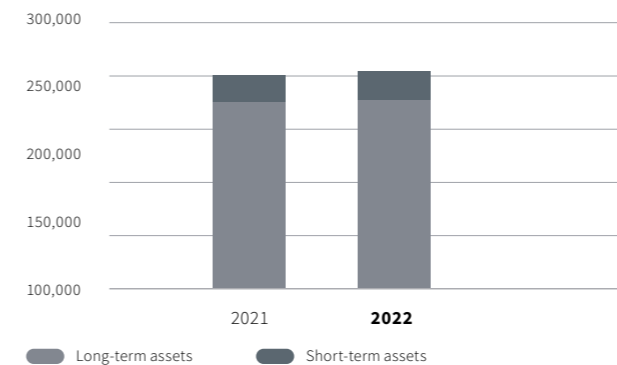
Values of indicators ROA and ROE in years 2022 and 2021 (in %)



## Analysis of the statement of financial position of the Elektro Gorenjska Group

On the last day of year 2022, the **value of assets** of Elektro Gorenjska Group amounted to **€ 255,148 thousand** (December 31 2021: € 252,115 thousand) and have increased by 1.2% from the beginning of the year. Long-term assets increased by 0.8% in year 2022, while short-term assets by 6.3%. Ratio between the equity and debt capital at the end of 2022 amounted to 2:1, which is the same as at December 31 2021.

Structure of assets as of December 31 2022 and December 31 2021 in € 000



**Long-term assets** represent 92.1% of all Group's assets.

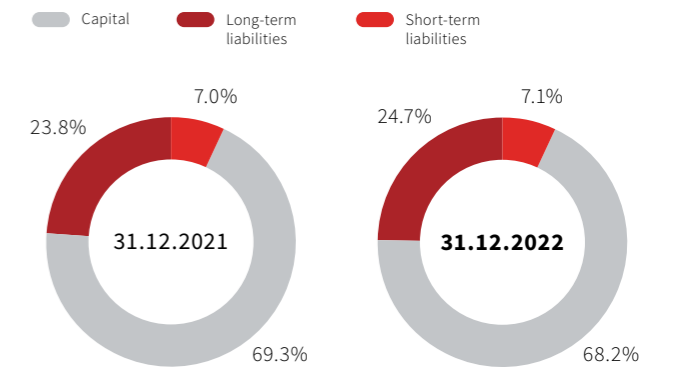
Among them tangible fixed assets, representing 96.6% of all long-term assets, are the most important. Value of tangible fixed assets increased by € 3.7 million as investments in 2022 exceeded the value of depreciation.

**Short-term assets** represent 7.9% of all Group's assets.

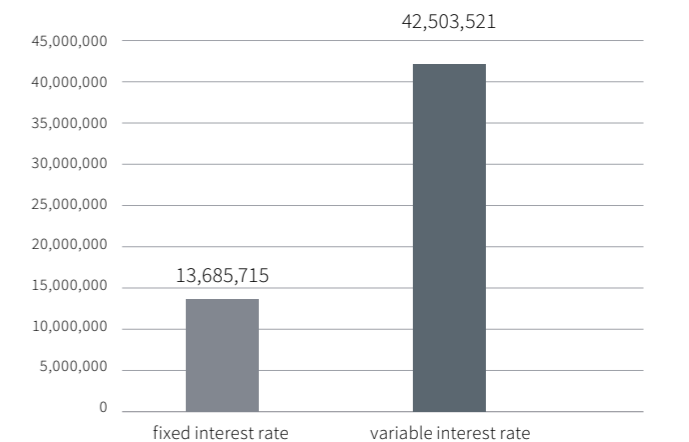
Compared to the end of 2021 they have increased by € 1.2 million, namely due to higher short-term receivables and higher inventories.

Within liabilities, capital presents 68.2%. In 2022, the value of capital decreased by 0.4% or € 738 million. Change in the value of capital is mainly influenced by the net profit generated in the period under review.

Structure of funds as of December 31 2022 and December 31 2021



Long-term liabilities, the vast majority of which are long-term financial liabilities to banks, as at December 31 2022 accounted for 24.7% of all funds. In 2022, they increased by 5.2% or € 3.1 million, because less principal of existing loans was repaid than the amount of a new loan. As at December 31 2022, the Group has 24% of long-term loans with a fixed interest rate.

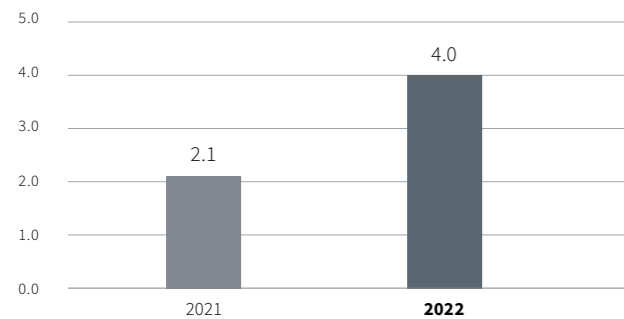




Short-term liabilities accounted for 7.1% of all funds at the end of 2022. Compared to their balance on the last day of 2021, they increased by 3.6% or € 0.6 million mainly due to the increase in short-term liabilities from contracts with customers and short-term financial liabilities to banks.

Safe level of indebtedness of the Group is monitored by the indicator, which expresses the ratio of **NET FINANCIAL DEBT/EBITDA**. As at December 31 2022, this amounted to 4.0, which is by 1.9 percentage point more than at the end of 2021. Degree of unacceptable indebtedness represents the value of the indicator that would exceed the value of 3.5. This commitment is used by some of the banks in the existing credit agreements. Value of the indicator exceeds the acceptable level of indebtedness due to the adoption of the intervention act according to which revenues dropped

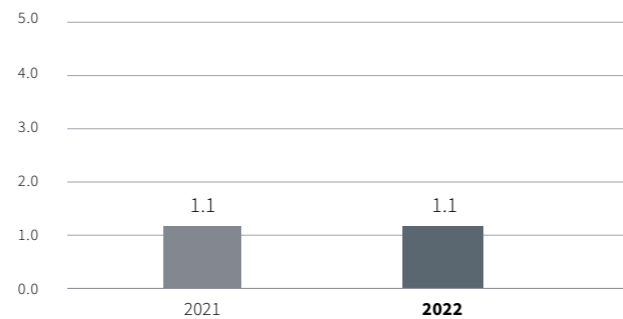
Net financial debt/EBITDA



by € 9.9 million. Remissions were received from the banks for 2022 due to the violation of financial commitments, as the Group had no influence on the decrease in income.

**Current ratio** shows the solvency. At the end of 2022, it amounted to 1.1, which is the same as on the last day of 2021. Recommended value of the current ratio is equal to 1.

Current ratio in years 2021 and 2022



## 2.4 Social capital

We create values and benefits for the wider community and act socially responsible.

We are aware of our responsibility we have to the environment in which we operate. With this awareness, we take a holistic approach to all stakeholders who define our mission. We realize our responsibility by timely, correct and transparent communication with various stakeholders and by supporting projects and activities that contribute to the functioning and sustainable development of our social and economic environment.

## Role of Elektro Gorenjska Group in the social environment

Companies in the Elektro Gorenjska Group strive for responsible, careful and honest management of the social environment, while looking for ways to become more successful in connection with natural integration into the environment, improve the quality of life of employees, local communities and society, while at the same time satisfying the interests of the owners. We are trying to involve and listen to the various interests of local communities when planning and placing electricity devices as well as building and operating the network. We are not only producers and distributors of electricity, but we look at our work in the environment more broadly and try to find common ground

in different areas for better coexistence. We strive to be transparent in our operations, which we do by publishing a range of data and information about our operations on the company's website. We operate in accordance with the accepted good corporate governance practices and governance codes. Comprehensible communication with the population, a clear presentation of goals and consequences are the key emphases that the Group follows in every intervention in space. We report on the plans on our website, we have regular relations with various stakeholders and inform them about our activities.

## Important results and key indicators

Company/indicator	Unit of measure	2021	2022
<b>Gorenjske elektrarne</b>			
Quantity of produced electricity	MWh	56,517	<b>42,098</b>
<b>Elektro Gorenjska</b>			
Quantity of distributed electricity	MWh	1,177,968	<b>1,181,834</b>
SAIDI (unplanned, own cause)	min/customer	22.22	<b>11.57</b>
SAIFI (unplanned, own cause)	interruption/customer	0.55	<b>0.44</b>
MAIFI	interruption/customer	3.41	<b>2.32</b>
Share of network losses	%	3.71	<b>3.54</b>

## Materialities, key risks and opportunities

Materialities	Key risks	Opportunities
Implementation of distribution activities and quality of supply/responsiveness	Voltage quality	Maintaining the quality of supply despite the integration of green technology devices and the use of new system services
	Continuity of supply	
	Commercial quality	
	Network efficiency	
Production of electricity	Quality of service and achieving a great user experience	Upgrade of existing services by offering solutions on battery storage units and other RES measures
Siting of facilities	Loss of opportunity to build EEI	Cooperation with the legislator for the adoption of more favourable legislation in the field of EEI siting

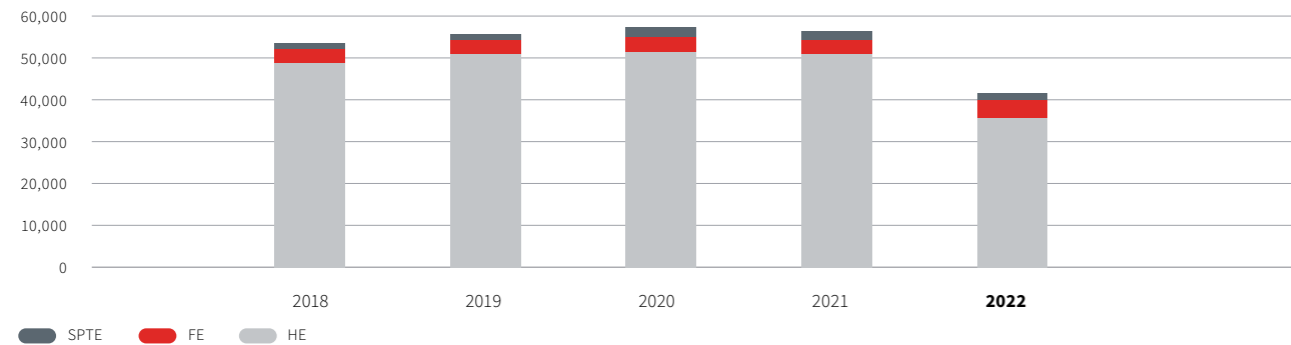
## Production of electricity

**In year 2022, the Gorenjske elektrarne Company generated and sold a total of 42,098 MWh of electricity, which is by 25.5% less than in year 2021.**

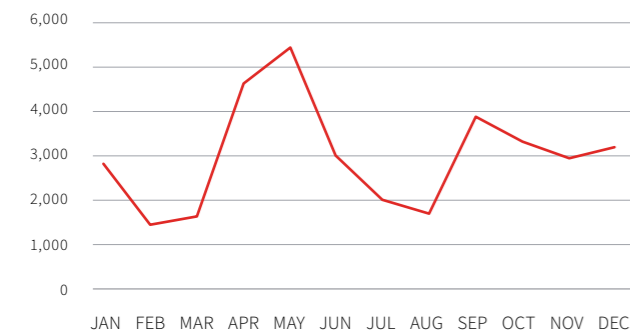
In FE, the production was slightly higher than in 2021, but in HE it was significantly lower, as it reached only 70% of the previous year's production. There are two reasons for lower production. Year 2022 was below average with respect to hydrological conditions. Due to low flows in the summer months, some power plants were even stopped for a certain period of time. In addition, in the September night fire of an older abandon building in Majdičev log, the HE Sava, which is located directly next to the burned building was also damaged. Power plant will not be able to operate until complete rehabilitation. Compared to the ten-year average, the production at the HE was thus lower by as much as 11%.



Electricity produced (in MWh) in period 2018–2022

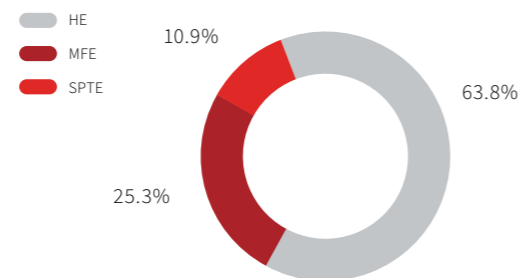


Electricity produced (in MWh) in HE by months of year 2022

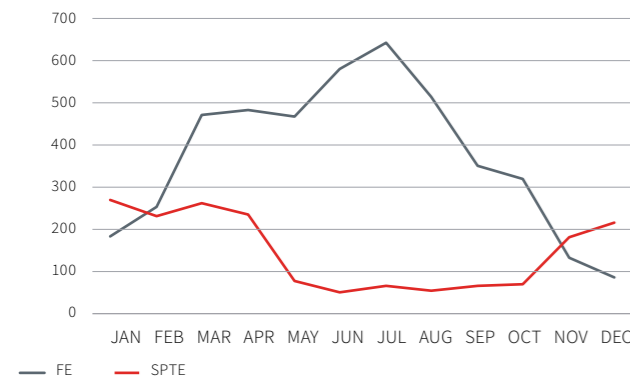


Most or 63.8% of the total revenues from the sale of electricity in Gorenjske elektrarne Company is generated in HE, followed by FE with 25.4% and SPTe with the smallest share (10.9%).

Share of revenues from electricity sales (%) by individual production sources in year 2022



Electricity produced (in MWh) in FE and SPTe by months of year 2022

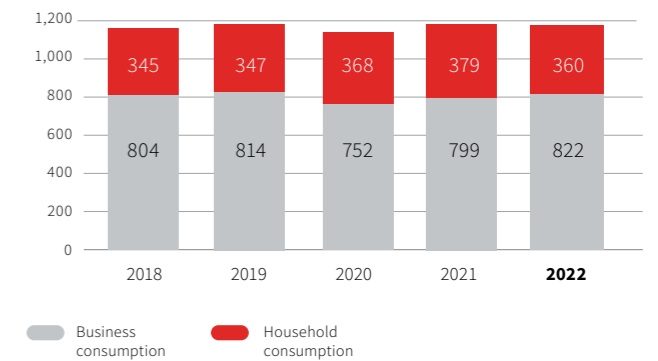


## Distribution

In 2022, Elektro Gorenjska Company distributed 1,181 GWh of electricity through its network.

Volume of distributed electricity has been increasing every year since 2017, only in 2020 it dropped slightly due to the COVID-19 epidemic. In 2021 and 2022 we record growth again.

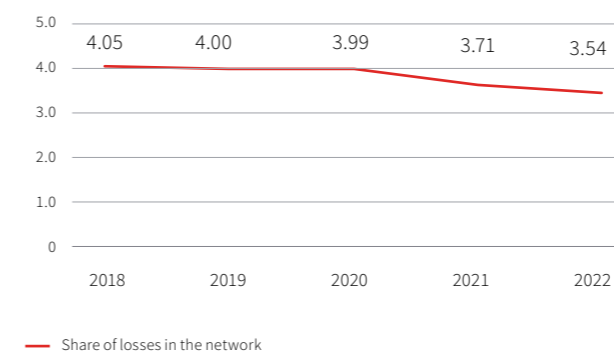
Distributed quantities of electricity (in GWh) in period 2018–2022



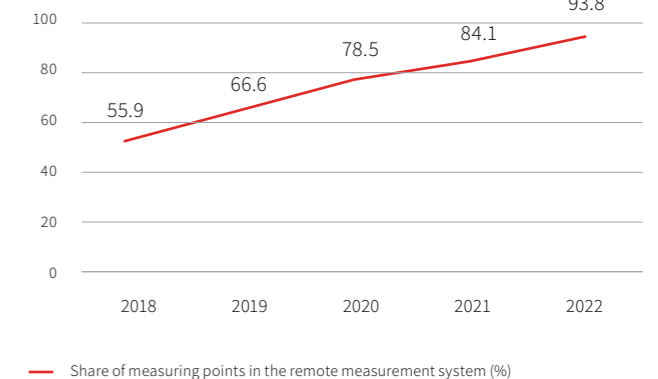
## Electricity losses in the network

Losses in the network amounted to 3.54%, which is the lowest value so far. Indicator is improving due to additional network reinforcements, installation of new AMI meters and the associated elimination of errors at the collection and delivery points and due to the increase in the share of receiving electricity from the self-supply installations.

Electricity losses in the network (in %) in period 2018–2022



Share of measuring points in the remote measurement system (in %) in period 2018–2022



## Quality of supply

**Quality of electricity supply to the users of the system is reflected in the Elektro Gorenjska Company at more than 92,000 grid supply points.**

Quality of electricity supply is determined according to:

- power continuity, which refers to the number and duration of interruptions detected by the user;
- commercial quality, which refers to services between the system operator and the user;
- voltage quality, which refers to the technical characteristics of the voltage, measurable at the grid supply point of the user.

### Unannounced long-term interruptions in year 2022

	Own				Foreign				Force Majeure			
	SAIFI [interr./ cust.]	SAIDI [min/ cust.]	CAIFI [interr./ cust.]	CAIDI [min/ interr.]	SAIFI [interr./ cust.]	SAIDI [min/ cust.]	CAIFI [interr./ cust.]	CAIDI [min/ interr.]	SAIFI [interr./ cust.]	SAIDI [min/ cust.]	CAIFI [interr./ cust.]	CAIDI [min/ interr.]
Total rural	0.20	7.39	0.73	37.65	0.01	0.53	1.64	43.45	0.00	0.00	0.00	0.00
Total urban	0.25	4.18	0.92	16.85	0	0	0	0	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.45</b>	<b>11.57</b>	<b>1.66</b>	<b>26.03</b>	<b>0.01</b>	<b>0.53</b>	<b>1.64</b>	<b>43.45</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### Announced long-term interruptions in year 2022

	SAIFI [interr./cust.]	SAIDI [min/cust.]	CAIFI [interr./cust.]	CAIDI [min/interr.]
Total rural	0.15	20.13	0.81	136.27
Total urban	0.07	9.93	0.40	137.00
<b>Total</b>	<b>0.22</b>	<b>30.06</b>	<b>1.21</b>	<b>136.51</b>

## Power continuity

Minimum standards of power continuity are expressed by guaranteed or system standards set by the regulator. Guaranteed standards of uninterrupted power supply apply at the individual grid supply point of the user, namely for the total number and duration of unannounced long-term and short-term interruptions in one year. System continuity standards are reflected by the SAIDI, SAIFI, CAIDI, CAIFI, MAIFI and MAIFI-e parameters, whereas for the SAIDI and SAIFI indicators there are also limit values – target levels of power continuity prescribed by the Energy Agency, which are set in advance for each regulatory period.

Tables and graphs below show the values of the parameters of system indicators of continuity, which are monitored in the company Elektro Gorenjska, and entered in the information system of the regulator – the Energy Agency, in accordance with the legislation.

### Momentary interruptions in year 2022

	Rural	Urban	Total 2022
MAIFI	1.16	1.16	2.32
MAIFI-e	0.76	0.62	1.39

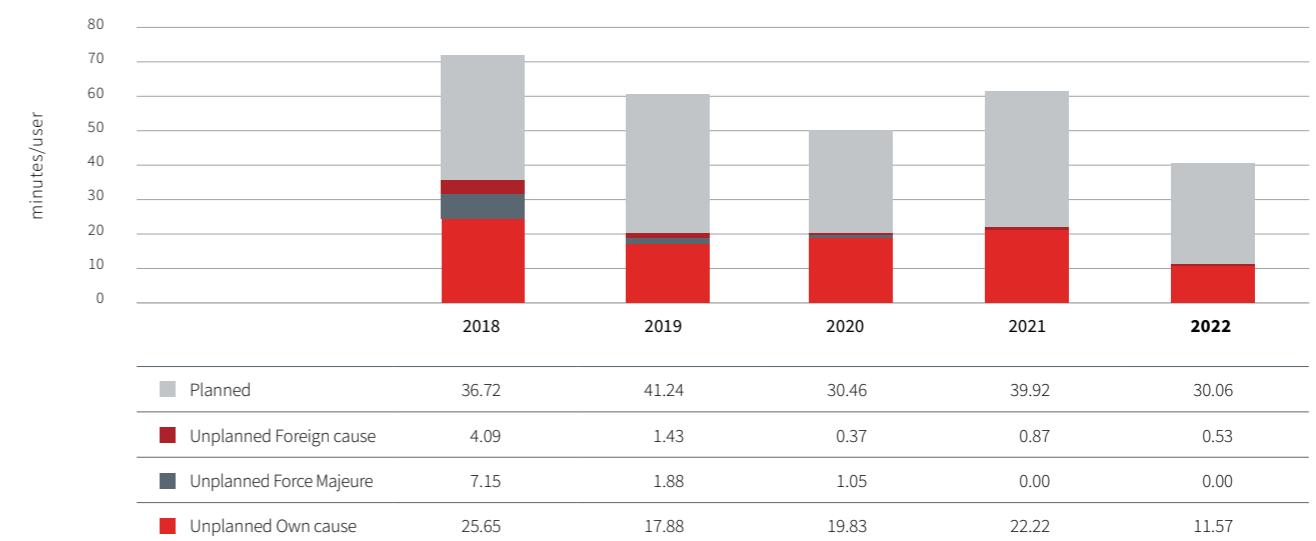
Values of the SAIDI and SAIFI indicators for planned long-term interruptions for 2022 have decreased compared to 2021 and are comparable to the values in 2020. Reason for the decrease in the value of the indicators for planned long-term interruptions is primarily attributed to the outage of part of the network charge at the beginning of 2022, which affected the smaller volume of investment works on the network.

Total values of the SAIDI and SAIFI indicators for unplanned long-term interruptions (all causes) have further decreased compared to the previous years mainly due to favourable weather conditions.

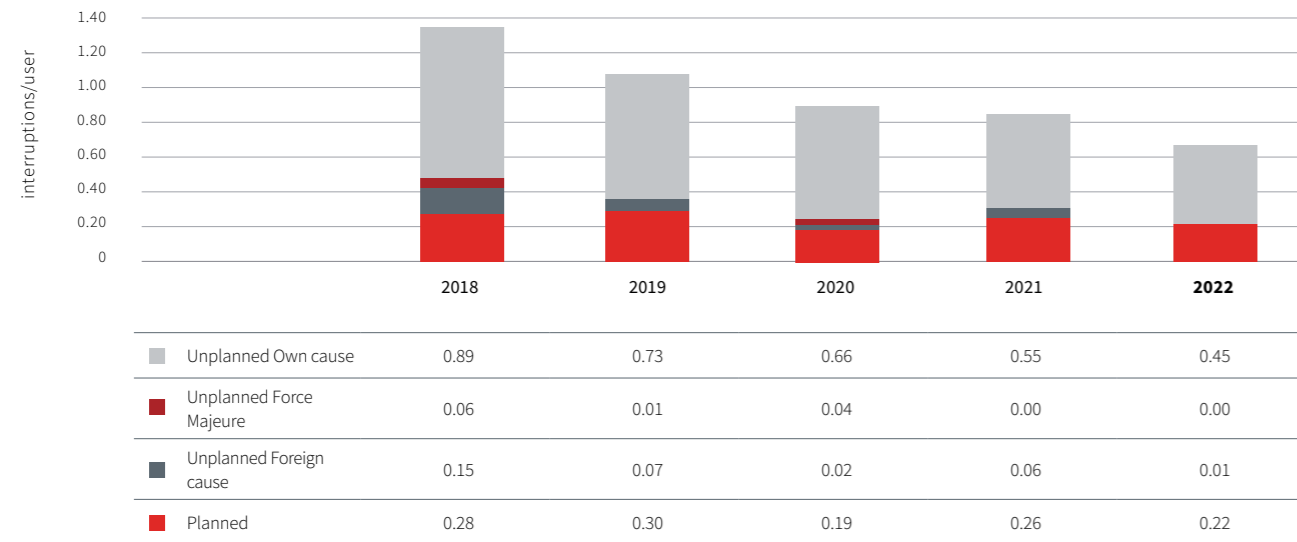
Furthermore, stable condition of the network is also reflected in the values of MAIFI and MAIFI-e indicators, the values of which has been constant over the last few years and has not changed excessively.

In general, Elektro Gorenjska Company is still achieving results in the field of uninterrupted power supply that are well below the prescribed limit values set by the Energy Agency.

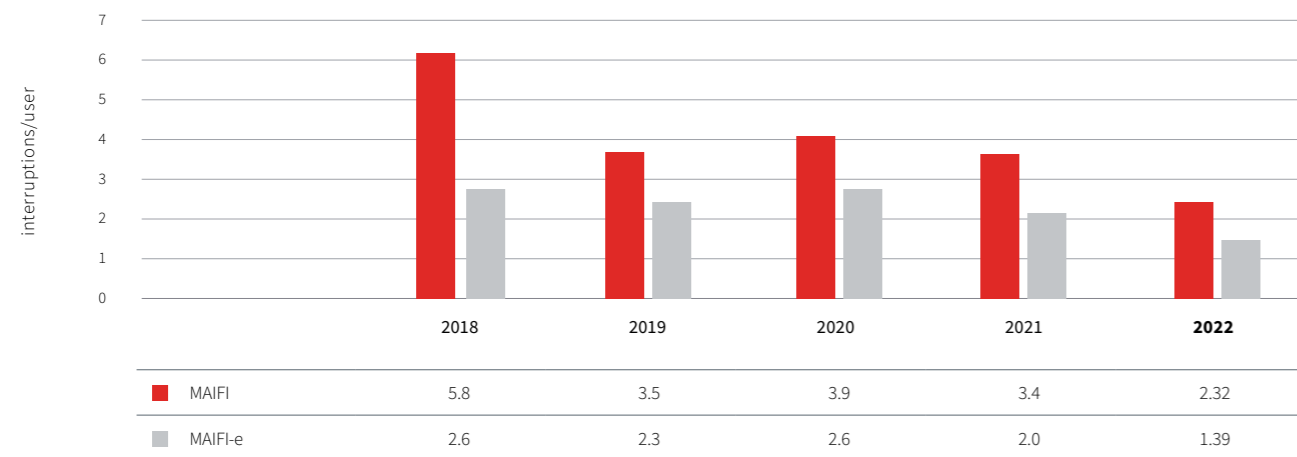
### SAIDI – System Average Interruption Duration Index



SAIFI – System Average Interruption Frequency Index



MAIFI and MAIFI-e – Momentary Average Interruption Frequency Index



Voltage quality

Situation in the field of power quality have not changed significantly compared to year 2021. Slightly increased flicker was expressed in the MV20 kV area of RTP Jesenice, which is the result of the metalworking industry impact. In year 2022, other parameters on HV and MV levels were throughout the measurement time in accordance with the requirements of SIST EN 50160 standard. In 2022, we received 17 official complaints on the condition of voltage quality on the low-voltage level, of which six proved to be

justified. We try to eliminate inconsistencies as quickly as possible and within statutory deadlines.

We can conclude that voltage quality status in the area of Elektro Gorenjska is good and that with new constructions, reconstructions and maintenance of the distribution system, which also includes the measuring and communication infrastructure at the LV level, the company is further improving the process of identifying and eliminating inappropriate voltage conditions.

Consistency of power quality parameters with the SIST EN 50160 standard on high voltage level for year 2022

Facilities	Number of weeks under control	Deviation Uef	Harmonica	Flicker	Imbalance	Signal voltages	Frequency	Voltage drops	Voltage increases	Consistency KEE	
										Number of inconsistent weeks	
RTP Jesenice 110 kV	52	0	0	0	0	0	0	64	10	52	0
RTP Radovljica 110 kV	52	0	0	0	0	0	0	55	7	52	0
RTP Tržič 110 kV	52	0	0	0	0	0	0	54	8	52	0
RTP Primskovo 110 kV	52	0	0	0	0	0	0	63	3	52	0
RTP Zlato polje 110 kV	52	0	0	0	0	0	0	57	6	52	0
RTP Labore 110 kV	52	0	0	0	0	0	0	58	4	52	0
RTP Škofja Loka 110 kV	52	0	0	0	0	0	0	77	15	52	0
RTP Železniki 110 kV	52	0	0	0	0	0	0	57	15	52	0
RTP Bohinj 110 kV	52	0	0	0	0	0	0	56	12	52	0

## Commercial quality

In most commercial quality parameters for year 2022, we established that average achieved values of indicators were essentially better than the limits of minimum quality standards. In some indicators, there was a higher proportion of cases above limit values (parameters No. 1.1 and 3.3).

In parameter 1.1. "Average time to issue consent for connection" the reason for higher share of services above the limit value (42%) was the fact that data according to the

General Administrative Procedure Act (ZUP, Official Gazette RS, No. 24/06 with amendments) refer to summary and declaratory proceedings together. ZUP otherwise defines that in summary proceedings permissible time of issue of the order is 30 days, while in declaratory proceedings, where oral hearing is implemented as well, it is 60 days. Shorter deadlines apply for the self-supply production devices (summary proceeding – 15 days, declaratory proceedings – 30 days). In addition, the reason is also

the large increase in the number of issued approvals for connectin of individual self-supply devices and the change of the information system for issuing connection approvals.

At parameter 3.3, for individual cases, in addition to the system, there are also quaranteed standards, where the limit values are even higher (for simple measures that do not require reconstruction or expansion of the system – three months, for reconstructions of part of the system –

12 months, and for construction of new part of the system – 24 months). In 2022, we resolved three cases that required the construction of new parts of the system. In all three cases, the eligible rehabilitation time was 24 months, and the average time achieved was 19 months. Of the five cases, two were excluded, as the cause of voltage quality deviations was one of the users.

### Commercial quality parameters for year 2022

Commercial quality parameter	Minimum quality standards (MQS)				Achieved values				Share of services rendered	
	System or guaranteed standard	Required level of compliance	Limit value	Unit	Number of all required or executed services	Number of eligible exemptions (force majeure, foreign cause)	Parameter value	Standard deviation	Up to and including the limit value [%]	Above the limit value [%]
1.1 Average time needed to issue a consent for the connection	S	95	20	Working days	3,883	0	25.5	23.6	58.00	42.00
1.2 Average time required to issue cost estimates (prepayments) for simple work	Z	-	8	Working days	406	0	5.4	3.9	86.00	14.00
1.3 Average time needed to issue an agreement on connection to the LV network	S	95	20	Working days	3,465	0	4.3	8.3	86.00	14.00
1.4 Average time needed to activate the connection to the system	Z	-	8	Working days	639	0	2.8	5.6	92.64	7.36
2.1 Average time needed to answer written questions, complaints or user requests	Z	-	8	Working days	138	0	3.8	5.7	91.00	9.00
2.2 Average call hold time in call centre	-	-	-	-	50,649	0	17.0	12.4	-	-
2.3 Call centre service level parameter	-	-	-	-	50,649	0	83.0	-	-	-
3.1 Average time to restore power in the event of a fault on the current limiting device (6: 00-22: 00)	Z	-	4	Hours	2,571	30	1.1	0.6	100.00	0.00
3.1 Average time to restore power in the event of a fault on the current limiting device (22: 00-6: 00)	Z	-	6	Hours	32	4	1.0	1.9	100.00	0.00
3.2 Average time needed to answer a complaint regarding the quality of the voltage	S	95	30	Working days	17	0	14.1	5.5	100.00	0.00
3.3 Average time needed to solve voltage quality deviations	S	50	6	Months	5	2	19.0	12.0	0.00	100.00
4.1 Average time needed to eliminate meter failure	Z	-	8	Working days	43	0	1.4	2.5	94.68	5.32
4.2 Average time to restore power due to non-payment of user	Z	-	3	Working days	158	0	0.3	1.7	98.70	1.30

## Compliance with regulatory requirements

Operations of Elektro Gorenjska Company are largely regulated. Conditions of regulation in accordance with the Energy Act (EZ-1, Official Gazette RS, no. 60/19 with amendments), Electricity Supply Act (ZOEE, Official Gazette RS, no. 172/21) and by-laws are determined by the Energy Agency (AGEN). Revenues realized by the company on the basis of the contract with the company SODO also depend on these conditions and represent 75% of the total revenues of the Company or 57% of the Group's revenues. Regulation represents the framework that the company must take into account in its operations or adapt to them frequently, as regulatory conditions usually change every three years. Special concern of the company is intended for active participation in the procedures of adopting new regulatory frameworks.

In the following, we present the method of calculating the company's regulated revenues in accordance with the Act on the methodology determining the regulatory framework and network charge for the electricity distribution system and the valid Contract on electricity infrastructure lease and provision of services for electricity distribution system operator (company SODO). We carry out the regulated activity within the framework of the contract with the company SODO, which has a concession for the performance of this activity.

Regulated revenues of the company depend on the eligible costs, other revenues of the company and the costs of tasks transferred to the company SODO.

Eligible costs consist of several items. **Operation and maintenance costs** are costs incurred in connection with the operation and maintenance of the system in accordance with regulations, Slovenian technical standards and the requirements of the system operating instructions. Depending on the possibility of influencing their level, they are divided into controlled and uncontrolled operation and maintenance costs. Controlled operation and maintenance costs are based on the average annual realized costs of a



certain historical period. They are adjusted for the change in network size and number of users, the required efficiency and the planned inflation factor. Uncontrolled costs are recognized in realized amounts.

**Depreciation costs** represent the costs of depreciation of EEI and other assets of the regulated activity. Depreciation costs of assets that are not a direct condition for performing a regulated activity are not recognized.

**Regulated return on assets** is calculated based on the average value of the regulatory asset base and the weighted average cost of capital before tax. Regulated return on assets is not recognized for part of the value of assets in the amount of assets taken over free of charge, assets obtained by paying disproportionate costs for connecting to the system, assets under construction and production, assets built with co-financing, European funds taken over free of charge and other grants, and resources that are not a direct requirement for performing the activities of an electricity operator.

**Quality of supply** is calculated for each year on the basis of the system parameters of the continuity of power supply, recognized controllable costs of operation and maintenance, and the value of the equipment and spare parts of EEI put into use in that year. Item represents an incentive for better quality or a sanction for poorer quality.

**Research and innovation costs** are eligible costs if they ensure the financing of research and demonstration projects that meet criteria of the act and enable benefits for electricity operators, customers or broader social benefits and other conditions specified in the act.

**Incentives** are received by the company in the case of business efficiency, for funds taken over free of charge, for savings in the purchase of system electricity meters with a communication module, for efficiency in the area of losses and for investments in smart grids.

**Other revenues** are revenues that originate from regulated activity and are intended to cover the eligible costs of this activity. They include income related to funds taken over for free and other grants, operating revenues from revaluation and others.

**Costs of tasks transferred to SODO** are operating and maintenance costs, depreciation costs of other assets, regulated return on other assets, quality of supply, research and innovation, and incentives for tasks transferred from the distribution company to the distribution operator.

**Regulated revenues** are revenues that elektro Gorenjska Company charges to SODO Company in accordance with the contract. It charges separately the rent for the rented distribution system and the performance of the services of the distribution company. Rent includes depreciation costs and regulated return on EEI assets. Depreciation costs and regulated return on other assets of the regulated activity within Elektro Gorenjska as well as other items of regulated revenues of the company represent the value of services.

## Marketing services

**Elektro Gorenjska Group plays an important role in the field of innovative electricity solutions and in the implementation of investments and maintenance for end customers, especially in the Gorenjska region.**

### Maintenance and construction of power facilities and devices for final customers

Elektro Gorenjska has been successful in the field of maintenance and construction of power facilities and devices using the modern technologies. We execute all

types of TP 10-20/0.4 kV, LV- in MV- underground and overhead power lines, LV connections for all types of consumption, relocations, conversions and reconstructions of power facilities, devices and lines. We maintain electric power facilities and devices by contractually performing regular inspections, measurements and audits of transformer stations, connection and measuring points, devices and lines at the LV and MV level by monitoring the operating conditions and keeping records. We execute live work at the LV and MV levels.

### Comprehensive design solutions

With a high level of knowledge, professional experience and modern software, we offer network users comprehensive design solutions for all types of power facilities, underground and overhead lines of all voltage levels, transformer stations (TP, RP, RTP) and low-voltage connection cable conduits with connection and measuring points. We advise in the preparation of all types of documents, main files and urban studies of energy facilities.

### Other services

We also provide services in the field of telecommunications and control and certification of electricity meters with SIST EN ISO/IEC 17020:2012 standard. We offer voltage quality measurements according SIST EN50160 standard of load diagrams and measurements on electric power cables using the very low frequency method. We provide users with the possibility of performing diagnostics on LV and MV cable lines. We perform setting out and locating of faults on MV cable lines, calibration and settings of protection of switch points, other protection of HE and solar power plants and dispersed production, as well as inspections of the suitability of electric power elements with the help of thermal imaging. We enable comprehensive management of energy facilities and devices and offer support in the planning, construction and maintenance of power facilities and devices.

### Efficient use of energy

In 2022, Gorenjske elektrarne continued to implement efficient use projects, which bring energy savings to our business partners. One of the extremely effective measures to reduce energy use is the replacement of lighting systems with modern end energy-efficient LED lighting, because when replaced, in addition to reducing energy use, the

lighting of the rooms is also improved, and at the same time, the new lamps have a significantly longer lifespan. This also significantly lowers the maintenance costs of such systems. In 2022, together with our business partner Merkur, we renovated the lighting in eight shopping centers, namely we carried out projects in TC Merkur Jesenice, TC Merkur Vič, TC Merkur Celje Hudinja, TC Merkur Novo mesto, TC Merkur Litija, TC Merkur Slovenj Gradec, TC Merkur Velenje and in TC Merkur Radomlje Jarše. Implemented projects in the aforementioned shopping centers, will contribute to annual energy savings of 1494 MWh and a reduction of carbon dioxide by 732 tons.

In the field of energy renovations, we carry out contractual obligations with partners on the MOK Energy Renovation and Zlato polje projects.

Since 2015, we have been implementing the Energy Management product for the market, within which we offer the identification of measures to reduce consumption and energy costs, implementation of these measures and financing of the project without costs for the client, as well as making recommendations for optimizing consumption and reducing energy costs.

### Charging stations for electric vehicles

At the end of 2022, we owned twelve e-charging stations for fast charging of electric vehicles in Gorenjska region. In recent years, we have set up some new electric charging stations, especially for the market, and at the same time,



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Charging stations for electric vehicles

more and more municipalities in Gorenjska have entrusted us with the management and maintenance of e-charging stations. We connected all e-charging stations to the rear office of Elektro Ljubljana under the slogan »GREMO NA ELEKTRIKO«. For the company Domel d.o.o., we installed three Etrel Inch duo charging stations in Železniki. We also took over the management and extraordinary maintenance of all three charging stations. For the company Jeko d.o.o. in Jesenice, we provided consulting services for the installation of nine Etrel Inch pro charging stations. For a natural person, we set up a home charging station GL Charge glow box along with a self-supply MFE. In the public parking lot Novi svet in Škofja Loka, Gorenjske elektrarne together with the municipality installed a second charging station for e-vehicles, manufactured by GL-Charge. Charging station enables safe charging of two vehicles at the same time. Charging power at each socket can be from 3.7 to 22 kW (AC), depending on the type of the vehicle. GL-Charge charger is a Slovenian product that boasts compatibility with all brands of electric cars, the highest level of electrical safety and control, and an elegant design.

We also perform engineering and construction of a home charging station via an internal connection from a micro solar power plant or a home charging station for an individual user.

### Solar power plants

In March 2022, Gorenjske elektrarne started activities in the field of MFE with the aim of being able to offer the market self-supplying (net-metering) MFE, as well as larger systems adapted to companies for their own use or for the sale of electricity. First activities related to the creation of purchase and sales price calculations for the mentioned products, followed by the procurement of the first quantities of components – PV modules, inverters, substructures. Our goal was to offer our customers top-quality components (TIER 1 scale modules, Solaredge inverters, substructure with certificates, tested in Slovenia) and a top-notch »turnkey« service.

In 2022, we obtained 66 projects for individual self-supply, and in 2023 we plan to continue our activities and expand into the field of battery storage.

Due to the high prices of electricity on the market, in 2022 there was a great demand for the offer of larger power plants.

Before March 2022, we mostly prepared and submitted projects as our own investments.

In June 2022, we submitted 5 projects to the tender, one of which was our own, the rest were market projects. In September, we submitted tender documents for a total of 14 projects, just as many in January 2023.

We have already partially completed some projects in 2022, including the solar power plant EG and Kolodvor; the installation on the roof has been completed, but the inverters are still missing. Due to the lack of inverters, we successfully completed only one project – the 107 kWp solar power plant LSC Teh. However, we received some ordered inverters at the beginning of 2023 and will soon complete 4 more projects, total size 760 kWp.

For the submitted projects, we have already signed contracts for the total size of 10 MW MFE.



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Solar power plant Kolodvor (installed in December 2022)



## Communication with stakeholders

### Website of the company Elektro Gorenjska

We use the Elektro Gorenjska website as a tool for communicating with various stakeholders and the public. We publish on the website all the information required of us by our manager and those that we are obliged to publish under the Public Information Access Act (ZDIJZ, Official Gazette RS, no. 51/06 with amendments).

### Users of our services (customers)

For our users a web application is available on the website to inform about planned power outages at their metering point. By registering, they receive a notification to their e-mail address or in the form of a text message to their mobile phones. Notification is urgent and necessary, because only in this way can we safely and in the shortest possible time perform all necessary work on energy devices. Works are carefully planned, so we inform customers about the interruption of electricity supply at

least 48 hours before the interruption. Notices of planned interruptions are published on the company's website and radio stations.

Personal communication with users is largely in digital form. Users of Elektro Gorenjska have at their disposal a free call centre, where we receive and resolve complaints, reports of errors on meters, accept the status of measuring devices for the preparation of annual bills, provide information on planned interruptions, answer general questions, communicate regularly with employees in the field and with electricity suppliers. We encouraged users to use the »Moj elektro« application (<https://mojelektro.si/login>).

This is a single web portal of all distribution companies in Slovenia, which enables centralized access to metering data. System for uniform access to metering data, together with system meters, communication connections and advanced metering centres of electricity distribution system, is part

of an advanced metering system. Portal is thus one of the services of the Single-Entry Point of the national data node, in accordance with the Energy Act. Free mobile applications are also available to all users of the »Moj elektro« portal. For users of Android operating systems, the application is available in the Google Play store, and for users of iOS operating systems in the App Store.

### Government institutions

With key influential publics, which include government institutions of the Republic of Slovenia, line ministries and other important institutions (Public Energy Agency of the Republic of Slovenia, Slovenian State Holding and others), we communicate personally and in writing on topics related to regulations and legislation.

### Shareholders and financial public

Communication with shareholders and financial public is in writing and in person in accordance with the applicable provisions. Information we provide to shareholders relates to the achieved business results and future strategy of the company. Data that are public (annual report, quarterly reports, concluded contracts, implementation of the general meeting and materials for the general meeting) are published on the website [www.elektro-gorenjska.si](http://www.elektro-gorenjska.si). When communicating with shareholders, we follow the principles of considering the recommendations of SDH and the OECD guidelines for corporate governance of state-owned companies, which emphasize three main principles: transparency, efficiency and accountability.

Annual report of the companies is the most important source of communication with shareholders and the financial public, where transparency, timeliness and accuracy of information on operations and business plans are the main mission in accordance with the provisions of applicable regulations.

### Business partners

Communication with business partners is based on personal contacts and electronic communication. Because creating

personal contacts in the business world is essential, we treat our business partners individually.

Our important business partners are our suppliers. In the companies, we pursue a coordinated and unified purchasing policy, which contains strategic guidelines and principles of a transparent purchasing process. Company's purchasing policy aims to find synergies with suppliers in the quality of goods, deepen trust between partners, and find favourable commercial conditions. Companies procure goods, services and constructions related to the performance of tasks of maintenance and development of the electricity distribution network under a contract with SODO, in accordance with the Public Procurement Act (ZJN). All procurement procedures take into account the basic principles of public procurement and the economic aspect. Contracts whose estimated value, calculated in accordance with the provisions of the Public Procurement Act, exceeds the limit values for publications defined in the Public Procurement Act, shall be executed as public procurements in accordance with the provisions of the Public Procurement Act. In procedures below the public procurement threshold, however, companies ensure a competitive and transparent selection procedure. Publication of public inquiries on the website and the sending of inquiries to several providers ensures diversification and impartiality in the selection.

At the end of the year, we organized a charity virtual gathering for business partners.

### Media

Our guideline in relations with the media is transparent and up-to-date communication, based primarily on the provision of information on the company's operations, new services and sponsorships, innovations on the network and completion of important electricity facilities. We regularly participate in the creation of the newsletter Of the Slovenian electricity industry »Naš stik«, where we publish current news and articles.

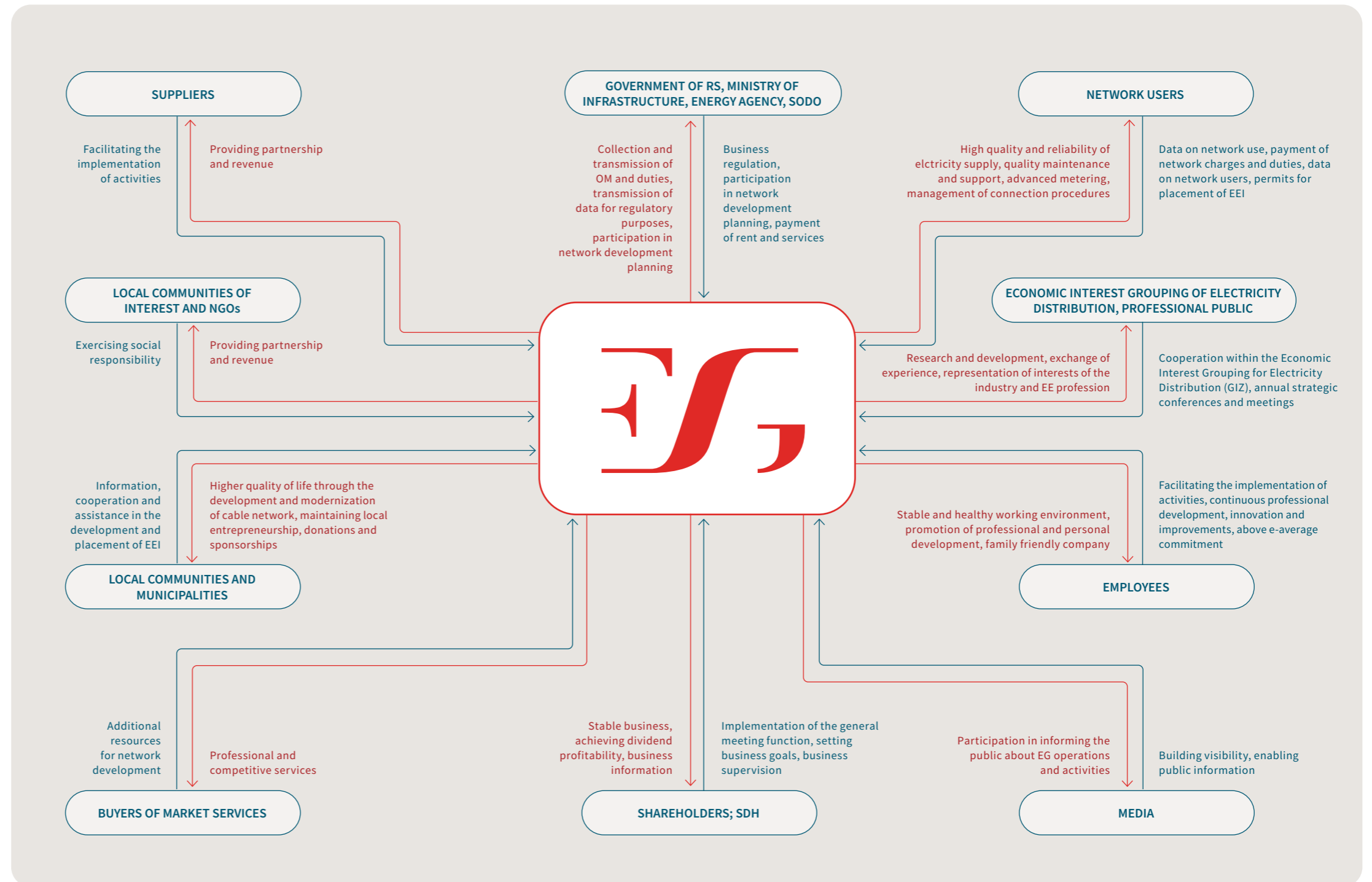


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Application »Moj elektro«

## Stakeholder folder

Elektro Gorenjska Group strives for close and honest relations with its stakeholders. We are aware of our responsibility towards the social and natural environment in which we operate. We realize our responsibility by building transparent and inclusive communication. When planning and placing the electric power devices in the environment, as well as when building and operating the electric power network, we try to listen to the various interests of local communities. Through our operations, we create benefits for our stakeholders and are aware of the value that stakeholders create for companies in Elektro Gorenjska Group.

**Key indicators of value creation for stakeholder groups refer, among other things, to electricity produced and distributed, to the stability and quality of supply, to a safe and stimulating work environment for employees, to the achievement of dividend yield and sponsorship and donation funds that we allocate to local communities.**



## Socially responsible building of long-term partnerships

**In the Elektro Gorenjska Group, we are focused on long-term partnerships, with the help of which we promote the responsible development of local community, multigenerational cooperation and the implementation of the principles of diversity. This is how we strengthen the reputation of the Elektro Gorenjska Group among our important stakeholders.**

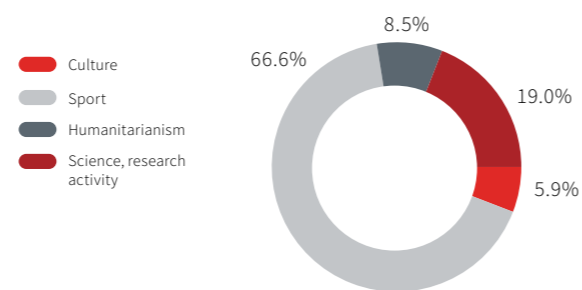
In accordance with strategic directions, we take into account the principles of social responsibility and the needs of the social environment in which we operate. Our cooperation is long-term, this is also confirmed by the jubilees achieved in 2022, among which the program Neodvisen.si, with which we have been cooperating for a decade, is certainly important, as well as Center Korak, which celebrated its 20<sup>th</sup> anniversary.

### Relations with the media and the general public

Our guideline in relations with the media is transparent and up-to-date communication, which includes primarily transparent and up-to-date information on the company's operations, innovations on the network and completion of important electricity facilities in the region. We regularly participate in the creation of the newsletter Of the Slovenian electricity industry »Naš stik«, where we publish current news and articles.

At the beginning of 2022, we presented the new website of the Elektro Gorenjska Group, which we use as a tool for communicating with various stakeholders and the public. On the website, we publish links and routes useful for end users, as well as information that is requested from us by our manager, as well as that which we are obliged to publish according to the Public Information Access Act.

Share of sponsorship and donation funds in 2022



### Sponsorships and donations

**In year 2022 there was a total of € 51,200 of funds allocated to sponsorships and donations. We follow the recommendations of the owners and therefore report all company data, concluded transactions, sponsorship and donation projects on the website [www.elektro-gorenjska.si/za\\_delnicarje](http://www.elektro-gorenjska.si/za_delnicarje) and [www.elektro-gorenjska.si/o-podjetju/katalog-informacij-javnega-znacaja](http://www.elektro-gorenjska.si/o-podjetju/katalog-informacij-javnega-znacaja).**

Companies in the Elektro Gorenjska Group also demonstrate their responsibility by supporting sponsorship and donation projects. We have come to the aid of humanitarian, educational, sports and environmental projects that will contribute to the functioning and development of the social and economic environment. In addition, we participate in professional projects in the energy and environmental fields. Certain funds were earmarked for conferences, symposia and events in the field of sustainable development, energy efficiency and electric mobility.

In 2022, due to the intervention measure and reduction of network charge, we were forced to end the allocation of sponsorship and donor funds early.

### Partnerships with the local environment

Elektro Gorenjska Group is one of the few organizations that is present in all 17 Gorenjska region municipalities. It has the great privilege and at the same time the responsibility to connect the entire region. It is a key partner in several development projects, and it also transfers accepted good practices between municipalities.

### Encouraging new talents

Elektro Gorenjska Group is also extremely important in the field of education. Education programs at the national level change too slowly according to the needs. Group actively participates in school and student events, in 2022 we presented ourselves at the employment cafe, and we also hosted groups of faculty and high-school students.

In 2022, we established the first Transformator Summer School, where six selected students, in cooperation with colleagues from the Research and Development Department, sought solutions to the challenge of decarbonizing the energy sector in Slovenia. It is the first innovative practice of its kind that has ever been organized by an electricity distribution company in Slovenia on the topic of finding solutions for the decarbonization and digitization of the Slovenian energy sector. It is an innovative example of promoting a multidisciplinary approach, mutual integration and cooperation of Elektro Gorenjska Group employees and young talents. It also represents an innovative personnel practice for attracting new and talented personnel and building the visibility of our employer brand. Transformator Summer School included, among other things, practical work, mentoring, department rotations, study excursions, field work, team-building, professional lectures and project work.

### Support to non-governmental and humanitarian organizations

Every year we support non-profit, non-governmental and non-political organizations. We have been working together for a decade with the Neodvisen.si program, which empowers generations to recognize the pitfalls of addiction, presents real situations and, above all, offers help to families and individuals in crisis situations with the help of experts. Together with our business partners, we financially support the operation of the program every year.

With material and financial resources, we help fire-brigades and mountaineer associations, both in the purchase of equipment and vehicles, as well as the renovation of mountain huts.

### Support to natural environment protection projects

Potential negative impacts are assessed for each HE owned by Gorenjske elektrarne, which are minimized through various procedures and activities. One of the activities is also support for fishing clubs in their engagement and water protection. At the end of 2022, the campaign of depositing the Danube salmon and grayling fish in the Sava river took place again, in which Gorenjske elektrarne also participated. This time, the Kranj fishing club released as many as 450 fish into the Sava river, which they marked for the first time. With the new method, they have upgraded the current management of Danube salmon, and above all, a new way of monitoring and collecting data. New method (in the past, fish were tagged with a thin plastic badge) is significantly less invasive and less dangerous for predators that eat the deposited Danube salmon. Tagging is extremely important for the fishermen. Namely, they monitor the dynamics and composition of the population (proportion of deposited Danube salmon in the adult population), and also obtain other important data for management, development of science and knowledge about the Danube salmon.



## 2.5 Production capital

Sufficient capacities of production assets and their reliability are crucial for the performance of the company's activities and the operation of the Group. In 2022, Company Gorenjske elektrarne produced electricity in 14 HE, 20 MFE and 7 SPTE.



## Important results and key indicators

Company /indicator	Unit of measure	2021	2022
<b>Gorenjske elektrarne</b>			
CAPEX	€ million	1.3	3.7
HE	No.	15	14
MFE	No.	21	20
SPTE	No.	7	7
<b>Elektro Gorenjska</b>			
CAPEX	€ million	16.1	14.8
EEl maintenance costs	in € thousand	947	886
Network	km	5,293	5,327
RTP	No.	12	12
RP	No.	8	8
TP	No.	1,386	1,388
<b>Elektro Gorenjska Group</b>			
CAPEX	€ million	17.4	18.5

## Materialities, key risks and opportunities

Materialities	Key risks	Opportunities
Reliability of production assets	Lack of investment funds	Obtaining non-refundable resources and other financing resources
	Implementation of ineligible investments	Use of new, more robust technologies in EEl investments
	Defects and averages	Effective modern approaches to asset management (predictive maintenance)
Capacity of production assets	Loss of opportunity to build EEl	Cooperation with the legislator for the adoption of more favourable legislation in the field of EEl siting
	Purchasing risks	Entering relevant provisions into contracts and cooperating with contract administrators in solving potential problems
	Reduction of subsidies for electricity produced from RES	Entry into the new support scheme
	Risk of weather conditions	
	Market risk – reduction in the selling price of electricity	
Availability of production capacity		

In 2022, the company Gorenjske elektrarne produced electricity in 14 HE, 20 MFE and 7 SPTE.

Operation of HEs largely depends on natural conditions, i.e. on current amount of precipitation, which affects the amount of water in watercourses, since HEs do not have their own accumulation, the exception is HE Lomščica. Amount of electricity produced in HE depends not only on the amount of water, but also on the height difference of the water fall, the geographical location of the individual power plant and other characteristics that affect the production of electricity in HEs.

Main advantages of using solar energy are: environmental friendliness, the possibility of supplying remote areas and that production and consumption are in the same place. Problem in the utilization of solar energy is different solar radiation. In 2022, we built 4 new solar power plants, which will be put into operation in 2023.

Co-generation of electricity and heat is the simultaneous production of electricity and heat. It represents a method of converting fuel energy into electrical energy, where the majority of the heat that is produced as a by-product during this conversion is usefully used. Different technologies enable the use of different fuels with different efficiencies. In 2022, we produced electricity and heat in two cogeneration plants using wood biomass and five plants using natural gas.

We have obtained all the necessary licenses to perform energy activities, and the power plants have obtained declarations for the production of electricity from renewable sources (OVE) and cogeneration of heat and electricity with high efficiency (SPTE).

Scope of the Elektro Gorenjska network is increasing year by year, and at the same time the share of cable or underground lines is also increasing. Scope of the network is increasing due to the expansion of the network for the needs of connecting new users and also due to new MV connections between individual points of the MV network, which increase the reliability of supply (network looping according to the n-1 criterion). New MV and LV lines are only built underground. Share of underground cables is also increasing due to the cabling of existing overhead MV and LV lines, which also improves the reliability of supply due to the reduction of external influences on the network.

## Development of production capital in 2022

### Investments

**In year 2022, Elektro Gorenjska Group invested € 18.5 million, while Elektro Gorenjska Company invested € 14.8 million. 82% or € 12.1 million of Elektro Gorenjska Company investments represent according to the Commission Regulation (EU) 2021/2139 the so-called green investments.**

#### More important investments of the Group

Within the framework of investments in the HV network, which amounted to just under **€ 5.6 million**, the most important in 2022 were:

- RTP 110/20 kV Škofja Loka: we completed and put into trial operation the 110 kV switchyard in GIS design, together with the reconstruction of the secondary equipment of the HV and MV switchyard and the construction of the new Škofja Loka local inspectorate. In 2022, we invested € 4,605,113 for this purpose. Entire investment was carried out in two years and, together with 110 kV connections, is worth € 7.9 million.
- 110 kV cable connection RTP Primskovo - DV Visoko, DV Zlato polje: cable channeling was carried out together with the 110 kV cable line, in total value of € 782,857.
- RTP 110/20 kV Kranjska Gora: a 110 kV HIS switchyard was transferred and installed from RTP Škofja Loka, which currently operates at 35 kV voltage and serves to connect the 35 kV DV RTP Jesenice – RTP Kranjska gora.

#### Value of investments in MV and LV networks in 2022

**totaled € 6.6 million.** At the beginning of 2022, due to the intervention law, we had to significantly reduce investments funds, which was reflected especially on the

MV and LV networks. Despite everything, we managed to implement most of the investments related to the rehabilitation of critical areas of the network or to ensure new connections and network expansion.

In 2022, we also allocated a large share of financial resources to the construction of cable ducting, which we built together with other municipal utility lines as part of joint construction projects in individual municipalities. As part of the joint construction work, we implemented a 20 kV cable connection to the bottom station of the cable car at Krvavec, all the necessary cable ducting in the villages of Voklo and Prebačevo with the aim of arranging a new LV cable network and for the implementation of new replacement 20 kV cable connections between TPs. We also participated in joint construction in the following areas: Loka pri Tržiču, Kamna Gorica, Zapuže, Gorje and Jesenice. In Hraše pri Smedniku, we expanded the network on MV and LV levels for the needs of connecting new customers. In 2022, we laid 19 km of MV cables and built 9 TPs. In addition, we have replaced 11 distribution transformers with newer types which, in terms of no-load losses, meet the requirements for reaching the AAA0 level. We laid 36 km of LV cables, some for the expansion of the LV network, and the majority of such investments are network reinforcements due to the connection of additional consumption (heat pumps) and production devices for self-supply.

Among other investments of Elektro Gorenjska Group, the following were significant:

- measuring devices (AMI project),
- business and technical equipment,
- Implementation of BI (business analytics),
- creation of a tool for calculating connection capacity,
- renovation of HE Sava,
- renovation of HE Standard,
- installation of MFE Merkur Murska Sobota,
- construction renovation of RTP Jesenice along with the local inspectorate (KN).

## Maintenance of electricity infrastructure (EEI)

**In year 2022, mainly preventive maintenance on the distribution infrastructure was performed with the aim of reducing the probability of failure of any element in the power system, which was achieved with effective maintenance planning and performing of maintenance activities according to pre-defined criteria and procedures.**

**Effects of the activities we perform on preventive maintenance are long-term and are mainly reflected in a smaller number of defects and consequently lower repair maintenance costs.**

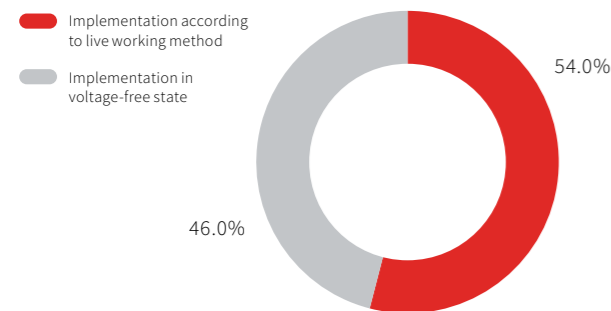
Elektro Gorenjska Company implements all tasks of the distribution network system operator in its geographical area. Among these tasks, maintenance of electricity infrastructure is of special significance from the viewpoint of ensuring quality and reliable supply to network users.

With good organization and optimization of business processes in the field of operation and maintenance, we made sure that we performed these tasks successfully and within the planned resources. Key to all of this is, of course, dedicated and competent employees who are closely connected with everyday events in the field. Knowledge of the local environment, local conditions and the organization and decision-making on all aspects of maintenance is essential to ensure a continuous and quality electricity supply.

By constantly monitoring modern trends in the field of technological devices and related information solutions with their implementation in the power system, we significantly influence the fulfilment of increasingly strict criteria for the quality of electricity supply, the integration of dispersed production sources, operational safety and indirectly also the reduction of maintenance costs. Modern technological devices and information solutions undoubtedly include modern HV and MV devices and equipment, complex data capture and remote-control systems of the distribution network in the remote-control centre, MV network automation with remotely controlled switches, voltage quality registration systems in TPs, telecommunication systems, modern software and similar.

Preventive maintenance included checking the condition of power lines and devices, execution of clearings in power lines and devices corridors, revisions of RTP, RP, TP, switches, transformers, protection devices, and carrying out control measurements and operating tests of protective devices.

Proportion of performed audits of transformer stations in year 2022 according to the method of execution

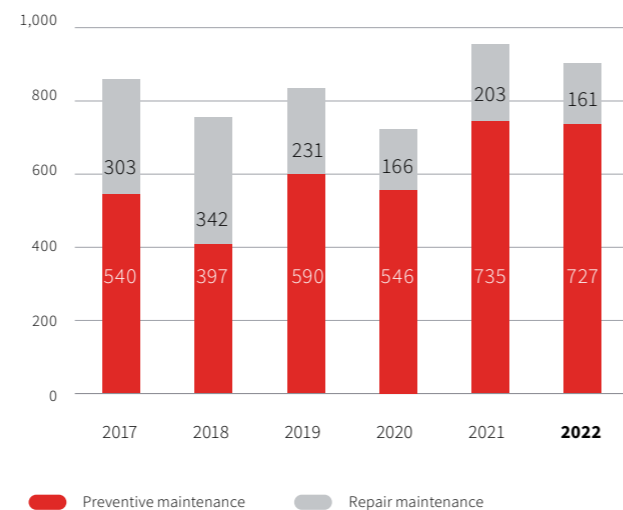


We also paid attention to the diagnostics of MV cable lines, on the basis of which we determine the condition of lines and devices, which is the basis for planning the activities of the so-called forecast maintenance and any necessary investment projects.

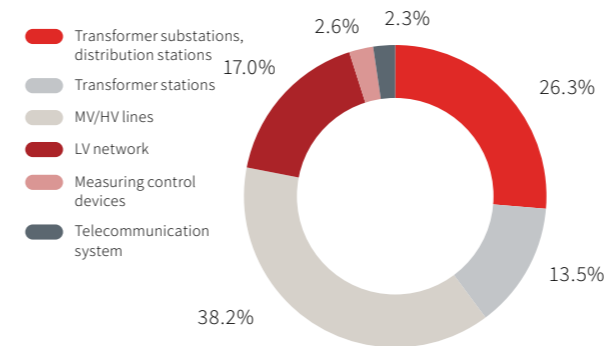
Corrective maintenance as the elimination of the consequences of failures represents a type of maintenance that differs from the planned one mainly in that it is unpredictable in time and usually unexpected. Causes of the failures are varied, from weather events, equipment failures, to damage caused by a third party. Problems were also caused by local storms with windy and heavier showers in the summer months.

As part of the preventive maintenance, we have been using live working methods (DPN) for twelve years with our own and professionally trained staff, and as part of regular audits of transformer stations, we perform cleaning of EE devices and equipment at the LV and MV level. We will continue with this approach in the future and thus further reduce the impact of maintenance work on reliability and uninterrupted supply of electricity to network users.

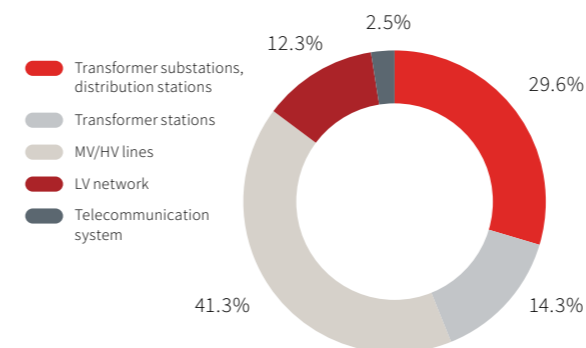
Movement of electricity infrastructure maintenance costs from year 2017 to year 2022 (in € 1000)



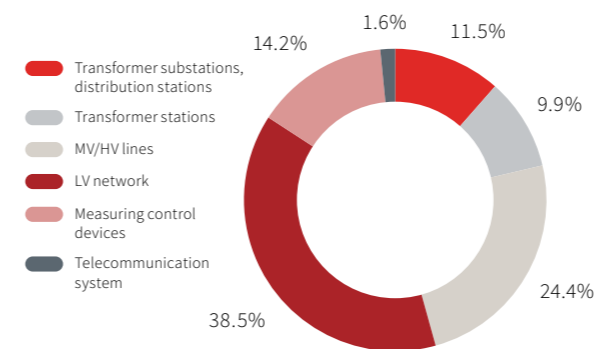
Share of total EEI maintenance costs in 2022 by type of asset



Proportion of preventive maintenance costs by type of asset



Proportion of repair maintenance costs by type of asset



## Development plan

Legal basis for creating a 10-year development plan is written in the ZOEE, which requires that the distribution operator at least every two years update or prepare and submit to AGEN for approval a transparent development plan of the distribution system for the next ten years, whereby it is necessary to take into account the methodology that it is prescribed by AGEN on the basis of ZOEE.

Current Development plan of the power network in the area of Elektro Gorenjska is prepared for the period 2023–2032. It represents the company's strategic document, which defines the key elements of development and at the same time foresees investments that will also in the future ensure adequate capacity of the network and enable a reliable and permanent supply of electricity to customers. It was created on the basis of SODO guidelines and coordination with representatives of all Slovenian distribution companies, the system operator of the transmission network Eles, AGEN, and on the basis of our own data on the development of the network for the specified period.

Distribution electricity network planning is becoming increasingly complex and is highly subject to uncertainties over which the distribution company as a planner has little influence. They include new technologies with new grid operation concepts (smart solutions and flexibility market integration), a rapid increase in electricity consumption as a result of electrification (heat pumps, charging points for electric vehicles), a sharp increase in investments in the construction of dispersed generation sources (MFE), the development and the inclusion of electricity storage units and, last but not least, the development of a regulatory framework that also foresees an active role for consumers in the framework of the planned flexibility market in the future.

Key strategic guidelines with which the company will achieve the set goals are:

- simple and equal access to the public electricity distribution infrastructure for network users and optimal development of the network,
- improving operations by optimizing business processes with a focus on better user experience,
- testing new technologies and modern solutions for smart networks,
- placement of elements and solutions of the National Smart Grid Program in the distribution network.

As part of the development plan, an extensive set of investments in the distribution network has been prepared for the coming ten-year period, among which the following more prominent investments stand out:

- in the next ten-year period, the construction of new distribution RTP 110/20 kV like RTP 110/20 kV Brnik – 110 kV GIS and transformation, RTP 110/20 kV Kranjska Gora – 110 kV GIS and transformation, and RTP 110/20 kV Trata – 110 kV GIS and transformation is planned,
- we plan reconstruction of RTP 110/20 kV Primskovo, replacement of switchyard RTP 110/20 kV Jesenice, replacement of 20 kV in 110 kV switchyard in RTP 110/20 kV Tržič and gradual replacement of some TRs in RTP 110/20 kV (RTP Radovljica, RTP Labore, RTP Medvode, RTP Jesenice, RTP Železniki),
- at the same time the construction of 110 kV network will take place, including 2x110 kV DV Kamnik – Brnik – Visoko, 110 kV KBV RTP Jeklarna - RTP Železarna – RTP Jesenice (together with Eles), and the reconstruction of 110 kV DV Škofja Loka – Železniki and reconstruction of 110 kV DV RTP Moste RTP Jesenice,

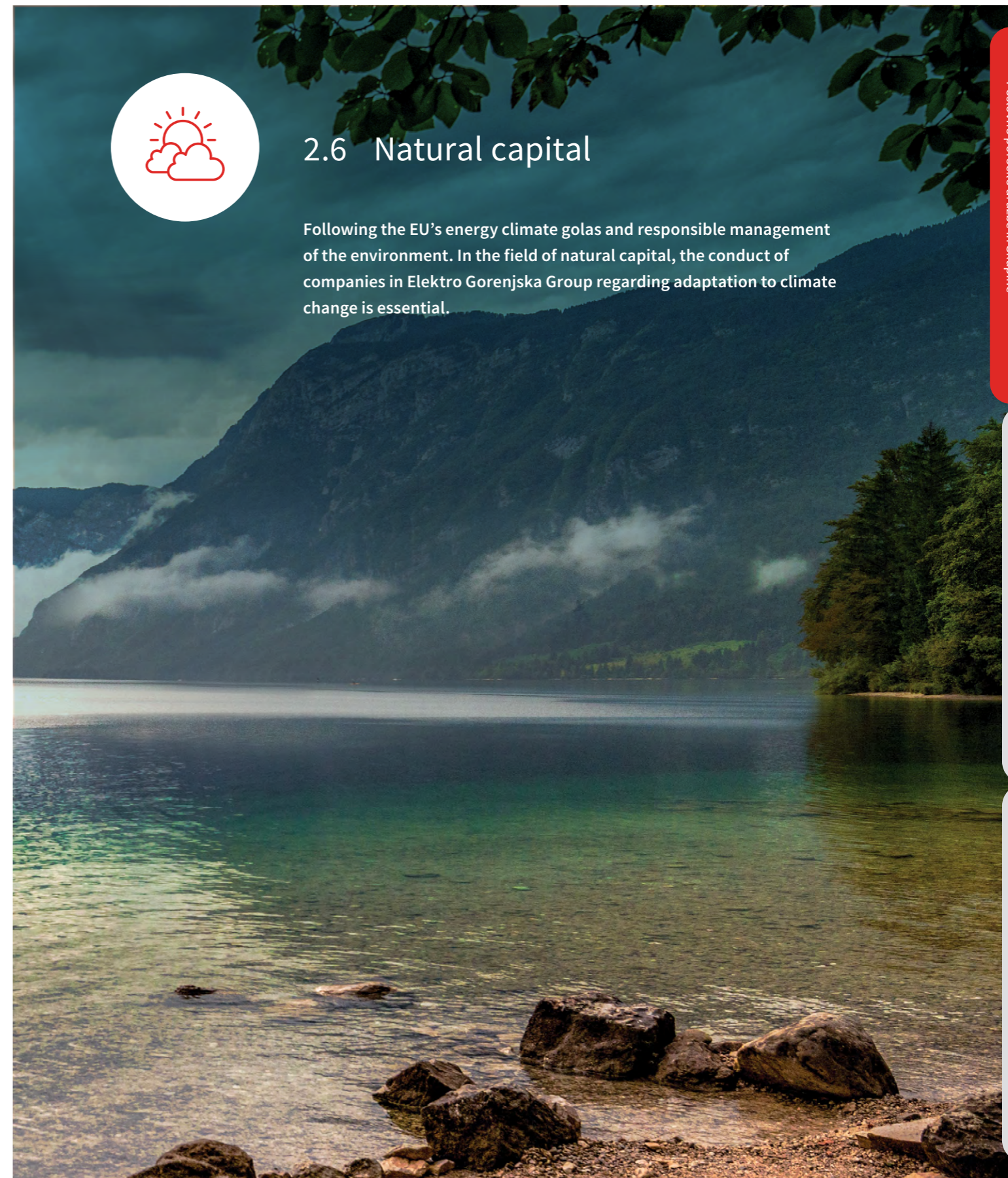
- for the needs of greater network reliability, it will also be necessary to implement some larger MV connections, such as 2x20 kV KBV inclusion in ENP Jesenice, 2x20 kV KBV Moste – Lipce -Jesenice, 20 kV KBV connection to EP via Vršič, 20 kV KBV connection with Austria via Korensko sedlo, 20 kV KBV Rateče – Planica and 20 KBV Poligon – Rateče, and 2x20 kV KBV inclusion Otoč and some other,
- part of the funds will be invested in the automation of the MV network (remotely controlled switches in RMU according to TP), the project of operational measurements of MC according to TP is being implemented, the project of remote meter reading at customers AMI is also being implemented. In the coming ten-year period, we will also pay a lot of attention to smart grid projects.

Approved 10-year development plan is the starting point for the preparation of both the company's investment and business plan.



## 2.6 Natural capital

Following the EU's energy climate goals and responsible management of the environment. In the field of natural capital, the conduct of companies in Elektro Gorenjska Group regarding adaptation to climate change is essential.



## Important results and key indicators

In 2022, we began monitoring the Group's overall carbon footprint (total amount of greenhouse gas emissions). Indicators for 2021 show that the carbon footprint was 38,355 t CO<sub>2</sub>. In 2022, the total production of ecologically clean electricity from RES amounted to 42,098 MWh. Production of electricity from HE in 2022 amounted to 35,696 MWh, from MFE 4,606 MWh and from SPTE 1,797 MWh. Total reduction in CO<sub>2</sub> emissions thus amounted to 20,628 tons.

Releases of fluorinated greenhouse gas SF<sub>6</sub>, which is located in hermetically sealed parts of high-voltage energy switchyards in 2022 amounted to 6,350 kg.

Compared to last year, we managed to reduce water consumption by 10% and heat consumption by 5%.

In 2022, we established a new environmental program »Implementation of the first measurements of electromagnetic radiation (EMS) on power plants«.

## Materialities, risks and opportunities

Materialities	Key risks	Opportunities
Energy	Volatile markets and related price-elastic energy prices; inaccessibility of energy sources	Construction and use of own renewable energy sources; more efficient energy management; installation of new renewable energy systems
Earth	Climate changes and related natural hazards affecting the distribution network (accidents, floods, ice, drought); more difficult siting of electric power infrastructure in protected and more demanding areas; spills of hazardous substances during maintenance and/or upgrading of EEI	Building a robust network using advanced technologies in the field of operation and maintenance; control and comprehensive management of hazardous substances
Air	Direct emissions resulting from the vehicle fleet; emissions of greenhouse gases (SF <sub>6</sub> ) from devices in operation, caused by mechanical damage to the devices	Implementation of best available technology (BAT); gradual replacement of vehicles in the fleet of companies in the Group with electric vehicles
Water	Impact of Qes requirements; risk of weather conditions – impact of hydrology; spills of dangerous substances during transport or in the event of accidents	Development of new HE projects in the field of water supply systems; inclusion of communal projects co-financed by the European Union in cooperation with individual municipalities applying for tenders; obtaining grants for aquatic crossing projects; use of advanced vehicles and associated machinery
Sun	Risk of natural disasters – fire; lifetime; risk of weather conditions	Obtaining grants for the construction of new production facilities

## Main directions in the field of environmental management of the Elektro Gorenjska Group

Main directions of the company in the field of environmental protection comply with the requirements of the ISO 14001:2015 standard. Environmental management system (SRO) ensures that the company complies with the requirements of environmental legislation when carrying out its activities and manages all environmental aspects that appear in the company's operations.

Process of the environmental management system at Elektro Gorenjska Company has 14 activities, the most important of which are the following: cooperation with external institutions and stakeholders, environmental policy and the scope of operations, recognition of environmental aspects of operations, assessment of environmental aspects, determination of measures and options for improving SRO, monitoring of SRO environmental programs and objectives, monitoring and reporting on the state of system operation (SRO council meetings), environmental emergency management, internal and external audits, preparation of reports and reporting on environmental aspects for management review.

In Elektro Gorenjska in 2022, we continued with activities that comprehensively reduce the impact of electricity distribution activities on the natural environment. We have recognized 16 environmental aspects, which we want to manage as best as possible based on the annual assessment. Based on measurable results, we monitor 12 environmental indicators, two of which relate to EMS, three to waste, four to energy products, one of each to noise, soil and emissions.

We regularly adapt our operations to the requirements of environmental legislation, which we regularly monitor, and we implement all current changes that concern our field of operation into operational processes. By educating and raising awareness of the internal and external public, we ensure that the rules applicable to environmental management are respected by both employees and suppliers.

In the Elektro Gorenjska Group, we are building a distribution network and energy facilities that, to the greatest extent possible, take into account environmental standards and accepted guidelines on the way to a low-carbon society. In accordance with climate change, we are building a network underground (overheating, damage due to hurricanes). In terms of energy infrastructure, we use the latest technologies, both in terms of operation and environmental protection, and with minimal risks of environmental accidents.

Main directions of the company in the field of environmental protection are in line with ISO recommendation, and are reflected in measurable results, which are:

- setting environmentally friendly strategic and implementation goals that are balanced with the specifics of our business and development,
- planned prevention and reduction of the impact of activities on the environment and living space,
- continuous improvement of environmental protection,
- regular monitoring of the use of resources, especially energy consumption, and consequently costs,
- transfer of the best own and other environmental good practices to companies within the Elektro Gorenjska Group,
- monitoring and fulfilling the requirements of the Slovenian and European legal order, and
- fulfillment of normative and ethical environmental commitments that go beyond legislative frameworks.

As a company, we constantly strive to reduce the impact of our activities on the environment. By educating and raising awareness of the internal and external public, we ensure that environmental responsibility is respected by all employees and also our suppliers.



**Environmental Management Council**

Environmental Management Council, led by the administrator, ensures the implementation of an appropriate environmental policy, while the members ensure the control of individual environmental aspects and the implementation of the environmental programs goals.

Priority goals of the environmental management council are:

- to prevent environmental pollutions in locations where energy facilities and works are located (spills of dangerous oils);
- control of individual environmental impacts with measurements and thus taking into account the values of noise, radiation and light pollution;
- economical handling of energy, raw material and natural resources;
- to collect and recyle waste separately, thus reducing the amount of remaining waste disposed of and
- continuous training of employees.

By consistently implementing tasks and programs, we will be able to prevent or minimize impacts on the environment in which we operate in the long term, respond appropriately to the demands of business partners, owners and interested members of the public, and as a result ensure the sustainable development of the company.

**Development of a comprehensive risk management system with an emphasis on risks due to climate change**

Elektro Gorenjska Group is realizing its climate-related opportunities. In the future, it will further upgrade them with the following activities, which will also help meet the objectives of the National Energy and Climate Plan (NEPN):

- Implementation of network development in accordance with the Development Plan of the distribution system, which will enable connection of new users in accordance with the guidelines of the green transition (power plants, charging stations for electric vehicles, heat pumps, electricity storage ...);
- Own production of electricity from renewable energy sources (sun, water, wood biomass);
- Energy efficiency, which refers to measures that will improve the energy efficiency of the business premises of Elektro Gorenjska and Gorenjske elektrarne;
- Offering comprehensive energy solutions for municipalities, companies and households with annual growth of energy and environmental savings both in the field of efficient energy use and renewable energy sources;
- Electric mobility (expansion of the network of electric vehicle charging stations and their comprehensive management through the system »Gremo na elektriko«);
- Offering new services and products in the field of sustainable mobility (self-sufficient bicycle sheds with long-range electric bicycles).

**Disclosure of essential information on the environmental management of the Elektro Gorenjska Group in 2022**

**Definition and calculation of the Group's carbon footprint and its management**

In 2022, we began monitoring the Group's overall carbon footprint ( total amount of greenhouse gas emissions). Goal of monitoring the carbon footprint is to reduce the CO<sub>2</sub> emissions, which the Group can influence. We monitor emissions from fuel consumption for business transport and work, energy consumption for heating, greenhouse

gas consumption, electricity consumption, oter indirect emissions from: transporting employees to and from work, electricity losses and waste caused by the company by performing their services. Calculation of the carbon footprint is unified at the level of electricity distribution companies in Slovenia and is calculated in accordance with the accepted methodology of the calculation itself.

<b>Elektro Gorenjska Group</b>	Unit	Year	% emissions	Year	% emissions	Year	% emissions
<b>Emissions GHG</b>		2019	2019 (%)	2020	2020 (%)	2021	2021 (%)
<b>Scope 1</b>							
Fuel for transportation	[t CO <sub>2</sub> ekv]	434.57	11.85%	404.37	21.87%	422.26	69.90%
Combustion in stationary plants	[t CO <sub>2</sub> ekv]	36.41	0.99%	37.92	2.05%	46.92	7.77%
Fugitive emissions from cooling devices	[t CO <sub>2</sub> ekv]	0.00	0.00%	13.00	0.70%	17.43	2.88%
Other fugitive and process emissions	[t CO <sub>2</sub> ekv]	3,196.01	87.16%	1,393.55	75.37%	117.50	19.45%
<b>TOTAL SCOPE 1</b>	[t CO <sub>2</sub> ekv]	<b>3,666.99</b>	<b>100.00%</b>	<b>1,848.84</b>	<b>100.00%</b>	<b>604.11</b>	<b>100.00%</b>
<b>Scope 2</b>							
Electricity	[t CO <sub>2</sub> ekv]	268.57	1.00%	0.00	0.00%	26.75	0.07%
Remote heating (heat/cool)	[t CO <sub>2</sub> ekv]	110.05	0.41%	120.46	0.45%	135.15	0.37%
Electricity - losses	[t CO <sub>2</sub> ekv]	26,348.32	98.58%	26,571.64	99.55%	36,757.98	99.56%
<b>TOTAL SCOPE 2</b>	[t CO <sub>2</sub> ekv]	<b>26,726.94</b>	<b>100.00%</b>	<b>26,692.10</b>	<b>100.00%</b>	<b>36,919.89</b>	<b>100.00%</b>
<b>Scope 3</b>							
Transportation to work	[t CO <sub>2</sub> ekv]	301.00	2.41%	241.31	27.84%	200.81	24.16%
Waste	[t CO <sub>2</sub> ekv]	4.62	0.70%	1.63	0.19%	6.42	0.77%
Sale of electricity	[t CO <sub>2</sub> ekv]	342.35	52.01%	303.15	34.97%	300.42	36.15%
Sale of heat energy	[t CO <sub>2</sub> ekv]	295.35	44.87%	320.80	37.01%	323.45	38.92%
<b>TOTAL SCOPE 3</b>	<b>[t CO<sub>2</sub> ekv]</b>	<b>943.32</b>	<b>100.00%</b>	<b>866.90</b>	<b>100.00%</b>	<b>831.10</b>	<b>100.00%</b>
<b>TOTAL SCOPE 1, 2, 3</b>	<b>[t CO<sub>2</sub> ekv]</b>	<b>31,337.25</b>		<b>29,407.84</b>		<b>38,355.10</b>	

### Use of more environmentally friendly services, products and technologies in energy processes and facilities.

Fluorinated greenhouse gas SF<sub>6</sub>, which is located in hermetically sealed parts of high-voltage energy switchyards, perform the function of an insulator and thus ensures the proper operation of energy devices. As a result, the device do not cause greenhouse effects on the environment. With supervision, and above all with regular maintenance, we prevent the possibility of its leakage from high-voltage devices as much as possible, and service and upgrades are performed by authorized contractors with their teams.

Greenhouse gas emissions are also affected to some extent by losses of electricity and heat. Share of losses is by far the most affected by the efficiency of electricity and heat production, and a certain share is also generated by electricity losses in its distribution.

### Comprehensive waste management and care for recycling.

In the implementation of activities, useful and non-useful waste is generated, which includes e.g. construction waste, municipal waste, non-municipal waste (paper, cardboard and plastics as packaging, electronic waste) and hazardous waste. Waste generated is collected separately on the two ecological islands of the company. We hand over waste or leave it to authorized waste collection contractors. By accelerating the separation of waste in business premises, the amount of mixed municipal waste that must be disposed of in landfill has been reduced in recent years, thus reducing pollution and optimizing waste collection costs. We will continue to improve the waste separation system and introduce new collection methods in the coming years as well.

### Promotion of energy consumption reduction and more efficient handling of other resources

Companies monitor water, electricity and heat consumption. Elektro Gorenjska uses natural gas for heating; it also has a built-in gas plant for the simultaneous production of electricity and heat. Gorenjske elektrarne Company is heated by a heat pump.

Companies of Elektro Gorenjska Group are connected to the public water supply network. Share of water from the public water supply network after use in business processes becomes municipal wastewater. For this wastewater, the companies in the Group ensure appropriate management, taking into account the specifics of the geographical location of the facility. In locations where it is not possible to connect to the public sewerage system and where there are no permanent workers present, wastewater is collected in non-flowing septic tanks. If technical possibilities allow, small municipal wastewater plants are installed as part of the reconstruction of energy facilities. Connection to the public sewerage system is arranged in locations where this is technically and economically possible.

### Reducing air emissions

Concern for air quality is primarily related to efforts to continuously reduce emissions from heating. As a result, we ensure the installation of modern systems and devices in the field of refrigeration technology, air conditioning and heating. Efficiency of emission control is ensured by regular inspections of authorized contractors and checked by regular monitoring of air emissions. In our activity, Elektro Gorenjska generates the most greenhouse gas emissions from its vehicle fleet. When replacing the vehicle fleet, we choose only vehicles with low CO<sub>2</sub> emissions.

#### Total amount of SF<sub>6</sub> gas in energy devices and energy loss in distribution in years 2021 and 2022

Type	Occurrence	2021	2022
Gas SF <sub>6</sub> (kg)	Insulation of energy facilities (RTP, RP, TP)	5,600	<b>6,350</b>
Electrical energy loss in distribution (kWh)		43,707,672	<b>41,835,123</b>

#### Waste by type in years 2021 and 2022

Type of waste	Occurrence	2021	2022
Useful waste (revenues in €)	construction site/ at investments	33,136	<b>26,240</b>
Non-useful waste (cost of disposal in €)	construction site/ at investments	13,972	<b>11,762</b>
Municipal waste (cost of disposal in €)	business premises	8,135	<b>8,459</b>
Electronic waste (toners and cartridges in kg)	business premises	70	<b>50</b>

#### Consumption of energy in Elektro Gorenjska Group in years 2021 and 2022

Environmental aspect	Type	Unit	2021	2022
Water	Public water supply (m <sup>3</sup> )	Business premises	2,867	<b>2,579</b>
Electricity consumption	consumption in kWh	Business premises	478,393	<b>575,897</b>
Heat consumption	consumption in kWh	Business premises	1,130,372	<b>1,071,688</b>

#### Fuel consumption of company vehicles in Elektro Gorenjska Group years 2021 and 2022

Type	Occurrence	2021	2022
Fuel in litres (petrol and oil)	company vehicles	169,655	<b>169,569</b>

**Energy-optimal management of office buildings**

In 2022, we continued the implementation of the program for controlling the important environmental indicator »Sanitary and storm water discharge«. As part of the new investment, we arranged the drainage of fecal and storm water in the power facility (KN and RTP) Škofja Loka. RTP facility in the local inspectorate Tržič will be finished in the following years by connecting the facility to the municipal public sewage system.

In 2022, we established a new environmental program »Implementation of the first measurements of electromagnetic radiation (EMS) on power plants«. Three of four goals have already been realized, namely all current TPs were listed, a public tender was held for the first TP measurements, which was carried out together with Elektro Primorska, and the quality indicator KK 385 »Share (%) of implementations of TP EMS measurements« was also established. In 2022, 210 TPS were measured, which is 100% realization of the plan for 2022. Of all planned measurements (650 TPS), which will be completed by the end of 2024, this represents 32.3%. In 2023, 360 TPs are planned for measurements.

**Production of electricity from renewable sources**

Gorenjske elektrarne actively contributes to the creation of savings, reduction of CO<sub>2</sub> and consequently to the sustainable development of the wider society by producing clean electricity from hydroelectric power plants, solar

**Environmental savings in reducing CO<sub>2</sub> emissions and electricity production from renewable energy sources in years 2021 and 2022**

<b>Electricity production (MWh)</b>	2021	2022
HE	51,060	<b>35,696</b>
MFE	3,544	<b>4,606</b>
SPTÉ	1,913	<b>1,797</b>

power plants and cogeneration of heat and electricity and by increasing the implementation of energy efficiency projects.

In 2022, the total production of ecologically clean electricity from renewable sources amounted to 42,098 MWh. Total reduction of CO<sub>2</sub> emissions thus amounted 20,628 tons. To calculate the CO<sub>2</sub> emission savings due to the production of electricity in power plants using renewable energy sources, the value of the CO<sub>2</sub> emission factor calculated at the Jožef Stefan Institute (0.49 kg CO<sub>2</sub>/kWh) is used as a reference data.

**Water protection near hydroelectric power plants**

Watercourse management also requires, among other things, the determination of the Ecologically Acceptable Flow (Qes), which is necessary to meet the ecological needs of water-dependent organisms along the river corridor. Qes represents the amount of water that ensures the preservation of the natural balance in and along the watercourse in the area of hydroelectric power plant.

Hydroelectric power plant must be located in the environment in such a way as to minimize the burden on the environment. Due to the regulation of the watercourse as low as well as high conditions, the operation of a hydroelectric power plant can also be an advantage for the natural environment. Regulation of water at high water levels usually also means improving flood safety in the area of influence of the hydroelectric power plant.

Gorenjske elektrarne Company is liable to pay the Water charge (Water Act, Official Gazette RS 76/02 et seq.), which is calculated in the amount of the water potential of an individual power plant in accordance with the water permit. Cost of water charges in 2022 amounted to € 15,570. In order to obtain and receive water consent for an individual hydroelectric power plant, hourly monitoring of water level measurements at the water reservoir must be carried out at each facility to ensure the biological minimum, which are being implemented regularly in the company.

In arranging watercourses in the area of influence of our HPPs, we also cooperate with the Fisheries research

Institute of the Republic of Slovenia and regional fishing clubs. With all construction interventions in the riverbeds and canals of the power plants, we must obtain the consent of the Fisheries Institute for fish harvesting, which is carried out by the regional fishing club. In 2022, we helped the regional fishing clubs also with donations in cash and in materials and services.

**Reducing air emissions and complying with environmental legislation in the construction and operation of power facilities**

Concern for air quality is primarily related to efforts to continuously reduce emissions from heating. As a result, we ensure the installation of modern systems and devices in the field of refrigeration technology, air conditioning and heating. Efficiency of emission control is ensured by regular inspections of authorized contractors and checked by regular monitoring of air emissions. In our activity, Elektro Gorenjska generates the most greenhouse gas emissions from its vehicle fleet. When replacing the vehicle fleet, we choose only vehicles with low CO<sub>2</sub> emissions.

**Noise**

In order to reduce the noise pollution of the environment and to implement individual measures to reduce it, we ensure the implementation of operational monitoring and expert assessments of noise pollution in individual areas.

Noise generated by transformers in medium and low voltage transformer stations (MV/LV) does not exceed the permissible limits defined by existing regulations, so periodic measurements are not performed. In the case of high and medium voltage substations (HV/MV), noise measurements are performed every three years, wherever necessary.

**Electromagnetic radiation (EMS)**

We regularly monitor electromagnetic radiation in more demanding facilities. Electromagnetic radiation generated by transformers in medium and low voltage transformer stations (MV/LV) does not exceed the permissible limits defined by existing regulations. Based on previous

measurements, we find that no excessive values occur anywhere outside the protected areas of electric power devices, so no additional radiation protection measures are required. Nevertheless, in accordance with the legislation, we perform periodic EMS measurements at distribution transformer stations (RTP) and raise public awareness of electromagnetic radiation. Information is published on the company's website in the section Impacts on the environment.

**Light pollution**

Outdoor lighting of buildings is harmonized with the Decree on limit values due to light pollution of environment.

**Biodiversity**

In the construction of electricity facilities, Elektro Gorenjska and its subcontractors use existing roads and paths as much as possible, and the areas of construction sites is limited to the extent possible to avoid negative impacts on the existing area, vegetation and forest. As part of the construction of overhead or underground transmission lines, all prescribed measures are implemented, with emphasis on the reuse of land removed by excavations, planting seedlings of indigenous shrub and tree species in remediation of forest edges and planting alternative forest islands at individual locations. Visible markings of transmission lines poles and protective ropes prevent birds from getting entangled in the cables.

Before starting the maintenance of transmission lines, we obtain permits from the locally competent unit of the Institute of the Republic of Slovenia for Nature Protection to carry out an intervention in nature, which defines the conditions and the period in which work is permitted. Before carrying out interventions in the forest or forest area, we inform the landowners and the competent district foresters of the Slovenian Forest Service.

Transmission line routes on forestlands are maintained in such a way that undergrowth and clearings are carried out in the width of the buffer zone, which do not exceed 10 cm in chest height. Undergrowth felling is also carried out along all watercourses and amelioration canals.

Maintenance work is carried out in accordance with the Rules on felling, managing wood residues, harvesting and stacking of timber assortments (Official Gazette RS, No. 83/13 with amendments) and in a way that it does not endanger the natural biotic environment.

**Use of biodegradable oils**

In the case of energy facilities (hydroelectric power plants), we use PANOLIN HLP SYNTH biodegradable oils as much as possible. In parts of hydroelectric power plant where oil spills could cause irreparable damage to the environment, biodegradable ones have replaced conventional oils.

**Mobility services**

In the field of mobility, Gorenjske elektrarne focuses on charging infrastructure, which means the establishment, management and maintenance of infrastructure for charging electric vehicles and providing charging services. We are distinguished by adequate support and a system for the control and management of the infrastructure for charging electric vehicles. We offer support to users through the call and control centre, and we ensure the proper operation of charging stations through their constant monitoring.

We promote sustainable mobility by setting up our own e-charging stations and charging stations under our management, thus contributing to the reduction of greenhouse gas emissions and the carbon footprint of the passenger traffic.

**Number of electricity charging stations and number of charges in years 2021 and 2022**

Electricity charging stations	2021	2022
Own e-charging stations	12	12
E-charging stations in management	19	23
Number of charges in own charging stations	6,329	7,215

**Extraordinary environmental events**

In 2022, there were no extraordinary environmental events in Elektro Gorenjska Company. In addition, no negative reports or potential complaints were submitted by interest groups/public either.

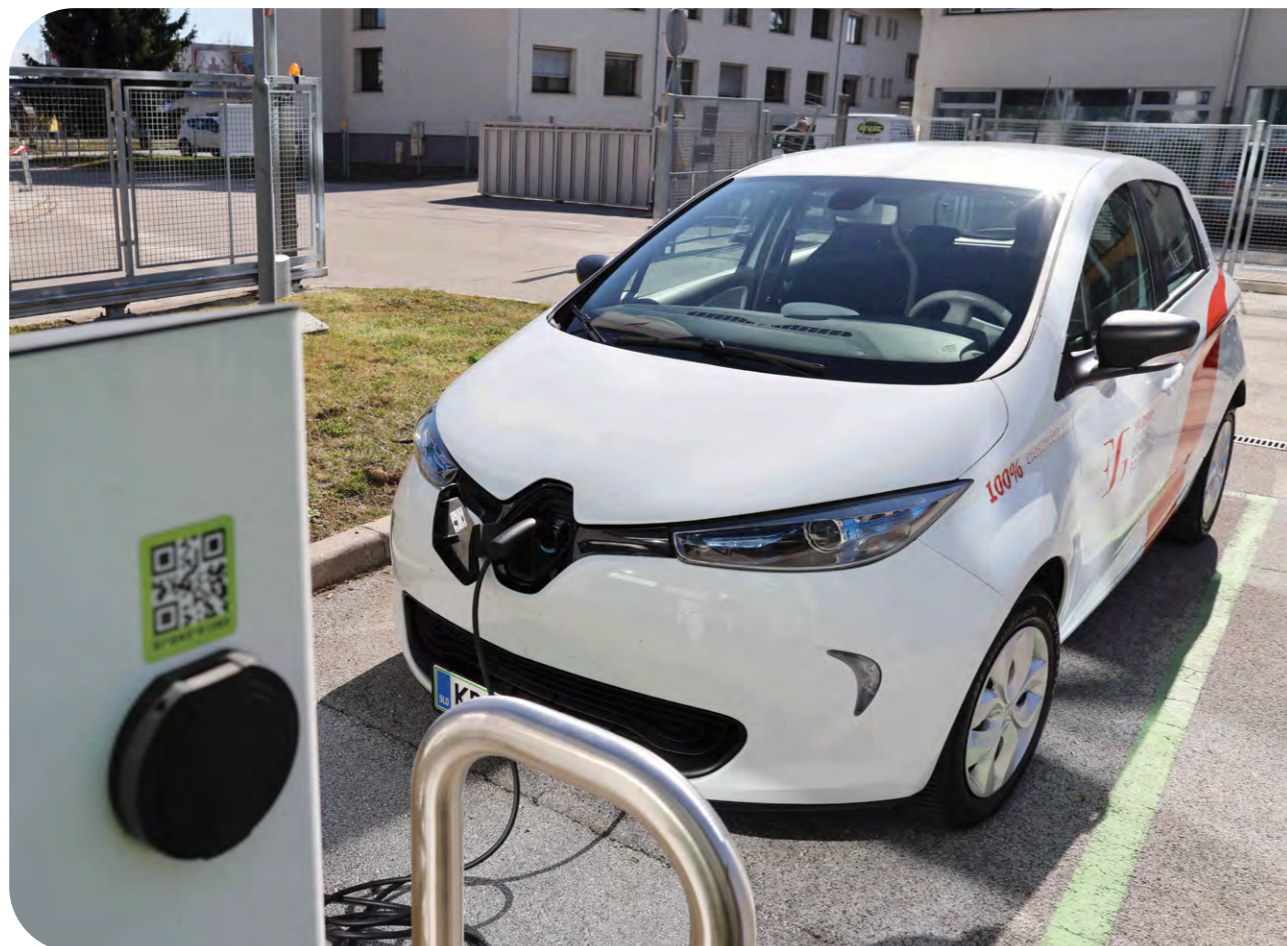


Photo: Gorazd Kavčič

**Raising awareness among employees about environmentally responsible behaviour at workplaces**

In 2022, we continued to raise awareness among employees about various environmental topics. We published an updated handbook for separate waste collection, collected and designed key savings measures that made managing of lighting and heating in office buildings easier and more efficient, and we also reduced paper consumption.



## 2.7 Human capital



Photo: ICES

### Important results and key indicators

Data on employees of the Elektro Gorenjska Group	2021	2022
Number of employees Dec 31	311	<b>319</b>
Average number of employees	308	<b>318</b>
Proportion of men	79.10%	<b>79.31%</b>
Proportion of women	20.90%	<b>20.69%</b>
Average age	45.5	<b>45</b>
Average years of service	23.2	<b>22.7</b>
Share of employees who received training and education	89.94%	<b>88.82%</b>
Average number of training hours per employee	17.98	<b>17.76</b>
Percentage of committed employees	31%	<b>36%</b>
Number of employed disabled people	8	<b>8</b>
Average level of education	6.29	<b>6.29</b>
Share of days lost due to sick leave (per employee)	3.51	<b>3.96</b>
Turnover	4.89%	<b>6.23%</b>
Percentage of annual interviews conducted	94.61	<b>92.65</b>
Number of activities and measures related to health promotion at the workplace	10	<b>10</b>

### Materialities, key risks and opportunities

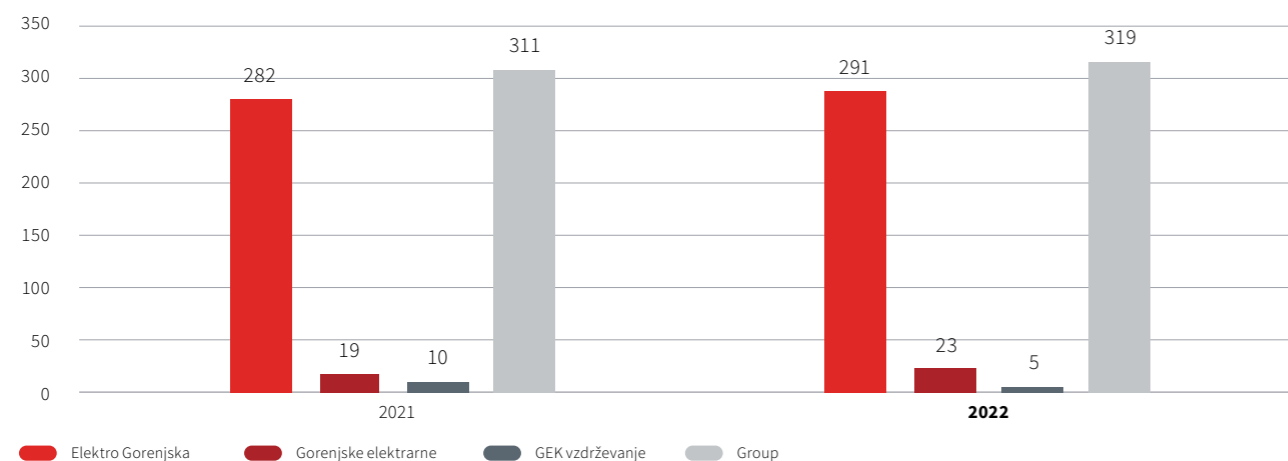
Materialities	Key risks	Opportunities
Motivation	Lack of suitable personnel (newly hired and existing)	Education and training; Transformator Academy, Transformator Summer School, commitment measurement, cooperation with educational institutions, organization of hackatons, scholarships

## Personnel development

### Focused on personnel development

Responsibility, sustainable innovation and openness are the values of the Elektro Gorenjska Group in the principles of daily operation and employment of new employees. Carefully planned recruitment policy, striving for continuous development and education of employees, effective reward system, and monitoring the commitment and employee satisfaction, are the main guidelines of the personnel management in the group Elektro Gorenjska. Our employees are our strategic advantage, so colleagues are stimulated to follow the business strategy and to be innovative in searching for new opportunities and discovering new ways. In this way, we are able to recognize opportunities faster and adapt to changes. We respect equality, open information and cooperation. We place great emphasis on interpersonal communication. Through cooperation and mutual encouragement of employees, we actively create the best conditions for work, and thus also conditions for easier achievement of personal and business goals. We want every employee to do what they do best.

Changes in the number of employees in years 2021 to 2022



### Demographic structure in the Group

On December 31 2022, Elektro Gorenjska Group had 319 employees. Compared to the situation as at December 31 2021, number of employees in the Group increased by eight workers. On December 31 2022, the Group had 5.02% of employees employed with fixed-term employment, which is by good two percent less than at the end of year 2021.

### Employment

Human resources planning is a constituent part of strategic and annual business plan. We seek to gain ambitious and professional new workers. In the process of selection and choice of employees, we provide equal opportunities to all candidates, regardless of gender or other circumstances. Enforcement and protection of rights, obligations and responsibilities arising from the employment relationship is regulated by laws, collective agreements and internal acts. All employees have the rights that belong to them according to the aforementioned acts.

### Fluctuation rate in Elektro Gorenjska Group

	2021	2022
Elektro Gorenjska	4.73%	4.62%
Gorenjske elektrarne	5.00%	8.33%
GEK Vzdrževanje	9.09%	50.00%
Group	4.89%	6.23%

Development, advanced technologies, changes and the needs of the work process require more and more knowledge and a high level of employee qualification, which is why we mostly employ highly educated personnel. Due to the close connection of the profession with the main activities of the companies, over the years we have maintained a high proportion of employees in the electrotechnical profession, or the electrotechnical and mechanical profession in the companies Gorenjske elektrarne and GEK Vzdrževanje.

Fluctuation of personnel in the Group is small and in 2022 similar to the previous years. Departure of workers are mainly the consequence of retirement and to lower extent also of fixed-term employments.

On December 31 2022 there were eight disabled persons employed in the Group, which is the same as in the previous year. In accordance with the statutory quota of employing disabled persons, which amounts to 6% for electricity supply activity, Elektro Gorenjska Company would have to employ 17 disabled persons monthly, while in Gorenjske elektrarne where the statutory quota of disabled persons is 5%, one. Subsidiary GEK Vzdrževanje, which employs less than 20 workers, is not obliged to fulfill the disability quota. Companies that are obliged to fulfill the disability

quota have the option of claiming an alternative quota by concluding contracts and ordering the services of social enterprises. In year 2022 by concluding contracts with two social enterprises, we made use of the possibility of claiming the replacement quota fulfilment for a total of 37 disabled persons.

### Education and educational structure of employees

Much attention is given to the appropriate staff education. Employees participate in various forms of education and vocational training, with a large proportion of them being in the field of health and safety at work. Specificity of the industry in which we operate requires that employees must regularly renew the professional exams required for work with electric power devices. In 2022, we upgraded e-education, several colleagues participated in various online seminars and other digital of education and training. In year 2022 we continued with management training in the field of mastering the soft skills, more than half of all employees have been included in the Transformator Academy – monthly one hour long workshops, where simple, not demanding content was addressed to help cope with everyday challenges.

Level of education 31.12.2022	Elektro Gorenjska		Gorenjske elektrarne		GEK Vzdrževanje		Group	
	Number	Structure (%)	Number	Structure (%)	Number	Structure (%)	Structure	Structure (%)
doctoral level (8/2)	4	1.37	0	0.00	0	0.00	4	1.25
master's degree (8/1)	14	4.81	2	8.70	0	0.00	16	5.02
2. Bologna level (6/2)	65	22.34	8	34.78	0	0.00	73	22.88
1. Bologna level (6/2)	43	14.78	1	4.35	1	20.00	45	14.11
higher level (6/1)	57	19.59	4	17.39	2	40.00	63	19.75
secondary level (5)	65	22.34	8	34.78	2	40.00	75	23.51
three-year vocational level (4)	43	14.78	0	0.00	0	0.00	43	13.48
two-year vocational level (3)	0	0.00	0	0.00	0	0.00	0	0.00
primary school (1)	0	0.00	0	0.00	0	0.00	0	0.00
<b>Total employees</b>	<b>291</b>	<b>100.00</b>	<b>23</b>	<b>100.00</b>	<b>5</b>	<b>100.00</b>	<b>319</b>	<b>100.00</b>

Average level of education in Elektro Gorenjska Group as at December 31 2022 amounted to 6.29 - with level 6 representing higher education.

**Employee motivation and remuneration**

With the goal of increasing employee commitment and satisfaction as well as improving the quality of work, we offer employees various benefits. In our employees, we look for creative potentials and opportunities for development, so we reward their knowledge and skills by measuring their competencies, counselling and developing their professional careers. With this, we try to maintain a high level of employee motivation and increase the competitiveness of internal labour market. We enable all ambitious employees to participate in management and social skills tests. Those that best fit the job profiles of managers are assigned to more demanding positions.

We have been conducting annual interviews with employees for more than a decade. Interviews include a review of the

achievement of goals, tasks and competencies for the past period and the setting of goals for the next year, which also includes a plan for education and development of employees (review of career development). In 2022, we conducted annual interviews with 92.65% of employees.

Personal performance of employees is determined on the basis of the evaluation after the annual interview, when we determine the level of achievement of individual agreed criteria.

We encourage employees to innovate and find new solutions. Level of self-initiative in the field of submitting proposals for rationalization or innovation proposals has increased due to the constant promotion and organization of competitions and other systematic measures taken.

**Organizational culture and employee commitment**

In accordance with the Strategy of the Elektro Gorenjska Group for the period 2022-2026 in year 2022 we paid special attention to the Key Strategic Orientation 3: Development of personnel and an agile organizational culture, the goals

of which are the development of a culture of agility, the development of the employer's brand and the acquisition, development and retention of perspective and key personnel.

We create an environment where employees live the company's values, managers know the qualities of their employees and guide them in a way that is tailored to the individual, thus jointly contributing to the implementation of the strategy.

Feedback on comprehension of a working environment and relations in the company is received from employees by anonymous satisfaction survey every three years and employee commitment survey every year. In this way, with our colleagues we actively create optimal working conditions, as well as conditions for easier achievement of personal and professional business goals.

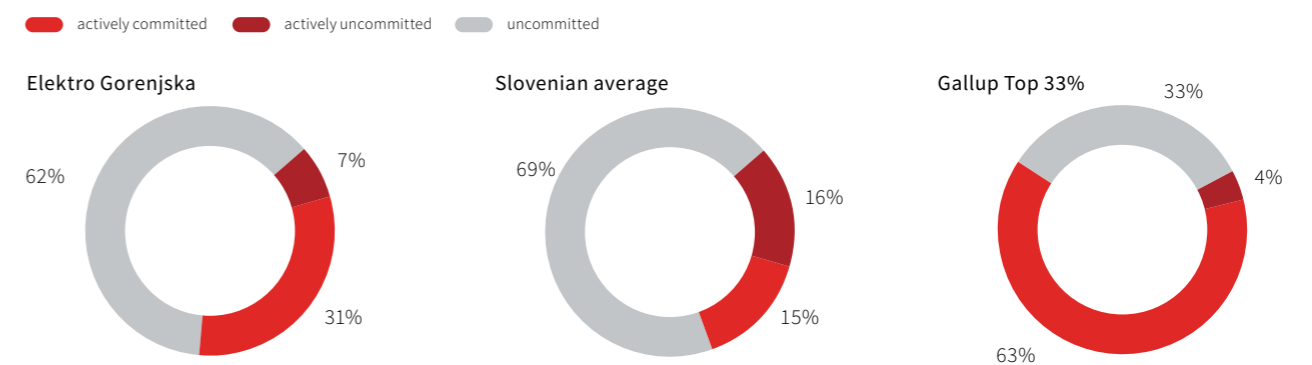
Commitment is measured according to Gallup's methodology. Level of commitment is measured for the entire Elektro Gorenjska Group, as for individual companies in the Group we measure in which percentile the company ranks, compared to the global database on commitment. Based on the performed measurements, the Group has a higher percentage of committed employees compared to other Slovenian organizations.

**Absence of employees for using sick leave**

Absenteeism or longer absence from the workplace for the purpose of using sick leave and parental leave is monitored annually. In parent company, the share of all absences

mentioned in 2022 is higher than in the previous year, but only at the expense of maternity and paternity leaves. Extent of all other sickness benefits is lower. Compared to 2021, unreimbursed absences decreased by 9% on the average number of employees, and reimbursed by less than one percent. In 2022, 154 employees took sick leave at least once, which is 7 employees more than the year before. Average number of days of sick leave per employee is slightly lower than in 2021 and amounts to just under 8 days. In Gorenjske elektrarne, compared to the previous year, absences due to illness increased significantly. Unreimbursed absences per average number of employees doubled compared to the previous year, and reimbursed absences increased by almost 200 percent, due to longer absences caused by illness. In 2022, employees were on average absent due to illness 12 days, while in 2021 they were absent for only 5 days. Also in GEK Vzdrževanje, absence from work due to the use of sick leave increased compared to the previous year. In 2022, compared to 2021, unreimbursed absences per average number of employees are 37% higher. Reimbursed absences, on the other hand, are higher by almost 90%, mainly due to prolonged illness and injuries outside of work, which did not occur in the previous year. Average number of days of sick leave per employee increased by 50% compared to the previous year and amounts to just over 16 days. Due to the small number of employees in both subsidiaries, any absence represents a large impact on the average values.

**Commitment of employees' rate at last measurement, compared with Slovenian and the best global organizations**



**Health and safety at work**

In the Elektro Gorenjska Group, we take care of maintaining and improving the health of employees and a safe and stimulating work environment.

**We take care of safety and health at work on several levels**

- Office for Safety and Health at Work is in charge of ensuring safe and healthy work, which is defined by the Health and Safety at Work Act (ZVZD-1, Official Gazette RS, No. 43/11). Office has two employees, one of them is directly responsible to the company's management and has the authority to carry out professional tasks that are specified by law.
- In 2022, we still faced an epidemic of COVID-19 disease. Crisis management team is still active in the company managing the epidemic. We also prepared a risk assessment, from which most of the measures for the safe work of employees and especially field workers were based. We continued to work from home, thus preventing the spread of infection in the Group. Based on the number of infections, we can assess that the approach and way of solving this problem were very successful.
- In 2022, we made a revision of the Safety Statement with a risk assessment for the entire Elektro Gorenjska Group. Risk assessment covers all jobs in the Group. High-risk jobs for safety and health at work were also identified and various measures related to the safe and healthy implementation of work were envisaged for them.
- Council for the Management of Health and Safety at Work operates within the framework of the ISO 45001 standard. Operation of the Council, which has seven members, represents an upgrade of safety and health at work, which is determined by the law. In 2022, the members of the Council addressed the issue of COVID-19 disease, injuries at work and dangerous events, took the necessary measures, monitored legislation in the field of safe and healthy work and fire safety. They performed an internal assessment of ISO 45001 and participated in its external audit. They successfully

implemented all the recommendations of the internal and external audit and warned employees about safe and healthy work. Special care was given to external contractors and visitors. In 2022, we also performed an audit of risk assessment for those groups that we endanger with our work process or they endanger us. For each of these groups, we prepared a risk assessment and determined measures to reduce the risk to safety and health at work. These measures include, but are not limited to, documents for the safe performance of voltage-free work, written agreements, safety plans, instructions for safe work, etc.

- In order to ensure safe and healthy work within the Works Council, there is also a Safety Work Committee, which consists of three members of the Works Council. Committee addresses the issue of safe and healthy work at the initiative of workers, which can be written or oral. In 2021, the Committee addressed the issue of safe and healthy work, which relates to work with dangerous substances and suggested replacing a dangerous substance with a less dangerous one. In 2022, the Committee continued to monitor the implementation and compliance with the content set out in the Instructions for the safe replacement of fuses, and in March conducted training for all employees affected by these instructions. In 2022, the Committee set itself a new challenge, which relates to solving the issues of introducing and training of new employees for the job and the transfer of good practices among employees.
- In 2022, we carried out 10 activities within the framework of the Program for the implementation of health promotion at the workplace.

**Accidents at work**

In 2022, one injury at work occurred in Elektro Gorenjska, which was of lighter nature, and four dangerous events which, in the future, we will try to prevent with the help of the four measures we have identified together with the participation of employees. No additional measures are required to prevent injuries at work and dangerous events. Quality indicator Frequency of injuries, which tells us what percentage of workers were injured in 2022, was 0.34

percent. Quality indicator, which tells us how many working days we lost per injury, was 75 days.

In relation to the disease COVID-19, we have not had any transmission of infection at the workplace.

**Internal communications**

Concern for the exchange of information and opinions between the companies in the Elektro Gorenjska Group is extremely important due to the different locations and the way of working.

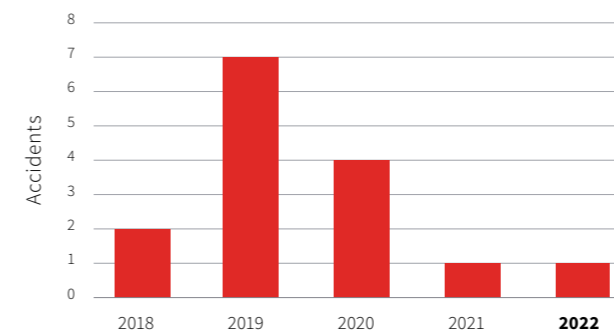
We are aware that employees are effective at their work only if they are properly informed, if they understand the company's goals and know how they can contribute to the realization of organizational goals. Effective communication with employees also contributes to uniform external communication of the company and its positive image.

We plan and manage internal communication in the Elektro Gorenjska Group strategically, prepare annual operational plans, and measure responsiveness among employees. We use direct and indirect forms of communication among employees and obtain feedback from employees through surveys and voting.

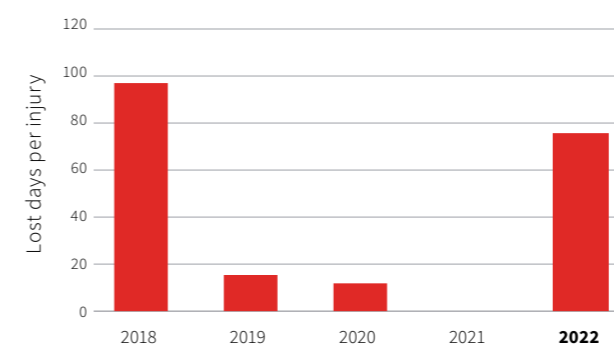
To communicate with employees we use different communication tools:

- intranet portal "Središče", which contains all the information, content from various fields and also all the applications that employees need to carry out work processes and perform work efficiently;
- electronic notifications in which we present current information;
- bulletin boards, where we highlight content that is interesting for for a long time;
- monthly e-newsletter – the E-monthly with all the information about what is happening in the company;
- quarterly printed newsletter, in which we present in more detail other contents interesting for employees – from the operation of projects to other activities carried out by individual services, it is also intended for our retired colleagues;
- newsletter "Naš stik", published by Elektro Slovenija, which is intended for broader topics in the energy industry.

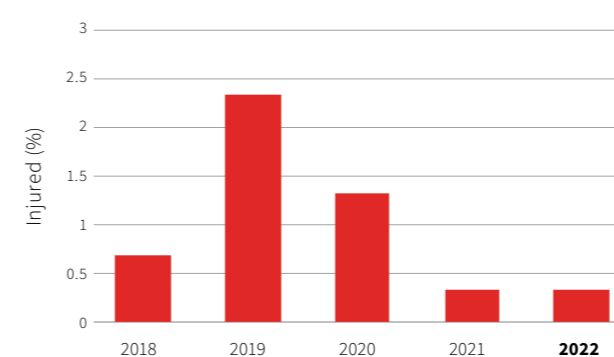
**Number of injuries at work from 2018 to 2022**



**Severity of injuries at work from 2018 to 2022**



**Frequency of injuries at work from 2018 to 2022**





In 2022, we adopted the new strategy of Elektro Gorenjska Group for the period from 2022 to 2026. We made sure that all employees became familiar with it, namely through events for employees, we prepared a brochure in which we presented the key strategic orientations, we also reformulated the content of the internal newsletter, in which we systematically included the content of the strategy. We also designed a strategy for appearing in social media Facebook and LinkedIn.

We are aware that direct communication is key, which is why, in accordance with our financial capabilities, we have organized gatherings for employees, such as:

- an open day, where we presented the activities of our teams in the field,
- a company day, gathering of our employees with inclusion of sport activities,
- sports games of distribution companies,
- New Year's gathering of our employees.

Direct forms of internal communication also include meetings of core groups within sectors or services that we perform in person or in digital form.

In 2022, more than 40% of employees participated in the survey on employee satisfaction with internal communication and on satisfaction with the communication channels used. Results of the survey are helpful for continuous improvement in the field of internal communication and information transfer.

#### Workplace health promotion

In 2022, the Group for the Promotion of Health at Work took care of maintaining health, well-being, and mental and physical balance.

With the help of ten measures for the promotion of health at workplace, the group encourages employees to actively participate in activities for the protection and promotion of health, acquaints them with content in the field of mental health, and enables them preventive examinations and vaccinations. Implementation and success of selected measures in the field of workplace health promotion are annually audited at the meetings of the health promotion group, which meets in person or virtually according to the current content. Health promotion group reports to the management on the activities and implemented measures, and success of the measures is checked by conducting a survey among employees. Program for planning and implementing workplace health promotion is annually revised and adjusted to financial capabilities and current conditions.

S T MREŽA ELEKTRO GORENJSKE B

## 2.8 Intellectual capital

In addition to materialised values, in the company and group Elektro Gorenjska we also create dematerialised values by developing our own system solutions, systems for induction of new employees, our own process solutions, and encouraging the development of innovation proposals and their implementation.

KRANJ

Photo: Gorazd Kavčič

Poslovno poročilo družbe in Skupnine

Računovodsko poročilo družbe

Računovodsko poročilo Skupnine

## Materialities, key risks and opportunities

Materialities	Key risks	Opportunities
Development of new (own) services (innovation systems)	Operation of own information system	Further process optimization; digitization; marketing of own information services, development of new technological solutions for production and distribution activities; interdisciplinary integration in the Group and transfer of good practices; connecting with educational institutions – creating a base of young talents
	IT/information risks (cyber security, system failure, misuse of information)	
	Lack of adequate personnel	
	Lack of investment funds	
Leadership ways	Lack of adequate personnel	Connecting with educational institutions – creating a base of young talents, education for improved management approaches
Cyber security	Lack of adequate personnel	Further process optimization
	Lack of investment funds	
	Protection of information	

## Management

### Development of new information solutions

Value of information solutions that are the result of our own development is just under € 0.5 million. We also developed some information solutions in cooperation with external contractors.

With the knowledge we gained from participating in past CIM (Common Information Model) projects, we implemented our own CIM integration platform, which we use in the company to exchange technical data about electrical energy infrastructure (EEI) assets. Through the CIM platform we integrated the systems GIS, eIS (invoicing) and NAV (Microsoft Dynamics NAV). In the future, the new ADMS will be integrated with other systems via the CIM integration platform.

Due to the increased dynamics of the integration of new consumption and production in to the LV network, the need to simplify the integration process has arisen. Therefore, we internally developed a method that we implemented together with an external contractor in the form of the

Hosting Capacity IT tool, which is intended to determine the installation capacity at measurement points and would facilitate the process of RES integration.

In order to improve the efficiency of the execution of tasks of the distribution network operator, we have developed our own web application Task Manager, which is intended to support the execution of tasks in the field. Solution enables comprehensive preparation and coordination of tasks, as well as control over assignment of tasks to contractors in the field, who are either employees of local inspectorates or contractors of work on measurement and control devices. Solution is also closely integrated with a mobile application that is used by contractors in the field and through which delegated tasks are ultimately carried out in the field.

Integrating information solutions with each other usually significantly increases the value of individual information solutions. By integrating solutions, individual, otherwise separate, solutions are combined into larger systems that are regulated and operate according to the rules we have set.

By integrating, we usually increase the quality of data entry and shorten the time required to carry out those business processes that start in one system and continue in another, as the user no longer has to perform certain actions manually. For effective and high-quality implementation of integrations, a good knowledge of the systems that we integrate with each other is crucial. At Elektro Gorenjska, we developed most of the integrations and manage them ourselves.

### Management style

Organizational culture is very important to us. We strive to achieve the highest possible commitment and satisfaction of employees, we encourage innovation and the realization of strategic goals. From our colleagues we expect inclusion, cooperation, taking responsibility, innovation and goal orientation. Colleagues know their talents (Strengths), we train them to develop talents into excellence. By recognizing the competences and development potential of our colleagues, we further motivated them and gave them the opportunity to advance and occupy more demanding positions. We carefully monitor the recruitment of competent, creative and highly committed employees at all levels. We create an environment where employees live the company's values, managers know the qualities of their employees and guide them in a way that is tailored to the individual (Strengths Based Leadership). Our goal is for managers to develop authentic leadership, develop empathy and become more customer-oriented and aware of the development potential of colleagues. In this way, everyone will do the work in which they are the best and thus have a higher level of commitment.

### Updates and renovations of business processes

In Elektro Gorenjska Company, we are constantly looking for new solutions and taking care of updates and renovations of business processes within our Project Office. An important contribution to the easy and wide use of the business process scheme is the construction and establishment of an interactive diagram of business processes in the company. Entire structure of business processes is hierarchically distributed on the internal portal, interactive diagrams of business processes have

been added, which open into the depth of individual processes, between the processes themselves or into superior processes. As part of the activities within the processes, documents are also interactively connected. We have established a project methodology based on the Prince2 project framework. In recent years, we have refreshed practically all business processes.

In Slovenia we are the leaders in the field of the development of the live work system.

### Systems and processes for onboarding new employees

In order to get acquainted with the working environment, regulations and business processes as soon as possible, we have also established a process for selection and introduction of new employees. Selection of employees is based on defined competencies arising from the systematization of jobs. For more demanding jobs, we also measure the managerial and social competences of candidates. Even before the arrival of a new employee, we make sure that our colleagues are aware of this; we select a mentor who will accompany a new employee during the introduction, we also ensure that the basic work equipment that the new employee needs is ready. After a personal introductory interview, newly hired colleagues also undergo extensive onboarding, which is carried out via e-learning. Latter is always available to all employees so that they can refresh their knowledge at any time. System therefore includes acquaintance with the company, organization, rules and instructions, and continues with getting to know the job itself and close associates.

### Integrated quality management system in company Elektro Gorenjska

Integrated quality management system (iSVK) is part of the management system of Elektro Gorenjska Company in the framework of which the management undertakes to fulfil its commitment to the quality policy of Elektro Gorenjska.

With the quality policy, which is part of the business policy, the company's management is committed to following the vision in the long run and achieving the set goals in line with strategic orientations. In doing so, it

will promote the culture of a company based on quality, risk management, information protection, employee and environmental protection, investing in employees, ensuring their commitment and satisfaction through the principles of reconciling professional and private life and ultimately committing to constant improvement.

Through established and managed iSVK Elektro Gorenjska meets:

- the requirements of several certification systems evident from the SIQ mark,



- requirements of the accreditation system of the Measurement Laboratory, and other requirements including requirements for risk management according to ISO 31000 standard and requirements for the Family friendly company certificate.



iSVK enables all activities to be linked into an effective system that leads to the realization of vision, strategy and mission and enables risk managements and good business cooperation with end customers, employees, owners and the environment. In addition to the good operation of the systems, good communication, continuous improvement and regular checking and monitoring of the operation of all systems within the iSVK, are absolutely necessary to ensure an effective iSVK.

Each part of the iSVK (system – SVK, SRO, SVI, ML, VZD) is taken care of by a specially appointed council whose task is to ensure compliance of the system's operation with both legislative and basic system standard requirements. Common goals of iSVK are as follows:

- monitoring the implementation of the strategy of the Elektro Gorenjska Group, which is monitored with 60 established strategic indicators;
- management of 41 business processes of the company Elektro Gorenjska, the operation of which is monitored with 186 indicators;

- management of 31 strategic risks of the company Elektro Gorenjska;
- management of 16 environmental risks of the company Elektro Gorenjska;
- management of 35 information security risks of the company Elektro Gorenjska, which also include cyber risks and risks arising from providers of essential services and the implementation of critical infrastructure activities, and
- risk management from the point of view of safety and health at work of the company Elektro Gorenjska, which are managed within the risk assessments arising from individual workplaces.

When it comes to managing the iSVK itself, of great help are our own applications prepared for this:

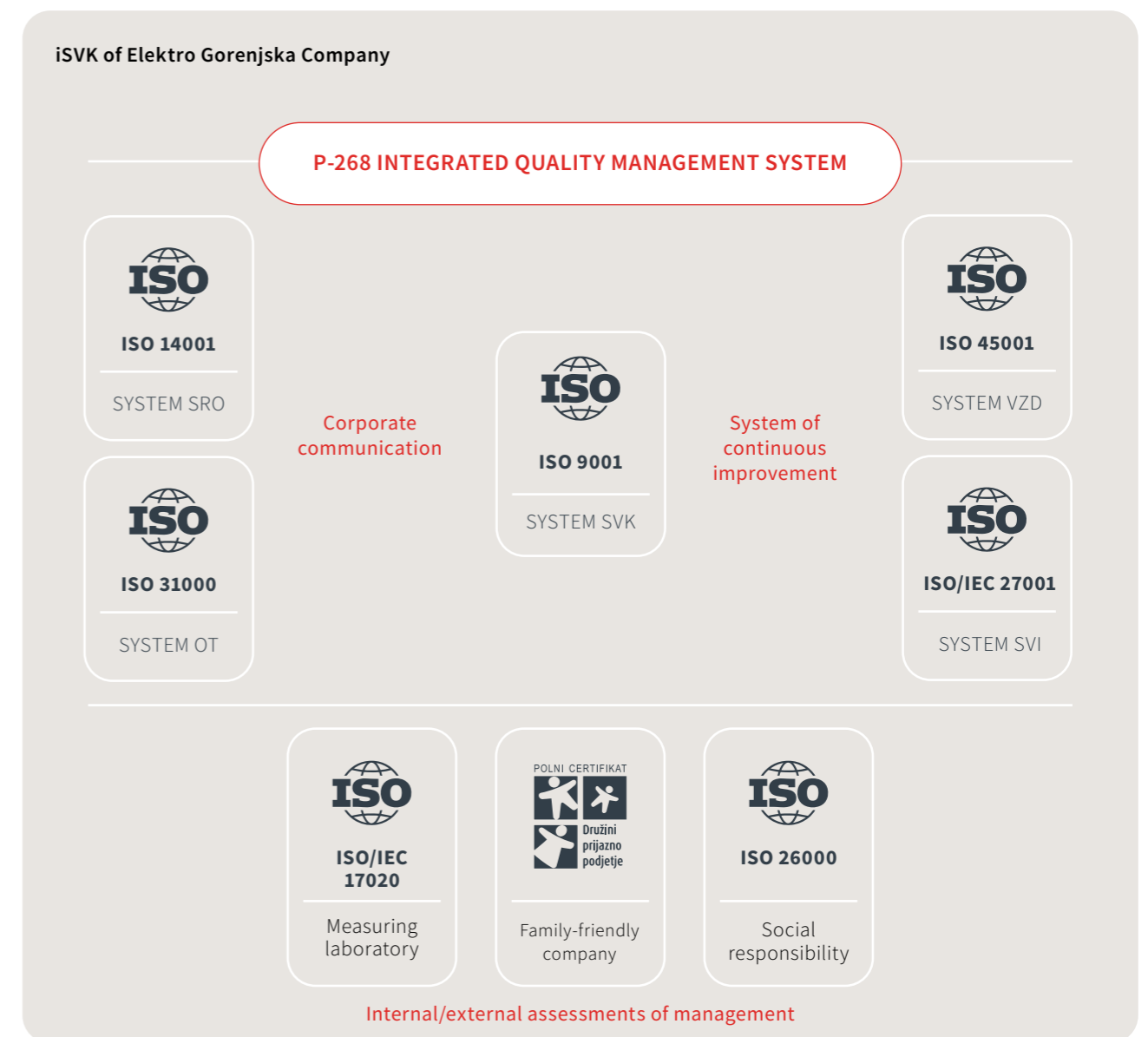
- for managing the strategic risk management system (system OT);
- for entering strategic risk control states (system OT);
- for managing the quality system (system SVK), with the help of which changes are controlled both in the area of documents, processes, risks, and last but not least, indicators, with which both the implementation of the strategy and the operation of individual processes are monitored;
- for managing the findings of audits and accreditations, both internal and external, according to the PDCA approach (system iSVK);
- for managing the information security risk management system (system SVI).

Trend of increasing the quality of implementation of individual business processes of Elektro Gorenjska is reviewed quarterly and discussed at the meetings of the Quality Committee and meetings of the College of the Chairman of the board, where activities of other management systems within iSVK are also reported. Systematic approach of operating within iSVK proves that the company is fulfilling its commitment to continuous improvement, continuous growth and sustainable operations.

In 2022, a total of 116 proposals – measures, improvements, were submitted that helped to improve the functioning of the system and encourage employees to seek improvements and additional measures that have a positive impact on the Company's good operations and encourage additional employee commitment and environmental management.

In Elektro Gorenjska we are aware that all employees are responsible for the success of the company. For successful development and growth, their satisfaction and their commitment are crucial, which is also a key goal of the Family Friendly Company Certificate. Since 2015 Elektro Gorenjska Company has been implementing as many as 16 family-friendly measures aimed at improving the overall well-being of its employees in the workplace.

As a proof that Elektro Gorenjska is properly implementing measures that significantly contribute to strengthening of positive relations between employees and effective and joint addressing of the challenges of sustainable development, social responsibility, as well as maintaining and improving the health and safety at work of employees, the company received a special thanks for 2021 by the Ekvilib Institute for spreading the culture of family-friendly company.



## 2.9 Managing risks and opportunities

### Presentation of the key risks of Elektro Gorenjska Group and their management

Following is the presentation of individual important current risks, which the Group is actively dealing with in its specific business environment.

#### Methodology of the Energy Agency and other regulations in the field of electricity distribution

Revenues referring to infrastructure lease and payments for services rendered are determined by the Agency through Act determining the methodology for charging for the network charge and the criteria for establishing eligible costs for electricity networks. Due to changes in legislation in the field of public utility service (GJS DO), there is a risk of lower revenue due to failure to achieve the required cost efficiency and the risk of appropriate development, in accordance with the current investment plans defined in the Company's Business Plan, Network Development Plan and Investment Plan.

Therefore, the company constantly takes care of the cost efficiency of operations and is actively involved in the preparation of laws and regulations through various working groups. In addition, it takes care of proper planning and optimized implementation of business processes and, within its capabilities, increase market activities to achieve a higher positive business result of unregulated activities in order to relieve the burden on regulated work and create higher added value in the company.

#### Liquidity risk

Company could have liquidity problems, mainly due to uneven inflows and outflows, and long-term procedures for obtaining long-term loans and possibly larger uncontrolled exceeding of planned investments.

Company manages the risk mainly through regular implementation of recovery procedures, short-term and long-term financial planning, regular monthly meetings with services whose activities have impact on the risk, cash

management within the Group, timely implementation of procedures for obtaining debt resources and financial control and adaptation of the dynamics of the volume of investments.

#### Interest risk

Elektro Gorenjska Company has long-term loans with fixed and variable interest rates. Latter is highly dependent on the central bank measures in the European Union. Increase in the interest rate has a direct negative impact on operating results due to higher financing costs.

Company manages the risk by negotiating with banks to reduce existing mark-ups or bank margins and refinancing or repayment of existing loans with unfavourable financial commitments or higher mark-ups that are realistically achievable in the banking market. As well as with proactive monitoring of movements in variable and fixed interest rates and mark-ups of banks, and active search for the most favourable conditions for access to foreign resources.

#### Risk of weather conditions

Gorenjske elektrarne Company is decisively linked to weather conditions in its primary activity. About 90% of the volume production comes from hydroelectric plants whose production is decisively affected by the amount of precipitation. It can also swing +/- 25% around the long-term average. Also, the operation of solar power plants depends on the insolation, and the operation of the SPTE on mild or cold winters. Risks are also associated with changes in climatic conditions due to the warming of the atmosphere.

Company manages this risk primarily through a development policy that is intensely focused on diversifying revenue sources and introducing new types of revenues from energy efficiency projects, thus reducing the share of sold electricity in sales revenues in the long run.

#### Market risk – decrease in the sales price of electricity

Gorenjske elektrarne Company is exposed to fluctuations in the market price of electricity when selling electricity produced.

Company manages the risk mainly by the ongoing monitoring of all factors that affect the price and the consequent anticipation of price developments. Based on the analyses, the Company decides to sell electricity for future periods. Customer is selected based on the best offer. Company significantly controls risk of fluctuations in electricity prices by selling the production of individual power plants in the system of operating supports. Borzen, for each kWh produced, adds a difference in the form of support.

#### Availability of production capacities

As a concessionaire, the Gorenjske elektrarne Company must regularly maintain water infrastructure facilities and aquatic land owned or possessed by it. Loss of production in combination with the machinery breakdown as a result of average, unplanned downtime and poor maintenance can make a significant loss of revenue for the Company.

Therefore, the Company ensures that failure of production units does not occur by performing regular monitoring, enhanced monitoring in case of adverse weather conditions and suitable maintenance. In the event that a production failure occurs, the Company, by engaging employees and own funds or with the help of outsourcers, ensures the elimination of faults as soon as possible. All production facilities are also mechanically protected and fire protected, while the largest five solar power plants and five largest hydro power plants are insured also in the event of a loss of income from the machinery breakdown or fire.

#### Quality of supply

In order to ensure adequate voltage quality, the key is the implementation of necessary investments or long-term follow-up of the Development plan. Deviations in the field of investments may occur due to a lack of investment funds if the annual regulatory framework does not follow the Development plan. There may be a late approval of long-term loans for financing investments by competent

ministries and regulatory authorities; higher criteria of environmental restrictions that prolong, complicate or in any way make it impossible to site the electric power facilities; disputes with plot owners, which complicates the siting of electric power facilities; late approval of investments and provision of conditions for implementation, which is largely influenced by the adoption of the annual Business plan; possible non-fulfillment of contracts by external contractors and suppliers.

Elektro Gorenjska Company manages the risk by engaging all available funds for the realization of urgent investments in EEI, by quality and timely preparation of the Business plan and timely start of the credit approval process, by exemplary cooperation with local communities and coordinated interventions in the environment with other operators (for sewerage, water supply, telecommunications, gas, ...). Aforementioned risk is also reduced by constant efforts to change the methodology of the Energy Agency and the regulatory framework in order to ensure sufficient funds for the realization of planned investments and by proposals to eliminate administrative obstacles in obtaining long-term financial resources. It advocates for appropriate energy planning and enacting of conditions for connecting the users.

#### Continuity of supply

Deterioration of continuity indicators (system and guaranteed standards) may occur due to insufficient funds for continuous investment in the network, lack of maintenance resources, limited employment of qualified staff, insufficient robustness of the network, and insufficient automation of the network.

Elektro Gorenjska Company manages the risk by providing sufficient financial resources for the implementation of all necessary investment and maintenance works, with the planned recruitment and training of the necessary personnel, by replacing MV power lines and overhead LV network with cable conduits, with constant provision of sufficient automation of the RTP, RP, TP and MV network, by replacing individual classic maintenance methods with more modern ones.

### Commercial quality

Commercial quality risk represents the risk that the implementation of the distribution operator's services for users would not be carried out within the foreseeable future.

We guarantee commercial quality by planning the development of the necessary personnel for the next period (recruitment, scholarships, schooling, education), by constantly upgrading information technology (IT) and by regularly checking the adequacy of all indicators and the adoption of appropriate preventive, curative and corrective measures.

### Efficiency of the network

Electric power system has been undergoing major changes in recent years. Distribution networks are becoming the carrier of the transition to a low-carbon society. We have been witnessing the massive construction of MFE and heat pumps for a long time, the use of electric cars is on the rise and there is more and more talk about electricity storage facilities. All the mentioned technologies raise the loads in the distribution, especially LV networks and have a strong impact on the voltage quality. Some of the networks are already overloaded, so it is absolutely necessary to strengthen them, which is not only related to high costs and demanding siting, but also means great time and personnel pressure.

Elektro Gorenjska Company manages the risk by connecting disperse sources to network points with adequate short-circuit power, by using the new QGIZ tool for LV network planning and other supporting tools that increase the observability of LVN, and by appropriate analysis before connecting new larger customers or new customers in the areas, where poor voltage conditions are expected. For guaranteed network efficiency, AMI and MiSmart measurement data are used in its planning, and we introduce advanced analytics. We look for opportunities to use flexibility services (customer flexibility).

### Quality of service and achieving a great user experience

In 2022, the company Gorenjske elektrarne started with the intensive installation of MFE and supply of energy at the customer's location. As a result, the company is committed to ensuring the expected production, safe operation and upgrading of services in this area.

Company reduces this risk through the use of Solaredge technology and the installation of appropriate materials, the establishment and implementation of power plant monitoring and appropriate insurance.

### Loss of opportunity to build the electricity power infrastructure (EEI)

Loss of opportunity to build the EEI occurs due to the inability to obtain approvals, easements or building permits for siting of EEI. Opportunity to build the EEI can be lost due to information received too late, the impossibility of an agreement or irregular contractual relations with co-investors during simultaneous constructions together with other infrastructure (construction of the road network, telecommunications routes, communal arrangements, etc.).

Risks are managed by proactive cooperation with municipalities, local communities and other infrastructure companies and state institutions, as well as by planning and monitoring the realization of the preparation of investments in MV and LV infrastructure.

### Lack of investment funds

Risk represents an example that the Group fails to provide funds for the realization of planned investments due to lack of own funds and due to the inability of the company to borrow to the required extent. There is a possibility of a shortage of own funds due to changes in legislation, which lowers the results of operations and may also present more difficult conditions for obtaining loans to finance investments. Amount of own funds is also affected by the payment of dividends to owners. In the long run, this risk may increase, as lower investment in infrastructure could lead to poorer voltage quality, greater power outages and poorer commercial quality.

Risk is managed by adjusting the volume of investments (rebalancing) in accordance with the available funds, active correspondence with SSH as the umbrella manager of state capital investments and majority owner, timely correspondence with the company's supervisory authorities and constant employee awareness of the company's strategic orientations.

### Implementation of ineligible investments

There is a risk of making investments that are not economically or technically justified. We can influence the technical justification in full, but the economic justification only partially due to the nature of the activity.

To manage the aforementioned risk, the company Elektro Gorenjska has established a system of long-term planning of the electricity distribution infrastructure. When implementing investments, we always take into account the valid classification and the latest state of the art, which has already been tested in practice, which means that the most modern devices and equipment are installed, which will also in the future ensure a reliable supply of electricity with as few outages as possible for customers connected to the distribution network.

### Defects and averages

Defects and averages of unknown magnitude may occur due to external impacts (weather conditions, unintentional damage caused by third parties) and faults in power devices.

Risk is managed primarily through proper network construction, maintenance and operation, and continuous upgrading of information technology as well as appropriate infrastructure insurance.

### Purchasing risks

There is a risk that the companies in the Group do not provide timely, required or ordered and price-coordinated supplies of materials and performance of services / constructions. Purchasing risks and consequent inability to perform public procurement for the purchase of equipment or for the performance of services / construction may

lead to non-compliance with applicable legislation. Delays in starting the implementation of the public procurement procedure, submitted requests for audit and other risk factors can cause delays and jeopardize the implementation of planned investments, increase the company's costs and also the inability to carry out basic processes in the company.

Companies manage the risk by consistent compliance with the law, strict application of supplier evaluation guidelines, professional preparation of tender documentation, following the portal of the Public Procurement Directorate and practices of the National review Commission, professional training, and proper scheduling of procedures.

### Reduction of supports for electricity generated from RES

Gorenjske elektrarne Company recognized as one of the major risks the risk of reducing supports for electricity generated from renewable energy sources. In this context, we evaluate the risk that the government will, in any way, reduce the already approved supports within a single power plant or source of production by means of a regulation or a decree.

Indirectly, we can avoid the risk or mitigate it with other revenue sources, especially in the area where revenues are not linked to supports for electricity produced.

### Impact of Qes requirements

Qes is the economic minimum flow that must be provided when capturing water for generating electricity from the HE. Possible change, especially in the direction of the increase in Qes due to the introduction of water permits (previously a concession), would mean a decrease in production capacity in the hydrological sector and a consequent decrease in revenues in this segment.

We reduce the risk through appropriate dialogue with the Ministry of Infrastructure RS and the Ministry of the Environment and Spatial Planning RS, as well as through diversification of revenues.

**Environmental risks**

Risk factors that can lead to harmful effects on the environment are mainly: failure to comply with the provisions of legislation and internal instructions and regulations in the field of environmental management, failure to comply with the decisions of energy and environmental inspectors, breakdown of plants and equipment, working with dangerous substances, hazardous waste, external influences (weather conditions, damage caused by third parties, natural and other disasters).

Group manages the risks primarily by monitoring and complying with the environmental legislation, by meeting the requirements of the environmental management standard ISO 14001:2015, raising awareness and educating employees about how to manage environmental aspects, systematic identification of new impacts on the environment and appropriate insurance of electricity infrastructure as well as non-energy buildings and devices.

**Lack of adequate personnel**

Risk includes the lack of skilled personnel, loss of key personnel, and the inability to acquire competent personnel.

Company manages the risk primarily by appropriate recruiting of new staff (especially highly educated staff), motivating the existing staff, scholarships, possibilities of schooling for obtaining a higher level of education, additional education or empowerment of employees and their appropriate development (e.g. through personal and team coaching and other forms of soft skills development).

**Operation of own information system**

ICT risk is any threat to business data, critical systems and business processes. This is the risk associated with use, ownership, operation, integration, influence and acceptance of information and communication technology in the company.

Company manages the operation of its own information system by implementing an information security policy, systematic management of IT risks, regular audits of information systems by external contractors, implementing

the activities of the business continuity plan and by implementing the activities included in the information strategy. We also manage the risk with new technological solutions.

**Information security**

Activities of the company Elektro Gorenjska, may result in intentional or unintentional misuse of information and in their loss or unauthorized disclosure, which would constitute a breach of the law and, in the worst case, could jeopardize the company's operations, in particular in terms of financial losses, cash flow, company's reputation and contractual obligations.

Risk is managed primarily by implementing legal requirements, regular monitoring of information risk management within the established information security system (ISS), raising awareness and informing employees about how to manage information risks, by systematic identification of new information risks and their management, the implementation of information risk management programs, maintenance of the reserve – alternative location for the ICT infrastructure, implementing of information security policy and an action plan for communicating the corporate security system.

**Risk management system in Elektro Gorenjska**

Risk management system is part of the process of our integrated quality management system (iSVK). Risk management system is a system that provides management of risks that are of strategic importance and determines the risk management process, which in accordance with the ISO 31000 standard includes identifying, assessing and dealing with risks that could adversely affect operations, all with the aim of achieving long-term business goals. Occurrence of loss or damage may adversely affect the company's assets, cash flow, profitability, reputation and profit or loss.

Key goal of risk management in the company is proactive management of risks that affect the achievement of goals defined in the company's strategic and business plans.

Established risk management system enables us to detect and identify negative trends and take appropriate measures in a timely manner to manage individual identified risks. In addition to managing already identified risks, the system effectively and timely identifies new risks, new threats or factors, existing and additional measures, quality indicators and the like.

Risk is defined in a company as an event or condition that may occur or happen in an uncontrolled manner in the future and may adversely affect the fulfilment of defined objectives and the value of the company. Fact of not taking advantage of a particular opportunity can also be a risk.

**Key content of an individual strategic risk:**

- it is classified into one of three categories: business, financial or operational risk,
- has its own risk manager and business or work process manager,
- has identified key threats of risk factors,
- has an estimated impact of post-management risk that may directly affect the company's profit or loss,

- has measures in place to manage them, both existing ones, which are already being implemented, as additional measures that are in the process of being established and which further reduce the likelihood of materialization of individual risks,
- has a reporting system and key documentation in place.

**Elektro Gorenjska Company risk matrix**

Risk severity in the company is determined by a matrix that contains a combination of risk probability and risk impact assessment and is shown below.

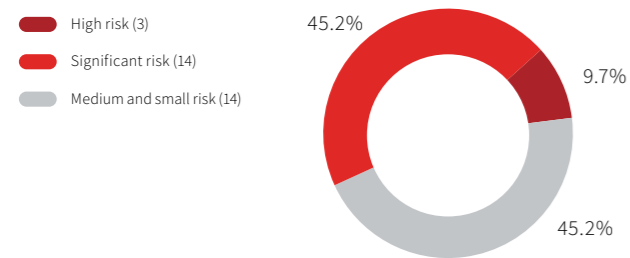
In 2022, the largest part of the identified risks in Elektro Gorenjska Company came from the field of business risks (21), followed by financial risks (6) and operating risks (4). Following is the presentation of individual important current risks, which the company is actively dealing with in its specific business environment.

Risk evaluation matrix in company Elektro Gorenjska

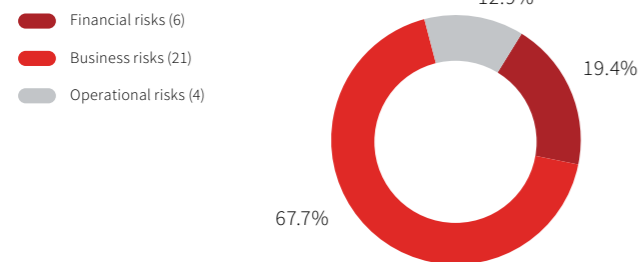
- High risk (H)
- Significant risk (S)
- Medium and small risk (MS)

		potential damage				
		5	10	15	20	25
> 10.0 mio €	impact	5	10	15	20	25
> 2.0 mio € in ≤ 10.0 mio €		4	8	12	16	20
> 0.5 mio € in ≤ 2.0 mio €		3	6	9	12	15
> 0.1 mio € in ≤ 0.5 mio €		2	4	6	8	10
≤ 0.1 mio €		1	2	3	4	5
		probability				
Frequency (once in XX years)		1x20	1x10	1x6	1x4	1x2

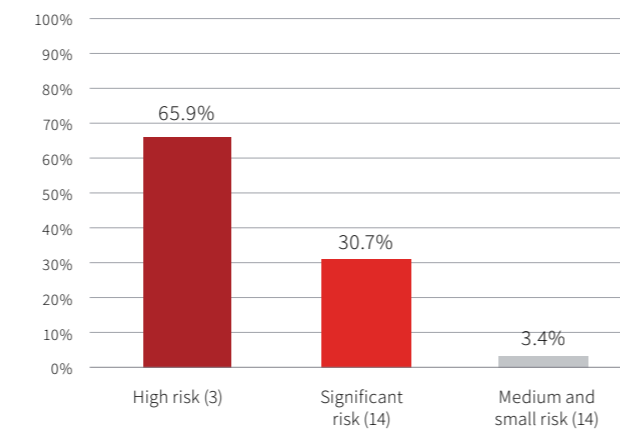
Identified risks in terms of severity on Dec 31 2022 (share)



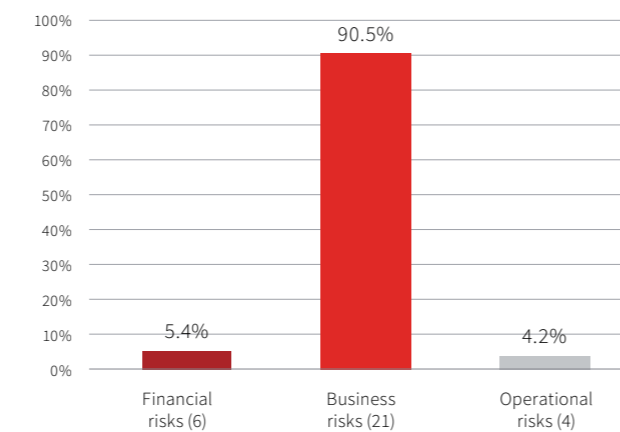
Identified risks by type on Dec 31 2022 (share)



Share of the dynamic value of risk impact on the company's operations by severity



Share of the dynamic value of impact of each type of risk on the company's operations



## Risk management system in Gorenjske elektrarne

Gorenjske elektrarne Company is aware of the necessity for timely and advance identification of all types of risks. Risk management is a process for identifying and evaluating, managing and controlling possible events that could have an adverse impact on the company. Risk management involves providing appropriate assurances in order to achieve the company's objectives.

Aim of the final risk management is their identification and assessment of the severity of the impact on the company's operations in case of realization of a certain risk.

Gorenjske elektrarne Company risk matrix

- High
- Significant
- Medium and small

Probability	Impact				
	1-Minor	2-Small	3-Moderate	4-Big	5-Catastrophic
1-Almost impossible					
2-Very unlikely					
3-Possible					
4-Very likely					
5-Almost certain					

## Opportunity management system

Elektro Gorenjska Group has been rapidly modernizing and reinforcing its distribution network for decades. It has an established system for collecting, evaluating and implementing innovation proposals. System is actively managed by colleagues from all sectors, and the number and content of proposals has been constantly improving from the past five years. Research and development is managed within the Research and Development Department, which actively cooperates with all sectors in the Group on European development and implementation projects. Business development is recognized as one of the key processes in the company and is managed on the highest level, and coordinated by the Innovation Office.

Innovation group works preferentially in the following areas:

- active search, recognition and definition of new business models and opportunities,
- active management and use of the flexibility market,
- implementation of smart grid concepts,
- management of green transition projects,
- management of e-mobility projects,
- change of internal processes to improve the operation of GJS,
- introduction of innovative solutions in business,
- active management of relations with users/prosumers,
- creation and implementation of supporting methodological and software solutions to support business within the new paradigm.

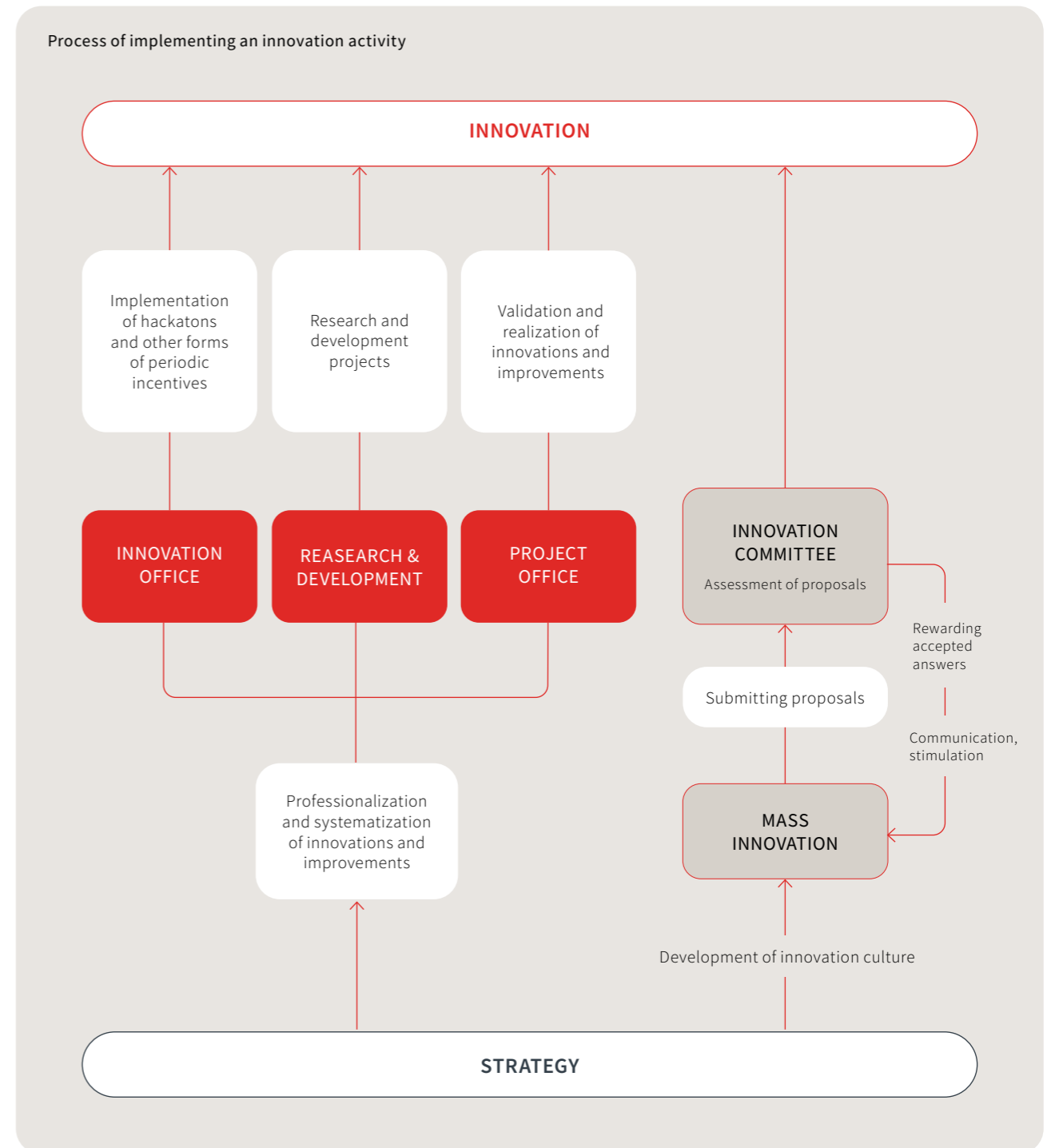
Strategy for the period 2023-2026 envisages the intensification of activities in the field of support for the green transition and investments in smart grids. We will sustainably be increasing investments in development, research and innovation.

### Innovation activity

We pay special attention to innovation activities. In 2022, 62 proposals were submitted of which 53 were assessed as positive. Among the accepted proposals, 4 were related to technical improvements, 1 to other improvements, 17 were useful proposals and 31 small useful proposals. Number of proposals received, and especially the number of positive proposals, is comparable to previous years.

In 2022, we tried to implement the positively defined proposals as much as possible. Thus, we implemented 32 innovation proposals from previous years, namely 11 proposals from 2020, 13 from 2021 and 8 from 2022.

Proposals for innovation activity





## Key development projects

Elektro Gorenjska Group wants to become one of the most pervasive and innovative energy and technological groups, so it is actively involved in various research and development projects, in which it also cooperates with external contractors. Group is running several of its own innovative investment projects. Latter are implemented with own funds, while in development projects additional resources are provided within the EU funds or are included in national co-financing mechanisms, as provided by the Energy Agency and Research Agency of the Republic of Slovenia.

Project name	Brief description and type of project	Duration	Activities in 2022	Total value in €	EG participation in €
<b>OneNet</b> – One Network for Europe	Establishing a pan-European platform for flexibility trading Type of project: EU project, project qualified by AGEN	1.10.2020-30.9.2023	Activities for the development of a common European platform for trading flexibility services continued. Slovenian part of the consortium, which includes Elektro Gorenjska, was aimed at demonstrating the use of flexibility services and developing software interfaces for standardized information exchange with stakeholders in the flexibility services market.	27,900,419	83,213
<b>Creators</b> – Creating Community Energy Systems	Establishing energy communities, including the location in Jesenice. Entire Elektro Gorenjska Group is participating in the project. Type of project: EU project	1.9.2020-31.10.2023	Activities were mainly focused on the development of hardware and software, which will help managers of energy communities in the future. In the elektro Gorenjska Group, we mainly worked on the demonstration at the pilot site in Jesenice, where the new hydroelectric power plant and solar plant are planned, and at the same time we started creating various business models for energy communities.	7,247,500	111,563
<b>DN-FLEX</b> – Local flexibility market platforms for distribution networks	Develop a platform for local flexibility trading, which connects the distribution network operator, aggregators and active customers. Type of project: ARRS project, project qualified by AGEN	1.10.2021-30.9.2024	In the area of the village of Srakovlje, all measuring points were equipped with the latest generation of smart meters with the possibility of additional and more frequent data collection. Algorithm is under development to calculate the required flexibility services to manage the voltage conditions in the entire low-voltage network.	400,000	30,000
<b>TRAFOFLEX (holder SODO)</b> – Advanced concept of efficient use of transformers using DTR technology	To Investigate and demonstrate the possibility of short-term overloads of distribution transformers depending on meteorological conditions with the aim of short-term increase of transformer capacity. Type of project: project qualified by AGEN	1.8.2021-31.3.2023	We have developed a mathematical model for estimating the temperature of the transformer and its core based solely on load data and external weather influences. In 20 transformer stations in Gorenjska region, we installed advanced measuring equipment, which is the basis for machine learning of the model and validation of calculations.	542,450	120,056
<b>EKVILIBRIJ</b> – Identification and estimation of low voltage networks	Using an advanced algorithm to build a topology of low voltage network and compare it with the structure of LVN in GIS and detect asymmetries between phases to improve the situation in LVN. Type of project: project qualified by AGEN	1.10.2021-30.9.2022	Two solutions were demonstrated on a pilot basis, which enable the detection of errors in the data of the geographic information system. Modules have been developed to review data, load, quality of electricity supply and similar functionalities.	120,000	120,000
<b>ŠPAJZA Zlato Polje:</b> arrangement and establishment of an innovation center of the Elektro Gorenjska Group in Zlato Polje	Renovation of the existing empty building next to the RTP Zlato Polje into a modern innovation center, where all the technological solutions available in the Elektro Gorenjska Group will be presented to the general public. Establishment of a living lab through continuous cooperation with the School Center Kranj. Type of project: investment	1.4.2021-31.12.2023	Procedures for obtaining the building permit, which is necessary for changing the purpose of the premises, as well as the construction arrangement of the external appearance of the building and its surroundings, were carried out. In addition, project conditions for obtaining DGD with neighbouring facilities were also being coordinated.	250,000	250,000
<b>Hosting Capacity:</b> Connection capacity calculation tool	Create a tool that will facilitate the issuance of approvals for the connection of new users, taking into account SONDSEE; measurement data, findings from other projects and the possibility of integrating existing applications according to CIM standards. Type of project: investment	1.6.2021-31.12.2023	First phase of the project was implemented, in which we implemented the calculation of the connection capacity of the network for connecting solar power plants according to the valid methodology defined in SONDSEE. As part of this, integration with the EG geographic information system was also carried out.	247,815	247,815
<b>DRIFT:</b> Optimizing the operation of a low-voltage distribution network with integrated flexibility in real time using deep reinforcement learning	Goal of the project is to solve the challenges of controlling elements in the LV network with the help of an approach based on Deep Reinforcement Learning (DRL). This is aimed at learning the optimal management strategy to improve network conditions. Ultimate goal of the project is the development and pilot testing of an algorithm based on DRL, for the LV distribution network. Type of project: ARRS project	1.10.2022-30.9.2025	Use cases where the methodology will be useful have been defined. Key project indicators and criteria for measuring project performance were developed. We started with the development of the deep reinforcement learning algorithms.	400,000	30,000
<b>SmartEAM:</b> Smart Energy Asset Maintenance	Goal of the project is to develop an intelligent system for monitoring and advanced maintenance of critical infrastructure in the electricity distribution network, by introducing an innovative solution that changes the current paradigm of monitoring and maintaining infrastructure in distribution networks. System ensures accessibility even for small and medium-sized electricity distributors (DSOs) with limited investment opportunities, and through the focus on the aspect of predictive maintenance using deep neural networks, it introduces a technological leap in the very process of infrastructure control and maintenance. Type of project: EU project	1.10.2022-30.9.2025	Technology for data capture in the distribution network was analyzed. Analysis of diagnostic methods and identification of maintenance bottlenecks in the distribution network were also carried out, and a system specification of the future solution was developed. Identification and standardization of communication protocols was also performed.	742,335	296,934
<b>DigiGRID:</b> Digital twin of the low-voltage distribution network to accelerate the energy and green transition	Goal of the project is the development of a digital twin of the low-voltage distribution network to accelerate the energy and green transition with an increased possibility of integrating RES into the network. Result of the project will also speed up the processes of connecting the mentioned sources and reduce operational costs. Type of project: SPIRIT project	2.11.2022-31.10.2024	We developed a module for the aggregation of big data and the developments of a module for calculating the feasibility of connecting RES and new loads.	234,188 €	93,675 €

## 3 Corporate management of the company

### 3.1 Corporate governance statement

Companies in Elektro Gorenjska Group operate in accordance with applicable regulations and acts in force in the companies. Management of the individual company represents the company as well as manages the business independently and at its own risk. In this, it adopts the decisions in accordance with the strategic goals of the company and to the benefit of the shareholders and owners. Companies in the Group comply with the documents adopted by the Slovenian Sovereign Holding (hereinafter SDH): Corporate Governance Code for Companies with Capital Assets of the State, Recommendations and expectations by the Slovenian Sovereign Holding, procedures and code of conduct for members of managerial and supervisory bodies in companies with capital investments of the state.

Applicable regulations important mainly for the operations of the parent company and parent company statute are published on the company's web site (<http://www.elektro-gorenjska.si/>). Other acts in force for group companies are available on the web pages of SDH <http://www.sdh.si/>.

In 2022, companies in the Group have not derogated essentially from the principles, procedures and criteria imposed by the stated SDH documents. Parent company declares that it does not respect code provisions or recommendations in regulating issues that are regulated by the law or that the company regulates in accordance with the provisions of the statute in different way than defined by the codes, or in cases when non-statutory conducts are not prescribed in its acts or when conducts are not determined as legal obligation.

Supervisory board members are professional, responsible and independent in performing the tasks in accordance with the provisions of the stated acts by SDH. The parent company informs all supervisory board and committee's members about changes and amendments in SDH acts, as well as about trainings organized by SDH free of charge and enables them to participate in other education in the field of energy.

We do not have recorded a diversity policy in group companies and we do not implement it as stipulated by

the Companies Act-1. We have a one-member Management Board, Supervisory Board members from representatives of the shareholders are elected by the General Meeting, while two employee representatives are elected by the Workers' Council. In practice in all group companies, candidates for a job and employees are not discriminated based on gender, age, race and religion.

Management Board of each company is responsible for keeping proper accounts and the establishment and provision of internal controls, the selection and application of accounting policies and the safeguarding of company assets.

Group companies in the establishment and operation of internal controls pursue the following main objectives:

- accuracy, reliability and completeness of the accounting records and the true and fair financial reporting,
- compliance with laws, regulations, internal regulations and
- effectiveness and efficiency of operations.

We strive to provide the control system effective and efficient in terms of risk management and at the same time cost-effective. So, we maintain:

- transparent organizational scheme,
- clear accounting policies and their uniform application throughout the Elektro Gorenjska Group,
- effective and full staffed accounting function,
- efficient and modern accounting and business information system,
- regular internal and external audits of business processes and operations of the entire company.

Financial controls are based on the principles of division of responsibilities, truthfulness, updating of records, reconciling the balance in the accounts with the actual situation, separation of records from the implementation of the business and the professionalism and independence of accountants. Accounting controls are closely related to the general and application controls in the field of information technology, which among other things, ensure restricting and monitoring of accesses and the completeness and accuracy of data capture and processing.

Control mechanisms referring to individual fields of operation are presented in more detail in chapter **Managing risks and opportunities**. We believe that the current system of internal controls enabled successful operation of the Company and Elektro Gorenjska Group, functioning in accordance with the rules and fair and transparent financial reporting.

Elektro Gorenjska Company also declares that the management of the controlling company actively followed and directly controlled the operations of the controlled company Gorenjske elektrarne and indirectly the controlled company of the subsidiary Gorenjske elektrarne, GEK Vzdrževanje Company, in accordance with the strategic guidelines with the purpose of reaching the set business goals. In leading and managing the controlled company and its controlled company, it has pursued the same standards of corporate management applicable for the controlling company in Elektro Gorenjska Group.

Company Elektro Gorenjska will respect the recommendations of new SDH acts in the future too and in accordance with this, it will perfect and improve its management system. In eventual derogation from the given statement on respecting the codes, the company will provide for the timely publication.

## 3.2 Supervisory board report on verification of the annual report of Elektro Gorenjska Company and Elektro Gorenjska Group for year 2022 according to article 282 ZGD-1



Chairman of the Supervisory Board  
Rudolf Ogrinc, mag. ekon. in posl. ved  
Photo: Gorazd Kavčič

### Supervisory Board operation in year 2022

In year 2022, the supervisory board met at twelve regular sessions and one correspondence session, which is two regular sessions less than in the previous year, since there was no constitution of a new mandate, the number of sessions is expected. 124 decisions were adopted in 2022, the implementation of which is regularly monitored at the beginning of each regular session. In their decisions, all members of the Supervisory Board acted independently and in accordance with the statements given and transparently published on the company's website. They prepared appropriately on the topics of the individual sessions, gave constructive proposals, corrections and comments, as well as adopted decisions, especially after previous discussions, in accordance with their respective responsibilities. Members of the Supervisory Board carried out their work diligently

and responsibly with the duty of careful and conscientious management, in accordance with the fundamental function of supervision over the management of the companies and based on the competences as defined mainly in the Companies Act (ZGD-1), Statute of the company and Rules of the Supervisory Board.

In their work, the Supervisory Board members acted in accordance with the Recommendations and Expectations of the Slovenian Sovereign Holding and Corporate Governance Code for Companies with State Capital Investment. Management board commented on the fulfilment of the above acts and recommendations in the statement on corporate governance, which is a component part of the annual report.

Supervisory Board continued its efforts to upgrade the implementation of good supervisory practices over the company's operations. Members of the supervisory board complemented each other with their knowledge and experience. Supervisory board is composed in such a way that they have all the necessary professional competences for effective supervision over the company's operations. It is also necessary to emphasize the contribution of the two employee representatives, who show great engagement in following the meetings of the supervisory board and the meetings of the committees of the supervisory board, thereby contributing to the effective supervision of the operations based on their good knowledge of the company. All work was carried out in accordance with the adopted Financial Plan and the Annual Business Plan of the SB and Committees. In addition to the usual reports, the Management Board regularly reported on the status and progress of strategic projects.

In particular, the Supervisory Board regularly monitored management reports due to the consequences of the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices (Official Gazette RS, No. 29/22- intervention act), which deprived the company of income from three monthly

network charges. With the reduced guaranteed return, it was necessary to carry out the planned investments in the company, which were curtailed due to the consequences of the aforementioned intervention act. Supervisory Board wanted the management to present measures to mitigate the financial and other business consequences of the intervention act. Supervisory Board regularly monitored the implementation of measures to mitigate the consequences of the intervention act, and above all, it monitored the state of investment projects, in accordance with established practice, through regular half-yearly reports on the state of major investments and the execution of public procurement procedures.

Also in 2022, as part of the reporting of companies in the EG Group and in accordance with its responsibilities and good corporate governance practice the Supervisory Board monitored the operations of the companies Gorenjske elektrarne, d.o.o., GEK Vzdrževanje, d.o.o. and merger procedures.

Supervisory board actively participated in the adoption of the Strategy of the companies in the Elektro Gorenjska Group for the period 2022 – 2026, to which it gave its consent in February.

#### Composition of the Supervisory Board in year 2022

In 2022, membership in the Supervisory Board has remained unchanged since the appointment at the general meeting in 2021 (term of office 2021 – 2025). Composition was as follows:

- Rudolf Ogrinc, Chairman of the Supervisory Board,
- Gabrijel Škof, Deputy Chairman of the Supervisory Board,
- Gregor Tomše, member,
- Vid Meglič, member,
- Iztok Štular, member (representative of employees),
- Borut Jereb, member (representative of employees).

Term of office of the new members of the Supervisory board began on August 29 2021. Continuity of the work of the Supervisory Board was ensured by continuing the term of office of two representatives appointed by employees, whose term of office otherwise expires on August 8 2023.

#### Verification of Company's operations and work of the Management in year 2022

During the year, the Supervisory Board verified operations of the company mainly based on the quarterly financial reports and reports on implementation of strategic projects of the Company's management and obtained data on operations (monthly evaluations of operations of Group companies).

Members of the Supervisory Board mainly focused on the following:

- regular business of the companies, mainly adjustments in the light of the situation associated with the intervention act, which have greatly affected the operations of the parent company Elektro Gorenjska, d.d., with an emphasis on the implementation of investments, execution of construction works and current monitoring of business and financial reporting;
- participation in the preparation of the Strategy of the companies in the Elektro Gorenjska Group for the period 2022 – 2026;
- implementation of the procedure for appointing the chairman of the board for the 2022 – 2026 mandate;
- ongoing monitoring of operations in the EG Group companies – Gorenjske elektrarne, d.o.o., and GEK Vzdrževanje, d.o.o.;
- monitoring the operations of the financial investment ECE d.o.o. and the sales process according to the Put Option Statement 1 according to the concluded Option Agreement with HSE, d.o.o. from December 1 2020;
- monitoring the implementation of the general meeting decisions;
- monitoring larger investment projects;
- monitoring of strategic projects according to the strategy of the Elektro Gorenjska Group for period 2022–2026;

- control over contracts, which need the supervisory board consent according to the provisions of the statute;
- monitoring public procurement procedures;
- forming proposals for the decisions at the regular annual general meeting;
- monitoring risks, mainly in connection with the increase in the volume of investments in accordance with the Development Plan and NEPN;
- monitoring procedures in the implementation of the simplified merger of the company GEK Vzdrževanje d.o.o. to the company Gorenjske elektrarne d.o.o.

According to the stated areas of work, it is especially necessary to highlight the following activities of the Supervisory Board:

- Supervisory Board regularly monitored operations of the Group companies, especially adjustments in view of the adopted intervention act and the measures of the Government of the Republic of Slovenia from January 29 2022, which significantly reduced the company's revenues, which resulted in a decrease in investments.
- Supervisory Board regularly discussed quarterly information and evaluations on Group companies' operations, and was devoted to realization of the business plan for year 2022.
- At the beginning of the year, the Supervisory Board actively participated in the preparation of the Strategy of the companies in the Elektro Gorenjska Group for the period 2022 – 2026 and, in accordance with the Company's Statute gave its consent to it in February.
- Supervisory Board carried out all activities for the appointment of the Chairman of the Management Board of the company Elektro Gorenjska, d.d. for the period 2022 – 2026.
- Supervisory Board monitored the operations of the financial investment ECE d.o.o. and gave preliminary consent to the management for the exercise of the right to sell the remaining share in the company.
- In accordance with the ZDG-1 the Supervisory Board verified and approved the audited Annual Report of

Elektro Gorenjska, d.d., and audited Consolidated Annual Report of Elektro Gorenjska Group for year 2021, and composed a written report of the Supervisory Board on verification and approval of the stated reports for business year 2021.

- Supervisory Board participated in preparing the proposals for decisions of the 29<sup>th</sup> regular General Meeting session, which took place on June 23 2022. Supervisory Board proposed to the General Meeting to approve the work of the Chairman of the Management Board for the financial year 2021, and grant a discharge.
- Within the framework of the Supervisory Board, the Audit and Human Resources Committees were active in 2022, based on the adopted rules of procedures for both committees.
- Supervisory Board continued the practice of monitoring reports on the review of individual projects in the Company; twice a year, the Management board is obliged to report on the status of all major projects from the Business Plan, as at May 31 and October 31.
- Supervisory Board changed the practice of acquainting the Supervisory Board with public procurement matters. Good practice of acquainting the Supervisory Board already at the time of the introduction of the PP (in the form of information), to which the SB, in accordance with the Statute, gives its consent, was preserved. In even more detail, the practice of monitoring reports on executed public procurement procedures (even those for which the consent of the SB is not required) has now been introduced. Audit Committee monitors the reports quarterly and reports the findings to the supervisory board. AC pays more attention to public contracts for construction works on the EE network.
- In 2022, in accordance with the Statute of the Company, the Supervisory Board gave consent to four legal transactions and one annex (increase in contract value) with a total value of these transactions in the amount of € 5,300,000 (excluding VAT).
- On the basis of the provisions of the Company's Statute, within the framework of the consideration of the Business

Plan of the company Elektro Gorenjska, d.d., for 2023, together with a financial projection for the years 2024 and 2025, and with the assurance of the Management that the Company will respect the provisions of the Regulation on the conditions and procedures of borrowing of legal persons from Article 87 of the Public Finance Act, as well as with the assurance that the Company is able to hire and repay the planned debt, the Supervisory Board gave its consent to the Company's borrowing.

- In accordance with the Act Governing the Remuneration of Managers of Companies (ZPPOGD), the Supervisory Board decided on the amount of the variable part of the remuneration of the chairman of the board for 2022 and adopted benchmarks for the variable part of the chairman of the management board for 2023.
- Together with the management, the Supervisory Board monitored all activities related to the implementation of the NEPN, i.e. the decarbonisation of the company, the connection of solar power plants and the like. All upcoming legislative changes in this area, which the EU intends to seriously implement in the following year, were also monitored (ESG).

#### Cooperation with the Chairman of the Board

Supervisory Board is of the opinion that in 2022 the Chairman of the Management Board took measures on time and then successfully implemented all the necessary activities to mitigate the consequences of the measures taken by the Government of the Republic of Slovenia, which reduced the company's guaranteed income with the adopted intervention act. Due to the loss of revenue from network charges for a three-month period, operations in 2022 were negative and the volume of investments in electrical infrastructure was reduced by € 9 million. Supervisory board is of the opinion that the Chairman of the Board very successfully led the company in the past mandate with a clear vision for the future; therefore, it also granted him a mandate for the next mandate period 2022 – 2026.

Cooperation of the Supervisory Board with the Chairman of the Board, dr. Ivan Šmon, MBA, is very professional and interactive. Management submitted materials for the

sessions to the Supervisory Board in time, in writing, and additionally interpreted them orally at the sessions. For the Supervisory Board the management prepared reports on implementation of decisions regularly and other reports requested from the management by the Supervisory Board. Members of the Supervisory Board had all requested and appropriate reports, information and data available to them, so that based on them they could monitor and control Company's operations and made their decisions responsibly.

Supervisory Board considers the cooperation with the Chairman of the Board in the past year to be very successful.

#### Operation of Supervisory Board Committees

In 2022, two Committees operated within the Supervisory Board.

#### Audit Committee – adoption at the 16<sup>th</sup> regular session on April 18 2023

In 2022, Audit Committee operated in the following composition Gregor Tomše, Chairman, Gabrijel Škof, member and prof. dr. Simon Čadež, as an external member. In this composition, the Audit Committee met at eight regular sessions in 2022.

Members of the Committee regularly attended the sessions. In addition to the members of the committee, other members of the supervisory board also attended the meetings from time to time.

To all the sessions of the Committee the Chairman of the Company's Management Board and the internal auditor were invited, along with individual reporters.

In accordance with the Rules of Procedure of the Audit Committee, the members of the Supervisory Board were kept informed both by invitations to the meetings of the Audit Committee and by the minutes of the Committee meetings, while the Chairman of the Audit Committee reported quarterly to the Supervisory Board on the work of the committee.

Below we present the substantive points of the work of the Audit Committee in the business year 2022:

**Annual report 2021:** Committee discussed the Annual Report of the company Elektro Gorenjska, d.d., and the Consolidated Annual Report of the Elektro Gorenjska Group. Regarding the consideration of the annual report, the Committee met with the partner of the audit company BDO and discussed the report of the external auditor.

**Business plan and current operations:** Committee discussed the business plan of the parent company for 2023 with a financial projection until 2025 and proposed it to the Supervisory Board for approval, and took note of the subsidiary's business plan for 2023 with a financial projection until 2025.

Committee reviewed quarterly business results of the companies in the Elektro Gorenjska Group and reported them to the Supervisory Board.

**Internal audit:** Audit Committee worked closely with the internal auditor. In 2022, the Committee discussed the Annual Report on the work of the internal audit for 2021, discussed the internal auditor's reports on all conducted internal audits and monitored the implementation of the recommendations made.

**Cooperation with the external auditor:** Audit Committee met with the external auditor after the completion of the audit of the financial statements for 2021.

#### Human Resources Committee

Within the Supervisory Board, the Nomination and Human Resources Committee of the Elektro Gorenjska, d.d., Supervisory Board, has been operating since 2014 and until the end of the term 2017 – 2021. At the end of 2021, it was renamed to Human Resources Committee, which operates in the following composition:

- Rudolf Ogrinc, chairman,
- Vid Meglič, member, and
- Iztok Štular, member.

In year 2022, Human Resources Committee had six regular sessions. Members of the Committee regularly attended the sessions. In addition to the members of the committee,

other members of the supervisory board also attended the meetings from time to time. In the reported period, the Committee adopted 28 decisions, which were all realized. In January, it started preparations for the procedures for appointing the Chairman of the Board for the term 2022 – 2026 and carried out all activities according to the agreed timetable adopted by the Supervisory Board.

At the sessions, the members of the Committee were acquainted with, discussed and adopted the following content:

- presentation of the organizational culture in the Elektro Gorenjska Group,
- proposal of performance criteria of the Chairman of the Board for 2022,
- familiarization with the self-assessment procedures of the work of the supervisory board for the period 2014 – 2021,
- preparation of proposals for the appointment of the chairman of the board in accordance with the Statute and the actual implementation of the procedures, as well as preparation of a proposal to the Supervisory Board for the appointment of the Chairman of the board for the period 2022-2026,
- preparation of an employment contract with the chairman of the board for admission to the supervisory board,
- update of the performance criteria for the chairman of the board for 2021, taking into account the changed circumstances (intervention act),
- review and implementation of SSH recommendations in the company, as derived from the Corporate Culture Management manual,
- familiarisation with the current state of the management remuneration policy in the company Elektro Gorenjska, d.d. in accordance with the new SSH recommendations,
- proposal to the Supervisory Board to accept the amount of the variable part of the performance pay for 2021,
- proposal for the Supervisory Board on the adoption of job performance criteria for the variable part of the remuneration of the chairman of the board for 2023.

### Position of the Supervisory Board to audit report 2022

According to the auditing company BDO Revizija, d.o.o., from Ljubljana, which audited the financial statements of the companies in the Group for 2022, the financial statements in all important respects fairly represent the financial position of the Company or of the Elektro Gorenjska Group as at December 31 2022, and their profit or loss, comprehensive income and cash flows for the year then ended, in accordance with International Standards in Auditing (IAS), as adopted by the European Union. Representative of the auditing company BDO reported on the course of the audit procedure and findings on April 18 2023 at the 16<sup>th</sup> regular meeting of the Audit Committee of the Supervisory Board. Company received the independent auditor's reports on April 20, 2023, namely the Report on the Audit of Separate Financial Statements and the Report on the Audit of Consolidated Financial Statements.

At the 24<sup>th</sup> regular session of the Supervisory Board held on April 22 2023, upon submission of the audited Annual Report of the Company and Group Elektro Gorenjska for 2022, the Supervisory Board was acquainted with the decisions of the Audit Committee regarding the auditor's report, and found that the auditor carried out the audit in accordance with the legislation and the rules on auditing. Supervisory board had no comments on the independent auditor's report, and its position on the audit report was positive.

Audit Committee and the Supervisory Board found that the auditors issued a positive opinion.

### Approval of the Annual Report of the Company and Group for year 2022 and proposal for covering the loss

Management of the Company submitted the Annual Report of the Company and Group, including the Audit Report, to Supervisory Board for verification within the legal deadline. Audit Committee verified the Annual Report of the Company and Group and Audit Report in detail and gave its opinions and views. Based on the regular monitoring of operations of the Company and other companies in the Group, and a detailed verification of the stated reports, the Supervisory Board has established that the report for

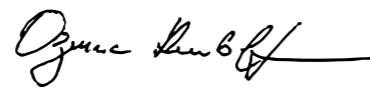
year 2022 is composed in accordance with the legislation and regulations, and in a clear and transparent manner represents true and fair views of the assets, liabilities, financial position, income statement and comprehensive income of the company. Annual reports of the company and group Elektro Gorenjska for year 2022 are composed in accordance with the provisions of the Companies Act and valid international accounting standards.

Besides the parent company, the Elektro Gorenjska Group in 2022 included also company Gorenjske elektrarne, proizvodnja elektrike, d.o.o., which is in 100% ownership of the parent company, and company GEK Vzdrževanje, d.o.o., which is in 100% ownership of Gorenjske elektrarne, d.o.o. Company.

Companies Gorenjske elektrarne d.o.o. and GEK Vzdrževanje d.o.o. performed positively and generated a net profit of over € 2.2 million. Parent company Elektro Gorenjska, d.d., realized a € 2.8 million loss before taxes in 2022. Company's management will propose to the shareholders' meeting that the net loss of the financial year 2022 in the amount of € 1,899,658.66 be settled with the carried forward profit from previous years in the amount of € 1,388,926.29, while the difference in the amount of € 510,732.37 remains uncovered. Proposal for covering the loss was checked by the Supervisory Board and it agrees with the management's proposal.

After the Supervisory Board members verified the Annual Report of the Company and Group for year 2022 and had no comments, the Supervisory Board adopted this Supervisory Board Report on Verification and Approval unanimously at its 25<sup>th</sup> regular session on May 17 2023.

Kranj, May 17 2023



**mag. Rudolf Ogrinc**  
Chairman of the Supervisory Board

## 3.3 Supervisory Board

Competence and composition of the supervisory board are defined by the statute of the company. Supervisory board consists of six members, four of them being representatives of the capital and two of them representatives of the employees. Members of the supervisory board are elected for the period of four years and can be re-elected. Members of the supervisory board, which are representatives of the capital, are appointed to the supervisory board by the shareholders' meeting with a simple majority vote of the present shareholders. Two members representing the employees are appointed by the company's works council. In year 2022, there were no changes regarding the members representing the employees and shareholders.

Based on the decision of the General Meeting the members of the supervisory board in addition to the attendance fees in the amount of € 275 receive also monthly payment for performing the function in the amount of € 942 per member or € 1,412.50 to which the chairman of the supervisory board is entitled. Remuneration of supervisory board members in 2022 are presented in chapter **Transactions with related parties**.

### Composition of the Supervisory Board in 2022 was as follows:

<b>SUPERVISORY BOARD EG, d.d.</b>	Function	Term of office from	Term of office until
<b>Rudolf Ogrinc</b>	chairman	29.8.2021 (chairman since 2.9.2021)	29.8.2025
<b>Gabrijel Škof</b>	deputy chairman	29.8.2021 (deputy chairman since 2.9.2021)	29.8.2025
<b>Gregor Tomše</b>	member	29.8.2021	29.8.2025
<b>Vid Meglič</b>	member	29.8.2021	29.8.2025
<b>Borut Jereb</b>	member	8.8.2019	8.8.2023
<b>Iztok Štular</b>	member	8.8.2019	8.8.2023

### Audit Committee of Elektro Gorenjska Supervisory Board

In year 2022, a permanent Audit Committee of Elektro Gorenjska Supervisory Board operated in the following composition:

AUDIT COMMITTEE SB EG d.d.	Function	Term of office from	Term of office until
<b>Gregor Tomše</b>	chairman	29.8.2021 (chairman since 2.9.2021)	29.8.2025
<b>Gabrijel Škof</b>	member	29.8.2021 (member since 2. 9. 2021)	29.8.2025
<b>dr. Simon Čadež</b>	external member	2.9.2021	29.8.2025

Term of office of the committee is bound to the term of office of the supervisory board.

### Nomination Committee of Elektro Gorenjska Supervisory Board

In year 2022, a permanent Nomination Committee of Elektro Gorenjska Supervisory Board operated in the following composition:

NOMINATION COMMITTEE SB EG d.d.	Function	Term of office from	Term of office until
<b>Rudolf Ogrinc</b>	chairman	25.11.2021	29.8.2025
<b>Vid Meglič</b>	member	25.11.2021	29.8.2025
<b>Iztok Štular</b>	member	25.11.2021	8.8.2023

## 3.4 Shareholders' Meeting

In 2022, the management convened one regular session of the General Meeting of Shareholders.

The 29<sup>th</sup> regular session was held on 23 June 2022 with 85.32% of the voting shareholders present. At the general meeting, shareholders voted on five items on the agenda, which was published in the convocation of the General Meeting of Shareholders on the web portal of Agency for Public Legal Records and Services.

Firstly, company's shareholders were acquainted with the audited annual report of the company and group for 2021, the auditor's opinion and the written report of the supervisory board on the verification and approval of the annual report for the 2021 financial year.

Afterwards, the company's shareholders were acquainted with the remuneration of members of the management and supervisory bodies of the companies in the Elektro Gorenjska Group for 2021, with the presentation of the remuneration policy of members of the management and supervisory bodies of Elektro Gorenjska, d.d., and the remuneration policy of members of the management bodies of subsidiaries in the Elektro Gorenjska Group 2021.

Shareholders decided on the use the accumulated profit, which stood at € 2,763,756.00 as at December 31 2021. It was decided that the total accumulated profit was used for the payment of dividends in the gross value of € 1,381,878 or € 0.08 per share. Challenge action was announced against this decision, which was actually filed by a shareholder the Kalantia Limited. Company paid dividends on July 29 2022 to those shareholders who were on the day July 28 2022 entered into the company's share register as shareholders of the company.

General Meeting granted a discharge for work in 2021 to the Chairmen of the Board and specifically to the Supervisory Board members. Resolution was also adopted to cancel the resolution from the 16<sup>th</sup> general meeting of the company dated August 24 2011, which determined the amount of the insurance sum for the insurance of liability arising from the performance of work and tasks of management and control.

## 3.5 Corporate integrity

In Elektro Gorenjska Group, we have adhered to the Corporate Governance Guidelines. Objectives arising from the guidelines are: to reduce unacceptable risks, bad practices or irregularities that concern either business partners, clients, employees of the company, the company itself or also the public interest. With legal, ethical and transparent conduct, we ensure the preservation of the good name of our company and we firmly reject corruption, restriction of competition, damage to the company and unequal treatment of business partners and colleagues.

We have adopted the rules of procedure of the Commission for Ethical Business, which apply to the entire Group. Rules of procedure establish a channel for reporting suspected business irregularities and determine the manner in which reports are handled and the principles of protecting the reporting persons. Employees can report suspected irregularities in writing, by sending it by post or to a special mailbox in the administrative building, to a special email address or in person to one of the commission members. In 2022, there were no reports of violations of corporate integrity.

In the company, we approached the comprehensive regulation of the field of corporate governance, in accordance with the guidelines of the Slovenian Sovereign Holding, which will be implemented in 2023.

### 3.6 Internal audit

In the company Elektro Gorenjska, an internal audit function has been established, which is organized within the framework of the parent company and covers the business area of the entire Group.

Internal audit function is led by the internal auditor, who is functionally responsible and reports to the audit committee of the supervisory board, and administratively reports directly to the chairman of the board of the parent company and the director of the subsidiary company.

Internal audit in Elektro Gorenjska Company has been functioning as an independent function since 2012. Basis for its operation is the Internal Audit Charter, approved by the managements of the Group companies and the Supervisory Board of the Elektro Gorenjska. In its work, it is committed to adhering to the International Framework for Professional Practice in Internal Auditing.

Objective of the internal audit activity is to provide assurances regarding the risk management of companies within the Group and to add value with advice at all levels in terms of risk management, asset protection and improving the efficiency and quality of operations.

Annual internal audit work plan is prepared on the basis of the risk analysis of companies in the Elektro Gorenjska Group. It is adopted by the management boards in the Group and the supervisory board of the company. Internal audit reports on its work and results to the Elektro Gorenjska management and quarterly to the audit committee. Both the Management Board and the Audit Committee are informed of all audits carried out, their findings and recommended measures or improvements.

In 2022, the Internal Audit carried out eight full audits and one partial audit, one audit procedure was also carried out through external consultants (IT audit). It paid special attention to the field of market activities in the parent company, the management of the car park, interest risks, investments in the parent company and subsidiary, review of the conclusion and implementation of construction contracts and procurement procedures in the subsidiary company. In addition, it was constantly monitoring the implementation of the recommendations made.

Internal audit within the framework of individual audits assesses and checks the adequacy and effectiveness of the operation of internal controls. Internal audit estimates that the internal control system in the company is in place and appropriate, but there are possibilities for its improvement, to which it refers with the issuing of recommendations.

### 3.7 Corporate reporting of Elektro Gorenjska Group

Business report of the Elektro Gorenjska Group combines reporting on financial and non-financial operations within the guidelines of the Value Reporting Foundation. Report is prepared in accordance with the European Commission's Guidelines on Non-Financial Reporting (2017/C 2015/01), with guidelines on business transparency and reporting of the Code of Corporate Governance of Companies with State Capital Investments (SDH, d.d), with the international framework for comprehensive reporting IIRC – International Integrated Reporting Council (The International Framework; 2021) and in accordance with the sustainability reporting guidelines GRI - Global Reporting Initiative Standards.

Company keeps its business books and prepares its financial statements in accordance with the SAS, the Companies Act (ZGD-1, Official Gazette RS, No. 65/09 with amendments) and the Electricity Supply Act (ZOEE, Official Gazette RS, No. 172/21). When preparing the consolidated financial statements of the Elektro Gorenjska Group, the International Financial Reporting Standards were used.

#### Statement of non-financial operations

For reporting, Elektro Gorenjska Group uses the international standard for non-financial reporting (GRI – Global Reporting Initiative). Present Annual Report for 2022 is in accordance with the Corporate Governance Code for State-owned Enterprises and amendment to the ZZGD-J (Directive 2014/95/EU) and contains disclosures of non-financial and diversity information. Elektro Gorenjska Group is aware of the importance of non-financial information and a comprehensive approach to reporting for creating value for its stakeholders.

Requirements from the Statement of Non-Financial Operations under the Companies Act (ZGD-1) are implemented throughout the entire annual report in the form of references to GRI disclosures, namely:

- Information, policy descriptions and policy outcomes on environmental, social and human resources issues, respect for human rights and anti-corruption and anti-bribery issues are presented in chapters **Natural capital**, **Social capital** and **Human capital**.
- Main risks related to the previously listed areas are stated in chapter **Managing the risks and opportunities**.
- Description of the business model or model of value creation of the Elektro Gorenjska Group is presented in chapter **Business model of Elektro Gorenjska Group**.
- Description of the diversity policies implemented in relation to administrative, management and supervisory bodies can be found in chapter **Corporate Governance Statement**.

Management of Elektro Gorenjska Company declares that Elektro Gorenjska Company implements the company's policies relating to:

- environmental area,
- respect for human rights,
- human resources and social affairs,
- governance in the field of prevention of corruption and bribery.

Chairman of the Board  
dr. Ivan Šmon, MBA







# Financial report of EG Company

## 4 Financial report

### 4.1 Management responsibility statement

Management board of Elektro Gorenjska Company hereby approves the financial statements published and presented in this annual report and all other component parts of the annual report. Annual report provides a true and fair picture of the financial condition of the Company.

Management board certifies that relevant accounting principles were applied in drafting the financial statements and that accounting estimates were prepared according to the principles of prudence and due diligence.

Management board of Elektro Gorenjska Company approved the financial statements of the Company prepared for the financial year 2022 on April 7 2023.

Management board of Elektro Gorenjska Company is responsible for appropriate accounting in the company, for adoption of appropriate measures to protect the property and other assets, and hereby certifies that financial statements were prepared on a going concern basis and in line with the relevant legislation and Slovenian Accounting Standards.

At any time within 5 years after the year in which it was necessary to levy the tax, tax authorities may check the company's operations, which may result in an additional tax liability, default interest and penalties for corporate income tax or other taxes and charges. Management of the company has not been acquainted with any circumstances that could cause eventual significant liability in this respect.

Kranj, April 7 2023

Chairman of the Board  
dr. Ivan Šmon, MBA



## 4.2 Auditor's report



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**INDEPENDENT AUDITOR'S REPORT**  
 To the shareholders of Elektro Gorenjska, d.d.  
 (Translation of the original report in Slovene language - for information purposes only)

**REPORT ON SEPARATE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Elektro Gorenjska, d.d. (the Company), which comprise the balance sheet as at December 31, 2022 and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, including a summary of significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and 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 (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council dated as at April 16, 2014 on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements*, including those related to these matters. Therefore, the audit comprised the implementation of the procedures determined on the basis of our assessment of the risk of material misstatement in the financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the attached financial statements.

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 3.354.884 EUR in the year ended December 31, 2022 (2021: 4.165.835 EUR).

The Company constructs buildings and equipment with its own resources. Additions to tangible fixed assets, constructed by the Company, are valued at estimated costs of hours spent, which include personnel expenses and other indirect costs, as well as direct costs of materials and transport. The determination of hourly rates for personnel expenses and judgment regarding which types of indirect costs to include in the cost of tangible

Our response

Our audit procedures included:

- Assessing the guidelines defining additions to tangible fixed assets and construction costs in order to test that they comply with the guidelines prescribed by Slovene accounting standards.
- Testing the design and implementation of internal controls and testing of internal controls in the part related to the recognition of personnel expenses, costs of materials and services and fixed assets.
- Familiarization with the method of recognising fixed assets constructed by the Company.



fixed assets, includes estimation. Estimation of the amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management. In determining the matter, the management uses assumptions and judgments for recognising tangible fixed assets as they are determined by Slovene accounting standards.

Due to the abovementioned information we determined this matter as a key audit matter.

Disclosures regarding this matter are included in point 5.4 Bases for compiling financial statements and within this point subtitle Typical accounting policies and estimates - Tangible fixed assets, and in Note 2 - Tangible fixed assets of the point 5.5.1 Notes to the financial statement items, and in Note 2 Capitalized own products and own services of the point 5.5.2 Notes on profit and loss account items.

Investments in property, plant and equipment

Key audit matter

Carrying amount of property, plant and equipment as at December 31, 2022 amounted to 212.885.049 EUR (31. December 2021: 210.259.172 EUR); costs of maintenance for the year 2022 amounted to 1.229.994 EUR (2021: 1.208.246 EUR).

Beside new investments the Company performs maintenance of property, plant and equipment, mainly electrical distribution infrastructure. As items, which fulfil conditions for recognition of property, plant and equipment, are capitalized and depreciated on an annual basis, costs of maintenance are expensed in P&L as incurred. Distinction among items which fulfil conditions for recognition in the balance sheet and items expensed as incurred is significant for the audit of financial statements as it requires management judgement if and which conditions need to be fulfilled for recognition as property, plant and equipment and which for recognition as expenses. Due to this information, we determined the matter as a key audit matter. When determining these facts, the Company follows conditions for recognition of fixed assets as defined in Slovenian Accounting Standards.

Disclosures regarding this matter are included in point 5.4 Bases for compiling financial statements and within this point subtitle Typical accounting policies and estimates - Fixed assets, to the Note 2 Tangible fixed assets of the point 5.5.1 Notes to the

- Examination of the methodology and assumptions used by the Company in calculating the cost of personnel and verification of the completeness and accuracy of data used.
- Recalculation of the personnel costs and comparison with the calculation for the current year and to market data.
- Testing, on a sample of selected items, of capitalised own products and services, where we:
  - assessed whether the appropriate personnel expenses have been used;
  - obtained the bases for the cost of material and transport;
  - conducted interviews with persons responsible for construction of fixed assets;
  - verified supporting accounting documents and entries in the financial statements. The sample included randomly selected items and items that we determined based on our risk-based approach due to the size, complexity, content or duration of construction or maintenance.
- We have reviewed the disclosures in the annual report regarding fixed assets and capitalized own products and services.

Our response

Our audit procedures included:

- Assessing the guidelines defining investments into tangible fixed assets and construction costs in order to test that they comply with the guidelines prescribed by Slovene accounting standards.
- Testing the design and implementation of internal controls and testing of internal controls in the part costs, property, plant and equipment and related liabilities.
- Familiarization with the management of investments.
- Testing, on a sample of selected items, of property, plant and equipment as well as maintenance costs, where we:
  - Assessed if conditions for recognition of property, plant and equipment or maintenance costs are fulfilled;
  - Obtained the bases for such treatment from responsible persons;
  - Conducted interviews with persons responsible for construction of fixed assets;
  - Verified supporting documentation and postings in the accounting evidences. The sample included randomly selected items and items that we determined based on our risk-based approach due to the size, complexity, content or duration of construction or maintenance.
- We have reviewed the disclosures in the



financial statement items, to the Note 5 annual report according to the requirements of Slovenian Accounting Standards.

#### Other information

Management is responsible for the other information. The other information comprises the information included in the Business report of the company and Group Elektro Gorenjska, d.d., and Accounting report of the Group Elektro Gorenjska, d.d. but does not include the financial statements and our auditor's report thereon. We have received other information before the date of the auditor's report, except for the report of the Supervisory Board, which will be available at a later time.

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

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

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

#### Responsibilities of Management and the Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Slovenian Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process and for confirming the audited annual report.

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

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

As part of an audit in accordance with ISAs, we exercise professional 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### Other reporting obligations as required by EU Regulation No. No 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's report, which is required in addition to the requirements of International Standards on Auditing:

##### Appointment of the Auditor and the Period of Engagement

We were appointed as the statutory auditor of the Company by the shareholders at the General Shareholders' Meeting held on June 23, 2020 for the financial years 2020 - 2022. The engagement letter for the three years was signed on July 1, 2020. We have been performing the statutory audit of financial statements for five years without interruption. The audit partner responsible for the audit is Maruša Hauptman.

##### Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 20, 2023.

##### Prohibited Services

We confirm that we have not performed any prohibited services referred to the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council and that we ensure our independence from the audited Company.

##### Other Services of the Auditor

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

Ljubljana, April 20, 2023

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

(signature on the original issued in Slovene language)

Maruša Hauptman, certified auditor

## 4.3 Financial statements of Elektro Gorenjska Company for business year ended as at December 31 2022

### Balance Sheet of Elektro Gorenjska Company as at December 31 2022

		in €	
Item	Note	31.12.2022	31.12.2021
<b>Assets</b>			
<b>A. Long-term assets</b>		<b>233,338,457</b>	<b>232,906,327</b>
<b>I. Intangible assets and long-term accrued and deferred asset items</b>	1	<b>2,240,615</b>	<b>3,527,132</b>
1. Log-term property rights		2,114,848	1,754,363
5. Other long-term accrued and deferred asset items		125,767	1,772,769
<b>II. Tangible fixed assets</b>	2	<b>212,885,049</b>	<b>210,259,172</b>
1. Land and buildings		158,770,359	155,260,994
a) Land		7,289,770	7,246,264
b) Buildings		151,480,589	148,014,730
2. Production plant and equipment		50,543,056	49,051,468
3. Other plant and equipment		67,986	69,107
4. Tangible fixed assets in acquisition		3,503,648	5,877,603
a) Tangible fixed asset under construction and manufacture		3,460,306	5,830,541
b) Advances for the acquisition of fixed assets		43,342	47,062
<b>III. Investment property</b>	3	<b>1,786,100</b>	<b>1,782,665</b>
<b>IV. Long-term financial investments</b>	4	<b>13,982,256</b>	<b>16,870,943</b>
1. Long-term financial investments, excluding loans		13,839,457	16,728,145
a) Shares and stakes in group companies		13,715,303	13,715,302
b) Shares and stakes in associate companies		124,154	124,155
c) Other shares and stakes		0	2,888,688
2. Long-term loans		142,799	142,798
b) Long-term loans to others		142,799	142,798
<b>V. Long-term operating receivables</b>	5	<b>1,311,805</b>	<b>154,506</b>
2. Long-term trade receivables		1,178,900	0
3. Long-term receivables due from others		132,905	154,506
<b>VI. Deferred tax asset</b>	6	<b>1,132,632</b>	<b>311,909</b>

The table continues →

in €

Item	Note	31.12.2022	31.12.2021
<b>Assets</b>			
<b>B. Short-term assets</b>		<b>14,147,465</b>	<b>12,399,377</b>
<b>II. Stocks</b>	7	<b>946,922</b>	<b>1,007,602</b>
1. Material		946,922	1,007,602
<b>IV. Short-term operating receivables</b>	8	<b>8,543,205</b>	<b>6,488,728</b>
1. Short-term receivables due from Group companies		77,846	56,975
2. Short-term trade receivables		7,872,794	6,140,313
3. Short-term receivables for income tax		402,070	0
4. Short-term receivables due from others		190,495	291,440
<b>V. Monetary assets</b>	9	<b>4,657,338</b>	<b>4,903,047</b>
<b>C. Short-term accrued and deferred asset items</b>		<b>246,399</b>	<b>356,912</b>
<b>TOTAL ASSETS</b>		<b>247,732,321</b>	<b>245,662,616</b>
<b>Liabilities</b>			
<b>A. Capital</b>	10	<b>166,546,129</b>	<b>169,472,670</b>
<b>I. Called-up capital</b>		<b>104,136,615</b>	<b>104,136,615</b>
1. Share capital		104,136,615	104,136,615
<b>II. Capital reserves</b>		<b>45,973,479</b>	<b>45,973,479</b>
<b>III. Profit reserves</b>		<b>16,907,782</b>	<b>16,907,782</b>
1. Statutory reserves		3,865,679	3,865,679
5. Other profit reserves		13,042,103	13,042,103
<b>V. Reserves arising from fair value measurement</b>		<b>38,985</b>	<b>-308,962</b>
<b>VI. Net profit or loss from previous periods</b>		<b>0</b>	<b>24,170</b>
<b>VII. Net profit or loss for the period</b>		<b>-510,732</b>	<b>2,739,586</b>
1. Unused part of net profit for the current financial year		0	2,739,586
3. Net loss for the period		510,732	0
<b>B. Provisions and long-term accrued and deferred liability items</b>	11	<b>15,284,740</b>	<b>15,705,684</b>
1. Provisions for pensions and similar liabilities		2,838,300	3,283,251
2. Other provisions		6,137,039	5,939,070
3. Long-term accrued and deferred liability items		6,309,401	6,483,363

The table continues →

in €

Item	Note	31.12.2022	31.12.2021
<b>Liabilities</b>			
<b>C. Long-term liabilities</b>	12	<b>47,183,878</b>	<b>43,477,539</b>
<b>I. Long-term financial liabilities</b>		<b>46,691,448</b>	<b>43,189,236</b>
2. Long-term financial liabilities to banks		46,691,448	43,189,236
<b>II. Long-term operating liabilities</b>		<b>288,706</b>	<b>27,548</b>
4. Long-term operating liabilities based on advances		60,855	27,548
5. Other long-term operating liabilities		227,851	0
<b>III. Deferred tax liabilities</b>	13	<b>203,724</b>	<b>260,755</b>
<b>Č. Short-term liabilities</b>		<b>15,062,184</b>	<b>16,001,908</b>
<b>II. Short-term financial liabilities</b>	14	<b>9,567,797</b>	<b>8,816,018</b>
1. Short-term financial liabilities to group companies		242	8
2. Short-term financial liabilities to banks		9,497,788	8,797,788
4. Other short-term financial liabilities		69,767	18,222
<b>III. Short-term operating liabilities</b>	15	<b>5,494,387</b>	<b>7,185,890</b>
1. Short-term operating liabilities to Group companies		14,634	44,437
2. Short-term operating liabilities to suppliers		2,301,019	3,175,541
4. Short-term operating liabilities based on advances		144,629	123,524
5. Short-term liabilities for income tax		0	535,679
6. Other short-term operating liabilities		3,034,105	3,306,709
<b>D. Short-term accrued and deferred liability items</b>	16	<b>3,655,390</b>	<b>1,004,815</b>
<b>TOTAL LIABILITIES</b>		<b>247,732,321</b>	<b>245,662,616</b>

Explanatory notes are part of the financial statements and should be read in conjunction with them.

### Profit or loss account of Elektro Gorenjska Company for business year ended as at December 31 2022

				in €
Item	Note	2022	2021	
<b>1. Net sales revenue</b>	1	<b>26,167,643</b>	<b>35,710,944</b>	
a. Net sales revenue on the domestic market		26,160,694	35,690,673	
b. Net sales revenue in the foreign market		6,949	20,271	
<b>3. Capitalized own products and services</b>	2	<b>3,354,884</b>	<b>4,165,835</b>	
<b>4. Other operating revenues</b>	3	<b>704,660</b>	<b>858,961</b>	
<b>5. Costs of goods, material, and services</b>		<b>7,657,814</b>	<b>8,094,295</b>	
a. Costs of goods sold and material used	4	3,695,767	4,332,211	
b. Costs of services	5	3,962,047	3,762,084	
<b>6. Labour costs</b>	6	<b>13,385,632</b>	<b>12,573,116</b>	
a. Cost of wages and salaries		9,545,267	9,003,918	
b. Social security cost		2,048,351	1,935,544	
- of which the cost of pension insurance		1,327,587	1,257,437	
c. Other labour costs		1,792,014	1,633,654	
<b>7. Amortization/depreciation expense</b>	7	<b>11,852,826</b>	<b>11,609,704</b>	
a. Depreciation		11,695,802	11,346,678	
b. Operating expenses from revaluation of intangible and tangible fixed assets		150,831	262,623	
c. Operating expenses from revaluation of operating current assets		6,193	403	
<b>8. Other operating expenses</b>	8	<b>468,769</b>	<b>412,729</b>	
<b>9. Financial revenues from shares</b>	9	<b>1,009,797</b>	<b>1,471,992</b>	
a. Financial revenue from interests in Group companies		980,992	1,197,454	
b. Financial revenue from interests in associates		28,805	128,393	
c. Financial revenue from interests in other companies		0	146,139	
č. Financial revenues from other investments		0	6	
<b>10. Financial revenues from given loans</b>		<b>1,004</b>	<b>0</b>	
b. Financial revenues from loans given to others		1,004	0	

The table continues →

				in €
Item	Note	2022	2021	
<b>11. Financial revenues from operating receivables</b>		<b>11,822</b>	<b>13,015</b>	
b. Financial revenue from operating receivables due from others		11,822	13,015	
<b>12. Financial expenses from impairments and financial investment write-offs</b>		<b>146,139</b>	<b>12,701</b>	
<b>13. Financial expenses from financial liabilities</b>		<b>513,514</b>	<b>419,252</b>	
a. Financial expenses from loans, received from group companies		847	66	
b. Financial expenses from loans, received from banks		512,667	419,186	
<b>14. Financial expenses from operating liabilities</b>		<b>17,599</b>	<b>6,471</b>	
b. Financial expenses from accounts and bills payable		130	54	
c. Financial expenses from other operating liabilities		17,469	6,417	
<b>15. Other revenues</b>		<b>24</b>	<b>23</b>	
<b>16. Other expenses</b>		<b>25,026</b>	<b>41,560</b>	
<b>17. PRE-TAX NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>		<b>-2,817,485</b>	<b>9,050,942</b>	
<b>18. Income tax</b>	11	<b>0</b>	<b>1,206,211</b>	
<b>19. Deferred taxes</b>	12	<b>-917,826</b>	<b>-329,196</b>	
<b>20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>		<b>-1,899,659</b>	<b>8,173,927</b>	

Explanatory notes are part of the financial statements and should be read in conjunction with them.

### Statement of other comprehensive income of Elektro Gorenjska Company for business year ended as at December 31 2022

			in €
Item	2022	2021	
<b>NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>-1,899,659</b>	<b>8,173,927</b>	
Other components of comprehensive income	381,729	160,267	
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-1,517,930</b>	<b>8,334,194</b>	

Explanatory notes are part of the financial statements and should be read in conjunction with them.

**Cash flow statement of Elektro Gorenjska Company for business year ended as at  
December 31 2022**

Item	2022	2021
in €		
<b>A. OPERATING CASH-FLOW</b>		
<b>a. Operating receipts</b>	35,085,148	38,313,787
1. Receipts from sales of products and services	34,095,091	37,370,443
2. Income tax receipts	0	174,134
3. Other operating receipts	990,057	769,210
<b>b. Operating expenditure</b>	-25,356,852	-22,864,232
1. Expenditure for purchase of material and services	-8,314,830	-6,964,995
2. Expenditure for salaries and employees profit shares	-9,820,571	-8,942,447
3. Income tax expenditure	-937,749	-755,974
4. Expenditure for other duties	-3,170,423	-3,188,956
5. Other operating expenditure	-3,113,279	-3,011,859
<b>c. Positive or negative cash flow from operating activities</b>	9,728,296	15,449,555
<b>B CASH FLOWS IN INVESTING ACTIVITIES</b>		
<b>a. Receipts in investing activities</b>	3,354,177	4,231,578
1. Receipts from received interest and profit shares of others	627,372	1,339,441
3. Receipts from disposal of tangible fixed assets	10,990	36,732
5. Receipts from disposals of financial investments	2,715,815	2,855,405
<b>b. Expenditure in investing activities</b>	-16,072,455	-15,479,394
1. Expenses for acquisition of intangible assets	-1,077,485	-1,283,209
2. Expenses for acquisition of tangible fixed assets	-14,991,460	-14,131,030
3. Expenses for acquisition of investment property	-3,510	-65,155
<b>c. Positive or negative cash flow from investing activities</b>	-12,718,278	-11,247,816

The table continues →

Item	2022	2021
in €		
<b>C. CASH FLOWS IN FINANCING ACTIVITIES</b>		
<b>a. Receipts in financing activities</b>	20,654,000	8,415,000
2. Receipts from increase in financial liabilities	20,654,000	8,415,000
<b>b. Expenditure in financing activities</b>	-17,909,727	-11,657,097
1. Expenditure for given interest referring to financing activities	-487,848	-435,440
3. Expenditure for repayment of financial liabilities	-16,040,001	-9,148,840
4. Expenditure for dividend and other profit share payment	-1,381,878	-2,072,817
<b>c. Positive or negative cash flow from financing activities</b>	2,744,273	-3,242,097
<b>Č. CLOSING CASH BALANCE</b>	4,657,338	4,903,047
<b>x. Cash flow for the period</b>	-245,709	959,643
<b>y. Opening cash balance</b>	4,903,047	3,943,404

Explanatory notes are part of the financial statements and should be read in conjunction with them.



## Statement of changes in equity of Elektro Gorenjska Group for the business year ended as at December 31 2022

a.) From January 1 2022 to December 31 2022:

EVENTS IN INDIVIDUAL CAPITAL ITEMS	Called-up capital		Capital reserves		Profit reserves		Reserves arising from fair value measurement	Net profit or loss brought forward	Net profit or loss of the business year		TOTAL CAPITAL
	I.	II.			III.		V.	VI.	VII.		
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment	Statutory reserves	Other profit reserves	Reserves arising from fair value measurement	Net profit brought forward	Net profit of the business year	Net loss of the business year	
	I./1.	II./1.	II./2.	II./3.	III./1.	III./5.	V.	VI./1.	VII./1.	VII./2.	
<b>A.1. BALANCE AS OF DECEMBER 31 2021</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>3,865,679</b>	<b>13,042,103</b>	<b>-308,962</b>	<b>24,170</b>	<b>2,739,586</b>	<b>0</b>	<b>169,472,670</b>
<b>A.2. BALANCE AS OF JANUARY 1 2022</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>3,865,679</b>	<b>13,042,103</b>	<b>-308,962</b>	<b>24,170</b>	<b>2,739,586</b>	<b>0</b>	<b>169,472,670</b>
<b>B.1. CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-50,903</b>	<b>-1,357,708</b>	<b>0</b>	<b>-1,408,611</b>
g) Dividend payment	0	0	0	0	0	0	0	-24,170	-1,357,708	0	-1,381,878
i) Other changes in equity capital	0	0	0	0	0	0	0	-26,733	0	0	-26,733
<b>B.2. TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>381,729</b>	<b>0</b>	<b>-1,899,659</b>	<b>-1,517,930</b>	<b>-1,517,930</b>
a) Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	0	0	-1,899,659	-1,899,659
č) Other components of comprehensive income for the reporting period	0	0	0	0	0	0	381,729	0	0	0	381,729
<b>B.3. CHANGES WITHIN CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-33,782</b>	<b>26,733</b>	<b>-1,381,878</b>	<b>1,388,927</b>	<b>0</b>
a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital	0	0	0	0	0	0	0	1,381,878	-1,381,878	0	0
č) Settlement of losses as a deductible component of capital	0	0	0	0	0	0	0	-1,388,927	0	1,388,927	0
f) Other changes within capital	0	0	0	0	0	0	-33,782	33,782	0	0	0
<b>C. BALANCE AS OF DECEMBER 31 2022</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>3,865,679</b>	<b>13,042,103</b>	<b>38,985</b>	<b>0</b>	<b>0</b>	<b>-510,732</b>	<b>166,546,129</b>

Explanatory note 10 – Capital in chapter **Notes to the balance sheet items** is part of the financial statements and should be read in conjunction with it.

b.) From January 1 2021 to December 31 2021:

EVENTS IN INDIVIDUAL CAPITAL ITEMS	Called-up capital	Capital reserves			Profit reserves		Reserves arising from fair value measurement	Net profit or loss brought forward	Net profit or loss of the business year	TOTAL CAPITAL
	I.	II.			III.		V.	VI.	VII.	
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment	Statutory reserves	Other profit reserves	Reserves arising from fair value measurement	Net profit brought forward	Net profit of the business year	
	I./1.	II./1.	II./2.	II./3.	III./1.	III./5.	V.	VI./1.	VII./1.	
<b>A.1. BALANCE AS OF DECEMBER 31 2020</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>3,456,983</b>	<b>8,016,457</b>	<b>-445,058</b>	<b>8,171</b>	<b>2,064,646</b>	<b>163,211,293</b>
<b>A.2. BALANCE AS OF JANUARY 1 2021</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>3,456,983</b>	<b>8,016,457</b>	<b>-445,058</b>	<b>8,171</b>	<b>2,064,646</b>	<b>163,211,293</b>
<b>B.1. CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,171</b>	<b>-2,064,646</b>	<b>-2,072,817</b>
g) Dividend payment	0	0	0	0	0	0	0	-8,171	-2,064,646	-2,072,817
<b>B.2. TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160,267</b>	<b>0</b>	<b>8,173,927</b>	<b>8,334,194</b>
a) Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	0	8,173,927	8,173,927
č) Other components of comprehensive income for the reporting period	0	0	0	0	0	0	160,267	0	0	160,267
<b>B.3. CHANGES WITHIN CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>408,696</b>	<b>5,025,645</b>	<b>-24,170</b>	<b>24,170</b>	<b>-5,434,341</b>	<b>0</b>
b) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital	0	0	0	0	408,696	5,025,645	0	0	-5,434,341	0
f) Other changes within capital	0	0	0	0	0	0	-24,170	24,170	0	0
<b>C. BALANCE AS OF DECEMBER 31 2021</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>3,865,679</b>	<b>13,042,103</b>	<b>-308,962</b>	<b>24,170</b>	<b>2,739,586</b>	<b>169,472,670</b>

Explanatory note 10 – Capital in chapter **Notes to the balance sheet items** is part of the financial statements and should be read in conjunction with it.

#### Distributable profit of Elektro Gorenjska Company for the business year ended as at December 31 2022

		in €	
Item	2022	2021	
1. Net profit or loss of the business year	-1,899,659	8,173,927	
2. + Net profit/loss from previous periods (deductible item)	1,388,927	24,170	
4. - Increase (additional formation) of profit reserve by decision of management and supervisory bodies: A) statutory reserves	0	408,696	
5. - Increase (additional formation) of profit reserve by decision of management and supervisory bodies: A) other profit reserves	0	5,025,645	
<b>7. DISTRIBUTABLE PROFIT</b>	<b>-510,732</b>	<b>2,763,756</b>	

Explanatory notes are part of the financial statements and should be read in conjunction with them.

## 4.4 Bases for compiling financial statements

### General accounting framework

Company keeps business books and prepares financial statements in accordance with SAS, the Companies Act (ZGD-1, Official Gazette RS, No. 65/09 with amendments) and the Electricity Supply Act (ZOEE, Official Gazette RS, No. 172/21). Preparation takes into account the two basic accounting assumptions: taking into account the indefinite duration of operation and the occurrence of business events. When formulating accounting policies for the preparation of financial statements, the company's management primarily considers comprehensibility, relevance, reliability and comparability.

Pursuant to Article 56 of ZGD-1, a company with its registered office in Slovenia that is superior to one or more companies in the Republic of Slovenia or abroad must prepare a consolidated annual report. Elektro Gorenjska Group consists of:

- parent company Elektro Gorenjska, Ulica Mirka Vadnova 3a, Kranj;
- company Gorenjske elektrarne, Stara cesta 3, Kranj, which is in 100% ownership of the controlling company; capital of this company as at 31.12.2022 amounted to € 20,087,683, net profit for year 2022 was € 2,295,201;
- company GEK Vzdrževanje, Stara cesta 3, 4000 Kranj, which is in 100% ownership of controlled company Gorenjske elektrarne; capital of this company as at 31.12.2022 z amounted to € 199,973, net profit for year 2022 was € 19,886;
- associate company Soenergetika, Stara cesta 3, Kranj, which is in 25% ownership of company Gorenjske elektrarne; capital of this company as at 31.12.2022 amounted to € 4,855,878, net profit for year 2022 was € 3,725,556.

In addition to the listed companies, Elektro Gorenjska Group also consists of the company Informatika, in which the company Elektro Gorenjska holds 10.44% stake. Due to insignificance, this company is not included in the group financial statements of that company.

Company does not disclose those data for which it reasonably estimates that their disclosure could cause significant damage to the company. Business year of

the company is the same as the calendar year. Degree of accuracy in reporting is € 1.

### Recognition of exchange differences

Reference exchange rate of the European Central Bank, which is published on the Bank of Slovenia's website on the day of an individual events, is used to convert items of assets and liabilities originally denominated in foreign currency. Final balances of monetary items are translated according to the exchange rate published on the balance sheet cut-off date.

Recalculations of financial assets denominated in foreign currencies that are monetary items are recognized in profit or loss. Recalculations of other financial assets denominated in foreign currencies are recognized in accordance with their classification.

Exchange rate differences arising from the settlement of monetary items or translation of monetary items at exchange rates other than those at which they were translated at initial recognition in the period are recognized in profit or loss in the period in which they arise.

### Reporting by business and geographical segments

Company reports by the following geographical segments: Slovenia, other EU countries, other non-EU countries.

Business segment is a recognizable component of a company that deals with an individual service or a group of related services; however, the risks and returns associated with it differ from those in another business segments.

Company presents its operations in the financial year 2022 or in the period from January 1 2022 to December 31 2022 by the following business segments - activities:

- activity contract with SODO and
- other activities.

Balance sheet and income statement by business segments - activities are presented in chapter **Disclosures under the Electricity Supply Act**.

## Typical accounting policies and estimates

In 2022, the company did not change its accounting policies. Significant accounting policies and estimates are the following:

### Tangible fixed assets

Tangible fixed asset is an asset that the company owns or leases or otherwise controls and uses in the creation of products or the provision of services or rental, or for office purposes and is expected to use it for these purposes in more than one accounting period.

Acquisition cost of tangible fixed asset consists of:

- purchase price (expenses for the purchase, construction and upgrading of fixed assets);
- import and non-refundable purchase taxes, and
- costs directly attributable to preparing it for the intended use:
  - expenditure for project and construction documentation on the basis of which the purchase, construction or upgrade was made;
  - expenditure for site preparation (excavation, backfilling, drainage);
  - expenditure on the necessary permits for the construction of connections to the energy, heat, water supply, sewerage network, telephone network and for lightning and other protection;
  - transport and installation costs;
  - costs of entry in the land register;
  - costs of testing the operation of the asset less any revenue from the sale of effects;
- borrowing costs related to the acquisition of a tangible fixed asset until it is ready for use, if it is incurred for more than one year.

Acquisition cost of a tangible fixed asset constructed or produced in the company includes costs that are directly related to it, and the general costs of construction, which can be attributed to that asset. Costs not related to its

construction or making, and costs that the market does not recognize are not included in the acquisition price. Acquisition cost of such tangible fixed asset cannot be greater than the acquisition cost of an identical or similar tangible fixed assets on the market. Acquisition cost of tangible fixed asset constructed or produced in the company thus consists of hours of direct labor, material costs (valued at the weighted average price at the level OE) and other direct production costs (administrative and legal fees, notary services ...).

Borrowing costs are charged at the end of the investment; in the event that the investment is not completed in the current year, on the last day of the accounting period to the project items (investment items) listed in the loan agreement and those project items that are not listed by name and their planned value exceeds € 400,000.

If the newly acquired and recognized building, which is part of tangible fixed assets due to the construction of new building, which will be part of the tangible fixed assets, is disposed, the carrying value of the existing building is the cost of site preparation, which is included in the cost of the new building.

Company estimates that it has no significant obligations for decommissioning, restoration and similar obligations. Company does not have fixed assets that represent rights to use, and lease liabilities. Short-term leases and leases, in which the asset that is the subject of a lease is of small value, are not recognized as assets but are recognized as an expense in the lease.

Under tangible fixed assets and not investment property, we record also the electricity distribution infrastructure leased under operating lease to SODO under the Contract with SODO. Company considers that such disclosure is in accordance with their nature, as the content is an ownership use of assets. In addition, the company also does not originally own it in order to earn rent or other returns.

For measuring the tangible fixed asset after recognition, the company uses the cost model. At the end of the financial

year, it is assessed whether there are any indications that assets may be impaired. In doing so, indications from external and internal sources of information are assessed.

Depreciable amount of tangible fixed assets is equal to their acquisition cost, reduced by any eventual impairment.

If subsequently incurred costs related to tangible fixed assets, increase its future benefits compared to the originally estimated, its cost increases. However, if the costs are increasing the useful life of the asset, the acquisition cost of tangible fixed asset is increased for the value of these costs and the useful life is extended. Costs related to tangible fixed asset that are incurred later and are required to function normally are disclosed as maintenance costs.

Straight-line depreciation method is used. Average useful lives and depreciation rates of larger groups of depreciable assets are:

### Tangible fixed assets

Significant categories of depreciable assets	Estimated useful life (in years)	Depreciation rate (in %)
Buildings of energy infrastructure	25–50	2–4
Other buildings	20–50	2–5
Equipment of energy infrastructure	10–35	2.86–10
Computer hardware equipment	3	33.33
Other equipment	2–20	5–50
Vehicles	7–12	8.33–14.29

### Intangible assets and long-term accrued and deferred asset items

Significant categories of depreciable assets	Estimated useful life (in years)	Depreciation rate (in %)
Computer software equipment	3–7	14.29–33.33
Other rights	33–100	1–3.33

### Intangible assets and long-term accrued and deferred asset items

Intangible asset is a recognizable non-monetary asset, which generally does not exist physically. Intangible assets are initially recognized at cost, less accumulated amortization and accumulated impairment losses. Impairment of intangible assets with a definite useful life is carried out in the same way as for tangible fixed assets.

Company does not have intangible fixed assets that represent rights to use, and lease liabilities. Short-term leases and leases in which the asset that is the subject of a lease is of small value, are not recognized as assets but are recognized as an expense in the lease.

Straight-line depreciation method is used. Useful lives and depreciation rates of larger groups of depreciable assets are:

## Investment property

Investment property is property owned by the company in order to bring rent and/or to increase the value of long-term investment.

They are mainly:

- land held for increasing the value of long-term investment rather than for short-term sale in the ordinary course of business;
- land that has no future use determined by the company;
- building in single or multiple operational leasing;
- vacant buildings owned to hire out in single or multiple operational leasing;
- property that is being constructed or developed for future use as investment property.

Investment property does not include:

- real estate used by employees (for example apartments hired out for operational leasing to the employees);
- real estate hired out for a long-term operational leasing to company SODO, on the basis of a long-term contract with SODO;
- property comprising Sava HE, in connection with which a denationalization dispute is in progress. Until the dispute is resolved Sava HE is under long-term operating lease of the controlled company Gorenjske elektrarne.

All of the above listed real estate is treated as a component part of the tangible fixed assets.

For measuring investment property after recognition model of acquisition value is used, reduced by depreciation and eventual impairments. Straight-line depreciation method is used. Useful lives of larger groups of depreciable investment property are between 25 to 50 years, while their depreciation rates between 2 and 4%.

## Financial investments

Financial investments are financial assets that are disclosed in the balance sheet as long-term and short-term financial investments.

All long-term investments in the capital of other companies are classified in the fourth group, i.e. financial assets available for sale. When accounting for the ordinary purchase or sale of a financial asset, such financial asset is recognized in the books and balance sheet taking into account the trade (exchange) date, i.e. the date on which the company commits to buy or sell the asset.

Upon initial recognition, the financial investment is measured at fair value. Initial value is added also transaction costs arising from the acquisition or issue of financial assets, except for investments classified as financial assets at fair value through profit or loss. Financial investments in subsidiaries or associate companies and joint ventures are measured using the cost model.

If there is objective evidence that an impairment loss has been incurred in an investment in an equity instrument that is not quoted in an active market and is not carried at fair value but at cost because its fair value cannot be measured reliably, or in a derivative that is related to it and must be settled by the delivery of equity instruments for which no price is quoted in an active market, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of expected future discounted cash flows at current market returns for similar financial assets, and is recognized as a revaluation financial expense.

## Claims

Claims are rights based on property and other relations to require from a certain person to pay the debt, or in the case of given advances supply goods or implement a service. Company recognizes a receivable on the basis of the relevant documents when the contractual rights attached to it begin to be exercised and it is probable that the economic benefits associated with it will flow in.

Claims are initially recognized in amounts that originate from suitable documents assuming that they will be paid. Later, they can increase or decrease due to subsequent rebates, for received payments and other forms of settlement. After their initial recognition, claims are measured at their amortized cost.

In the balance sheet long-term claims, which are already due (but not yet settled), and long-term claims, which are due in one year after the balance sheet date at the latest, are recognized as short-term claims.

At least quarterly, before compiling the financial statements, we verify the suitability of individual recognized claim's amounts. Receivables, which are assumed to not be settled wholly or partially, are recognized as doubtful; if they result in legal proceedings or there is a dispute about their pay, they are recognized as disputable. Company forms a 100% value adjustment for both. To this end, the company has established appropriate records. In the records of disputable claims, it classifies all claims:

- in the execution procedures based on the execution title;
- in the execution procedures based on the authentic document (e.g. action) and
- in the insolvency proceedings (composition proceedings, simplified composition proceedings, and bankruptcy proceedings).

Company classifies receivables as doubtful receivables if the receivables are older than 90 days. Company may reduce the value adjustment based on the verification of the value of the receivable by individual business partner in the case of payments up to the date of data preparations, agreements between business partners on deferral of payments, insurance of receivables and other justified reasons.

Based on justified reasons that individual receivables will not be settled or will not be settled in full, the company may classify as doubtful receivables also receivables that are due for payments in less than 90 days.

## Stocks

Stock of material includes the quantities in the warehouse that will be used to create products or provide services.

Quantity units of stock materials (including small tools and packaging) are initially recognized at the purchase price. Cost comprises of the purchase price, import and non-refundable charges and direct acquisition costs.

Costs of material kept in stocks before use are recognized at moving average price method at the level of OE. Moving average price is calculated on a daily basis. Company continuously or at least once a year, during the inventory, verifies the real value of stocks and impairs it, if their book value exceeds the net realizable value.

## Monetary assets

Monetary assets include:

- cash on transactional and foreign currency accounts in banks or other financial institutions that can be used to make payments, and
- cash equivalents.

Cash equivalents are investments that can be quickly or in the near future converted to known amounts of cash and which are subject to an insignificant risk of changes in value. Company also includes deposits, bank deposits and loans among the companies in the Group with a maturity of up to three months, and receipts from their disposals, among cash equivalents.

All current accounts are kept in Euros, only current account in Gorenjska bank is opened also as foreign currency account. Account in Sberbank represents a saving account.

Revaluation of monetary assets is a change of their carrying value and can be done at the end of the financial year or during the year. Revaluation occurs only in case of assets in foreign currencies if exchange rate changes at the first recognition. Exchange rate difference, which occurs in this situation, either increases or reduces the original recognized value and in first case it represents financial revenue related to monetary assets or in the second case a financial expenditure related to monetary assets.

## Capital

Entire capital of the company consists of called-up capital, capital reserves, profit reserves, reserves arising from the valuation at fair value, retained earnings or loss from previous years and temporarily undistributed net profit or outstanding loss for the financial year.

If the company acquires own share in the financial year, it forms reserves for own shares on the balance sheet cut-off date in the amount of the amounts paid for the acquisition of own shares. Company uses the cost method. Full amount paid for the purchase of own shares is recognized as capital and reserves are formed for them.

Reserves arising from fair value valuation relate to the increase or decrease in actuarial gains and losses on severance pays upon retirement, and the amounts of proven gains or losses from changes in the fair value of financial assets available for sale that are not part of the hedging relationship. Reserves arising from the valuation of financial investments at fair value arise from the measurement of financial investments at fair value and are adjusted for changes in fair value. They are eliminated through income statement.

All other components of entire capital belong to the capital owners in proportion of their ownership shares in the capital stock.

## Debts

Debts are recognized liabilities related to the financing of own funds that need to be repaid or settled, especially in cash. Deferred tax liabilities are treated as a special type of debts.

In the balance sheet, long-term debts that have already fallen overdue (but not yet settled) and long-term debts due and payable not later than one year after the balance sheet date, are recognized as short-term debts. Debts can be financial (borrowings under the loan agreements, liabilities to lessors in finance lease) or business (purchased materials and services from suppliers, liabilities to employees, liabilities to the state, liabilities to customers for advances and securities).

After initial recognition, debts are measured at amortized cost. They are increased by implied interest and decreased by paid amounts and any other settlements, agreed upon with creditors. Debt is eliminated when the contractual rights to cash flows from it expire (after the expiration of the statute of limitations) or when the debt is transferred

and thus transfers almost all the risks and benefits arising from its ownership.

## Provisions

Provision is a present obligation that arises from binding past events and is expected to be settled in a period not determined with certainty, and the amounts to be settled can be measured reliably. Contingent liabilities are not considered provisions. Accounting value of provisions is equal to their original value, reduced by spent amounts until the need for their increase or reduction occurs. Provisions are recognized in the accounting records and balance sheet if:

- there is a present obligation (legal or indirect) due to a past event;
- it is likely, more likely than not, that the settlement of the obligation will require an outflow of resources providing economic benefits;
- the amount of the liability can be measured reliably.

More likely than not means that there is a greater than 50% probability that an obligation of the organization exists. If it is more likely than not that the current obligation does not exist, the organization discloses the contingent liability. Organization only discloses a contingent liability even in extremely rare cases where it is not possible to estimate the amount of the liability reliably.

Provisions include also long-term employee benefits, which are according to IAS 19 divided into:

- long-service bonus, which belongs to other long-term employee benefits;
- severance pay upon retirement, which belongs to post-employment benefits, and
- severance pay upon termination of employment, which belongs to severance pays.

Provisions for long service bonuses and severance pays at retirement are formed in the amount of estimated future payments based on the actuarial report on measuring long-term benefits in accordance with SAS 10, taking into account the International Accounting Standard 19 (IAS

19 – Employee Benefits), as SAS 10 does not specify more detailed content and rules for measuring liabilities. SAS 10 differs from IAS 19 only in the flat-rate (proportional) elimination of actuarial gains and losses in retained earnings for employees for whom the provision for retirement benefits is eliminated.

Calculations for provisions for severance pays at retirement and long service bonuses are prepared by an authorized actuary and are formed in the amount of estimated future payments discounted on the balance sheet date, taking into consideration also costs of service for the current year, costs of interest and actuarial surplus or deficits resulting from changes in actuarial assumptions and experiential adjustments.

On the balance sheet date, the company establishes and, in the profit, or loss account recognizes revenues or expenses in connection with the adjustment of provisions for retirement benefits from:

- amount of additional provisions for current service costs relating to severance pays for the current year;
- amount of the increase or decrease in the provisions already made in the event of the introduction or modification of the program (amendment of past service costs);
- accrued interest in respect of the provisions (as additional cost of provisions);
- effects of all limitations or shrinking of provisions for severance pay upon retirement.

Actuarial gains and losses from severance pays upon retirement are not recognized in the income statement, but directly in equity under reserves, arising from fair value measurement, which can also be negative. Reserves created under this title are eliminated in the net profit or loss from previous periods in the actual amounts, when for the employees who left or retired, the recognition of provisions for retirement is eliminated.

Long service bonuses are classified as other long-term employee benefits. On the balance sheet date, the company determines and recognizes in the profit or loss

revenues or expenses in connection with the adjustment of provisions for long-service bonuses (including actuarial gains and losses). Severance pays on termination of fixed –term employment is recognized by the company as short-term accrued costs and deferred revenue (short-term deferred costs) and not as provisions.

Recognition of provisions in accounting records and the balance sheet is eliminated when the created opportunities for which the provisions were formed, have already been used out or there no longer is a need for them. Provisions for accrued costs and expenses are directly reduced by the costs and expenses for which they were made. Therefore, during the spending of provisions the costs or expenses no longer appear in the income statement.

## Accrued and deferred liability items

Accrued and deferred liability items are receivables and other assets and liabilities that are expected to arise within the period for which they are formed and whose occurrence is probable and the amount of which is reliably estimated.

Accrued and deferred liability items can be active (capitalized) or passive (extended). Former can be considered as receivables in a broader sense, as they differ from both cash and goods, and the latter as debts in a broader sense, as they in any case differ from capital as liabilities to owners.

Accrued and deferred liability items that will be applied in one year are defined as short-term, while those that will be used in a longer period are defined as long-term. Among long-term accrued and deferred liability items the company also classifies:

- state support and donations received to obtain fixed assets or cover certain costs;
- tangible fixed assets taken over free of charge;
- received assets – contributions for average connection costs;
- earmarked assets for co-financing the construction of tangible fixed assets.

Company also classifies accrued costs of unused annual leave as short-term accrued and deferred liability items.

### Deferred tax assets and liabilities and income tax

Deferred tax assets and tax liabilities are calculated using the balance sheet liability method, which focuses on temporary differences.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward to be transferred to the next period, when it is probable that in the future taxable income will be available against which it will be possible to use the unused tax losses and unused tax credits. Receivables and deferred tax liabilities are not recognized in the accounting records if the amounts of deferred tax assets and deferred tax liabilities are individually or jointly insignificant for the company.

Deferred income tax is determined using tax rates (and laws) that are in effect at the balance sheet date and which are expected to be in effect when the related deferred tax asset is realized or the deferred tax liabilities settled and when a taxable profit against which it will be possible to eliminate temporary differences is available.

At the end of each reporting period the company reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset if it is probable that future profit will allow the coverage of deferred tax assets.

Current income tax is the amount of tax that is expected to be payable on the taxable income for the year, using tax rates established or substantially effective at the reporting date, and any eventual adjustments to tax payable in respect of previous years.

### Revenues

Revenue is recognized by the company when an increase in economic benefits is connected to the increase in an asset or a decrease in the debt and that this increase can

be measured reliably. Company recognizes revenue when it is reasonably expected to receive compensation for them and has transferred control of the goods or services to the customer.

Amounts collected on behalf of SODO in operations on their own behalf and the account of SODO are according to the Contract with SODO not recognized as revenue, but as operating liabilities to SODO.

Operating revenue is revenues from sales, capitalized own products and services and other operating revenues associated with business impact. These include also operating revenues from revaluation that occur mainly on the sale of tangible fixed assets and investment property at a price that exceeds their book value, or as a result of adjustment of receivables.

Other revenues consist of unusual items and other revenues that increase the profit or loss. As part of this revenue, the company also discloses state support obtained to contain or eliminate the consequences of the COVID-19 epidemic.

Financial revenue arises in relation to financial investments, as well as in association with receivables. They consist of accrued interest and profit shares of others as well as financial revenues from revaluation.

Interest on unpaid claims is not recognized as revenue but increase the value adjustment of receivables because there is reasonable doubt about the payment of claims until the principal is paid.

Company also generates revenue by building real estate for the market. Contract is usually concluded within a period of less than 12 months. Therefore, the company recognizes revenue gradually over the construction period with respect to the measuring of the progress towards the complete fulfilment of the obligation. To measure the progress, it uses the input method. This is based on the ratio of the costs actually incurred and estimated ones. Company estimates that there is no significant component of financing in these construction contracts.

### Expenditure

Expenditure is classified into operating, financial and other expenses. Operating and financial expenses are considered regular expenses.

Operating expenses include all costs incurred in the period and operating expenses from revaluation. Latter occur mainly due to the impairment of tangible fixed assets, intangible assets, investment property, accounts receivable and stocks, as well as the sale or other disposal of tangible fixed assets and investment property at a price that is lower than their carrying value.

Financial expenses are financing expenses and investment expenses. First consist primarily of interest, while second are primarily of revaluation financial expenses nature. Latter are due to impairment of financial investments and due to the sale or other disposal at a price that is lower than their book value. Interest expenses are recognized according to the elapsed time and the applicable interest rate.

Other expenses consist of unusual items and other expenses that reduce the profit or loss.

### Cash flow statement

Cash flow statement has a sequential staggered form and is prepared using the direct method (version I).

For the purpose of preparation of cash flows cash equivalents are classified as monetary assets as well. These are short term, highly liquid investments that are readily convertible to known amounts of cash and where the risk of changes in value is insignificant. Company treats the short-term deposits and deposits with banks and loans between companies in the Group with a maturity of up to three months after the acquisition, and receipts from their disposal, as cash equivalents.

For each group of assets (of e.g. intangible assets and tangible fixed assets) as an increase (expenses) are treated the paid acquisition costs of the newly acquired assets,

and as a reduction (income) the received payments for the value of assets disposed.

Cash flows relating to self-directed investments are classified as cash flows from investing activities. Cash flows from interest received and paid and dividends need to be classified under cash flows from operating, investing and financing activities.

### Significant sources of uncertainty, assumptions used, and basis in assessing

Assumptions and estimates that have the biggest impacts on amounts in the financial statements are:

- determination of useful lives of intangible and tangible fixed assets,
- value adjustments of doubtful receivables,
- provisions estimate.

### Transactions with SODO Company

In March 2023, the SODO Company received a preliminary settlement of the regulatory year 2022. Preliminary settlement for year 2022 was executed by SODO on the basis of the unaudited financial statements. Settlement shows that the already charged contractual value of services and rent in year 2022 was by € 2,815,283 higher than the value established on the basis of the preliminary settlement. On this basis the company Elektro Gorenjska in 2022 decreased revenue by € 2,815,283 (short-term deferred revenues). In year 2021 revenues established on the basis of preliminary settlement of the regulatory year 2021 were by € 1,921,573 lower than the already charged ones during the year. In year 2021, the Elektro Gorenjska Company therefore increased revenue by € 1,921,573 (€ 219,031 of short-term accrued revenues and € 1,702,542 of long-term accrued income). Final settlement for year 2022 will be executed by SODO based on the decision by the Energy Agency, which will take into account the revised data of both contracting parties.

## 4.5 Notes to the financial statement items

In 2022, the company also received final accounts for year 2021. On the basis of the final account for 2021, revenues increased by € 30,621.

### Disputes in progress and related provisions

There are several disputes in progress, including important denationalization procedures, where Elektro Gorenjska Company acts as the liable party. Company does not disclose details regarding these disputes, as it estimates that such disclosures might threaten the benefits of the company.

### Notes to the balance sheet items

#### Note 1 Intangible assets and long-term accrued costs and deferred revenues

As at December 31 2022, the value of intangible assets along with the long-term accrued costs and deferred revenues amounted **€ 2,240,615**. Their changes in years 2022 and 2021 were the following:

in €				
2022	Property rights	Property rights in acquisition	Other long-term accrued and deferred asset items	Total intangible assets and long-term accrued and deferred asset items
1	2	3	4	5=2+3+4
<b>Acquisition cost</b>				
Balance 31.12.2021	6,416,304	218,765	1,772,769	8,407,838
New acquisitions	706,695	537,155	117,677	1,361,528
Disposals, withdrawals, transfers	-765,291	0	-1,764,679	-2,529,970
Transfer from ongoing investments	191,860	-191,860	0	0
<b>Balance 31.12.2022</b>	<b>6,549,568</b>	<b>564,060</b>	<b>125,768</b>	<b>7,239,396</b>
<b>Value adjustment</b>				
Balance 31.12.2021	4,880,706	0	0	4,880,706
Increase (depreciation)	883,365	0	0	883,365
Disposals, withdrawals, transfers	-765,291	0	0	-765,291
<b>Balance 31.12.2022</b>	<b>4,998,780</b>	<b>0</b>	<b>0</b>	<b>4,998,780</b>
<b>Carrying amount</b>				
Balance 31.12.2021	1,535,598	218,764	1,772,769	3,527,132
<b>Balance 31.12.2022</b>	<b>1,550,788</b>	<b>564,059</b>	<b>125,767</b>	<b>2,240,615</b>



in €

2021	Property rights	Property rights in acquisition	Other long-term accrued and deferred asset items	Total intangible assets and long-term accrued and deferred asset items
1	2	3	4	5=2+3+4
<b>Acquisition cost</b>				
Balance 31.12.2020	5,915,398	15,456	20,394	5,951,248
New acquisitions	111,765	629,209	1,779,943	2,520,917
Disposals, withdrawals, transfers	-36,759	0	-27,568	-64,328
Transfer from ongoing investments	425,900	-425,900	0	0
<b>Balance 31.12.2021</b>	<b>6,416,304</b>	<b>218,765</b>	<b>1,772,769</b>	<b>8,407,837</b>
<b>Value adjustment</b>				
Balance 31.12.2020	4,221,549	0	0	4,221,549
Increase (depreciation)	695,917	0	0	695,917
Disposals, withdrawals, transfers	-36,759	0	0	-36,759
<b>Balance 31.12.2021</b>	<b>4,880,706</b>	<b>0</b>	<b>0</b>	<b>4,880,706</b>
<b>Carrying amount</b>				
Balance 31.12.2020	1,693,849	15,456	20,394	1,729,700
<b>Balance 31.12.2021</b>	<b>1,535,598</b>	<b>218,764</b>	<b>1,772,769</b>	<b>3,527,132</b>

Intangible assets refer mainly to long-term property rights, which represent rights to use computer software solutions or licenses. Property rights in acquisition include investments in renovation and modernization of computer software equipment. As at December 31 2022, the company had no financial obligations in respect of acquiring intangible fixed assets.

## Note 2 Tangible fixed assets

As at December 31 2022 tangible fixed assets amounted to **€ 212,885,049**, which represents 86% of balance sheet total of the company. Compared to the balance as at December 31 2021 their value is by 1.2% or € 2,625,877 higher.

Review of changes in tangible fixed assets in year 2022:

in €

2022	Land	Buildings	Equipment	Tangible fixed assets under construction	Advances	Total tangible fixed assets
1	2	3	4	5	6	7=2+3+4+5+6
<b>Acquisition cost</b>						
Balance 31.12.2021	7,246,264	312,364,485	133,882,519	5,830,541	47,062	459,370,870
New acquisitions	41,651	8,668	1,481,871	12,009,612	0	13,541,802
Disposals, withdrawals, transfers	-4,989	-2,666,967	-5,120,706	0	-3,720	-7,796,382
Transfer from ongoing investments	6,844	9,514,867	4,858,136	-14,379,848	0	0
<b>Balance 31.12.2022</b>	<b>7,289,770</b>	<b>319,221,053</b>	<b>135,101,820</b>	<b>3,460,306</b>	<b>43,342</b>	<b>465,116,291</b>
<b>Value adjustment</b>						
Balance 31.12.2021	0	164,349,754	84,761,944	0	0	249,111,698
Increase (depreciation)	0	5,924,550	4,844,186	0	0	10,768,736
Disposals, withdrawals, transfers	0	-2,533,841	-5,115,351	0	0	-7,649,192
<b>Balance 31.12.2022</b>	<b>0</b>	<b>167,740,463</b>	<b>84,490,778</b>	<b>0</b>	<b>0</b>	<b>252,231,241</b>
<b>Carrying amount</b>						
Balance 31.12.2020	7,246,264	148,014,730	49,120,575	5,830,541	47,062	210,259,172
<b>Balance 31.12.2022</b>	<b>7,289,770</b>	<b>151,480,589</b>	<b>50,611,042</b>	<b>3,460,305</b>	<b>43,342</b>	<b>212,885,049</b>

Review of changes in tangible fixed assets in year 2021:

in €						
2021	Land	Buildings	Equipment	Tangible fixed assets under construction	Advances	Total tangible fixed assets
1	2	3	4	5	6	7=2+3+4+5+6
<b>Acquisition cost</b>						
Balance 31.12.2020	7,157,150	305,936,364	130,661,902	3,016,115	46,605	446,818,136
New acquisitions	79,195	8,694	1,638,319	13,725,763	3,000	15,454,971
Disposals, withdrawals, transfers	-213	-2,279,352	-620,129	0	-2,543	-2,902,237
Transfer from ongoing investments	10,131	8,698,779	2,202,426	-10,911,336	0	0
<b>Balance 31.12.2021</b>	<b>7,246,264</b>	<b>312,364,485</b>	<b>133,882,519</b>	<b>5,830,541</b>	<b>47,062</b>	<b>459,370,870</b>
<b>Value adjustment</b>						
Balance 31.12.2020	0	160,571,274	80,566,049	0	0	241,137,323
Increase (depreciation)	0	5,838,021	4,769,890	0	0	10,607,911
Disposals, withdrawals, transfers	0	-2,059,541	-573,995	0	0	-2,633,537
<b>Balance 31.12.2021</b>	<b>0</b>	<b>164,349,754</b>	<b>84,761,943</b>	<b>0</b>	<b>0</b>	<b>249,111,698</b>
<b>Carrying amount</b>						
Balance 31.12.2020	7,157,150	145,365,090	50,095,853	3,016,115	46,605	205,680,813
<b>Balance 31.12.2021</b>	<b>7,246,264</b>	<b>148,014,730</b>	<b>49,120,575</b>	<b>5,830,541</b>	<b>47,062</b>	<b>210,259,172</b>

New acquisitions are presented in chapter **Development of production capital** in 2022. Individually significant acquisitions are:

- EO RTP Škofja Loka 110 kV – primary equipment (€ 2,634,545),
- EO RTP Škofja Loka 110 kV – secondary equipment (€ 1,131,006) and
- building of KN Škofja Loka (€ 926,796).

Disposals and withdrawals of tangible fixed assets are the consequence of new investments, investments in modernization and renovation (reconstruction) of existing assets. Individually significant disposals (withdrawals) connected to energy facilities and devices are the following:

- EO RTP Škofja Loka 20 kV (reduction of acquisition cost by € 1,583,260 and revaluation adjustment by € 1,583,260),
- EO RTP Škofja Loka 110 kV (reduction of acquisition cost by € 1,472,218 and revaluation adjustment by € 1,472,218) and
- Engine room in HE Sava (reduction of acquisition cost by € 1,090,495 and revaluation adjustment by € 1,090,495).

Important part of tangible fixed assets represents electricity distribution infrastructure as defined in the Decree on energy infrastructure (Official Gazette RS, No. 22/2016 with amendments). It includes buildings and equipment as well as part of the land. Book value of electricity distribution infrastructure as at December 31 2022 amounted to € 196,111,876 (December 31 2021: € 191,436,256). For the needs of implementation of system operator activity, which SODO implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, SODO has hired from Elektro Gorenjska Company complete electricity infrastructure.

Fixed assets are owned by the company and are not pledged as security for debts. Company Elektro Gorenjska also discloses among its tangible fixed assets the Sava Hydroelectric power plant, in connection with which a denationalisation dispute has already been initiated in previous years, which has not yet been completed by the date of preparation of this report. Elektro Gorenjska has some tangible fixed assets in co-ownership with SODO Company. At the end of 2022, the carrying amount of parts of these assets owned by Elektro Gorenjska amounted to € 811,985.

To finance new acquisitions of fixed assets the company took several long-term loans in year 2022 and previous years, whose balance on December 31 2022 amounted to € 56,189,236 (December 31 2021: € 51,987,024). Interest in the amount of € 19,786 was capitalized.

### Note 3 Investment property

At the end of 2022, investment property amounted to **€ 1,786,100**. Their changes in years 2022 and 2021 were the following:

in €				
2022	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
<b>Acquisition cost</b>				
Balance 31.12.2021	474,515	2,012,228	3,938	2,490,682
New acquisitions	0	2,958	-2,958	0
Disposals, separations, transfers	0	66,216	-980	65,236
Transfer from ongoing investments	0	0	0	0
<b>Balance 31.12.2022</b>	<b>474,515</b>	<b>2,081,402</b>	<b>0</b>	<b>2,555,917</b>
<b>Value adjustment</b>				
Balance 31.12.2021	0	708,016	0	708,016
Depreciation	0	43,702	0	43,702
Disposals, separations, transfers	0	18,099	0	18,099
<b>Balance 31.12.2022</b>	<b>0</b>	<b>769,817</b>	<b>0</b>	<b>769,817</b>
<b>Carrying amount</b>				
Balance 31.12.2021	474,515	1,304,212	3,938	1,782,665
<b>Balance 31.12.2022</b>	<b>474,515</b>	<b>1,311,585</b>	<b>0</b>	<b>1,786,100</b>

in €				
2021	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
<b>Acquisition cost</b>				
Balance 31.12.2020	470,235	1,993,618	2,600	2,466,452
New acquisitions	4,280	0	19,949	24,230
Disposals, separations, transfers	0	0	0	0
Transfer from ongoing investments	0	18,611	-18,611	0
<b>Balance 31.12.2021</b>	<b>474,515</b>	<b>2,012,228</b>	<b>3,938</b>	<b>2,490,682</b>
<b>Value adjustment</b>				
Balance 31.12.2020	0	665,166	0	665,166
Depreciation	0	42,851	0	42,851
Disposals, separations, transfers	0	0	0	0
<b>Balance 31.12.2021</b>	<b>0</b>	<b>708,016</b>	<b>0</b>	<b>708,016</b>
<b>Carrying amount</b>				
Balance 31.12.2020	470,235	1,328,452	2,600	1,801,286
<b>Balance 31.12.2021</b>	<b>474,515</b>	<b>1,304,212</b>	<b>3,938</b>	<b>1,782,665</b>

Investment property structure was the following:

Item description	in €	
	31.12.2022	31.12.2021
Apartments	336,214	298,449
Holiday facilities	831,568	855,430
Other buildings	143,802	150,333
Land	474,515	474,515
Investment property in acquisition	0	3,938
<b>Total investment property</b>	<b>1,786,100</b>	<b>1,782,665</b>

Based on the appraisal carried out in 2020 by a certified appraiser of real estate in the Slovenian Audit Institute, fair value of investment property that the company stated in its balance on December 31 2022 amounted to € 3,742,787. We estimate that, given the market conditions, the fair value on December 31 2022 does not differ significantly from the value based on the appraisal. All investment properties are owned by the company and are not pledged as security for debts.

Revenues from rent in investment property amount to € 169,552 (in year 2021: € 143,084). Direct operating expenses, originating from investment property, which made revenues from rents in year 2022, and direct operating expenses, which did not make revenues from rents in year 2022 consist of depreciation costs (€ 43,702) and costs of material and services (€ 73,383). In year 2021 costs of depreciation were € 42,851 and costs of material and services € 64,853.

#### Note 4 Long-term financial investments

On December 31 2022, long-term financial investments amounted to **€ 13,982,256**. Compared to the balance as at December 31 2021 their value decreased due to the exercise of the put option in connection with the investment in ECE or sale of stake in ECE.

Investment	Share in the ownership		Balance	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Investment in share in Gorenjske elektrarne d.o.o.	100.00%	100.00%	13,715,303	13,715,303
ECE, d.o.o.	12.5805%	0.00%	2,742,549	0
Put option in connection with ECE d.o.o.			146,139	0
Informatika, d.o.o., Maribor	0.00%	10.44%	124,155	124,155
<b>Total long-term financial investments, except loans</b>			16,728,146	13,839,457
Long-term invested funds (Eldom Maribor)			142,798	142,798
<b>Total long-term loans</b>			<b>142,798</b>	<b>142,798</b>
<b>Total long-term financial investments</b>			<b>16,870,943</b>	<b>13,982,256</b>

Long-term financial investments are not pledged as guarantee for debts. We estimate that the fair value of long-term financial investments that are not subsidiaries is equal to the disclosed value.

With regard to long-term financial investments, the company is primarily exposed to the risk of adverse changes in the fair value of long-term financial investments. Exposure to risks and hedging systems are explained in chapter **Managing the risks and opportunities**.

**Note 5 Long-term operating receivables**

Long-term operating receivables increased compared to the balance on December 31 2021 due to the recording of part of the settlement for the regulatory year 2021 in the amount of € 1,174 thousand under long-term operating receivables.

**Note 6 Deferred tax assets**

Deferred tax receivables increased due to unused tax losses and tax credits on December 31 2022.

**Note 7 Stocks**

Value of stocks of material and small tools as at December 31 2022 amounted to a total € 946,922. Compared to the balance as at December 31 2021, it decreased slightly. Company estimates that net realizable value of stocks is at least equal to their book value. Company has no pledged stocks as a guarantee for its liabilities. Movements of material stocks in years 2022 and 2021 are shown in the following table.

Item description	in €	
	2022	2021
Material stocks at the beginning of the period 1.1.	1,007,602	528,963
Purchases	2,770,647	3,566,992
Write-offs	-2,248	0
Sale	-29,664	-68
Consumption	-2,610,687	-2,926,372
Transfer of small tools in use	-188,729	-161,913
<b>Material stocks at the end of the period 31.12.</b>	<b>946,922</b>	<b>1,007,602</b>

In the inventory as at October 31 2022, no surpluses or shortages of stocks were identified.

**Note 8 Short-term operating receivables**

Short-term operating receivables as at December 31 2022 amounted to € 8,543,205. Compared to their balance as at December 31 2021 they are higher mainly due to the higher claims against SODO company.

Item description	in €	
	31.12.2022	31.12.2021
<b>Short-term receivables to group companies</b>	<b>77,846</b>	<b>56,975</b>
Short-term accounts receivable	8,025,783	6,301,614
Short-term advances	0	2,349
Adjustment of short-term accounts receivable	-152,990	-163,650
<b>Short-term accounts receivable</b>	<b>7,872,794</b>	<b>6,140,313</b>
<b>Short-term receivables for income tax</b>	<b>402,070</b>	<b>0</b>
Short-term operating receivables from others	194,628	292,066
Adjustment of short-term receivables from others	-4,134	-627
<b>Short-term operating receivables from others</b>	<b>190,495</b>	<b>291,440</b>
<b>Short-term operating receivables</b>	<b>8,543,205</b>	<b>6,488,728</b>

Short-term operating receivables are entirely unsecured. Breakdown of short-term trade receivables (network charge services and other market services) including receivables referring to default interest as of December 31 2022 according to maturity terms is shown in the following presentation:

Item description	in €						Total amount due	Total accounts receivable
	Not yet due	Due within 30 days	Due within 31-60 days	Due within 61-90 days	Due within more than 90 days	7=3+4+5+6		
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7=3+4+5+6</b>	<b>8=2+7</b>	
Claims on buyers of network charge and services	6,021,563	206,202	62,815	8,788	1,714,573	1,992,378	8,013,941	
Interest claims	2,556	1,773	60	274	7,180	9,287	11,842	
<b>TOTAL SHORT-TERM ACCOUNTS RECEIVABLE</b>	<b>6,024,119</b>	<b>207,976</b>	<b>62,874</b>	<b>9,062</b>	<b>1,721,752</b>	<b>2,001,664</b>	<b>8,025,783</b>	

Changes in valuation adjustment of claims were the following:

Item description	Balance 31.12.2021	New formations		Withdrawal (use) and elimination			Balance 31.12.2022
		Chargeable to expenses	Chargeable to claims	Claims write-off	Paid amounts (transfer to revenues) and elimination through receivables	Elimination of excess valuation adjustments	
Valuation adjustment of accounts receivable	156,428	0	0	10,506	0	318	145,604
Valuation adjustment of interest claims	7,222	86	252	150	23	0	7,386
<b>Total valuation adjustment of claims</b>	<b>163,650</b>	<b>86</b>	<b>252</b>	<b>10,656</b>	<b>23</b>	<b>318</b>	<b>152,990</b>

## Note 9 Monetary assets

As at December 31 2022 the Company had **€ 4,657,338** of cash on the bank's accounts and short-term redeemable deposits in banks in the state, which is comparable to the value at the end of 2021.

## Note 10 Kapital

Entire capital of the company consists of the share capital, capital reserves, profit reserves, reserves, arising from fair value valuation, net profit or loss from previous years and net profit or loss. Balance of the entire capital as at December 31 2022 amounted to **€ 166,546,129**, while book value per share to €9.64.

**Share capital** of Elektro Gorenjska Company (€ 104,136,615) is divided in 17,273,475 ordinary registered unit shares. All shares are fully paid up. Shares are issued in dematerialized form and are managed in KDD – Central Securities Clearing Corporation, d.d., in accordance with regulations.

**Capital reserves** in the amount of € 45,973,479 were formed on January 1 2006 in accordance with the transitional provisions (item No. 15 Introduction to 2006 SAS), from the hitherto general revaluation equity adjustment, while a part in the amount of € 28,581 results from the withdrawal of treasury shares in 2019.

**Statutory reserves** as at December 31 2022 amount to € 3,865,679 and are formed in accordance to the Article 64 of ZGD-1.

**Other profit reserves** amount to € 13,042,103, they are formed from the net profit for the financial year 2021 and previous years and the company uses them in accordance with the Article 11 of the Articles of Association of the joint-stock company Elektro Gorenjska.

**Value of reserves, arising from fair value valuation** is € 38,985. It represents post-employment benefits – actuarial gains/severance pay upon retirement and value adjustment of deferred tax reserves under this title. Changes in reserves, resulting from fair value valuation, for year 2022, are shown in the following table.

Item	Balance 1.1.2022	Elimination	New formation	Transfer to profit or loss brought forward (employee departures 2022)	in €
					Balance 31.12.2022
Actuarial gains/losses	-337,496	424,375	-2,575	-33,782	50,522
Value adjustment of deferred tax reserves	28,534	-40,071		0	-11,537
<b>Total</b>	<b>-308,962</b>	<b>384,304</b>	<b>-2,575</b>	<b>-33,782</b>	<b>38,985</b>

**Net loss** for the financial year 2022 amounts to € 510,732.

Use of distributable profit for 2021 was determined by the resolution of the General Meeting, which took place on June 23 2022. In accordance with the resolution of the general meeting, part of the distributable profit amounting to € 1,381,878 was intended for the payment of dividends to owners, while the remainder in the amount of € 1,381,878 was unallocated. A challenge lawsuit was filed in connection with the undistributed profit.

**Return on share** in year 2022 amounted to € -0.03, while in 2021 it amounted to € 0.47. Company has no preference shares, therefore basic and adjusted returns per share are equal.

Basis for the calculation of the indicators of return on share are the net profit for the year and the weighted average number of ordinary shares in the period. Calculation is shown in the following table.

Item	in €	
	2022	2021
Net profit or loss of the business year	<b>-510,732</b>	8,173,927
Weighted average number of ordinary shares	<b>17,273,475</b>	17,273,475
Return per share, basic/adjusted	<b>0.03</b>	0.47

### Note 11 Provisions and long-term accrued and deferred liability items

Provisions and long-term accrued and deferred liability items as at December 31 2022 amounted to **€ 15,284,740**. Compared to their balance as at December 31 2021 they decreased by € 421 thousand or 2.7%.

Changes in provisions and long-term accrued and deferred liability items in 2022:

Item description					in €
	Balance 31.12.2021	Formation	Derecognition	Elimination	Balance 31.12.2022
Provisions for long-service bonuses and severance pay	3,283,251	158,289	178,865	424,375	2,838,300
Other provisions	5,939,069	197,969	0	0	6,137,038
Long-term accrued and deferred liability items	6,483,363	237,252	411,214	0	6,309,401
<b>Total</b>	<b>15,705,683</b>	<b>593,511</b>	<b>590,080</b>	<b>424,375</b>	<b>15,284,740</b>

Changes in provisions and long-term accrued and deferred liability items in 2021:

Item description					in €
	Balance 31.12.2020	Formation	Derecognition	Elimination	Balance 31.12.2021
Provisions for long-service bonuses and severance pay	3,402,770	147,229	123,279	143,469	3,283,251
Other provisions	5,741,100	197,969	0	0	5,939,069
Long-term accrued and deferred liability items	6,781,114	322,879	437,582	183,048	6,483,363
<b>Total</b>	<b>15,924,984</b>	<b>668,077</b>	<b>560,861</b>	<b>326,516</b>	<b>15,705,684</b>

Provisions for long-service bonuses and severance pay at retirement are formed in the amount of estimated future payments on the basis of actuary report on measuring the long-term earnings according to IAS 19.

Actuary calculation as at December 31 2022 takes into account the following actuarial assumptions: statistical probability of mortality (active population, reduced by 10%), linearly decreasing fluctuation (0.7% a year for next year), retirement in accordance with the law or already known data, wage growth in the company (in the amount of annual inflation), growth of average earnings in electricity industry (annual inflation, increased by 0.5%), growth of average earnings in RS (for years 2022 and 2023 based on Autumn forecast, later growth of 2% is projected), growth of salaries

due to promotion (0.8% a year for next year), seniority bonus (growth in the amount of 0.5% from the basic salary a year) and discount rate in the amount of 3.9%.

Other provisions relate to the compensation in connection to denationalisation proceedings. Within long-term accrued and deferred liability items, the following items are also recorded: tangible fixed assets obtained free of charge (€ 4,283,851), deferred costs arising from average connection costs (€ 1,098,917), long-term deferred revenues from rents and user charges (€ 423,870) and earmarked funds to cover disproportionate connection costs (€ 368,851).

There were no significant differences between planned and realized forming and drawing on individual category of provisions and long-term accrued and deferred liability items.

### Note 12 Long-term liabilities

As at December 31 2022 Elektro Gorenjska Company had **€ 47,183,878** of long-term liabilities, which is by 8.5% more than as at December 31 2021. Majority of long-term liabilities are long-term financial liabilities to banks (€ 46,691,448). Maturity of long-term financial liabilities to banks is as follows:

				in €
1 year	2 - 5 years	Over 5 years	Total	
9,497,788	26,338,279	20,353,170	56,189,236	

In 2022, we drew a € 13 million long-term loan for implementation of investments in electricity infrastructure and repaid by € 8,797,788 in principle. Interest costs amounted to € 512,667. Interest in the amount of € 19,786 was capitalized. Credit balance as at December 31 2022 was € 56,189,236, while at the end of 2021 it was € 51,987,024.

Contractual interest rate in all loans is the result of collecting the offers of interested deposit money banks in acquiring the loan, in accordance with the Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act (Official Gazette RS, No. 23/04, as amended) and subsequent negotiations with banks. Interest rate of four of the loans is fixed, while all other loans have a floating rate, bound by three- or six-month EURIBOR. Add-on to EURIBOR is between 0.33 and 1.70 percent point. Financial liabilities in the amount of € 47,903,521 are secured by bills of exchange.

As at December 31 2022 there were 24% of long-term loans secured with the fixed interest rate, which represents the

amount of € 13.7 million. Balance of received loans to finance tangible fixed assets as at 31.12.2022 amounted to € 56,189,236.

In connection with long-term financial liabilities, the company is exposed mainly to the interest risk, as the long-term loans raised are loans with a floating interest rate (EURIBOR + add-on). As a result of the intervention law, the company violated financial covenants with three banks, from which it already received remissions in 2022. Transfer of the long-term part of financial obligations to the short-term part was therefore not necessary. Exposure to risks and hedging systems are explained in chapter **Managing the risks and opportunities**.

Company has no long-term debts to the members of the management board (management), members of the supervisory board and internal owners.

**Note 13 Deferred tax liability**

Deferred tax liabilities as at December 31 2022 amounted to **€ 203,724**. They relate to taxable temporary differences in relation to small inventory in fixed assets. Compared to the balance as at December 31 2021 they decreased by € 57,032 mainly due to the sale of the investment in ECE.

**Note 14 Short-term financial liabilities**

Short-term financial liabilities as at December 31 2022 amounted to **€ 9,567,797**. Main part of short-term financial liabilities refers to the short-term financial liabilities to banks, which represent the short part of long-term loans and interest.

**Note 15 Short-term operating liabilities**

At the end of 2022 short-term operating liabilities in the amount of **€ 5,494,387** were by € 1.7 million lower than compared to the balance on the last day of 2021. Main reasons are lower liabilities to suppliers, lower liabilities to SODO and lower liabilities to the state and other institutions. Detailed review of the short-term operating liabilities is presented in the following table.

	in €	
Item description	31.12.2022	31.12.2021
<b>Liabilities to suppliers for own account:</b>	<b>2,315,652</b>	<b>3,219,979</b>
to group companies	14,634	44,437
to other suppliers	2,301,019	3,175,541
<b>Liabilities to other suppliers on its own behalf and for third party account:</b>	<b>1,668,139</b>	<b>2,052,778</b>
liabilities to SODO, d.o.o.	1,664,017	2,051,531
to others	4,122	1,247
<b>Other liabilities, of which:</b>	<b>1,510,596</b>	<b>1,913,134</b>
for salaries	1,015,788	879,144
to state and other institutions	269,277	820,808
for received advances and collaterals	144,629	123,524
other (debt settlement-cession, interests, employee deductions...)	80,902	89,657
<b>Total short-term liabilities from operating activities</b>	<b>5,494,387</b>	<b>7,185,890</b>

**Note 16 Short-term accrued and deferred liability items**

As at December 31 2022 short-term accrued and deferred liability items amounted to **€ 3,655,390**. Compared to their balance as at December 31 2021 they are by € 2,650,575 higher. Reason is that at the end of 2022 short-term deferred revenues were recorded on the basis of the SODO preliminary statement for 2022, while at the end of 2021 we recorded accrued revenues from the SODO preliminary statement for 2021.

**Note 17 Off-balance sheet records**

Off-balance sheet assets or liabilities as at December 31 2022 amounted to a total **€ 5,034,137**. They were higher by € 175 thousand compared to the balance as at December 31 2021.

	in €	
Item description	31.12.2022	31.12.2021
Received guarantees and enforcement orders	3,332,063	3,065,531
Issued bills of exchange and enforcement orders	34,030	31,465
Fixed assets in the property of SODO	1,668,044	1,762,209
<b>Total off-balance sheet records</b>	<b>5,034,137</b>	<b>4,859,205</b>

Company does not have any contingent off-balance liabilities as defined by ZGD – 1. In 2022, a minority shareholder filed a challenge lawsuit against the resolution adopted at the company's general meeting regarding the distribution of profits for 2021. If they succeed in the lawsuit, this means that the company Elektro Gorenjska will pay out the other half of the distributable profit for year 2021 in the amount of € 1,381,878.



## Notes on profit and loss account items

### Note 1 Net sales revenues

In year 2022 net sales revenues amounted to **€ 26,167,643**. Almost all net sales revenues were generated in the domestic market. Net sales revenue comprises:

Item description	in €	
	2022	2021
Revenues from rent and services in relation to SODO	23,353,435	32,984,393
Revenues from services provided to group companies	216,800	135,955
Revenues from rents:	610,179	576,987
- revenues from rents from group companies	62,264	163,940
- revenues from rents from others	547,915	413,047
Revenues from construction and assembly works	1,794,395	1,709,889
Revenues from other services	192,834	303,721
<b>Total net sales revenues</b>	<b>26,167,643</b>	<b>35,710,944</b>

Majority of net sales revenues in 2022 represent revenues from rent and services related to SODO (€ 23,353,435). In 2022, these revenues are by 29.2% lower than in 2021. In 2022, namely due to the provisions of the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices (Official Gazette RS, No. 29/22), the tariff items of electricity operators for billing power and assumed working energy for all consumption groups for the period from February 1 2022 to April 30 2022 were reduced to zero. Network charge shortfall that arose was covered at the expense of a reduction in the return on assets, which meant for the company as much as € 9.9 million less revenue than planned.

### Note 2 Capitalized own products and own services

In year 2022 capitalized own effects amounted to **€ 3,354,884**. They were mostly investments in tangible fixed assets – energy infrastructure.

Item description	in €	
	2022	2021
Direct material costs	1,697,098	2,376,095
Direct labour costs	1,347,326	1,450,599
<b>Total direct costs of material and labour</b>	<b>3,044,425</b>	<b>3,826,694</b>
Total indirect costs of material, work and depreciation	310,459	339,141
<b>Total costs in the manufacture of products and the provision of services in relation to capitalized own effects</b>	<b>3,354,884</b>	<b>4,165,835</b>

### Note 3 Other operating revenues

Other operating revenues in the amount of **€ 704,660** consist of:

Item description	in €	
	2022	2021
Revaluation operating revenues	5,870	16,012
Revenue from the transfer of long-term deferred revenue to regular operating revenues:	385,189	448,409
- free acquisition of FA	34,768	35,057
- free acquisition of connections	198,396	195,499
- average connecting costs	85,319	85,319
- other	66,707	132,534
Damages recovered from insurance companies	26,393	155,891
Received state aid due to COVID-19	3,590	15,619
Received state supports-refunds	212,748	166,406
Other revenues	70,870	56,624
<b>Total other operating revenues</b>	<b>704,660</b>	<b>858,961</b>

**Note 4 Acquisition cost of goods sold and cost of material used**

Acquisition cost of sold goods and material used consists of:

Item description	in €	
	2022	2021
Costs of material:	3,666,103	4,332,143
- for maintenance	310,734	280,333
- in connection with capitalized own effects, market services	2,655,646	3,454,356
- for electricity, gas and heat	351,983	278,434
- small tool write-off	188,729	161,913
- office supplies	55,185	44,478
- other material costs	103,826	112,628
Acquisition cost of goods and material sold	29,664	68
<b>Acquisition cost of goods sold and costs of material used</b>	<b>3,695,767</b>	<b>4,332,211</b>

**Note 5 Costs of services**

In 2022, costs of services amounted to **€ 3,962,047**, which is by € 200 thousand more than in 2021. Biggest cost within the cost of services is the costs of services related to the maintenance of the electricity infrastructure and other tangible fixed assets. More detailed structure of service costs is provided in the following table.

Item description	in €	
	2022	2021
Costs of service in creating products and implementing services	143,715	176,632
Costs of telephone, postal and other transport services	231,019	217,077
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,229,994	1,208,246
Rents	50,206	23,899
Reimbursements of work-related costs to employees	38,829	25,637
Costs of payment transactions, banking services and insurance premiums	594,175	586,362
Costs of intellectual and personal services	563,113	531,447
Costs of advertising and representation	70,510	64,969
Costs of services of individuals not performing the activity, including duties chargeable to the company (costs under work contracts, authorship contracts, meeting fees of supervisory board members ...)	154,925	154,165
Costs of information and other services	885,561	773,650
<b>Total costs of services</b>	<b>3,962,047</b>	<b>3,762,084</b>

Maintenance of electricity infrastructure is also presented in chapter **Development of production capital** in 2022.

Essential item in costs of payment transactions, banking services and insurance premiums costs are insurance premiums which amounted to € 537,371 in 2022.

Cost of intellectual and personal services consist mainly of costs of scientific research, other consultancy services and costs of additional professional training.

Besides information services costs of other services include also costs of membership fees, utilities, student service, cleaning costs and other.

According to Article 57 of the Companies Act (ZGD-1), Elektro Gorenjska is obliged to audit the annual report. Contractual amount for the audit of the annual report of the Company and Elektro Gorenjska Group for 2022 is € 13,630. In addition, another € 1,970 was paid to the auditor who audited the annual report for assurance services.

**Note 6 Labour costs**

Costs of labour in the amount of **€ 13,385,632** consist of:

Item description	in €	
	2022	2021
Salary and salary compensation costs	9,545,267	9,003,918
Costs of voluntary pension insurance of employees	459,205	430,813
Costs of employer's contributions and other benefits from salaries	1,589,146	1,504,731
Costs of transport to work	243,650	184,668
Lunch costs	617,651	596,653
Cost of COVID-19 crisis allowance	0	0
Other labour costs	930,713	852,333
<b>Total labour costs</b>	<b>13,385,632</b>	<b>12,573,116</b>

Costs of the employer's contributions and other wage benefits also include contributions for pension and disability insurance: year 2022 in the amount of € 868,382; year 2021 in the amount of € 826,624.

Other labour costs include provisions for long-service benefits and severance pay, holiday pay, benefits, insurance costs for employees and payment to intern students. Number of employees and their educational structure, as well as other information related to employees, are presented in chapter **Human capital**. Remuneration of management and supervisory board is presented in more detail in chapter **Transactions with related parties** in the financial report of the company.

**Note 7 Write-offs**

In 2022, write-offs amounted to **€ 11,852,826**. Their composition is as follows:

Item description	in €	
	2022	2021
Depreciation of intangible fixed assets	883,365	695,917
Depreciation of tangible fixed assets	10,768,736	10,607,911
Depreciation of investment property	43,702	42,851
<b>Total depreciation costs</b>	<b>11,695,802</b>	<b>11,346,678</b>
Operating expenses from revaluation of fixed assets and investment property	150,831	262,623
Operating expenses from revaluation of current assets	6,193	403
<b>Total write-offs</b>	<b>11,852,826</b>	<b>11,609,704</b>

**Note 8 Other operating expenses**

Other operating expenses in the amount of **€ 468,769** consist of:

Item description	in €	
	2022	2021
Contribution for promotion of employment of persons with disabilities	65,433	55,924
Contribution for urban land	74,314	74,685
Provisioning	197,969	197,969
Other expenses (fees, charges, ...)	131,053	84,152
<b>Total other operating expenses</b>	<b>468,769</b>	<b>412,729</b>

Employment of people with disabilities is explained in more detail in chapter **Human capital**.

### Note 9 Financial revenue from shares

In 2022, the company realized **€ 1,009,797** of financial revenue from shares. Share in Gorenjske elektrarne Company refers to € 980,992 in revenues, while € 28,805 to the share in company Informatika.

### Note 10 Breakdown of costs by functional groups

Breakdown of costs by functional groups is shown in the following table:

Item description	in €	
	2022	2021
Costs of sold business effects	26,082,657	26,140,912
Costs of general activities	6,566,402	5,688,850
Costs of sales	529,295	596,989
<b>Total</b>	<b>33,178,353</b>	<b>32,426,751</b>

### Note 11 Income tax

Due to the tax loss, income tax for 2022 was not charged, and the deferred taxes amount to € -917,826. Accrued income taxes together with deferred taxes for the business year 2021 amounted to € 877,015. Effective tax rate was 10%.

### Note 12 Deferred taxes

Deferred tax liabilities in 2022 amounted to € -917,826. Most of them (€ -877,786) come from unused tax losses and tax credits as of December 31 2022.

### Notes on other comprehensive income items

Other components of comprehensive income amount to € 381,729, of which an amount of € 421,800 represents a change in actuarial gains and losses, while an amount of € -40,071 represents deferred tax receivable from severance pay at retirement.

### Notes on cash flow items

Cash flow statement shows cash flows arising from operating, investing and financing activities. Company prepares it by direct method.

As at January 1 2022 the company had on transaction accounts in banks monetary assets in the amount of € 4,657,338. As at December 31 2022 the balance on transaction accounts in banks and in the form of short-term deposits in commercial banks amounted to € 4,903,047. In the period January-December 2022 the company had a negative cash result in the amount of € 245,709.

Net cash from operating activities in year 2022 exceeded expenditure by € 9,728,296, which means that the company operates positively with its main activity and creates a

positive cash flow. With this, in year 2022, the company was able to settle all its liabilities (expenditure) referring to the repayment of the principals and interests in respect of long-term credits in the amount of € 8,797,788 and partly settle liabilities related to payment of dividends in the amount of € 1,381,878. The largest revenues were revenues received under the Contract with SODO for implementation of services and rents for electric power infrastructure. Compared to 2021, these revenues were significantly lower due to the intervention act.

Negative net cash used in investing activities in year 2022 amounted to € 12,718,278. Industry the company operates in is technologically very intense and in order to provide quality supply to its customers in the area of Elektro Gorenjska distribution network large and constant investments are required (explained mainly in chapter **Development of production capital** in 2022). New acquisitions of intangible and tangible assets were mainly financed by drawing from long-term credit in the amount of € 13 million (explained in Note 12 Long-term liabilities in chapter **Notes to the balance sheet items**), and also from proceeds from the disposal of financial investments. Receipts from financing activities in the period considered amounted to € 20.7 million, while expenditures amounted to € 17.9 million.

## 4.6 Transactions with related parties

Below we present transactions with related parties, namely transactions with Group companies, transactions with the Republic of Slovenia, transactions with companies owned by the Republic of Slovenia and transactions with the Management Board and the Supervisory Board.

### Transactions with Group companies

In 2022, Elektro Gorenjska operated with its subsidiaries Gorenjske elektrarne and GEK vzdrževanje.

Among transactions with the subsidiary Gorenjske elektrarne, which in 2022 amounted to € 1,319 thousand, besides the paid profit in the amount of € 981 thousand (payment of the subsidiary to the controlling company) the most important were revenues from services rendered and rents.

in €	
Item	2022
Payment of profit to the owner	980,922
Income from services provided and rents (subsidiary company expenses)	155,185
Other transactions	182,596
<b>Total</b>	<b>1,318,703</b>

Transactions with GEK vzdrževanje Company did not reach significant values. All transactions with Group companies were implemented under normal market conditions. As a controlling company, Elektro Gorenjska Company did not obstruct or impair operations of company Gorenjske elektrarne as the controlled company.

### Transactions with the Republic of Slovenia

Most important transactions of the Elektro Gorenjska Company with the Republic of Slovenia were in 2022 the following:

in €	
Item	Payments in year 2022
Payments in year	1,381,878
Dividends	937,749
Corporate income tax (tax and advance payments)	4,702,643
<b>Other duties (VAT, employer contributions)</b>	<b>7,022,270</b>
<b>Total</b>	

### Transactions with companies directly or indirectly owned by the Republic of Slovenia

Table below shows significant transactions with companies in which the state has a direct or indirect dominant influence.

in €				
Business partner	Open receivables on 31.12.2022	Open liabilities on 31.12.2022	Expenditure in year 2022	Revenues in year 2022
SODO, d, o, o,	6,504,329	1,672,718	46,457	23,353,435
Modra zavarovalnica, d, d,	0	37,125	420,228	0
Zavarovalnica Sava, d, d,	0	-32	528,455	0
SID, d, d,	0	4,572,381	77,858	0
NLB, d,d,	0	20,027,054	81,072	0
<b>Total</b>	<b>6,504,329</b>	<b>26,309,246</b>	<b>1,154,070</b>	<b>23,353,435</b>

Outstanding liabilities to SODO Company represent payables for the account of third parties. Transactions with other companies in which the State has a dominant influence do not represent significant amounts.

### Transactions with Management and Supervisory Board

In year 2022, Elektro Gorenjska Company paid the Chairman of the Board for performance of his duties in the company the following receipts:

in €					
Receipts	Fixed earning (gross salary)	Operating performance	Holiday allowance	Reimbursements of costs	Bonuses
Predsednik uprave	101,068	16,607	2,141	2,394	9,970

Reimbursement of costs (material costs) include reimbursement for meals, business travel expenses and reimbursement of mobile phone costs. They are charged in accordance with the employment contracts or company's collective agreement. Bonuses include insurance premiums and use of a company car.

Receipts of supervisory board members in 2022 are shown in the following table. As some members are also members of the committees of SB remuneration for participation in the committees is also included.

in €						
Item description	Payment for the performance of the function (gross)	Attendance fee SB (gross)	Attendance fee committee (gross)	Gross total	Travel expenses	Total
	1	2	3	4=1+2+3	5	6
<b>Representatives of capital</b>						
Rudolf Ogrinc	21,005	3,520	1,320	25,845	175	26,020
Gabrijel Škof	15,255	3,520	1,980	20,755	0	20,755
Gregor Tomše	15,538	3,520	1,980	21,038	0	21,038
Vid Meglič	14,004	2,970	1,320	18,294	169	18,463
<b>Employee representatives</b>						
Iztok Štular	14,004	3,520	1,320	18,844	0	18,844
Jereb Borut	11,300	3,520	0	14,820	0	14,820

Receipts of external members of the audit and nomination committees are shown in the table below.

in €				
Item description	Payment for the performance of the function (gross)	Attendance fee committee (gross)	Gross total	Travel expenses
	1	2	3=1+2	4
<b>External committee members</b>				
dr. Simon Čadež	5,650	1,980	7,630	190

In 2022, the supervisory board held a total of 13 sessions, of which 12 were regular and one correspondence. Nomination committee held a total of 6 regular sessions in 2022, while audit committee 8 regular sessions. Vid Meglič, member of the Supervisory Board, was present at eleven supervisory board session out of total thirteen. All other members of the supervisory board and committees were present at all sessions.

Costs of other supervisory board members' benefits in year 2022 refer to the liability insurance in accordance with the decision of the 16<sup>th</sup> shareholders meeting of Elektro Gorenjska Company. These benefits represent the creditworthiness of the supervisory board members.

in €	
	Liability insurance
<b>Representatives of capital</b>	
Rudolf Ogrinc	168
Gabrijel Škof	168
Gregor Tomše	168
Vid Meglič	168
<b>Employee representatives</b>	
Iztok Štular	168
Borut Jereb	168

Board of directors and the supervisory board did not receive any receipts in respect of performing the functions in controlled companies. Elektro Gorenjska Company received and also approved no advances, loans, or guarantees to groups of people mentioned in this chapter and did not disclose any claims on them in this respect as of December 31 2022.

## 4.7 Financial risk management

Financial risks in the company are connected with the ability to create financial income, control financial expenses, maintain the value of financial assets, control financial liabilities and ensure competitive and long-term solvency.

### Risk of financial investments

Failure to achieve the planned results on the part of investments (investments in the company Gorenjske elektrarne with 100% share) resulted in failure to achieve the projected dividend yield. In the event of a sale, there is a risk that the sale price of the investment will be significantly lower than the carrying amount of the investment in the company's financial statements. Company manages the risk as an active owner.

### Credit risk

Under the Contract on the lease of electricity distribution infrastructure and the provision of services for the distribution system operator the company collects customer payments on its own behalf and on behalf of SODO d.o.o. There is a higher risk, as the company despite unpaid claims of customers has to settle all liabilities to SODO in accordance with the Contract and its Annexes. Company also provides a wide range of market services. Any unpaid receivables from these services represent the greatest credit risk for the company. In both cases, Company manages the risk primarily by carefully monitoring receivables and carrying out recovery procedures, concluding appropriate agreements with debtors, expanding the set of payments according to pro forma invoices and by including appropriate financial collateral in contracts.

Largest exposure to credit risk was at the end of 2022 or 2021 the following:

	in €	
	31.12.2022	31.12.2021
Non-current financial claims	142,798	142,798
Non-current trade receivables	1,178,900	0
Short-term financial claims	0	0
Short-term trade receivables	7,872,794	6,140,313
Cash and cash equivalent	4,657,338	4,903,047

### Liquidity risk

There is a risk that the company could have liquidity problems, which would be mainly the result of uneven inflows and outflows and lengthy procedures for obtaining long-term loans or a larger excess of planned investments. Company manages the risk through regular recovery procedures, short-term and long-term financial planning, regular monthly meetings with services whose activities have an impact on the risk, cash management within the EG Group, timely implementation of procedures for obtaining debt sources and financial control and adaptation of the volume of investment realization.

## 4.8 Events after the balance sheet date

February 13, 2023, the Gorenjske elektrarne subsidiary founded the GEK Solar company. Gorenjske elektrarne Company has a 100% ownership stake in this company.

On March 1, 2023, the merger of the company GEK Vzdrževanje with the company Gorenjske elektrarne was carried out. Cut-off date of the merger was December 31, 2022.

### Interest risk

Company borrowed more than half of its long-term loans at a variable interest rate, which could increase in the event of greater economic activity and central bank measures in the European Union, which would have a direct negative impact on operating results due to higher financing costs. Company manages the risk by negotiating with banks to reduce existing mark-ups or bank margins and refinancing or repayment of existing loans with unfavourable financial commitments or higher mark-ups that are realistically achievable in the banking market. As well as with proactive monitoring of movements in variable and fixed interest rates and mark-ups of banks, and active search for the most favourable conditions for access to foreign resources.

### Payment for services rendered to SODO

There is a risk of inadequate payment for services to the company SODO, mainly due to requirements for the provision of services not covered by the contract with SODO, a dispute over the quality of services provided and charged by EG, an inadequate Agency's decision on establishing a regulatory framework, and the year-on-year or annual deficit of the network charge in the distribution system according to the value of services rendered. Company manages the risk by actively participating in the procedure of issuing the Agency's decision on determining the regulatory framework and by active and appropriate correspondence with all stakeholders of the Contract with SODO.

### Lack of investment funds

Realization of the risk could occur mainly in the event that the company fails to provide the owners with funds for the realization of the planned investments due to the lack of own funds, due to the company's inability to borrow to the required extent or due to the excessive payment of dividends. Company manages the risk through appropriate financial planning and sustainable long-term borrowing.

## 4.9 Disclosures under the Electricity Supply Act

### Criteria for allocating indirect costs (expenses), revenues, assets and funds according to individual activity

#### General

Reported business performance and financial position of individual activities are affected by both direct and indirect revenues and costs (expenses), as well as assets and sources of funds attributed to the activity directly or indirectly.

Criteria presented below for the allocation of indirect costs (expenses), revenues, assets and funds by activities take into account the sectors or organizational units, according to which we recorded business events in 2022. All revenues and costs (expenses), assets and sources of funds are originally recognized in the organizational units (hereinafter: OU), where they are generated. Where this is not possible or appropriate, they shall be allocated to more than one OU in the original recognition, in accordance with pre-agreed criteria. In doing so, the criteria for allocating indirect revenue, costs (expenses), assets and funds shall take into account in particular the following:

- number of employees per activity and
- area of real estate used by a particular OU in an individual facility.

#### General criterion for allocating indirect revenues, costs (expenses), assets and funds according to activities

Indirect revenues and expenses mainly represent revenues and expenses of general services: management, corporate services sector (KS sector) and information and communication technology sector (ICT sector), excluding revenues and costs (expenses) of these services achieved in relation to associated companies, in connection with the provision of legal, personnel, accounting, financial and other similar services. Revenue generated in relation to associated companies is initially recognized in other activities. Costs incurred in connection with the provision

of services to associated companies are recorded directly in other activities.

This determined indirect revenues and costs (expenses), assets and funds of general services are allocated to activities on the basis of criteria. Following two criteria are used:

- number of employees and
- number of fixed assets.

On this basis, indirect costs (expenses), revenues, assets and funds of general services were allocated to the activity Contract with SODO in the amount of 91%, and to other activities in the amount of 9%.

#### Other important criteria for allocating indirect revenues, costs (expenses), assets and funds according to activities

Mutual relations between OUs or activities include in particular the following:

- Intangible and tangible assets, long-term accrued and deferred asset items, long-term operating receivables, assets for sale, short-term operating receivables, provisions and long-term accrued and deferred liability items, part of short-term operating liabilities, short-term accrued and deferred liability items and stocks are originally recognized by individual OU. Exceptions are intangible and tangible assets that relate to several activities (i.e. combined assets). These assets are redistributed from the original OU to the OU to which they relate. Assets and funds recognized in general services (Management Board, KS sector, ICT sector) are allocated to individual activities according to the key for the allocation of combined assets or general criterion.
- All investment property and long-term financial investments are recognized in other activities.

- Long-term and short-term financial liabilities to banks are allocated by activity according to the purpose for which the loans were obtained.
- Interest costs for loans obtained from banks are distributed by activities, according to the share of financial liabilities charged to an individual activity or as defined in the previous paragraph.
- Cash is originally recorded to the OU, where the receivable or the obligation by which the payment is closed or to the OU on which the cost is recorded. If the expenditure relates to the payment of liabilities originally recognized by the Management Board, such payment for the preparation of statements by activities shall be subsequently allocated accordingly.
- Liabilities from corporate income tax are fully recorded in the Management Board. When preparing the income statement by activities, corporate income tax is taken into account in each of the activities. Value related to an individual activity is calculated in the basis of data for the calculation of corporate income tax by OU (DDPO calculation is prepared at the activity level). Interim advance payments of corporate income tax and receivables or liabilities as at December 31 are recorded in the Management Board. When preparing the balance sheet by activities as at December 31, liabilities and receivables from corporate income tax on activity are allocated on the basis of the actual calculation of DDPO by activities. Liabilities and receivables by activity are recognized according to the actually paid advances by activities and the final settlement of DDPO by activity.



## Balance sheet by activities of the company

In accordance with the provisions of the Electricity Supply Act (ZOE), we disclose financial statements by activities.

### Balance sheet by activities of the company as at December 31 2022

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
<b>ASSETS</b>			
<b>A. Long-term assets</b>	<b>214,808,344</b>	<b>18,530,113</b>	<b>233,338,457</b>
<b>I. Intangible assets and long-term accrued and deferred asset items</b>	<b>2,152,829</b>	<b>87,786</b>	<b>2,240,615</b>
1. Long-term property rights	2,033,292	81,556	2,114,848
5. Other long-term accrued and deferred asset items	119,537	6,230	125,767
<b>II. Tangible fixed assets</b>	<b>210,256,129</b>	<b>2,628,920</b>	<b>212,885,049</b>
1. Land and buildings	156,394,951	2,375,408	158,770,359
a) Land	6,362,155	927,615	7,289,770
b) Buildings	150,032,796	1,447,793	151,480,589
2. Production plant and equipment	50,296,662	246,394	50,543,056
3. Other plant and equipment	61,321	6,665	67,986
4. Tangible fixed assets in acquisition	3,503,195	453	3,503,648
a) Tangible fixed asset under construction and manufacture	3,459,853	453	3,460,306
b) Advances for the acquisition of fixed assets	43,342	0	43,342
<b>III. Investment property</b>	<b>0</b>	<b>1,786,100</b>	<b>1,786,100</b>
<b>IV. Long-term financial investments</b>	<b>0</b>	<b>13,982,256</b>	<b>13,982,256</b>
1. Long-term financial investments, excluding loans	0	13,839,457	13,839,457
a) Shares and stakes in group companies	0	13,715,303	13,715,303
b) Shares and stakes in associate companies	0	124,154	124,154
2. Long-term loans	0	142,799	142,799
b) Long-term loans to others	0	142,799	142,799
<b>V. Long-term operating receivables</b>	<b>1,311,805</b>	<b>0</b>	<b>1,311,805</b>
2. Long-term trade receivables	1,178,900	0	1,178,900
3. Long-term receivables due from others	132,905	0	132,905
<b>VI. Deferred tax claims</b>	<b>1,087,581</b>	<b>45,051</b>	<b>1,132,632</b>
<b>B. Short-term assets</b>	<b>1,422,890</b>	<b>12,724,575</b>	<b>14,147,465</b>
<b>II. Stocks</b>	<b>944,990</b>	<b>1,932</b>	<b>946,922</b>
1. Material	944,990	1,932	946,922
<b>IV. Short-term operating receivables</b>	<b>7,673,574</b>	<b>869,631</b>	<b>8,543,205</b>
1. Short-term receivables due from Group companies	239	77,607	77,846
2. Short-term trade receivables	7,128,734	744,060	7,872,794
3. Short-term income tax receivables	362,671	39,399	402,070
4. Short-term receivables due from others	181,930	8,565	190,495
<b>V. Monetary assets</b>	<b>-7,195,674</b>	<b>11,853,012</b>	<b>4,657,338</b>
<b>C. Short-term accrued and deferred asset items</b>	<b>225,529</b>	<b>20,870</b>	<b>246,399</b>
<b>TOTAL ASSETS</b>	<b>216,456,763</b>	<b>31,275,558</b>	<b>247,732,321</b>

### Balance sheet by activities as at December 31 2022 (continued from the previous page):

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
<b>LIABILITIES</b>			
<b>A. Capital</b>	<b>142,800,654</b>	<b>23,745,475</b>	<b>166,546,129</b>
<b>I. Called-up capital</b>	<b>87,770,535</b>	<b>16,366,080</b>	<b>104,136,615</b>
1. Share capital	87,770,535	16,366,080	104,136,615
<b>II. Capital reserves</b>	<b>41,584,616</b>	<b>4,388,863</b>	<b>45,973,479</b>
<b>III. Profit reserves</b>	<b>14,286,913</b>	<b>2,620,869</b>	<b>16,907,782</b>
1. Statutory reserves	2,988,717	876,962	3,865,679
5. Other profit reserves	11,298,196	1,743,907	13,042,103
<b>V. Reserves arising from fair value measurement</b>	<b>37,476</b>	<b>1,509</b>	<b>38,985</b>
<b>VI. Net profit or loss from previous periods</b>	<b>4,652,654</b>	<b>-4,652,653</b>	<b>0</b>
<b>VII. Net profit or loss for the period</b>	<b>-1,056,454</b>	<b>545,721</b>	<b>-510,733</b>
3. Net loss of the business year	1,056,454	-545,721	510,733
<b>VIII. Harmonized capital adjustment between activities</b>	<b>-4,475,086</b>	<b>4,475,086</b>	<b>0</b>
<b>B. Provisions and long-term accrued and deferred liability items</b>	<b>8,317,584</b>	<b>6,967,156</b>	<b>15,284,740</b>
1. Provisions for pensions and similar liabilities	2,465,557	372,743	2,838,300
2. Other provisions	0	6,137,039	6,137,039
3. Long-term accrued and deferred liability items	5,852,027	457,374	6,309,401
<b>C. Long-term liabilities</b>	<b>47,156,096</b>	<b>27,782</b>	<b>47,183,878</b>
<b>I. Long-term financial liabilities</b>	<b>46,691,448</b>	<b>0</b>	<b>46,691,448</b>
2. Long-term financial liabilities to banks	46,691,448	0	46,691,448
<b>II. Long-term operating liabilities</b>	<b>265,775</b>	<b>22,931</b>	<b>288,706</b>
4. Long-term operating liabilities based on advances	58,431	2,424	60,855
5. Other long-term operating liabilities	207,344	20,507	227,851
<b>III. Deferred tax liabilities</b>	<b>198,873</b>	<b>4,851</b>	<b>203,724</b>
<b>Č. Short-term liabilities</b>	<b>14,630,892</b>	<b>431,292</b>	<b>15,062,184</b>
<b>II. Short-term financial liabilities</b>	<b>9,567,555</b>	<b>242</b>	<b>9,567,797</b>
1. Short-term financial liabilities to Group companies	0	242	242
2. Short-term financial liabilities to banks	9,497,788	0	9,497,788
4. Other short-term financial liabilities	69,767	0	69,767
<b>III. Short-term operating liabilities</b>	<b>5,063,337</b>	<b>431,050</b>	<b>5,494,387</b>
1. Short-term operating liabilities to Group companies	10,491	4,143	14,634
2. Short-term operating liabilities to suppliers	2,232,133	68,886	2,301,019
4. Short-term operating liabilities based on advances	60,935	83,694	144,629
6. Other short-term operating liabilities	2,759,778	274,327	3,034,105
<b>D. Short-term accrued and deferred liability items</b>	<b>3,551,537</b>	<b>103,853</b>	<b>3,655,390</b>
<b>TOTAL LIABILITIES</b>	<b>216,456,763</b>	<b>31,275,558</b>	<b>247,732,321</b>

## Balance sheet by activities of the company as at December 31 2021

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
<b>ASSETS</b>			
<b>A. Long-term assets</b>	<b>211,548,121</b>	<b>21,358,206</b>	<b>232,906,327</b>
<b>I. Intangible assets and long-term accrued and deferred asset items</b>	<b>3,458,842</b>	<b>68,290</b>	<b>3,527,132</b>
1. Log-term property rights	1,687,177	67,186	1,754,363
5. Other long-term accrued and deferred asset items	1,771,665	1,104	1,772,769
<b>II. Tangible fixed assets</b>	<b>207,666,038</b>	<b>2,593,134</b>	<b>210,259,172</b>
1. Land and buildings	152,983,954	2,277,040	155,260,994
a) Land	6,349,011	897,253	7,246,264
b) Buildings	146,634,943	1,379,787	148,014,730
2. Production plant and equipment	48,752,798	298,670	49,051,468
3. Other plant and equipment	62,069	7,038	69,107
4. Tangible fixed assets in acquisition	5,867,217	10,386	5,877,603
a) Tangible fixed asset under construction and manufacture	5,820,155	10,386	5,830,541
b) Advances for the acquisition of fixed assets	47,062	0	47,062
<b>III. Investment property</b>	<b>0</b>	<b>1,782,665</b>	<b>1,782,665</b>
<b>IV. Long-term financial investments</b>	<b>0</b>	<b>16,870,943</b>	<b>16,870,943</b>
1. Long-term financial investments, excluding loans	0	16,728,145	16,728,145
a) Shares and stakes in group companies	0	13,715,302	13,715,302
b) Shares and stakes in associate companies	0	124,155	124,155
c) Other shares and stakes	0	2,888,688	2,888,688
2. Long-term loans	0	142,798	142,798
b) Long-term loans to others	0	142,798	142,798
<b>V. Long-term operating receivables</b>	<b>154,506</b>	<b>0</b>	<b>154,506</b>
3. Long-term receivables due from others	154,506	0	154,506
<b>VI. Deferred tax claims</b>	<b>268,735</b>	<b>43,174</b>	<b>311,909</b>
<b>B. Short-term assets</b>	<b>3,151,860</b>	<b>9,247,517</b>	<b>12,399,377</b>
<b>II. Stocks</b>	<b>1,005,807</b>	<b>1,795</b>	<b>1,007,602</b>
1. Material	1,005,807	1,795	1,007,602
<b>IV. Short-term financial investments</b>	<b>5,883,726</b>	<b>605,002</b>	<b>6,488,728</b>
1. Short-term financial investments, excluding loans	15	56,960	56,975
2. Other short-term financial investments	5,630,192	510,121	6,140,313
4. Short-term operating receivables	253,519	37,921	291,440
<b>V. Monetary assets</b>	<b>-3,737,673</b>	<b>8,640,720</b>	<b>4,903,047</b>
<b>C. Short-term accrued and deferred asset items</b>	<b>345,046</b>	<b>11,866</b>	<b>356,912</b>
<b>TOTAL ASSETS</b>	<b>215,045,027</b>	<b>30,617,590</b>	<b>245,662,616</b>

## Balance sheet by activities as at December 31 2021 (continued from the previous page):

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
<b>LIABILITIES</b>			
<b>A. Capital</b>	<b>146,207,790</b>	<b>23,264,880</b>	<b>169,472,670</b>
<b>I. Called-up capital</b>	<b>87,770,535</b>	<b>16,366,080</b>	<b>104,136,615</b>
1. Share capital	87,770,535	16,366,080	104,136,615
<b>II. Capital reserves</b>	<b>41,584,616</b>	<b>4,388,863</b>	<b>45,973,479</b>
<b>III. Profit reserves</b>	<b>14,286,913</b>	<b>2,620,869</b>	<b>16,907,782</b>
1. Statutory reserves	2,988,717	876,962	3,865,679
5. Other profit reserves	11,298,196	1,743,907	13,042,103
<b>V. Reserves arising from fair value measurement</b>	<b>-250,564</b>	<b>-58,398</b>	<b>-308,962</b>
<b>VI. Net profit or loss from previous periods</b>	<b>4,942,743</b>	<b>-4,918,573</b>	<b>24,170</b>
<b>VII. Net profit or loss for the period</b>	<b>2,348,633</b>	<b>390,953</b>	<b>2,739,586</b>
1. Unused part of net profit for the current financial year	2,348,633	390,953	2,739,586
<b>VIII. Coordinated capital adjustment between activities</b>	<b>-4,475,086</b>	<b>4,475,086</b>	<b>0</b>
<b>B. Provisions and long-term accrued and deferred liability items</b>	<b>8,887,797</b>	<b>6,817,887</b>	<b>15,705,684</b>
1. Provisions for pensions and similar liabilities	2,828,786	454,465	3,283,251
2. Other provisions	0	5,939,070	5,939,070
3. Long-term accrued and deferred liability items	6,059,011	424,352	6,483,363
<b>C. Long-term liabilities</b>	<b>43,422,815</b>	<b>54,724</b>	<b>43,477,539</b>
<b>I. Long-term financial liabilities</b>	<b>43,189,236</b>	<b>0</b>	<b>43,189,236</b>
2. Long-term financial liabilities to banks	43,189,236	0	43,189,236
<b>II. Long-term operating liabilities</b>	<b>25,124</b>	<b>2,424</b>	<b>27,548</b>
4. Long-term operating liabilities based on advances	25,124	2,424	27,548
<b>III. Deferred tax liabilities</b>	<b>208,455</b>	<b>52,300</b>	<b>260,755</b>
<b>Č. Short-term liabilities</b>	<b>15,656,700</b>	<b>345,208</b>	<b>16,001,908</b>
<b>II. Short-term financial liabilities</b>	<b>8,816,010</b>	<b>8</b>	<b>8,816,018</b>
1. Short-term financial liability to group companies	0	8	8
2. Short-term financial liabilities to banks	8,797,788	0	8,797,788
4. Other short-term financial liabilities	18,222	0	18,222
<b>III. Short-term operating liabilities</b>	<b>6,840,690</b>	<b>345,200</b>	<b>7,185,890</b>
1. Short-term operating liabilities to Group companies	41,473	2,964	44,437
2. Short-term operating liabilities to suppliers	3,135,047	40,494	3,175,541
4. Short-term operating liabilities based on advances	86,953	36,571	123,524
5. Short-term liabilities for income tax	479,863	55,816	535,679
6. Other short-term operating liabilities	3,097,354	209,355	3,306,709
<b>D. Short-term accrued and deferred liability items</b>	<b>869,924</b>	<b>134,891</b>	<b>1,004,815</b>
<b>TOTAL LIABILITIES</b>	<b>215,045,026</b>	<b>30,617,590</b>	<b>245,662,616</b>

## Profit or loss account by activities of the company

### Profit or loss account by activities of the company for business year ended as at December 31 2022

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
<b>1. Net sales revenue</b>	<b>23,407,592</b>	<b>2,760,051</b>	<b>26,167,643</b>
a. Net sales revenue on the domestic market	23,407,592	2,753,102	26,160,694
b. Net sales revenue in the foreign market	0	6,949	6,949
<b>3. Capitalized own products and services</b>	<b>0</b>	<b>3,354,884</b>	<b>3,354,884</b>
<b>4. Other operating revenues</b>	<b>649,995</b>	<b>54,665</b>	<b>704,660</b>
<b>5. Costs of goods, material, and services</b>	<b>4,511,794</b>	<b>3,146,020</b>	<b>7,657,814</b>
a. Costs of goods sold and material used	994,447	2,701,320	3,695,767
b. Costs of services	3,517,347	444,700	3,962,047
<b>6. Labour costs</b>	<b>10,478,915</b>	<b>2,906,717</b>	<b>13,385,632</b>
a. Cost of wages and salaries	7,350,687	2,194,580	9,545,267
b. Social security cost	1,649,687	398,664	2,048,351
- of which the cost of pension insurance	1,093,551	234,036	1,327,587
c. Other labour costs	1,478,541	313,473	1,792,014
<b>7. Amortization/depreciation expense</b>	<b>11,597,528</b>	<b>255,298</b>	<b>11,852,826</b>
a. Depreciation	11,457,346	238,456	11,695,802
b. Operating expenses from revaluation of intangible and tangible fixed assets	135,721	15,110	150,831
c. Operating expenses from revaluation of operating current assets	4,461	1,732	6,193
<b>8. Other operating expenses</b>	<b>237,517</b>	<b>231,252</b>	<b>468,769</b>
<b>9. Financial revenues from shares</b>	<b>0</b>	<b>1,009,797</b>	<b>1,009,797</b>
a. Financial revenue from interests in Group companies	0	980,992	980,992
b. Financial revenue from interests in associates	0	28,805	28,805
<b>10. Financial revenues from given loans</b>	<b>0</b>	<b>1,004</b>	<b>1,004</b>
b. Financial revenues from loans given to others	0	1,004	1,004
<b>11. Financial revenues from operating receivables</b>	<b>10,349</b>	<b>1,473</b>	<b>11,822</b>
b. Financial revenue from operating receivables due from others	10,349	1,473	11,822
<b>12. Financial expenses from impairments and financial investment write-offs</b>	<b>0</b>	<b>146,139</b>	<b>146,139</b>
<b>13. Financial expenses from financial liabilities</b>	<b>512,667</b>	<b>847</b>	<b>513,514</b>
a. Financial expenses from loans, received from group companies	0	847	847
b. Financial expenses from loans, received from banks	512,667	0	512,667
<b>14. Financial expenses from operating liabilities</b>	<b>15,153</b>	<b>2,446</b>	<b>17,599</b>
b. Financial expenses from accounts and bills payable	80	50	130
c. Financial expenses from other operating liabilities	15,073	2,396	17,469
<b>15. Other revenues</b>	<b>20</b>	<b>4</b>	<b>24</b>
<b>16. Other expenses</b>	<b>22,774</b>	<b>2,252</b>	<b>25,026</b>
<b>17. PRE-TAX NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>-3,308,392</b>	<b>490,907</b>	<b>-2,817,485</b>
<b>19. Deferred taxes</b>	<b>-862,049</b>	<b>-55,777</b>	<b>-917,826</b>
<b>20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>-2,446,343</b>	<b>546,684</b>	<b>-1,899,659</b>

### Profit or loss account by activities of the company for business year ended as at December 31 2021

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
<b>1. Net sales revenue</b>	<b>33,109,289</b>	<b>2,601,655</b>	<b>35,710,944</b>
a. Net sales revenue on the domestic market	33,109,289	2,581,384	35,690,673
b. Net sales revenue in the foreign market	0	20,271	20,271
<b>3. Capitalized own products and services</b>	<b>0</b>	<b>4,165,835</b>	<b>4,165,835</b>
<b>4. Other operating revenues</b>	<b>774,783</b>	<b>84,178</b>	<b>858,961</b>
<b>5. Costs of goods, material, and services</b>	<b>4,254,009</b>	<b>3,840,286</b>	<b>8,094,295</b>
a. Costs of goods sold and material used	926,576	3,405,635	4,332,211
b. Costs of services	3,327,433	434,651	3,762,084
<b>6. Labour costs</b>	<b>9,699,607</b>	<b>2,873,509</b>	<b>12,573,116</b>
a. Cost of wages and salaries	6,824,154	2,179,764	9,003,918
b. Social security cost	1,539,292	396,252	1,935,544
- of which the cost of pension insurance	1,023,698	233,739	1,257,437
c. Other labour costs	1,336,161	297,493	1,633,654
<b>7. Amortization/depreciation expense</b>	<b>11,308,196</b>	<b>301,508</b>	<b>11,609,704</b>
a. Depreciation	11,046,900	299,778	11,346,678
b. Operating expenses from revaluation of intangible and tangible fixed assets	260,893	1,730	262,623
c. Operating expenses from revaluation of operating current assets	403	0	403
<b>8. Other operating expenses</b>	<b>187,239</b>	<b>225,490</b>	<b>412,729</b>
<b>9. Financial revenues from shares</b>	<b>0</b>	<b>1,471,992</b>	<b>1,471,992</b>
a. Financial revenue from interests in Group companies	0	1,197,454	1,197,454
b. Financial revenue from interests in associates	0	128,393	128,393
<b>c. Financial revenue from interests in other companies</b>	<b>0</b>	<b>146,139</b>	<b>146,139</b>
č. Financial revenues from other investments	0	6	6
<b>11. Financial revenues from operating receivables</b>	<b>11,921</b>	<b>1,094</b>	<b>13,015</b>
b. Financial revenue from operating receivables due from others	11,921	1,094	13,015
<b>12. Financial expenses from impairments and financial investment write-offs</b>	<b>0</b>	<b>12,701</b>	<b>12,701</b>
<b>13. Financial expenses from financial liabilities</b>	<b>419,186</b>	<b>66</b>	<b>419,252</b>
a. Financial expenses from loans, received from group companies	0	66	66
b. Financial expenses from loans, received from banks	419,186	0	419,186
<b>14. Financial expenses from operating liabilities</b>	<b>5,555</b>	<b>916</b>	<b>6,471</b>
b. Financial expenses from accounts and bills payable	9	45	54
c. Financial expenses from other operating liabilities	5,546	871	6,417
<b>15. Other revenues</b>	<b>18</b>	<b>5</b>	<b>23</b>
<b>16. Other expenses</b>	<b>37,406</b>	<b>4,154</b>	<b>41,560</b>
<b>17. PRE-TAX NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>7,984,813</b>	<b>1,066,129</b>	<b>9,050,942</b>
<b>18. Income tax</b>	<b>1,219,883</b>	<b>-13,672</b>	<b>1,206,211</b>
<b>19. Deferred taxes</b>	<b>-240,390</b>	<b>-88,806</b>	<b>-329,196</b>
<b>20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>	<b>7,005,320</b>	<b>1,168,607</b>	<b>8,173,927</b>



# Financial report of EG Group

## 5 Financial report of Elektro Gorenjska Group

### 5.1 Management responsibility statement

Management board of Elektro Gorenjska Company hereby approves the financial statements published and presented in this annual report and all other component parts of the consolidated annual report. Consolidated annual report provides a true and fair picture of the financial condition of the Group.

Management board of Elektro Gorenjska Company certifies that International Financial Reporting Standards were used and relevant accounting principles were applied in drafting the consolidated financial statements and that accounting estimates were prepared according to the principles of prudence and due diligence.

Management board of Elektro Gorenjska Company approved the financial statements of the Group prepared for the financial year 2022 on April 17 2023.

Management board of Elektro Gorenjska is responsible for appropriate accounting in the company, for adoption of appropriate measures to protect the property and other assets, and hereby certifies that financial statements were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards as adopted by the European Union.

At any time within five years after the year in which it was necessary to levy the tax, tax authorities may check the company's operations, which may result in an additional tax liability, default interest and penalties for corporate income tax or other taxes and charges. Management of the company has not been acquainted with any circumstances that could cause eventual significant liability in this respect.

Kranj, April 17 2023

Chairman of the Board  
dr. Ivan Šmon, MBA



## 5.2 Auditor's report



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### INDEPENDENT AUDITOR'S REPORT

To the shareholders of Elektro Gorenjska Group  
(Translation of the original report in Slovene language - for information purposes only)

#### REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

##### Opinion

We have audited the consolidated financial statements of Elektro Gorenjska, d.d. (the Group), which comprise the consolidated balance sheet as at December 31, 2022 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

##### Basis for Opinion

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

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

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*, including those related to these matters. Therefore, the audit comprised the implementation of the procedures determined on the basis of our assessment of the risk of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the attached consolidated financial statements.

##### Capitalised costs of own products and services

###### Key audit matter

Capitalised costs of own products and services amounted to 3,567,667 EUR in the year ended December 31, 2022 (2021: 4,639,001 EUR).

The Group constructs buildings and equipment with its own resources. Additions to tangible fixed assets, constructed by the Group, are valued at estimated costs of hours spent, which include personnel expenses and other indirect costs, as well as direct costs of materials and transport. The determination of hourly rates for personnel

###### Our response

Our audit procedures included:

- Assessing the guidelines defining additions to tangible fixed assets and construction costs in order to test that they comply with the guidelines defined by group accounting guidelines.
- Testing the design and implementation of internal controls and testing of internal controls in the part that refers to the recognition of personnel expenses, costs of materials and services and fixed assets.

BDO Revizija d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.  
Okrožno sodišče v Ljubljani, v št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.



expenses and judgment regarding which types of indirect costs to include in the cost of tangible fixed assets, includes estimation. Estimation of the amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management. In determining the matter, the management uses assumptions and judgments for recognising tangible fixed assets as they are determined by Slovene accounting standards.

Due to the abovementioned information we determined this matter as a key audit matter.

Disclosures regarding this matter are included in point 6.4 Bases for compiling financial statements and within this point subtitle Significant accounting policies - Tangible fixed assets, and in Note 2 - Tangible fixed assets of the point 6.5.1 Notes to the financial statement items, and in Note 2 Capitalized own products and own services of the point 5.5.2 Notes on profit and loss account items.

##### Investments in property, plant and equipment

###### Key audit matter

Carrying amount of property, plant and equipment as at December 31, 2022 amounted to 227.029.819 EUR (31. December 2021: 223.345.912 EUR); costs of maintenance for the year 2022 amounted to 1.475.289 EUR (2021: 1.416.709 EUR).

Beside new investments the Group performs maintenance of property, plant and equipment, mainly electrical distribution infrastructure. As items, which fulfil conditions for recognition of property, plant and equipment, are capitalized and depreciated on an annual basis, costs of maintenance are expensed in P&L as incurred. Distinction among items which fulfil conditions for recognition in the balance sheet and items expensed as incurred is significant for the audit of financial statements as it requires management judgement if and which conditions need to be fulfilled for recognition as property, plant and equipment and which for recognition as expenses. Due to this information, we determined the matter as a key audit matter. When determining these facts, the Group follows conditions for recognition of fixed assets as defined in IFRS as adopted in EU.

Disclosures regarding this matter are included in point 5.4 Bases for compiling financial statements and within this point subtitle Typical accounting policies and estimates - Fixed assets, to the Note 2 Tangible fixed assets of the point 5.5.1 Notes to the

- Familiarization with the method of recognising fixed assets constructed by the Group.
- Examination of the methodology and assumptions used by the Group in calculating the cost of personnel and verification of the completeness and accuracy of data used.
- Recalculation of the personnel costs and comparison with the calculation for the current year and to market data.
- Testing, on a sample of selected items, of capitalised own products and services, where we:

- assessed whether the appropriate personnel expenses have been used;
- obtained the bases for the cost of material and transport;
- conducted interviews with persons responsible for construction of fixed assets;
- verified supporting accounting documents and entries in the financial statements. The sample included randomly selected items and items that we determined based on our risk-based approach due to the size, complexity, content or duration of construction or maintenance.

We have reviewed the disclosures in the annual report regarding fixed assets and capitalized own products and services.

###### Our response

Our audit procedures included:

- Assessing the guidelines defining investments into tangible fixed assets and construction costs in order to test that they comply with the guidelines prescribed by IFRS as adopted in EU.
- Testing the design and implementation of internal controls and testing of internal controls in the part costs, property, plant and equipment and related liabilities.
- Familiarization with the management of investments.
- Testing, on a sample of selected items, of property, plant and equipment as well as maintenance costs, where we:
  - Assessed if conditions for recognition of property, plant and equipment or maintenance costs are fulfilled;
  - Obtained the bases for such treatment from responsible persons;
  - Conducted interviews with persons responsible for construction of fixed assets;
  - Verified supporting documentation and postings in the accounting evidences. The sample included randomly selected items and items that we determined based on our risk-based approach due to the size, complexity, content or duration of construction or maintenance.



financial statement items, to the Note 5 - We have reviewed the disclosures in the Maintenance costs of the point 5.5.2 Notes on profit and loss account items. annual report according to the requirements of IFRS as adopted in EU.

#### Other information

Management is responsible for the other information. The other information comprises the information included in the business report of the annual report of the company Elektro Gorenjska, d.d., and Elektro Gorenjska Group and Accounting report of the company Elektro Gorenjska, d.d., but does not include the consolidated financial statements and our auditor's report thereon. We have received other information before the date of the auditor's report, except for the report of the Supervisory Board, which will be available at a later time.

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

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

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

#### Responsibilities of Management and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process and for confirming the audited consolidated annual report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with the Audit Committee and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### Other reporting obligations as required by EU Regulation No. No 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's report, which is required in addition to the requirements of International Standards on Auditing:

##### Appointment of the Auditor and the Period of Engagement

We were appointed as the statutory auditor of the Company by the shareholders at the General Shareholders' Meeting held on June 23, 2020 for the financial years 2020 - 2022. The engagement letter for the three years was signed on July 1, 2020. We have been performing the statutory audit of financial statements for four years without interruption. The audit partner responsible for the audit is Maruša Hauptman.

##### Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 20, 2023.

##### Prohibited Services

We confirm that we have not performed any prohibited services referred to the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council and that we ensure our independence from the audited Company.

##### Other Services of the Auditor

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

Ljubljana, April 20, 2023

BDO Revizija d.o.o.  
Cesta v Mestni log 1, Ljubljana  
(signature on the original issued in Slovene language)

Maruša Hauptman, certified auditor

## 5.3 Financial statements of Elektro Gorenjska Group for business year ended as at December 31 2022

### Statement of financial position of Elektro Gorenjska Group as at December 31 2022

Item	Note	in €	
		31.12.2022	31.12.2021
<b>ASSETS</b>			
<b>Long-term assets</b>		<b>235,093,864</b>	<b>233,244,853</b>
<b>Intangible assets</b>	1	<b>2,160,582</b>	<b>1,786,886</b>
1. Long-term property rights		2,160,582	1,786,886
<b>Tangible fixed assets</b>	2	<b>227,029,819</b>	<b>223,345,912</b>
1. Land and buildings		164,092,423	160,760,242
a) Land		8,476,757	8,433,251
b) Buildings		155,615,666	152,326,991
2. Production plant and equipment		55,884,799	54,682,783
3. Other plant and equipment		765,317	914,529
4. Tangible fixed assets in acquisition		6,287,280	6,988,358
<b>Investment property</b>	3	<b>1,756,738</b>	<b>1,752,497</b>
<b>Long-term financial investments</b>	4	<b>1,555,937</b>	<b>4,103,332</b>
1. Long-term financial investments, excluding loans		1,370,207	3,410,641
b) Financial investments accounted for using the equity method		1,338,124	521,953
c) Other shares and stakes		32,083	2,888,688
2. Long-term loans		185,730	692,691
b) Long-term loans to others		185,730	692,691
<b>Long-term operating receivables</b>	5	<b>1,328,847</b>	<b>1,874,090</b>
2. Long-term trade receivables		1,178,900	1,719,584
3. Long-term receivables due from others		149,947	154,506
<b>Long-term accrued costs</b>		<b>129,309</b>	<b>70,227</b>
<b>Deferred tax claims</b>		<b>1,132,632</b>	<b>311,909</b>

The table continues →



		in €	
Item	Note	31.12.2022	31.12.2021
<b>ASSETS</b>			
<b>Short-term assets</b>		<b>20,054,421</b>	<b>18,870,182</b>
<b>Stocks</b>	6	<b>2,627,208</b>	<b>1,083,794</b>
1. Material		2,627,208	1,083,794
<b>Short-term financial investments</b>	7	<b>1,006,962</b>	<b>4,006,962</b>
2. Short-term loans		1,006,962	4,006,962
b) short-term loans to others		1,006,962	4,006,962
<b>Short-term operating receivables</b>	8	<b>8,199,499</b>	<b>7,576,407</b>
2. Short-term trade receivables		6,257,433	7,239,855
3. Short-term receivables due from others		1,942,066	336,552
<b>Income tax receivables</b>		<b>131,985</b>	<b>0</b>
<b>Short-term assets from contracts with customers</b>	9	<b>1,477,262</b>	<b>0</b>
<b>Short-term accrued assets and other short-term assets</b>		<b>1,001,074</b>	<b>206,551</b>
<b>Cash and cash equivalents</b>		<b>5,610,431</b>	<b>5,996,468</b>
<b>TOTAL ASSETS</b>		<b>255,148,285</b>	<b>252,115,035</b>
<b>LIABILITIES</b>			
<b>Capital</b>	10	<b>173,886,767</b>	<b>174,624,767</b>
<b>Called-up capital</b>		<b>104,136,615</b>	<b>104,136,615</b>
1. Share capital		104,136,615	104,136,615
<b>Capital reserves</b>		<b>45,973,479</b>	<b>45,973,479</b>
<b>Profit reserves</b>		<b>17,337,941</b>	<b>17,226,552</b>
1. Statutory reserves		4,222,453	4,106,749
5. Other profit reserves		13,115,488	13,119,803
<b>Other reserves</b>		<b>38,667</b>	<b>-348,171</b>
<b>Retained profit and loss</b>		<b>6,400,065</b>	<b>7,636,292</b>

The table continues →

		in €	
Item	Note	31.12.2022	31.12.2021
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>		<b>63,095,458</b>	<b>59,950,809</b>
<b>Provisions</b>	11	<b>9,206,772</b>	<b>9,574,509</b>
1. Provisions for pensions and similar liabilities		3,069,733	3,635,439
2. Other provisions		6,137,039	5,939,070
<b>Long-term financial liabilities</b>	12	<b>46,691,448</b>	<b>43,189,236</b>
2. Long-term financial liabilities to banks		46,691,448	43,189,236
<b>Long-term operating liabilities</b>		<b>304,443</b>	<b>27,548</b>
2. Long-term operating liabilities to suppliers		11,743	0
4. Long-term operating liabilities based on advances		60,856	27,548
5. Other long-term operating liabilities		231,844	0
<b>Other long-term liabilities and long-term deferred revenue</b>	13	<b>6,689,071</b>	<b>6,898,760</b>
<b>Deferred tax liabilities</b>		<b>203,724</b>	<b>260,756</b>
<b>Short-term liabilities</b>		<b>18,166,060</b>	<b>17,539,459</b>
<b>Short-term financial liabilities</b>		<b>9,567,555</b>	<b>8,816,010</b>
2. Short-term financial liabilities to banks		9,497,788	8,797,788
4. Other short-term financial liabilities		69,767	18,222
<b>Short-term operating liabilities</b>	14	<b>6,253,981</b>	<b>6,943,439</b>
2. Short-term operating liabilities to suppliers		3,031,625	3,420,961
4. Short-term operating liabilities based on advances		77,092	93,204
5. Other short-term operating liabilities		3,145,264	3,429,274
<b>Liabilities for income tax</b>		<b>0</b>	<b>480,509</b>
<b>Short-term liabilities from contracts with customers</b>	15	<b>1,219,104</b>	<b>128,421</b>
<b>Short-term prepaid expenses and other short-term liabilities</b>	16	<b>1,125,420</b>	<b>1,171,080</b>
<b>TOTAL LIABILITIES</b>		<b>255,148,285</b>	<b>252,115,035</b>

Explanatory notes are part of the financial statements and should be read in conjunction with them.

## Profit or loss account of Elektro Gorenjska Group for business year ended as at December 31 2022

Item	Note	in €	
		2022	2021
<b>Net sales revenue</b>	1	<b>34,619,389</b>	<b>39,766,295</b>
Capitalized own products and services	2	3,567,667	4,369,001
<b>Other operating revenues</b>	3	<b>1,642,907</b>	<b>1,156,765</b>
<b>Costs of goods, material, and services</b>		<b>11,880,945</b>	<b>8,941,614</b>
a. Costs of goods sold and material used	4	6,101,980	4,643,366
b. Costs of services	5	5,778,965	4,298,248
<b>Labour costs</b>	6	<b>14,871,628</b>	<b>13,953,799</b>
<b>Amortization/depreciation expense</b>	7	<b>13,113,483</b>	<b>12,898,507</b>
<b>Other operating expenses</b>	8	<b>547,118</b>	<b>480,790</b>
<b>Financial revenues from shares</b>		<b>0</b>	<b>146,146</b>
<b>Financial revenues from given loans</b>		<b>1,473</b>	<b>2,356</b>
<b>Financial revenues from operating receivables</b>		<b>17,826</b>	<b>19,555</b>
<b>Financial expenses from impairments and financial investment write-offs</b>		<b>146,139</b>	<b>3,714</b>
<b>Financial expenses from financial liabilities</b>		<b>512,667</b>	<b>419,187</b>
<b>Financial expenses from operating liabilities</b>		<b>23,377</b>	<b>8,127</b>
<b>Recognized profit or loss on investments valued using the equity method</b>		<b>960,194</b>	<b>144,717</b>
<b>TOTAL PROFIT OR LOSS</b>		<b>-285,900</b>	<b>8,899,097</b>
<b>Income tax</b>	9	<b>384,087</b>	<b>1,330,576</b>
<b>Deferred taxes</b>	10	<b>-917,826</b>	<b>-329,196</b>
<b>NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD</b>		<b>247,839</b>	<b>7,897,717</b>

Explanatory notes are part of the financial statements and should be read in conjunction with them.

## Statement of other comprehensive income of Elektro Gorenjska Group for business year ended as at December 31 2022

Title	in €	
	2022	2021
<b>1. Net profit or loss of the accounting period</b>	<b>247,839</b>	<b>7,897,717</b>
<b>2. Items of other comprehensive income (other than amounts under the equity method) that will not be subsequently reclassified to profit or loss</b>	<b>422,773</b>	<b>156,768</b>
- Actuarial gains and losses	422,773	156,768
<b>4. Share of other comprehensive income of associates and joint ventures accounted for using the equity method, which will not be subsequently reclassified to profit or loss</b>	<b>0</b>	<b>162</b>
<b>TOTAL COMPREHENSIVE INCOME OF THE ACCOUNTING PERIOD</b>	<b>670,612</b>	<b>8,054,647</b>

Explanatory notes are part of the financial statements and should be read in conjunction with them.

## Cash flow statement of Elektro Gorenjska Group for business year ended as at December 31 2022

Item	in €	
	2022	2021
<b>A. OPERATING CASH-FLOW</b>		
<b>a. Operating receipts</b>	43,554,047	43,945,808
1. Receipts from sales of products and services	42,478,552	42,606,171
2. Income tax receipts	77,511	174,134
3. Other operating receipts	997,984	1,165,503
<b>b. Operating expenditure</b>	-33,004,141	-26,158,909
1. Expenditure for purchase of material and services	-13,803,250	-7,840,635
2. Expenditure for salaries and employees profit shares	-10,904,472	-10,011,243
3. Income tax expenditure	-1,074,092	-951,014
4. Expenditure for other duties	-3,697,119	-4,013,958
5. Other operating expenditure	-3,525,208	-3,342,059
<b>c. Positive or negative cash flow from operating activities</b>	10,549,906	17,786,899
<b>B. CASH FLOWS IN INVESTING ACTIVITIES</b>		
<b>a. Receipts in investing activities</b>	6,398,199	4,595,399
1. Receipts from received interest and profit shares of others	158,593	285,832
3. Receipts from disposal of tangible fixed assets	22,829	247,200
5. Receipts from disposal of investment property	6,216,777	4,062,367
<b>b. Expenditure in investing activities</b>	-19,686,991	-19,064,288
1. Expenses for acquisition of intangible assets	-1,098,263	-1,302,452
2. Expenses for acquisition of tangible fixed assets	-18,553,135	-15,696,681
3. Expenses for acquisition of investment property	-3,510	-65,155
4. Expenses for acquisition of financial investments	-32,083	-2,000,000
<b>c. Positive or negative cash flow from investing activities</b>	-13,288,792	-14,468,888

The table continues →

Item	in €	
	2022	2021
<b>C. CASH FLOWS IN FINANCING ACTIVITIES</b>		
<b>a. Receipts in financing activities</b>	20,262,000	7,000,000
2. Receipts from increase in financial liabilities	20,262,000	7,000,000
<b>b. Expenditure in financing activities</b>	-17,909,151	-10,242,045
1. Expenditure for given interest referring to financing activities	-487,271	-435,388
3. Expenditure for repayment of financial liabilities	-16,040,001	-7,733,840
4. Expenditure for dividend and other profit share payment	-1,381,878	-2,072,817
<b>c. Positive or negative cash flow from financing activities</b>	2,352,849	-3,242,045
<b>Č. CLOSING CASH BALANCE</b>	5,610,431	5,996,468
<b>x. Cash flow for the period</b>	-386,037	75,965
<b>y. Opening cash balance</b>	5,996,468	5,920,503

Explanatory notes in chapter **Notes to the cash flow statement** (Financial report of Elektro Gorenjska Group) are part of the financial statements and should be read in conjunction with them.

### Statement of changes in equity of Elektro Gorenjska Group for the business year ended as at December 31 2022

a) From January 1 2022 to December 31 2022:

in €

	Called-up capital		Capital reserves		Profit reserves		Other reserves	Retained profit and loss		TOTAL CAPITAL
	I.	II.			III.		IV.	V.		
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment	Statutory reserves	Other profit reserves	Reserves for fair value	Net profit brought forward	Net profit of the business year	
	I./1.	II./1.	II./2.	II./3.	III./1.	III./5.	IV./3.	V./1.	V./2.	
<b>BALANCE AS OF DECEMBER 31 2021</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>4,106,749</b>	<b>13,119,803</b>	<b>-348,171</b>	<b>4,428,585</b>	<b>3,207,707</b>	<b>174,624,767</b>
<b>BALANCE AS OF JANUARY 1 2022</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>4,106,749</b>	<b>13,119,803</b>	<b>-348,171</b>	<b>4,428,585</b>	<b>3,207,707</b>	<b>174,624,767</b>
<b>CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-50,904</b>	<b>-1,357,708</b>	<b>-1,408,612</b>
Dividend payment	0	0	0	0	0	0	0	-24,170	-1,357,708	-1,381,878
i) Other changes in equity capital – derecognition of capital instrument	0	0	0	0	0	0	0	-26,734	0	-26,734
<b>TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>422,773</b>	<b>0</b>	<b>247,839</b>	<b>670,612</b>
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	0	247,839	247,839
Items of other comprehensive income (except those according to the equity method) that will not be reclassified to profit or loss later	0	0	0	0	0	0	422,773	0	0	422,773
- Actuarial gains and losses	0	0	0	0	0	0	422,773	0	0	422,773
<b>CHANGES WITHIN CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115,704</b>	<b>-4,315</b>	<b>-35,935</b>	<b>1,891,262</b>	<b>-1,966,716</b>	<b>0</b>
Allocation of remaining part of net profit of comparative reporting period to other items of capital	0	0	0	0	0	-4,315	0	1,854,314	-1,849,999	0
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	115,704	0	0	1,013	-116,717	0
Transfer of actuarial gains/losses, due to employee departures, to net profit or loss brought forward	0	0	0	0	0	0	-35,935	35,935	0	0
<b>BALANCE AS OF DECEMBER 31 2022</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>4,222,453</b>	<b>13,115,488</b>	<b>38,667</b>	<b>6,268,943</b>	<b>131,122</b>	<b>173,886,767</b>

b) From January 1 2021 to December 31 2021:

in €

	Called-up capital		Capital reserves		Profit reserves		Other reserves	Retained profit and loss		TOTAL CAPITAL
	I.		II.		III.		IV.	V.		
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment	Statutory reserves	Other profit reserves	Reserves for fair value	Net profit brought forward	Net profit of the business year	
	I./1.	II./1.	II./2.	II./3.	III./1.	III./5.	IV./3.	V./1.	V./2.	
<b>BALANCE AS OF DECEMBER 31 2020</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>3,706,143</b>	<b>8,805,157</b>	<b>-483,724</b>	<b>4,493,188</b>	<b>2,012,079</b>	<b>168,642,937</b>
<b>BALANCE AS OF JANUARY 1 2021</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>3,706,143</b>	<b>8,805,157</b>	<b>-483,724</b>	<b>4,493,188</b>	<b>2,012,079</b>	<b>168,642,937</b>
<b>TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,171</b>	<b>-2,064,646</b>	<b>-2,072,817</b>
Dividend payment	0	0	0	0	0	0	0	-8,171	-2,064,646	-2,072,817
<b>TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,897,717</b>	<b>7,897,717</b>
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	0	7,897,717	7,897,717
Items of other comprehensive income (except those according to the equity method) that will not be reclassified to profit or loss later	0	0	0	0	0	0	156,768	0	0	156,768
- Actuarial gains and losses	0	0	0	0	0	0	156,768	0	0	156,768
Share of other comprehensive income calculated under the equity method that will not be reclassified to profit or loss later	0	0	0	0	0	0	162	0	0	162
<b>CHANGES WITHIN CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>400,606</b>	<b>4,314,646</b>	<b>-21,377</b>	<b>-56,432</b>	<b>-4,637,443</b>	<b>0</b>
Allocation of remaining part of net profit of comparative reporting period to other items of capital	0	0	0	0	0	25,242	0	-77,809	52,567	0
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	400,606	4,289,404	0	0	-4,690,010	0
Transfer of actuarial gains/losses, due to employee departures, to net profit or loss brought forward	0	0	0	0	0	0	-24,170	24,170	0	0
Merger GE Les	0	0	0	0	0	0	2,793	-2,793	0	0
<b>BALANCE AS OF DECEMBER 31 2021</b>	<b>104,136,615</b>	<b>1</b>	<b>28,581</b>	<b>45,944,897</b>	<b>4,106,749</b>	<b>13,119,803</b>	<b>-348,171</b>	<b>4,428,585</b>	<b>3,207,707</b>	<b>174,624,767</b>

## 5.4 Notes to the consolidated financial statement

### Reporting company and Group structure

In accordance with Article 56 of the Companies Act ZGD-1, a company with its registered office in Slovenia that is superior to one or more companies in the Republic of Slovenia or abroad must prepare a consolidated annual report. Elektro Gorenjska Company is the parent company of Elektro Gorenjska Group. Business address of the parent company is Ulica Mirka Vadnova 3a, Kranj. Elektro Gorenjska Group consists of:

- parent company Elektro Gorenjska, Ulica Mirka Vadnova 3a, Kranj;
- company Gorenjske elektrarne, Stara cesta 3, Kranj, which is in 100% ownership of the controlling company; capital of this company as at December 31 2022 amounted to € 20,087,683, net profit for year 2022 was € 2,295,201;
- company GEK Vzdrževanje, Stara cesta 3, 4000 Kranj, which is in 100% ownership of subsidiary Gorenjske elektrarne; capital of this company as at December 31 2022 amounted to € 199,973, net profit for year 2022 was € 19,886;
- associate company Soenergetika, Stara cesta 3, Kranj, which is in 25% ownership of subsidiary Gorenjske elektrarne; capital of this company as at December 31 2022 amounted to € 4,855,878, net profit for year 2022 was € 3,725,556.

In addition to the listed companies, Elektro Gorenjska Group also consists of the company Informatika, in which the company Elektro Gorenjska holds 10.44% stake. Due to insignificance, this company is not included in the Group financial statements.

Elektro Gorenjska Group is engaged in the production, sale and distribution of electricity.

### Basis for compiling the consolidated financial statements

#### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the notes adopted by the Committee for Interpretations of International Financial Reporting Standards (OMSRP) and in accordance with the requirements of the Companies Act (ZGD-1 Official Gazette RS, No. 65/09 as amended) and the Electricity Supply Act (ZOEE, Official Gazette RS, No. 172/21).

Management of Elektro Gorenjska Company approved the consolidated financial statements on April 17 2023.

#### Bases for measurement

Consolidated financial statements have been prepared on a historical cost basis, except in the case of receivables, which are recorded at amortized cost. Methods used to measure fair value are described in the continuation of the chapter **(Determination of fair value)**.

Consolidated financial statements have been prepared assuming that the Group will continue with its operations in the future. Operations of the Group are not seasonal in nature.

#### Functional and presentation currency

Presented financial statements of Elektro Gorenjska Group are presented in EUR. Degree of accuracy in reporting is € 1.

Exchange rate differences, which occur in settlements of monetary items or with transference of monetary items at exchange rates different from those at which they were transferred at initial recognition in the period, are recognized in profit and loss for the period they occur in. In order to convert values in foreign currencies, the Group uses the reference rate of the European Central Bank published by the Bank of Slovenia.

### Use of significant estimates and assessments

In the application of presented accounting policies and guidelines, the Group must carry out a number of estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. Estimates and associated assumptions are based on historical experience and factors that the Group believes to be appropriate. Estimates and assumptions used are continuously reviewed. Actual results may differ from these estimates. Checks to accounting estimates are recognized in the period in which the estimate is checked, but also in future periods if the revised estimate affects both current and future periods. Following are the main assessments that have a significant effect on the amounts recognized in the financial statements.

#### Assumptions and estimates

Assumptions and estimates that have the biggest impacts on amounts in the financial statements are:

- determination of useful lives of intangible and tangible fixed assets,
- value adjustments of receivables,
- provisions estimate.

They are presented in more detail in Summary of significant accounting policies.

#### Transactions with SODO Company

Transactions with the company SODO or preliminary and final accounts received in 2022 are presented in more detail in chapter **Bases for compiling financial statements** in the Financial Report of Elektro Gorenjska Company.

#### Disputes in progress and related provisions

There are several disputes in progress, including important denationalization procedure, where Elektro Gorenjska Company acts as the liable party. Company does not disclose details regarding these disputes, as it estimates that such disclosures might threaten the benefits of the company.

### Adopted standards and interpretations that came into force as at January 1 2022

During this reporting period, the following amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply:

- Delicate contracts – Contract performance costs (amendment to IAS 37 – Provisions, contingent liabilities and contingent assets). Amendments relate to the clarification that when delicate contracts are assessed, the costs of performing the contract include all costs directly related to the contract.
- Property, plant and equipment: revenue before intended use (amendment to IAS 16 – Tangible fixed assets– proceeds before intended use). Proceeds from the sale (e.g. of samples) before a fixed asset is available for its intended use can no longer be deducted from the cost of the fixed asset, but are recognized in the income statement, together with the cost of production. In doing so, the company will have to distinguish between the cost of production and sales before the fixed asset is available for its intended use and the costs associated with preparing the fixed asset for its intended use.
- Reference to the conceptual framework (amendment to IFRS 3 – Business combinations). They relate to the updated reference to the Conceptual Framework 2018 and introducing new exception to recognition and measurement under IFRS 3 in order to ensure that the new reference does not change the provisions as to which assets and liabilities qualify as business combinations.
- Annual improvements IFRS 2018–2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41). Annual improvements include amendments to IFRS 1 – First-time adoption of IFRS, which simplify the first-time introduction of IFRS in a subsidiary, then follows the amendment to IFRS 9 – Financial instruments, explaining which fee costs to take into account in the 10% test to derecognise financial liabilities, after that the amendments of illustrative example to IFRS 16 – Leases and IAS 41 – Agriculture, which eliminates the requirement to exclude cash flows for tax purposes when measuring fair value, thus equating fair value with the definition in IFRS 13.

Adoption of these standards, changes to existing standards and interpretations did not entail significant changes to the Elektro Gorenjska Group's financial statements.

### New accounting standards and interpretations not yet in force

At the date of approval of these financial statements, the IASB issued the following amendments to the existing standard, adopted by the EU and not yet effective.

#### Following amendments take effect for the reporting period beginning on January 1 2023:

- Disclosure of accounting policies (amendment to IAS 1 and Statement of Practice IFRS 2). IAS 1 includes two amendments. First amendment relates to the presentation of short-term and long-term liabilities and the other amendment relates to the disclosure of accounting policies. In January 2020, the IFRIC issued amendments to IAS 1 that clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that the classification as short-term or long-term is based on whether the entity has the right to defer settlement of the liability at the end of the reporting period for at least twelve months after the reporting. Amendments also clarify that "settlement" involves the transfer of cash, goods, services or equity instruments, unless the obligation to transfer equity instruments arises from a conversion feature that is a separate component of a compound financial instrument. Amendments were originally effective for annual reporting period beginning on or after January 1 2022, but the validity date was postponed in May 2020 to annual reporting periods beginning on or after January 1 2023. Amendment to IAS 1, related to the disclosure of accounting policies, introduces the disclosure of material and not only significant accounting policies and provides guidance on when accounting policy information is considered material.
- Definition of accounting estimates (amendment to IAS 8). Amendment introduces the definition of an accounting estimate and other clarifications that will make it possible to distinguish between accounting policy and accounting estimate. Amendment will

also clarify that the effect of a change in input data or measurement techniques is a change in an accounting estimate, unless they result in a correction of an error from a prior period.

- IFRS 17 – Insurance contracts and amendment to IFRS 17. Insurance contract referring to the first use of IFRS 17 and comparative data under IFRS 9.
- Deferred tax in respect of assets and liabilities arising from an individual transaction (Amendment to IAS 12 – Income tax). Amended standard clarifies whether the initial recognition exemption relates to certain transactions that are recognized as both an asset and a liability (e.g. such as a lease under IFRS 16 - Leases). Amendment introduces additional criteria for the initial recognition of exemptions under IAS 12.15, whereby the exemption for initial recognition does not apply for assets or liabilities that result in the same taxable and deductible temporary time differences at the time of the transaction.

It is not expected that the new accounting standards and interpretations not yet in force will have a significant effect on the financial statements of Elektro Gorenjska Group.

### Accounting Standards and Interpretations issued by the IASB, but not yet adopted by the EU

At present, IFRS, as adopted by the EU, do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which shall enter into force for the reporting period beginning on January 1 2024 and have not yet been adopted by the EU:

- Amendments to IAS 1 – Presentation of financial statements.
  - a) Classification of liabilities as short-term or non-current. This amendment requires that the entity must have the right to defer settlement of the liability for at least twelve months after the reporting date and must exist on the date of the

end of the reporting period. Classification of the liability does not change due to the probability that the entity will exercise its right to defer the liability for at least 12 months after the reporting date. Standard was subsequently revised again.

- b) Non-current liabilities with commitments. If the entity's right to defer is dependent on the entity meeting certain conditions, those conditions affect whether the right to defer existed at the end of the reporting period, if the entity is required to satisfy the conditions on or before the end of the reporting period and not if the company is required to qualify after the end of the reporting period. Amendment also contains a clarification of the term »settlement« for the purpose of classifying liabilities as current or non-current.
- Amendment to IFRS 16 – Leases (Lease liability in a sale and leaseback transactions). Amendment contains a requirement that the seller-lessee determines the »rental payment« or »modified rental payment« so that the seller-lessee would not recognize a gain or loss related to the right-of-use retained by the seller-lessee.

We anticipate that the introduction of the above new standards and amendments to existing standards during the period of initial application will not have a significant impact on the Elektro Gorenjska Group's financial statements.

### Summary of significant accounting policies

Financial statements of the Group have been prepared on the basis of accounting policies presented below.

#### Basis for consolidation

Financial statements of the Group have been prepared on the basis of the financial statements of Elektro Gorenjska Company and its subsidiary and associated companies.

#### a. Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the controlling company has the opportunity to decide on the financial and operating

policies of the company in order to obtain benefits from its operations. Financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Accounting policies of subsidiaries are consistent with the policies of the Group.

#### b. Associated companies

Associated companies are those companies in which the Group has significant influence, but not control over their financial and operating policies. Significant influence exists when the Group owns 20 to 50 per cent of the voting rights in another company. Investments in associates at initial recognition are stated at cost and then accounted for under the equity method. Consolidated financial statements of the Group include the Group's share in the profits and losses of associates from the date that significant influence commences until the date when it ends.

#### c. Transactions eliminated from the consolidated financial statements

In preparing the consolidated financial statements, we eliminate balances, unrealized gains and losses resulting from intra-Group transactions. Unrealized gains on transactions with associated companies (accounted for under the equity method) are eliminated to the extent of the Group's share in this company. Unrealized losses are eliminated in the same way as unrealized gains, provided that there is no evidence of impairment.

#### d. Assumptions used in preparation of consolidated financial statements

In preparing the consolidated financial statements, the following assumptions have been used:

- assumption of a single company (consolidated Group accounts show the assets, financial condition and results of operations and changes in financial position and changes in equity of the Group companies as if it were one company);

- assumption of demonstrating the true asset and financial position and profit or loss;
- assumption of the Group's completeness;
- assumption of the completeness of the financial statements and their uniform scope;
- assumption of the same date;
- assumption of consistent consolidation methods;
- assumption of clarity and transparency;
- assumption of economy;
- assumption of significance.

## Significant accounting policies

### Intangible assets

Intangible asset is a non-monetary asset, which does not exist physically. It is recognizable when it is identifiable, detachable, it can be replaced, transferred or sold.

Intangible asset managed by the Group has the power to receive future economic benefits and limit the access of others to these benefits.

Group recognizes an intangible fixed asset when, and only when, it is probable that the expected future economic benefits will flow to the Group, and its value can be reliably measured. After initial recognition, the Group has the

selected accounting policy as the cost model. Intangible assets are initially recognized at cost, less accumulated amortization and accumulated impairment losses. Impairment of intangible assets with a definite useful life is carried out in the same way as for tangible fixed assets.

Useful life is the period in which the Group expects that the intangible asset will be available for use. Useful life of all intangible assets in the Group is finite and intangible assets are depreciated. Depreciable amount of an intangible asset with a finite useful life the Group strictly allocates to the entire period of its useful life. Amortization of intangible assets is calculated individually based on the straight-line depreciation method. Depreciation charge for each period shall be recognized in profit or loss account.

For major items of intangible fixed assets, the Group reviews annually the period and method of depreciation and the residual value of assets. Effect of the change in the assessment the Group describes in the notes in the accounting period in which it occurred.

Recognition of the intangible asset is eliminated by the Group upon disposal or when it does not expect any economic benefits from its use.

Useful lives and depreciation rates of larger groups of depreciable assets are:

Significant categories of depreciable assets	Estimated useful life (in years)	Depreciation rate (in %)
Computer software equipment	3–7	14.29–33.33
Other rights	3–100	1–20

### Tangible fixed assets

Tangible fixed assets are assets owned by the Group that it uses in the production or supply of products, when providing services, leasing them to others, or using them for office purposes. They are expected to use them for these purposes in more than one accounting period. Group recognizes an asset as a fixed asset solely on the condition that future economic benefits will flow and the cost of the asset can be reliably measured.

Carrying amounts of tangible fixed assets and thus the basis for depreciation of these assets acquired upon the establishment of companies in the Group with in-kind contributions were initially recognized at the estimated fair value determined with the participation of a certified appraiser.

Tangible fixed asset that qualifies for recognition as an asset is measured at cost. Cost of a tangible fixed asset corresponds to the price of money on the day of recognition. Cost includes its purchase price, non-refundable purchase taxes, discounts, costs incurred to enable the asset to operate in accordance with management expectations, and direct costs that can be attributed to purchase value.

If the Group postpones the payment of acquisition cost for a longer period of time, the difference between the cash equivalents and the total consideration is recognized as interest and accrued. Therefore, among costs that increase the acquisition cost of a fixed asset, the Group also includes borrowing costs related to the acquisition of a tangible fixed asset, until it is ready for use if it is produced for more than one year.

Borrowing costs are attributed to the acquisition costs at the completion of the investment. In case the investment is not completed in the current year, they are attributed on the last day of the accounting period to the items of the project (investment items). Items are named in the contract of lending, and those items of the project, which name is not listed, but their planned value exceeds € 400,000.

If the newly acquired and recognized building, which is part of tangible fixed assets due to the construction of new building, which will be part of the tangible fixed assets, is disposed, the carrying value of the existing building is the cost of site preparation, which is included in the cost of the new building.

Acquisition cost of a tangible fixed asset constructed or produced in its own context is determined by the Group using the same principles as with the asset purchased. Group companies that produce its own assets in the acquisition cost include costs that are directly related to it, and the general costs of construction, which can be attributed to that asset. Costs not related to its construction or making, and costs that the market does not recognize are not included in the acquisition price. Acquisition cost of such tangible fixed asset cannot be greater than the acquisition cost of an identical or similar tangible fixed asset on the market. Acquisition cost of tangible fixed asset constructed or produced in Group companies thus consists of outsourcing services, hours of direct labor, material costs (valued at the weighted average price at the level the organizational unit) and other direct production costs (depreciation of labor resources, administrative and legal fees, notary services ...).

Group estimates that it has no significant obligations for decommissioning and disposal of tangible fixed assets, restoration of sites and similar obligations.

Tangible fixed assets acquired through state aid or a donation are stated at cost upon acquisition. Donations or government grants are not deducted from their acquisition cost, but are included in deferred revenues and are used in accordance with the charged depreciation.

For measuring the tangible fixed asset after recognition, the Group uses the cost model.

Under tangible fixed assets and not investment property, we record also the electricity distribution infrastructure leased under operating lease to SODO under the Contract with SODO. In terms of content, this is a proprietary use of assets, but the Group does not originally have it in order



to earn rent or other returns, but in order to carry out its activity.

If subsequently incurred costs related to tangible fixed assets, increase its future benefits compared to the originally estimated, its cost increases. However, if the costs are increasing the useful life of the asset, the acquisition cost of tangible fixed asset is increased for the value of these costs and the useful life is extended.

Costs related to tangible fixed assets, which arose later and are necessary to operate normally, are disclosed as maintenance costs.

Depreciation of tangible fixed assets is calculated individually based on the straight-line method over the entire estimated useful life of assets.

Average useful lives and depreciation rates of larger groups of depreciable assets are:

Significant categories of depreciable assets	Estimated useful life (in years)	Depreciation rate (in %)
Buildings of energy infrastructure	25–50	2–4
Buildings of hydroelectric power stations	5–40	2.5–20
Solar power stations	7–30	3.33–13.13
Other buildings	20–50	2–5
Equipment of energy infrastructure	10–35	2.86–10
Computer hardware equipment	3–4	25–33.33
Equipment of hydro power stations	3–30	3.33–33.33
Equipment SPTE	6–10	10–16.21
Other equipment	2–20	5–50
Investments in foreign tangible fixed assets	1.5–30	3.33–70
Vehicles	6–12	8.33–16.67

Depreciable amount of tangible fixed assets is equal to their acquisition cost, reduced by any eventual impairment, which is systematically allocated throughout the useful life.

Group annually verifies useful lives and other values of significant items of tangible fixed assets, depreciation rates are then converted to current and future periods if expectations differ significantly from the estimates.

At the end of the financial year, the Group assesses whether there are any indications that assets may be impaired. In doing so, indications from external and internal sources of information are assessed. Impairment loss is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount and is generally recognized in profit or loss as an operating expense.

### Investment property

In recognizing investment property, the Group considers the same conditions as with tangible fixed assets, reliability of measuring the acquisition value and inflow of economic benefits.

Investment property is property owned by the Group in order to bring rent, to increase the value of long-term investment or both. Investment property in the Group generates cash flows independently of other assets held by the Group.

Investment properties in the Group include mainly:

- land held for increasing the value of long-term investment rather than for short-term sale in the ordinary course of business;
- land that has no future use determined by the Group;
- building in single or multiple operational leasing;
- vacant buildings owned to hire out in single or multiple operational leasing;
- property that is being constructed or developed for future use as investment property.

Investment property does not include:

- real estate used by employees (for example apartments hired out for operational leasing to the employees);

- real estate hired out for a long-term operational leasing to company SODO Maribor, on the basis of a long-term Contract with SODO;
- property comprising Sava HE, in connection with which a denationalization dispute is in progress. Until the dispute is resolved Sava HE is under long-term operating lease of the controlled company Gorenjske elektrarne.

All of the above listed real estate is treated as a component part of the tangible fixed assets.

For measuring investment property after recognition model of acquisition value is used, reduced by depreciation and eventual impairments.

Group transfers funds from the account or to the investment property account only when the use is changed and there is evidence of a change in use. Such a case is a sale that is probable within a period of one year, a transfer to a disposal group, or among assets intended for sale.

Straight-line depreciation method is used. Useful life of investment property is the same as for tangible fixed assets of the same kind.

### Assets received and leased

When concluding a contract, the Group assesses whether it is a lease contract or whether the contract contains a lease. Contract is a lease if it transfers the right-of-use control of a particular asset for a specified period of time in return for payment. Lessee must have the right to derive all significant economic benefits from the use of the assets and the right to direct the use of the asset.

For all such contracts, the Group recognizes the right to use the assets and the related lease obligation when concluding the lease. This equates the accounting treatment of leases for both operating and finance leases.

Exceptions are short-term leases and leases in which the leased asset is of small value. For these leases, the Group recognizes lease payments as a cost of services (rent costs) on a straight-line basis over the term of the lease or on

any other systematic basis that best reflects the pattern of benefits received.

Group defines the assets it leases as operating or financial, depending on the nature of the lease. Lease is classified as finance lease if it transfers substantially all the risks and benefits connected to the ownership of the asset. All leases that are not financial are operating leases. In a finance lease, the lessor recognizes finance income over the lease term on a sample basis that reflects a constant periodic rate of return on the net investment. Payments made under operating leases are recognized by the lessor as revenue on a straight-line basis or, if the pattern previously reflects a reduction in the benefits or using the asset, using another systematic method.

Group discloses assets leased under operating leases under its own assets and calculates depreciation from their purchase value in accordance with the guidelines, while the amounts charged for the use of the asset are included in rental income.

All contractual relationships where the Group acts as a lessor are concluded as operating leases. Group discloses assets among its assets. Rental income over the lease term is recognized on a straight-line basis over net operating income. All costs associated with leased assets (including depreciation) are recognized as expenses of the period.

### Financial instruments

Financial instruments include the following items:

- non-derivative financial assets,
- non-derivative financial liabilities, and
- derivative financial instruments.

### Non-derivative financial assets

Non-derivative financial assets are:

- financial investments recorded in the statement of financial position as long-term and short-term financial investments,
- receivables and loans,
- cash and cash equivalents.

### Financial investments

At initial recognition, non-derivative financial instruments are classified into one of the following categories: financial asset at fair value through other comprehensive income, financial assets at amortized cost and financial asset at fair value through profit or loss. Classification depends on the purpose for which the instrument was acquired.

All long-term loans and short-term financial investments are classified in the group of financial assets at amortized cost.

In a regular way of purchase or sale of financial assets in the accounting records and statement of financial position such financial asset is recognized taking into account the trade date (trade), this is the date on which the Group commits to purchase or sell the asset.

Upon initial recognition, the financial investment is measured at fair value. Initial value is added also transaction costs arising from the acquisition or issue of financial assets, except for investments classified as financial assets at fair value through profit or loss.

Financial investments in associate companies and joint ventures are measured using the cost model. If there is an objective evidence that an impairment loss occurred the stated investment is tested for impairment in accordance with the IAS 36 – Asset impairment.

### Claims

Claims are rights based on property and other relations to require from a certain person to pay the debt, or in the case of given advances supply goods or implement a service.

Claims are initially recognized in amounts that originate from suitable documents assuming that they will be paid. Later, they can increase or decrease due to subsequent rebates, returns due to inadequate quality, for received payments and other forms of settlement.

Assets from contracts with customers is the right to compensation in exchange for goods or services that are transferred to the customer. Among assets from contracts with customers, the Group also recognizes accrued asset for delivered goods and services to customers.

Liabilities from contracts with customers represent the obligation to transfer goods or services to the customer in exchange for compensation received by the Group from the customer. As part of obligations from contracts with customers, the Group also recognizes liabilities for advances received. Contractual obligations are recognized as revenue when the Group fulfills its performance obligations under the contract.

After their initial recognition, claims are measured at their amortized cost.

In the statement of financial position long-term claims, which are already due (but not yet settled), and long-term claims, which are due in one year after the balance sheet date at the latest, are recognized as short-term claims.

At least quarterly, before compiling the quarterly statement of accounts, the Group verifies the suitability of individual recognized claim's amounts. Receivables, which are assumed to not be settled wholly or partially, are recognized as doubtful; if they result in legal proceedings or there is a dispute about their pay, they are recognized as disputable. To this end, the Group has established appropriate records. In the records of disputable claims, it classifies all claims:

- in the execution procedures based on the execution title;
- in the execution procedures based on the authentic document (e.g. action) and
- in the insolvency proceedings (composition proceedings, simplified composition proceedings, and bankruptcy proceedings).

Value adjustment of short-term operating receivables to Group companies is formed on the basis of the criterion of maturity and collateral. Thus, the estimate obtained is corrected by individual assessment with regard to the creditworthiness of the customer and the internal and external signs of impairment.

### Cash and cash equivalents

Under monetary assets, the Group includes:

- cash on transactional and foreign currency accounts in banks or other financial institutions that can be used to make payments, and
- cash equivalents.

Cash equivalents are investments that can be readily or in the near future converted to known amounts of cash and which are subject to an insignificant risk of changes in value. Group also includes deposits, bank deposits and loans among the companies in the Group with a maturity of up to three months, and receipts from their disposals, among cash equivalents.

All current accounts are kept in Euros, only current account No. SI 56 0700 0000 0641 939 in Gorenjska bank Kranj is opened also as foreign currency account.

Revaluation of monetary assets is a change of their carrying value and can be done at the end of the financial year or during the year. Revaluation occurs only in case of assets in foreign currencies if exchange rate changes at the first recognition. Exchange rate difference, which occurs in this situation, either increases or reduces the original recognized value and in first case it represents financial revenue related to monetary assets or in the second case a financial expenditure related to monetary assets.

### Non-derivative financial liabilities

Non-derivative financial liabilities are recognized obligations associated with the financing of own assets, which must be repaid or settled, especially in cash. As a special type of debt deferred tax liabilities are considered.

In the statement of financial position of the Group long-term debts that have already fallen overdue (but are not yet settled), long-term debts due, and payable not later than one year after the balance sheet date, are recognized as short-term debts.

Debts can be financial (borrowings under the loan agreements, liabilities to lessors in finance lease) or business (purchased materials and services from suppliers, liabilities to employees, liabilities to the state, liabilities to customers for advances and securities).

After initial recognition, liabilities are measured at amortized cost.

They are increased by implied interest and decreased by paid amounts and any other settlements, agreed upon with creditors.

Recognition of debts in the accounting records and the balance sheet shall be eliminated when the obligation specified in the contract or another legal instrument is discharged, canceled or expired (and the organization does not intend to settle).

### Stocks

Stocks are assets that are held for sale in the ordinary course of business, which are being used in the process of production for such sale, or in the form of materials to be consumed in the production or provision of services.

Quantity units of stock materials (including small tools and packaging) are initially recognized by the Group at the purchase price. Cost comprises of the purchase price, import and non-refundable charges (including value added tax, which is not reimbursed) and direct acquisition costs.

Costs of material kept in stocks before use are recognized at moving average price method at the level of organizational units. Moving average price is calculated on a daily basis.

Group values stocks at their original value. Group continuously or at least once a year, during the inventory, verifies the real value of stocks and impairs it, if their book value exceeds the net realizable value, which is the estimated selling price.

### Other assets

Other assets of the Group include accrued income and deferred expenses.

Accrued income are revenues that are considered in the income statement, although they have not yet been charged. In accordance with IFRS 15 they are recognized as assets under the contracts with buyers. Deferred expenses are amounts that when incurred are not yet charged to the profit and loss account.

### Capital

Entire capital of the Group consists of called-up capital, capital reserves, profit reserves, other reserves and retained profit.

All other components of entire capital belong to the capital owners in proportion of their ownership shares in the capital stock.

### Provisions

Group recognizes provisions if due to past events it has a legal or indirect obligation that can be reliably estimated and future events occur that may affect the amount required to settle the obligation. Before forming provisions, the Group first assesses the likelihood of future events. It is noted that the future event really occurred, if there is material evidence about it at the time of the assessment (eg. action lodged, denationalisation claim made ...).

Accounting value of provisions is equal to their original value, reduced by spent amounts until the need for their increase or reduction occurs.

Contingent liabilities are not considered provisions.

Significant provisions include long-term employee benefits, which are divided into:

- long-service bonus, which belongs to other long-term employee benefits, and
- severance pay upon retirement, which belongs to post-employment benefits.

Calculations for provisions for severance pays at retirement and long service bonuses are prepared by an authorized actuary and are formed in the amount of estimated future payments discounted on the balance sheet date, taking into consideration also costs of service for the current year, costs of interest and actuarial surplus or deficits resulting from changes in actuarial assumptions and experiential adjustments.

On the balance sheet date, the Group establishes and, in the profit, or loss account recognizes revenues or expenses

in connection with the adjustment of provisions for retirement benefits from:

- amount of additional provisions for current service costs relating to severance pays for the current year;
- amount of the increase or decrease in the provisions already made in the event of the introduction or modification of the program (amendment of past service costs);
- accrued interest in respect of the provisions (as additional cost of provisions);
- effects of all limitations or shrinking of provisions for severance pay upon retirement.

Actuarial gains and losses from severance pays upon retirement are not recognized in the income statement, but directly in equity under other reserves, which can also be negative. Reserves created under this title are eliminated in the net profit or loss from previous periods in the actual amounts, when for the employees who left or retired, the recognition of provisions for retirement is eliminated.

Long service bonuses are classified as other long-term employee benefits. On the balance sheet date, the Group determines and recognizes in the profit or loss revenues or expenses in connection with the adjustment of provisions for long-service bonuses (including actuarial gains and losses).

Recognition of provisions in accounting records and the balance sheet is eliminated when the created opportunities, for which the provisions were formed, have already been used out or there no longer is a need for them.

Provisions for accrued costs and expenses are directly reduced by the costs and expenses for which they were made. Therefore, during the spending of provisions the costs or expenses no longer appear in the income statement.

### State benefits

State benefits are recognized at fair value when there is reasonable assurance that the Group will meet the conditions associated with them and receive the grants.

State benefits are recognized as revenue in the periods in which they are matched by the related costs to be replaced.

### Assets acquired free of charge

Assets acquired free of charge include:

- connections of customers that the group took over into its tangible fixed assets together with its commitment to care for their maintenance and reconstruction, in accordance with the regulations, namely the General conditions for connection to the distribution electric system,
- free acquisitions of other fixed assets,
- assets acquired through government support or donation and
- earmarked funds for co-financing the construction of tangible fixed assets.

Assets acquired free of charge are initially recognized in the financial statements as deferred income under other long-term liabilities. They are recognized as other operating income over the useful life of each asset.

### Other liabilities

Other liabilities include deferred revenues and cost provisions or expenses.

Deferred revenue is revenue received to cover costs and is recognized consistently as revenue over the periods in which they arise. Other income is recognized when the Group expects to receive benefits. Cost provisions are amounts that have not yet occurred, but already have an impact on profit.

### Deferred tax liabilities and tax receivables and income tax

Deferred tax assets and tax liabilities are calculated using the balance sheet liability method, which focuses on temporary differences. They relate to those items of income or expense that are taxable or deductible in the coming years.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward to be transferred to the next

period, when it is probable that in the future taxable income will be available against which it will be possible to use the unused tax losses and unused tax credits.

Receivables and deferred tax liabilities are not recognized in the accounting records of the Group if the amounts of deferred tax assets and deferred tax liabilities are individually or jointly insignificant for the Group.

Deferred income tax is determined using tax rates (and laws) that are in effect at the balance sheet date and which are expected to be in effect when the related deferred tax asset is realized or the deferred tax liabilities settled and when a taxable profit against which it will be possible to eliminate temporary differences is available.

At the end of each reporting period, the Group reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset if it is probable that future profit will allow the coverage of deferred tax assets.

Current tax expense is the amount of tax that is payable (recoverable) according to the taxable profit (tax loss) for the period, using tax rates enacted on the reporting date, and any adjustments to tax payable in respect of previous years.

## Revenues

Revenues are recognized by the Group when an increase in economic benefits is connected to the increase in an asset or a decrease in the debt and that this increase can be measured reliably. Group recognizes revenue when transferring control of the goods or services to the customer in an amount that reflects the compensation for which the Group considers it will be entitled to in return for those goods or services. Only a negligible portion of revenue is recognized over time period.

Revenues are recognized from the sale of goods, provision of services and the use of the assets of the Group, which bring interest, royalties and dividends of others. Revenues in the books are divided into operating and financial revenues.

Operating revenue is revenues from sales, capitalized own products and services, and other operating revenues associated with business impact. These include also operating revenues that occur mainly on the sale of tangible fixed assets and investment property at a price that exceeds their book value, or as a result of adjustment of receivables.

Revenue from contracts with customers represents a contract to obtain goods or services that are the result of the regular business of the company, in exchange for compensation. Counterparty in the contract would not be a customer if, for example, the counterparty entered into agreement with the Group to participate in an activity or procedure in which the contracting parties share the risks and benefits arising from this activity or procedure and not to obtain the result of regular business of the Group.

Rental income is income that includes a contractual relationship in which the lessor transfers to the lessee, in exchange for a payment or a series of payments, the right to use the asset for an agreed period of time.

Financial revenue arises in relation to financial investments, as well as in association with receivables. They consist of accrued interest and profit shares as well as other financial revenues from revaluation.

Other revenues consist of unusual items and other revenues that increase the profit or loss. Company discloses state support obtained to contain or eliminate the consequences of the COVID-9 epidemic, among other revenues.

Interest on unpaid claims is not recognized as revenue but increase the value adjustment of receivables because there is reasonable doubt about the payment of claims until the principal is paid.

Majority of revenue is generated by the Group on the basis of Contract with SODO, from the lease of electricity infrastructure and provision of services for SODO.

Amounts collected on behalf of SODO in operations on their own behalf and the account of SODO are not recognized as revenue, but as operating liabilities to SODO.

Group also generates revenue by building real estate for the market. Contract is usually concluded within a period of less than 12 months. Therefore, the Group recognizes revenue gradually over the construction period with respect to the measuring of the progress towards the complete fulfilment of the obligation. To measure the progress, it uses the input method. This is based on the ratio of the costs actually incurred and estimated ones. Company estimates that there is no significant component of financing in this construction contracts.

## Expenditure

Expenditure is classified into operating and financial expenses.

Operating expenses include all costs incurred in the period, namely the costs of goods, material and services, labour costs, write-offs and other operating expenses. In addition to depreciation write-offs include also expenses that occur mainly due to the impairment of tangible fixed assets, intangible assets, investment property, accounts receivable and stocks, as well as the sale or other disposal of tangible fixed assets and investment property at a price that is lower than their carrying value.

Financial expenses are financing expenses and investment expenses. First consist primarily of interest, while second are primarily of financial expenses in nature. Latter are due to impairment of financial investments and due to the sale or other disposal at a price that is lower than their book value. Interest expenses are recognized according to the elapsed time and the applicable interest rate.

## Consolidated cash flow statement

Group presents its cash flows from operating activities, investing and financing activities in a manner that best suits its business. Statement of cash flows is prepared using the direct method.

For the purpose of preparation of cash flows cash equivalents are classified as monetary assets as well. These are short term, highly liquid investments that are readily convertible to known amounts of cash and where the risk of changes in value is insignificant. Group treats as cash equivalents the short-term deposits and deposits with banks and loans between companies in the Group with a maturity of up to three months after the acquisition, and receipts from their disposal.

For each group of assets (of e.g. intangible assets and tangible fixed assets) as an increase (expenses) are treated the paid acquisition costs of the newly acquired assets, and as a reduction (income) the received payments for the value of assets disposed.

Cash flows relating to capitalized development costs and self-constructed tangible fixed assets are classified as cash flows from investing activities.

Cash flows from interest received and paid and dividends the Group classifies based on the contents of the transaction under cash flows from operating, investing and financing activities.

## Net earnings per share

Group calculates basic return per share by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in the business year. Corrected return per share equals the basic, as all of the shares belong to the same class of ordinary registered shares.

## Determination of fair value

Financial instruments are recorded at fair value. Fair value is the amount at which the asset could be sold or a liability exchanged between knowledgeable, willing parties in an arm's length transaction.

In determining the fair value of financial instruments, the following hierarchy of levels for determination of fair value is considered:

- first level includes quoted prices (unadjusted) in active markets for identical assets or liabilities,
- second level includes values other than quoted prices included within the first level, but it is nevertheless possible to obtain directly from the market (prices for identical or similar assets or liabilities in a less active or inactive markets) or indirectly (e.g. values derived from quoted prices in an active market based interest rates and yield curves),
- third level includes inputs for the asset or liability that are not based on observable market data, while unobserved data must reflect the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

As a base for the fair value of financial instruments, the Group uses quoted prices. If a financial instrument is not quoted on a regulated market or the market is considered inactive, the Group in order to assess the fair value of the financial instrument uses the input data of the second and third level.

In the investment property the Group discloses the fair value. Fair value results from the valuation of investment property, which is carried out every 3-5 years.

Operating and other receivables are not discounted due to their short-term character, whereas impairments of the fair value are taken into account in accordance with the IFRS 9.

## 5.5 Notes to the Elektro Gorenjska Group financial statement items

### Notes to the statement of financial position

#### Note 1 Intangible assets

Following tables present changes in intangible assets in years 2022 and 2021.

in €			
2022	Property rights	Property rights in acquisition	Total intangible assets
1	2	3	4 = 2+3
<b>Acquisition cost</b>			
Balance 1.1.2022	6,666,100	218,765	6,884,865
New acquisitions	743,280	537,155	1,280,435
Disposals, withdrawals, transfers	-794,494	0	-794,494
Completion of ongoing investments	191,860	-191,860	0
<b>Balance 31.12.2022</b>	<b>6,806,746</b>	<b>564,060</b>	<b>7,370,806</b>
<b>Value adjustment</b>			
Balance 1.1.2022	5,097,978	0	5,097,978
Increase (depreciation)	906,739	0	906,739
Disposals, withdrawals, transfers	-794,494	0	-794,494
<b>Balance 31.12.2022</b>	<b>5,210,223</b>	<b>0</b>	<b>5,210,223</b>
Carrying amount			5,210,223
Balance 1.1.2022	1,568,122	218,765	1,786,886
<b>Balance 31.12.2022</b>	<b>1,596,523</b>	<b>564,060</b>	<b>2,160,582</b>

in €			
2021	Property rights	Property rights in acquisition	Total intangible assets
1	2	3	4 = 2+3
<b>Acquisition cost</b>			
Balance 1.1.2021	6,162,751	15,456	6,178,208
Merger of EGP to ECE	112,048	631,368	743,416
New acquisitions	112,048	631,368	743,416
Disposals, withdrawals, transfers	-36,759	0	-36,759
Completion of ongoing investments	428,059	-428,060	0
<b>Balance 31.12.2021</b>	<b>6,666,100</b>	<b>218,765</b>	<b>6,884,865</b>
<b>Value adjustment</b>			<b>5,097,978</b>
Balance 1.1.2021	4,416,851	0	4,416,851
Increase (depreciation)	717,887	0	717,887
Disposals, withdrawals, transfers	-36,759	0	-36,759
<b>Balance 31.12.2021</b>	<b>5,097,978</b>	<b>0</b>	<b>5,097,978</b>
Carrying amount			1,786,886
Balance 1.1.2021	1,745,901	15,456	1,761,357
<b>Balance 31.12.2021</b>	<b>1,568,122</b>	<b>218,765</b>	<b>1,786,886</b>

Intangible assets refer mainly to long-term property rights, which represent rights to use computer software solutions or licenses. Property rights in acquisition include investments in renovation and modernization of computer software equipment.

Of all intangible assets that were in use as at December 31 2022, 30.6% were fully depreciated. On the last day of 2021, there were 30.9% of all intangible assets fully depreciated. Share is calculated according to the acquisition cost of intangible assets.

As at December 31 2022, the Group had no financial obligations in respect of acquiring intangible fixed assets.

## Note 2 Tangible fixed assets

As at December 31 2022 tangible fixed assets amounted to € 227,029,819, which represents 89% of balance sheet total of the Group. Compared to the balance as at December 31 2021 their value is by € 3.7 million or 1.6% higher.

Changes in tangible fixed assets in year 2022:

in €					
2022	Land	Buildings	Equipment	Tangible fixed assets under construction	Total tangible fixed assets
1	2	3	4	5	6=2+3+4+5
<b>Acquisition cost</b>					
Balance 1.1.2022	8,433,251	324,025,906	150,410,616	6,988,358	489,858,130
New acquisitions	41,651	123,753	1,564,453	14,230,704	15,960,561
Disposals, withdrawals, transfers, slabitve	-4,989	-2,666,967	-5,764,193	-9,566	-8,445,715
Transfer from ongoing investments	6,844	9,531,260	5,278,592	-14,922,215	-105,519
<b>Balance 31.12.2022</b>	<b>8,476,757</b>	<b>331,013,951</b>	<b>151,489,469</b>	<b>6,287,281</b>	<b>497,267,457</b>
<b>Value adjustment</b>					
Balance 1.1.2022	0	171,698,914	94,813,303	0	266,512,217
Increase (depreciation)	0	6,233,211	5,688,177	0	11,921,388
Disposals, withdrawals, transfers	0	-2,533,841	-5,662,127	0	-8,195,968
<b>Balance 31.12.2022</b>	<b>0</b>	<b>175,398,284</b>	<b>94,839,352</b>	<b>0</b>	<b>270,237,637</b>
<b>Carrying amount</b>					
Balance 1.1.2022	8,433,251	152,326,991	55,597,312	6,988,358	223,345,912
<b>Balance 31.12.2022</b>	<b>8,476,757</b>	<b>155,615,666</b>	<b>56,650,116</b>	<b>6,287,280</b>	<b>227,029,819</b>

Changes in tangible fixed assets in year 2021:

in €					
2021	Land	Buildings	Equipment	Tangible fixed assets under construction	Total tangible fixed assets
1	2	3	4	5	6=2+3+4+5
<b>Acquisition cost</b>					
Balance 1.1.2021	8,370,299	317,781,544	146,906,696	3,475,995	476,534,534
New acquisitions	79,195	8,702	1,710,934	15,003,083	16,801,914
Disposals, withdrawals, transfers	-26,375	-2,496,717	-952,364	-2,862	-3,478,318
Transfer from ongoing investments	10,131	8,732,377	2,745,350	-11,487,858	0
<b>Balance 31.12.2021</b>	<b>8,433,251</b>	<b>324,025,906</b>	<b>150,410,616</b>	<b>6,988,358</b>	<b>489,858,130</b>
<b>Value adjustment</b>					
Balance 1.1.2021	0	167,734,922	90,035,051	0	257,769,973
Increase (depreciation)	0	6,199,120	5,657,500	0	11,856,620
Disposals, withdrawals, transfers	0	-2,235,128	-879,247	0	-3,114,375
<b>Balance 31.12.2021</b>	<b>0</b>	<b>171,698,914</b>	<b>94,813,303</b>	<b>0</b>	<b>266,512,217</b>
<b>Carrying amount</b>					
Balance 1.1.2021	8,370,299	150,046,622	56,871,645	3,475,995	218,764,561
<b>Balance 31.12.2021</b>	<b>8,433,251</b>	<b>152,326,991</b>	<b>55,597,312</b>	<b>6,988,358</b>	<b>223,345,912</b>

Important part of tangible fixed assets represents electricity distribution infrastructure as defined in the Decree on energy infrastructure (Official Gazette RS, No. 22/2016 with amendments). It includes buildings and equipment as well as part of the land. Book value of electricity distribution infrastructure as at December 31 2022 amounted to € 196,111,876 (December 31 2021: € 191,436,256). For the needs of implementation of system operator activity, which SODO implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, SODO has hired from Elektro Gorenjska Company complete electricity infrastructure.

Group does not have any assets under its fixed assets that would represent the right to use the assets under IFRS 16. Of all tangible assets that were in use as at December 31 2022, 23.7% were fully depreciated (as at December 31 2021 these assets were 23.7%). Share is calculated according to the acquisition cost of intangible assets.

To finance new acquisitions of fixed assets the Group took several long-term loans in year 2022 and previous years, whose balance on December 31 2022 amounted to € 56,189,236 (December 31 2021: € 51,987,024). Interests in the amount of € 19,786 were capitalized (year 2021: € 13,948). Please see also Note **Long-term financial liabilities** later in the continuation of this chapter.

### Note 3 Investment property

At the end of 2022, investment property amounted to **€ 1,756,738**. All investment properties are owned by the Group and are not pledged as security for debts. Changes in their value in years 2022 and 2021 are presented in the following tables.

in €				
2022	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
<b>Acquisition cost</b>				
Balance 1.1.2022	474,515	1,971,897	3,938	2,450,350
New acquisitions	0	2,958	-2,958	0
Disposals, separations, transfers	0	66,216	-980	65,236
<b>Balance 31.12.2022</b>	<b>474,515</b>	<b>2,041,071</b>	<b>0</b>	<b>2,450,350</b>
<b>Value adjustment</b>				
Balance 1.1.2022	0	697,853	0	697,853
Depreciation	0	42,895	0	42,895
Disposals, transfers	0	18,099	0	18,099
<b>Balance 31.12.2022</b>	<b>0</b>	<b>758,847</b>	<b>0</b>	<b>758,847</b>
<b>Carrying amount</b>				
Balance 1.1.2022	474,515	1,274,043	3,938	1,752,497
<b>Balance 31.12.2022</b>	<b>474,515</b>	<b>1,282,224</b>	<b>0</b>	<b>1,756,738</b>

in €				
2021	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
<b>Acquisition cost</b>				
Balance 1.1.2021	470,235	1,953,286	2,600	2,426,121
New acquisitions	4,280	0	19,949	24,230
Transfer to assets for sale	0	0	3,938	3,938
<b>Balance 31.12.2021</b>	<b>474,515</b>	<b>1,971,897</b>	<b>3,938</b>	<b>2,450,350</b>
<b>Value adjustment</b>				
Balance 1.1.2021	0	655,809	0	655,809
Depreciation	0	42,044	0	42,044
Disposals, transfers	0	0	0	0
<b>Balance 31.12.2021</b>	<b>0</b>	<b>697,853</b>	<b>0</b>	<b>697,853</b>
<b>Carrying amount</b>				
Balance 1.1.2021	470,235	1,297,477	2,600	1,770,311
<b>Balance 31.12.2021</b>	<b>474,515</b>	<b>1,274,043</b>	<b>3,938</b>	<b>1,752,497</b>

Following is the presentation of investment property structure.

in €		
Item description	31.12.2022	31.12.2021
Apartments	306,853	308,201
Holiday facilities	831,568	855,430
Other buildings	143,802	110,413
Land	474,515	474,515
Investment property in acquisition	0	3,938
<b>Total investment property</b>	<b>1,756,738</b>	<b>1,752,497</b>

Based on the appraisal carried out by a certified appraiser of real estate in the Slovenian Audit Institute in 2020, fair value of investment property that the company stated in its balance on December 31 2022 amounted to € 3,742,787. We estimate, that given the market situation, the fair value as at December 31 2022 does not differ from the value based on the appraisal. All investment properties are owned by the company and are not pledged as security for debts.

Revenues from rent in investment property, which we monitor collectively, amount to € 169,552 (in year 2021: € 143,084). Direct operating expenses (including repairs and maintenance), originating from investment property, which made revenues from rents in year 2022, and direct operating expenses, which did not make revenues from rents in year 2022 consist of depreciation costs (€ 43,702) and costs of material and services (€ 73,383). In year 2021 costs of depreciation were € 42,851 and costs of material and services € 64,853.



#### Note 4 Long-term financial investments

On December 31 2022, long-term financial investments of the Group amounted to **€ 1,555,937**. Compared to the balance as at December 31 2021 their value decreased due to the cashing of the put option related to the investment, the sale of the share in ECE and the recall of the long-term deposit.

Investment	Share in the ownership		Balance	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Soenergetika, d.o.o.	25.00%	25.00%	397,798	1,213,969
ECE, d.o.o.	12.5805%	0.00%	2,742,549	0
Put option in connection with ECE d.o.o.			146,139	0
Informatika, d.o.o., Maribor	10.44%	10.44%	124,155	124,155
Alfi SOL 2, d.o.o.		20.00%	0	32,083
<b>Total long-term financial investments, except loans</b>			<b>3,410,641</b>	<b>1,370,207</b>
Long-term invested funds (Eldom Maribor)			142,798	142,798
Lon-term deposits			500,000	0
Long-term receivables from financial lease			49,893	42,931
<b>Total long-term loans</b>			<b>692,691</b>	<b>185,729</b>
<b>TOTAL LONG-TERM FINANCIAL INVESTMENTS</b>			<b>4,103,332</b>	<b>1,555,937</b>

Company Soenergetika d.o.o., which is consolidated according to the equity method in the statements of the Elektro Gorenjska Group, closed the year 2022 with a net profit of € 3,725,556, the same amount as the total comprehensive income.

#### Note 5 Long-term operating receivables

Long-term operating receivables as at December 31 2022 amounted to **€ 1,328,847**. Most of them are claims against the company SODO. Compared to the balance at the end of 2021 they decreased by € 0.5 million due to the redistribution of part of the receivables based on the settlement for the regulatory year 2021 among short-term receivables.

#### Note 6 Stocks

Value of stocks of material, small tools, and merchandise as at December 31 2022 amounted to a total **€ 2,627,208**. Group estimates that net realizable value of stocks is at least equal to their book value. Movement of material stocks in years 2022 and 2021 is shown in the following table.

Item description	in €	
	2022	2021
Material stocks at the beginning of the period 1.1.	1,083,794	600,706
Purchases	5,560,099	3,589,170
Consumption	-3,624,418	-2,935,535
Sale	-194,466	-68
Write-offs	-2,248	0
Inventory deficit	-2,756	0
Transfer of small tools in use	-192,798	-170,479
<b>Material stocks at the end of the period 31.12.</b>	<b>2,627,208</b>	<b>1,083,794</b>

Group has no pledged stocks as security for its liabilities.

#### Note 7 Short-term financial investments

According to the balance as at December 31 2022 the Group records **€ 1,006,962** of short-term financial investments. Of which the major part refers to time deposits. At the end of year 2021 the Group recognized € 4 million of such investments.

**Note 8 Short-term operating receivables**

Short-term operating receivables as at December 31 2022 amounted to **€ 8,199,499**.

Their structure was as follows:

Item description	in €	
	31.12.2022	31.12.2021
Short-term accounts receivable	6,410,423	7,309,446
Short-term advances	0	94,059
Adjustment of short-term accounts receivable	-152,990	-163,650
<b>Short-term accounts receivable</b>	<b>6,257,433</b>	<b>7,239,855</b>
<b>Short-term income tax receivable</b>	<b>0</b>	<b>0</b>
Short-term operating receivables from others	406,249	337,179
Adjustment of short-term receivables from others	-4,134	-627
Short-term advances	1,539,951	0
<b>Short-term operating receivables from others</b>	<b>1,942,066</b>	<b>336,552</b>
<b>Short-term operating receivables</b>	<b>8,199,499</b>	<b>7,576,407</b>

Short-term operating receivables are entirely unsecured.

Breakdown of short-term claims for electricity, network charge and services including receivables referring to default interest as at December 31 2022 according to maturity terms is shown in the following presentation:

Item description	in €						Total accounts receivable
	Not yet due	Up to 30 days	31-60 days	61-90 days	More than 90 days	Total amount due	
Claims on buyers of electricity, network charge and services	4,395,133	215,402	62,815	9,012	1,714,573	2,001,802	6,396,935
Default interest claims	3,274	2,082	362	590	7,180	10,214	13,488
<b>TOTAL</b>	<b>4,398,407</b>	<b>217,484</b>	<b>63,177</b>	<b>9,602</b>	<b>1,721,752</b>	<b>2,012,016</b>	<b>6,410,423</b>

Changes in valuation adjustment of claims in year 2022 are presented in the next table.

Item description	New formations				Withdrawal (use) and elimination		Balance 31.12.2022
	Balance 1.1.2022	Chargeable to expenses	Chargeable to claims	Claims write-off	Paid amounts (transfer to revenues)	Elimination of excess valuation adjustments	
1	2	3	4	5	6	7	8
Valuation adjustment of accounts receivable	156,428	0	0	10,506	0	318	145,604
Valuation adjustment of interest claims	7,222	86	252	150	23	0	7,386
<b>Total valuation adjustment of claims</b>	<b>163,650</b>	<b>86</b>	<b>252</b>	<b>10,656</b>	<b>23</b>	<b>318</b>	<b>152,990</b>

**Note 9 Current assets from contracts with customers**

At the end of 2022, current assets from contracts with customers amounted to **€ 1,477,262**. They refer to marketing projects. At the end of 2021, the Group did not have these funds.

## Note 10 Capital

Entire capital of the Group consists of the called-up capital, capital reserves, profit reserves, other reserves, and retained profit. Balance of the entire capital as at December 31 2022 amounted to **€ 173,886,767**.

**Called-up capital** of Elektro Gorenjska Company is the same as share capital (**€ 104,136,615**).

It is divided in 17,273,475 ordinary registered unit shares. All shares are fully paid up. Shares are issued in dematerialized form and are managed in KDD – Central Securities Clearing Corporation, d.d., in accordance with regulations.

**Capital reserves** in the amount of **€ 45,973,479** were formed on January 1 2006 in accordance with the transitional provisions item No. 15 Introduction to 2006 SAS, from the hitherto general revaluation equity adjustment, while a part in the amount of € 28,581 results from the withdrawal of treasury shares in 2019. They are applied in accordance with the Article 64 of ZGD-1.

**Profit reserves** amounted to € 17,337,941, of which statutory reserves represent € 4,222,453, while other profit reserves € 13,115,488.

**Other reserves** (€ 38,667) represent reserves arising from the valuation at fair value.

in €						
Item	Balance 1.1.2022	Change in fair value of financial investments	Elimination	New formation	Transfer to profit or loss brought forward	Balance 31.12.2022
Actuarial gains/losses	-376,705	0	424,375	38,470	-35,935	50,205
Value adjustment of deferred tax reserves	28,534	0	-40,071	0	0	-11,537
<b>Total</b>	<b>-348,171</b>	<b>0</b>	<b>384,304</b>	<b>38,470</b>	<b>-35,935</b>	<b>38,668</b>

Retained profit or loss amounted to € 6,400,065.

Return on share in year 2022 amounted to € 0.01, while in year 2021 it amounted to € 0.46.

Controlling company has no preference shares, therefore basic and adjusted returns per share are equal.

Basis for the calculation of the indicator of return on share are the net profit for the year and the weighted average number of ordinary shares in the period. Calculation is shown in the following table.

in €		
Item	2022	2021
Net profit or loss of the business year	247,839	7,897,717
Weighted average number of ordinary shares	17,273,475	17,273,475
Return per share, basic/adjusted	0,01	0,46

## Note 11 Provisions

As at December 31 2022 provisions amounted to **€ 9,206,772**. Compared to their balance as at December 31 2021 they decreased by 3.8%.

Review of changes in provisions in year 2022:

in €					
Item description	Balance 1.1.2022	Formation	Drawing	Elimination	Balance 31.12.2022
Total provisions for long-service bonuses and severance pay	3,635,439	182,880	234,756	513,831	3,069,733
Total other provisions	5,939,069	197,969	0	0	6,137,038
<b>Total provisions</b>	<b>9,574,509</b>	<b>380,849</b>	<b>234,756</b>	<b>513,831</b>	<b>9,206,772</b>

Review of changes in provisions in year 2021:

in €					
Item description	Balance 1.1.2021	Formation	Drawing	Elimination	Balance 31.12.2021
Total provisions for long-service bonuses and severance pay	3,731,236	173,373	123,279	145,891	3,635,439
Total other provisions	5,750,722	197,969	9,621	0	5,939,070
<b>Total provisions</b>	<b>9,481,958</b>	<b>371,342</b>	<b>132,900</b>	<b>145,891</b>	<b>9,574,509</b>

Provisions for long-service bonuses and severance pay at retirement are formed in the amount of estimated future payments on the basis of actuary report on calculation of provisions for long-term earnings according to IAS 19.

Actuary calculation as at December 31 2022 takes into account the following actuarial assumptions: statistical probability of mortality (active population, reduced by 10%), linearly decreasing fluctuation (0.7% a year for next business year), retirement in accordance with the law or already known data, wage growth in the company (in the amount of annual inflation), wage growth in electricity industry (annual inflation, increased by 0.5%), growth of salaries due to promotion (0.8% a year for next business year), length of service allowance (growth in the amount of 0.5% from the basic salary a year) and discount rate in the amount of 3.9%

Other provisions mainly refer to compensations in connection with denationalisation proceedings.

**Note 12 Long-term financial liabilities**

As at December 31 2022 Elektro Gorenjska Group had **€ 46,691,448** of long-term financial liabilities, which is by € 3.5 million more than as at December 31 2021. Majority of long-term financial liabilities are long-term financial liabilities to banks, of which € 20,353,170 have the maturity of more than five years. Maturities of financial liabilities to banks as at December 31 2022 were as follows:

in €			
1 year	2-5 years	Over 5 years	Total
9,497,788	26,338,279	20,353,170	56,189,236

In year 2022, we drew € million 13 million of long-term credit for the implementation of investments in EEI and redeemed € 8,797,788 worth of principals. Costs of interest amounted to € 512,667. Interest in the amount of € 19,786 was capitalized. Balance of received loans as at December 31 2022 was € 56,189,236, while at the end of 2021 it amounted to € 51,987,024.

Contractual interest rate in most loans is the result of collecting the offers of interested deposit money banks in acquiring the loan, in accordance with the Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act (Official Gazette RS, No. 23/04, with amendments) and subsequent negotiations with banks. Interest rate of four of the loans is fixed, while all other loans have a floating rate, bound by three- or six-month EURIBOR. Add-on to EURIBOR is between 0.33 and 1.70 percent point. Financial liabilities in the amount of € 47,903,521 are secured by bills of exchange.

As at December 31 2022 the Group had 24% of long-term loans secured with the fixed interest rate, which represents the amount of € 13.7 million. Balance of received loans to finance tangible fixed assets as at December 31 2022 amounted to € 56,189,236.

With regard to long-term financial liabilities, the company is mainly exposed to interest rate risk, as the company also has long-term loans raised at a variable interest rate (EURIBOR + mark-up). As a result of the intervention law, the company violated financial covenants with three banks, from which it already received remissions in 2022. Transfer of the long-term part of financial obligations to the short-term part was therefore not necessary. Exposure to risks and hedging systems are explained in chapter **Managing the risks and opportunities**.

Group has no long-term debts to the members of the management board (management), members of the supervisory board and internal owners.

**Note 13 Long-term deferred revenue and other long-term liabilities**

On the last day of year 2022 Elektro Gorenjska Group had by **€ 6,689,071** of other long-term liabilities. Structure and changes in long-term liabilities in years 2022 and 2021 are shown in the two tables below.

Structure and changes in other long-term liabilities in year 2022:

in €					
Item description	Balance 1.1.2022	Formation	Derecognition	Elimination	Balance 31.12.2022
Tangible fixed assets obtained free of charge	4,510,495	6,520	233,163	0	4,283,851
Deferred revenues from average connection costs	1,184,236	0	85,319	0	1,098,917
Other	1,204,030	248,718	136,210	10,234	1,306,304
<b>Total other long-term liabilities</b>	<b>6,898,760</b>	<b>255,237</b>	<b>454,692</b>	<b>10,233</b>	<b>6,689,071</b>

Structure and changes in other long-term liabilities in year 2021:

in €					
Item description	Balance 1.1.2021	Formation	Derecognition	Elimination	Balance 31.12.2021
Tangible fixed assets obtained free of charge	4,606,213	134,838	230,556	0	4,510,495
Deferred revenues from average connection costs	1,269,555	0	85,319	0	1,184,236
Other	1,208,789	178,559	165,490	17,830	1,204,028
<b>Total other long-term liabilities</b>	<b>7,084,557</b>	<b>313,396</b>	<b>481,364</b>	<b>17,829</b>	<b>6,898,760</b>

Tangible fixed assets acquired free of charge consist of connections of customers that the company Elektro Gorenjska took over into its tangible fixed assets together with its commitment to care for their maintenance and reconstruction, in accordance with the regulations, above all the System operating instructions for the electricity distribution system (Official Gazette of RS No. 7/21 with amendments) and free acquisition of other fixed assets.

Long-term deferred revenue from average connection costs were formed until June 30 2007 regarding the implementation of GJS SODO. Average cost of a connection is a one-off amount paid for connection to the network or to increase the installed capacity. It is a dedicated source of funding for investment in network expansion.

Group has no long-term debts to members of the Board (of management), members of the Supervisory Board or internal owners.

**Note 14 Short-term operating liabilities**

At the end of 2022 short-term operating liabilities in the amount of **€ 6,253,981** were by € 0.7 million lower than compared to the balance on the last day of 2021. Detailed breakdown of the short-term operating liabilities is presented in the following table.

Item description	in €	
	31.12.2022	31.12.2021
<b>Liabilities to suppliers for own account:</b>	<b>3,031,625</b>	<b>3,420,962</b>
<b>Liabilities to suppliers on its own behalf and for third party account:</b>	<b>1,667,194</b>	<b>2,052,778</b>
- liabilities to SODO, d.o.o.	1,663,776	2,051,531
- to others	3,417	1,247
<b>Other liabilities:</b>	<b>1,555,162</b>	<b>1,469,699</b>
- for salaries	1,116,328	977,270
- to state and other institutions	272,998	302,499
- for received advances and collaterals	77,092	93,204
- other (interests, employee deductions, capital company ...)	88,744	96,726
<b>Total short-term liabilities from operating activities</b>	<b>6,253,981</b>	<b>6,943,439</b>

**Note 15 Short-term liabilities from contracts with customers**

At the end of 2022, short-term liabilities from contracts with customers amounted to **€ 1,219,104**. They refer to advances given in connection with the implementation of marketing projects.

**Note 16 Off-balance sheet records**

Other short-term liabilities as at December 31 2022 amounted to **€ 1,125,420** and represent mainly the accrued liabilities. Compared to the balance as December 31 2021 they did not change substantially.

**Note 17 Off-balance sheet records**

Off-balance sheet assets or liabilities as at December 31 2022 amounted to **€ 6,167,901**. Their structure was as follows:

Item description	in €	
	31.12.2022	31.12.2021
Received guarantees	4,006,879	3,423,645
Issued guarantees and bills of exchange	492,977	36,626
Fixed assets in the property of SODO	1,668,044	1,762,209
<b>Total off-balance sheet records</b>	<b>6,167,900</b>	<b>5,222,480</b>

Group does not have any contingent off-balance liabilities as defined by ZGD – 1. In 2022, a minority shareholder filed a challenge lawsuit against the resolution adopted at the company's general meeting regarding the distribution of profits for 2021. If they succeed in the lawsuit, this means that the company Elektro Gorenjska will pay out the other half of the distributable profit for year 2021 in the amount of € 1,381,878.

## Notes on profit and loss account items

### Note 1 Net sales revenues

In year 2022, net sales revenues amounted to **€ 34,619,389**. Their structure is presented in the following table.

Item description	in €	
	2022	2021
Revenues from sale of electricity	4,944,415	3,833,620
Revenues from rent and services in relation to SODO	23,353,435	32,984,393
Revenues from rents	583,930	455,958
Revenues from construction and assembly works	4,862,386	1,734,471
Revenues from services rendered	719,309	679,063
Revenues from sales of other business effects	155,914	78,791
<b>Total net sales revenues from business effects</b>	<b>34,619,389</b>	<b>39,766,295</b>

Majority of net sales revenues of the Group (76%) represent revenues of the controlling company. Major item of net sales revenues of the Group in year 2022 represent revenues from rent and services related to SODO (€ 23,353,435).

In 2022 revenues from contracts with customers amounted to € 24,030 thousand, and other revenues € 10,590 thousand. In 2021 revenues from contracts with customers amounted to € 20,272 thousand, and other revenues € 19,494 thousand.

### Note 2 Capitalized own products and own services

In year 2022 capitalized own effects amounted to **€ 3,567,667**. They were mostly investments in tangible fixed assets – energy infrastructure.

Item description	in €	
	2022	2021
Direct material costs	1,732,120	2,431,247
Direct labour costs	1,490,807	1,575,954
<b>Total direct costs of material, services and labour</b>	<b>3,222,917</b>	<b>4,007,201</b>
Total indirect costs of material, services, work and depreciation	344,750	361,800
<b>Total costs in the manufacture of products and the provision of services in relation to capitalized own effects</b>	<b>3,567,667</b>	<b>4,369,001</b>

### Note 3 Other operating revenues

Other operating revenues in the amount of **€ 1,642,907** consist of:

Item description	in €	
	2022	2021
Revenues from elimination of provisions	65,294	0
Revaluation operating revenues	15,825	148,608
Revenue from the transfer of long-term deferred revenue to regular operating revenues:	428,204	493,357
- free acquisition of FA	34,768	35,057
- free acquisition of connections	198,396	195,499
- average connecting costs	85,319	85,319
- other	109,722	177,482
Damages recovered from insurance companies	674,505	249,741
- reimbursed damages for destroyed assets (fire)	648,112	0
- other reimbursed damages	26,393	249,741
Received state aid due to COVID-19	3,590	18,603
Received state supports-refunds	241,023	183,946
Other operating revenues	214,466	62,512
<b>Total other operating revenues</b>	<b>1,642,907</b>	<b>1,156,765</b>

**Note 4 Acquisition cost of goods sold and cost of material used**

Acquisition cost of sold goods and material used consists of:

Item description	in €	
	2022	2021
Costs of material:	6,101,980	4,643,366
- material for maintenance	354,119	319,111
- costs of material in connection with capitalized own effects, market services	4,412,671	3,475,473
- energy costs	819,389	516,222
- small tool write-off	192,798	170,479
- inventory differences in material	2,756	0
- costs of office supplies	62,004	49,365
- other material costs	258,243	112,716
<b>Acquisition cost of goods sold and material used</b>	<b>6,101,980</b>	<b>4,643,366</b>

**Note 5 Costs of services**

In 2022, costs of services amounted to **€ 5,778,965**, in 2021 they were € 4,298,248. More detailed structure of service costs is provided in the following table.

Item description	in €	
	2022	2021
Costs of service in creating products and implementing services	1,331,453	210,637
Costs of transport services	227,170	213,452
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,475,289	1,416,709
Rents	178,184	127,803
Reimbursements of work-related costs to employees	46,943	29,550
Costs of payment transactions, banking services and insurance premiums	678,521	647,382
Costs of intellectual and personal services	616,775	585,776
Costs of advertising and representation	75,089	67,726
Costs of services of individuals not performing the activity, including duties chargeable to the company (costs under work contracts, authorship contracts, meeting fees of supervisory board members ...)	163,071	160,400
Costs of information and other services	986,471	838,812
<b>Total costs of services</b>	<b>5,778,965</b>	<b>4,298,248</b>

Biggest cost within the cost of services is the costs of services related to the maintenance of the electricity infrastructure and other tangible fixed assets. Maintenance of electricity infrastructure is also presented in chapter **Maintenance of electricity infrastructure**.

Research and development costs in 2022 amounted to € 227,377.

According to Article 57 of the Companies Act (ZGD-1), Elektro Gorenjska is obliged to audit the annual report. Contractual amount for the audit of the annual report of the Company and Elektro Gorenjska Group for 2022 is € 13,630. In addition, another € 1,970 was paid to the auditor who audited the annual report for assurance services.

**Note 6 Labour costs**

Costs of labour in the amount of **€ 14,871,628** consist of:

Item description	in €	
	2022	2021
Salary costs	10,570,988	10,007,708
Costs of voluntary pension insurance of employees	506,458	478,553
Costs of employer's contributions and other benefits from salaries	1,761,082	1,671,749
Other labour costs	2,033,099	1,795,789
<b>Total labour costs</b>	<b>14,871,628</b>	<b>13,953,799</b>

Other labour costs include reimbursement of transport and food expenses during work, provisions for long-service benefits and severance pay, holiday pay, benefits, insurance costs for employees and payment to intern students. Number of employees and their educational structure and other information related to employees are presented in chapter **Personnel development**. Remuneration of the management and supervisory board are presented in chapter **Transactions with related parties** in the financial report of Elektro Gorenjska Company.

**Note 7 Write-offs**

In 2022, write-offs amounted to **€ 13,113,483**. Their composition is as follows:

Item description	in €	
	2022	2021
Depreciation of intangible fixed assets	906,739	717,887
Depreciation of tangible fixed assets	11,920,581	11,860,128
Depreciation of investment property	43,702	42,851
<b>Total depreciation costs</b>	<b>12,871,022</b>	<b>12,620,865</b>
Operating expenses from sale of fixed assets and investment property	236,269	277,239
Operating expenses from impairment of current assets	6,193	403
<b>Total write-offs</b>	<b>13,113,483</b>	<b>12,898,507</b>

**Note 8 Other operating expenses**

Other operating expenses in the amount of **€ 547,118** consist of:

Item description	in €	
	2022	2021
Contribution for promotion of employment of persons with disabilities	72,954	55,924
Contribution for urban land	83,531	83,807
Contribution for polluted water	15,570	14,317
Provisioning	197,969	197,969
Other expenses (environment protection costs, compensations ...)	177,094	128,773
<b>Total other operating expenses</b>	<b>547,118</b>	<b>480,790</b>



**Note 9 Income tax**

Charged income tax for business year 2022 amounts to **€ 384,087**, and deferred taxes € -917,826.

Item description	in €	
	2022	2021
Tax charged	384,087	1,330,576
Deferred tax	-917,826	-329,196
<b>Tax</b>	<b>-533,739</b>	<b>1,001,380</b>

In 2021, all Group companies disclosed income tax liability, while in 2022 only the companies Gorenjske elektrarne and GEK vzdrževanje. An overview of the calculation of the income tax for each year is given in the following table:

Item description	in €	
	2022	2021
Profit before tax	2,699,174	10,210,950
Tax at the applicable tax rate (19%)	512,843	1,940,081
First recognition of deferred tax	-877,786	-283,375
Revenue tax which decreases the tax base	-24,141	-308,684
Revenue tax which increases the tax base	0	47,851
Expenditure tax which increases the tax base	12,823	164,715
Expenditure tax which decreases the tax base	-6,974	-52,233
Tax relief	-105,550	-488,082
Tax from other items	-44,955	-18,893
<b>Income tax</b>	<b>-533,739</b>	<b>1,001,380</b>
<b>Effective tax rate</b>	<b>-</b>	<b>10%</b>

Movement of deferred tax asset	in €			
	Provisions for post-employment and other employee benefits	Tax loss	Tax credits (relief)	Total
<b>Balance 1.1.2022</b>	<b>311,909</b>	<b>0</b>	<b>0</b>	<b>311,909</b>
Recognized in the income statement	-16,992	571,951	305,836	860,794
Recognized in the statement of comprehensive income	-40,071	0	0	-40,071
<b>Balance 31.12.2022</b>	<b>254,846</b>	<b>571,951</b>	<b>305,836</b>	<b>1,132,632</b>

Deferred tax liability	in €	
	31.12.2022	31.12.2021
For financial investments	0	46,813
For small tools	203,724	213,943
<b>Total</b>	<b>203,724</b>	<b>260,755</b>

Movement of deferred tax liabilities	in €		
	Financial investments	Small tools	Total
<b>Balance 1.1.2021</b>	<b>95,537</b>	<b>211,041</b>	<b>306,577</b>
Recognized in the income statement	0	2,902	2,902
Elimination in the income statement	-48,724	0	-48,724
<b>Balance 31.12.2021</b>	<b>46,813</b>	<b>213,943</b>	<b>260,755</b>
<b>Balance 1.1.2022</b>	<b>46,812,91</b>	<b>213,943</b>	<b>260,755</b>
Recognized in the income statement	0	0	0
Elimination in the income statement	-46,813	-10,219	-57,032
<b>Balance 31.12.2022</b>	<b>0</b>	<b>203,724</b>	<b>203,724</b>

Group expects to have taxable profits in future years that will exceed the profits from the elimination of existing taxable differences, therefore it has recognized deferred taxes from the tax loss.

**Note 10 Deferred taxes**

Deferred taxes in 2022 amounted to **€ -917,826**. Most of them (€ -877,786) come from unused tax losses and tax credits as of December 31 2022. Deductible temporary differences for which no deferred tax has been recognized amount to € 359,403.

## Notes on other comprehensive income items

Total comprehensive income in addition to the net profit or loss for the period (€ 247,839) includes also actuarial gains and losses of the parent company and subsidiaries in the total amount of € 422,773.

Individual items of other comprehensive income are presented also in chapter **Notes to the statement of financial position**, note 10 Capital (table fair value changes).

## Notes on cash flow items

In year 2022, Elektro Gorenjska Group had € 70,214,246 of receipts and € 70,600,283 of expenditures. Receipts and expenditures include appropriate amounts of duties, mainly VAT and excise duties, in accordance with the issued invoices or receipted invoices. Cash flow was negative and amounted to € -386,037.

As at December 31 2022 the Group had on transaction accounts in banks and in the form of short-term deposits or deposits redeemable monetary assets in the amount of € 5,610,431, while the balance of these assets on December 31 2021 amounted to € 5,996,468.

Net cash from operating activities in year 2022 exceeded expenditure by € 10,549,906, which means that the Group operates positively with its main activity and creates a positive cash flow. Largest revenues were revenues received under the Contract with SODO for implementation of services and rents for electric power infrastructure.

Negative net cash used in investing activities in year 2022 amounted to € -13,288,792. Industry the Elektro Gorenjska Group operates in is technologically very intense and in order to provide quality supply to its customers in the area of Elektro Gorenjska distribution network large and constant investments are required. New acquisitions of intangible and tangible assets were mainly financed by drawing from long-term credit in the amount of € 13 million.

Cash flow from financing activities in the period considered was € 2,352,849.

## 5.6 Fair values

Overview of fair value and carrying amount of assets and liabilities:

Item description	31.12.2022		31.12.2021	
	Book value	Fair value	Book value	Fair value
in €				
<b>Non-derivative financial assets at amortized cost</b>				
Long-term and short-term financial receivables	1,192,692	1,192,692	4,699,653	4,699,653
Long-term and short-term trade receivables	7,436,333	7,436,333	8,959,439	8,959,439
Cash and cash equivalents	5,610,431	5,610,431	5,996,468	5,996,468
<b>Total non-derivative financial assets</b>	<b>14,239,456</b>	<b>14,239,456</b>	<b>19,655,560</b>	<b>19,655,560</b>
<b>Non-derivative financial liabilities at amortized cost</b>				
Bank loans and other financial liabilities	-56,259,003	-56,259,003	-52,005,246	-52,005,246
Short-term trade payables for own and foreign account	-4,698,818	-4,698,818	-5,473,739	-5,473,739
<b>Total non-derivative financial liabilities</b>	<b>-60,957,821</b>	<b>-60,957,821</b>	<b>-57,478,985</b>	<b>-57,478,985</b>
<b>Derivative financial instruments at fair value</b>				
Derivative financial instruments (assets)	0	0	146,139	146,139
<b>Total derivative financial instruments</b>	<b>0</b>	<b>0</b>	<b>146,139</b>	<b>146,139</b>
<b>Total</b>	<b>-46,718,366</b>	<b>-46,718,366</b>	<b>-37,677,287</b>	<b>-37,677,287</b>

Estimated fair value of short-term assets and liabilities is equal to their book value.

## Fair value scale

Fair value and method of valuation of assets:

	in €							
	31.12.2022				31.12.2021			
	1. level	2. level	3. level	Total	1. level	2. level	3. level	Total
<b>Assets measured at fair value</b>								
Derivative financial instruments	0	0	0	0	0	146,139	0	146,139
<b>Total assets measured at fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>146,139</b>	<b>0</b>	<b>146,139</b>
<b>Assets for which fair value is disclosed</b>								
Long-term and short-term financial receivables	0	0	1,192,692	1,192,692	0	0	4,699,653	0
Long-term and short-term trade receivables	0	0	7,436,333	7,436,333	0	0	8,959,439	0
Cash and cash equivalents	0	0	5,610,431	5,610,431	0	0	5,996,468	0
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>14,239,456</b>	<b>14,239,456</b>	<b>0</b>	<b>0</b>	<b>19,655,560</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>14,239,456</b>	<b>14,239,456</b>	<b>0</b>	<b>146,139</b>	<b>19,655,560</b>	<b>146,139</b>

Fair value and method of valuation of liabilities:

	in €							
	31.12.2022				31.12.2021			
	1. level	2. level	3. level	Total	1. level	2. level	3. level	Total
<b>Assets measured at fair value</b>								
Derivative financial instruments	0	0	0	0	0	0	0	0
<b>Total liabilities measured at fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities for which fair value is disclosed</b>								
Bank loans and other financial liabilities	0	0	-56,259,003	-56,259,003	0	0	-52,005,246	-52,005,246
Short-term trade payables	0	0	-4,698,818	-4,698,818	0	0	-5,473,739	-5,473,739
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>-60,957,821</b>	<b>-60,957,821</b>	<b>0</b>	<b>0</b>	<b>-57,478,985</b>	<b>-57,478,985</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>-60,957,821</b>	<b>-60,957,821</b>	<b>0</b>	<b>0</b>	<b>-57,478,985</b>	<b>-57,478,985</b>

## 5.7 Capital management

Key factor in the success of Elektro Gorenjska Group is a long-term orientation towards the customer and constant adaptability to operating conditions (national interest, regulatory and legislative changes, major technological changes ...). Main purpose of capital management in Elektro Gorenjska Group is therefore to ensure capital adequacy, high financial stability and long-term solvency, and appropriate value for shareholders.

Group monitors the long-term financial stability with the ratio between net financial debt and EBITDA. Policy of the Group is that it does not exceed the value of 3.5, which allows the Group long-term stable operation. For control over the capital, the Group uses a leverage ratio, which indicates the proportion of net debt to equity. Indicator was at the end of 2022 at a similar level as at the end of 2021, which confirms the fact that the Group manages its capital stably.

Item description	Note of items in the statement of financial position	in €	
		31.12.2022	31.12.2021
Long-term financial liabilities	12	46,691,448	43,189,236
Short-term financial liabilities		9,567,555	8,816,010
Total financial liabilities		56,259,003	52,005,246
Capital	10	173,886,767	174,624,767
Debt/Capital		0.32	0.30
Cash and cash equivalents		5,610,431	5,996,468
Net financial liability		50,648,572	46,008,778
Net debt/capital		0.29	0.26

## 5.8 Transactions with related parties

Below we present transactions with related parties, namely transactions with Group companies, transactions with the Republic of Slovenia, transactions with companies owned by the Republic of Slovenia and transaction with the management and supervisory boards. Group, with the exception of the associated company ECE, did not operate with related parties through the persons responsible for management.

### Transactions with Group companies

Among transactions of the controlling company with the subsidiary Gorenjske elektrarne, which in 2022 amounted to € 1,319 thousand (year 2021: € 1,584 thousand) the most important were the following:

Item	in €	
	2022	2021
Revenue from the provision of general services (costs of subsidiary)	103,929	98,366
Rental income (subsidiary rental costs)	51,255	152,724
Profit distribution (subsidiary distribution)	980,922	1,197,454

Among the transactions between the Gorenjske elektrarne Company, GEK Vzdrževanje and Soenergetika more significant transactions are:

Item	in €	
	2022	2021
Maintenance services (Gorenjske elektrarne and GEK vzdrževanje)	426,104	461,591
Transfer of profits (Gorenjske elektrarne and Soenergetika)	115,217	135,495

Other transactions did not reach significant values. All transactions with Group companies were implemented under normal market conditions. As a controlling company, Elektro Gorenjska Company did not obstruct or impair operations of company Gorenjske elektrarne as the controlled company.

### Transactions with the Republic of Slovenia

Most important transactions of the parent company and its subsidiary with the Republic of Slovenia were in 2022 the following:

Item	in €	
	Payments in 2022	Payments in 2021
Dividends	1,381,878	1,647,466
Corporate income tax (tax and advance payment)	996,581	825,668
Other benefits (VAT, employer's contributions)	5,373,793	5,514,415
<b>Total</b>	<b>7,752,252</b>	<b>7,987,549</b>

### Transactions with companies directly or indirectly owned by the Republic of Slovenia

Table below shows significant transactions with companies in which the state has directly or indirectly a dominant influence in 2022.

Business partner	in €			
	Open receivables on 31.12.2022	Open liabilities on 31.12.2022	Expenditure in year 2022	Revenues in year 2022
SODO, d.o.o.	6,504,329	1,672,718	46,457	23,353,435
Modra zavarovalnica, d.d.	0	39,834	455,968	0
Zavarovalnica Sava, d.d.	0	-32	528,455	0
SID, d.d.	0	4,572,381	77,858	0
NLB, d.d.	0	20,027,054	81,072	0
<b>Total</b>	<b>6,504,329</b>	<b>26,311,956</b>	<b>1,189,810</b>	<b>23,353,435</b>

Outstanding liabilities to SODO Company represent payables for the account of third parties. Transactions with other companies in which the State has a dominant influence do not represent a significant amount.

Significant transactions with companies in which the state has directly or indirectly a dominant influence in 2021 were:

Business partner	in €			
	Open receivables on 31.12.2021	Open liabilities on 31.12.2021	Expenditure in year 2021	Revenues in year 2021
SODO, d.o.o.	3,806,147	2,051,428	0	32,984,393
Modra zavarovalnica, d.d.	0	37,196	447,011	0
Zavarovalnica Sava, d.d.	55,664	59	539,483	0
SID, d.d.	0	5,164,549	49,799	0
NLB, d.d.	0	7,000,000	5,730	0
<b>Total</b>	<b>3,861,811</b>	<b>14,253,231</b>	<b>1,042,023</b>	<b>32,984,393</b>

## Transactions with the management and supervisory board

In year 2022, Elektro Gorenjska Group paid the management (employees under individual contracts) the following receipts:

Receipts	in €					
	Fixed earning (gross salary)	Operating performance	Holiday allowance	Severance pay	Reimbursements of costs	Bonuses
Chairman of the Board of Elektro Gorenjska	101,068	16,607	2,141	0	2,394	9,970
Director of Gorenjske elektrarne (until 30.4.2022)	25,956	17,581	2,141	0	954	3,527
Director of Gorenjske elektrarne (from 1.5.2022)	37,823	0	0	0	1,261	2,869
Director of GEK Vzdrževanje (until 31.5.2022)	27,000	0	892	13,500	1,048	1,120

Until April 30 2022, the director of Gorenjske elektrarne was Aleš Ažman, and from May 1 2022 the company is managed by mag. Aleks Jan. Until May 31 2022, the director of GEK Vzdrževanje was Matej Kuhar.

In year 2021, Elektro Gorenjska Group paid the management (employees under individual contracts) the following receipts:

Receipts	in €					
	Fixed earning (gross salary)	Operating performance	Holiday allowance	Long-service bonus	Reimbursements of costs	Bonuses
Chairman of the Board of Elektro Gorenjska	97,200	7,787	7,071	2,078	2,128	10,342
Director of Gorenjske elektrarne	59,943	8,543	2,062	0	2,063	1,914
Director of GEK Vzdrževanje	54,620	0	2,062	0	2,089	3,277

Reimbursement of costs (material costs) include reimbursement for meals during work, reimbursement of travel expenses and mobile phone costs. They are charged in accordance with the employment contracts or company's collective agreement. Bonuses include insurance premiums and use of a company car.

Transactions with the supervisory board are presented in chapter **Transactions with related parties** in the financial report of Elektro Gorenjska Company.

## 5.9 Financial risks

In Elektro Gorenjska Group, we are aware of the risks that are an integral part of our operations. We are also aware that only a comprehensive and systematic risk management can be effective. Management of risks is an important condition for successful and efficient reaching of the set long-term business goals.

Financial risks are connected with the ability to create financial income, control financial expenses, maintain the value of financial assets, control financial liabilities and ensure competitive and long-term solvency. In the Group Elektro Gorenjska, we are exposed to numerous financial risks, which include, in particular: credit risk, liquidity risk, interest rate risk, lack of investment funds, risk of investments in subsidiaries and risk of inadequate payment of services by SODO.

### Credit risk

Under the Contract on the lease of electricity distribution infrastructure and the provision of services for the distribution system operator the Group collects customer payments on its own behalf and on behalf of SODO d.o.o. There is a higher risk, as the Group despite unpaid claims of customers has to settle all liabilities to SODO. In part, the Group in accordance with the control has recognized and covered potential write-offs, but only up to 0.2% of charged network charges, which is approx. € 50,000 annually. Group also provides market services. Any outstanding receivables from these services represent the greatest credit risk.

Breakdown of short-term receivables for the network charge, electricity and services and interest receivable as at December 31 2022 and December 31 2021 are shown by maturity in the following table:

	in €	
	31.12.2022	31.12.2021
Not yet due	4,398,407	6,392,759
Due within 30 days	217,484	104,082
Due from 31-90 days	63,177	4,710
Due from 61-90 days	9,602	229,817
Due over 90 days	1,721,752	578,078
Overdue	2,012,015	916,687
Share of overdue receivables in outstanding	31%	13%
<b>Total</b>	<b>6,410,423</b>	<b>7,309,446</b>

Changes in valuation adjustment of claims and default interest receivables in years 2022 and 2021 are presented in the next table.

	in €	
	2022	2021
Opening balance 1.1.	163,650	181,138
New formations	338	419
Withdrawal and elimination	10,997	17,907
<b>Closing balance 31.12.</b>	<b>152,990</b>	<b>163,650</b>

Receivables are reviewed regularly and monthly in the Group. Recovery is conducted regularly to all customers under the same criteria. We recover also default interest consistently. Accuracy of the records and the recovery has brought us to a good result. Largest debtors or non-payers of network charge are discussed at the regular monthly meetings, where for the individual debtor we make the plan of activities, which should lead to the highest possible recovery. It is an individual treatment. We also review the credit rating of the debtors. We also use telephone recovery, possibility of granting payments in installments, search options for compensation, assignment, etc. In the case of an installment debt repayment, contract of assignment of claim, we always include in the contract the accrued default interest. Advanced invoices are issued for certain services. When closing the outstanding receivables, we respect the provisions of the general part of the contract on access to distribution networks. When we have exhausted all possible instruments of »soft« recovery, in the event of non-payment of the network charge, we send a notice of disconnecting the user system. In the event that a party despite the notice still does not settle the debt within the time limit specified in the notice, disconnection of the measuring point follows. In this way, the company prevents further damage to the business or financial indiscipline, which would otherwise lead to higher outstanding receivables.

Receivable from the biggest buyer as at December 31 2022 amounted to € 5,329,929, which means 83% of all accounts receivable.

Largest exposure to credit risk was at the end of 2022 or 2021 the following:

	in €	
	31.12.2022	31.12.2021
Non-current financial claims	185,730	692,691
Non-current trade receivables	1,178,900	1,719,584
Short-term financial claims	1,006,962	4,006,962
Short-term trade receivables	6,257,433	7,239,855
Cash and cash equivalent	5,610,431	5,996,468
Short-term assets from contracts with customers	1,477,262	0

## Liquidity risk

Risk of short-term insolvency or liquidity risk stems from the possibility that the Group at any given time will not have sufficient liquidity to meet its current obligations and to maintain normal operations. Liquidity problems could be the result of uneven inflows and outflows and lengthy procedures for obtaining long-term loans or larger excess of planned investments. Liquidity risk is closely associated with investment risks. Liquidity risk management is the implementation of investment financing in accordance with the business plan, in a way that ensures sufficient resources to avoid delays in the implementation of investments, since the processes of borrowing can be long lasting.

Elektro Gorenjska Group is known for its exemplary payment discipline. In 2022, it had no liquidity problems.

Liquidity risk from operations is managed primarily with the following activities:

- Supervision and coordination among all OU in the field of procurement of goods and services or conclusion of purchase contracts with respect to the expected available cash. This area includes also prioritization of purchases depending on available funds. This applies to all areas of action in the Group.
- Monitoring the implementation of open orders and concluded procurement contracts in particular as regards the date of completion, and the date and amount of the anticipated payment obligations.
- Control over the timeliness of payments of claims, especially with major clients, as late payments of customers as a result of worsened financial discipline, requests for extension of payment deadlines and discounts as well as higher costs for the recovery of

arrears, all reflect in the poorer liquidity of the Group. This includes the establishment of an information system on overdue receivables, and timely mutual information on outstanding receivables between individual sectors, so that appropriate and timely action is taken (issuing timely reminder, court claims ...). In concluding commercial contracts with customers of our services, special attention is paid to further integration of the relevant insurance of payments. Customers with overdue receivables are regularly and monthly reminded.

- Constant monitoring of the stocks. At the level of the management, decisions were adopted, defining the monitoring of stocks. Group finally and fully realizes the decisions in connection with the consignment of material and equipment suppliers. Group further optimizes working processes (in the field of planning, purchasing material and implementation).
- Established cash management system at the Group level, on the basis of which companies borrow cash from each other. Main objective of managing the monetary assets in Elektro Gorenjska Group is to optimize the liquidity of Group companies. It is a matter of short-term cash management that is the covering of short-term deficits and short-term placement of cash surpluses among companies in the Group.
- Much attention is given to the preparation and monitoring of cash flows plan. Effective planning of liquidity enables us to optimally manage any short-term surpluses or deficits of liquid assets.

Following table shows financial liabilities to banks and other long-term financial liabilities by maturity.

in €				
2022	AS PAYMENTS FALL DUE			TOTAL
	Within 1 year	From 2 to 5 years	Over 5 years	
Financial liabilities to banks	9,497,788	26,338,279	20,353,170	56,189,236
in €				
2021	AS PAYMENTS FALL DUE			TOTAL
	Within 1 year	From 2 to 5 years	Over 5 years	
Financial liabilities to banks	8,797,788	26,334,839	16,854,397	51,987,024

Short-term operating receivables according to maturity were following:

in €						
2022	Not yet due	Due from 0 to 30 days	Due 31 to 90 days	Due over 90 days	Total due	Total liabilities
Short-term trade payables	2,966,315	47,209	68	18,033	65,310	3,031,625
Short-term operating liabilities from advances	77,092	0	0	0	0	77,092
Short-term operating liabilities for a foreign account	1,667,194	0	0	0	0	1,667,194
Short-term liabilities to employees	1,116,328	0	0	0	0	1,116,328
Liabilities to state and other institutions	272,998	0	0	0	0	272,998
Other short-term operating receivables	88,744	0	0	0	0	88,744
	<b>6,188,671</b>	<b>47,209</b>	<b>68</b>	<b>18,033</b>	<b>65,310</b>	<b>6,253,981</b>

in €						
2021	Not yet due	Due from 0 to 30 days	Due 31 to 90 days	Due over 90 days	Total due	Total liabilities
Short-term trade payables	3,411,843	9,050	69	0	9,119	3,420,962
Short-term operating liabilities from advances	93,204	0	0	0	0	93,204
Short-term operating liabilities for a foreign account	2,052,778	0	0	0	0	2,052,778
Short-term liabilities to employees	977,270	0	0	0	0	977,270
Liabilities to state and other institutions	302,499	0	0	0	0	302,499
Other short-term operating receivables	96,476	0	0	250	250	96,726
	<b>6,934,070</b>	<b>9,050</b>	<b>69</b>	<b>250</b>	<b>9,369</b>	<b>6,943,439</b>

Severity of liquidity risk is assessed as significant. Due to the established control mechanisms and the implementation of measures, especially cash management at the Group level, we believe that the probability of materialization of illiquidity is unlikely, although we are aware that illiquidity could cause a great business damage. Assuming a 25% annual probability of risk realization an individual assessment of risk situations on operations amounts to € 8 thousand, with the range of losses in the case of realization going from a minimum of € 0 to a maximum of € 120 thousand.

### Interest risk

Interest rate risk is the danger in the event of unfavorable movements in interest rates. Since the Group has a majority of loans contracted at a variable interest rate (EURIBOR), they are sensitive to movements in interest rates. At the end of 2022, the Group had 76% of unpredictable cash flow (at the end of year 2021 it had 68%).

Exposure to interest rate risk was as follows:

in €		
	2022	2021
Financial liabilities with variable interest rate	42,503,521	35,129,881
Financial liabilities with fixed interest rate	13,685,715	16,857,143
	<b>56,189,236</b>	<b>51,987,024</b>

Change in interest rates for financial instruments with a variable interest rate by 50 basis points at the reporting date would have increased or decreased the Group's profit for the amounts shown below.

Item description	Impact on profit or loss 2022		Impact on profit or loss 2021	
	Increase by 50 bt	Decrease by 50 bt	Increase by 50 bt	Decrease by 50 bt
Financial liabilities for the variable interest rate	-209,160	47,689	-24,745	25,334

We manage interest rate risk through the following activities: raising loans at a fixed interest rate, proactive monitoring of interest rate movements and bank surcharges, negotiations with banks to reduce existing surcharges or bank margins, refinancing of existing loans, active search for the most favourable conditions for access to foreign sources.

### Foreign exchange risk

Operations are conducted in euros; therefore, the Group is not exposed to the risk of exchange rate changes.

## 5.10 Events after the balance sheet date

February 13, 2023, the Gorenjske elektrarne subsidiary founded the GEK Solar company. Gorenjske elektrarne Company has a 100% ownership stake in this company.

On March 1, 2023, the merger of the company GEK Vzdrževanje with the company Gorenjske elektrarne was carried out. Cut-off date of the merger was December 31, 2022.



## Annual report

Annual report of Elektro Gorenjska company  
and group for year 2022

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Gorenjske elektrarne, d.o.o., Stara cesta 3, Kranj

GEK Vzdrževanje, d.o.o., Stara cesta 3, Kranj

Text:

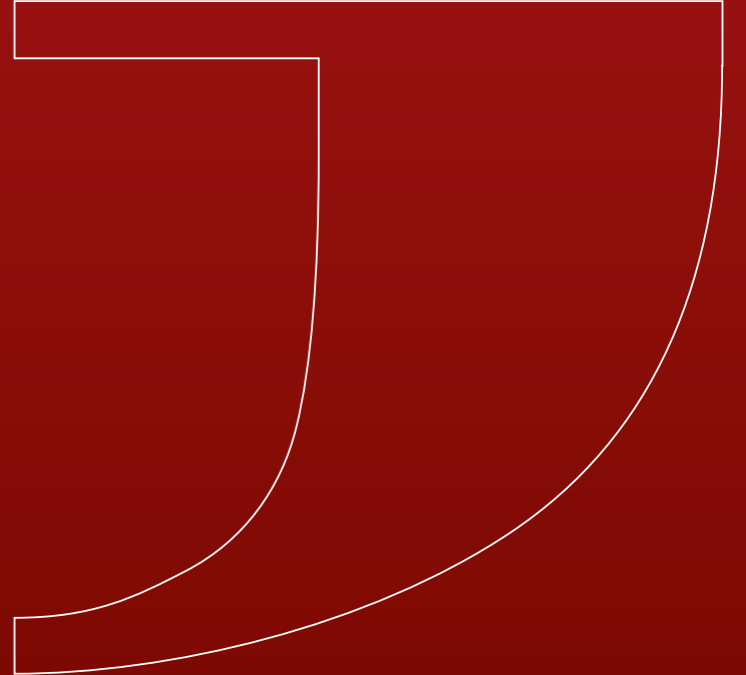
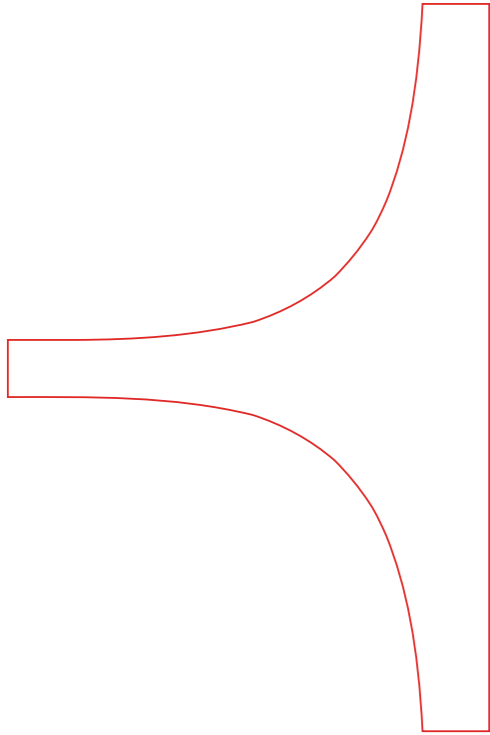
**Elektro Gorenjska, d.d.**

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Kranj, June 2023





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