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ANNUAL
REPORT OF
ELEKTRO GORENJSKA
COMPANY AND
GROUP
FOR YEAR 2023

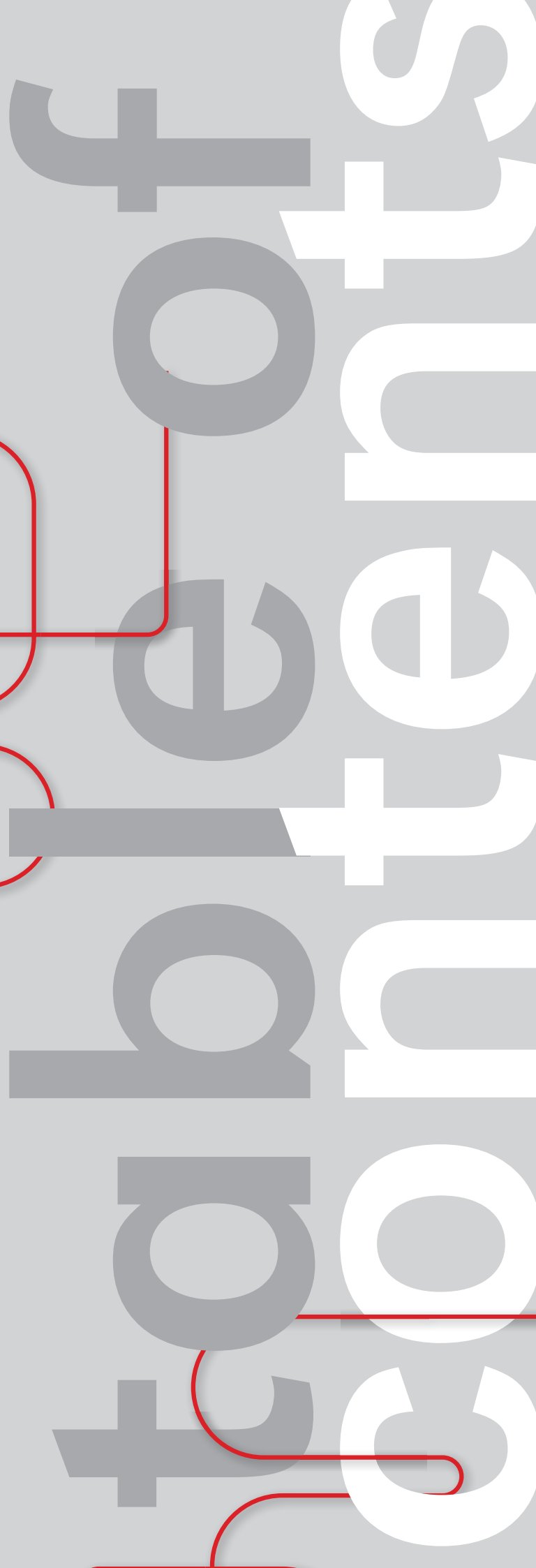




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ANNUAL
QUALITY
REPORT
2023



BUSINESS REPORT OF ELEKTRO GORENJSKA COMPANY AND GROUP

1.	GROUP'S KEY HIGHLIGHTS OF 2023	16
1.1.	Elektro Gorenjska in 2023	19
1.1.1.	Events after the end of the financial year	25
1.2	Address of the Chairman of the Board	27
1.3.	About Elektro Gorenjska Group	30
1.3.1.	Our mission, vision and values	32
1.3.2.	Our operation	34
1.4.	Basic data	36
1.4.1.	Our structure	38
1.4.1.1.	Our organization	39
1.4.1.2.	Our ownership structure and share capital	41
1.5.	Sustainable development strategy of the Elektro Gorenjska Group	42
1.5.1.	Our business model	44
1.5.2.	Double materiality matrix	46
1.5.3.	Strategic challenges and strategic goals	48
1.5.4.	Strategic projects	51
2.	ENVIRONMENTAL ASPECTS	52
2.1.	Our guidelines for responsible environmental management	54
2.2.	Disclosure of essential information on the environmental management of the Elektro Gorenjska Group in 2023	57
2.2.1.	Our carbon footprint reduction strategy	58
2.2.2.	Our energy consumption	60
2.2.3.	Our management of greenhouse gas emissions	60
2.2.4.	Our measures to reduce environmental impact	62
2.2.5.	We increase energy efficiency and use of renewable energy sources	64
2.2.6.	We preserve biodiversity and ecosystems	64
2.3.	We produce electricity from renewable sources	66
2.4.	We systematically manage environmental impacts, risks and opportunities	67
3.	SOCIAL RESPONSIBILITY	68
3.1.	Social footprint	70
3.1.1.	We engage and collaborate with our stakeholders	71
3.1.2.	We strategically define risks, opportunities and impacts in a stakeholder environment	73
3.2.	Responsibility towards employees	76
3.2.1.	Gender equality, diversity	79
3.2.2.	Health and safety at work	79
3.2.3.	We build an attractive and respectable employer image	81
3.2.4.	Education on topics related to sustainability	82
3.2.5.	Training and development of employees	82
3.2.6.	We create a pleasant working environment	84
3.2.7.	Workers in the value chain	86
3.3.	Responsibility towards network users	87
3.3.1.	Local partnerships	88
3.3.2.	We support the local community through sponsorships and donations	89

4.	ECONOMIC ASPECTS	90
4.1.	Analysis of the business environment	92
4.2.	Important results and key indicators in 2023	94
4.3.	Analysis of the Group's operations in 2023	95
4.4.	Our investments in sustainable projects	100
4.5.	Maintenance of the network/electricity infrastructure (EEI)	101
4.5.1.	Our development plan	104
4.6.	Our volume of electricity distribution in 2023	105
4.7.	Electricity losses in the network	106
4.8.	Our concern for the quality of electricity supply	107
4.8.1.	Power continuity in electricity supply	108
4.8.2.	Commercial quality	111
4.8.3.	Voltage quality	115
4.9.	Production of electricity	116
4.10.	Marketing services	118
4.11.	Our commitment to continuous innovation	120
4.11.1.	We systematically encourage sustainable innovation	125
5.	CORPORATE BUSINESS POLICIES AND BUSINESS COMPLIANCE	126
5.1.	Corporate management of the company	128
5.2.	Corporate governance statement	128
5.3.	Report of the Supervisory Board Chairman	131
5.4.	Supervisory Board	136
5.5.	Shareholders' Meeting	138
5.6.	Business compliance	139
5.6.1.	Compliance with regulatory requirements	139
5.6.2.	Integrated quality management system in company Elektro Gorenjska	141
5.7.	Sustainable business policy	143
5.8.	Supplier relationship management	144
5.9.	Data protection	145
5.10.	Cyber security	146
5.11.	Development of a comprehensive risk and opportunity management system	147
5.11.1.	Elektro Gorenjska Company risk matrix	148
5.11.2.	Risk management system in Gorenjske elektrarne	150
5.11.3.	Opportunity management system	151
5.11.4.	Presentation of the key risks of Elektro Gorenjska Group and their management	152
5.12.	Sustainability management system	156
5.13.	Internal audit	157
5.14.	Statement of non-financial operations	158

FINANCIAL REPORT OF ELEKTRO GORENJSKA COMPANY

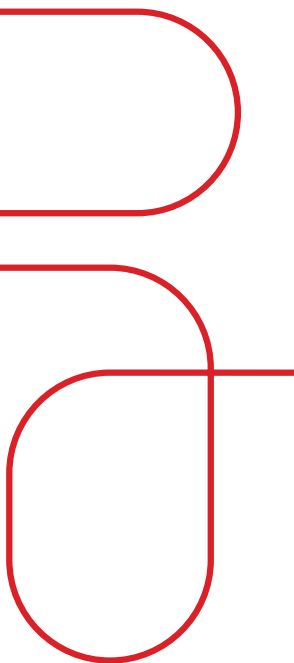
6.	FINANCIAL REPORT	160
6.1.	Management responsibility statement	162
6.2.	Auditor's report	163
6.3.	Financial statements of Elektro Gorenjska Company for business year ended as at December 31 2023	168
6.4.	Bases for compiling financial statements	180
6.5.	Notes to the financial statement items	191
6.5.1.	Notes to the balance sheet items	191
6.5.2.	Notes on profit and loss account items	202
6.5.3.	Notes on other comprehensive income items	206
6.5.4.	Notes on cash flow items	206
6.6.	Transactions with related parties	207
6.7.	Financial risk management	211
6.8.	Events after the balance sheet date	212
6.9.	Disclosures under the Electricity Supply Act	213
6.9.1.	Criteria for allocating indirect costs (expenses), revenues, assets and funds according to individual activity	213
6.9.2.	Balance sheet by activities of the company	215
6.9.3.	Profit or loss account by activities of the company	221

FINANCIAL REPORT OF ELEKTRO GORENJSKA GROUP

7.	FINANCIAL REPORT	224
7.1.	Management responsibility statement	226
7.2.	Auditor's report	227
7.3.	Financial statements of Elektro Gorenjska Group for business year ended as at December 31 2023	232
7.4.	Notes to the consolidated financial statement	244
7.5.	Notes to the Elektro Gorenjska Group financial statement items	260
7.5.1.	Notes to the statement of financial position	260
7.5.2.	Notes on profit and loss account items	272
7.5.3.	Notes on other comprehensive income items	278
7.5.4.	Notes on cash flow items	278
7.6.	Fair values	279
7.7.	Capital management	281
7.8.	Transactions with related parties	282
7.9.	Financial risks	284
7.10.	Events after the balance sheet date	288

LIST OF ABBREVIATIONS

AMI	Advanced Meter Infrastructure
AGEN	Energy Agency
BDP	Gross Domestic Product
CAIDI	The Customer Average Interruption Duration Index
CAIFI	The Customer Average Interruption Frequency Index
CAPEX	Capital Expenditures
DV	Overhead power line
EI	Electricity power infrastructure
EMS	Electromagnetic radiation
ESG	Environmental, social, and governance
ESRS	European Sustainability Reporting Standards
EU	European Union
GIS	Gas Isolated Substation
GJS DO	Public utility service of the electricity distribution system operator
GRI	Global Reporting Initiative
HE	Hydroelectric power station
IKT	Information and communication technology
IT	Information technology
KBV	Cable line
LCA	Life cycle assessment
MAIFI	Momentary Average Interruption Frequency Index
MC	Measuring Center
MFE	Small photovoltaic power station
ML	Measuring Laboratory
MRS	International Accounting Standards



NN	Low Voltage
NNO	Low-voltage Network
OE	Organizational Unit
OPEX	Operating expenses
OT	Operational Technologies
OVE	Renewable Energy Sources
Pogodba z DO	Contract on electricity infrastructure lease and provision of services for electricity distribution system operator
RMU	Ring Main Unit
RP	Distribution station
RRI	Research-Development-Innovation
RTP	Transformer substation
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SDH	Slovenian Sovereign Holding
SE	Solar power station
SN	Medium Voltage
SODO	Distribution network system operator or SODO, d. o. o.
SPTE	Cogeneration of heat and electricity
SRO	Environmental Management System
SU	Strategic Direction
SVI	Information Security System
(i)SVK	(integrated) Quality Management System
TGP	Greenhouse gases
TP	Transformer station
VN	High Voltage
VZD	Health and Safety at Work
ZOEE	Electricity Supply Act

viations

TABLE OF CONTENTS ACCORDING TO GRI STANDARDS

GRI STANDARD AND DISCLOSURE	DESCRIPTION	CHAPTER
GENERAL STANDARD DISCLOSURES		
GRI 102: general disclosures		
Presentation of the organization		
102-1	Name of the organization	Basic data
102-2	Activity, products, services	Our operation, Our business model
102-3	Headquarters of the organization	Basic data
102-4	Geographical area of operation	About Elektro Gorenjska Group, Our operation
102-5	Ownership and legal form	Basic data, Our ownership structure and share capital
102-6	Markets (customers, sectoral and geographical distribution)	Main activity and fields and areas of operation
102-7	Size of the organization (number of employees, number of activities, turnover, liabilities/equity, number of products or services)	Basic data, Our structure, Our organization, Important results and key indicators in 2023
102-8	Employee information	Responsibility to employees
Management and strategy		
102-14	Statement of the chairman of the board on strategy and sustainable operation, Statement by the highest decision-maker in the organization about the importance of sustainable development for the organization	Address of the Chairman of the Board
102-15	Key impacts, risks and opportunities	We strategically define risks, opportunities and impacts in a stakeholder environment, Development of a comprehensive risk and opportunity management system
Ethics and integrity		
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	Sustainable development strategy of the Elektro Gorenjska Group, Corporate governance statement, Our business model, Corporate integrity, Business compliance, Sustainable business policy
Management		
102-18	Management structure	Corporate management of the company
102-22	Composition of managing bodies	Corporate management of the company, Supervisory Board
102-30	Effectiveness of risk management	Development of a comprehensive risk and opportunity management system
Stakeholder involvement		
102-40	Stakeholder network	Stakeholder folder
102-42	Identification and selection of stakeholders	We engage and collaborate with our stakeholders
102-43	Ways of stakeholder involvement	Double materiality matrix, We strategically define risks, opportunities and impacts in a stakeholder environment
Reporting practice		
102-54	Index according to GRI guidelines	Table of contents according to GRI standards
102-56	External verification of reporting	Auditor's report

SPECIFIC STANDARD DISCLOSURES**ENVIRONMENTAL IMPACTS****302 Energy**103-1, 103-2,
103-3

Explanation of the materiality of the topic

Environmental aspects

302-1

Energy consumption within the organization

Environmental aspects, Our energy consumption

302-4

Reducing energy consumption

Environmental aspects, Our measures to reduce environmental impact

303 Water and waste water

303-4

Waste water

Environmental aspects, Our measures to reduce environmental impact

303-5

Water consumption

Environmental aspects, Our measures to reduce environmental impact

304 Biodiversity

304-2

Impacts of activities on biodiversity in protected areas

Environmental aspects, We preserve biodiversity and ecosystems

305 Air emissions

305-1

Direct (scope 1) greenhouse gas emissions

Environmental aspects, Our carbon footprint reduction strategy

305-2

Indirect (scope 2) greenhouse gas emissions

Environmental aspects, Our carbon footprint reduction strategy, Our management of greenhouse gas emissions

305-3

Other indirect (scope 3) greenhouse gas emissions

Environmental aspects, Our carbon footprint reduction strategy, Our management of greenhouse gas emissions

305-5

Reducing greenhouse gas emissions

Environmental aspects, Our carbon footprint reduction strategy, Our management of greenhouse gas emissions

306 Waste

306-2

Total weight of waste by type and method of disposal

Environmental aspects, Our measures to reduce environmental impact

SOCIAL IMPACTS

401 Employment

103-1, 103-2, 103-3	Explanation of the materiality of the topic	Social responsibility
401-1	Number and rate of new hires and employee turnover	Social responsibility, Responsibility towards employees
401-2	Benefits provided to full-time employees that are not provided to temporary employees	Social responsibility

403 Health and safety at work

403-1	Management system of safety and health at work	Social responsibility, Safety and health at work
403-2	Hazard identification, risk assessment and accident investigations	Social responsibility, Safety and health at work
403-5	Training of employees for safety at work	Social responsibility, Safety and health at work
403-6	Promotion of health at work	Social responsibility, Safety and health at work
403-9	State of injuries at work	Social responsibility, Safety and health at work

404 Training and education

404-1	Average number of training hours per year per employee	Social responsibility, Responsibility towards employees
404-3	Proportion of employees involved in regular performance reviews and career development, employee skills development	Responsibility towards employees, Training and development of employees, We build an attractive and respectable employer image

405 Diversity and equal opportunities

405-1	Structure of governing bodies and structure of employees (gender, age), members of minorities and other relevant diversity indicators	Corporate management of the company, Supervisory Board report, Responsibility towards employees
413-1	Local community involvement activities, impact assessment and development programs	Social responsibility, Local partnerships

ECONOMIC IMPACTS

201-1	Directly generated and distributed economic value (revenues, operating costs, wages and employee benefits, payments to capital owners (taxes), donations and other investments in the community)	Economic aspects, Analysis of the Group's operations in 2023, We support the local community through sponsorships and donations, Shareholders' Meeting
203-1	Infrastructure investments and supported services	Economic aspects, Our investments in sustainable projects

Report information

102-45	List of entities included in the consolidated financial statements	Basic data, Our structure, Our organization
102-47	List of essential topics	Double materiality matrix
102-54	Reference regarding reporting in accordance with the GRI	Statement of non-financial operations
102-55	Index according to GRI guidelines	Table of contents according to GRI standards

TABLE OF CONTENTS ACCORDING TO GRI STANDARDS

BUSI
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● Group's Key Highlights of 2023

Year 2023 was very special for the Elektro Gorenjska Group. We have completed our sixth decade of operation. We continued with a high intensity of development activities. We have strengthened investments in our electricity distribution network. Compared to 2022, we have improved operations. We obtained a certificate and the title of Outstanding Organization.



ABOUT ELEKTRO GORENJSKA GROUP



5,440 km

of electricity distribution network

(5,327 km in 2022)



69.87%

MV cables underground

(68.61% in 2022)

4 SPTE

(7 in 2022)

14 HE

(14 HE in 2022)



92,526

network users

(92,060 in 2022)

26 MFE

(20 in 2022)

87,92%

LV cables underground

(87,27% in 2022)

OUR BUSINESS



55.1 million €

of net sales revenue

(34.6 million € in 2022)



27,672 €

EBITDA

(12,530 thousand € in 2022)

10,726 €

of net profit

(248 thousand € in 2022)

29.0 million €

of investments

(23.2 million € in 2022)

OUR COLLEAGUES

**336**

employees

(319 in 2022)

**27.24 hours**hours devoted to education
per employee

(17.76 in 2022)

24managers involved in the competency
development program

(24 in 2022)

12cooperation with 12 young people in
the form of scholarships, work practices
and summer school Transformator

(6 in 2022)

OUR OPERATION

**49,789 MWh**

of electricity produced

(42,099 in 2022)

**1,151,188 MWh**

of electricity distributed

(1,181,834 in 2022)

90.4%share of measuring points in the
remote measuring system

(87,8% in 2022)

**38.78**increase in the power
of renewable sources on the distribution
network (in MW)

(23.34 in 2022)

**139.68**power status of renewable sources on
the distribution network (in MW)

(100.90 in 2022)

QUALITY OF OUR NETWORK

0.78

value of SAIFI indicator (own cause)

(0.45 in 2022)

32.80

value of SAIDI indicator (own cause)

(11.57 in 2022)

3.45%

losses in the distribution network

(3.54% in 2022)

or 4.19% average in Slovenia)

OUR CONSTANT INNOVATION

51

innovation proposals made

(52 in 2022)

OUR
CONCERN
FOR THE
ENVIRONMENT**21.7 million €**

of environmental investments

(15.7 million € in 2022)

**10**

ongoing development projects

**43,460 t**of generated CO₂ emissions
- carbon footprint (2022)

(38,355 t in 2021)





Elektro Gorenjska in 2023

Year 2023 was a jubilee year for us.

Many generations of our colleagues have marked our path so far with innovation, responsibility and care. Hundreds of business partners and supporters supported us on our way with their expert work and professional attitude and enabled us to plow the fallow land and boldly walk on new, unpaved paths. In 2023, we added new important milestones to the treasury of our rich history.

JANUARY

- AGEN gave its consent to the Development Plan of the Electricity Distribution Network in the Republic of Slovenia from je 2023 to 2032. Distribution operator prepared it in cooperation with all five electricity distribution companies.

- As part of the renovation of the Sava Hydroelectric Power Plant, Gorenjske elektrarne, in cooperation with the Tržič fishing club, successfully emptied the inlet channel leading to the hydroelectric power plant, and relocated the fish that lived in this area to the higher part of the Sava river bed. Thus, we carry out the rehabilitation works of the Sava Hydroelectric Power Plant with responsibility and care for the natural environment.

- Elektro Gorenjska Group organized a traditional meeting of retired employees.



ANNUAL MEETING OF RETIRED EMPLOYEES OF THE ELEKTRO GORENJSKA GROUP
PHOTO: ELEKTRO GORENJSKA ARCHIVE

WE INTERWEAVE STORIES, CONNECT GENERATIONS

»In 2023, we completed our sixth decade of operation. Many generations of our colleagues have marked our path so far with innovation, responsibility and care. Thanks to them, we have been providing Gorenjska region with the most reliable electricity distribution network in Slovenia for decades. We care about our colleagues. That is why we pay special attention to socializing and networking with our retired colleagues. For us, they will forever be an important member of the Elektro Gorenjska family.«

FEBRUARY

- Employees of the Elektro Gorenjska Group took part in the current training on the topic of Studies of new tariffs, conducted by the Milan Vidmar Electric Power Research Institute.
- Regular annual audits of the largest hydroelectric power plants took place in Gorenjske elektrarne. They successfully completed the audit of the Savica and Mojstrana hydroelectric plants.
- Athletes from the Elektro Gorenjska Group achieved first place in the overall classification at the 27th Winter Sports Games of the Electricity Distribution Companies of Slovenia.
- Company Elektro Gorenjska successfully passed the regular annual external accreditation audit of the field of Measurement Laboratory, which took place in accordance with the requirements of the ISO/IEC 17020:2012 standard and legal provisions.



EDUCATION FOR EMPLOYEES ABOUT THE NEW TARIFF SYSTEM
PHOTO: RENATA KRIŽNAR

EDUCATION ABOUT THE NEW TARIFF SYSTEM AT THE MILAN VIDMAR ELECTRIC POWER RESEARCH INSTITUTE

»Field of energy is characterized by high dynamic of changes. At Elektro Gorenjska, we therefore pay special attention to education, monitoring the latest trends and innovations both in Slovenia and internationally, and cooperation with various development organizations and institutes. We build our operation and future on the foundations of knowledge and experience.«

MARCH

- Employees of Elektro Gorenjska participated in a joint exercise of all Slovenian electricity distribution companies to eliminate the consequences of storms and weather damage. Exercise, which was organized by GIZ- electricity distribution, included the installation of emergency poles.
- Elektro Gorenjska Group and the Siemens company started implementing a joint pilot project called OT Companion. Activity represents a new and innovative step in the field of cyber security and management of large industrial systems. It is the first Siemens project of its kind in Slovenia.
- In accordance with the business plans, the company GEK Vzdrževanje, d. o. o., annexed to the company Gorenjske elektrarne, d. o. o. New company GEK Solar, d. o. o. was established.



JOINT EXERCISE, ORGANIZED BY GIZ - ELECTRICITY DISTRIBUTION IN VOLČE
PHOTO: ELEKTRO GORENJSKA ARCHIVE

WITH JOINT FORCES AGAINST WEATHER CHALLENGES

»Extraordinary weather events we witnessed in 2023 are evidence and predictions of changed climate conditions, which will significantly affect both the environment and people's lives. Successful, quick and efficient elimination of the consequences of extreme weather conditions is of utmost importance for electricity distribution companies. That is why today we are preparing and training for the challenges that tomorrow brings us.«

APRIL

- Elektro Gorenjska experts, in cooperation with Aeterna company, have developed a new information tool Hosting Capacity, for calculating the connection capacity of the distribution network. It is an important innovation, with which we have accelerated the procedures for issuing consents for the connection of devices for the production of electricity to the distribution network.

- Elektro Gorenjska Group received the Outstanding Organization 2023 certificate based on the excellent results achieved in measuring employee engagement and organizational climate. Certificate is awarded by the Thriverse company to outstanding and best organizations that place employees at the center of their operations.

- Representatives of the Elektro Gorenjska Group participated in a working visit to Spain. Together with Bojan Kumer, Minister of the Environment, Climate and Energy, and a wider economic delegation, they looked at examples of good practices and experiences of Spanish electricity companies in integrating renewable energy sources into the network.

- Representatives of the Elektro Gorenjska Group attended a meeting of consortium partners for the European Creators project in Serbia. Basic goal of the European project is to establish the conditions and technical aids to facilitate the formation of energy communities throughout Europe and thereby enable Europe to make a green transition.



RECEIVING A CERTIFICATE OUTSTANDING ORGANIZATION
PHOTO: ELEKTRO GORENJSKA ARCHIVE

ELEKTRO GORENJSKA GROUP RECIPIENT OF THE OUTSTANDING ORGANIZATION 2023 CERTIFICATE

»We received the certificate on the basis of excellent results achieved in the context of measuring the engagement of our employees and the organizational climate. With the help of comprehensive and systematic management of relations with employees, in the six years since we have been measuring employee engagement according to Gallup's Q12© methodology, we have greatly improved the level of employee engagement and increased the results in the latest survey by as much as nine times compared to previous years. These results place us among the best organizations.«

MAY

- Assembly teams of Elektro Gorenjska with the help of the partner Heimdall from Norway, for the first time in Slovenia, installed their sensors on the transmission lines Moste-Bled and Bled-Bohinj.

- Representative of Elektro Gorenjska took part in the international conference CYBERSECURITY Week 2023 organized by Smart Grid Forums in Amsterdam.

- The 16th CIGRÉ-CIRED conference of Slovenian electrical engineers took place in Bled, where the employees of the Elektro Gorenjska Group participated with expert contributions.



REPRESENTATIVE OF THE ELEKTRO GORENJSKA GROUP AT THE 16TH CIGRÉ-CIRED CONFERENCE

- Our Hosting Capacity project was awarded with a bronze award for the best innovation of Gorenjska region for 2023. Awards went to projects that demonstrated excellence and efficiency and were also successfully used in practice.
- In Copenhagen, representatives of the GreenSwitch project consortium and the European Executive Agency for Climate, Infrastructure and Environment, in the presence of high-ranking representatives of the European Commission, ceremoniously signed an agreement on the co-financing of the GreenSwitch project in the framework of the two-day Energy-Infrastructure forum. Elektro Gorenjska also participates in it.
- Innovative TrafoFlex project, which was aimed at more efficient use of electricity distribution network, was successfully completed. TrafoFlex project was the joint work of electrical operators, Elektro Gorenjska and ELES. One of the biggest achievements of the project, which was realized as the first in the world, is the development of a multi-mass model with precisely defined weather effects on the heating of the transformer as an energy machine.
- Elektro Gorenjska Group organized the second »Transformator Summer School« for young talents. As many as 12 students from different fields of study participated in this year's school.
- Representatives of the management of the Elektro Gorenjska Group presented at the Gorenjska Region Council the company's activities in the field of ensuring a stable supply of electricity to the region and cooperation with municipalities in the development of the Gorenjska region. At our initiative, a decision was made to create a joint Action Plan of measures in the field of energy infrastructure for sustainable transition of the Gorenjska region.



TRANSFORMATOR SUMMER SCHOOL

WELCOME TO TRANSFORMATOR SUMMER SCHOOL

»Purpose of the Transformator Summer School is to enable cooperation between young talents and experts of Elektro Gorenjska in the field of innovation and finding solutions for the challenge of energy decarbonisation in Slovenia. It is the first summer school of its kind that has ever been organized by an electricity distribution company in Slovenia on the topic of decarbonisation and digitization of the Slovenian energy sector. By organizing the Transformator Summer School, we want to actively contribute to the introduction of innovative solutions in the Slovenian energy sector, and provide young people with a unique career experience. We believe that the innovation of the Slovenian energy sector is based on the cooperation and integration of diverse knowledge, ideas, experiences and talents. Long live sustainable innovation!«



COUNCIL MEETING OF THE GORENJSKA REGION

THE ANSWER TO THE ENERGY SUSTAINABLE TRANSITION LIES IN THE CONNECTIVITY

»Sustainable transition presents a challenge, but at the same time an opportunity. Without a joint agreement of all the municipalities of Gorenjska region on short- and medium-term activities in the field of energy infrastructure and the provision of energy services, in the future Gorenjska region will have major challenges in the reliability of electricity supply, energy prices, quality of life energy communities as well as support for development and the economy in our region. At the initiative of the Elektro Gorenjska Group and in response to the challenges of a sustainable transition, the municipalities of Gorenjska region united in the Council of the Gorenjska Region, made an important commitment in 2023 to create a joint plan of activities in the field of energy infrastructure and the provision of energy services. It will define the necessary measures in the areas of energy infrastructure and solutions for a successful sustainable transition of the Gorenjska municipalities and the implementation of the European Cohesion Policy Program for the period 2021-2027 in the republic of Slovenia. It will be created in cooperation with Elektro Gorenjska group experts.«

JULY

- Summer storms caused a lot of damage to the distribution network of Elektro Gorenjska. Field teams managed to rectify the faults without major disruptions to the electricity supply.
- Elektro Gorenjska Group successfully obtained financial resources for four innovative projects in the field of modern EnTech technologies, namely the HEDGE-IoT, TwinEU, PEDvolution and E.Efficient. Industry.



DAMAGE TO THE ELEKTRO GORENJSKA DISTRIBUTION NETWORK DUE TO STORM
PHOTO: ELEKTRO GORENJSKA ARCHIVE

SUMMER STORMS CAUSED DAMAGE ALSO TO THE ELEKTRO GORENJSKA NETWORK

»In August 2023, the violent July storms were joined by floods of unimaginable proportions. Unfavorable weather conditions also left a significant mark on the operation of Elektro Gorenjska. But our commitment to guarantee a stable and reliable supply of electricity to Gorenjska region has remained unwavering even in the most challenging times. Our teams, in cooperation with subcontractors, civil protection, fire brigades, mountain rescue service, colleagues from other electricity distribution companies and many other organizations and individuals set about immediate troubleshooting and establishment of backup power. They were at work from the early hours of the morning until late at night, with the aim of providing all users in Gorenjska region with electricity in the shortest possible time. In these extraordinary moments, it became clear that the cooperation, partnership and close connection of Elektro Gorenjska with the local environment are of utmost importance in ensuring a stable supply of electricity.«

AUGUST

- The 30th regular annual meeting of shareholders of Elektro Gorenjska was held at the headquarters of Elektro Gorenjska.
- Elektro Gorenjska Group celebrated its 60th anniversary. Beginnings of the company date back to 1963, when the then electricity distribution companies Elektro Kranj and Elektro Žirovnica and the electricity production company Elektrarna Sava Kranj officially merged.
- On the occasion of its 60th anniversary of operation, Elektro Gorenjska donated modern smart benches to the Municipality of Kranj, which are located at four locations in Kranj, as a sign of long-term cooperation.
- Catastrophic floods that affected Slovenia caused a lot of damage to the Elektro Gorenjska network and the energy facilities of the Gorenjske elektrarne.



THE SMART BENCHES ARE LOCATED AT FOUR LOCATIONS IN KRANJ
PHOTO: DAMJAN KONČAR

ON THE OCCASION OF ITS JUBILEE, ELEKTRO GORENJSKA DONATED SMART BENCHES TO THE MUNICIPALITY OF KRANJ

»Elektro Gorenjska has been a reliable support for Gorenjska region and its residents for six decades. We took care of Gorenjska region from the hands of past generations. With our expertise, experience and innovation, we have been supporting Gorenjska region in its development for decades. Therefore, as a sign of thanks and encouragement for future development, on our 60th anniversary, we donated eco-smart benches to Kranj, our »birthplace«. They were created as a result of our cooperation with the young Slovenian start-up Ecosmartbench. They were made in an environmentally friendly way, from Slovenian wood, and run on solar energy. Smart benches are a symbol of our commitment to progress, innovation, sustainability and collaboration.«

SEPTEMBER

- Elektro Gorenjska Group organized a Company Day for employees at Krvavec.
- We upgraded the rich library of knowledge and introduced a new, more modern portal for e-education – Akademija MojeDelo.com. Path to knowledge is now even simpler, faster and more efficient. In this way, we enabled employees to access more than 300 high-quality training courses.
- Renovation and upgrading of energy facilities took place in accordance with the expected deadlines and timetables. Among them, the reconstruction project of the Sava hydroelectric power plant, where the first concreted parts of the unit were delivered.



CONCRETED PARTS OF THE AGGREGATE
PHOTO: JAN URBANC

WE ARE WRITING A NEW CHAPTER IN THE COLORFUL HISTORY OF THE SAVA HYDROELECTRIC POWER PLANT

»Hydroelectric power plant (HE) Sava has a special meaning for us and Kranj. Majdičev mlin, where it is located, is the place where the first light was lit in Kranj. With this step, the story of electrification and development of Gorenjska region began to be written symbolically. In the Elektro Gorenjska Group, we responsibly preserve the tradition handed down to us by our ancestors and carefully pass it on to future generations. With the comprehensive renovation of HE Sava, we want to preserve the memory and respect for the place where the foundation was laid, on which today's Elektro Gorenjska Group firmly rests. After rehabilitation, HE Sava will be modern and automated. Safer operation will be ensured, especially during the high water level of the Sava River. Goal is to upgrade the facility so that it is not only an energy facility, but a connecting element of people, nature and the environment. We want HE Sava to once again become the pride of Kranj and an attraction of Gorenjska region.«

OCTOBER

- Representatives of Elektro Gorenjska participated in the traditional workshop for working under voltage in Šempeter. They presented an example of good practice and the prevalence of live work in the field of electric power infrastructure maintenance.
- As part of the Family Friendly Company certificate, we have introduced some changes that enable our employees to balance family and professional life even better.
- We successfully passed the regular annual audit of the ISO 14001:2015 and ISO 45001:2018 standards and the renewal audits of the management systems ISO 9001:2015 and ISO/IEC27001:2013.



6. WORKSHOP FOR WORKING UNDER VOLTAGE
PHOTO: ELEKTRO GORENJSKA ARCHIVE

WE ARE CREATING PIONEERING STEPS IN LIVE WORK

»Live work is an increasingly established method of maintaining energy facilities in Slovenia. Its special feature is that maintenance work does not cause the electricity to be turned off. At Elektro Gorenjska, we have been implementing it for more than twelve years for preventive maintenance of electrical power equipment. It is used in the revisions of transformer stations at the medium and low voltage level, and depending on the needs and situations, it is also used more and more often for new connections of users to the network and/or for reworking of the low-voltage network. With the help of qualified teams of employees, we inspect almost half of our transformer stations under voltage every year. In 2023, almost 190 of them will be inspected using this method. We strive to carry out as many maintenance works as possible live, because it is most important to us that our users experience what it's like to be without electricity as little as possible.«

NOVEMBER

- Elektro Gorenjska Group prepared a pre-New Year's charity meeting of business partners, which was held in celebration of its 60th anniversary.
- As a sign of solid partnership and friendship, on the occasion of its 60th anniversary this year, the Elektro Gorenjska Group handed over the Charter of Permanent Responsibilities to the Korak Employment Center and Zavod 7, which are a symbol of thanks and at the same time a commitment to solid cooperation in the future.
- Next to the office building on Mirka Vadnova Street, the Elektro Gorenjska Group and the Municipality of Kranj opened a new tree-lined avenue, which represents a joint step towards greening the area of the Kranj municipality, strengthening general awareness of the importance of green areas in the urban environment and the sustainable development of Kranj.
- Gorenjske elektrarne ceremoniously handed over the modernized energy facility – the hydroelectric plant Standard.



A NEW ROW OF TREES ON MIRKA VADNOVA STREET IN KRANJ
PHOTO: GORAZD KAVČIČ

WE ARE STRENGTHENING THE SUSTAINABLE TRANSFORMATION OF THE CITY OF KRANJ

»Next to the Elektro Gorenjska office building, we made it possible to plant a new avenue of trees, which represents the strengthening of general awareness of the importance of green areas in the urban environment. New tree line with 26 maple trees represents an important step towards the greening of the area of the Kranj municipality, the reduction of the carbon footprint and the sustainable development of Kranj.«

DECEMBER

- Elektro Gorenjska Group donated a donation of €8,000 to Zavod 7 for the implementation of the Neodvisen.si program in Gorenjska region in 2024. With this, it continues more than ten years of support for the activities of the program, which helps to raise awareness among young people about the pitfall of addiction and thus development of society.
- At the end of the year, in accordance with our tradition, we prepared our business gifts and materials in cooperation with sheltered workshops – the Korak Employment Center and the printing house Birografika Bori. In this way, we have been supporting organizations that take care of the integration of socially weaker groups into the environment for many years.



ELEKTRO GORENJSKA GROUP AWARDED RESPONSIBLE PROGRAM NEODVISEN.SI IN THE AMOUNT OF 8,000 €
PHOTO: UROŠ ABRAM

CREATING A BRIGHT FUTURE FOR YOUNG GENERATIONS

»Young people are a source of lasting energy. That is why we have been a supporter of the all-Slovenian socially responsible program Neodvisen.si. for more than ten years. By supporting the program's activities, we influence and help raise awareness among young people about the pitfalls of addiction and thereby help develop society. In addition to our own donation, every year as part of our Pre-New Year's meeting, we invite our business partners to support the Neodvisen.si program and thus extend our socially responsible activities to others. Because we want to help young generations walk the path of independence.«

1.1.1

Events after the end of the financial year

There were no major business events after the end of the financial year.



CHAIRMAN OF THE BOARD
DR. IVAN ŠMON, MBA



1.2 Address of the Chairman of the Board

Elektro Gorenjska is entering this new era with optimism, but at the same time with a sense of great prudence and responsibility – toward fellow human beings, nature, Gorenjska region and Slovenian energy.



Year 2023 was very special for the Elektro Gorenjska Group. We have completed our sixth decade of operation. Many generations of our colleagues have marked our path so far with innovation, responsibility and care. Our business partners, partner organizations, professional associations, suppliers, development companies, municipalities, local communities, media, national institutions, regulators and, first and foremost, our users and owners have supported and guided us on our way over the decades and enabled us to plow the fallow land and boldly march along new, unpaved paths. Thanks to all of them, Gorenjska region- the home of the Elektro Gorenjska Group – today has the most reliable and robust electricity distribution network in Slovenia.

STABILIZATION OF OPERATION

After the sharp drop in revenues and negative operation that we recorded in 2022 as a result of the Act on emergency measures to mitigate the effects of high energy prices, Elektro Gorenjska Company's operation stabilized again in 2023. In 2023, the company's net sales revenue amounted to 37,160,207 €, which is by 42% more than in 2022 and was almost entirely achieved on the domestic market.

All companies in the Elektro Gorenjska Group closed the 2023 business year with a positive result. Net operating result of the parent company Elektro Gorenjska was 5,385,572 €, that of company Gorenjske elektrarne 7,185,440 € and of GEK Solar 620,832 €.

Stability of the business is also confirmed by the 2023 golden credit rating excellence crystal plaque, which we received for our many years of financial stability, excellent business policy and correctness of business relations. We are proud of the recognition we have received, as it confirms our commitment to sustainable operation and being a reliable partner in the business environment.

Positive operation is of fundamental importance to us. Electricity distribution companies are at a turning point in their development. Considering the existing growth trends in electricity consumption and the development strategy, in the future we will have to further strengthen our investment activities, which otherwise grow from year to year. According to the National Energy Climate Plan and the actual needs of users, it is estimated that we will have to at least triple investments in the network in the next five years.

Providing such a volume of financial resources represents a great challenge both for distribution companies and for all other stakeholders – from the state as the legislator and owner, to the regulator that regulates our activity. In the Elektro Gorenjska Group, we strive to enable the green transition as much as possible. How successful we will be in this will depend both on the resources that will be available for investing in infrastructure, as well as on our own engagement and penetration, as well as the support and active participation of other actors. Creating an environment and conditions that enable electricity distribution companies to operate stably is therefore of existential importance for us and for the reliable supply of electricity in Slovenia.

STRENGTHENING OF INVESTMENTS

Investments of Elektro Gorenjska Group in 2023 amounted to 29.0 million €, which was as much as 56% more than in 2022. Of this, the investments of Elektro Gorenjska Company amounted to 23.2 million €.

In light of the green transition in recent years, we have significantly increased the volume of green investments. In 2023, as much as 16.1 million € of investments by the company Elektro Gorenjska and 5.6 million € by the company Gorenjske elektrarne represent so-called green investments and, compared to 2022, they have grown by more than 33%.

In 2023, the total value of investments in the HV network amounted to slightly less than 4.9 million €. Among the key investments, it is worth highlighting the investments in RTP 110/20 kV Primskovo, RTP 110/20 kV Zlato polje, supply and installation of the 110 kV cable system of the RTP Primskovo-RTP Labore and the implementation of anti-corrosion protection of steel structures of 110 kV DV columns.

Total value of investments in MV and LV networks in 2023 amounted to 12.4 million €. Intensive construction took place throughout the year. Despite the problems with the supply of equipment and the longer delivery period, we successfully realized most of the investments related to the rehabilitation of critical areas of the network or to ensure new connections and expansion of the network.

In 2023, we also allocated a large share of financial resources to the construction of cable lines, which we built together with other municipal utility lines as part of joint construction projects in individual municipalities.

We introduce new technologies with the soul of an innovator.

We are looking for sustainable green solutions because we want to actively contribute to the sustainable transformation of modern society.

In 2023, we laid 29 km of MV cables, newly built 22 TPs and carried out major reconstructions at 33 transformer stations. We laid 66 km of LV cables, some for 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.

In 2023, we spent 3.0 million € on investments in hydroelectric power plants. Biggest investment here is the comprehensive renovation of HE Sava, which is expected to be completed at the end of 2024. Investments were also made at HE Standard and HE Mojstrana.

Investments in solar power plants amounted to 2.6 million €. Six new own solar power plants with a total capacity of 1,352 kWp were installed and connected. Electrical and roofing work was completed on seven solar power plant projects in 2023, and their connection to the network is planned for 2024. Total power of these power plants is 2,708 kWp.

In 2023, we witnessed as many as three major weather disasters, a winter ice damage and a summer windfall and floods. Unfavorable weather conditions also left a significant mark on the operation of Elektro Gorenjska. But our commitment to guarantee a stable and reliable supply of electricity to Gorenjska region has remained unwavering even in the most challenging times. A good part, around 20%, of the investment funds was thus intended to eliminate defects by replacing the construction of the cable network. We arranged part of the cabling and the installation of the replacement TP in Radovna. We cabled a large part of Poljanska dolina, where transmission line was practically washed away and elsewhere, where the overhead line was largely damaged and the land owners agreed to bury the cable line in the ground. With a fast, professional and dedicated approach to solving the consequences of weather damage, we once again proved that we are a reliable partner of Gorenjska region even in the most difficult moments.

COMMITMENT TO CONTINUOUS INNOVATION

Events of 2023 are a reminder that ensuring a stable electricity supply will be even more important and demanding in the future. In the Elektro Gorenjska Group, we see them as an incentive to search for, create and introduce new solutions, technologies and approaches with which we will be able to respond to such challenges of the future. In doing so, we learn from the best in Slovenia and abroad.

We introduce new technologies with the soul of an innovator. We are looking for sustainable green solutions because we want to actively contribute to the sustainable transformation of modern society. That is why we are active in more than 25 development projects in Slovenia and internationally.

I believe that the more technological the future becomes, the more important the human aspect becomes as well. That is why, in 2023, we paid a lot of attention to the development of our employees, the establishment of an agile culture and the construction of a recognizable and attractive employer brand. We see the creators of our future in competent, engaged and creative colleagues. We build an internal environment characterized by stability and reliability in organization and dynamism and speed in operation. Our efforts are also confirmed by the Outstanding Organization certificate, which we received in 2023 based on excellent results in the field of employee engagement.

PROVIDING SUSTAINABLE ENERGY

In the Fall of 2023, as we enter our new decade, we began to create new strategic guidelines for our operations for the coming years. Key reason for adjusting the strategy was the decision made in 2023 to sell the Gorenjske elektrarne subsidiary. At the same time as the decision regarding this sale, we also approached the creation of a new strategy.

At the beginning of 2024, the Supervisory Board approved the Sustainable Development Strategies of Elektro Gorenjska d.d. for the period 2024 to 2028. With the sale of the subsidiary, Elektro Gorenjska will focus exclusively on its core business in the future – i.e. the implementation of the public service of distribution operator, which we perform under the contract for ELES. Our key and central activity will be to provide Gorenjska region with a stable and reliable supply of electricity. To achieve this, we place the development and maintenance of a reliable network at the center of our attention. Here, we will place great emphasis on digitization, the introduction of modern technologies and innovative energy solutions. We focus our attention on two strategic directions, namely ensuring the sustainable operation of Elektro Gorenjska and developing and managing a sustainable distribution system.

In the future, we will best support Gorenjska region with what are our strong points. Robustness and reliability of our network are at the highest European level. Based on several indicators, Gorenjska region has the best quality and stable electricity distribution network. We have a strong backbone, which for the time being supports the explosively growing needs of Gorenjska region with only minor deviations.

We are doing our best to maintain this foundation in the future with new investments and advanced solutions. We are recognized for the development of our key development areas (e.g. research, development and innovation, human resources, performance control systems, digitization, cyber security) to be at an extremely high level. For Gorenjska region, this means that it has a reliable and qualified partner at its fingertips who can support it in these challenging times of the energy transition.

We are strongly embedded in the local environment. We are an energy company that connects the whole of Gorenjska region and its municipalities. We know Gorenjska. Its challenges and opportunities are familiar to us. Above all, we care about Gorenjska. Last but not least, it represents home to most of us. That's why we can be good discussion partners.

Users recognize us as reliable in implementing projects and solving challenges.

Electricity is becoming the driving force of the 21st century. Whoever knows how to take advantage of this unique moment can be successful in the future as well. It is true that the path will not be straight and without challenges. A lot of investment will be required – both in infrastructure and technical solutions, as well as in knowledge and innovation.

Elektro Gorenjska is entering this new era with optimism, but at the same time with a sense of great prudence and responsibility – toward fellow human beings, nature, Gorenjska region and Slovenian energy. Our listening to the needs of our stakeholders does not weaken over the years, but rather strengthens. With various innovations, new approaches, a different way of thinking and advanced solutions, we want to rapidly adapt the capacity of our network for future needs. In doing so, we want to be penetrating, brave and agile. We believe that the future will be on the side of those who know and dare to walk this new path. Experience of six decades is proof that Elektro Gorenjska can be one of them.



Chairman of the Board
dr. Ivan Šmon, MBA

1.3 About Elektro Gorenjska Group

Providing Gorenjska region with a **constant and stable** supply of electricity is our first concern.

Taking care of its development, **creating opportunities** for talents and **listening** to our fellow man is our heartfelt responsibility.

Contributing to the sustainable transformation of modern society **with the soul of an innovator** is an invisible force that guides our steps.

We are the Elektro Gorenjska Group.



SUSTAIN



VIABILITY

1.3.1

Our mission, vision and values

MISSION

WE
PRO
VIDE
SUS
TAIN
ABLE
ENER
GY

VISION

ELEKTRO GORENJSKA IN 2028

We are a central player in the stakeholder co-creation of sustainable future in the Gorenjska region.

On the basis of excellent and well-organized staff, we effectively develop and manage a modern, sustainable distribution system.

We rank among the top 10% of European electricity distributors in terms of supply quality and power continuity. With the intensive use of modern network technologies and prudent investments, we fully support the goals of a sustainable transition in accordance with the Distribution System Development Plan.

We are a facilitator of the flexibility services market following the example of the best European distributors.

100% of our users are connected to the system and receive quality services.

Network cabling is optimal and represents on average more than 85% of our network, which allows for high resistance to climate change.

In our work, we are process and project efficient and successful. We have the right and stable structure of employees, both in terms of number and competence.

Indicators of our sustainable development and cooperation with stakeholders are constantly improving.

With high levels of investment, we have maintained financial stability, adequate profitability and security in all areas.

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.

1.3.2 Our operation



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

- distribution activity, which is a regulated activity in accordance with the contract with DO),
- 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 ELES, 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, small solar power plants (MFE) 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 Solar was founded as a subsidiary of Gorenjske elektrarne in 2023. It carries out engineering activities in the field of solar power plants, which includes the construction of infrastructure supply facilities for electricity and telecommunications as well as the construction of power plants.

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.

WE PROVIDE A RELIABLE SUPPLY OF ELECTRICITY

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

- 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 ELES supply,
- other user services.

WE PRODUCE GREEN ENERGY

Production activity includes production of electricity:

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

WE ARE EXPERT PARTNERS IN ENERGY PROJECTS

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.

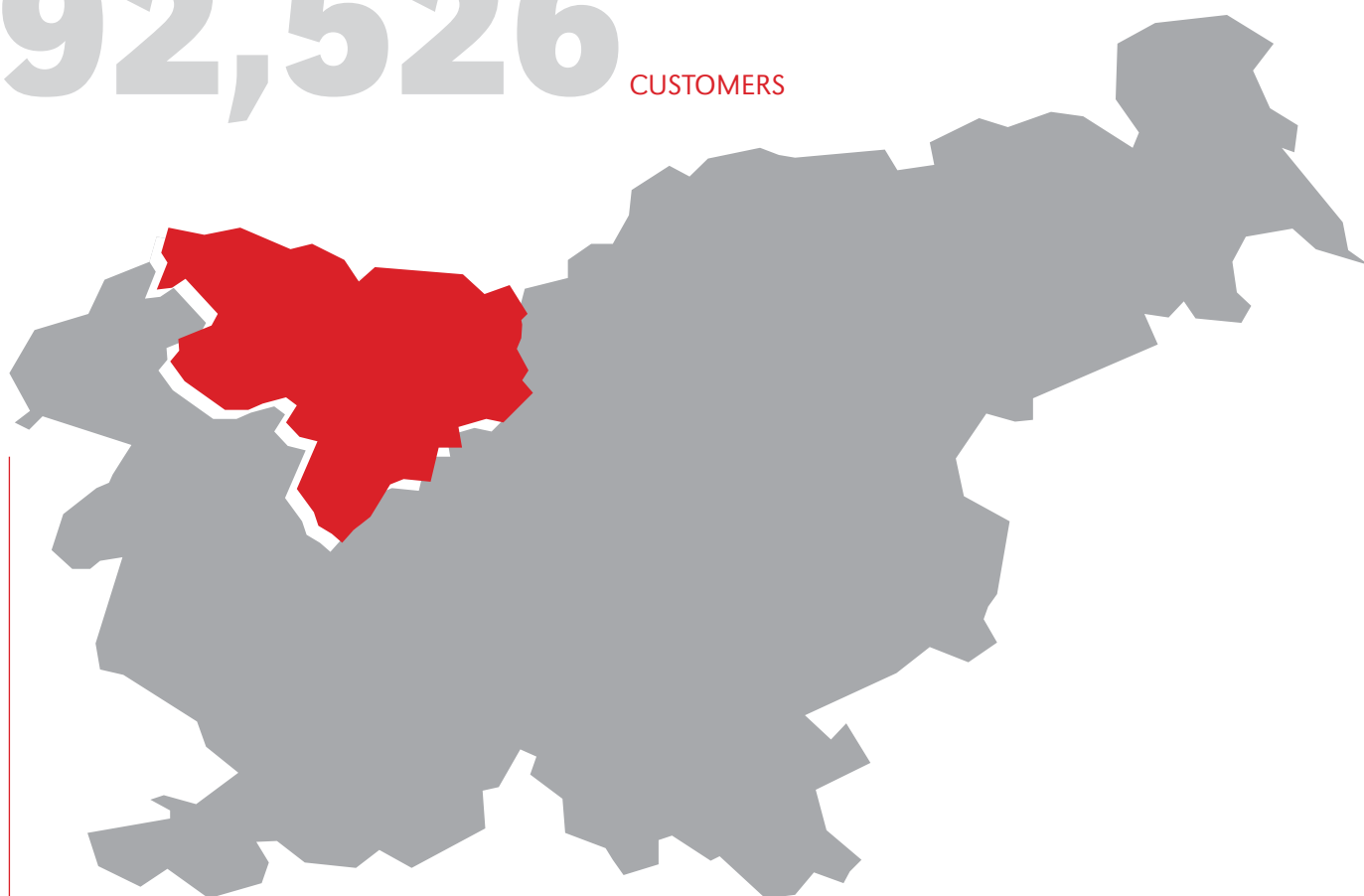
GORENJSKA REGION IS OUR HOME

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

1,986 km² AREA

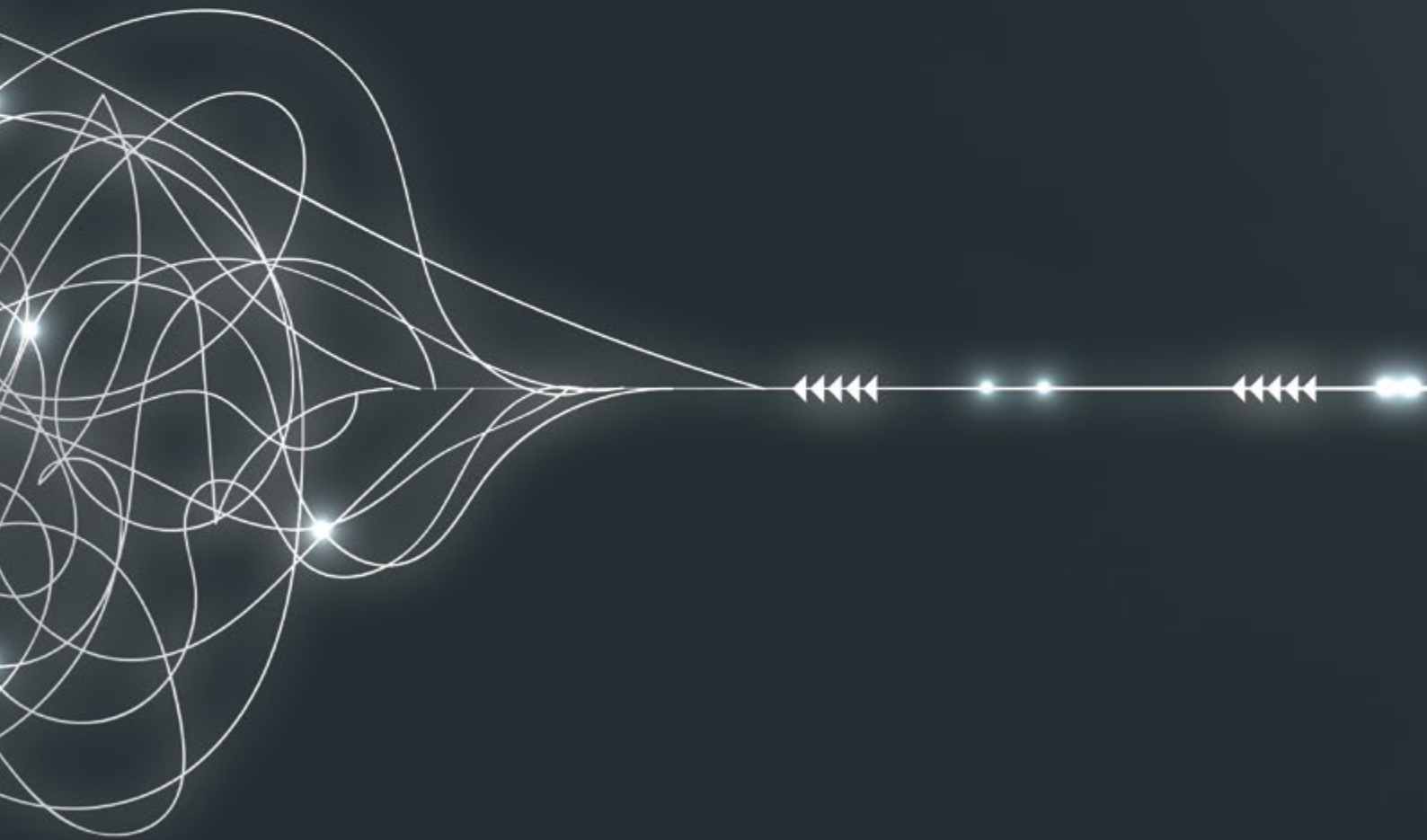
5,440 km
OF DISTRIBUTION NETWORK

92,526 CUSTOMERS



DISPLAY OF THE ELECTRICITY SUPPLY AREA OF DISTRIBUTION COMPANIES

1.4 Basic data





1.4.1 Our structure



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 Solar Company, where Gorenjske elektrarne Company has 100% ownership share and company Soenergetika, where Gorenjske elektrarne has 25 percent share. Company Gorenjske elektrarne also owns 20% of the company Alfi Sol 2.

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.

In 2023, there was a change in the composition of the Elektro Gorenjska Group. Company Gorenjske elektrarne founded the company GEK Solar on February 13, 2023, in which it has a 100% ownership stake. In addition, on March 1, 2023, the merger of the company GEK Vzdrževanje, which was also 100% owned by the company Gorenjske elektrarne, to the company Gorenjske elektrarne. Settlement date of the merger was December 31, 2022.



PARENT COMPANY



Chairman of the Board: dr. Ivan Šmon, MBA

Total revenue 2023: 46,611,007 €

Net profit or loss 2023: 5,385,572 €

Share capital 31. 12. 2023: 104,136,615 €

SUBSIDIARY - 100%



Director: mag. Aleks Jan

Total revenue 2023: 17,432,544 €

Net profit or loss 2023: 7,185,440 €

Share capital 31. 12. 2023: 13,684,880 €

SUBSIDIARY - 100%



Director: mag. Aleks Jan

Total revenue 2023: 2,729,033 €

Net profit or loss 2023: 620,832 €

Share capital 31. 12. 2023: 200,000 €

ASSOCIATE COMPANY - 25%

SOENERGETIKA

Director: Aleš Ažman, MBA

Total revenue 2023: 2,308,158 €

Net profit or loss 2023: 177,573 €

Share capital 31. 12. 2023: 1,020,000 €



1.4.1.1 Our organization

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. Company is managed by dr. Ivan Šmon, MBA. In accordance with the Statute he has powers 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.

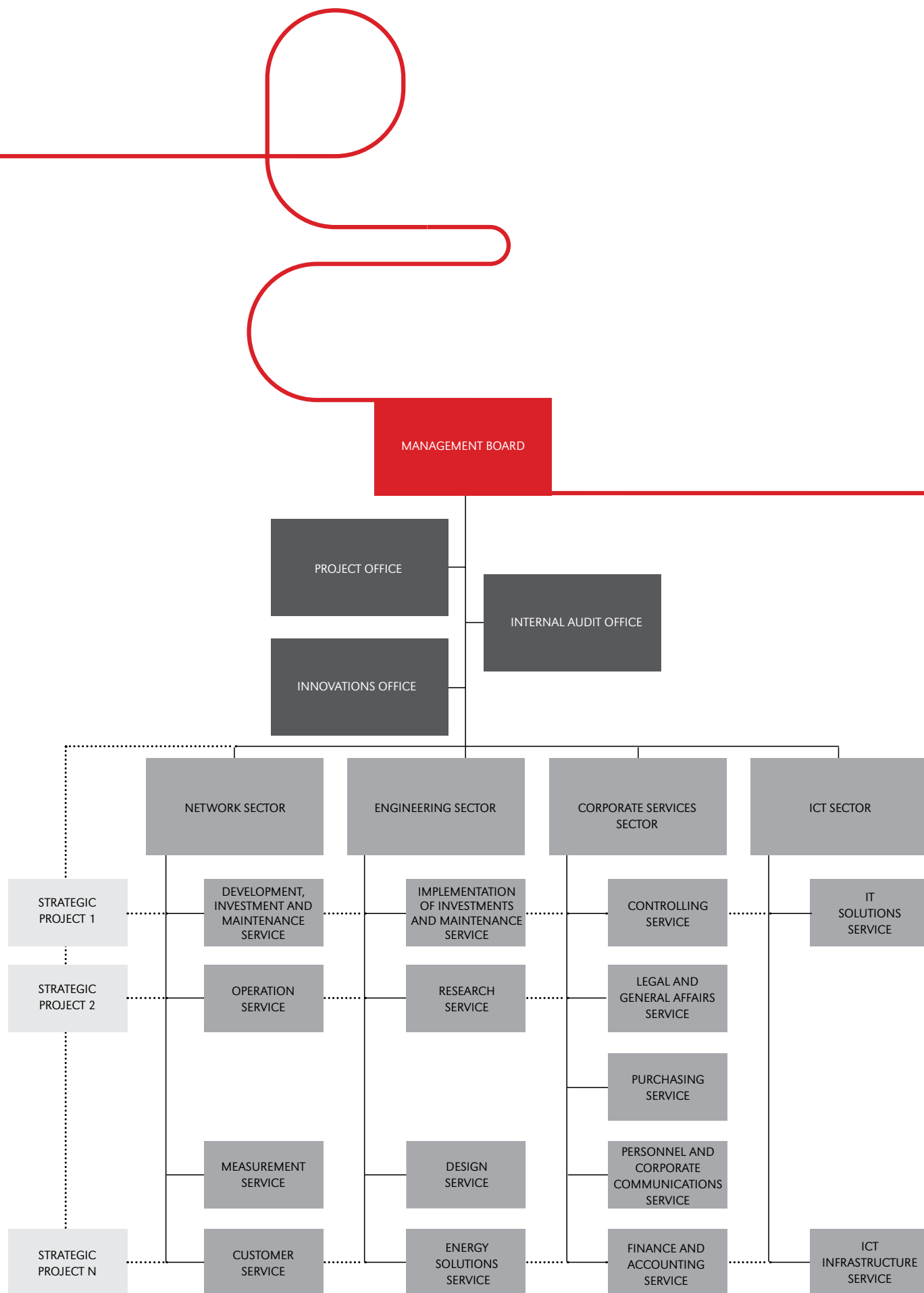
Each sector, headed by sector directors, consists of several services. Directly under the Management are the Project and Innovations Office and Internal Audit.

Network Sector manages the tasks of the public utility service distribution operator, which Elektro Gorenjska executes under the contract for ELES 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 at the level of the entire Elektro Gorenjska Group.



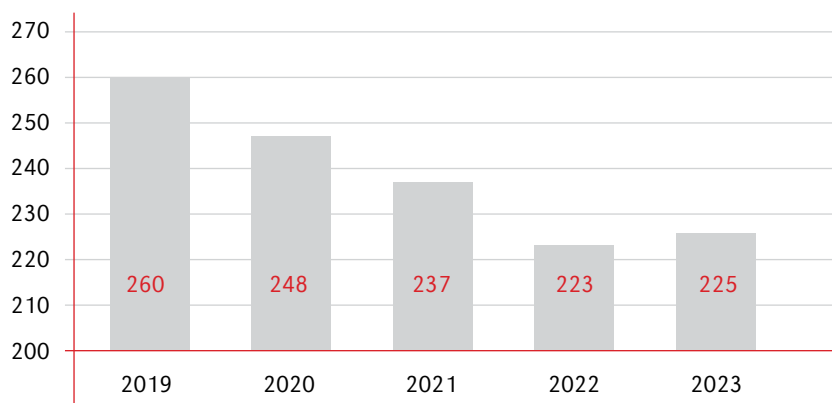
ORGANIZATIONAL CHART OF ELEKTRO GORENJSKA COMPANY

1.4.1.2 Our ownership structure and share capital

On December 31 2023, 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 2023 the Elektro Gorenjska Company had no transactions with own shares on a regulated market.

As of December 31 2023, 96.42% of company shares were in the ownership of the Republic of Slovenia and legal entities, which represent 20.44% of all shareholders.



CHANGES IN THE NUMBER OF SHAREHOLDERS OF ELEKTRO GORENJSKA COMPANY FROM DECEMBER 31 2019 TO DECEMBER 31 2023



OWNERSHIP STRUCTURE OF ELEKTRO GORENJSKA COMPANY AS OF DECEMBER 31 2023 (IN %)

Republic of Slovenia	79.48
Other shareholders – legal entities	7.60
Other shareholders - individuals	3.51
Financial companies	4.03
Kapitalska družba, d. d.	2.50
SDH, d. d.	1.51
Kapitalska družba, d. d. - PPS	1.00
Investment companies	0.29
Participants of internal distribution	0.07
KAD d.d. – REG – non-voting	0.01

According to the balance as at December 31 2023 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 1.94 percent share.

1.5 Sustainable development strategy of the Elektro Gorenjska Group

We are committed to sustainable strategic development. That is why we address people, nature and business penetration (ESG) in a balanced way by following the European Sustainability Reporting Standards (ESRS). But our commitment to sustainability is also demonstrated through daily operational excellence, which ensures stability of the electricity supply. We are aware of our responsibility, which is why we continue and build on the story of our duration – constant, stable, daily and long-term and responsible presence for the environment and people. DURATION represents the deep meaning of our existence and activity.

DURATION



VISION

1.5.1 Our business model

Our business model is based on our mission. We perform the public utility service of electricity distribution in the Gorenjska region. We are committed to the accessibility, quality and affordability of services for all residents.

Our core competencies form the solid foundation of our operations. They are the central building block of our key strengths that make us unique and different from others. They allow us to create our value proposition (benefits) for users, which is reliable and, from the point of view of user experience, superior and permanent support to the competitive advantages of companies and the quality of life in households.

OUR CORE COMPETENCIES:

1. knowledge about energy / energetics (tradition),
2. desire for development, ambition, prudence,
3. organization of operations / processes and
4. employee affiliation.

OUR KEY STRENGTHS:

1. network sustainability at the highest European level,
2. developed key development areas such as research, development and innovation, human resources, performance control systems, digitization, cyber security,
3. embeddedness in local environment,
4. reputation and trust in our brand, especially in Gorenjska region and
5. reliability in implementing projects and solving user challenges.

Special feature of our business model is that the majority of revenues are generated through public utility service, therefore, a condition for long-term stable and successful company operations, with appropriate price regulation (network charges), is the permanent guarantee of the prescribed quality of electricity supply.

We are aware that economy and appropriate profitability are key to the quality of our operations, especially in times of rapid investments and technological development.

OUR TWO KEY STRATEGIC GUIDELINES (HEREINAFTER SU) UNTIL 2028 ARE:

- SU1: Sustainable operation
- SU2: Development and management of a sustainable distribution system

In the framework of SU1 (Sustainable operation), we pursue the following goals:

- fulfillment of the Distribution System Development Plan;
- provision of sufficient financial resources and an appropriate regulatory framework for implementation of the Distribution System Development Plan;
- achieving a high level of strategic innovation to support the development of the distribution system;
- implementation of sustainable development in accordance with ESRs standards;
- ensuring a sufficient number of competent and engaged employees at all levels;
- strengthening agile culture and inclusive management;
- achieving financial stability and optimal profitability.

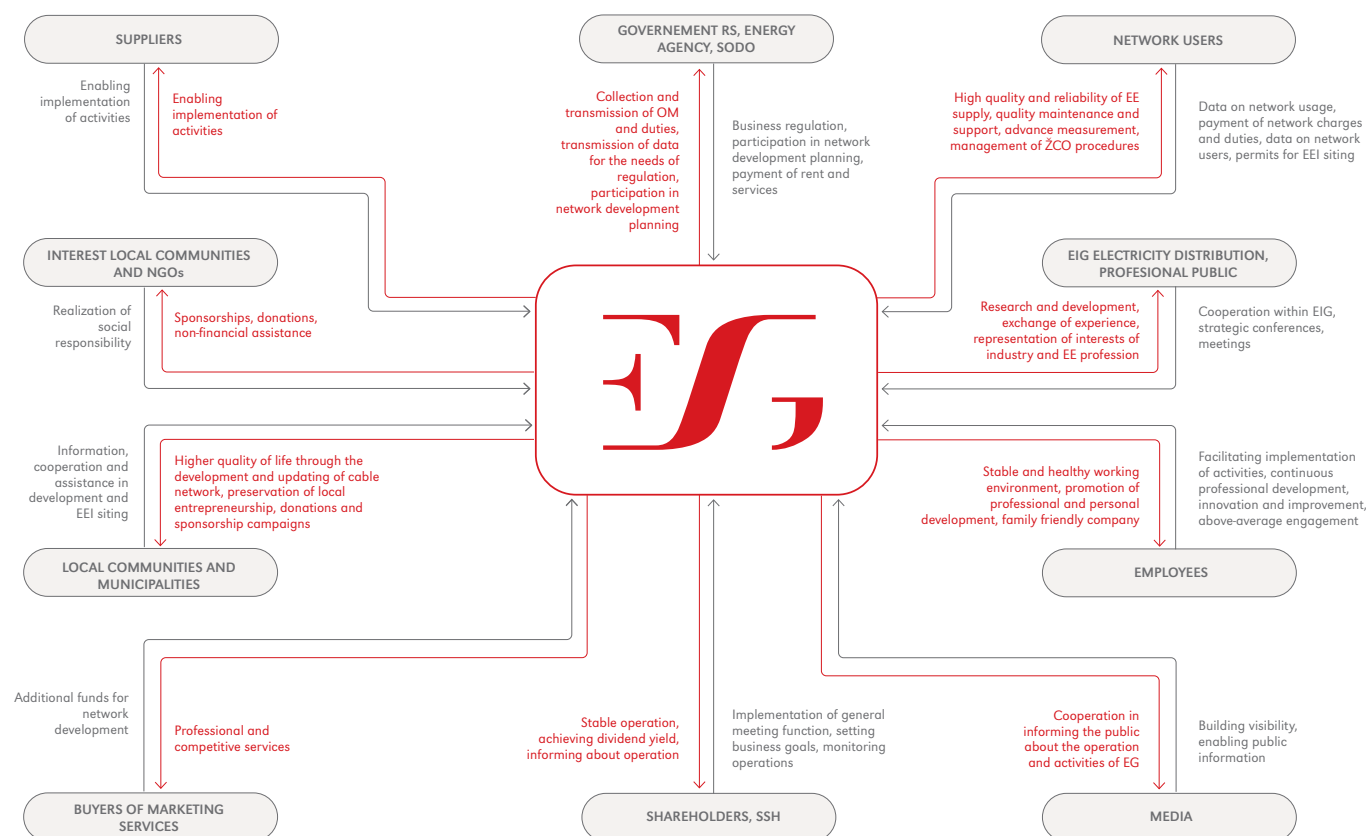
STAKEHOLDER FOLDER

In the framework of SU2 (Development and management of a sustainable distribution system), we pursue the following goals:

- ensuring a sustainable distribution system;
- increasing the satisfaction of users and key business partners in the value chain;
- implementation of high-quality and efficient project management;
- increase in cost efficiency and lean process organization.

We strive for caring and honest relations with our stakeholders. We are aware of our responsibility to the social and natural environment in which we operate. We realize our responsibility by building transparent and inclusive communication. 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. Through our operations, we create benefits for stakeholders and are aware of the value that stakeholders create for companies in the Elektro Gorenjska Group.

Key indicators of value creation for stakeholder groups refer, among other things, to the 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.



1.5.2 Double materiality matrix

“Double materiality” represents a concept that encompasses the consideration of financial and environmental, as well as social and governance (ESG) aspects in sustainability reporting.

Within the ESRS, double materiality emphasizes the importance of assessing the impact of sustainability issues on the company’s financial performance (financial materiality) as well as the impact of the company’s activities on the wider economy, environment and society (ESG materiality).

This approach recognizes that sustainability issues can have a significant impact on company’s long-term performance, while companies can have a significant impact on the wider sustainability space. By considering both aspects of materiality, companies are encouraged to integrate sustainability aspects into their core business strategies and decision-making processes.

In the Double Materiality Matrix by ESG topics, we have written down only those, from a set of approximately 90 ESG topics, that are important to us and our stakeholders and we will address them strategically and operationally and report on them. We evaluated using the Delphi method with the participation of internal experts, who based their opinions iteratively on the basis of existing stakeholder analyzes and on the basis of our dynamic approach to developing empathy towards them.

DOUBLE MATERIALITY MATRIX (ASSESSMENT) ACCORDING TO ESRS TOPICS

<p>↑</p> <p>IMPORTANCE FOR INTERNAL AND EXTERNAL STAKEHOLDERS</p>	<ul style="list-style-type: none"> • Gender equality and equal pay for work of equal value (S1) • Affected communities: Freedom of expression (S3) • Affected communities: Freedom of assembly (S3) • Protection of whistle-blowers (G1) • Corruption and bribery: incidents (G1) 	<ul style="list-style-type: none"> • Land degradation (E4) • Climate change mitigation (E1) • Electromagnetic radiation (E2) • Secure employment (S1) • Working time (S1) • Measures against violence and harassment in the workplace (S1) • Adequate housing (S1) • Management of relationships with suppliers including payment practices (G1) 	<ul style="list-style-type: none"> • Energy consumption and energy mix (E1) • Climate change adaptation (E1) • Adequate wages (S1) • Social dialogue (S1) • Freedom of association, the existence of works councils and,... (S1) • Collective bargaining, including rate of workers covered by collective agreements (S1) • Work-life balance (S1) • Health and safety at the workplace (S1) • Training and skills development (S1) • Privacy of employees (S1) • Health and safety at the workplace of workers in the value chain (S2) • Affected communities: Land-related impacts (S3) • Affected communities: Security t (S3) • Affected communities: Free, prior and informed consent (S3) • Consumers and end-users: Privacy (S4) • Consumers and end-users: Freedom of expression (S4) • Consumers and end-users: Access to (quality) information (S4) • Consumers and end-users: Health and safety (S4) • Consumers and end-users: Security of a person (S4) • Consumers and end-users: Protection of children (S4) • Consumers and end-users: Non-discrimination (S4) • Consumers and end-users: Access to products and services (S4) • Corruption and bribery: Prevention and detection including training (G1)
	<ul style="list-style-type: none"> • Impact of land, water and seawater use on ecosystems (E4) • Diversity (S1) • Secure employment of workers in the value chain (S2) • Social dialogue of workers in the value chain (S2) • Consumers and end-users: Responsible marketing practices (S4) 	<ul style="list-style-type: none"> • Circular economy (resources inflows, resource use,...) (E5) • Employment and inclusion of persons with disabilities (S1) • Working time of workers in the value chain (S2) • Adequate wages of workers in the value chain (S2) • Work-life balance of workers in the value chain (S2) • Training and skills development of workers in the value chain (S2) • Political engagement (G1) 	<ul style="list-style-type: none"> • Corporate culture (G1)
	<ul style="list-style-type: none"> • Pollution of air (E2) • Pollution of water (E2) • Pollution of soil (E2) • Water consumption (E3) • Water discharges into the environment (E3) • Waste (E5) 		

→ IMPORTANCE FOR THE COMPANY’S BUSINESS PERFORMANCE

Double Materiality Matrix according to the ESRS analyzes the importance of the impact in two directions taking into account the ESRS (European Sustainability Reporting Standards). For the development of our sustainability strategy, a selection of key topics is important, on the basis of which we formulate strategic (and operational) goals, indicators and activities in cooperation with stakeholders.

STANDARDS

ESRS 1 – general requirements: these are general principles used in reporting under ESRS, the standard does not specify specific disclosure requirements;

ESRS 2 – general disclosures: set out the essential information to be disclosed regardless of the area, the standard is mandatory for all companies required to report on sustainability;

ESRS E1 – climate change;

ESRS E2 – pollution;

ESRS E3 – water and marine resources;

ESRS E4 – biodiversity and ecosystems;

ESRS E5 – resources use and circular economy;

ESRS S1 – own workforce;

ESRS S2 – workers in the value chain;

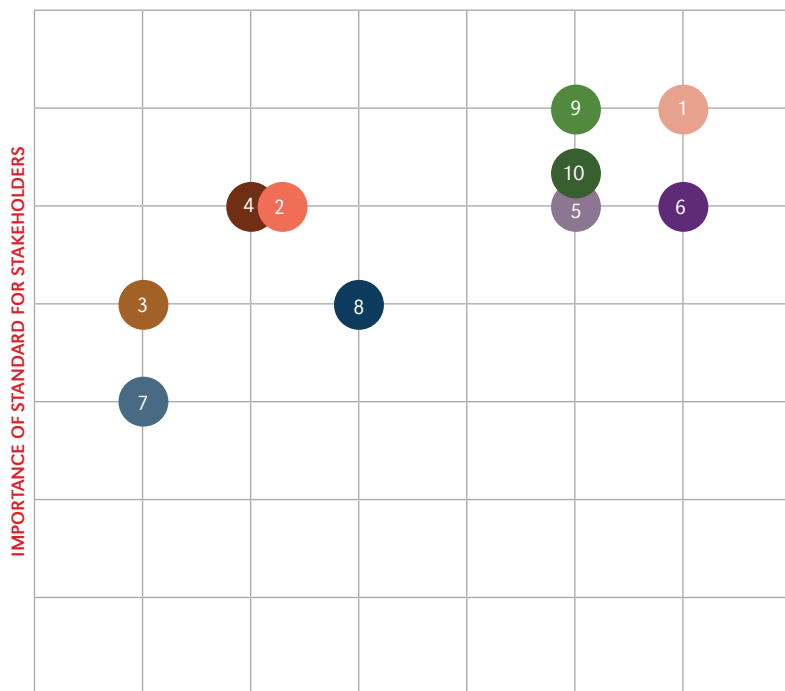
ESRS S3 – affected communities;

ESRS S4 – consumers and end-users;

ESRS G1 – business conduct



Very big impact



Medium impact

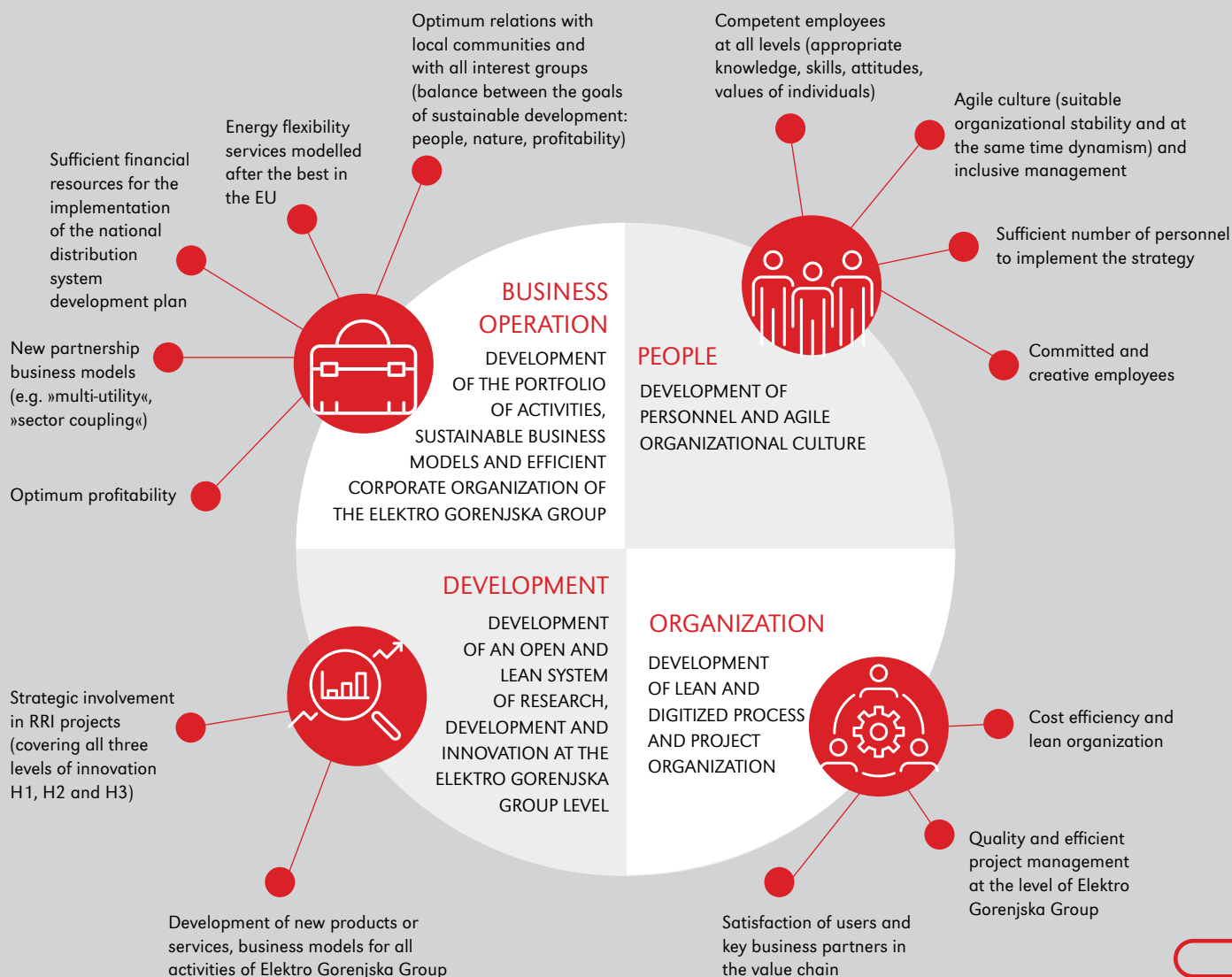
IMPORTANCE OF STANDARD FOR THE COMPANY

Very big impact

- 1. E1 - Climate
- 2. E2 - Pollution
- 3. E3 - Water and marine resources
- 4. E4 - Biodiversity and ecosystems
- 5. E5 - Resources use and circular economy
- 6. S1 - Own workforce
- 7. S2 - Workers in the entire chain
- 8. S3 - Affected communities
- 9. S4 - Consumers and end-users
- 10. G1 - Business conduct

1.5.3 Strategic challenges and strategic goals

With the strategy for the period 2024-2028, we will continue and 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.



STRATEGIC GUIDELINES AND GOALS OF ELEKTRO GORENJSKA GROUP

We continue our journey in the changing regulatory environment. Here, we pay special attention to creating the conditions for the development of a modern, sustainable electricity distribution network.

We are facing challenges brought by the accelerated green transition, extensive technological changes and the necessity of increasing investments in accordance with the Development Plan of the distribution system.

We take on the role of facilitator in the flexibility services market and respond to changing societal expectations (ESG). We enthusiastically and proactively accept co-responsibility in the entire value chain, both within the company and in the wider stakeholder environment, in accordance with the requirements of ESRS standards.

To successfully overcome these challenges, we focus on recruiting, developing and retaining the best personnel. Creating a company culture in the direction of agility, inclusion, mutual cooperation, taking responsibility, promoting innovation and being committed to achieving ESG goals is of key importance to us.

In practice, we realize our values and responsibly implement strategy, operational plans and projects. In the age of digitalization, it is crucial for electricity distributors to develop smart network that enable improved consumption management, faster troubleshooting and optimization of operations. Use of technologies such as databases, artificial intelligence and the Internet of Things brings greater efficiency, reliability and system resilience.

In line with the global effort to reduce greenhouse gas emissions and transition to renewable energy sources, we actively participate in wider energy connecting, not only in the integration of production facilities in the distribution system. This requires effective management of fluctuations in production, including the use of battery systems and smart grid technologies. When planning and operating the distribution system, we must also consider natural disasters and prevent and manage their consequences. We improve processes both from the point of view of external and internal users.



1.5.4 Strategic projects

As key to achieving the goals, we have identified the following strategic projects:

- **Positioning Elektro Gorenjska as a leading center for modern energy solutions in Gorenjska region and in Slovenia**

Purpose of the project is to establish a modern innovation infrastructure, which also includes the arrangement of suitable premises. Establishment of an innovation center with the working title ŠPAIZA is underway. Ambition of the projects is to position ourselves as a central innovation entity in the field of energy in the region and beyond. Purpose is to facilitate the recruitment and development of personnel, the development of our knowledge, and the acquisition of additional revenues. 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, establishment of a living laboratory (»living lab« concept), and establishment of a »start-up« culture within the company.

- **Carbon footprint reduction strategy**

Purpose of the projects is to systematically prevent and reduce the negative impacts of our activity on the environment and living space (carbon footprint) and meet ESG regulations and expectations. Final goal of the projects is to prepare a plan with measures and goals with indicators for multi-year reduction of the carbon footprint at the level of the company. At this stage, we are not directly addressing the entire value chain in relation to suppliers and users.

- **Establishing an agile operation process**

Purpose of the projects is to establish closer cooperation between individual processes, services, sectors and companies with the aim of making agile operation the central way of our behavior. Ultimate goal of the project is to unify and combine professional and business competencies within the company with the aim of creating a central agile group of personnel for the development of a permanent business strategy. Here, the establishment of processes for coordinating and realizing strategic activities, their placement in the organization, digitization of processes for better sharing of information and the establishment of monitoring of the entire process are of key importance.

- **Preparation of a comprehensive system (methodology) of asset management throughout the entire life cycle**


Purpose of the project is technical, substantive and financial more integrated control of asset management, which is recognized as a central process in our business. Aim is also to establish a coordinated system or methodology of development, research, planning and advanced data analytics for network management, as well as defining information tools to support this process. It is necessary to address the appropriate mastery of OT technologies and indicate the development and placement of systems that will be implemented in the future. It is necessary to address the field of advanced analytics, diagnostics and development of technical specifications of future products. It is necessary to manage the scope and possibilities of using various software tools, including »open source« tools and the strategy of possible implementation of these. Ultimate goal of the project is to establish the conditions for the development of a comprehensive asset management system that includes technological content such as the Internet of Things (the so called IoT), data analytics of big data, artificial intelligence, augmented and virtual reality, and the like.

2. Environmental aspects

In modern times, when we are faced with the growing challenges of climate change and depletion of natural resources, sustainable operation has become one of the key operation guidelines in the business environment as well. Nature loudly calls us to a kinder and more responsible attitude towards it. In the decades ahead, only those companies will be successful that want the best not only for themselves, but also for others – nature, people, society.



ENVIRO

A conceptual image of a green lightbulb. The bulb is filled with a vibrant green liquid, and a single, large green leaf is submerged inside it. The background is a soft, out-of-focus green, creating a natural and eco-friendly aesthetic. The lightbulb's base is visible at the bottom right, showing its metallic threads.

This way of thinking, which is hidden in the word »sustainability«, is not alien to us in the Elektro Gorenjska Group. We are committed to reducing our carbon footprint both in our operational processes and throughout our supply chain. We are introducing measures for energy efficiency, the use of renewable energy sources and the reduction of greenhouse gas emissions. We follow sustainable development guidelines and are constantly looking for new ways to reduce our impact on climate change.

In doing business, we are aware of the importance of protecting natural resources such as water, air and soil. We implement measures for the rational management of resources and the preservation of biodiversity.

We strive to reduce the amount of produced waste. We follow the principles of a circular economy, we encourage the separate collection of waste, its recycling and reuse. We are reducing the use of packaging and looking for alternatives that are less burdensome on the environment.

We actively cooperate with local communities, suppliers, partners and organizations in projects that contribute to the preservation of a clean natural environment for future generations. Every action counts. We believe that by working together we can contribute to creating a more sustainable world for everyone.

ENVIRONMENT

2.1 Our guidelines for responsible environmental management

Our Environmental management system (SRO) ensures that the company complies with the requirements of environmental legislation when carrying out our activities and manages all environmental aspects that appear in the company's operations.

Responsibility towards the environment and its responsible treatment are one of the key building blocks of our strategy. They are based on accepted environmental policy and sustainable development guidelines. We regularly monitor progress in this area with the help of measurable environmental indicators.

Our main directions in the field of environmental protection are in line with ISO 14001:2015 recommendations, 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.

Our environmental management system comprises 14 activities, the most important of which are:

- cooperation with external institutions and interested stakeholders,
- creation of environmental policy and scope of operation,
- recognition of environmental aspects of operation,
- assessment of environmental aspects,
- determination of measures and possibilities for improving the SRO,
- monitoring environmental programs and goals of the SRO,
- monitoring and reporting on the state of system operation (within the sessions of the Environmental Management Council),
- environmental emergency management,
- conducting internal and external audits,
- preparation of reports and
- reporting on environmental aspect for management review.

In 2023, 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 13 environmental indicators, two of which relate to electromagnetic radiation and emissions, three to waste, four to energy products, one of each to noise and soil

We regularly monitor the environmental legislation and adapt our operations to regulatory requirements. We constantly implement all current changes that concern our field of operation into operational processes.

In 2023, we thus updated our instructions related to spills, namely the Instructions on how to act in the event of an environmental accident of battery acid spills, the Instructions on how to act in the event of an environmental accident of oil and fuel spills, the Instructions on how to act in the event of an environmental accident of SF₆ and the Umbrella instruction for action in case of environmental accidents. Instructions on managing environmental aspects have also been updated. First risk assessments will already be carried out in the first quarter of 2024 according to the new instructions.

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 increasingly building network underground thus reducing the impact of global warming and extreme weather conditions on our network. 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

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 recycle 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.



COMPI

2.2

Disclosure of essential information on the environmental management of the Elektro Gorenjska Group in 2023

In relation to climate change, compliance with the energy and climate goals of the European Union and responsible management of the environment represent the fundamental principles of the operation of companies in the Elektro Gorenjska Group.

LIANCE

2.2.1

Our carbon footprint reduction strategy

Our approach to reducing our carbon footprint is strategic and systematic. Methodology for calculating the carbon footprint of the Elektro Gorenjska Group is carefully designed. Its main goals are:

- Provide accurate and internationally comparable data on the Group's carbon footprint, which is consistent with the principles of the Greenhouse Gas Protocol and Corporate Accounting and Reporting Standard (hereinafter: GHG protocol) and
- Enable effective and comprehensive measurement, management and reporting of our carbon footprint.

Calculation of the carbon footprint of the Elektro Gorenjska Group includes all companies in which the parent company Elektro Gorenjska has more than a 50% ownership stake. Operational limits are set according to the rules of the GHG protocol, which ensures the consistency of the emission ranges involved.

We calculate direct emissions based on fuel consumption from sources that we own or control. In accordance with available emission factors, we report on emissions of CO₂, CH₄, N₂O and CO₂ equivalents.

Scope 1 includes:

- direct emissions from the consumption of fossil fuels,
- fuel consumption for heating and hot water preparation,
- fuel consumption for own production of electricity and heat (if the company consumes 100% of the electricity and heat produced),
- emissions due to the use of gases with a high greenhouse effect («Fugitive emissions») and
- use of cooling gases.

Scope 2 includes indirect emissions of energy products, which originate from the consumption of electricity and thermal energy, which we obtain from external companies, affiliated companies or from our own production, if we partly use it ourselves and partly sell it to other companies. Scope 2 includes:

- losses of electricity on the distribution network,
- purchase of electricity from external or affiliated companies,
- purchase of district heating/heat from external or affiliated companies.

We include the total consumption of electricity and heat energy used for our activities, for which we are directly responsible. For all emissions, emissions of CO₂, CH₄, N₂O and CO₂ equivalents, are reported.

Scope 3 includes indirect emissions that occur as a result of our activities on resources that are not owned or controlled by us. Reporting for Scope 3 is not mandatory, but emissions are determined according to the GHG Protocol rules and other technical guidelines where relevant data are available. Scope 3 includes emissions in the following categories:

- transportation of employees to work,
- waste,
- production of electricity for sale,
- production of heat for sale.

Elektro Gorenjska Group has set itself the goal of reducing greenhouse gas emissions (hereinafter referred to as GHG). With this, we joined the European Union's effort to fulfill the commitments from the Paris Agreement to reduce GHG emission by 55% by 2030.

Our key target is to reduce the Scope 1 and 2 CO₂ emissions by 5% by 2030.



- 55%

In accordance with this, we have prepared a set of short-term measures to achieve the short-term goals of decarbonisation up to and including 2026, which are:

- annual determination of the value of the emissions of the carbon footprint of the Elektro Gorenjska Group for the previous year in accordance with the unified methodology.
- inclusion of the requirement for »climate sustainability« as a mandatory component of the decision-making process in equipment purchases, tenders and other procedures.
- purchase of vehicles with lower emissions and fuel consumption (e.g. EURO7 engines, hybrids, tires with lower rolling resistance – friction).
- reduction of energy consumption, which is used for the purpose of heating and cooling business premises.
- reduction of energy consumption, which is used for the purpose of lighting business premises.
- reducing the need for business trips by conducting virtual meetings, organizing events and meetings.
- regular servicing and replacement of worn-out air with more ecologically acceptable ones.
- implementation of measures to reduce losses of electricity.
- upgrading the lighting of halls and toilet roomy with a timer or motion sensor.
- improvement of the energy efficiency of buildings (renovation of buildings, replacement of old worn-out lamps with more economical ones, self-sufficiency).
- purchase of electricity from suppliers who offer the supply of »green electricity«.
- looking for options of reducing the amount of waste in the sense of recycling or processing, where possible.
- working from home, coming to work in a more environmentally friendly way (on foot, bicycle, public transport).
- raising awareness among employees about the ability influence the reduction of CO₂ emissions caused by themselves.
- increasing environmental awareness among employees with the goal of careful waste management.
- ending the use of plastic water bottles and encouraging the use of running water.
- using toilet paper made from recycled materials.



Our key target is to reduce the Scope 1 and 2 CO₂ emissions by 55% by 2030.

In addition, we have also defined a set of measures to achieve a long-term reduction of emission and achieve climate –neutral operations, which are:

- use of switchgear in RP and RTP that do not contain SF₆ gas.
- arrangement of the contract with ELES to include a clause for the supply of low- or carbon-free electricity to cover electricity losses in the distribution network.
- complete electrification of the vehicle fleet.
- establishment of a control information system that enables energy management and targeted monitoring of energy use.
- establishment of the energy manager function.
- use of LCA in key business processes.
- use of exclusively renewable energy sources for heating and cooling.
- decarbonisation of the entire value chain.
- take away and storage of GHG in own activities and in the upper and lower part of the value chain
- GHG emission reduction projects financed by carbon credits.

Following projects and measures are being implemented:

- preparation of a plan for the gradual replacement of switchgear without the use of SF₆ gas.
- establishment of a partial self-sufficiency of the office building SE + SPTE.
- use of green electricity for own needs.
- performing an analysis of electricity losses in the power distribution network with the aim of determining the efficiency of the system in comparison with the most advanced systems.
- verification of alternative heating options in the field of heating and cooling systems.
- preparation of a conceptual project for upgrading joinery articles.
- preparation of a conceptual project for the installation of a ventilation system using waste heat.
- replacement of lighting in an office building.
- adoption of a decision on the termination of the purchase of bottled water (within the Council for Environmental).

2.2.2 Our energy consumption

Elektro Gorenjska Group is 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 we 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.

CONSUMPTION OF ENERGY IN ELEKTRO GORENJSKA GROUP IN YEARS 2022 AND 2023

Environmental aspect	Type	Unit	2022	2023
Water	Public water supply (m ³)	Business premises	2,579	2,464
Electricity consumption	consumption in kWh	Business premises	575,897	625,444
Heat consumption	consumption in kWh	Business premises	1,071,688	822,296

FUEL CONSUMPTION OF COMPANY VEHICLES IN ELEKTRO GORENJSKA GROUP IN YEARS 2022 AND 2023

Type	Occurrence	2022	2023
Fuel in liters (petrol and oil)	company vehicles	159,077	172,265
Fuel in liters (LP gas)	company vehicles	1,817	1,933

2.2.3 Our management of greenhouse gas emissions

In 2022, we began monitoring the Group's overall carbon footprint, which represents a total amount of greenhouse gas emissions. Goal of monitoring the carbon footprint is to reduce the CO₂ emissions, which the Group can influence. We monitor emissions from consumption of:

- fuel for business transport and work,
- energy for heating,
- greenhouse gas,
- electricity,
- other 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.

VERIFICATION

Carbon footprint of the Elektro Gorenjska Group was checked by the external independent institution SIQ – Slovenian Institute for Quality and Metrology.

EXAMINATOR'S OPINION

Based on the independent verification process described herein declaration, SIQ Ljubljana, Mašera-Spasičeva ulica 10, 1000 Ljubljana gives a positive opinion on the methodology for calculating the carbon footprint of the company Elektro Gorenjska, d. d. and Elektro Gorenjska Group in declares that the methodology is:

- prepared in accordance with the requirements of the GHG protocol (guidelines for reporting on scope 1, 2 and 3 emissions) and ISO 14064-3 standard Greenhouse gases - Part 3: Specification with guidelines for validation and verification of reports on greenhouse gas emissions;
- content correctly and fairly represents the method of calculation carbon footprint to prepare a carbon footprint report for the volume 1, 2 and selected categories of volume 3 for the period of the calendar year (January 1 to December 31 of the reporting year) of Elektro Gorenjska, d. d. and the Elektro Gorenjska Group.

ELEKTRO GORENJSKA GROUP	Unit	Year	% emissions	Year	% emissions	Year	% emissions
Emissions GHG		2020	2020 (%)	2021	2021 (%)	2022	2022 (%)
Scope 1							
Fuel for transportation	[t CO ₂ ekv]	404.37	21.87%	422.26	69.90%	422.81	2.31%
Combustion in stationary plants	[t CO ₂ ekv]	37.92	2.05%	46.92	7.77%	153.58	0.84%
Fugitive emissions from cooling devices	[t CO ₂ ekv]	13.00	0.70%	17.43	2.89%	13.00	0.07%
Other fugitive and process emissions	[t CO ₂ ekv]	1,393.55	75.37%	117.50	19.45%	17,678.11	96.77%
TOTAL SCOPE 1	[t CO ₂ ekv]	1,848.84	100.00%	604.11	100.00%	18,267.50	100.00%
Scope 2							
Electricity	[t CO ₂ ekv]	0.00	0.00%	26.75	0.07%	24.30	0.14%
Remote heating (heat/cool)	[t CO ₂ ekv]	120.46	0.45%	135.15	0.37%	133.99	0.79%
Električna energija - izgube	[t CO ₂ ekv]	26,571.64	99.55%	36,757.98	99.56%	16,814.77	99.07%
TOTAL SCOPE 2	[t CO ₂ ekv]	26,692.10	100.00%	36,919.89	100.00%	16,973.06	100.00%
Scope 3							
Transportation to work	[t CO ₂ ekv]	241.31	27.84%	200.81	24.16%	268.09	3.26%
Waste	[t CO ₂ ekv]	1.63	0.19%	6.42	0.77%	7,389.98	89.91%
Sale of electricity	[t CO ₂ ekv]	303.15	34.97%	300.42	36.15%	258.18	3.14%
Sale of heat energy	[t CO ₂ ekv]	320.80	37.01%	323.45	38.92%	303.17	3.69%
TOTAL SCOPE 3	[t CO ₂ ekv]	866.90	100.00%	831.10	100.00%	8,219.42	100.00%
TOTAL SCOPE 1, 2, 3	[t CO ₂ ekv]	29,407.84		38,355.10		43,459.98	

WE USE MORE ENVIRONMENTALLY FRIENDLY SERVICES, PRODUCTS AND TECHNOLOGIES IN ENERGY PROCESSES AND FACILITIES

Fluorinated greenhouse gas SF₆, 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.

2.2.4 Our measures to reduce environmental impact

Reducing environmental impact is key to preserving our natural environment for future generations. Path to the goal is challenging and long. To achieve it, measures are needed at different levels, from individuals to institutions. We can only create a more sustainable planet by working together and connecting. In the Elektro Gorenjska Group, we therefore implement a number of measures in various areas.

WE PROMOTE ENERGY CONSUMPTION REDUCTION AND MORE EFFICIENT HANDLING OF OTHER RESOURCES

Our companies monitor water, electricity and heat consumption. Elektro Gorenjska Company 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.

WE REDUCE AIR EMISSIONS

Our 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 CO₂ emissions.

WE MANAGE WASTE COMPREHENSIVELY 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 our own. 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.

WASTE BY TYPE IN YEARS 2022 AND 2023

Type of waste	Occurrence	2022	2023
Useful waste (revenues in €)	construction site/ at investments	26,240	28,470
Non-useful waste (cost of disposal in €)	construction site/ at investments	11,762	12,765
Municipal waste (cost of disposal in €)	business premises	8,845	9,780
Electronic waste (toners and cartridges in kg)	business premises	50	55

TOTAL AMOUNT OF SF₆ GAS IN ENERGY DEVICES AND ENERGY LOSS IN DISTRIBUTION IN YEARS 2022 AND 2023

Type	Occurrence	2022	2023
Gas SF ₆ (kg)	Insulation of energy facilities (RTP, RP, TP)	6,350	6,398
Electrical energy loss in distribution (kWh)		41,835,123	39,715,986

WE PROTECT WATER NEAR HYDROELECTRIC POWER PLANTS

Watercourse management also requires, among other things, the determination of the Ecologically Acceptable Flow (hereinafter 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 (hereinafter HE).

HE 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 HE 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 HE.

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 2023 amounted to 15,138 €. 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 Gorenjske elektrarne. In arranging watercourses in the area of influence of our HEs, 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 2023, we helped the regional fishing clubs also with donations in cash and in materials and services.

WE REDUCE NOISE

In order to reduce the noise pollution of the environment, 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.

WE MONITOR ELECTROMAGNETIC RADIATION

We regularly monitor electromagnetic radiation (hereinafter EMS) 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 and raise public awareness of electromagnetic radiation. Information is published on the company's website in the section Impacts on the environment.

WE MANAGE LIGHT POLLUTION

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

WE USE BIODEGRADABLE OILS

In parts of hydroelectric power plant where oil spills could cause irreparable damage to the environment, biodegradable ones have replaced conventional oils.

IN 2023, THERE WERE NO EXTRAORDINARY ENVIRONMENTAL EVENTS

In 2023, there were no extraordinary environmental events in Elektro Gorenjska Group. In addition, no negative reports or potential complaints were submitted by interest groups/public either.

2.2.5 We increase energy efficiency and use of renewable energy sources

Company Elektro Gorenjska carried out an energy audit of the buildings at Mirka Vадnova 3a. Main advantage of an energy audit according to the prescribed methodology is a comprehensive treatment of the building, its energy needs, the state of supply, consumption and the possibility of comprehensive improvement of the situation, taking into account all these technological economic and legal possibilities and obligations. On the basis of such a comprehensive inspection of the facility, it is possible to plan the scope and dynamics of the measures.

In 2023, we installed a 130 kWp solar power plant at the location of our office building on Mirka Vадnova Street in Kranj, taking into account the available space and shading. Implemented connection of the new solar power plant followed the PS2 type scheme, i.e. the internal connection, which enables us to have an adequate level of

formal self-sufficiency and reduce network charge costs. Expected annual production of electricity is estimated at approximately 140 MWh.

Solar power represents a significant benefit for us on several levels. It allows us to generate savings on electricity costs as we generate our own electricity from renewable source instead of buying it at market price. This helps to stabilize costs and reduce exposure to price fluctuations in the electricity market.

With it, we reduce our carbon footprint and contribute to the reduction of greenhouse gas emissions. By using renewable energy, we actively participate in the fight against climate change and demonstrate our responsibility towards the environment.

2.2.6 We preserve biodiversity and ecosystems

In the construction of our electricity facilities, together with our subcontractors, we 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.



2.3

We produce electricity from renewable sources

Company Gorenjske elektrarne actively contributes to the creation of savings, reduction of CO₂ and consequently to the sustainable development of the company by producing clean electricity from hydroelectric power plants (HE), solar power plants (MFE) and cogeneration of heat and electricity (SPTE) and by increasing the implementation of energy efficiency projects.

ENVIRONMENTAL SAVINGS IN REDUCING CO₂ EMISSIONS AND ELECTRICITY PRODUCTION FROM RENEWABLE ENERGY SOURCES IN YEARS 2021, 2022 AND 2023

Electricity production (MWh)	2021	2022	2023
HE	51,060	35,696	43,781
MFE	3,544	4,606	4,675
SPTE	1,913	1,797	1,332

In 2023, our total production of ecologically clean electricity from renewable sources (hereinafter RES) amounted to 49,788 MWh. Total reduction of CO₂ emissions thus amounted 24,396 tons. To calculate the CO₂ emission savings due to the production of electricity in power plants using renewable energy sources, the value of the CO₂ emission factor calculated at the Jožef Stefan Institute (0.49 kg CO₂/kWh) is used as a reference data.

Total reduction of CO₂ emissions in 2023:

24,396 t

2.4 We systematically manage environmental impacts, risks and opportunities

Elektro Gorenjska Group, through its operations, can cause impacts in the environment, which can result in soil, air and water pollution, as well as psychological and physiological effects on people and animals.

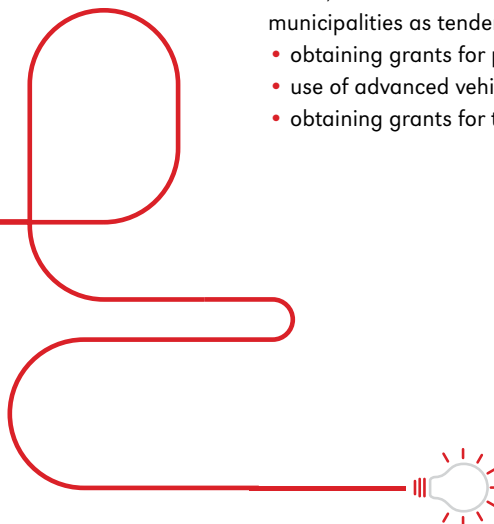
Risk factors that can lead to harmful effects on the environment are primarily non-compliance with the provisions of legislation, internal instructions, regulations in the field of environmental management and decisions of energy and environmental inspectors, malfunction of plants and equipment, work with hazardous substances hazardous waste and external influences, such as weather conditions, damage caused by third parties, natural and other disasters.

Company risks in the Elektro Gorenjska Group are managed primarily by monitoring and complying with environmental legislation, meeting the requirements of the ISO 14001:2015 environmental management standard, raising awareness and educating employees about how to manage environmental aspects,

systematically identifying new impacts on the environment, and providing appropriate EEL and non-energy facilities and devices insurance.

By being aware of opportunities in environmental risks, we try to make better use of the positive opportunities that appear in our environment. Some of them are:

- construction and use of own renewable energy sources,
- more efficient energy management,
- installation of new renewable energy systems,
- building a robust network using advanced technologies in the field of operation and maintenance,
- control and comprehensive management of dangerous substances,
- incorporation of the best available technology (BAT),
- gradual replacement of the vehicles in the fleet with electric vehicles,
- development of new hydroelectric power plant projects,
- involvement in communal projects co-financed by the European Union, which we enter into in cooperation with individual municipalities as tender applicants,
- obtaining grants for projects of passages for aquatic organisms,
- use of advanced vehicles and associated machinery and
- obtaining grants for the construction of new production facilities.



3

• Social responsibility





3.1 Social footprint

Each of our actions leaves an imprint on the society that surrounds us. We are aware of the responsibility we have towards the social environment in which we operate. That is why we take a comprehensive approach to all stakeholders who define our mission. We fulfill our responsibility through timely, correct and transparent communication with various stakeholders and by supporting projects and activities that contribute to the functioning and sustainable development of the social and economic environment.

We create value and benefits for the wider society. We make responsible decisions. We act in a socially responsible manner.

Companies in the Elektro Gorenjska Group strive for responsible, careful and honest treatment of the social environment. In doing so, we are looking for various ways to become more successful in connection with natural integration into the environment, improve the quality of life of employees, the local community and wider society, and at the same time satisfy the interests of the owners. Open, regular and comprehensible communication with residents, a clear presentation of goals and consequences are the key points that the Group follows in every intervention in the space. We report on the plans on the website, we are in regular relations with various stakeholders and inform them about our activities.

We try to include and listen to the various interests of local communities, when planning and placing electric power devices in the space, as well as when building and operating the network. We are more than just producers and distributors of electricity. We take a broader view of our activities in the environment and try to find common points in various areas for a better quality of coexistence.

We are 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 accepted good corporate governance practices and governance codes.

We pay a lot of attention to building a responsible environment for employees. Respect, mutual support and care for the well-being and development of employees are the foundations on which we build our working environment. With a cooperative attitude, transparent communication and opportunities for personal and professional growth, we want to shape the engagement of our colleagues and build solid relationship within our company.

Having an ear for our fellow man is our heart's responsibility. We create opportunities for those whose difficult trials change the course of their lives. We give hope to those who are pushed to the margins of society by moments of life. Because we care about our loved ones, we have been supporting various organizations that help people in need for decades through our socially responsible activities.

3.1.1

We engage and collaborate with our stakeholders

In accordance with our strategic directions, we focus on the principles of social responsibility and the needs of the social environment in which we operate. Starting point of our stakeholder and sustainability strategy is an analysis of the expectations and strategies of our stakeholders, including their potential unconscious interests, and the ways in which these stakeholders demonstrate their power. We actively and systematically develop deep empathy and a comprehensive understanding of their needs. Our strategic stakeholder segments are:

- network users (consumers, producers and sellers of electricity, aggregators)

Our primary concern is to provide network users with a stable and reliable supply of electricity. We cooperate with network users in development projects and promote community self-sufficiency. We make them aware of the optimal consumption power, efficient use of electricity and the importance of the optimal size of self-supply. We regularly inform and communicate about innovations and actively participate in the development of innovative solutions that meet their needs.

We use the website of Elektro Gorenjska as a tool for communication with various stakeholders, but above all it represents a key point of contact with our users. For our users a web application is available on the website to inform about planned power outages at their metering point. Notices of planned interruptions are published on the company's website and radio stations.

Our users have at their disposal also a free call center, 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 are also strengthening digital communication with users. In 2023, we encouraged them to use the »Moj elektro« application (<https://mojelektro.si/login>) and continued with the active communication through the social networks Facebook and LinkedIn.

- employees

We provide a stimulating, safe and orderly working environment that enables employees to develop personally and professionally. We believe that employees are the bearers of positive change, so we take care of clear instructions for safe and healthy work and information protection. We provide the necessary resources for efficient and safe work performance and follow balance approach between the working and private time of our employees.

- partner organizations and professional associations (other electricity distribution companies, transmission network operators, CIGRE, CIRED, CCIS, Electrotechnical Association, ...)

We are part of a wider professional community that takes care of providing electricity in the territory of Slovenia. We strive to be a reliable and pervasive member of this community. We maintain compliance with agreed contracts, legal regulations and rules and are flexible to business changes. We actively participate in development projects, with which we co-create the energy future of Slovenia.

- suppliers and development companies (including their employees)

We ensure fair treatment, mutual respect and stable and long-term contractual relationships with our suppliers and development companies, including their employees. In our relations, payment discipline and the establishment of development partnerships based on the confidentiality of personal data and the provision of reliable and authentic information about required services are also key. We also set clear environmental requirements regarding the supply of materials, the provision of services and waste management, thereby contributing to sustainable management. Our relationship is characterized by responsiveness, long-term cooperation and respect for workers' rights, as well as ensuring the safety and health of employees in the entire supply chain.

Communication with the business environment is based on personal contacts and electronic communication.





- municipalities, local communities and civil society

Role we assume in relation to municipalities, local communities and civil society is key to promoting sustainable green transformation and development of local communities. We are partners in the development process, striving for rapid adaptation to changes and active participation in development initiatives. We carry out development projects with the help of cohesion funds, emphasizing partnership cooperation with local communities and civil society and contributing to the sustainable development of Gorenjska region.

- national institutions and regulators (the government of the Republic of Slovenia, ministries, AGEN)

By ensuring mutual respect, stability in relations and long-term contracts, we take care of trust and sustainable cooperation with national institutions and regulators. We ensure access to reliable and credible information and promote the integration of industry and academia. Direct business communication and the search for a broad consensus are key elements of our operation.

- financial community and shareholders

We take care of ensuring the stability of dividends and the growth of the company's value. Our activities include active participation in management bodies, such as the general meeting and the supervisory board, as well as direct submission of recommendations to majority state-owned companies.

Communication with shareholders and the financial public is carried out in writing and in person, in accordance with applicable regulations. Information we provide to shareholders relates to the achieved business results and the company's strategy in the future. Information that is public (annual report, quarterly reports, concluded contracts, execution and materials of the general meeting) is published on the website www.elektro-gorenjska.si. When communicating with shareholders, we follow the principle of following the recommendations of the SSH and the OECD guidelines for the corporate governance of state-owned companies, which highlight three principles: transparency, efficiency and responsibility.

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

- media

Our goal is to provide regular and up-to-date information on our operations and to regularly communicate corporate topics, innovations on the network and completion of important electricity facilities, information on socially responsible activities and all other current topics related to our operations. We regularly participate in the creation of the newsletter of the Slovenian electricity industry »Naš stik«, where we publish current news and articles.

3.1.2

We strategically define risks, opportunities and impacts in a stakeholder environment

Most important strategic-sustainability challenge we face is redirecting the short-term interests of stakeholders, which sometimes differ or even conflict with each other, to satisfying the long-term interests of everyone or even the community as a whole. Double materiality according to ESRS standards of sustainable

development, which includes the analysis of our impact on the environment and the environment's impact on us, clearly shows how we systematically approach the treatment of IRO (Impact, Risk, Opportunity) requirements in accordance with ESRS standards. More detailed definitions of the activities are given in the table below.

KEY STAKEHOLDERS	KEY RISKS AND OPPORTUNITIES	METHODS OF PROACTIVE COOPERATION	KEY DEFINED IMPACTS
1. Network users (consumers, producers and sellers of electricity, aggregators)	<p>Risks: higher short-term operating costs, lack of understanding of ESG initiatives,</p> <p>Opportunities: more active users and thus a more stable sustainable network, greater social reputation</p> <p>Risk: sub-optimal development of the network from the point of view of the difficult-to-determine needs of users in the future,</p> <p>Opportunity: increasing consumption of electricity, inclination to invest in own RES</p>	<p>1. Participation in development projects</p> <p>2. Encouraging community self-supply, raising awareness among users regarding the optimal consumption power, efficient use of electricity and optimal size of self-supply.</p>	<p>- lower investment costs, lower burdens on the environment, lower financing costs for stakeholders,</p> <p>- accelerated sustainable development (ESG), carbon footprint of the company (Scope 1 and Scope 2) will be reduced by 55% by 2030,</p> <p>- smaller carbon footprint, lower investment costs, lower maintenance costs, higher connection power, higher revenues and profitability</p>
2. Employees (internal stakeholders)	<p>Risks: resistance to cooperation or changes,</p> <p>Opportunities: desire to get in touch with modern solutions, expansion of competences and employability, meaningful work in the pursuit of the mission</p> <p>Risk: opposition to changes, intergenerational non-cooperation, trade union and works council opposition, incompetent managers</p> <p>Opportunity: greater competence and employability, greater engagement, satisfaction due to involvement into work dynamics</p> <p>Risk: increased volume of work, lack of staff and overloading of existing staff,</p> <p>Opportunity: engagement to cooperate in optimization of project management implementation, as this increases meaningfulness of the work and reduces work overload</p> <p>Risk: lack of staff, inadequate organization, resistance to introduction of changes (misunderstanding of initiatives),</p> <p>Opportunity: more engaged and efficient employees due to better organization of work</p>	<p>1. Implementing a comprehensive innovation system</p> <p>2. Involvement of employees through »mass innovation« system, education, information through internal media,...</p> <p>3. Internal and external trainings, systematic two-way communication, regular meeting with the Workers' Council, timely/prior coordination of interests, involvement in decisions</p> <p>4.»Education«/optimization of work of the existing staff, timely provision of new employees with appropriate qualifications, appropriate digital support</p> <p>5. Workshops, meetings, focused trainings</p> <p>6. Systematic and gradual development with the involvement of key employees already in the design of changes (»design thinking« workshops,...)</p>	<p>- faster introduction of meaningful sustainable development changes, higher added value and possible higher wages, meaningful investments, lower CAPEX and OPEX, higher profitability</p> <p>- reduction of the costs of their operation (coming to the workplace,...), higher engagement / satisfaction, lower costs due to absence</p>

3. Partner organizations and professional associations (electricity distribution operators, transmission network operators, CIGRE, CIRED, CCIS, education and research institutions)	<p>Risks: pursuit of partial solutions/ interests, disagreement regarding technological and organizational solutions</p> <p>Opportunities: desire to cooperate and reduce the risks of development and wrong decisions</p> <p>Risks: wrong, irrational solutions</p> <p>Opportunities: joints search for solutions, transfer of knowledge,...</p> <p>Risks: taking over key staff, Opportunities: joint action in development of competent staff</p> <p>Risks : more time needed for coordination</p> <p>Opportunities: transfer of knowledge and solutions, sharing the costs of development</p>	<ol style="list-style-type: none"> 1. Development partnerships in various projects 2. Participation in joint projects, trainings, demo events,... 3. Systematic agreement on staff development based on a clear ethical and professional code, agreements on staff rotations 4. Participation in projects within already established groups and wider. 	<p>- joint solutions and their implementation in support of green ESG, lower costs and risks of development</p> <p>- lower costs of development, joint implementation of solutions</p> <p>-adequate number and competence of staff for stakeholders, reputation and easier realization of the mission of participating stakeholders, more competent employees</p> <p>- lower costs of development, joint implementation of solutions</p>
4. Suppliers and development companies (including their employees)	<p>Risks : lack of understanding of specific needs of DO, big negotiating power of larger suppliers, instability of start-up companies</p> <p>Opportunities: desire / need for development cooperation in new areas, great »testing« potential of solutions for various purposes</p> <p>Risks: higher short-term operating costs, lack of understanding of ESG initiatives</p> <p>Opportunities: longer-term and more stable partnerships, long-term cost reduction, higher company reputation</p>		<p>- modernity of solutions with the potential of profitability in many (various) market segments, potential of more efficient investments</p> <p>- assistance in decarbonisation of companies, joint development, lower financing costs already in the short-term</p> <p>- possibility of involving a larger number of providers, clearer and timely information, more favorable prices in public tenders</p> <p>- modernity of solutions with the potential of profitability in many (various) market segments, more efficient investments, lower CAPEX and OPEX</p>
5. Municipalities, local communities and civil society	<p>Risks: higher short-term costs, misunderstanding,</p> <p>Opportunities: easier acceptance of new investment projects, siting of facilities,...</p> <p>Risks: problems with siting of facilities, higher costs due to additional requirements of the local community.</p> <p>Opportunities: optimization of joint construction of energy infrastructure, desire for timely and optimal solutions</p>	<ol style="list-style-type: none"> 1. Involvement of the local community and civil society in investment and other joint projects from the very beginning of preparation 2. Timely and transparent coordination of investment plans 	<p>- more optimal solutions for both nature and people, total savings in the comprehensive assessment of the investment</p> <p>- fewer (painful) interventions in space, their satisfaction due to involvement</p>

6. National institutions and regulators (government of RS, Ministries, AGEN)

Risks: insufficient financial resources for development and financial stability, inadequate regulatory environment that does not allow (quick enough) investing

Opportunities: provision or acquisition of additional financial sources, readiness for change due to commitments of the state to international community (EU, UN,...)

Risk: lack of financial resources for the implementation of RN, decreasing network charge revenues

Opportunities: tenders for co-financing

1. Proactivity with the regulator for appropriate regulatory change and the legislator to ensure an adequate systemic resource for RN funding

2. Proactivity with the regulator for appropriate regulatory change and the legislator to ensure an adequate systemic resource for funding RRI activities

- stable and appropriately dimensioned network, integration of renewable energy sources, fewer »penalties« due to non-fulfillment of national commitments, higher investments and consequently higher revenues (yield and depreciation or connecting power)

-realization of the country's sustainability commitments, lower development and network maintenance costs in the long-term, modern solutions, higher long-term profitability

-systematic solutions that will enable Slovenia to fulfill its ESG commitments and not »pay« fines, compliance with regulatory requirements, non-payment of »fines«

-alignment of DP with investment plan, better or timely implementation of state's commitments regarding the carbon footprint.

7. Financial community and owners (shareholders, SSH)

Risks: falling revenues and profitability with insufficient or inadequate financial resources

Opportunities: possibility of obtaining grants, improved financial and capital position and long-term financial stability of the company

Risks: short-term costs of investments, restructuring

Opportunities: lower financing costs from banks possibility of obtaining grants

1. Partnership cooperation with banks (also abroad) for the provision of »green« loans, which will also enable acquisition of grants, appropriate payment of dividends (definition in PN) in accordance with the legislation and company mission as well as its long-term value

2. Partnership cooperation, information, exemplary sustainable corporate governance according to ESRS standards

- development of sustainable network in accordance with DO Development Plan will enable an increase in the total RES connecting power in the network and with it decarbonisation

- resistance to climate change is achieved through network cabling, long-term financial stability, which enables the payment of suitable dividends and repayment of loans, positive financial effect

- greater long-term business and financial stability and profitability

8. Media

Risks: misunderstanding and possible negative interpretations,
Opportunity: broader understanding and development of broader support coalitions for the necessary changes

Risks: misunderstanding of initiatives and irrational expectations

Opportunity: enabling wider social support

1. Transparency and openness, pro-activeness in writing messages

2. Transparency and openness, pro-activeness in writing messages, invitations to active participation in demo events

3. Transparency and openness, pro-activeness /help in writing messages

- better conditions for better understanding of distribution activities and its importance in the wider society, interest of wider public and greater media exposure sustainable development

- better understanding of distribution activities and its importance in the wider society, interest of wider public



3.2 Responsibility towards employees

Responsibility, sustainable innovation and openness are our values 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, building of a culture of agility, and monitoring the engagement and employee satisfaction, are our main guidelines of the personnel management.

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 also recognized the importance of human resources management in our business strategy and defined »Human resource development and agile organizational culture« as one of our key strategic initiatives. We supported each strategic initiative with concrete goals and activities with the aim of acquiring, developing and retaining a sufficient number of the best employees to implement the strategy and development plans. We are developing our culture in the direction of agility, inclusion, mutual cooperation, assuming responsibility, innovation and goal orientation. We live our values and responsibly implement the strategy through operational plans and projects.

We respect equality, open information and cooperation. We place great emphasis on motivation and 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.

DATA ON EMPLOYEES OF ELEKTRO GORENJSKA GROUP

	2022	2023
Number of employees Dec 31	319	336
Average number of employees	318	323
Proportion of men	79.31%	79.4%
Proportion of women	20.69%	20.6%
Average age	45.0	45.3
Average years of service	22.7	22.5
Share of employees who received training and education	88.82%	94.7%
Average number of training hours per employee	17.76	27.29
Percentage of committed employees	36%	31%
Number of employed disabled people	8	9
Average level of education	6.29	6.35
Share of days lost due to sick leave (per employee)	3.96%	4.20%
Turnover	6.23%	6.48%
Percentage of annual interviews conducted	92.65	98.15
Number of activities and measures related to health promotion at the workplace	10	11

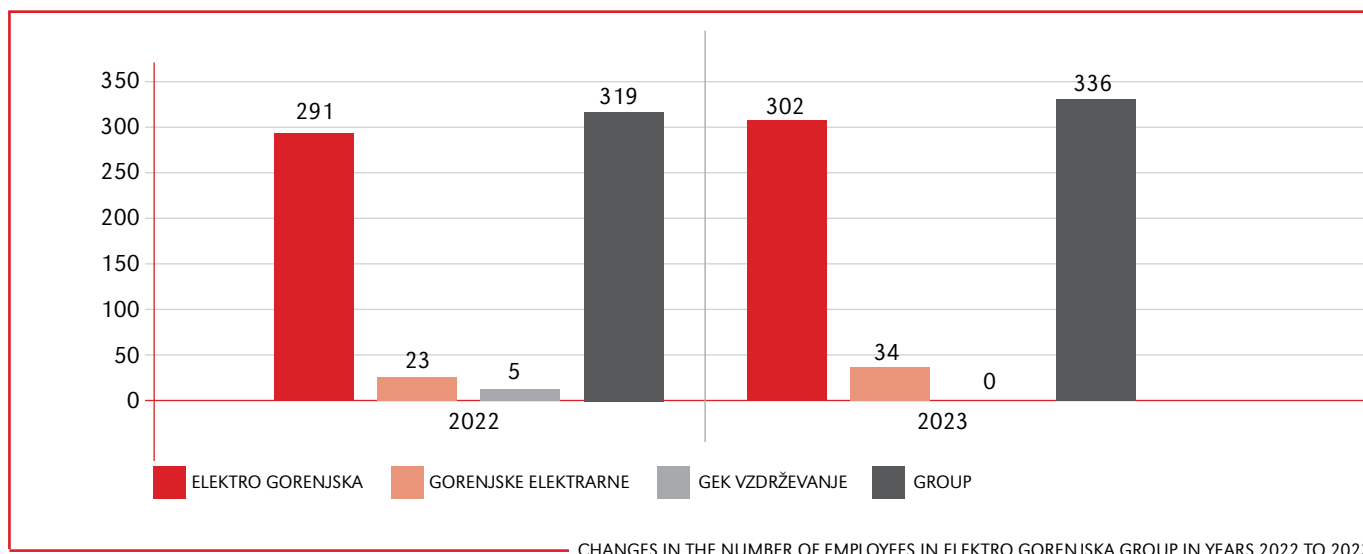
DEMOGRAPHIC STRUCTURE IN ELEKTRO GORENJSKA GROUP

On December 31 2023, Elektro Gorenjska Group had 336 employees. Compared to the situation as at December 31 2022, number of employees in the Group increased by 17 workers.

On December 31 2023, the Group had 4.46% of employees employed with fixed-term employment, which is by a good percent less than at the end of year 2022.

Following graph shows all the companies that made up the Elektro Gorenjska Group in 2023, until February 28, 2023. From March 1, 2023, the company GEK Vzdrževanje merged with the company Gorenjske elektrarne.

Fluctuation of personnel in the Group is small and in 2023 similar to the previous years. Departure of workers are mainly the consequence of retirement and to lower extent also of fixed-term employments, a minimal percentage represents departures at the request of the workers. Larger deviation was observed in 2023 in Gorenjske elektrarne Company as a result of the merger of their subsidiary GEK Vzdrževanje.



FLUCTUATION RATE IN ELEKTRO GORENJSKA GROUP

On December 31 2023 there were 9 disabled persons employed in the Group, which is one more than 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 18 disabled persons monthly, while in Gorenjske elektrarne where the statutory quota of disabled persons is 5%, one. Subsidiary GEK Vzdrževanje, which by February 28 2023 has had employed 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 2023 by concluding contracts with two social enterprises, we made use of the possibility of claiming the replacement quota fulfilment for a total of 41 disabled persons.

FLUCTUATION RATE IN ELEKTRO GORENJSKA GROUP

	2022	2023
Elektro Gorenjska	4.62%	3.46%
Gorenjske elektrarne	8.33%	32.43%
GEK Vzdrževanje	50.00%	-
Elektro Gorenjska Group	6.23%	6.48%



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 2023, 8,816 hours of training were provided for our employees.

In 2023, we made an important shift in the field of education. We switched to the use of a new e-learning platform that allows employees to review a wide range of content, more employees participated in various webinars and other digital forms of education and training. In year 2023 we continued with management training in the field of mastering the soft skills.

Average level of education in Elektro Gorenjska Group as at December 31 2023 amounted to 6.35 - with level 6 representing higher education.

8,816 Hours of training

EDUCATIONAL STRUCTURE OF EMPLOYEES IN ELEKTRO GORENJSKA GROUP AS AT DECEMBER 31 2023

	Elektro Gorenjska		Gorenjske elektrarne		Group	
Level of education 31. 12. 2023	Number	Structure (%)	Number	Structure (%)	Number	Structure (%)
doctoral level (8/2)	4	1.32	0	0.00	4	1.19
master's degree (8/1)	16	5.30	2	5.88	18	5.36
2. Bologna level (6/2)	66	21.85	12	35.29	78	23.21
1. Bologna level (6/2)	47	15.56	2	5.88	49	14.58
higher level (6/1)	61	20.20	7	20.59	68	20.24
secondary level (5)	71	23.51	11	32.35	82	24.40
three-year vocational level (4)	37	12.25	0	0.00	37	11.01
two-year vocational level (3)	0	0.00	0	0.00	0	0.00
primary school (1)	0	0.00	0	0.00	0	0.00
Total employees	302	100.00	34	100.00	336	100.00

3.2.1

Gender equality, diversity

Regardless of the activity in which we operate, we provide equal opportunities to all employees and other stakeholders, regardless of gender, race, religion, sexual orientation, nationality and other cultural differences. We follow our Gender Equality Action Plan.

3.2.2

Health and safety at work

We take care of maintaining and improving the health of employees and a safe and stimulating work environment. Year 2023 was no exception. We paid a lot of attention to building a healthy and safe working environment and training new employees.

We ensure safety and health at work through various measures, such as creating a risk assessment for all workplaces, conducting training for safe and healthy work, providing preventive health examinations, purchasing personal protective equipment, purchasing work equipment and tools, cooperation, consultation and education about safety and health at work and supervision of field work.

WE TAKE CARE OF SAFETY AND HEALTH AT WORK ON SEVERAL LEVELS

Year 2023 was marked by catastrophic weather conditions. Flooding, heavy rain and wind caused extremely demanding working conditions. Field workers were thus exposed to many dangerous situations, which in 2023 were the cause of most accidents at work.

We have prepared a Safety Statement with a Risk Assessment, which covers all jobs in our company. Jobs with a high risk for occupational safety and health are identified. To reduce the risk of injuries at work and dangerous events, we have planned various measures related to the safe and healthy performance of work.

WE TAKE CARE OF A HEALTHY AND SAFE WORKING ENVIRONMENT ABOVE THE STATUTORY LEVEL

Within the framework of the ISO 45001 standard, the Occupational Health and Safety Management Council, which has seven members, operates. Work of the Council represents an upgrade of the statutory obligations in the field of safety and health at work. In 2023, council members discuss the issue of injuries at work and dangerous events. They took necessary measures and introduced legislative requirements in the areas of safe and healthy work and fire safety into our internal regulations.

We conducted an internal audit of the ISO 45001 standard and participated in its external audit. Occupational Health and Safety Management Council implemented all the recommendation of the internal and external audit and has been warning employees about safe and healthy work performance.

Special care was given to external contractors and visitors. For each of these groups, we have prepared a risk assessment and certain measures to reduce the risk to safety and health at work. These measures include, among other things, documents for the safe execution of live work, written agreements, safety plans, instructions for safe work, etc.

HEALTHY AND SAFE WORK IS ACTIVELY CO-CREATED BY THE EMPLOYEES AS WELL

To ensure safe and healthy work within the framework of the Workers' Council, the Committee for Safe work, consisting of three of its members, operates. Committee solves the issue of safe and healthy work at the initiative of workers, which can be submitted in writing or oral.

In 2023, the Committee resolved issues related to the induction and training of new employees and the transfer of good practices among employees.

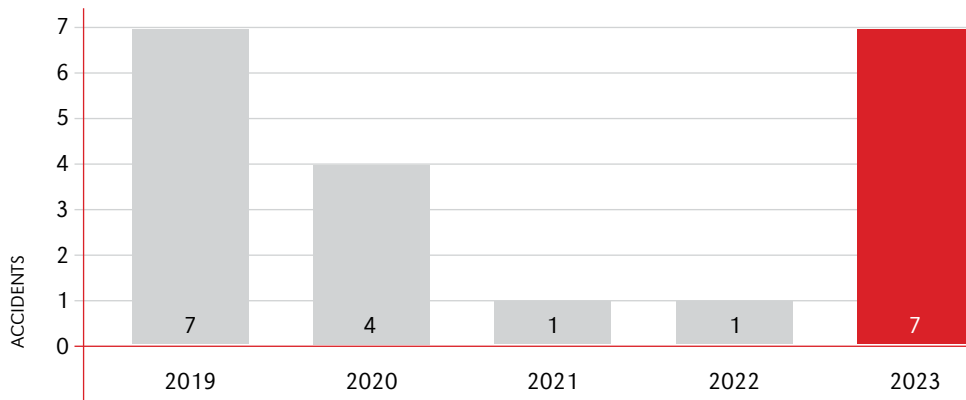
In 2023, the Committee continued to monitor the implementation and compliance with the content set out in the Instruction for the Safe Replacement of Fuses.

ACCIDENTS AT WORK

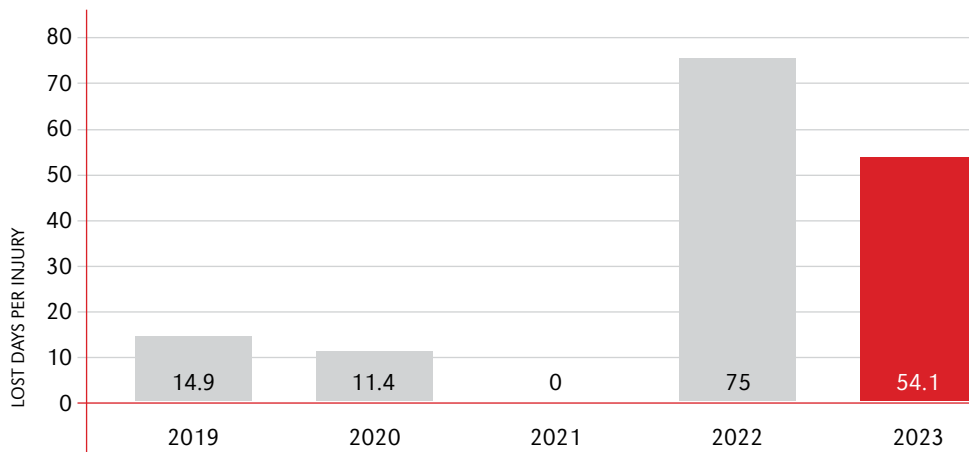
In 2023, seven injuries at work occurred in Elektro Gorenjska, of which five were minor, and two were of more serious nature. First serious accident occurred due to an electric shock, and the second due to a fire in the shaft. Both workers recovered well from their injuries, and their injuries did not leave lasting consequences.

Quality indicator Frequency of injuries, which tells us what percentage of workers were injured, was 2.33 percent. Quality indicator, which tells us how many working days we lost per injury, was 54 days.

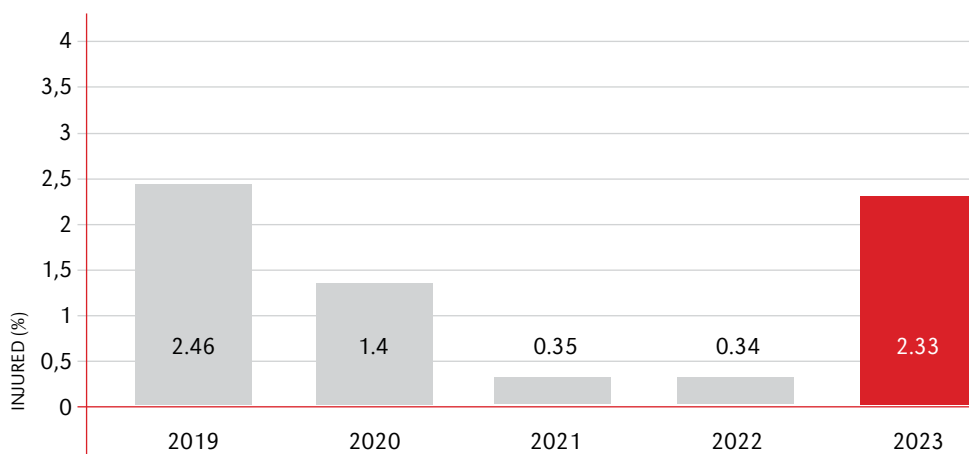
NUMBER OF INJURIES AT WORK IN COMPANY ELEKTRO GORENJSKA FROM 2019 TO 2023



SEVERITY OF INJURIES AT WORK IN COMPANY ELEKTRO GORENJSKA FROM 2019 TO 2023



FREQUENCY OF INJURIES AT WORK IN COMPANY ELEKTRO GORENJSKA FROM 2019 TO 2023



WE PROMOTE HEALTH AT THE WORKPLACE

Workplace health promotion operates under the auspices of a 5-member promotion implementation group.

We have developed a program for carrying out promotion activities, which the group refreshes once a year and proposes new measures for improvement.

In 2023, as part of the promotion of health at the workplace, we adopted a new measure that enables employees to exercise guided physical exercise in front of a screen twice a week for 15 minutes with the help of IT tools. Measure was well received by the employees.

3.2.3

We build an attractive and respectable employer image

We are aware that trained and competent employees are our most valuable resource and at the same time a competitive advantage. We operate in an industry where we face a shortage of personnel at the national level, especially in the fields of energy and IT. Finding and attracting new competent colleagues is one of the key challenges.

Due to the importance of the segment and the awareness of how important the area of personnel and its management is, the area of human resources management is one of the key strategic areas defined in our current business strategy. With the awareness that the areas in which we employ the most new employees are the most deficient, we carry out continuous activities to strengthen our attractiveness and desirability as an employer. We strengthen our visibility and reputation with the aim of attracting new and retaining competent employees.

In 2023, we participated in the Employer Attractiveness survey conducted by the companies Herman&partners and Competo. We ranked 27th on the employer attractiveness list, which is more than 20 places higher than the year before.

With this aim, in 2023 we organized the Transformator Summer School for the second time in a row, which represents our bridge with young talents and potential employees. It is an innovative human resources practice and a unique example of a multidisciplinary approach and mutual connection and cooperation with students in the electricity distribution industry.

We designed two strategic projects: Employees – Ambassadors of the reputation of the Elektro Gorenjska Group and Brand and Experience of the Elektro Gorenjska Employer, and approached the systematic and strategic building of the employer's brand. Through various activities, we influence the connection and engagement of employees, implement business strategy, attract perspective new colleagues, upgrade the process of recruitment and development of colleagues and communication with and between employees.

We combined our efforts under the umbrella of the Transformator project, which symbolizes our commitment to changing ourselves and the environment in which we operate.

We also recognized the importance of human resources management in our business strategy and defined »Human resource development and agile organizational culture« as one of our key strategic initiatives. We supported each strategic initiative with concrete goals and activities with the aim of acquiring, developing and retaining a sufficient number of the best personnel to implement the strategy and development plans. We are developing our culture in the direction of agility, inclusion, mutual cooperation, assuming responsibility, innovation and goal orientation. We live our values and responsibly implement the strategy through operational plans and projects.

3.2.4 Education on topics related to sustainability

Company will operate sustainably as much as its employees will operate sustainably. That is why we pay special attention to the education of our employees in this field.

Sustainability education prepares our experts and managers to solve complex challenges in the field of sustainable development, as they are key to creating strategies and projects that will contribute to a more sustainable future. Through sustainable education, our colleagues acquire the knowledge, skills and competences necessary for successful functioning in modern society. This includes understanding the concept of sustainability, the ability to analyze complex problems, critical thinking, communication skills and the ability to collaborate and resolve conflicts. Purpose of sustainability education is also to promote changes in the behavior of individuals

in the direction of more sustainable practices and includes, among other things, the reduction of resource consumption, the use of renewable energy sources, the reduction of waste, the promotion of circular economy and the improvement of social and economic justice. Sustainable education contributes to the development of a sustainable culture based on respect for nature, people and future generations. This leads to changes in the values, beliefs, norms and behaviors of individuals and communities and to the formation of a society that is more balanced and harmonious.

In 2023, we conducted 133 hours of training in the field of sustainable business and preparation of reports in accordance with ESRS standards.

3.2.5 Training and development of employees

WE EMPLOY STRATEGICALLY

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.

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 electro technical profession, or the electro technical and mechanical profession in the companies Gorenjske elektrarne and GEK Vzdrževanje.

WE MOTIVATE AND REWARD EMPLOYEES

With the goal of increasing employee engagement 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 labor 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 2023, we conducted annual interviews with more than 98% of employees, which is a significant increase compared to the previous year.

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. For many years, we have implemented an internal program to encourage innovation, within the framework of which employees contribute dozens of proposals and ideas for upgrading and improving our operations every year. In 2023, employees contributed 51 proposals as part of the program. 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.

WE ARE BUILDING AN AGILE ORGANIZATIONAL CULTURE AND EMPLOYEE ENGAGEMENT

In accordance with our business strategy, in year 2023 we paid special attention to the development of personnel and an agile organizational culture. Goals of this strategic orientation 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 systematically 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.

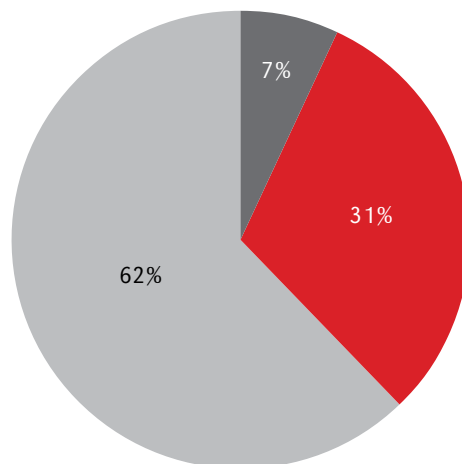
Feedback on comprehension of a working environment and relations in the company is received from employees by anonymous satisfaction survey every three years and employee engagement survey every year. In this way, with our colleagues we actively create optimal working conditions, as well as conditions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

Engagement is measured according to Gallup's methodology. Level of engagement 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 engagement. Based on the performed measurements, the Group has a higher percentage of committed employees compared to other Slovenian organizations.

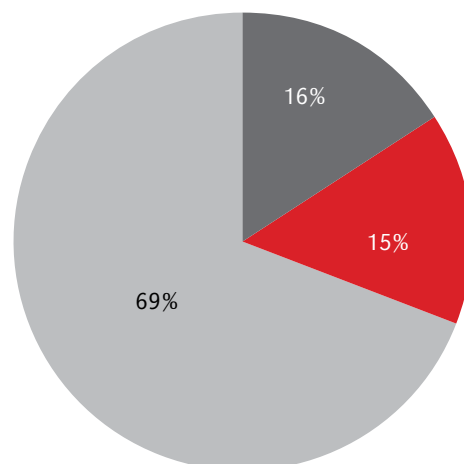
In 2023, on the basis of the excellent results achieved in measuring the engagement of our employees and the organizational climate, we received the Outstanding Organization 2023 certificate. With the help of comprehensive and systematic management of relations with employees, we have greatly improved the level of employee engagement in just over six years, and the results in the last survey increased as much as by nine times compared to previous years. These results place the Elektro Gorenjska Group among the best organizations.

DEGREE OF EMPLOYEE ENGAGEMENT IN THE MEASUREMENT CARRIED OUT IN 2023 IN COMPARISON WITH SLOVENIA AND WITH THE BEST WORLD ORGANIZATIONS

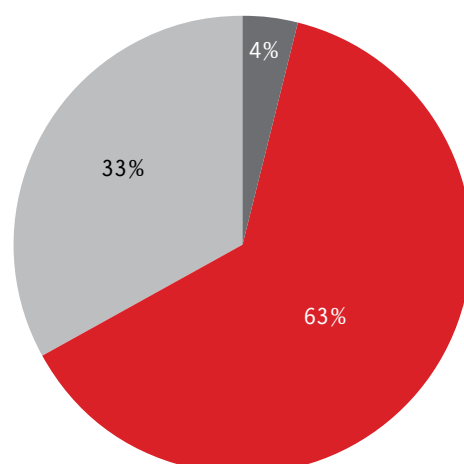
ELEKTRO GORENJSKA



SLOVENIAN AVERAGE



GALLUP TOP 33%



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 2023 is higher than in the previous year. Compared to 2022, unreimbursed absences increased by 17% on the average number of employees, and reimbursed by 39%. In 2023, 193 employees took sick leave at least once, which is 40 employees more than the year before. Average number of days of sick leave per employee is by two days higher than in 2021 and amounts to just under ten days.

In Gorenjske elektrarne (including GEK Vzdrževanje), total value of absences due to illness in 2023 was comparable to the previous year. Depending on the individual category, unreimbursed absences decreased by 34%, and reimbursed absences increased by 40%.

In 2023, employees in Elektro Gorenjska Company were on average absent due to illness 12 days. In Gorenjske elektrarne, sick leave was used by 23 employees, which represents 68% of all employees. Due to the small number of employees in the subsidiary, any absence represents a large impact on the average values.

3.2.6 We create a pleasant working environment

We provide support to the employees of the Elektro Gorenjska Group in various ways, including activities outside the work environment. We pay special attention to the operation of our sports club, the activities offered to employees by the Family Friendly Company certificate in the area of work-life balance, and activities in the area of health promotion at the workplace. With various forms of insurance, we take care of the social security of our employees. We support the activities of the Association of retired employees of the Elektro Gorenjska Group.

ELEKTRO GORENJSKA SPORTS CLUB - FOR A HEALTHY MIND IN A HEALTHY BODY

Sport has always been an invisible thread that firmly binds our colleagues together. Last but not least, this is also proven by successes achieved by our sportsmen and women at the traditional summer and winter games of Slovenian electricity distribution companies.

Elektro Gorenjska Sports Club, which has been operating for many years, unites more than 200 members. These are employees of the Elektro Gorenjska Group as well as our pensioners.

In accordance with the financial situation, the club enables various exercises, indoor sports and other forms of sport socializing, since its desire is to offer its members activities that they will gladly take advantage of and participate in, as many as possible.

Within the Elektro Gorenjska Sports Club, there are 14 sports sections covering various sports. Among the outdoor sports, the most active is the cycling section, which organizes two trips a year, and winter sports are also popular. Last year, we organized quite a

few cross-country skiing courses for employees. The most popular indoor sports are football and volleyball, but ninepin bowling, shooting and bowling are also available.

WE ARE A HOLDER OF FAMILY FRIENDLY COMPANY CERTIFICATE

We are aware that behind the success of companies are not only leaders, but also employees who are key in a certain work process. We believe that the Family Friendly Company certificate has a positive impact on employee engagement.

Since 2011, we have been a holder of the Family Friendly Company certificate, which, with a wide range of selected measures, represents an important tool for more efficient and better coordination of the professional and private lives of our employees. 16 measures are available to employees, which are adjusted and changed according to the needs of the employees. Holder of the Family Friendly Company certificate is the parent company, and the subsidiary company, due to the same policy in the field of social responsibility, has undertaken to implement all measures taken by the parent company.

INTERNAL COMMUNICATION LEADS TO BETTER INFORMATION AND CONNECTION

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. Effective communication with employees also contributes to uniform external communication of the company and its positive image.

We plan and manage internal communication 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 a long time;
- monthly e-newsletter – the E-monthly with all the information about what is happening in the company;
- quarterly printed newsletter Elgo, 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 company ELES six times a year, which is intended for broader topics in the energy industry;
- various events for employees, which are social and educational in nature.

WORKPLACE HEALTH PROMOTION

In 2023, 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 six 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 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.

With the awareness that health care is a valuable investment for individuals and companies, we took care of it with various activities in 2023. On the initiative of the employees, all employees received a gift, a thermal bottle, on World Health Day. We enabled employees to have individual consultations with a doctor for examination of pigment marks, vaccination against tick-borne meningoencephalitis and seasonal flu. From the second half of 2023, exercise, a 15-minute active work break, is available to all employees twice a week online. Importance of health is promoted through posters in the healthy corner, as well as through announcements on the internal website.

WE PROVIDE SOCIAL SECURITY

Regulation and implementation of the principle of employee social security is part of our business policy. One of the segments that takes care of the good social condition of the employees is also the joint decision of the social partners to agree on the financing of additional pension insurance for employees in the energy sector and thus also in the Elektro Gorenjska Group.

All our employees are insured against accidents, they can take part in voluntary insurance in case of serious illness and surgical procedures, as well as in insurance for specialist examinations. Participation in voluntary supplementary pension insurance increases the social security of employees during retirement. We stay in touch with our pensioners

We encourage and financially support the activities of the Elektro Gorenjska Pensioners Association, which has been operating since 2006. Members organize various activities, informative and sports trips, visit sick and elderly members and help relatives in various ways.

WE BUILD AN OPEN DIALOGUE WITH SOCIAL PARTNERS

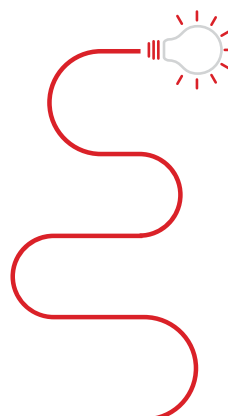
Company Elektro Gorenjska has an » Agreement on the Participation of Workers in Management« (Participation Agreement), which, among other things, also determines the powers of the Workers' Council.

Competences of the Workers' Council in management are realized in several ways, as follows:

- with the right to initiative and responses to this initiative,
- with the right to information,
- with the right to give opinions and suggestions and the right to get response to them,
- with possibility or obligation of consultation with employer,
- with the right to co-decide.

Workers' participation in the management of the company's bodies is realized through workers' representatives in the supervisory board.

Meetings of the Workers' Council are held as necessary, but at least before the meetings of the supervisory board. Management of Elektro Gorenjska and union representatives are also usually invited to these meetings.



We are aware that behind the success of companies are not only leaders, but also employees who are key in a certain work process.

3.2.7

Workers in the value chain

We take care of the timely and economical ordering of materials and services and the implementation of public procurement procedures. Purchases of larger values are carried out in accordance with the provisions of the Public Procurement Act, and orders below the threshold values for public procurement are carried out in accordance with the provisions of the internal regulations. We take care of the entire ordering process, from receiving the request for an order, preparing invitations to submit an offer or documentation related to the award of a public contract, contract proposals, etc., all the way to concluding and assigning signed contracts to administrators. We encourage our employees to recognize opportunities in the environment and to order materials and services that have a lower impact on the environment and that ensure savings in natural resources, materials and energy. By monitoring legislation and practice and by participating in various seminars in the field of ordering, we upgrade our knowledge and experience and take care of personal development.

On the basis of the provisions of the Regulation on Green Public Procurement, we already pursue environmental and sustainable aspects in the procurement of certain types of goods (e.g. passenger and cargo vehicles, computer equipment, distribution transformers) and services (e.g. cleaning of business premises).

We also consider the social aspect and respect for human rights. In the tender documentation for the provision of security services, we took into account, as criteria for selection, whether the individual provider has a concluded and valid collective agreement, the proportion of young and elderly employees. In the case of individual special and social services, we also considered the possibility of valorizing and otherwise fixed price, namely in such cases the price per month can be changed by mutual agreement, if the amount of the minimum wage is changed according to the Minimum Wage Act, i.e. for the difference in the amount of the minimum wage set for individual year.

3.3 Responsibility towards network users

Ensuring efficient and reliable electricity supply to users is our first concern. Key to achieving this goal is responsibility towards our customers, which is based on mutual trust, transparency and care for their needs and interests.

WE GUARANTEE QUALITY ELECTRICITY SUPPLY

We ensure this by regularly maintaining the network, responding quickly to potential failures or outages, and continuously improving our infrastructure to reduce the number of interruptions and improve system stability.

WE COMMUNICATE TRANSPARENTLY AND OPENLY

We believe in the importance of transparent and effective communication with our users. We regularly inform the public about planned maintenance works, innovations in the network and potential problems that could affect the supply of electricity. In addition, we are always available to answer questions and provide information to our customers.

We respect the opinion of our users, we are open to their complaints and feedback. We have a process in place to effectively deal with complaints and resolve any issues, ensuring a high level of satisfaction among our customers.

WE PROMOTE SUSTAINABLE USE OF ENERGY

We offer our users support in saving energy and promote the sustainable use of electricity. By promoting energy efficiency, using renewable energy sources and education about sustainable energy practices, we encourage responsible energy management among our customers.

WE PROVIDE SUSTAINABLE ENERGY

By constantly improving our services and approaches to providing responsible electricity supply, we aim to be a source of sustainable energy for our users. By constantly listening to the needs of our users, following trends in the industry and looking for innovative solutions, we will continue to build trust and reputation as a reliable and responsible manager of the distribution network in Gorenjska region.

We are committed to a responsible attitude towards network users based on quality, transparency, communication and support in energy saving. Therefore, we will continue to maintain high standards and constantly improve our services, thus meeting the expectations and needs of our customers and contributing to the sustainable development of the company and the environment.

3.3.1 Local partnerships

Elektro Gorenjska has a unique place in Gorenjska region. We are an organization that connects municipalities in Gorenjska region. Caring for Gorenjska has been our first concern for six decades. We accept the opportunity to support Gorenjska region in the current challenging times with our expertise, experience and innovation as a great responsibility. With the goal of becoming a green region, we want to create an example of good practice in Europe and create a competitive environment for all our stakeholders. That is why we enter into close collaborations and partnerships with local organizations, communities and municipalities.

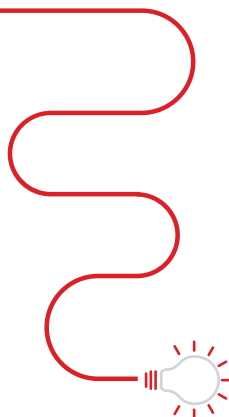
We are a development partner, a demonstration ground and a pilot environment for the development and testing of innovations in the field of sustainable urban transformation and emission-free mobility in the Gorenjska region (e.g.: Pametna Mlaka, project RESHub, Creators, Biosphere area of the Julijan Alps etc.).

In 2023, the Council of the Gorenjska region, which unites all the municipalities of the region, took an important step at our initiative and decided to prepare a joint action plan of measures in the field of energy infrastructure for the sustainable transition of Gorenjska region. Elektro Gorenjska will professionally guide and support the municipalities in the preparation for this extremely important document for the Gorenjska region, as we believe that the answer to a sustainable energy transition lies in integration and cooperation.

We work closely with the municipalities of Gorenjska region on their development plans. For example, in 2023 we collaborated with the Municipality of Kranj (MOK) on a number of projects on the way to achieving its goals- to become a smart city and an energy-neutral municipality. As part of the reconstruction of the small Standard hydroelectric power plant on the Kokra River, in cooperation with the MOK, we improved the surroundings and installed electric chargers for buses. On our 60th anniversary, we donated four »smart« benches, we supported the greening of the municipality by planting trees in the green belt near our office building.

In the Kranj Old Town, we also collaborated with the Institute for Tourism and Culture of Kranj in the design and launch of a new, very innovative project to adapt manhole covers, which will serve both touristic and educational purposes.

As stated in our new strategy, in the future we will place even greater emphasis on sustainable operation and cooperation with our stakeholders, such as network users, employees, partner organizations, professional associations, suppliers, municipalities and the local environment. We are aware that we have the power and responsibility to positively influence others through our actions. Therefore, in the future, we will be even more committed to creating solutions in close partnership with the local environment, which will go beyond the limits of our basic activity and will benefit the wider society and nature.



We are a development partner, a demonstration ground and a pilot environment for the development and testing of innovations in the field of sustainable urban transformation and emission-free mobility in the Gorenjska region

3.3.2

We support the local community through sponsorships and donations

In accordance with our strategic directions, we take into account the principles of social responsibility and the needs of the social environment. We support the operation of regional non-profit organization, associations, institutes and clubs in the field of sports, culture and education, healthcare, humanitarian projects and other socially beneficial activities. We identify opportunities in projects where we can contribute to the wider progress of society and Gorenjska region with our knowledge, financial or other resources.

Sponsorship projects are selected on the basis of a rulebook that defines criteria of quality and social relevance. In doing so, we take into account the short- and long-term effects of these activities on us as well as the local community and the environment in which we operate.

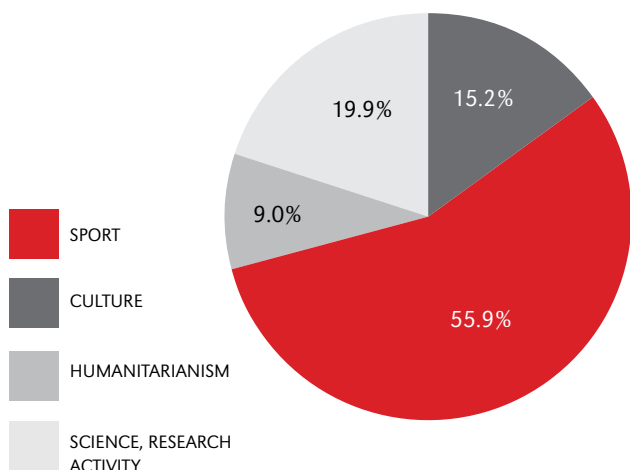
In year 2023 there was a total of 101,545 € of funds allocated to sponsorships and donations. We allocate more than half of our funds to sports projects, as we believe that they have a significant impact on the healthy development of all generations.

In doing so, we follow the rules of transparency and openness, which is why we publish all sponsorship and donation projects on the company's website, at the following link:

<https://www.elektro-gorenjska.si/o-skupini/elektro-gorenjska/katalog-informacij-javnega-znacaja-javne-objave/objave-po-11-odstavku-10-a-clena-zdjz>



DISTRIBUTION OF SPONSORSHIP AND DONATION FUNDS BY GROUPS IN ELEKTRO GORENJSKA GROUP IN 2023



OUR SPONSORSHIPS

Elektro Gorenjska Group allocated 25,113 € for sponsorship projects in 2023, the majority of the funds were allocated to sports projects in Gorenjska region. We traditionally support the Kranj Cycling Club, the Triglav Kranj Basketball Club, the Triglav Kranj Volleyball Club, the Jesenice Hockey Skating Club and other smaller sports associations and clubs.

In the field of culture, in 2023 we supported two major projects of the Institute for Tourism and Culture of Kranj and smaller local events prepared by the municipalities.

In 2023, we also supported several professional projects related to energy activity. Thus, we were a sponsor of the CIGRE CIRED conference of the Slovenian Association of Electric Power Engineers on the topic of the role of hydrogen in the Slovenian energy future, the Slovenian Energy Forum organized by Transformation Lighthouse, the Innovation Day event organized by the Chamber of Commerce of Slovenia – Regional Chamber of Gorenjska region and the international conference BledCom, organized by the Faculty of Social Sciences.

OUR DONATIONS

In 2023, the Elektro Gorenjska Group allocated 76,432 € for donations. Due to numerous weather inconveniences and, as a result, numerous natural disasters, we used financial resources to help various volunteer fire brigades and mountain rescue associations in Gorenjska region, which are the first to provide help in the event of accidents, when people's safety, health and life are at risk. We helped them buy urgently needed equipment and vehicles.

Sport is an extremely important factor through which values such as fair play, concern for a healthy lifestyle, equality, a positive attitude towards society and the environment, etc. are created.

We also demonstrate social responsibility by supporting cultural and development research projects. In 2023, we thus supported the IET Digital 2023 Summer School project, organized by the Faculty of Economics from Ljubljana, where we actively collaborated with the content addressing the energy future.

Every year we support non-profit, non-governmental and non-political organizations. For more than a decade, we have been linked by cooperation with the Neodvisen.si program, which empowers generations on the traps of addiction, present actual situations, and above all, with the help of experts, offers help to families and individuals in crisis situations. Together with our business partners, we financially support the operation of the program every year. In 2023, the Elektro Gorenjska Group allocated 8,000 € for the operation of the program.

4

● Economic aspects





4.1

Analysis of the business environment

Our operations are significantly affected by both the general economic situation and the specific operating conditions dictated by the regulations in the field of electricity.

Indicators for the Republic of Slovenia	2023	Spring Forecast (February 2024)		
		2024	2025	2026
GDP (real growth, %)	1.6	2.4	2.5	2.6
Employment (growth %)	1.2	0.7	0.6	0.5
Unemployment (rate %)	5.0	4.8	4.8	4.7
Inflation (Dec/Dec, %)	4.2	3.1	3.1	2.1
Inflation (average of the year, %)	7.4	2.7	3.4	2.2
Gross salary per employee (real growth, %)	2.1	4.1	2.2	2.3
Labour productivity – GDP per employee (real growth, %)	0.4	1.7	1.8	2.2

Source: UMAR – Spring forecast of economic trends 2024, February 2024)

*In the Spring Forecast 2024, statistical data, information and adopted measures, known until February 15 2024, were taken into account



Economic growth in the euro area slowed down significantly in 2023. After a period of high post-epidemic growth, economic activity began to decline in late 2022, leading to stagnation in 2023. Slowdown in growth was the result of several factors, including the reduced purchasing power of households in the face of high inflation, stricter financing conditions due to the strong tightening of monetary policy, the partial withdrawal of fiscal support, and the decline in external demand. Although the European Central Bank has focused on easing inflationary pressures since October 2023 and has stopped raising central interest rates, it is continuing the gradual normalization of monetary policy in other areas. Forecasts by international institutions for economic growth in Slovenia's most important trading partners for 2024 point to stronger GDP growth compared to last year. In recent years, Slovenia has taken extensive measures of a public financial nature to mitigate various crises and the consequences of natural disasters. Considering the stabilization of the prices of energy products and their sufficient availability, only some measures are planned in 2024 to reduce the impact of energy soaring prices, while the reconstruction after the floods will take a longer time.

In Slovenia, economic growth slowed down to 1.6% in 2023, after it amounted to 2.5% in 2022. Year 2023 was characterized by high growth in investments and construction activities, as well as growth in state and private consumption that exceeded expectations. Extent of the decrease in goods export was much lower than the autumn forecasts, which was partly the result of uncertainty on international markets, slower growth in Slovenia's main trading partners and the worsening competitiveness of Slovenian exporters due to cost pressures.

In 2024, economic growth is expected to increase to 2.4%. Further growth in investments, easing of inflationary pressures and recovery of foreign demand will have a positive impact on economic activities, but the speed of recovery is somewhat slower than the autumn forecasts. In the next two years, slightly higher GDP growth is expected (2.5% in 2025 and 2.6% in 2026).

In 2023, with the cooling of economic activity, employment growth also moderated (from 2.9% in 2022 to 1.2%) and the number of registered unemployed decreased (from -23.8% to -14%). It is expected that in 2024, the trend of slowing employment growth and falling unemployment will continue. In the coming years, more visible employment growth will be limited mainly by labor shortages related to demographic trends. In 2024, an average employment growth of 0.7% is expected, which is less than last year (1.2%), and the average number of registered unemployed will be at the level of 2023. Employment will not increase significantly in the next two years either, and the labor shortage will be slightly favored by some measures to facilitate the recruitment and acquisition of foreign labor, which should be further strengthened. Similar to the previous year, employment growth will be mainly the result of hiring foreigners.

Real growth in average gross wages will moderate toward the end of the forecast period, but will be higher than in the past period when labor shortages were less critical. Average gross salary will nominally increase by 6.9% (in real by 4.1%). Over the next two years, overall wage growth will moderate as a result of easing price pressures and efforts by companies to improve competitiveness, which has weakened in recent years. Forecasts of growth in gross wages are associated with considerable risks, especially due to the possible persistence of inflation, greater pressures on the labor market due to limited supply and the implementation of the reform of the wage system in the public sector.

Inflation gradually moderated to 4.2% in 2023, while price growth was still relatively broad-based, with only energy prices falling. Although inflation dropped from around 10% at the start of the year to 4.2% by December, it was still above the euro area average. Inflation is expected to moderate gradually for most of 2024, but due to the base effect and the expiration of past measures to contain high energy prices, it will pick up towards the end of the year and early next year. It is estimated that it will not approach 2% until 2026.

Realization of the Spring Forecast is associated with certain uncertainties arising from geopolitical and economic conditions in the international environment, which may affect the speed of the expected recovery and moderation of inflation in trading partners. There are also uncertainties in the domestic environment, related to the deteriorating competitiveness of the export sector of the economy, the capacity to carry out high investment activity of the country in the coming years, and the vagueness of some reform measures. Risks to economic growth in the euro area and in Slovenia are also related to the possible persistence of elevated inflation, which can be aggravated by several factors, including faster growth in labor costs, which would further threaten the weakened competitiveness of the Slovenian export sector. Potential for higher economic growth comes primarily from the possibility of a faster reduction in inflation, a more effective labor force attraction, and a more successful absorption of EU funds together with the implementation of reform measures.

4.2 Important results and key indicators in 2023

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 DO. In accordance with the strategy of the Elektro Gorenjska Group, we place increasing emphasis on unregulated or market activities as well.

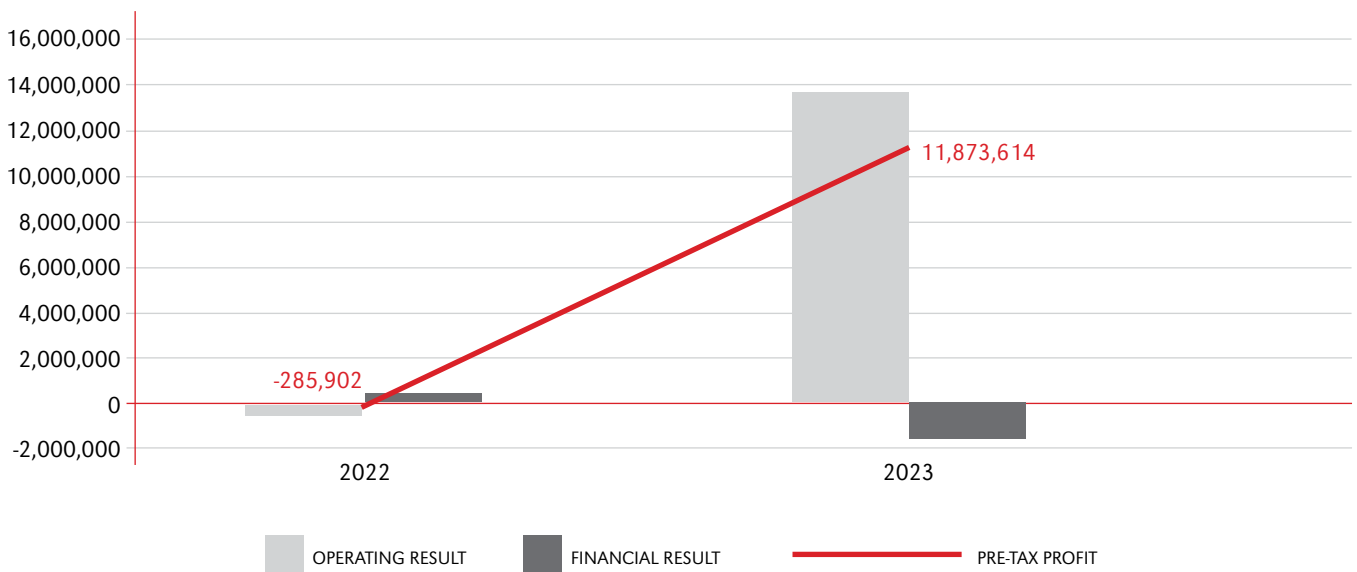
IMPORTANT RESULTS AND KEY INDICATORS

	Company EG		EG Group	
	2022	2023	2022	2023
Business indicators				
Net financial debt/ EBITDA	5.9	3.1	4.0	1.8
Current ratio (in %)	0.9	0.8	1.1	1.3
Value added (in 000 €)	22,101	33,379	27,402	44,665
Share of labour costs in value added (in %)	60.6	46.0	54.3	38.0
EBITDA (in 000 €)	8,715	18,026	12,530	27,672
ROA (in %)	-0.8	2.1	0.1	4.0
ROE (in %)	-1.1	3.2	0.1	6.0
Operating revenues per employee (in €)	104,745	153,380	125,480	195,850
Value added per employee (in €)	76,584	113,856	86,327	138,316
Profit and loss statement (in 000 €)				
Operating revenues	30,227	44,966	39,830	63,244
Operating expenses	33,365	39,492	40,413	49,660
EBIT	-3,138	5,474	-583	13,584
Cash flow statement	345	-160	297	-1,710
Net profit for the financial year	-1,900	5,386	248	10,726
Statement of financial position (in 000 €)				
Assets	247,732	260,197	255,148	280,305
- long-term assets	233,338	243,742	235,094	248,367
- short-term assets	14,147	14,974	20,054	31,937
Capital	166,546	170,316	173,887	182,985
Debts	81,186	89,881	81,262	97,320

4.3

Analysis of the
Group's operations
in 2023ELEKTRO GORENJSKA GROUP INCOME AND
EXPENDITURE ACCOUNT ANALYSIS

In year 2023, Elektro Gorenjska Group realized a pre-tax profit in the amount of 11,874 thousand €.

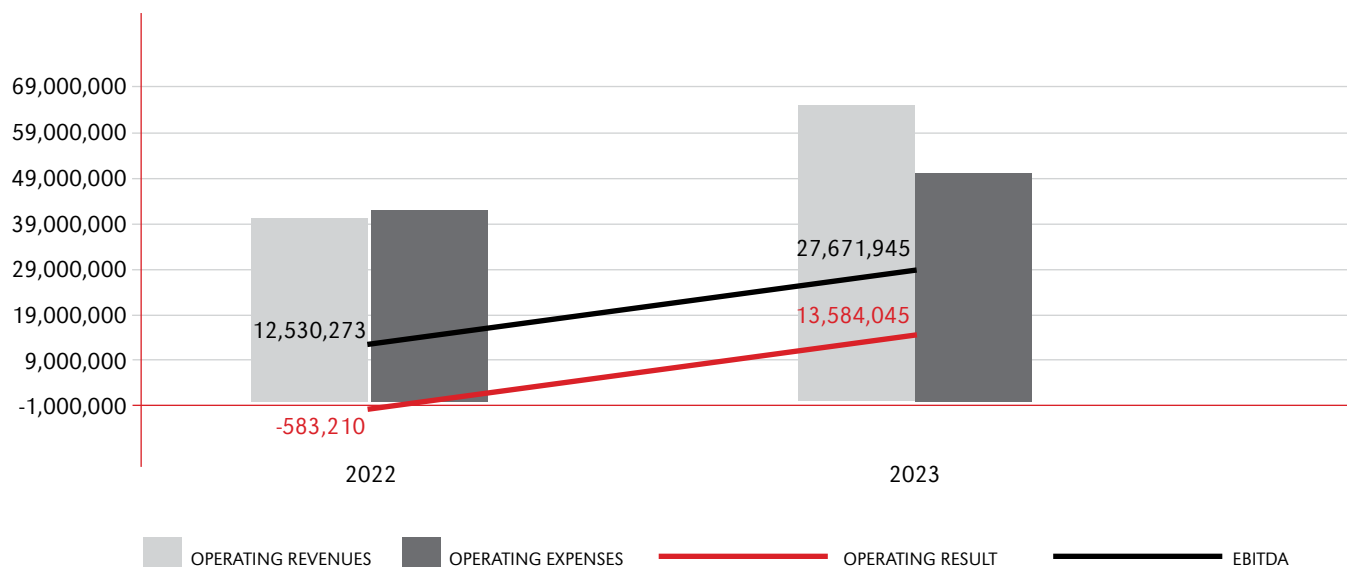


COMPOSITION OF PROFIT OR LOSS (IN €) IN YEARS 2023 AND 2022

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 DO and electricity production.

11.8 million €

Pre-tax profit of Elektro Gorenjska
Group in 2023



OPERATING PROFIT OR LOSS (IN €) IN YEARS 2023 AND 2022

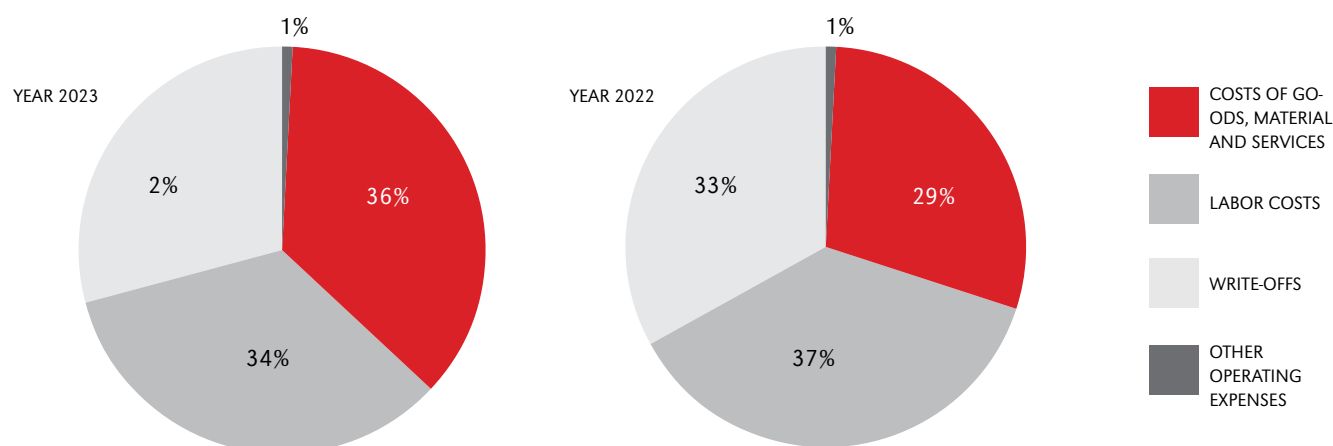
Operating profit or loss (EBIT) in 2023 amounted to **13,584 thousand €**. Compared to 2022, it was higher by as much as 14,167 thousand €, mainly due to higher operating revenues. Operating revenues were higher in 2023 due higher revenues under the contract with DO, from electricity sale and higher revenues from market projects. In 2022, due to the Act Determining Emergency Measures to Mitigate the Consequences of the Impact of High Energy Commodity Prices, revenues under the contract with DO were reduced by as much as 9.9 million €

EBITDA, as an approximation of cash flow, amounted to **27,672 thousand €**, which is by 15,142 thousand € more than in 2022.

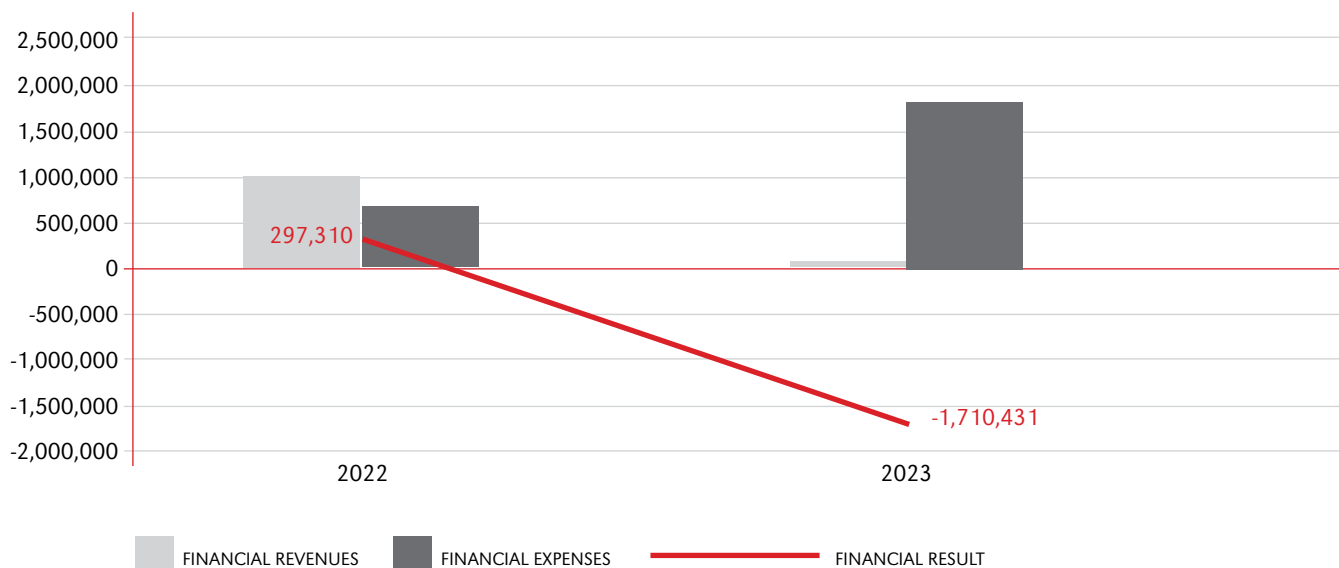
In 2023, Elektro Gorenjska Group generated 63,244 thousand € in operating revenues. Net sales revenues amounted to 55,076 thousand € and were by 59.91% higher than in 2022. Main part of net sales revenues is represented by revenues from the lease of electricity distribution infrastructure and services provided to ELES. In 2023, these revenues amounted to 33,961 thousand € and were by 45% higher than in 2022, 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 6,133 thousand €, which is 71.9% more than in 2022. Other operating revenues amounted to 2,035 thousand €, which is by 23.9% more than in 2022. Main reason for higher other operating revenues is mainly the reimbursed damages from the insurance company.

In 2023, operating expenses amounted to 49,660 thousand €, which is by 22.9% higher than in 2022. Largest share of operating expenses represents costs of goods, materials and services, which in 2023 amounted to 17,951 thousand €. Compared to the previous year, they are higher by 51.1%, which is the result of a larger volume of in-house investments and a larger number of projects for the market. In 2023, labour costs amounted to 16,993 thousand € and were by 14.3% higher than in 2022. Costs were higher due to higher number of employees and wage adjustment. In 2023, write-offs amounted to 14,088 thousand €, which is by 7.4% more than in 2022. Among them, depreciation costs on account of new investments were higher as well as revaluation operating expenses. Other operating expenses amounted to 628 thousand €. Largest share among them is the cost of provisions related to the denationalisation of HE Sava.

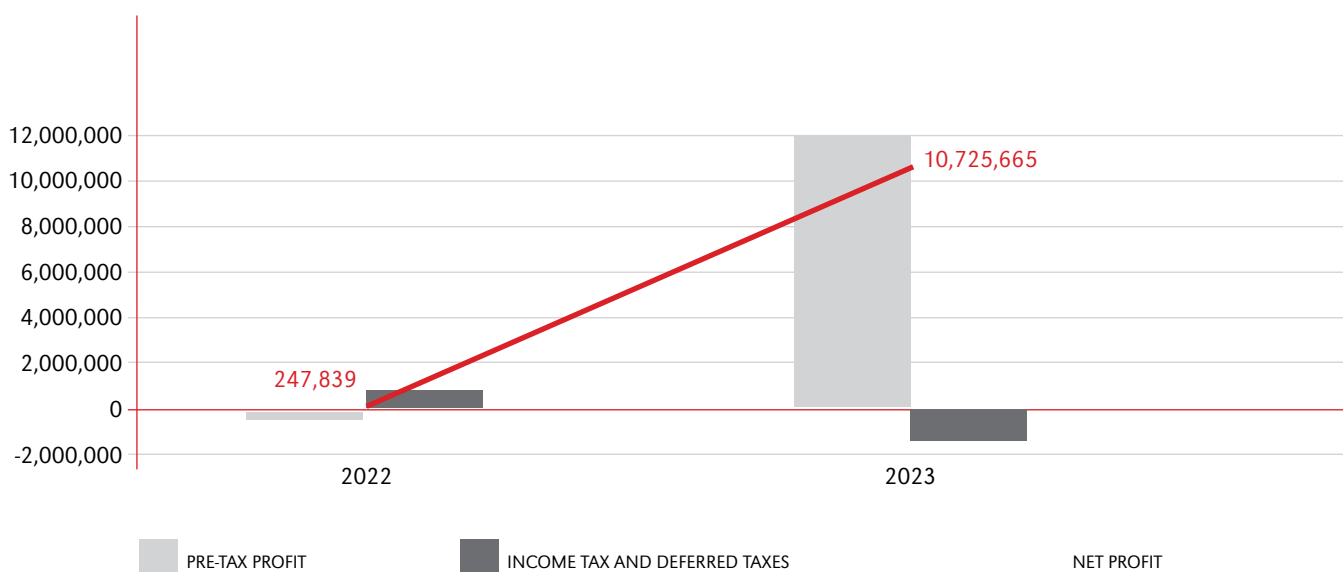


STRUCTURE OF OPERATING EXPENSES



FINANCIAL RESULT IN YEARS 2023 AND 2022 (IN €)

Financial result in year 2023 was negative and it amounted to 1,710 thousand €. Negative result was mainly influenced by interest for loans received from banks for financing investment. Positive result in 2022 was mainly influenced by financial income from the shares of associated companies.



NET PROFIT IN YEARS 2023 AND 2022 (IN €)

In 2023, the Group realized a net profit of 10,726 thousand €, while in 2022 it realized a net profit of 247 thousand €. Net profit is higher than in 2022 due to higher revenues under the contract with DO, higher revenues from the sale of electricity and a larger volume of projects for the market.

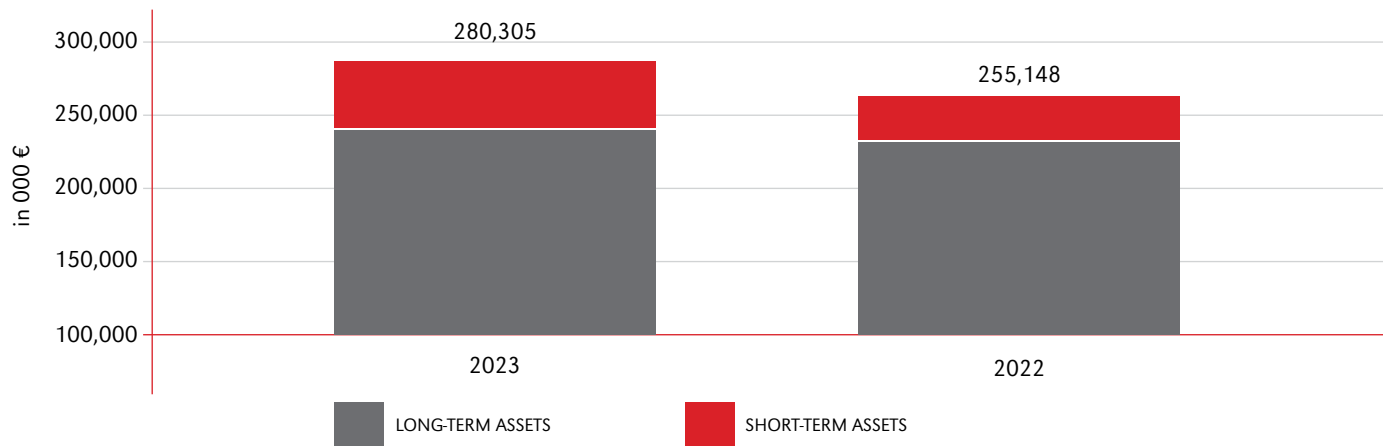
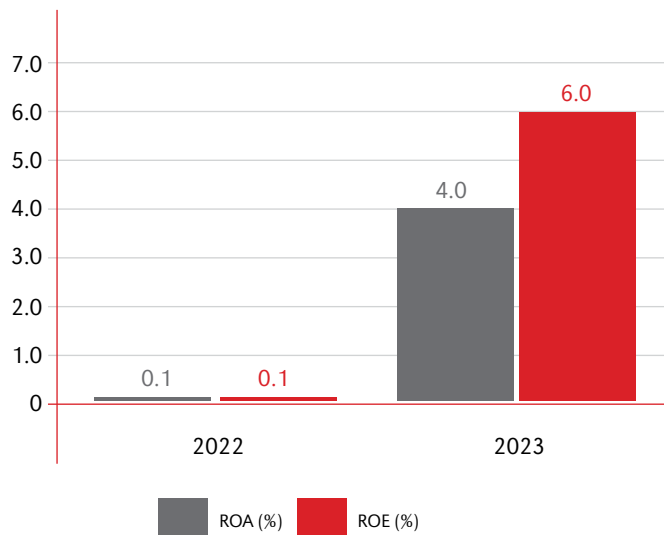
**Net profit of Group
Elektro Gorenjska
in 2023**

10.7 million €

Values of indicators **ROA** and **ROE** are significantly higher in 2023 compared with 2022. As of December 31 2023 the value of indicator ROA amounted to 4.0% and value of indicator ROE to 6.0%, which is significantly more than at the end of 2022, when indicators ROA and ROE amounted to 0.1%. Values of the indicators are higher mainly due to higher revenues. 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.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION OF THE ELEKTRO GORENJSKA GROUP

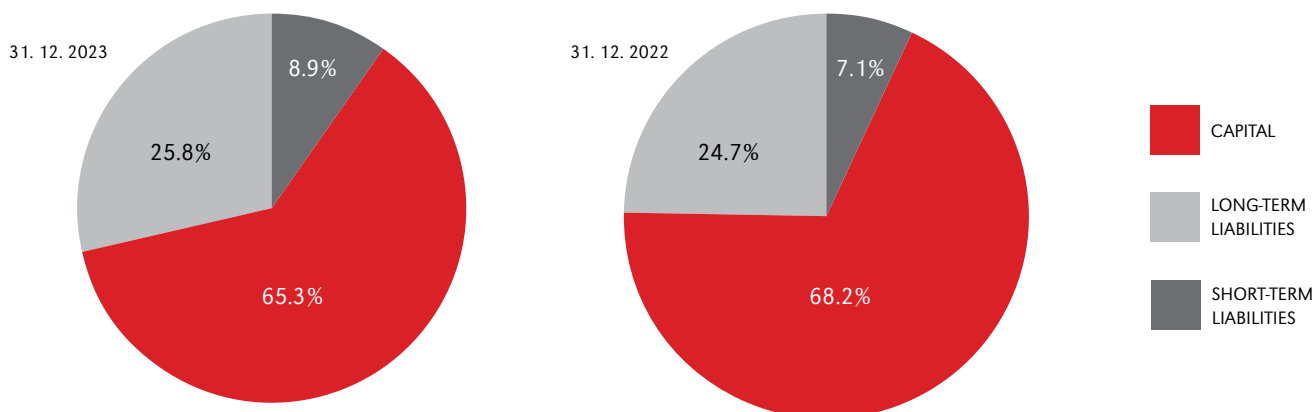
On the last day of year 2023, the **value of assets** of Elektro Gorenjska Group amounted to 280,305 thousand € (December 31 2022: 255,148 thousand €) and have increased by 9.9% from the beginning of the year. Long-term assets increased by 5.6% in year 2023, while short-term assets by 59.3%. Ratio between the equity and debt capital at the end of 2023 amounted to 2:1, which is the same as at December 31 2022.



STRUCTURE OF ASSETS AS OF DECEMBER 31 2023 AND DECEMBER 31 2022

Long-term assets represent 88.6% of all Group's assets. Among them tangible fixed assets, representing 96.7% of all long-term assets, are the most important. Value of tangible fixed assets increased by 13.2 million € as investments in 2023 exceeded the value of depreciation.

Short-term assets represent 11.4% of all company's assets. Compared to the end of 2022 they have increased by 11.9 million €, namely mainly due to higher short-term receivables and higher cash and cash equivalents.



STRUCTURE OF FUNDS AS OF DECEMBER 31 2023 AND DECEMBER 31 2022

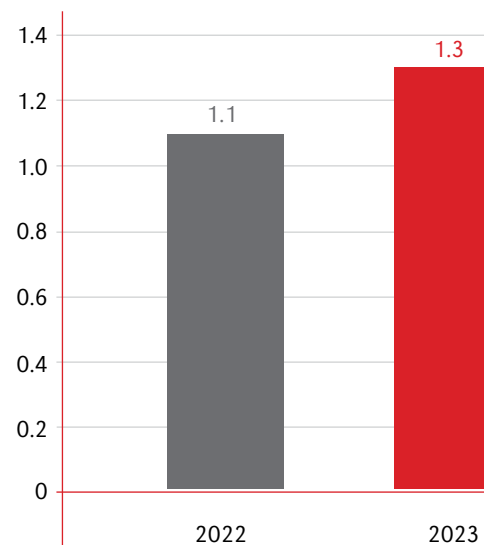
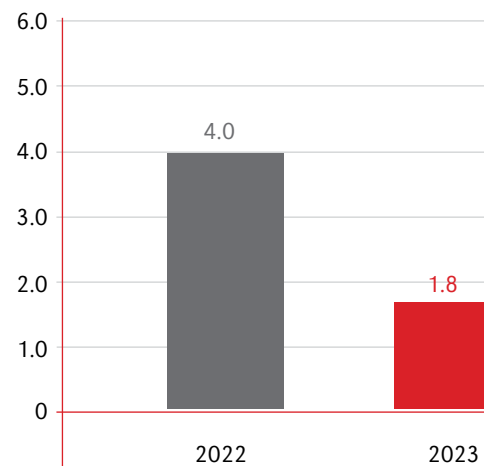
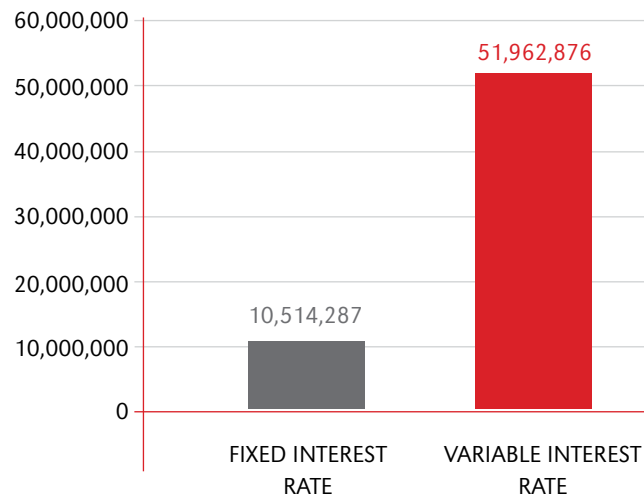
Within liabilities, capital presents 65.3%. In 2023, the value of capital increased by 5.2% or 9.1 million €. Change in the value of capital is mainly influenced by the net profit generated in the period under review.

Long-term liabilities, the vast majority of which are long-term financial liabilities to banks, as at December 31 2023 accounted for 25.8% of all funds. In 2023, they increased by 14.6% or 9.2 million €, because less principal of existing loans was repaid than the amount of a new loan. As at December 31 2023, the Group has 17% of long-term loans with a fixed interest rate.

Short-term liabilities accounted for 8.9% of all funds at the end of 2023. Compared to their balance on the last day of 2022, they increased by 37.6% or 6.8 million € mainly due to the increase in short-term operating and financial liabilities.

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 2023, this amounted to 1.8, which is by 2.2 percentage point less than at the end of 2022. 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.

Current ratio shows the solvency. At the end of 2023, it amounted to 1.3, which is a bit more as on the last day of 2022, when it amounted to 1.1. Recommended value of the current ratio is equal to 1.



Net financial
debt of
Elektro
Gorenjska
Group

4.4

Our investments in sustainable projects

In 2023, investments of Elektro Gorenjska Group amounted to 29.0 million €, of which investments of the company Elektro Gorenjska were 23.2 million €.

In 2023, 16.1 million € worth of investments of company Elektro Gorenjska and 5.6 million € of Gorenjske elektrarne, according to Commission Regulation (EU) 2021/2139, represented the so-called green investments.

OUR MAJOR INVESTMENTS IN 2023

Within the framework of investments in the HV network, which amounted to just under 4.9 million €, the most important were:

- **RTP 110/20 kV Primskovo:** in 2023, construction work began for the expansion of the 20 kV switchyard with control and protection and the reconstruction of the 110 kV switchyard, which will continue in 2024. For this purpose, we invested 2,289,604 € in 2023.
- **RTP 110/20 kV Zlato polje:** in 2023, the replacement of the secondary equipment of the 20 kV and 110 kV switchyards began. In 2023, the replacement of the secondary equipment of the 20 kV switchyard and 1/2 of the 110 kV switchyard was completely finished; while 2/2 of the 110 kV switchyard was completed at the end of January 2024. Project is expected to be fully completed in 2024. For this purpose, we invested 1,284,674 € in 2023.
- **supply and installation of 110 kV cable system in RTP Primskovo-RTP Labore:** construction works and the supply and installation of the 110 kV cable system were carried out. Works with a total value of 672,295 € were fully completed in October 2023.
- **implementation of anti-corrosion protection of steel structures of 110 kV DV columns:** in 2023, 73 steel structures out of 110 steel structures were implemented. Work will be carried out on the remaining 37 steel structures in 2024. For this purpose, we invested 312,045 € in 2023.

Total value of investments in MV and LV networks in 2023 amounted to 12.4 million €. Intensive construction took place throughout the year. Despite the problems with the supply of equipment and the longer delivery period, we successfully realized most of the investments related to the rehabilitation of critical areas of the network or to ensure new connections and network expansion.

In 2023, we also allocated a large share of financial resources to the construction of cable conduits, which we built together with other municipal utility lines as part of joint construction projects in individual municipalities.

In 2023, we witnessed as many as three major weather disasters, a winter ice damage and a summer windfall and floods. A good part, around 20%, of the investment funds was thus intended to eliminate defects by replacing the construction of the cable network. We arranged part of the cabling and the installation of the replacement TP in Radovna. We cabled a large part of Poljanska dolina, where transmission line was practically washed away and elsewhere, where the overhead line was largely damaged and the land owners agreed to bury the cable line in the ground.

In 2023, we laid 29 km of MV cables, newly built 22 TPs and carried out major reconstructions at 33 transformer stations. We laid 66 km of LV cables, some for 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.

In 2023, we spent 3.0 million € on investments in hydroelectric power plants. Biggest investment here is the comprehensive renovation of HE Sava, which is expected to be completed at the end of 2024. Investments were also made at HE Standard and HE Mojstrana.

Investments in solar power plants amounted to 2.6 million €. Six new own solar power plants with a total capacity of 1,352 kWp were installed and connected. Electrical and roofing work was completed on seven solar power plant projects in 2023, and their connection to the network is planned for 2024. total power of these power plants is 2,708 kWp.

Our other more important investments in 2023 were:

- purchase of measuring device (project AMI),
- purchase of business and technical equipment,
- implementation of tools for business analytics (BI) and
- creation of a tool for calculating connection capacity.

4.5

Maintenance of the network/electricity infrastructure (EEI)

EEI MAINTENANCE

We implement all tasks of the distribution network system operator in our geographical area. Among these tasks, maintenance of electricity distribution infrastructure is of special significance. From the point of view of ensuring high-quality and uninterrupted service to our network users, the year 2023 was above average demanding in the field of corrective maintenance due to the weather disasters that befell us in the months of January, July and August.

Corrective maintenance, such as elimination of the consequences of malfunctions, represents a type of maintenance that differs from planned maintenance primarily in that it is unpredictable in time and usually unexpected. As a result of the above-mentioned weather phenomena, the causes of damage to a greater extent were snow drifts, windstorms and floods. Other causes were wear and tear, electrical and mechanical overloads of lines and devices, and damage to the EEI caused by third parties.

Despite the greater scope of activities in the field of troubleshooting, in 2023 we also managed to carry out planned preventive maintenance activities on the distribution electricity infrastructure with the aim of reducing the probability of failure of any element in the electricity system. Goal was achieved through an effective process of planning and implementing maintenance activities according to pre-defined criteria and procedures.

Effects of preventive maintenance activities are long-term. Under normal operating conditions of the power system, they are generally reflected primarily in a smaller number of malfunctions and, as a result, lower costs of corrective maintenance.

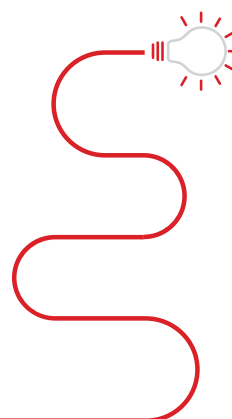
With good organization and optimization of business processes in the field of operation and maintenance, we made sure that we performed these tasks successfully and within the planned resources. Key to all of this is, of course, dedicated and competent employees who are closely connected with everyday 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.

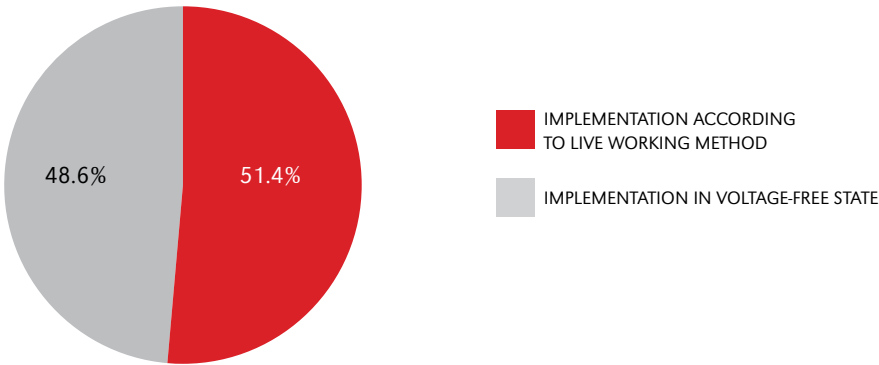
Preventive maintenance in 2023 included checking the condition of power lines and devices, execution of clearings in power lines and devices corridors, revisions of RTP, RP, TP, switches, transformers, protection devices, and carrying out control measurements and operating tests of protective devices.

We give more and more 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.

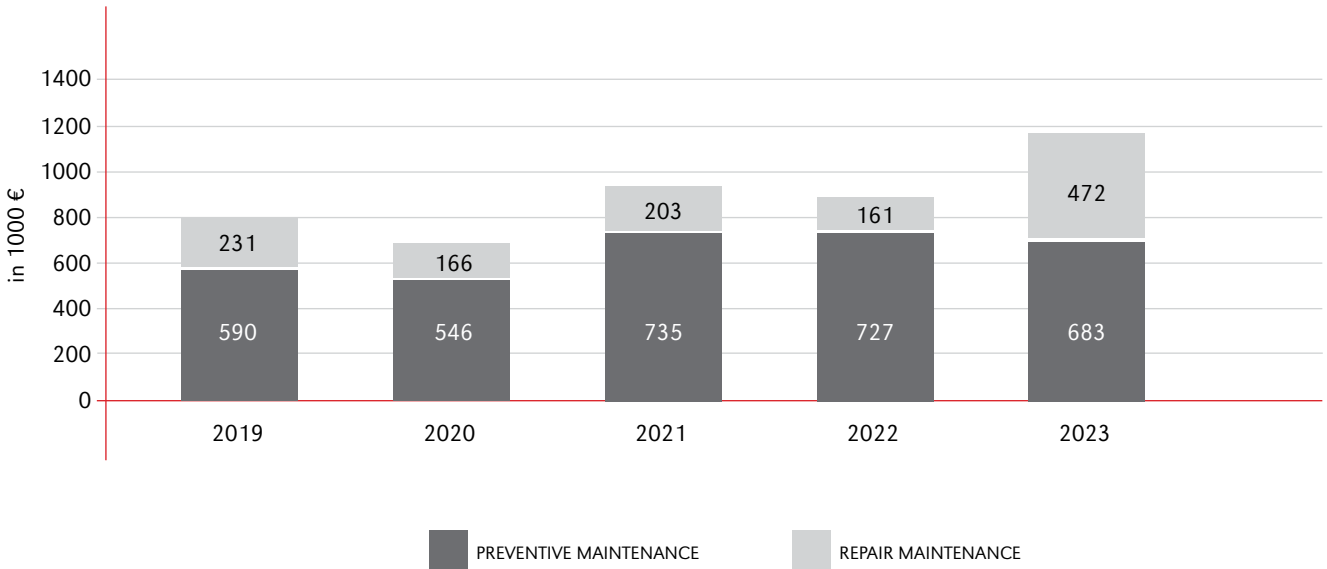
As part of the preventive maintenance, we have been using live working methods (DPN) for thirteen years with our own and professionally trained staff, and as part of regular audits of transformer stations, we perform cleaning of EE devices and equipment at the LV and MV level. We will continue with this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



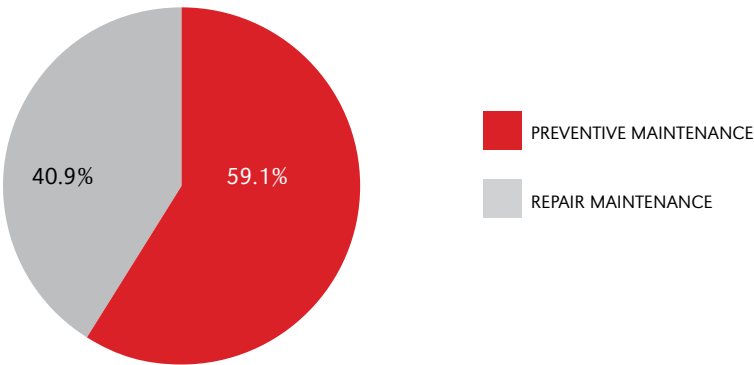
By constantly monitoring modern trends in the field of technological devices and related information solutions with their implementation in the power system, we significantly influence the fulfilment of increasingly strict criteria for the quality of electricity supply



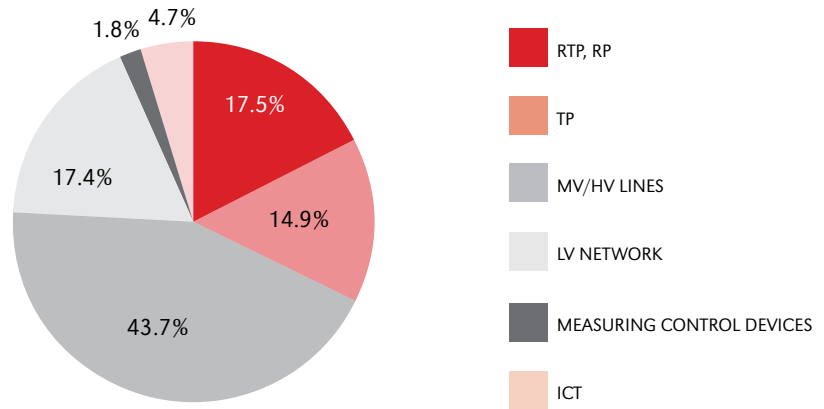
PROPORTION OF PERFORMED AUDITS OF TRANSFORMER STATIONS IN YEAR 2023 ACCORDING TO THE METHOD OF EXECUTION



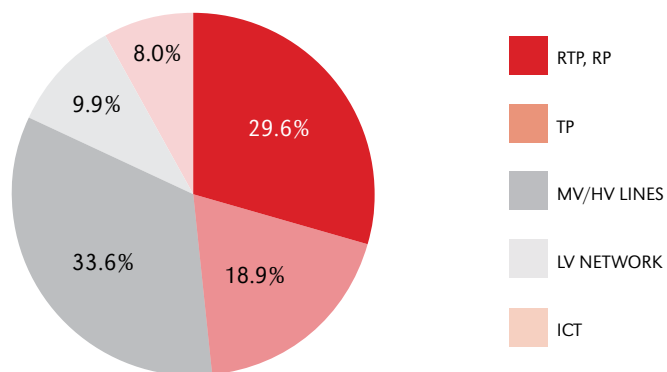
MOVEMENT OF ELECTRICITY INFRASTRUCTURE MAINTENANCE COSTS FROM YEAR 2019 TO YEAR 2023 (IN 1000 €)



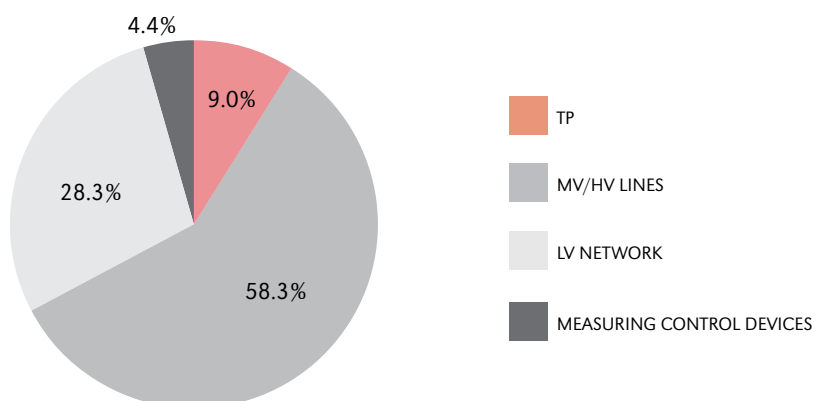
SHARE OF TOTAL EEI MAINTENANCE COSTS IN 2023 BY TYPE OF MAINTENANCE



SHARES OF TOTAL EEI MAINTENANCE COSTS IN 2023 BY TYPE OF ASSET



PROPORTION OF PREVENTIVE EEI MAINTENANCE COSTS IN 2023 BY TYPE OF ASSET



PROPORTION OF REPAIR EEI MAINTENANCE COSTS IN 2023 BY TYPE OF ASSET

4.5.1 Our development plan

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

Current Power network development plan for 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 the premises of the distribution operator and coordination with representatives of all Slovenian distribution companies, the system operator of the transmission network ELES, the AGEN, and on the basis of own data on the development of the network for the specified period.

Network development planning is becoming more and more complex and is heavily subjected to uncertainties over which we, as a distribution company, as a planner, have little influence. These include new technologies with new grid operation concepts (for example smart solutions and the integration of the flexibility market), a rapid increase in electricity consumption as a result of electrification (for example, heat pumps, charging points for electric vehicles, a sharp increase in investments in the construction of dispersed generation sources (MFE), the development and integration of electricity storage systems and, last but not least, the development of the regulatory framework, which foresees the active role of consumers in the future as part of the planned flexibility market.

Key strategic orientations with which we will achieve the set goals are:

- easy and equal access to public electricity distribution infrastructure for network users and optimal development of the network,
- improving operations by optimizing business processes, which will be focused on a better user experience,
- testing new technologies and modern solutions for smart grids,
- placement of elements and solutions of the National Smart Grid Program in our distribution network.

As part of the development plan, we have prepared an extensive set of investments in our distribution network 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 110/20 kV distribution substations is planned, 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;
- planned are the reconstructions of RTP 110/20 kV Primskovo, replacement of switchyard in RTP 110/20 kV Jesenice, replacements of 20 kV and 110 kV switchyards in RTP 110/20 kV Tržič and gradual replacements of some power TRs in 110/20 kV substations (RTP Radovljica, RTP Labore, RTP Medvode, RTP Jesenice, RTP Železniki);
- construction of 110 kV network will take place at the same time, like 2x110 kV DV Kamnik – Brnik – Visoko, 110 kV KBV RTP Jeklarna – RTP Železarna – RTP Jesenice (together with ELES), and the also 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, some larger MV connections will also have to be made, like 2x20 kV KBV inclusion of the power supply station Jesenice, 2x20 kV KBV Moste–Lipce–Jesenice, 20 kV KBV connection to EP across Vršič, 20 kV KBV connection to Austria through 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 in TPs); the projects of operational measurements of MC in TPS and remote reading of meters at AMI customers are being implemented. In the coming ten-year period, we will also pay a lot of attention to smart grid projects.

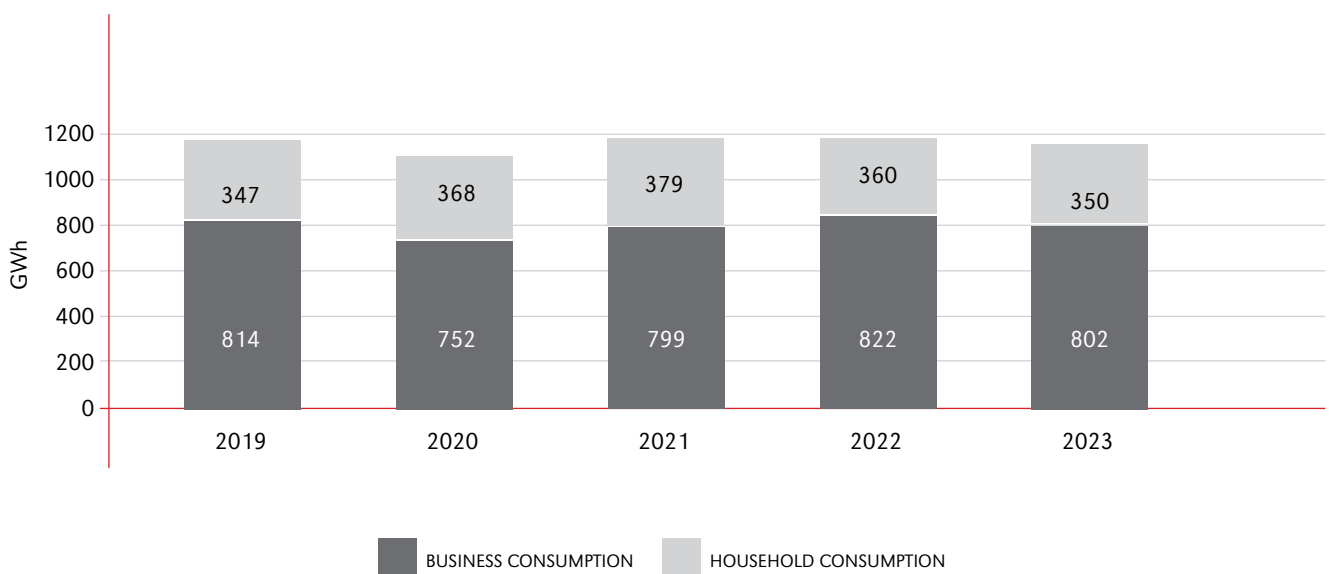
Approved ten-year development plan is the starting point for the preparation of both the investment and the business plans of Elektro Gorenjska.

4.6

Our volume of electricity distribution in 2023



In 2023, we have distributed 1,151 GWh of electricity through our network.



DISTRIBUTED QUANTITIES OF ELECTRICITY (IN GWH) IN PERIOD 2019-2023

Volume of distributed electricity in 2020 dropped slightly due to the COVID-19 epidemic. In 2021 and 2022 we recorded slight growth. In 2023, however, we again observed a slight drop, which is the result of reduced industrial production and the connection of solar power plants according to the net metering system.

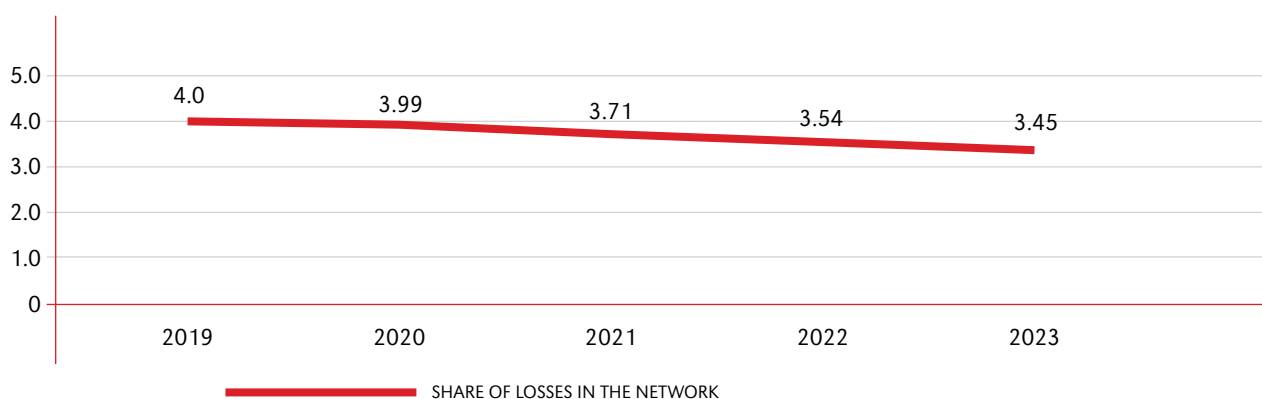
Distribution of electric power in 2023

1,151 GWh

4.7

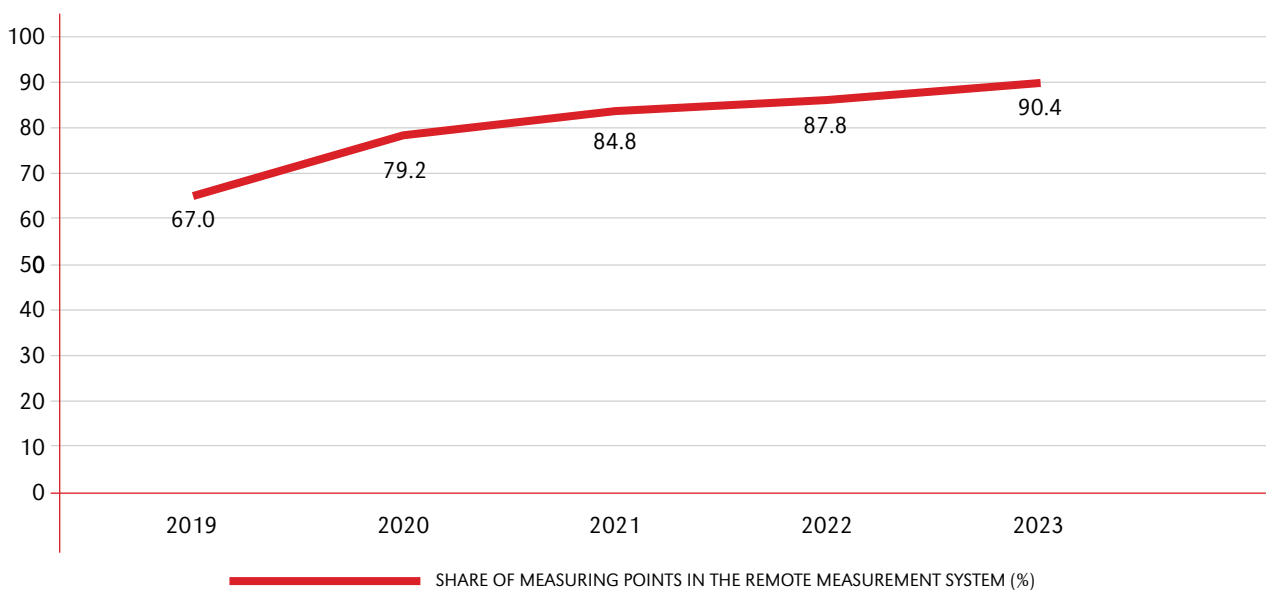
Electricity losses in the network

In 2023, losses in the network amounted to 3.45%, which is the lowest value so far.



ELECTRICITY LOSSES IN THE NETWORK (IN %) IN PERIOD 2019–2023

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.



SHARE OF MEASURING POINTS IN THE REMOTE MEASUREMENT SYSTEM (IN %) IN PERIOD 2019–2023

4.8

Our concern for the quality of electricity supply

Ensuring quality and reliable electricity supply is our first concern. That is why we pay a lot of attention to monitoring and continuous improvement of quality indicators.

Quality of our electricity supply to the users of the system is reflected 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, and
- voltage quality, which refers to the technical characteristics of the voltage, measurable at the grid supply point of the user.

4.8.1

Power continuity in electricity supply

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.

UNANNOUNCED LONG-TERM INTERRUPTIONS IN YEAR 2023

	Own				Foreign				Force Majeure			
	SAIFI	SAIDI	CAIFI	CAIDI	SAIFI	SAIDI	CAIFI	CAIDI	SAIFI	SAIDI	CAIFI	CAIDI
	interr./cust.	min/cust.	interr./cust.	min/interr.	interr./cust.	min/cust.	interr./cust.	min/interr.	interr./cust.	min/cust.	interr./cust.	min/interr.
Total rural	0.47	22.09	1.44	46.96	0.01	0.61	0.27	52.11	0.30	27.87	1.25	94.20
Total urban	0.31	10.71	0.94	34.67	0.03	1.05	0.78	30.97	0.11	10.73	0.47	96.70
Total	0.78	32.80	2.38	42.11	0.04	1.66	1.05	36.62	0.41	38.60	1.72	94.85

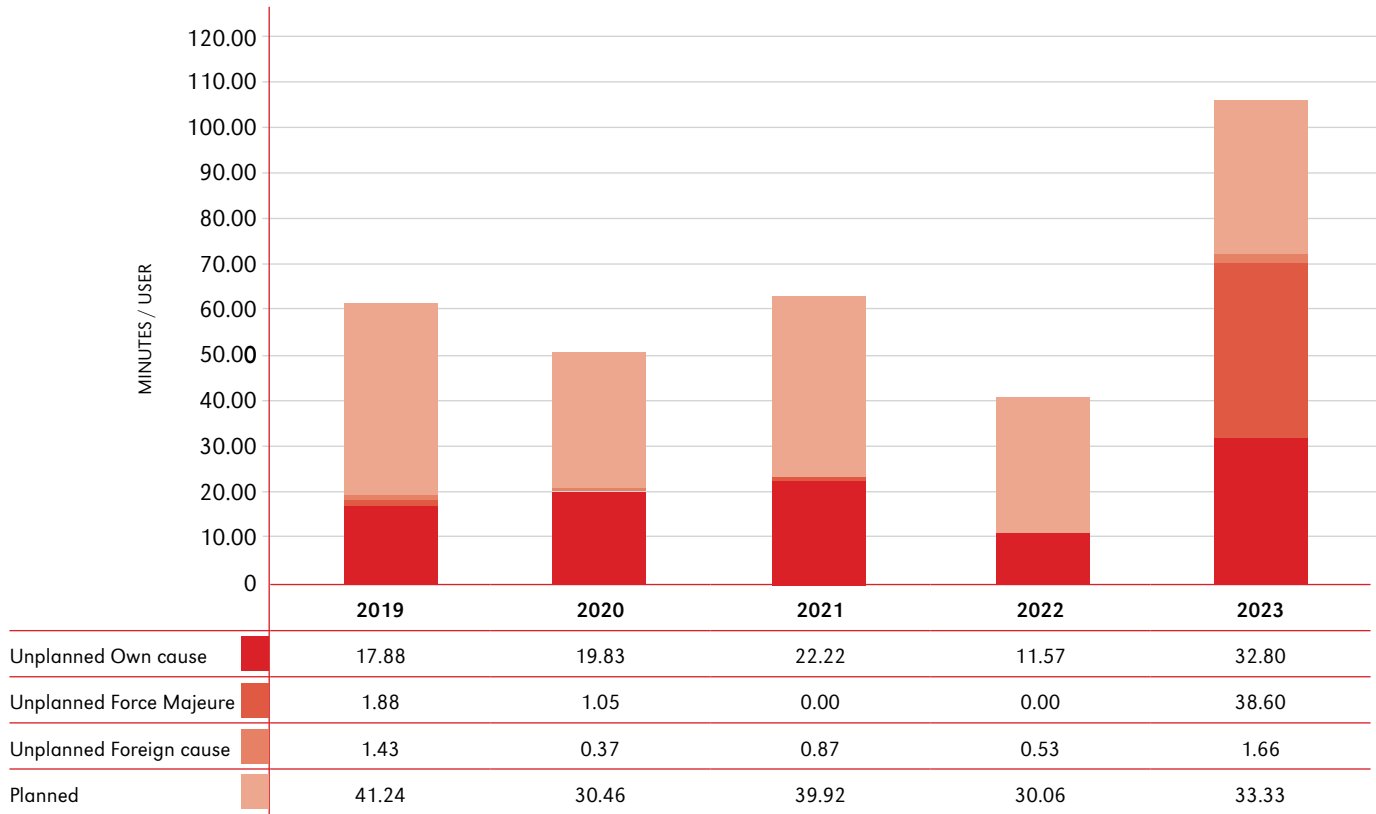
ANNOUNCED LONG-TERM INTERRUPTIONS IN YEAR 2023

	SAIFI	SAIDI	CAIFI	CAIDI
	interr./cust.	min/cust.	interr./cust.	min/interr.
Total rural	0.14	20.65	0.92	146.49
Total urban	0.08	12.68	0.54	154.66
Total	0.22	33.33	1.46	149.46

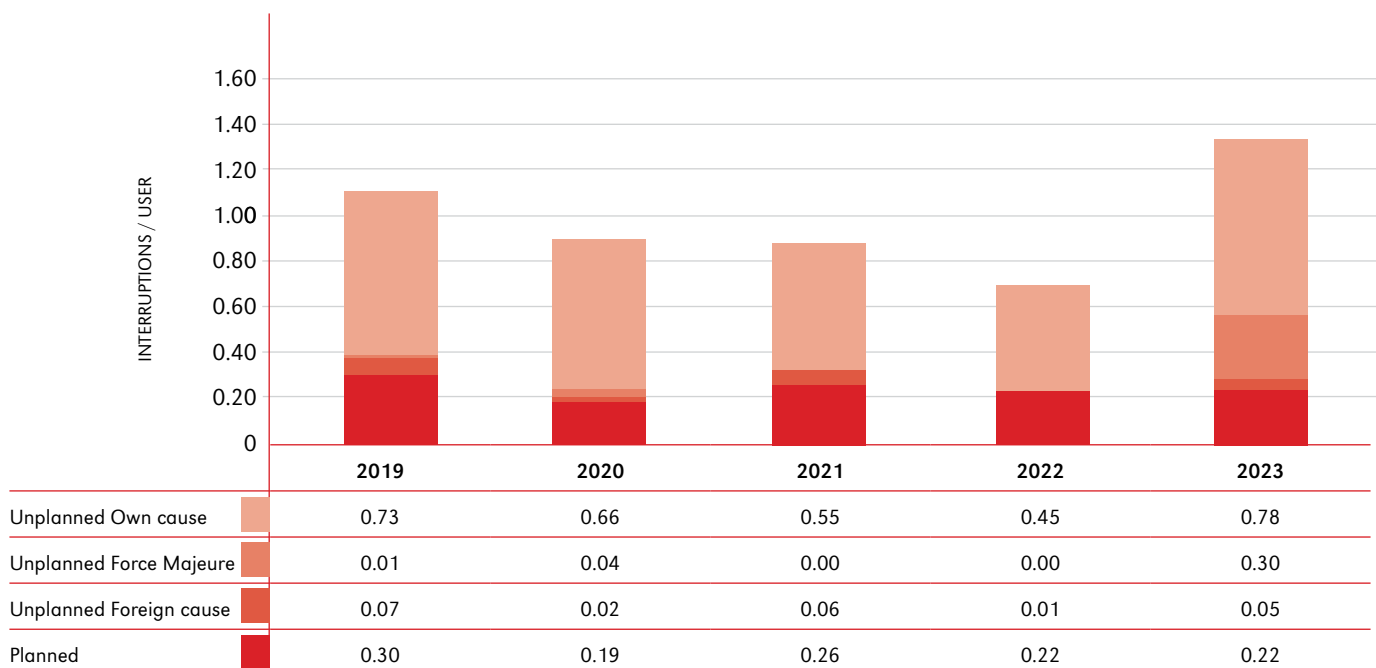
MOMENTARY INTERRUPTIONS IN YEAR 2023

	Rural	Urban	Total 2023
MAIFI	2.04	4.31	6.35

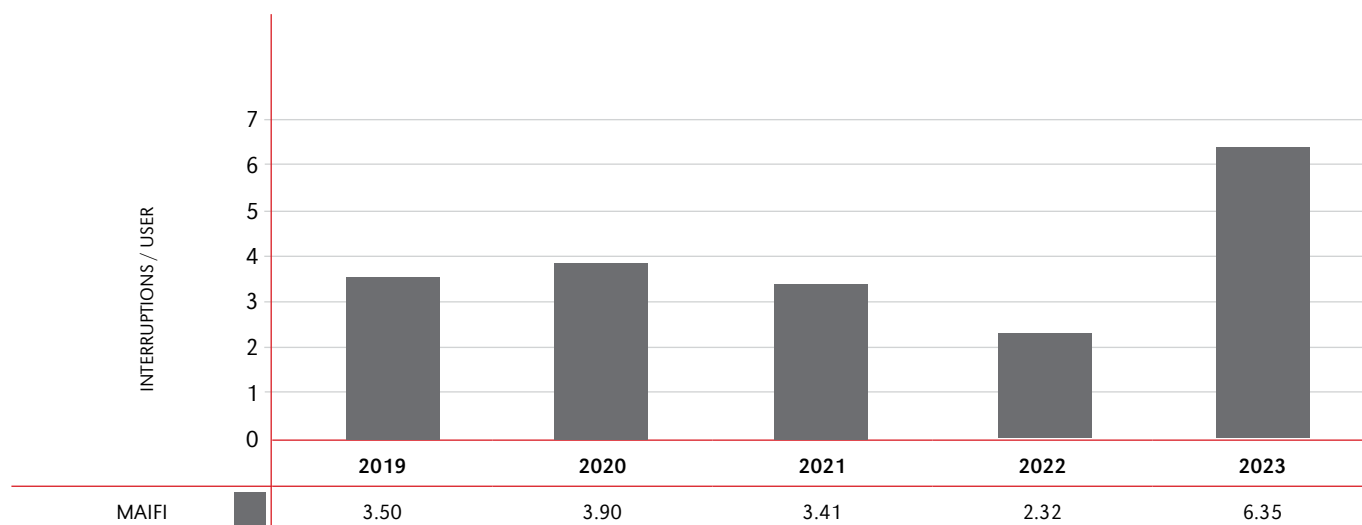
SAIDI – SYSTEM AVERAGE INTERRUPTION DURATION INDEX



SAIFI – SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX



MAIFI – MOMENTARY AVERAGE INTERRUPTION FREQUENCY INDEX



Values of the SAIDI and SAIFI indicators for planned long-term interruptions for 2023 are comparable to the values in 2022, due to the same scope of work in the field of electricity network maintenance.

Due to unfavorable weather conditions, a strong deviation was detected in the indicators for unplanned interruptions of SAIFI and SAIDI in 2023. In previous years, we hardly had any events classified as force majeure, while in 2023 we witnessed several extreme weather phenomena, which is also the reason for such high values of the indicators. Electricity supply interruptions were caused mainly as a result of more extensive snowfall in the middle of January, strong winds in early February, windbreaks in July and large-scale floods in early August.

Indicator of continuity due to force majeure represents as much as 53% of the total SAIDI indicator and 33% of the total SAIFI indicator.

Natural phenomena caused both long-term and short-term interruptions in the supply of electricity to network users. Therefore, it is also expected that the value of the MAIFI indicator is much higher than in previous years, in which the value was fairly constant.

4.8.2 Commercial quality

In most commercial quality parameters for year 2023, we established that average achieved values of indicators were essentially better than the limits of minimum quality standards. In some indicators, there were deviations of more than 10% above limit values (parameters No. 1.1, 1.2 and 1.4).

COMMERCIAL QUALITY PARAMETERS

In parameter 1.1. "Average time to issue consent for connection" the reason for higher share of services above the limit value (51%) 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 connection of individual self-supply devices and the change of the information system for issuing connection approvals.

In parameter No. 1.2 Average time required to issue cost estimates or pro forma invoices for simple work, the reason for delays in issuing some preliminary invoices was insufficient staffing given the large volume of demand.

We do not report data for parameter 1.3 Average time needed to issue an agreement on connection to the LV network, as in 2023, in accordance with the law, we stopped issuing connection contracts. In parameter No. 1.4 Average time needed to activate the connection to the system, the reason for the delays in some connections was insufficient personnel and inadequate information support.

In parameter 3.3 Average time needed to solve voltage quality deviations, in one case, the deadline was exceeded because the customer did not fulfill the agreed obligations from the network expansion agreement.

COMMERCIAL QUALITY PARAMETERS FOR YEAR 2023

Commercial quality parameter	Minimum quality standards (MQS)			
	System or guaranteed standard	Required level of compliance [%]	Limit value	Unit
1.1 Average time needed to issue a consent for the connection	S	95	20	Working days
1.2 Average time required to issue cost estimates (pro forma invoice) for simple work	Z	100	8	Working days
1.3 Average time needed to issue an agreement on connection to the LV network	S	95	20	Working days
1.4 Average time needed to activate the connection to the system	Z	100	8	Working days
2.1 Average time needed to answer written questions, complaints or user requests	Z	100	8	Working days
2.2 Average call hold time in call centre	-	0	0	-
2.3 Call centre service level parameter	-	0	0	-
3.1 Average time to restore power in the event of a fault on the current limiting device (6:00-22:00)	Z	100	4	Hours
3.1 Average time to restore power in the event of a fault on the current limiting device (22:00-6:00)	Z	100	6	Hours
3.2 Average time needed to answer a complaint regarding the quality of the voltage	S	95	30	Working days
3.3 Average time needed to solve voltage quality deviations	S	50	6	Months
4.1 Average time needed to eliminate meter failure	Z	100	8	Working days
4.2 Average time to restore power due to non-payment of user	Z	100	3	Working days

Achieved values				Share of services rendered		Notes
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 [%]	
4,170	0	27.5	24.9	49.00	51.00	
167	0	6.0	2.8	88.00	12.00	
0	0	0.0	0.0	0.00	100.00	
3,191	0	8.3	12.0	74.00	26.00	
81	0	5.2	7.1	90.00	10.00	
58,127	0	15.0	10.7	-	-	
58,127	0	88.0	0.0	-	-	
2,848	30	0.8	0.6	100.00	0.00	Later execution date agreed with the user
31	3	1.4	2.2	100.00	0.00	Later execution date agreed with the user
11	0	11.9	2.6	100.00	0.00	
3	1	18.0	8.7	100.00	0.00	Later execution date agreed with the user
16	0	1.1	1.7	100.00	0.00	
340	0	0.2	0.5	99.00	1.00	

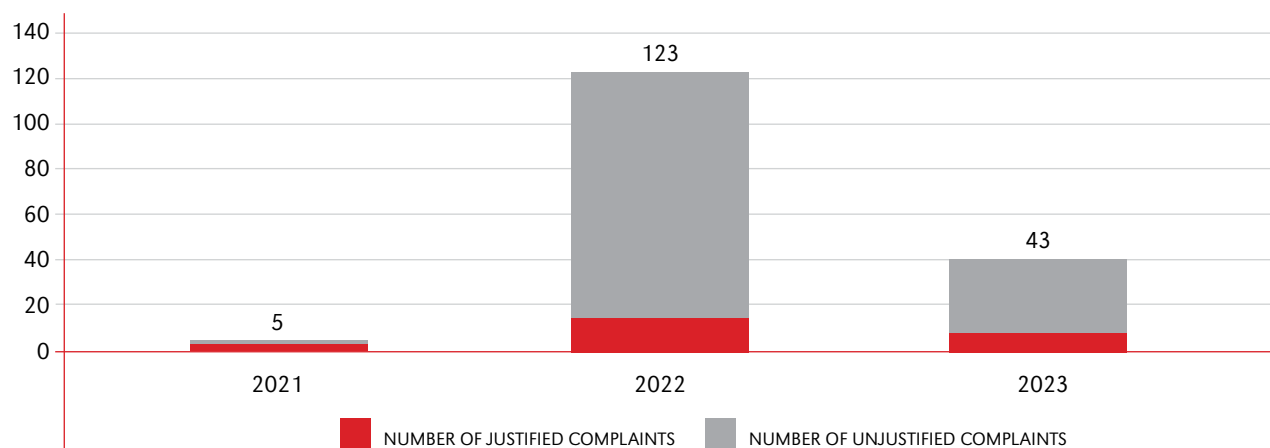
COMPLAINTS

More than 80% of complaints relate to delays in fixing meter malfunctions and delays in responding to written questions, complaints or requests from users.

COMMERCIAL QUALITY COMPLAINTS IN YEAR 2023

Section	Subsection	Grounds for complaint	Complaints		
			Number of all complaints	Number of justified complaints	Share of justified complaints (%)
Connecting to the system	Delays	Delay in issuing a cost estimate (pro forma invoice) for simple works.	0	0	0
		Delay in issuing SZP.	1	1	100
		Delay in issuing PP on LV system.	1	1	100
Measurement	Meter reading	Unperformed regular annual meter reading by an authorized company.	0	0	0
	Meter operation	Delay in fixing the meter malfunction.	16	0	0
Quality of supply	Voltage quality	Exceeding the deadline for responding to a voltage quality complaint.	0	0	0
		Exceeding the maximum duration until the discrepancy of voltage supply deviations is eliminated.	0	0	0
	Continuity of supply	Exceeding the maximum permitted duration and number of unplanned long-term interruptions (applies only to end users on MV system).	0	0	0
		Exceeding the maximum permitted duration of individual unplanned long-term interruption.	0	0	0
Connection activation	New connection activation	Exceeding the time to activate the connection to the system.	0	0	0
	Reconnection after disconnection	Exceeding time to restore power in the event of a limiting device failure.	2	0	0
		Incorrect disconnection due to maintenance personnel error.	0	0	0
	Disconnections due to non-payment or late payment.	Exceeding the time required to restore power due to non-payment by the user.	0	0	0
	Services to users	Not performed or missed pre-arranged visits.	0	0	0
		Untimely notification of users about the planned interruption.	4	0	0
Billing and invoicing, and recoveries	Unclearness of invoices	Delay in responding to written questions, complaints or requests from users.	19	7	37

NUMBER OF COMMERCIAL QUALITY COMPLAINTS BETWEEN 2021 AND 2023



4.8.3 Voltage quality

Situation in the field of power quality in 2023 has not changed significantly compared to year 2022. Slightly increased flicker was expressed in the MV20 kV area of RTP Jesenice, which is the result of the metalworking industry impact. In year 2023, other parameters on HV and MV levels were throughout the measurement time in accordance with the requirements of SIST EN 50160 standard.

In 2023, we received 11 official complaints on the condition of voltage quality on the low-voltage level, of which one proved to be justified. We try to eliminate inconsistencies as quickly as possible and within statutory deadlines.

CONSISTENCY OF POWER QUALITY PARAMETERS WITH THE SIST EN 50160 STANDARD ON HIGH VOLTAGE LEVEL FOR YEAR 2023

Facility RTP 110/X	Number of weeks under control	Number of inconsistent weeks						Number of voltage drops	Number of voltage increases	Consistency KEE	
		Size of supply voltage	Harmonica	Flicker	Imbalance	Signal voltages	Frequency			No. of consistent weeks	No. of inconsistent weeks
RTP Železniki 110kV	52	0	0	0	0	0	0	141	36	52	0
RTP Tržič 110 kV	52	0	0	0	0	0	0	137	25	52	0
RTP Škofja Loka 110 kV DV Kleče	52	0	0	0	0	0	0	147	36	52	0
RTP Radovljica 110 kV	52	0	0	0	0	0	0	136	22	52	0
RTP Primskovo 110 kV	52	0	0	0	0	0	0	136	25	52	0
RTP Jesenice 110 kV	52	0	0	0	0	0	0	143	19	52	0
RTP Bohinj 110 kV	52	0	0	0	0	0	0	103	41	52	0
RTP Zlato polje 110 kV	48	0	0	0	0	0	0	137	25	48	0
RTP Labore 110 kV DV Mavčiče	52	0	0	0	0	0	0	135	24	52	0

Defined indicators show 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.

4.9

Production of electricity

In year 2023, the Gorenjske elektrarne Company generated and sold a total of 49,789 MWh of electricity, which is by 19% more than in year 2022.

Prolonged periods of rainfall caused the solar plants to operate slightly below their planned output. In the overall composition of production, for the first time in the history of Gorenjske elektrarne, solar power plants contributed slightly more than 9% of the total composition of production.

Despite the record water levels achieved on some watercourses, it was only possible to operate the hydroelectric power plants with minor interruptions. In the overall composition of production, hydropower plants contributed 88% of the total production composition, the planned annual production was also exceeded.

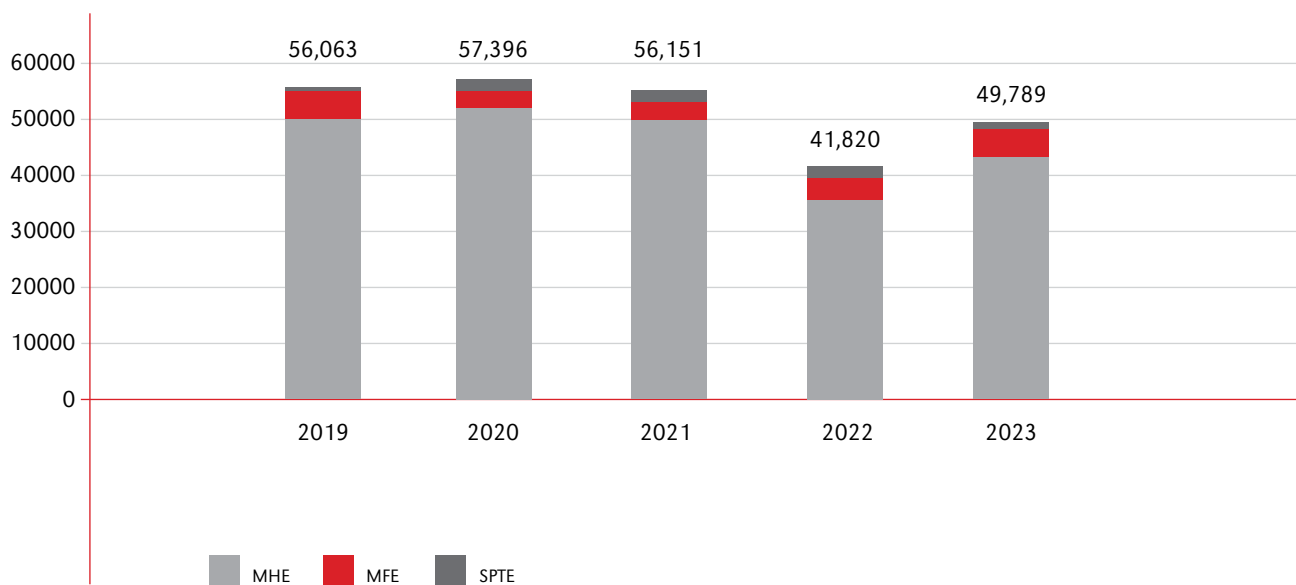
Compared to the previous 10-year period, the production in 2023 was 10% better (in the calculation it was taken into account that in 2023 HE Sava was not in operation due to a fire in 2022).

Operation of SPTE devices was largely affected by the high prices of primary energy products on the market. Operation of SPTE devices was therefore subject to economic aspects. In the entire composition of production, they contributed the smallest share in the size of 3%.

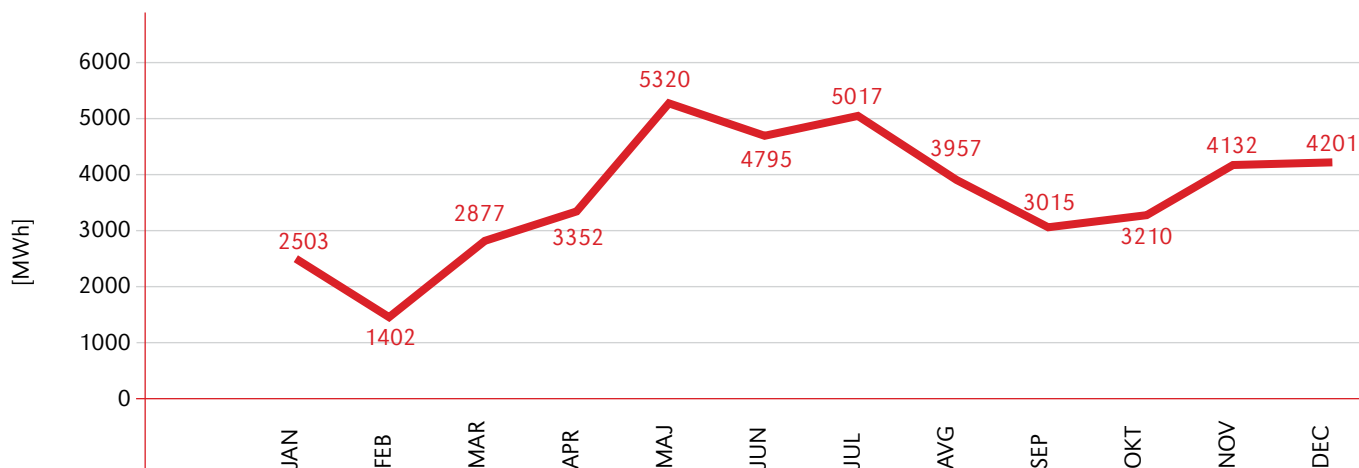
Production and sale
of electric power in
Gorenjske elektrarne
Company in 2023

49,789 MWh

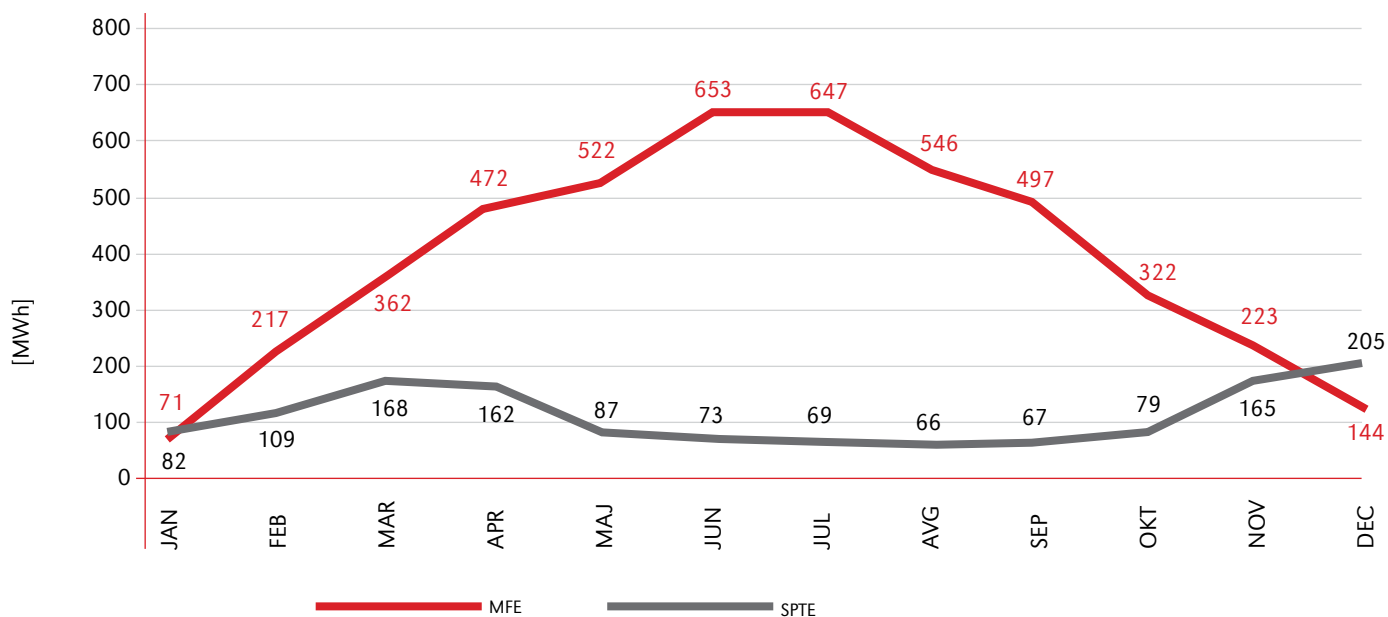
ELECTRICITY PRODUCED (IN MWH) IN PERIOD 2019–2023



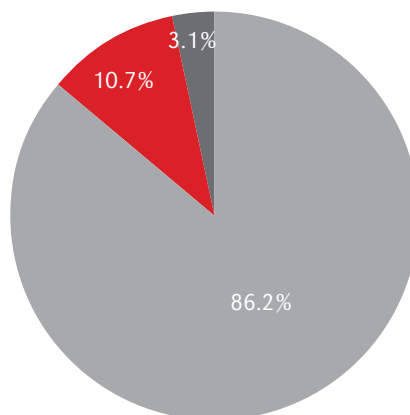
ELECTRICITY PRODUCED (IN MWh) IN HE BY MONTHS OF YEAR 2023



ELECTRICITY PRODUCED (IN MWh) IN FE AND SPTE BY MONTHS OF YEAR 2023



Most or 86.2% of the total revenues from the sale of electricity in Gorenjske elektrarne Company in 2023 was generated in HE, followed by MFE with 10.7% and SPTE with the smallest share (3.1%).



SHARE OF GORENJSKE ELEKTRARNE COMPANY REVENUES FROM ELECTRICITY SALES (%) BY INDIVIDUAL PRODUCTION SOURCES IN YEAR 2023

HE MFE SPTE

4.10 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.

WE MAINTAIN AND CONSTRUCT POWER FACILITIES AND DEVICES FOR FINAL CUSTOMERS

In 2023, we were successful in the field of maintenance and construction of power facilities and devices using the modern technologies. We executed 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 maintained 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 executed live work at the LV and MV levels.

WE IMPLEMENT 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.

WE OFFER OTHER ENERGY 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.

WE ENCOURAGE EFFICIENT USE OF ENERGY

In 2023, we 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 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 2023, we started the implementation of the lighting renovation project in our old and new administration building. We installed 1,016 lamps of LED technology from the German manufacturer Trilux.

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.

WE MANAGE CHARGING STATIONS FOR ELECTRIC VEHICLES

At the end of 2023, we owned thirteen e-charging stations for charging of electric vehicles in Gorenjska region and a total of nineteen charging stations under management. We connected all e-charging stations to the rear office of Elektro Ljubljana under the slogan »GREMO NA ELEKTRIKO« ("Let's switch to electricity"). 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. Interest in home charging stations is slowly increasing.

In 2023, we also implemented a project for individual self-sufficiency, which includes a solar power plant, an electricity storage unit and a charging station for an electric car.



67

Connected solar power plants for individual self-supply

WE ARE BUILDING SOLAR POWER PLANTS

In Gorenjske elektrarne, we carry out 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. Our goal is 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 2023, a total of 67 solar power plants for individual self-supply were realized and connected, of which 2 were hybrid systems – SE with added battery storage of electricity.

Larger solar power plant projects that were implemented and connected in 2023 (or are in the connection phase) were mainly implemented at industrial facilities. Largest of them are SE at Merkur's centers Lesce, Hudinja, SE Radenska, SE Schäfferolls, Elan (implementation within the subsidiary company GEK Solar). Total installed power of larger power plants for the market in 2023 was around 6 MWh.

WE ARE UPGRADING MOBILITY SERVICES

In the field of mobility, we are focusing on the development of charging infrastructure, which includes 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, 2022 AND 2023

Electricity charging stations	2021	2022	2023
Own e-charging stations	12	12	12
E-charging stations in management	19	23	23
Number of charges in own charging stations	6,329	7,215	2,690

4.11

Our commitment to continuous innovation

KEY RESEARCH AND DEVELOPMENT PROJECTS

We want to become one of the most pervasive and innovative energy and technological groups, so we are actively involved in various research and development projects, in which we also cooperate with external contractors.

With research and 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 Slovenian Research and Innovation Agency (ARIS), as well as Slovenian Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology (SPIRIT).

OUR KEY RESEARCH AND DEVELOPMENT PROJECTS IMPLEMENTED IN 2023 ARE:

PROJECT NAME	BRIEF DESCRIPTION AND TYPE OF PROJECT	DURATION	ACTIVITIES IN 2023	TOTAL VALUE OF THE PROJECT	VALUE OF PROJECT FINANCING BY ELEKTRO GORENJSKA
OneNet – One Network for Europe	Establishing a pan-European flexibility trading platform. Project type: EU project, project qualified by AGEN	01. 10. 2020–31. 03. 2024	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 €
Creators – Creating Community Energy Systems	Establishment of energy communities, with a pilot location in Jesenice. Cooperation of the entire Elektro Gorenjska Group. Project type: EU project	01.09.2020–30.4.2024	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 support the establishment of the Acroni pilot site in Jesenice, as well as development of business models of various forms of energy communities.	7,247,500 €	111,563 €
DN-FLEX – Local-flexibility market platforms for distribution networks	Develop a local trading platform with flexibility in which the distribution network operator, aggregators and active customers connect. Project type: ARIS project, project qualified by AGEN	01. 10. 2021–30. 09. 2024	Algorithm has been developed for the activation of flexibility services for voltage regulation at measuring points. Demonstration of the solution is being carried out in the area of the village of Srakovlje. Connection was established with flexibility service providers through a single entry points (EVT), through the implementation of message exchange in CIM format.	400,000 €	30,000 €
DRIFT – Real-time optimization of low-voltage distribution network operation with integrated flexibility using deep reinforcement learning	Goal of the project is to solve the challenges of controlling elements in the LV network using an approach based on Deep Reinforcement Learning (DRL) algorithms. Project type: ARIS project, project qualified by AGEN	01. 10. 2022–30. 09. 2025	Algorithm was developed and optimized for the management of the low-voltage distribution network with the aim of optimally using the available flexibility services. Data storage process was established and a dataset was prepared for training the machine learning models.	400,000 €	30,000 €
SmartEAM – Smart Enterprise Asset Management	Goal is to develop an intelligent system for control and predictive maintenance of critical infrastructure in the electricity distribution network. An innovative solution is being introduced that changes the current paradigm of infrastructure monitoring and maintenance in distribution networks. Project type: EU project	01. 10. 2022–30. 09. 2025	Calculation of the asset health index for distribution and power transformers was made. For the purposes of calculation, the set of data taken into account in the calculation was expanded, a dedicated database was established and an application was created to display the results of the calculation. A set of traditional sensors has been prepared, which will be installed on power equipment with the aim of better insight into the real state of transformers.	1,091,985 €	296,934 €

DigiGRID – 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 be to speed up the process of connecting the mentioned resources and reduce operational costs.	02. 11. 2022–31. 10. 2024	Analytical modules were established to review the operational state of the distribution network and generate time series for simulations, in the form of APIs. Information infrastructure was established, in which the first version of the final software was installed. Database was implemented to store the network model in CIM format, and the network model was exported in CIM format from the source system i.e. geographic information system.	571,614 €	93,675 €
		Project type: SPIRIT project			
E.Efficient.Industry – Using the flexibility of electricity in power plants to optimize energy consumption	Goal of the project is to develop a system that, with the help of adaptive software logic, will help to identify the most optimal consumption of electricity at large industrial consumers and, with the help of controllers, actively manage consumption in real time.	03. 01. 2023–31. 12. 2025	Algorithm was prepared for reducing peaks in electricity consumption based on the management of the start-ups of industrial machines. Algorithm for detecting malfunctions of industrial devices based on electricity consumption measurements is under development. Calculator was created to calculate the costs of network charges according to the new 5-tariff system.	2,239,768 €	167,420 €
		Project type: SPIRIT project			
TrafoFlex – Advanced concept of efficient use of transformers using DTR technology	Goal of the project is to investigate and demonstrate the possibility of short-term overloading of distribution transformers depending on meteorological conditions with the aim of short-term increase of transformer capacity.	01. 08. 2021–31. 03. 2023	Project was successfully completed in 2023. Algorithm was developed for calculating the thermal capacity of distribution transformers in near real time. Algorithm was demonstrated at 20 transformer stations in the Elektro Gorenjska network. Results show that in certain cases it is possible to safely load the transformers for a short time even with more than 200% of their rated power. Based on the results of the project, new research contents were defined for future projects and the implementation of the solution in regular operation.	542,450 €	120,056 €
		Project type: project qualified by AGEN.			
VoltAware – Stabilization and optimization of voltage with the help of artificial intelligence	Goal of the project is the development of a system for short-term prediction of voltage at measuring points for the needs of using flexibility services.	01. 10. 2023–30. 09. 2025	Review of the professional literature in the field of voltage prediction and electricity consumption at measuring points was carried out. Simple predictive models for voltage prediction have been implemented, on the basis of which algorithms will be developed for the optimal use of flexibility services.	747,120 €	Elektro Gorenjska does not receive grants for this project.
		Project type: EU project			

DEVELOPMENT AND INVESTMENT PROJECTS

At Elektro Gorenjska, we implement some of our own innovative investment projects, which we finance entirely or mostly with our own investment funds. They are aimed at technological progress and the implementation of innovative solutions in our regular business.

OUR KEY DEVELOPMENT AND INVESTMENT PROJECTS IMPLEMENTED IN 2023 ARE:

PROJECT NAME	BRIEF DESCRIPTION OF THE PROJECT	DURATION	ACTIVITIES IN 2023	TOTAL VALUE OF THE PROJECT	VALUE OF PROJECT FINANCING BY ELEKTRO GORENJSKA
GreenSwitch	Project of common interest (PCI) is partly financed through the Connecting Europe Facility (CEF). Purpose of the project is to modernize our existing electricity infrastructure and equipment through targeted investments. Project qualified by AGEN as an investment in smart grids.	01. 03. 2023–31. 12. 2028	Reconstruction of the secondary equipment in the Zlato Polje substation was carried out. Two new transformer stations are under construction, which will include remote control. Tender for a new ADMS system has been published. 10 transformer stations are ready for upgrading with automation and installation of remote control.	146,204,508 €	4,126,250 €
Hosting Capacity – Connection capacity calculation tool	Goal of the project is to create a tool that will simplify the process of issuing consents for the connection of new users, while taking into account SONDSEE, the findings of other projects and the possibility of integrating existing applications according to CIM standards	01. 06. 2021–31. 12. 2023	Project was successfully completed in 2023. Tool was implemented in production that enables the calculation of the possibility of connecting new production sources in the Elektro Gorenjska network using the SONDSEE method and the method based on data from smart meters. Possibility of performing informative calculations by network users via the Moj Elektro portal was established.	333,696 €	333,696 €
ŠPAIZA – reconstruction and establishment of an innovation center in Zlato Polje	Goal of the project is to renovate an existing empty building, located next to the Zlato Polje substation, into a modern innovation center, where our key technological solutions will be presented to the public. Space should come to life as a so-called "living laboratory" through continuous cooperation with the Kranj School Center.	01. 04. 2021–31. 12. 2024	Building permit was obtained. Project for tender documentation and a project for implementation are under construction. Tender is being prepared for the implementation of a turnkey reconstruction, which will include all construction work and interior fittings.	400,000 €	400,000 €

MDMS – Implementation of a measurement management system	Goal of the project is to upgrade the information system for managing measurements from various data sources for the needs of advanced data analytics, losses, poor voltage conditions and phase asymmetries.	18. 12. 2023–31. 12. 2023	Validity of the existing sytem was extended and the number of licenses for simultaneous use of the system was expanded. Plan was prepared to upgrade the system to an advanced analytics system.	369,000 €	369,000 €
e.Point-SCAN – Implementation of a measurement quality management system	Goal of the project is the implementation of a tool that will be used to analyze the quality of measurement data, detect errors in GIS topology, and analyze the quality of electricity supply from the point of view of losses, poor voltage conditions and phase asymmetries.	10. 07. 2023–01. 12. 2023	Project was fully completed in 2023. System is in regular use and is part of regular operation.	292,089 €	292,089 €
EneFix – Implementation of a system for predictive detection of defects in the network	Goal of the project is the installation and configuration of an information system that, based on data and events from smart meters, is able to detect errors in the network before they lead to defects.	01. 12. 2023–31. 12. 2023	System was fully implemented in 2023. System is in regular use and is part of regular operation.	49,000 €	49,000 €
RRI Sandbox – Establishment of IT infrastructure for the needs of RRI projects	Aim of the project is to establish a dedicated IT infrastructure for the needs of research, development and innovation projects, which will operate separately from the existing production ICT environment.	15. 12. 2023–31. 12. 2023	Environment was fully established by the end of 2023 and is already in regular use for the needs of RRI and EU projects.	396,008 €	396,008 €

PROGRESS



4.11.1

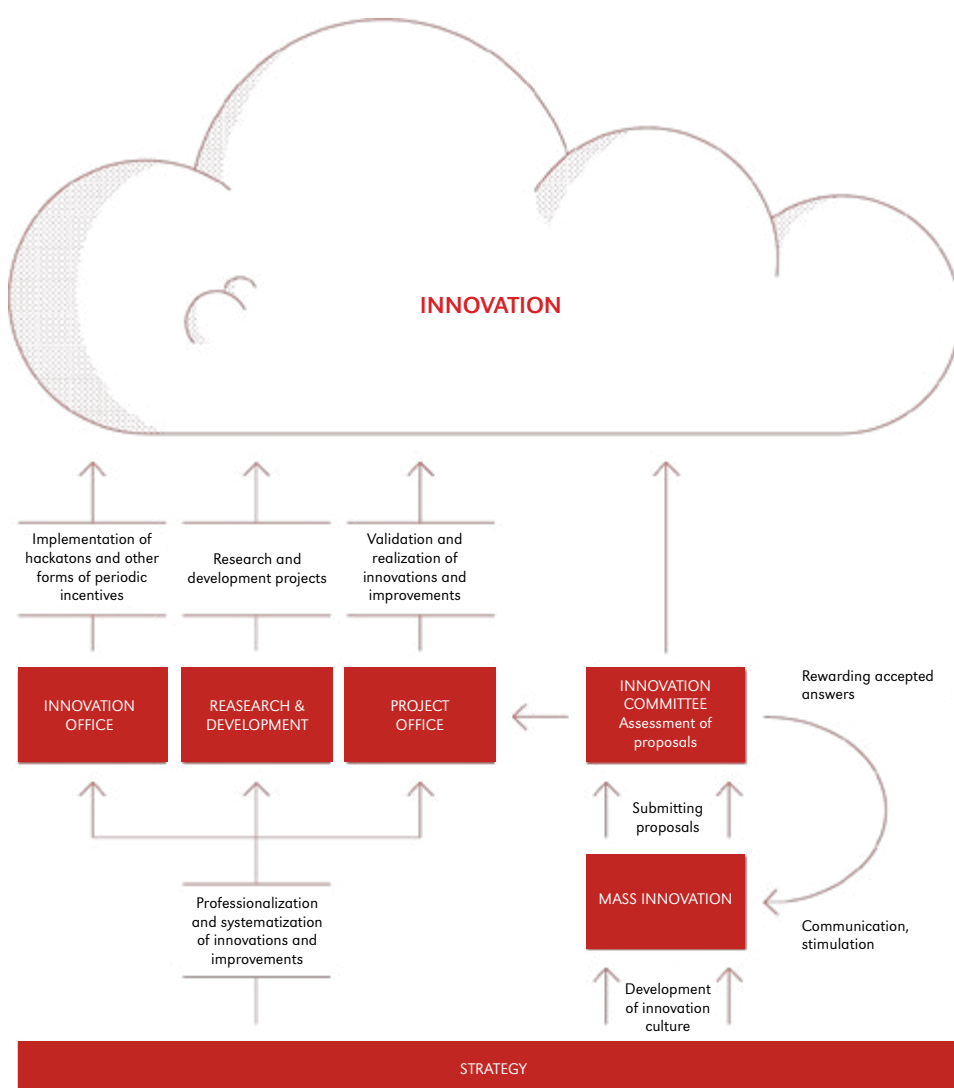
We systematically encourage sustainable innovation

We pay special attention to innovation activities, therefore, we have had a process of systematically encouraging innovation among employees for many years. In 2023, the Innovation Committee held 10 meetings. 51 innovation proposals were submitted (62 in 2022), of which 27 were assessed as positive, while 8 proposals remained under consideration, which will be completed in 2024.

Innovation Committee and its members were additionally engaged in encouraging innovation among employees.

In 2023, we started implementing or introducing new methods of innovation, which we called TransformatorBox and Transformator.si. They represent two new tools for promoting innovation and creativity among our employees.

PROCESS OF IMPLEMENTING AN INNOVATION ACTIVITY IN ELEKTRO GORENJSKA



5

● Corporate business policies and business compliance





5.1

Corporate management of the company

We have adopted the Corporate Governance Guidelines, the aim of which is to reduce unacceptable risks, bad practices or irregularities affecting business partners, customers, employees of the company, the company itself or the public interest. With legal, ethical and transparent conduct, we ensure the preservation of the good name of our company and reject corruption, restriction of competition, damage to the company and unequal treatment of business partners and colleagues.

We started to comprehensively regulate the field of corporate governance in accordance with the guidelines of the Slovenian Sovereign Holding, d.d. (hereinafter SDH).

5.2

Corporate governance statement

Companies in Elektro Gorenjska Group operate in accordance with applicable regulations and acts in force. 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 2023, 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 Development of a comprehensive risk and opportunity management system. 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, d.o.o. 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.

GABRIJEL ŠKOF,
CHAIRMAN OF THE SUPERVISORY BOARD



5.3



Supervisory board report on verification of the annual report of Elektro Gorenjska company and Elektro Gorenjska group for year 2023 according to article 282 ZGD-1

SUPERVISORY BOARD OPERATION IN YEAR 2023

In year 2023, the supervisory board met at thirteen regular sessions and one correspondence session, which is one regular sessions more than in the previous year. In 2023, due to the appointment of two new members of the supervisory board at the regular annual general meeting, and the appointment of new representatives by the employees, the supervisory board was newly constituted and began a new mandate.

In 2023, the supervisory board adopted 135 decisions. 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.

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 2023, 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 company Gorenjske elektrarne, d. o. o.

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 2023

For most of 2023, the supervisory board worked in the composition since the appointment at the General Meeting in 2021 (term 2021–2023):

- 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).

In August 2023, there were changes in the membership of both employees and shareholders. At the beginning of August, there were first changes in the membership from the ranks of Employees, when the mandate of Iztok Štular ended, and he was replaced by David Gogala. Borut Jereb's mandate was extended for a four-year period. Two members were recalled at the regular annual meeting at the end of August, namely:

- Rudolf Ogrinc, chairman of the supervisory board and the human resources committee,
- Gregor Tomše, member and chairman of the audit committee.

Two new members were appointed at the company's 30th regular annual meeting on August 24 2023:

- Franjo Curanović and
- Rajko Stanković.

Immediately after the regular annual general meeting of the company, a constitutive meeting of the supervisory board was convened (term 2023–2027), with the aim of electing new functions of the supervisory board (chairperson and deputy chairperson of SB, chairpersons of the permanent committees of the supervisory board and membership in these committees). Composition of the mandate of the Supervisory Board 2023–2027, which has been active since September, is as follows:

- Gabrijel Škof, chairman of the supervisory board,
- Rajko Stanković, deputy chairman of the supervisory board,
- Franjo Curanović, member,
- Vid Meglič, member,
- Borut Jereb, member (representative of employees),
- David Gogala, member (representative of employees).

Members of the supervisory board took office on August 31 2023. Continuity of the work of the supervisory board was ensured by the continuation of the mandate of one employee representative and two capital representatives, whose mandate expires on August 29 2025.

VERIFICATION OF COMPANY'S OPERATIONS AND WORK OF THE MANAGEMENT IN YEAR 2023

During the year, the Supervisory Board verified operations of the company 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 in 2023 resulted in a negative profit for 2022;
- monitoring of all procedures related to the return of funds provided from network charges, which were taken from the company based on the intervention law during the coronavirus epidemic,
- monitoring the initiated procedures for the sale of unnecessary business assets (complex in Žirovnica),
- control over the implementation of investments, execution of construction works and current monitoring of business and financial reporting;
- ongoing monitoring of operations in the EG Group companies – Gorenjske elektrarne, d. o. o., GEK Vzdrževanje, d. o. o. (until the merger with the acquiring company Gorenjske elektrarne, d. o. o., on March 1 2023) and GEK Solar, projektiranje in inženiring, d. o. o., which was established on February 13 2023;
- 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.;
- monitoring the procedures before the start of the sale of the subsidiary company Gorenjske elektrarne, d. o. o.,
- 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 and according to the Strategy of sustainable operation of Elektro Gorenjska Group for period 2023–2026;
- 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;
- evaluation of the work of the supervisory board (self-assessment, which is carried out every two years).

Supervisory board had an independent meeting of the Supervisory Board dedicated only to the adoption of the Report on the Self-Assessment of the Supervisory Board for the year 2022 with an action plan. Based on the adopted action plan, it continued to actively provide training for SB members.

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

- Supervisory Board regularly discussed quarterly information and evaluations on Group companies' operations, and was devoted to the realization of the business plan for year 2023.

- In accordance with the ZDG-1 the Supervisory Board verified and approved the audited Annual Report of the Elektro Gorenjska Company and Group for year 2022, and composed a written report of the Supervisory Board on verification and approval of the stated reports for business year 2022.
- Supervisory Board approved the Sustainable Business Strategy of the Elektro Gorenjska Group for the period 2023-2026 (revision of the strategy in May 2023) with an emphasis on sustainable operation;
- Supervisory Board participated in preparing the proposals for decisions of the 30th regular General Meeting session, which took place on August 24 2023. Supervisory Board proposed to the General Meeting to approve the work of the Chairman of the Management Board for the financial year 2022, and grant a discharge.
- Within the framework of the Supervisory Board, two committees were active in 2023, namely the Audit and Human Resources Committee. Their work was carried out based on the adopted rules of procedures for both committees.
- Supervisory Board continued the good practice of monitoring reports on the review of individual larger projects in the Company. In accordance with the adopted permanent decisions, the Management board is obliged to report, twice a year, on the status of all major investment projects from the business plan, as at May 31 and October 31.
- In accordance with the adopted decisions of a permanent nature, the Supervisory Board monitored public procurement matters immediately upon the introduction of the PP in the form of information. In this way, the management announces to which transactions the SB will be asked for prior consent in accordance with the statute. Practice introduced by the previous mandate of the supervisory board in relation to the more detailed monitoring of reports on executed public procurement procedures (even those for which the consent of the SB is not required) continued in 2023 as well. Audit Committee monitors the reports quarterly and reports the findings to the supervisory board.
- In 2023, in accordance with the Statute of the Company, the Supervisory Board gave consent to 14 legal transactions and three annexes (increase in contract value) with a total value of these transactions in the amount of more than 37.5 million € (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 2024, together with a financial projection for the years 2025 and 2026, 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 the amount of 18 million €.

- 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 2023 and adopted benchmarks for the variable part of the chairman of the management board for 2024.
- Together with the management, the Supervisory Board monitored all activities related to the implementation of the NEPN, i.e. the decarbonization of the company, the connection of solar power plants and the like.

COOPERATION WITH THE CHAIRMAN OF THE BOARD

Supervisory Board is of the opinion that the Chairman of the Management Board, dr. Ivan Šmon, MBA, in 2023, took all measures to cover the balance sheet loss from 2022 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. Supervisory Board is of the opinion that the Chairman of the Board managed the company very successfully in 2023, which will also result in a profit for the financial year 2023.

Supervisory Board assesses the cooperation with the Chairman of the Board as very professional and interactive. All materials for the sessions of the supervisory board were provided on time and in detail, and were professionally explained and presented 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 2023, two Committees operated within the Supervisory Board.

AUDIT COMMITTEE

Audit Committee provides professional support to the Supervisory Board, mainly in the areas of financial reporting, financial operations, internal controls and risk management, as well as external and internal auditing. It prepares the professional bases and proposals for decisions necessary for the work and decision-making of the supervisory board.

In 2023, the Audit Committee was composed of Gregor Tomše as chairman, Gabrijel Škof as member and Simon Čadež as external member in the period from January 1 2023 to August 24 2023. In this composition, the committee held six regular sessions. In the period from August 25 2023 to December 31 2023, it worked in the composition of Franjo Curanović as chairman, Rajko Stanković as member and Simon Čadež as external member. In this composition, the committee met in three regular sessions.

Members of the Committee regularly attended the sessions.

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 2023:

Annual report 2022: 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 2024 with a financial projection until 2026 and proposed it to the Supervisory Board for approval, and took note of the subsidiary's business plan for 2024 with a financial projection until 2026.

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 2023, the Committee discussed the Annual Report on the work of the internal audit for 2022, discussed the internal auditor's reports on all conducted internal audits and monitored the implementation of the recommendations made. It also familiarized itself with the periodic reports of the internal audit and submitted a proposal to the supervisory board for approval of the work plan of the internal audit.

Cooperation with the external auditor: Audit Committee met with the external auditor after the completion of the audit of the financial statements for 2022 and at the beginning of the 2023 audit cycle for the purpose of joint review of the proposed audit plan.

Selection of the external auditor: In accordance with its powers, the Audit Committee carried out activities to extend the mandate of the external auditor for the period from 2023 to 2025.

Self-assessment: Audit Committee carried out a self-assessment of its work.

HUMAN RESOURCES COMMITTEE

Human resources Committee worked in the following composition until the end of August 2023:

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

As already stated on the second page of this report, due to the recall of two members, from the end of August onwards, the Committee worked with a new composition:

- Gabrijel Škof, chairman,
- Vid Meglič, member, and
- Borut Jereb, member.

In 2023, the Human resources Committee met at six regular sessions, namely three in the first composition and three in the second composition. Continuity of the committee's work was ensured by the membership of one member of the SB, who was a member of the committee throughout the year.

All members of the Committee regularly attended the sessions. In the reported period, the Committee adopted 28 decisions. All adopted decisions, except for the proposal for a new remuneration policy of the Supervisory board, were implemented. Already in January, the committee started preparations for the self-assessment of the work of the supervisory board procedures and then carried out all the activities related to the self-assessment. Then, in accordance with the new Recommendations and expectations of the SSH and the amendments to the Corporate Governance Code, it prepared two proposals for two remuneration policies regarding the remuneration of the company's bodies, the chairperson of the board and the members of the supervisory board.

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

- proposal of the Questionnaire matrix for the self-assessment of the work of the SB in 2022 and all other authorized work and tasks within the self-assessment of the SB (analysis of completed matrices, proposal of the self-assessment report of the SB with an action plan, proposal of the resolutions of the SB in this regard),
- proposal for the Remuneration Policy of management bodies in the company Elektro Gorenjska, d. d., and management bodies in subsidiaries of the Elektro Gorenjska Group, instead of the existing Rules on determining the salary and other rights of the chairperson of the board of Elektro Gorenjska, d. d., dated January 28 2021, and Rules on determining the salary and other rights of the director of the company Gorenjske elektrarne, d. o. o., dated February 15 2021,
- proposal for the Remuneration Policy for members of the supervisory board in the company EG (was not accepted at the SB),

- compliance of the employment contract with the chairperson of the management board in accordance with the new management remuneration policy and the proposal for acceptance by the supervisory board (Annex No. 1),
- proposal to the Supervisory Board to accept the amount of the variable part of the performance pay of the chairman of the board for 2022,
- 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 2024.

POSITION OF THE SUPERVISORY BOARD TO AUDIT REPORT 2023

According to the auditing company BDO Revizija, d. o. o., from Ljubljana, which audited the financial statements of the companies in the Group for 2023, 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 2023, 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. Company received the independent auditor's reports on April 19, 2024. Representative of the auditing company BDO reported on the course of the audit procedure and findings on April 19 2024 at the 7th regular meeting of the Audit Committee of the Supervisory Board.

Upon the submission of the audited Annual Report of the Company and Group Elektro Gorenjska for 2023, 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 is 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 2023 AND PROPOSAL FOR THE USE OF THE DISTRIBUTABLE PROFIT

Management of the Company submitted the Annual Report of the Company and Group, including the Audit Report, to Supervisory Board for approval and 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 2023 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 2023 are composed in accordance with the provisions of the Companies Act and valid international accounting standards.

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

All companies in the Group closed the financial year with a profit. Balance sheet profit of Elektro Gorenjska, d. d., for 2023 totals 1,544,612.75 € and consists of the remaining net profit for the financial year 2023 in the amount of 1,533,584.95 € and profit or loss brought forward in the amount of 1,027.80 €. Compared to the balance sheet profit for the financial year 2022, when the company operated in the negative, the profit for 2022 is higher by 1,544,612.75 €. Company's management will propose to the shareholders' meeting that the balance sheet profit for 2023 be distributed to the shareholders in full, in the amount of 0.09 €/share.

Supervisory board has verified the proposal for the use of distributable profit, and agreed with the proposal of the management.

After the Supervisory Board members verified the Annual Report of the Company and Group for year 2023 and had no comments, the Supervisory Board adopted this Supervisory Board Report on Verification and Approval unanimously at its 12th regular session on May 15 2024.

In Kranj, May 15 2024

Gabrijel Škof,
Chairman of the Supervisory Board



5.4

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.

Composition of the Supervisory Board in 2023 was as follows:

SUPERVISORY BOARD EG, d.d.	FUNCTION	TERM OF OFFICE FROM	TERM OF OFFICE UNTIL
Rudolf Ogrinc	chairman	29. 8. 2021 (chairman since 2. 9. 2021 do 24. 8. 2023)	24. 8. 2023
Gabrijel Škof	deputy chairman / chairman	29. 8. 2021 (chairman since 31. 8. 2023)	29. 8. 2025
Rajko Stanković	deputy chairman	25. 8. 2023 (deputy chairman since 31. 8. 2023)	25. 8. 2027
Gregor Tomše	member	29. 8. 2021	24. 8. 2023
Vid Meglič	member	29. 8. 2021	29. 8. 2025
Franjo Curanović	member	25. 8. 2023	25. 8. 2027
Borut Jereb	member	8. 8. 2019	9. 8. 2027
Iztok Štular	member	8. 8. 2019	8. 8. 2023
David Gogala	member	9. 8. 2023	9. 8. 2027

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 2023 are presented in chapter Transactions with related parties.

AUDIT COMMITTEE OF ELEKTRO GORENJSKA SUPERVISORY BOARD

In year 2023, 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
Gregor Tomše	chairman	29. 8. 2021 (chairman of AC from 2. 9. 2021 to 24. 8. 2023)	24. 8. 2023
Gabrijel Škof	member	29. 8. 2021 (member of AC to 31. 8. 2023)	29. 8. 2025
Dr. Simon Čadež	external member	2. 9. 2021	24. 8. 2027
Franjo Curanović	chairman	25. 8. 2023 (chairman of AC from 31. 8. 2023)	25. 8. 2027
Rajko Stanković	member	25. 8. 2023 (member of AC from 31. 8. 2023)	25. 8. 2027

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 2023, 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
Rudolf Ogrinc	chairman	2. 8. 2021 (chairman of NC from 25. 11. 2021 to 24. 8. 2023)	24. 8. 2023
Gabrijel Škof	chairman	29. 8. 2021 (chairman of NC from 31. 8. 2023)	29. 8. 2025
Vid Meglič	member	29. 8. 2021	29. 8. 2025
Iztok Štular	member	8. 8. 2019	8. 8. 2023
Borut Jereb	member	9. 8. 2023 (member of NC from 31. 8. 2023)	9. 8. 2027

5.5

Shareholders' Meeting

In 2023, the management convened one regular session of the General Meeting of Shareholders.

The 30th regular session was held on 24 August 2023 with 85.75% of the voting shareholders present. At the general meeting, shareholders voted on seven 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 2022, the auditor's opinion and the written report of the supervisory board on the verification and approval of the annual report for the 2022 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 2022, 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 2022.

Shareholders were informed of the net profit or loss and accumulated loss for the year 2022, namely that on December 31 2022 the net loss for the financial year 2022 amounted to 1,899,658.66 €, and the accumulated loss to 510,732.37 €. Notification resolution was adopted, as the General Meeting itself is only notified of the loss.

This was followed by a vote on the granting of discharges to the management board and the supervisory board for operation in the financial year 2022. During the vote on discharges, two appeals against the adopted decisions were announced by the shareholder Kalantia Limited, which were not subsequently filed in the competent court. General Meeting granted a discharge for work in 2022 to the Chairmen of the Board and specifically to the Supervisory Board members. Next, the General Meeting appointed the auditing company BDO Revizija d. o. o., to audit the financial statements and annual report of the company Elektro Gorenjska and the consolidated financial statements and annual report of the Elektro Gorenjska Group for the business years 2023 to 2025.

General Meeting then got acquainted with two new members of the supervisory board, who were elected by the worker's council. General Meeting also adopted a resolution to recall two members of the company's supervisory board, shareholder representatives (Rudolf Ogrinc, Gregor Tomše) as of August 24 2023 and to appoint two new members from the ranks of shareholders (Franjo Curanović, Rajko Stanković) as of August 25 2023.



5.6

Business compliance



Ensuring business compliance is a continuous activity that intertwines through all processes and areas of the company's operations. Responsibility for business compliance lies primarily in the domain of the company's management, which plays a key role in:

- maintaining the company's commitment to operating in accordance with values, goals and strategy;
- building awareness and motivating employees regarding business compliance;
- encouraging employees to understand and realize compliance goals and making suggestions for improving the compliance system;
- developing a culture of business compliance within the organization;
- appropriate internal and external communication that supports business compliance and enables transparency and accountability.

5.6.1

Compliance with regulatory requirements

Operations of Elektro Gorenjska Company are largely regulated. Conditions of regulation in accordance with the Electricity Supply Act (ZOE) and by-laws are determined by the Energy Agency (AGEN). Revenues realized by the company on the basis of the contract with DO also depend on these conditions and represent 73% of the total revenues of the Company or 54% 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 change. Special concern of the company is intended for active participation in the procedures of adopting new regulatory frameworks.

For easier understanding, below 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 ELES). As already explained, we carry out the regulated activity within the framework of the contract with the company ELES, 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 ELES.

ELIGIBLE COSTS	Operation and maintenance costs
	Depreciation costs
	Regulated return on assets
	Costs of DO flexibility services
	Quality of supply
	Performance of smart grid investments
	Research and innovation costs
	Incentives
	—
	Other revenues from regulated activity
	—
	Costs of tasks transferred to SODO
	=
	Regulated revenues of the company or rent and services charged to ELES

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 EEL 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.

Costs of distribution operator (DO) flexibility services are calculated as the sum of the costs of individual flexibility services. They include voltage regulation, congestion management, network capacity management and managed islanding.

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 EEL put into use in that year. Item represents an incentive for better quality or a sanction for poorer quality.

Performance of smart grid investments is monitored and evaluated against a set of performance indicators, using two types of key performance indicators, namely the key readiness indicators and key efficiency indicators.

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 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 ELES are operating and maintenance costs, depreciation costs of assets other than the distribution system, regulated return on assets other than the distribution system, 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 ELES 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 EEL 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.

5.6.2 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 engagement and satisfaction through the principles of reconciling professional and private life and ultimately committing to constant improvement.

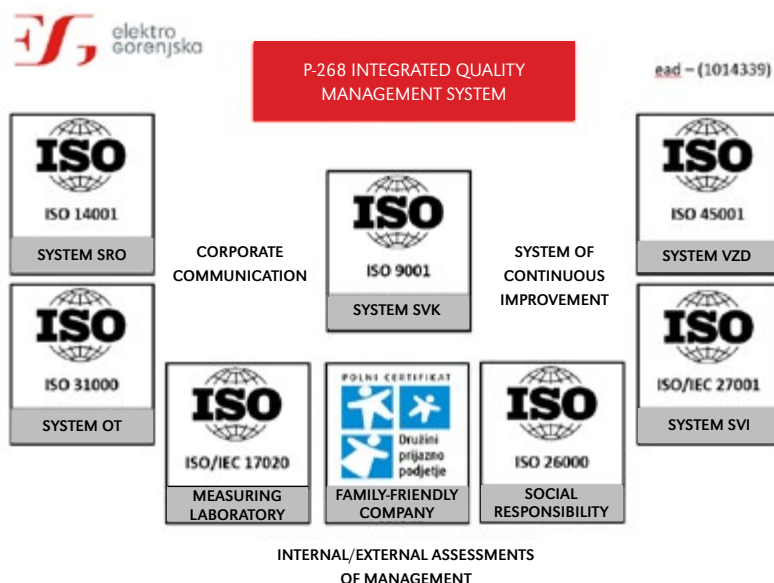
Through established and managed iSVK Elektro Gorenjska meets:

- 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.



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iSVK OF ELEKTRO GORENJSKA COMPANY



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 59 established strategic indicators;
- management of 41 business processes of the company Elektro Gorenjska, the operation of which is monitored with 165 indicators;
- management of 31 strategic risks of the company Elektro Gorenjska;
- management of 16 environmental risks of the company Elektro Gorenjska;
- management of 65 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 2023, a total of 58 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 engagement 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 engagement 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.

5.7

Sustainable business policy

Company Elektro Gorenjska strives to improve results in the areas of employee satisfaction, safety and health at work, environmental protection and quality. Our operation is based on respect for generally accepted principles of ethics, employment, safety and health at work, protection of the environment and biodiversity, as well as quality and related management systems. With this, we assume responsibility for implementing the principles of sustainable development in our daily operations.

Our sustainable development policy covers areas of management, social responsibility and care for the environment. At the same time, we are trying to develop a network of suppliers that operate in accordance with the principles of sustainable policy.

SUSTAINABLE BUSINESS STRATEGY

With the strategy for the period 2024–2028, 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 two key strategic directions until 2028 are:

- Sustainable operation and
- Development and management of a sustainable distribution system.

GOALS OF SUSTAINABLE OPERATION

We are aware of the high importance of ensuring a reliable supply of electricity and the construction and maintenance of infrastructure, which is why sustainable operation is of strategic importance to us.

Sustainable operations cover the company's operations taking into account environmental, social and governance aspects.

1. Environmental aspect:

- Reducing the carbon footprint: Emphasis on reducing carbon emissions and promoting the use of renewable energy sources.
- Protection of natural resources: Policy aimed at reducing the impact on the environment,
- Energy efficiency: encouraging investments in energy efficient equipment and infrastructure.
- Encouraging the use of renewable energy sources.
- Investing in energy efficiency and low-carbon technologies.
- Implementation of policies to reduce pollution and preserve biodiversity.
- Support for the circular economy and recycling.

2. Social aspect:

- Safety and health of employees: ensuring safe working conditions, appropriate equipment and policies that support employee health and well-being.
- Social responsibility: Cooperation with communities where the company operates, and contributing to local development.
- Diversity and inclusion: Promoting diversity among employees and ensuring equal opportunities for all.
- Introducing policies to combat social inequality.
- Promoting gender equality.
- Protection of labor rights and promotion of decent working conditions.
- Education and training for sustainable development.

3. Governance:

- Ethics and integrity: Setting high standards of ethical conduct and integrity in all business practices.
- Proper management: establishing an effective management system that includes transparency, accountability and effective risk management.
- Monitoring and reporting: Recording, measuring and regular reporting on the implementation of ESG goals and initiatives.

4. Innovation and technology:

- Continuous search and introduction of innovations and technological solution that contribute to a sustainable electricity distribution system.
- Following progress in technology that enables better management and efficiency of the electricity distribution network.

5.8

Supplier relationship management

During the occurrence of unforeseen situations (e.g. interrupted supply chains, reduction of financial resources), we try to maintain a good business relationship with suppliers and service providers to maximum extent possible, therefore we inform them in writing when such situations arise and take appropriate measures to preserve business contractual relations.

In the company, we have adopted Instructions for evaluating suppliers, with which we carry out regular annual internal checks of contracted suppliers and contractors. Instructions determine the criteria on the basis of which administrators of contracts or contractors perform their evaluation by filling in the supplier evaluation sheet. Suppliers are checked according to the following criteria: Fulfillment of deadlines from the order, Number of complaints, Attitude towards resolving complaints, Adherence to provisions and measures in the field of occupational health and safety, Adherence to environmental requirements and Adherence to regulations in the field of information security and information protection. We anticipate that we will also introduce an external (unannounced) quality check of suppliers' products through independent accredited institutions.

In contracts for the supply of materials, for certain types of goods, as a client, we acquire the right to perform an inspection upon the first delivery and also later, during the execution of the contract, inspection of the production processes at the manufacturer and of the supplier's supply chain, and upon delivery of the ordered goods, an incoming inspection of the supplied material through independent accredited institutions.

When ordering goods and services, we usually send order forms in .pdf format via e-mail. Among the important areas of paperless business, we also include contracts that are signed with a digital qualified electronic signature and e-invoices, which are already used by most suppliers and contractors.

We are aware that sustainable behavior also includes responsible handling of the material throughout its lifetime. That's why we make sure that waste is handled carefully and ecologically. We cooperate with local contractors dismantling distribution transformers. When felling trees and undergrowth under power lines and devices, we agree with the contractor that the contractor will hand over all the cut undergrowth, which is not taken over by the land owner according to the prior agreement, to the processor of wood biomass (for the production of bulk G100 chips).

We have an integrated management system (iSVK) in place that meets the requirements of the following systems: - ISO 9001:2015 Quality management system - ISO 14001:2015 Environmental management system - ISO/IEC 27001:2013 Information technology - Security techniques - Information security management system - Requirements - ISO 45001:2018 Occupational health and safety management system. When we have objectively justified reason that justify the request of having the required quality standards, we specify in the tender documentation that the bidders must have the individual quality standards at their disposal.

5.9

Data protection

In accordance with the provisions of the General Data Protection Regulation (GDPR), which entered into force on May 25, 2018, we have defined stricter regulations regarding protection of personal data. Since 2018, we have appointed a data protection officer (DPO), who reports directly to the chairman of the board. Basic task of the DPO is to ensure compliance of the protection of personal data in the company with the provisions of the GDPR.

We pay special attention to employee training on the protection and processing of personal data. We regularly conduct internal training in the field of DPO, to which key employees who deal with personal data processing are invited. We equip all employees with a leaflet about the GDPR, which they receive upon acceptance to the workplace.

In accordance with the legal requirements in this area, we have established an email address in the company, through which users can communicate requests from the regulation or make possible comments regarding the protection of personal data. We treat each message as a potential security incident and document it in a security incident report. We review the content of the message in accordance with the provisions of the GDPR within the agreed time frames and send a reply to the sender. If we identify deficiencies in the personal data protection system, we introduce corrective and preventive measures, which are supervised by the DPO.

DPO participates in impact assessments for all new and major changes to existing applications where personal data is present, in accordance with the directive. With its cooperation, it contributes to the prevention of loss or misuse of personal data and possible violations of regulations on the protection of personal data. In addition, the appointed DPO in the framework of the economic interest association regularly exchanges with other DPOs of distribution companies and works in the project group for the protection of personal data, where good practices are shared.

5.10 Cyber security

In the Elektro Gorenjska Group, we are aware of the importance of ensuring and maintaining a high level of cyber security at every step of the business.

A term often used or confused with the term cyber security is the term information security. Information security is the protection and defense of an information system against unauthorized access and use with the aim of ensuring confidentiality, integrity and availability. Cyber security includes a set of activities, rules, devices, tools and other measures to protect and safeguard information systems against cyber threats, attacks and abuse.

Because we are well aware of the issue of cyber security, we ensure a high level of information security. An important part of ensuring a high level of cyber security is the established information security management system (hereinafter referred to as SUVI), which is included in all business processes and helps us achieve our business goals. To monitor the performance and efficiency of SUVI, the ISO/IEC 27001:2013 standard is used, according to which we are also certified. We also operate in accordance with all other applicable sector-specific legislation.

Over the years, we have ensured a high level of cyber security with the following organizational and technical measures:

1. With the help of organizational measures, we identify risks, determine the significance of individual information assets and define procedures that are important for the detection and response to security events or incidents. Such measures include:

- assessment of information risks.
- analyzing the impact on the company's operation (BIA).
- preparation of a response plan to information incidents.
- ensuring business continuity.
- periodic training and awareness raising of employees.
- integration with VOC.

2. With technical measures, we have implemented a series of logical and technical security controls with which we protect, manage and monitor the operation of information resources and the network.

General controls are:

- security vulnerability management.
- providing adequate backups.
- performing security checks and penetration testing.
- Central management and monitoring of users' end devices.

Network controls are:

- implementing fire walls with enabled security mechanisms between different segments.
- segmented network.
- establishment of access controls (e.g. NAC, VPN, MFA).

Security event detection and response activities include:

- detection of security events (ADS, surveillance systems, endpoints, ...).
- logging, analyzing and storing diary entries in a central location (SIEM and JIRA).
- forwarding log records to VOC for the purpose of additional correlation and analysis.

We are aware that the security of information systems is crucial for our smooth operations. Therefore, when planning, implementing and maintaining information and communication systems, we always consider the aspect of cyber security, so that it is guaranteed at a high level. Ensuring cyber security is a process that needs continuous attention and is not a one-time thing. Due to increasing complexity of ICT systems, the probability of security vulnerabilities also increases, which we must always pay attention to in order to treat them appropriately.



Development of a comprehensive risk and opportunity management system

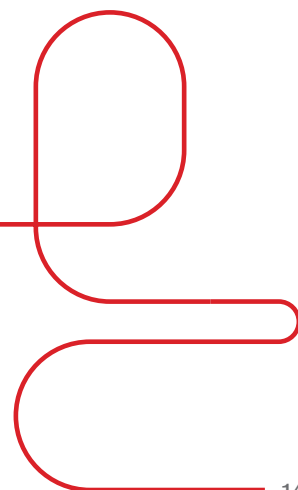
Risk management system is part of the process of our integrated quality management system (ISVK). Risk management system is a system that provides management of risks that are of strategic importance and determines the risk management process, which in accordance with the ISO 31000 standard includes 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 Elektro Gorenjska 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 features of our strategic risks:

- 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.



5.11.1

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 2023, 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.

RISK EVALUATION MATRIX IN COMPANY ELEKTRO GORENJSKA AS AT DEC 31 2023:

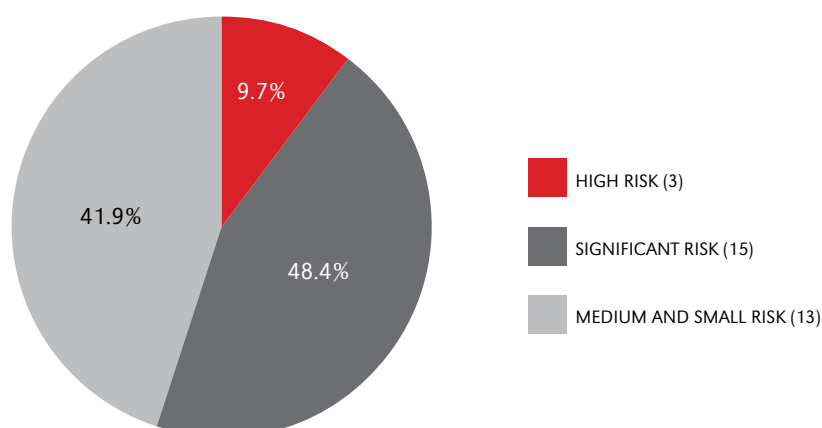
POTENTIAL DAMAGE						
IMPACT	> 10.0 million €	5	10	15	20	25
	> 2.0 million € in ≤ 10.0 million €	4	8	12	16	20
	> 0.5 million € in ≤ 2.0 million €	3	6	9	12	15
	> 0.1 million € in ≤ 0.5 million €	2	4	6	8	10
	≤ 0.1 million €	1	2	3	4	5
		PROBABILITY				
Frequency (once in XX years)		1x20	1x10	1x6	1x4	1x2

High risk (H)

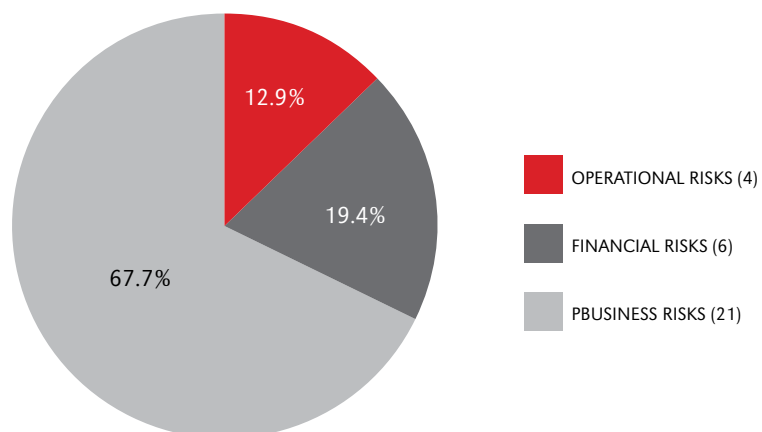
Significant risk (S)

Medium and small risk (MS)

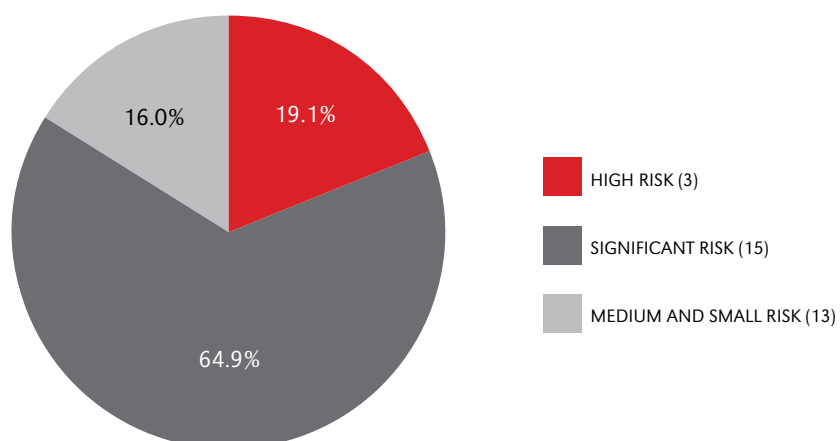
IDENTIFIED RISKS IN TERMS OF SEVERITY ON DEC 31 2023 (SHARE)



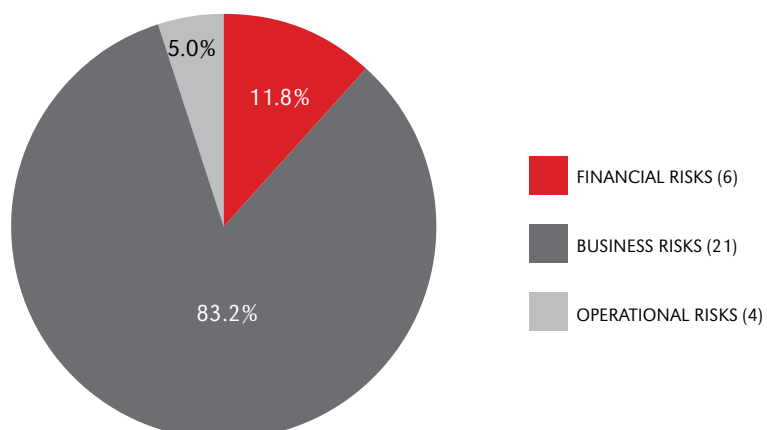
IDENTIFIED RISKS BY TYPE ON DEC 31 2023 (SHARE)



SHARE OF ESTIMATED MAX. LOSSES ACCORDING TO RISK SEVERITY (IN %)



SHARE OF ESTIMATED MAX. LOSSES ACCORDING TO RISK TYPE (IN %)



5.11.2 Risk management system in Gorenjske Elektrarne Company

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.

RISK MATRIX IN COMPANY GORENJSKE ELEKTRARNE

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					

LEGEND: RISK SEVERITY

High	Significant	Medium and small
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5.11.3 Opportunity management system

OPPORTUNITY MANAGEMENT SYSTEM

We have been rapidly modernizing and strengthening our distribution network for decades.

We have established a system for collecting evaluating and implementing innovation proposals. It is actively managed by colleagues from all sectors, and the number and content of proposals has been constantly improving for the past five years. Research and development are 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 by the highest level, coordinated by the innovation office.

We work primarily 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 the Public Utility Service (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.

In the Sustainable Development Strategy of the company Elektro Gorenjska for the period 2023-2026, the intensification of activities in the field of support for the green transition and investments in smart grids is foreseen. We will sustainably be increasing investments in development, research and innovation.

5.11.4

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 Elektro Gorenjska 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, increases 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.

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 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 Group 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 of Gorenjske elektrarne Company 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.

Group manages the risk 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 of the Republic of Slovenia 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 Group.

Group 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.

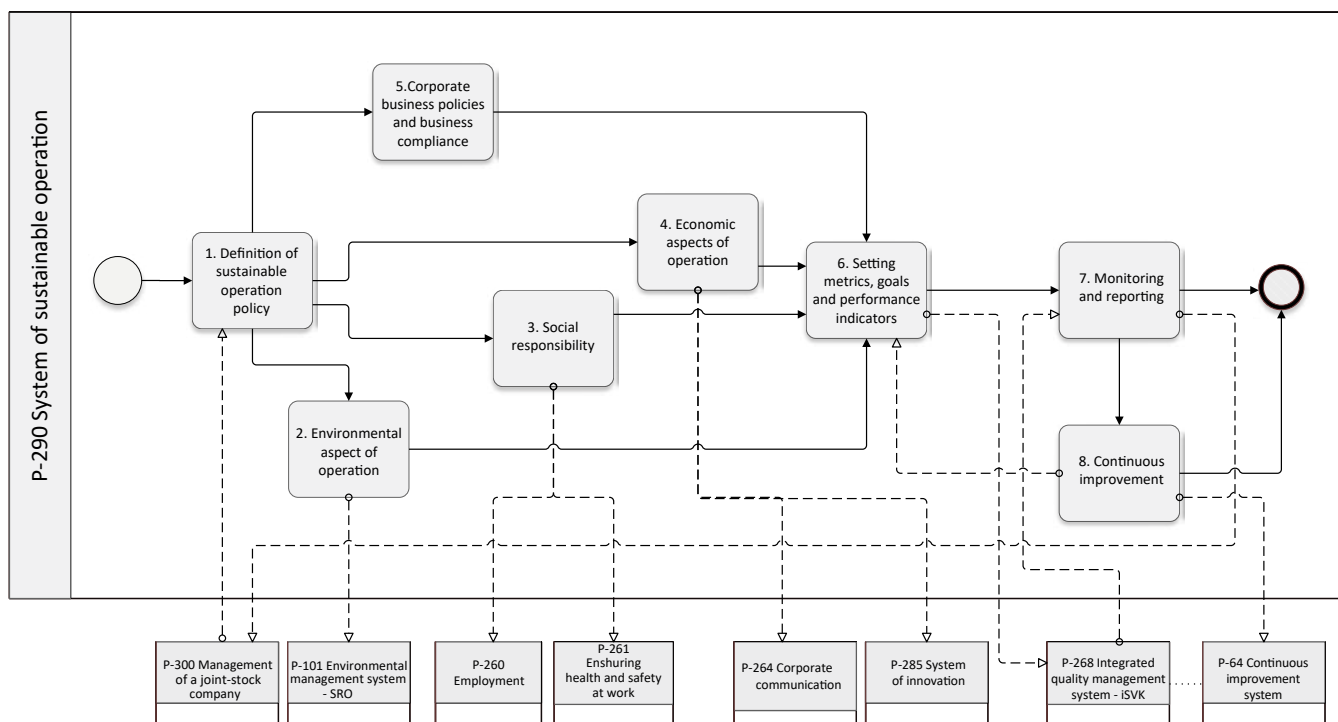
INFORMATION SECURITY

Activities of the Elektro Gorenjska Group, 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.

5.12 Sustainability management system

Sustainable operation refers to an approach to business that takes into account economic, social and environmental aspects and strives for long-term sustainability. Purpose of sustainable operation is to create value for the company's owners as well as for society and the environment. Sustainable operations include a balance between achieving business goals, reducing environmental impacts, taking care of social responsibility and managing resources and energy in a sustainable way.



PROCESS OF SUSTAINABLE OPERATION OF COMPANY ELEKTRO GORENJSKA

5.13 Internal audit

We have an internal audit function, which is organized within the framework of the parent company and covers the business area of the entire Elektro Gorenjska 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 complying with the International Standards for the Professional Practice of Internal Auditing (henceforth the Standards) and other rules included in the International Framework for Professional Practice in Internal Auditing and the Hierarchy of internal auditing rules.

Its role is an independent and impartial assurance and consulting activity designed to add value and improve the performance of the company and the Group. It helps the company and the Group achieve its goals by systematically and methodically assessing and improving the performance of risk management, control procedures and company management, acting according to the principles of demonstrating integrity, professionalism, due professional care, impartiality and independence.

Activities are carried out in areas where key risks arise or may arise for the company and the Group and where it can contribute to the improvement of operations and the increase of business security and business benefits of the company and the Group, where there are dangers and weaknesses in operations that threaten its continued existence and development or where there are opportunities for fraud, errors, evasions and disputes with the aim of more successful, economical and efficient operation of the company and the Group.

It carried out its activities in 2023 in accordance with the approved annual work plan. All but one of the eight planned internal audits were completed, as well as other internal audit activities, such as periodic monitoring of the implementation of recommendations, internal audit planning, internal assessment, activities related to work methodology and others. Internal auditor regularly reported on the results of audits and other activities to the responsible auditees and the management board, and periodically to the audit committee and the company's supervisory board.

5.14

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 2023 is in accordance with the Corporate Governance Code for State-owned Enterprises and the European Financial Reporting Standard for Non-Financial Information (ESRS). This includes also provisions of the Directive 2014/95/EU and contains disclosures of non-financial and diversity information. We are aware of the importance of non-financial information and a comprehensive approach to reporting for creating value for our stakeholders.

Statutory requirements regarding the 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 Environmental aspects, Corporate social responsibility and Corporate business policies and business compliance.
- Main risks related to the previously listed areas are stated in chapter Development of a comprehensive risk and opportunity management system.
- Description of the business model or model of value creation of the Elektro Gorenjska Group is presented in chapter Our business model.
- 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 our Company implements policies relating to:

- environmental area,
- involvement of stakeholders,
- 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



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6.1 | 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 2023 on April 2, 2024.

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 2 2024

Chairman of the Board
dr. Ivan Šmon, MBA



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, 2023 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, 2023, 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. 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.

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 5.921.213 EUR in the year ended December 31, 2023 (2022: 3.354.884 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 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

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.
- 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



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 Notes to the financial statements and within this point subtitle Significant accounting policies and estimates - 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 6.5.2 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, 2023 amounted to 222.548.993 EUR (31. December 2022: 212.885.049 EUR); costs of maintenance for the year 2023 amounted to 1.516.922 EUR (2022: 1.229.994 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 6.4 Notes to the financial statements and within this point subtitle Significant accounting policies and estimates - Fixed assets, to the Note 2 Tangible fixed assets of the point 6.5.1 Notes to the financial statement items, to the Note 5 Maintenance costs of the point 6.5.2 Notes on profit and loss account items.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report does not include the financial statements and our auditor's report thereon. We

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 annual report according to the requirements of Slovenian Accounting Standards.



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

Independent assurance report on the appropriateness of the criteria for allocating revenue and expenditure to activities and on the correctness of their application

We have conducted an engagement to provide reasonable assurance as to whether the criteria for the division of economic categories by different activities (hereinafter referred to as the "division criteria") disclosed in section 6.9 of the Annual Report are appropriate and applied correctly in the separate accounting for the individual activities of the customer Elektro Gorenjska d.d. for the financial year ended 31 December 2023 in accordance with the requirements of the Electricity Supply Act (ESPA).

Definition of appropriate benchmarks

In order to assess the appropriateness of the division criteria, we assessed compliance with the ESPA. We assessed whether the division criteria reflect the volume of activity giving rise to the economic category they are intended to divide. If the volume of activities giving rise to the economic category could not be measured, we assessed whether the apportionment criterion was determined on the basis of the direct cost share.

In order to assess the correctness of the application of the allocation criteria, we performed audit procedures to verify that each criterion is applied to allocate the economic category for which it was adopted and in the manner in which it was established.

Management and Supervisory Board responsibilities

Management is responsible for the preparation and proper application of the allocation criteria in accordance with the ESPA and for such internal control as management determines is necessary to enable the preparation and fair application of the allocation criteria in accordance with the ESPA.

The Supervisory Board is responsible for adopting the sharing criteria and supervising their application in accordance with the requirements of the ESPA.

Auditor's responsibility

Our responsibility is to provide an assurance engagement and to express a conclusion on whether the apportionment criteria have been prepared in accordance with the requirements of the EIR and are being applied appropriately. We conducted our engagement to provide reasonable assurance in accordance with International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Investigations of Historical Financial Information (ISA 3000) issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the conclusion is appropriate.

We have acted in accordance with the independence and ethical requirements of the International Code of Ethics for Accounting Professionals issued by the International Accounting Standards Board. The Code is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct. Our firm operates in accordance with the International Standards on Quality Management (ISQM 1) and maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Summary of work done

Within the scope of the work performed, we carried out the following audit procedures:

- We identified and assessed the risk of material misstatement of the adequacy of the criteria and the appropriateness of their application in relation to the requirements of the ESPA;
- we obtained an understanding of internal control relevant to the engagement to provide reasonable assurance in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- we assessed whether the criteria used are appropriate;
- we obtained reasonable assurance about whether the criteria for sharing are appropriate;
- we obtained reasonable assurance about whether the allocation criteria are applied appropriately in accordance with the criteria adopted.

We believe that the evidence obtained provides a sufficient and appropriate basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the criteria for allocating indirect costs (expenses), income, assets and resources to the individual activities for the financial year ended 31 December 2023 are, in all material respects, appropriate in accordance with the EIR and have been applied correctly.

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

Confirmation to the Audit Committee

We confirm that our audit opinion expressed herein is consistent with the additional report to the Audit Committee of the Company.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation ((EU) No. 537/2014 of the European Parliament and the Council were provided and audit company complied with independence requirements at auditing.

Other services

There are no services, in addition to the statutory audit which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

Appointment of the Auditor, the Period of Engagement and Certified Auditor

BDO Revizija d.o.o. was appointed as the statutory auditor of the Company and the Group by the shareholder on General Shareholders' Meeting held on August 24, 2023, the president of the Supervisory board signed the engagement letter on September 14, 2023 for the period of 3 years. Our total uninterrupted engagement started on September 26, 2017.

Engagement partner responsible for the audit on behalf of BDO Revizija d.o.o. is Maruša Hauptman, certified auditor.

Ljubljana, April 19, 2024

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

(signature on the original issued in Slovene language)

Maruša Hauptman, certified auditor

6.3 Financial statements of Elektro Gorenjska Company for business year ended as at December 31 2023

BALANCE SHEET OF ELEKTRO GORENJSKA COMPANY AS AT DECEMBER 31 2023

in €

Item		Note	31. 12. 2023	31. 12. 2022
	ASSETS			
A.	Long-term assets		243,742,456	233,338,457
I.	Intangible assets and long-term accrued and deferred asset items	1	3,114,109	2,240,615
	1. Long-term property rights		3,053,708	2,114,848
	5. Other long-term accrued and deferred asset items		60,401	125,767
II.	Tangible fixed assets	2	222,548,993	212,885,049
	1. Land and buildings		164,859,697	158,770,359
	a) Land		7,282,780	7,289,770
	b) Buildings		157,576,917	151,480,589
	2. Production plant and equipment		52,097,889	50,543,056
	3. Other plant and equipment		66,865	67,986
	4. Tangible fixed assets in acquisition		5,524,542	3,503,648
	a) Tangible fixed assest under construction and manufacture		5,483,278	3,460,306
	b) Advances for the acquisition of fixed assets		41,264	43,342
III.	Investment property	3	1,782,857	1,786,100

IV.	Long-term financial investments	4	13,982,256	13,982,256
	1. Long-term financial investments, excluding loans		13,839,457	13,839,457
	a) Shares and stakes in group companies		13,715,303	13,715,303
	b) Shares and stakes in associate companies		124,154	124,154
	2. Long-term loans		142,799	142,799
	b) Long-term loans to others		142,799	142,799
V.	Long-term operating receivables	5	722,341	1,311,805
	2. Long-term trade receivables		613,688	1,178,900
	3. Long-term receivables due from others		108,653	132,905
VI.	Deferred tax asset	6	1,591,900	1,132,632
B.	Short-term assets		14,974,313	14,147,465
II.	Stocks	7	1,295,369	946,922
	1. Material		1,295,369	946,922
IV.	Short-term operating receivables	8	7,300,535	8,543,205
	1. Short-term receivables due from Group companies		19,910	77,846
	2. Short-term trade receivables		7,064,339	7,872,794
	3. Short-term receivables for income tax		0	402,070
	4. Short-term receivables due from others		216,286	190,495
V.	Monetary assets	9	6,378,409	4,657,338
C.	Short-term accrued and deferred asset items		1,480,087	246,399
TOTAL ASSETS			260,196,856	247,732,321



in €

Item		Note	31. 12. 2023	31. 12. 2022
	LIABILITIES			
A.	Capital	10	170,315,507	166,546,129
I.	Called-up capital		104,136,615	104,136,615
	1. Share capital		104,136,615	104,136,615
II.	Capital reserves		45,973,479	45,973,479
III.	Profit reserves		18,847,158	16,907,782
	1. Statutory reserves		4,109,421	3,865,679
	5. Other profit reserves		14,737,737	13,042,103
V.	Reserves arising from fair value measurement		-196,358	38,985
VI.	Net profit or loss from previous periods		1,028	0
VII.	Net profit or loss for the period		1,553,585	-510,732
	1. Unused part of net profit for the current financial year		1,553,585	0
	3. Net loss for the period		0	510,732
B.	Provisions and long-term accrued and deferred liability items	11	18,147,227	15,284,740
	1. Provisions for pensions and similar liabilities		3,457,557	2,838,300
	2. Other provisions		6,335,008	6,137,039
	3. Long-term accrued and deferred liability items		8,354,662	6,309,401
C.	Long-term liabilities	12	50,928,959	47,183,878
I.	Long-term financial liabilities		50,633,042	46,691,448
	2. Long-term financial liabilities to banks		50,633,042	46,691,448

II.	Long-term operating liabilities		67,751	288,706
	4. Long-term operating liabilities based on advances		67,751	60,855
	5. Other long-term operating liabilities		0	227,851
III.	Deferred tax liabilities		228,166	203,724
Č.	Short-term liabilities		19,601,979	15,062,184
II.	Short-term financial liabilities	13	10,847,735	9,567,797
	1. Short-term financial liabilities to group companies		171	242
	2. Short-term financial liabilities to banks		9,058,406	9,497,788
	4. Other short-term financial liabilities		1,789,158	69,767
III.	Short-term operating liabilities	14	8,754,244	5,494,387
	1. Short-term operating liabilities to Group companies		40,380	14,634
	2. Short-term operating liabilities to suppliers		5,257,485	2,301,019
	4. Short-term operating liabilities based on ad-vances		84,197	144,629
	5. Short-term liabilities for income tax		293,955	0
	6. Other short-term operating liabilities		3,078,227	3,034,105
D.	Short-term accrued and deferred liability items	15	1,203,184	3,655,390
TOTAL LIABILITIES			260,196,856	247,732,321

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 2023

in €

Item	Note	2023	2022
1. Net sales revenue	1	37,160,207	26,167,643
a. Net sales revenue on the domestic market		37,152,257	26,160,694
b. Net sales revenue in the foreign market		7,950	6,949
3. Capitalized own products and services	2	5,921,213	3,354,884
4. Other operating revenues	3	1,884,865	704,660
5. Costs of goods, material, and services		11,071,419	7,657,814
a. Costs of goods sold and material used	4	6,518,245	3,695,767
b. Costs of services	5	4,553,174	3,962,047
6. Labor costs	6	15,353,221	13,385,632
a. Cost of wages and salaries		10,937,132	9,545,267
b. Social security cost		2,308,07	2,048,351
- of which the cost of pension insurance		1,495,575	1,327,587
c. Other labour costs		2,107,982	1,792,014
7. Amortization/depreciation expense	7	12,551,555	11,852,826
a. Depreciation		12,060,784	11,695,802
b. Operating expenses from revaluation of intangible and tangible fixed assets		485,477	150,831
c. Operating expenses from revaluation of operating current assets		5,294	6,193

8.	Other operating expenses	8	515,719	468,769
9.	Financial revenues from shares	9	1,580,000	1,009,797
	a. Financial revenue from interests in Group companies		1,580,000	980,992
	b. Financial revenue from interests in associates		0	28,805
10.	Financial revenues from given loans		38,990	1,004
	b. Financial revenues from loans given to others		38,990	1,004
11.	Financial revenues from operating receivables		25,711	11,822
	b. Financial revenue from operating receivables due from others		25,711	11,822
12.	Financial expenses from impairments and financial investment write-offs		0	146,139
13.	Financial expenses from financial liabilities		1,698,344	513,514
	a. Financial expenses from loans, received from group companies		1,116	847
	b. Financial expenses from loans, received from banks		1,697,228	512,667
14.	Financial expenses from operating liabilities		106,679	17,599
	b. Financial expenses from accounts and bills payable		166	130
	c. Financial expenses from other operating liabilities		106,513	17,469
15.	Other revenues		21	24
16.	Other expenses		69,764	25,026
17.	PRE-TAX NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		5,244,306	-2,817,485
18.	Income tax	11	293,955	0
19.	Deferred taxes	12	-435,221	-917,826
20.	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		5,385,572	-1,899,659

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 2023 in €

Item	2023	2022
NET PROFIT OR LOSS OF THE ACCOUNTING PE-RIOD	5,385,572	-1,899,659
Other componenets of comprehensive in-come	-234,315	381,729
TOTAL COMPREHENSIVE INCOME	5,151,257	-1,517,930

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 2023 in €

Item	2023	2022
A. OPERATING CASH-FLOW		
a. Operating receipts	47,204,451	35,085,148
1. Receipts from sales of products and services	42,402,717	34,095,091
2. Income tax receipts	402,070	0
3. Other operating receipts	4,399,664	990,057
b. Operating expenditure	-27,183,974	-25,356,852
1. Expenditure for purchase of material and services	-10,429,627	-8,314,830
2. Expenditure for salaries and employees profit shares	-10,828,661	-9,820,571
3. Income tax expenditure	0	-937,749
4. Expenditure for other duties	-2,697,718	-3,170,423
5. Other operating expenditure	-3,227,968	-3,113,279
c. Positive or negative cash flow from operating activities	20,020,477	9,728,296



B. CASH FLOWS IN INVESTING ACTIVITIES		
a. Receipts in investing activities	1,833,734	3,354,177
1. Receipts from received interest and profit shares of others	1,642,910	627,372
3. Receipts from disposal of tangible fixed assets	190,824	10,990
5. Receipts from disposals of financial investments	0	2,715,815
b. Expenditure in investing activities	-22,036,541	-16,072,455
1. Expenses for acquisition of intangible assets	-1,095,219	-1,077,485
2. Expenses for acquisition of tangible fixed assets	-20,892,230	-14,991,460
3. Expenses for acquisition of investment property	-49,092	-3,510
c. Positive or negative cash flow from investing activities	-20,202,807	-12,718,278
C. CASH FLOWS IN FINANCING ACTIVITIES		
a. Receipts in financing activities	14,150,000	20,654,000
2. Receipts from increase in financial liabilities	14,150,000	20,654,000
b. Expenditure in financing activities	-12,246,599	-17,909,727
1. Expenditure for given interest referring to financing activities	-1,688,348	-487,848
3. Expenditure for repayment of financial liabilities	-10,558,251	-16,040,001
4. Expenditure for dividend and other profit share payment	0	-1,381,878
c. Positive or negative cash flow from financing activities	1,903,401	2,744,273
Č. CLOSING CASH BALANCE	6,378,409	4,657,338
x. Cash flow for the period	1,721,071	-245,709
y. Opening cash balance	4,657,338	4,903,047

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

STATEMENT OF CHANGES IN EQUITY OF ELEKTRO GORENJSKA COMPANY FOR THE BUSINESS YEAR ENDED AS AT DECEMBER 31 2023

a.) From January 1 2023 to December 31 2023:

EVENTS IN INDIVIDUAL CAPITAL ITEMS	Called-up capital	Capital reserves		
	I.	II.		
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment
	I./1.	II./1.	II./2.	II./3.
A.1. BALANCE AS OF DECEMBER 31 2022	104,136,615	1	28,581	45,944,897
A.2. BALANCE AS OF JANUARY 1 2023	104,136,615	1	28,581	45,944,897
B.1. CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS	0	0	0	0
g) dividend payment	0	0	0	0
B.2. TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0
a) Entry of net profit or loss for the reporting period	0	0	0	0
č) Other components of comprehensive income for the reporting period	0	0	0	0
B.3. CHANGES WITHIN CAPITAL	0	0	0	0
a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital	0	0	0	0
b) Allocation of a part of the net profit of the reporting period to other items of capital by decision of management and supervisory bodies	0	0	0	0
f) Other changes within capital	0	0	0	0
C. BALANCE AS OF DECEMBER 31 2023	104,136,615	1	28,581	45,944,897

in €

Profit reserves		Reserves arising from fair value measurement	Net profit or loss brought forward	Net profit or loss of the business year		TOTAL CAPITAL
III.		V.	VI.	VII.		
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	
III./1.	III./5.	V.	VI./1.	VII./1.	VII./2.	
3,865,679	13,042,103	38,985	0	0	-510,732	166,546,129
3,865,679	13,042,103	38,985	0	0	-510,732	166,546,129
0	-1,381,878	0	0	0	0	-1,381,878
0	-1,381,878	0	0	0	0	-1,381,878
0	0	-234,315	0	5,385,572	0	5,151,257
0	0	0	0	5,385,572	0	5,385,572
0	0	-234,315	0	0	0	-234,315
243,742	3,077,513	-1,028	1,028	-3,831,987	510,732	0
0	0	0	0	0	510,732	0
243,742	3,077,513	0	0	-3,831,987	0	0
0	0	-1,028	1,028	0	0	0
4,109,421	14,737,737	-196,358	1,028	1,553,585	0	170,315,507

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 2022 to December 31 2022:

EVENTS IN INDIVIDUAL CAPITAL ITEMS	Called-up capital	Capital reserves		
	I.	II.		
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment
	I./1.	II./1.	II./2.	II./3.
A.1. BALANCE AS OF DECEMBER 31 2021	104,136,615	1	28,581	45,944,897
A.2. BALANCE AS OF JANUARY 1 2022	104,136,615	1	28,581	45,944,897
B.1. CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS	0	0	0	0
g) dividend payment	0	0	0	0
i) Other changes in equity capital	0	0	0	0
B.2. TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0
a) Entry of net profit or loss for the reporting period	0	0	0	0
č) Other components of comprehensive income for the reporting period	0	0	0	0
B.3. CHANGES WITHIN CAPITAL	0	0	0	0
a) Allocation of the remaining part of net profit of the comparative reporting period to other items of capital	0	0	0	0
b) Allocation of a part of the net profit of the reporting period to other items of capital by decision of management and supervisory bodies	0	0	0	0
f) Other changes within capital	0	0	0	0
C. BALANCE AS OF DECEMBER 31 2022	104,136,615	1	28,581	45,944,897

in €

Profit reserves		Reserves arising from fair value measurement	Net profit or loss brought forward	Net profit or loss of the business year		TOTAL CAPITAL
III.		V.	VI.	VII.		
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	
III./1.	III./5.	V.	VI./1.	VII./1.	VII./2.	
3,865,679	13,042,103	-308,962	24,170	2,739,586	0	169,472,670
3,865,679	13,042,103	-308,962	24,170	2,739,586	0	169,472,670
0	0	0	-50,903	-1,357,708	0	-1,408,611
0	0	0	-24,170	-1,357,708	0	-1,381,878
0	0	0	-26,733	0	0	-26,733
0	0	381,729	0	0	-1,899,659	-1,517,930
0	0	0	0	0	-1,899,659	-1,899,659
0	0	381,729	0	0	0	381,729
0	0	-33,782	26,733	-1,381,878	1,388,927	0
0	0	0	1,381,878	-1,381,878	0	0
0	0	0	-1,388,927	0	1,388,927	0
0	0	-33,782	33,782	0	0	0
3,865,679	13,042,103	38,985	0	0	-510,732	166,546,129

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 2023

in €

Item	2023	2022
1. Net profit or loss of the business year	5,385,572	-1,899,659
2. + Net profit/loss from previous periods (deductible item)	-509,704	1,388,927
4. - Increase (additional formation) of profit reserve by decision of management and supervisory bodies: a) statutory reserves	243,742	0
5. - Increase (additional formation) of profit reserve by decision of management and supervisory bodies: a) other profit reserves	3,077,513	0
7. DISTRIBUTABLE PROFIT	1,554,613	-510,732

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

6.4! 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. 2023 amounted to 25,760,824 €, net profit for year 2023 was 7,185,440 €;
- company GEK Solar, Stara cesta 3, 4000 Kranj, which is in 100% ownership of controlled company Gorenjske elektrarne; capital of this company as at 31. 12. 2023 z amounted to 820,832 €, net profit for year 2023 was 620,832 €;
- associate company Soenergetika, Stara cesta 3, Kranj, which is in 25% ownership of company Gorenjske elektrarne; capital of this company as at 31. 12. 2023 amounted to 1,307,895 €, net profit for year 2023 was 177,573 €.

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 2023 or in the period from January 1 2023 to December 31 2023 by the following business segments - activities:

- activity contract with DO 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 2023, 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 company ELES under the Contract with DO. 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:

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

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.

Among intangible fixed assets, the company also shows assets that represent rights of use. Intangible asset representing the right of use is recognized by the company on the day the lease begins and is amortized evenly over the lease term.

Straight-line depreciation method is used. 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	33–100	1–3.33

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 ELES, on the basis of a long-term contract with DO;
- 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.

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 (indebted). 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 company DO in operations on their own behalf and the account of company DO are according to the Contract with DO not recognized as revenue, but as operating liabilities to company DO.

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.

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 the distribution operator

In March 2024, the company received a preliminary settlement of the regulatory year 2023 from the distribution operator (ELES d. o. o.). Preliminary settlement for year 2023 was executed by ELES on the basis of the unaudited financial statements. Settlement shows that the already charged contractual value of services and rent in year 2023 was by 1,121,182 € lower than the value established on the basis of the preliminary settlement. On this basis the company Elektro Gorenjska in 2023 increased revenue by 1,121,182 € (short-term accrued revenues). In year 2022 revenues established on the basis of preliminary settlement of the regulatory year 2022 were by 2,815,283 € higher than the already charged ones during the year. In year 2022, the Elektro Gorenjska Company therefore decreased revenue by 2,815,283 € (short-term deferred revenues). Final settlement for year 2023 will be executed by the distribution operator based on the decision by the Energy Agency, which will take into account the revised data of both contracting parties.

In 2023, the company also received final accounts for year 2022. On the basis of the final account for 2022, revenues increased by 65,436 €.

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 financial statement items

6.5.1 Notes to the balance sheet items

Note 1 – Intangible assets and long-term accrued costs and deferred revenues

As at December 31 2023, the value of intangible assets along with the long-term accrued costs and deferred revenues amounted 3,114,109 €. Their changes in years 2023 and 2022 were the following:

in €

2023	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
Acquisition cost				
Balance 31. 12. 2022	6,549,568	564,060	125,767	7,239,395
New acquisitions	0	1,780,161	4,710	1,784,871
Disposals, withdrawals, transfers	-15,254	0	-70,076	-85,330
Transfer from ongoing investments	2,178,920	-2,178,920	0	0
Balance 31. 12. 2023	8,713,234	165,301	60,401	8,938,936
Value adjustment				
Balance 31. 12. 2022	4,998,780	0	0	4,998,780
Increase (depreciation)	887,989	0	0	887,989
Disposals, withdrawals, transfers	-61,943	0	0	-61,943
Balance 31. 12. 2023	5,824,827	0	0	5,824,827
Carrying amount				
Balance 31. 12. 2022	1,550,788	564,059	125,767	2,240,615
Balance 31. 12. 2023	2,888,408	165,300	60,401	3,114,109

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
Acquisition cost				
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
Balance 31. 12. 2022	6,549,568	564,060	125,768	7,239,396
Value adjustment				
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
Balance 31. 12. 2022	4,998,780	0	0	4,998,780
Carrying amount				
Balance 31. 12. 2021	1,535,598	218,764	1,772,769	3,527,132
Balance 31. 12. 2022	1,550,788	564,059	125,767	2,240,615

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 2023, the company had no financial obligations in respect of acquiring intangible fixed assets.



Note 2 – Tangible fixed assets

As at December 31 2023 tangible fixed assets amounted to 222,548,993 €, which represents 86% of balance sheet total of the company. Compared to the balance as at December 31 2022 their value is by 4.5% or 9,663,945 € higher.

Review of changes in tangible fixed assets in year 2023:

							in €
2023	Land	Buildings	Equipment	Equipment-right to use	Tangible fixed assets under construction	Advances	Total tangible fixed assets
1	2	3	4	5	6	7	8=2+3+4+5+6+7
Acquisition cost							
Balance 31. 12. 2022	7,289,770	319,221,053	135,101,820	0	3,460,305	43,342	465,116,291
New acquisitions	0	0	0	0	21,369,029	2,026,789	23,395,818
Disposals, separations, transfers	-68,492	-1,224,425	-1,211,973	0	0	-2,028,867	-4,533,757
Transfer from ongoing investments	82,132	12,590,500	6,464,700	208,725	-19,346,057	0	0
Impairment	-20,629	-489,315	0	0	0	0	-509,943
Balance 31. 12. 2023	7,282,781	330,097,812	140,354,548	208,725	5,483,278	41,264	483,468,408
Valuation adjustment							
Balance 31. 12. 2022	0	167,740,463	84,490,778	0	0	0	252,231,241
Increase (depreciation)	0	6,104,223	5,023,663	0	0	0	11,127,886
Disposals, separations, transfers	0	-1,159,699	-1,115,922	0	0	0	-2,275,621
Impairment	0	-164,093	0	0	0	0	-164,093
Balance 31. 12. 2023	0	172,520,895	88,398,519	0	0	0	260,919,414
Carrying amount							
Balance 31. 12. 2022	7,289,770	151,480,589	50,611,042	0	3,460,305	43,342	212,885,049
Balance 31. 12. 2023	7,282,781	157,576,917	51,956,029	208,725	5,483,278	41,264	222,548,993

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
Acquisition cost						
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, separations, 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
Balance 31. 12. 2022	7,289,770	319,221,053	135,101,820	3,460,306	43,342	465,116,291
Valuation adjustment						
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, separations, transfers	0	-2,533,841	-5,115,351	0	0	-7,649,192
Balance 31. 12. 2022	0	167,740,463	84,490,778	0	0	252,231,241
Carrying amount						
Balance 31. 12. 2021	7,246,264	148,014,730	49,120,575	5,830,541	47,062	210,259,172
Balance 31. 12. 2022	7,289,770	151,480,589	50,611,042	3,460,305	43,342	212,885,049

New acquisitions are presented in chapter Our investments in sustainable projects. Individually significant acquisitions are:

- EO RTP Zlato polje 110 kV – secondary equipment (1,169,098 €),
- 110 kV cable line for connecting the replacement RTP Primskovo (677,755 €) and
- extension to RTP Primskovo (376,304 €).

Disposals and withdrawals of tangible fixed assets are the consequence of new investments, investments in modernization and renovation (reconstruction) of existing assets. There were no individually significant disposals.

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 2023 amounted to 204,724,733 € (December 31 2022: 196,111,876 €). For the needs of implementation of system operator activity, which ELES implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, ELES 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. Company has some tangible fixed assets in co-ownership with ELES Company. At the end of 2023, the carrying amount of parts of these assets owned by Elektro Gorenjska amounted to 745,269 €.

To finance new acquisitions of fixed assets the company took several long-term loans in year 2023 and previous years, whose balance on December 31 2023 amounted to 59,691,448 € (December 31 2022: 56,189,236 €). Interest in the amount of 89,536 € was capitalized.

Note 3 - Investment property

At the end of 2023, investment property amounted to 1,782,857 €. Their changes in years 2023 and 2022 were the following:

in €

2023	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
Acquisition cost				
Balance 31. 12. 2022	474,515	2,081,402	0	2,555,917
New acquisitions	0	0	41,666	41,666
Transfer from ongoing investments	0	41,666	-41,666	0
Balance 31. 12. 2023	474,515	2,123,069	0	2,597,584
Valuation adjustment				
Balance 31. 12. 2022	0	769,817	0	769,817
Depreciation	0	44,909	0	44,909
Balance 31. 12. 2023	0	814,727	0	814,727
Carrying amount				
Balance 31. 12. 2022	474,515	1,311,585	0	1,786,100
Balance 31. 12. 2023	474,515	1,308,342	0	1,782,857

in €

2022	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
Acquisition cost				
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
Balance 31. 12. 2022	474,515	2,081,402	0	2,555,917
Valuation adjustment				
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
Balance 31. 12. 2022	0	769,817	0	769,817
Carrying amount				
Balance 31. 12. 2021	474,515	1,304,212	3,938	1,782,665
Balance 31. 12. 2022	474,515	1,311,585	0	1,786,100

Investment property structure was the following:

in €

Item description	31. 12. 2023	31. 12. 2022
Apartments	324,980	336,214
Holiday facilities	837,921	831,568
Other buildings	145,441	143,802
Land	474,515	474,515
Total investment property	1,782,857	1,786,100

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 2023 amounted to 3,742,787 €. We estimate that, given the market conditions, the fair value on December 31 2023 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 217,823 € (in year 2022: 169,552 €). Direct operating expenses, originating from investment property, which made revenues from rents in year 2023, and direct operating expenses, which did not make revenues from rents in year 2023 consist of depreciation costs (44,909 €) and costs of material and services (104,232 €). In year 2022 costs of depreciation were 43,702 € and costs of material and services 73,383 €.

Note 4 - Long-term financial investments

On December 31 2023, long-term financial investments amounted to 13,982,256 €. Compared to the balance as at December 31 2022 their value did not change.

in €

Investment	Number of stocks		Share in the ownership		Balance	
	31. 12. 2022	31. 12. 2023	31. 12. 2022	31. 12. 2023	31. 12. 2022	31. 12. 2023
Investment in share in Gorenjske elektrarne d. o. o.			100.00%	100.00%	13,715,303	13,715,303
Informatika, d. o. o., Maribor	1,562	1,562	10.44%	10.44%	124,154	124,154
Total long-term financial investments, except loans					13,839,457	13,839,457
Long-term invested funds (Eldom Maribor)					142,799	142,799
Total long-term loans					142,799	142,799
Total long-term financial investments					13,982,256	13,982,256

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 Development of a comprehensive risk and opportunity management system.

Note 5 – Long-term operating receivables

Long-term operating receivables decreased by 589 thousand € compared to the balance on December 31 2022. Main reason is the planned partial repayment of claims by ELES.

Note 6 – Deferred tax assets

Deferred tax receivables increased by 459 thousand € due to a change in the tax rate taken into account for unused tax losses and due to tax credits.

Note 7 – Stocks

Value of stocks of material and small tools as at December 31 2023 amounted to a total 1,295,369 €. Compared to the balance as at December 31 2022, it increased 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 2023 and 2022 are shown in the following table.

in €

Item description	2023	2022
Material stocks at the beginning of the period 1. 1.	946,922	1,007,602
Purchases	5,384,069	2,770,647
Write-offs	0	-2,248
Sale	-33	-29,664
Consumption	-4,814,848	-2,610,687
Transfer of small tools in use	-220,740	-188,729
Material stocks at the end of the period 31. 12.	1,295,369	946,922

In the inventory as at October 31 2023, no surpluses or shortages of stocks were identified.

Note 8 – Short-term operating receivables

Short-term operating receivables as at December 31 2023 amounted to 7,300,535 €. Compared to their balance as at December 31 2022 they are lower mainly due to lower claims against ELES company.

in €

Item description	31. 12. 2023	31. 12. 2022
Short-term receivables to group companies	19,910	77,846
Short-term accounts receivable	7,207,737	8,025,783
Adjustment of short-term accounts receivable	-143,399	-152,990
Short-term accounts receivable	7,064,339	7,872,794
Short-term receivables for income tax	0	402,070
Short-term operating receivables from others	222,180	194,628
Adjustment of short-term receivables from others	-5,895	-4,134
Short-term operating receivables from others	216,286	190,495
Short-term operating receivables	7,300,535	8,543,205

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 2023 according to maturity terms is shown in the following presentation:

in €

Item description	Not yet due	Due within 30 days	Due within 31-60 days	Due within 61-90 days	Due within more than 90 days	Total amount due	Total accounts receivable
1	2	3	4	5	6	7=3+4+5+6	8 =2+7
Claims on buyers of network charge and services	6,193,601	231,402	304,683	327,244	138,632	1,001,960	7,195,561
Interest claims	3,464	1,974	61	196	6,482	8,713	12,177
Total short-term accounts receivable	6,197,065	233,376	304,744	327,440	145,114	1,010,673	7,207,737

Changes in valuation adjustment of claims were the following:

in €

Item description	Balance 31. 12. 2022	New formations		Withdrawal (use) and elimination			Balance 31. 12. 2023
		Chargeable to expenses	Chargeable to claims	Claims write-off	Paid amounts (transfer to revenues)	Elimination of excess valuation adjustments	
Valuation adjustment of accounts receivable	145,604	3,080	0	12,507	0	0	136,177
Valuation adjustment of interest claims	7,386	0	733	611	253	35	7,221
Total valuation adjustment of claims	152,990	3,080	733	13,117	253	35	143,399

Note 9 – Monetary assets

As at December 31 2023 the Company had 6,378,409 € of cash on the bank's accounts and short-term redeemable deposits in banks in the state. Compared to the balance on the last day of 2022, they are by 1.7 million € higher in connection with higher operating liabilities.

Note 10 – Capital

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 2023 amounted to 170,315,507 €, while book value per share to 9.86 €.

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 2023 amount to 4,109,421 € and are formed in accordance to the Article 64 of ZGD-1.

Other profit reserves amount to 14,737,737 €, they are formed from the net profit for the financial year 2023 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 -196,358 €. 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 2023, are shown in the following table.

in €

Item	Balance 1. 1. 2023	Elimination	New formation	Transfer to profit or loss brought forward (employee departures 2023)	Balance 31. 12. 2023
Actuarial gains/losses	50,522	-229,046	-4,875	-1,028	-184,426
Value adjustment of deferred tax reserves	-11,537	-395			-11,932
Total	38,985	-229,441	-4,875	-1,028	-196,358

Net profit of the financial year 2023 amounts to 5,385,572 €, while the company closed the year 2022 with a net loss in the amount of 1,899,659 €. Balance sheet profit of the company for the year 2023 amounts to 1,554,613 €. Calculation is shown in the chapter Financial statements of the company Elektro Gorenjska for the financial year ended on December 31 2023.

Return on share in year 2023 amounted to 0.31 €, while in 2022 it amounted to -0.03 €. 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.

in €

Item	2023	2022
Net profit or loss of the business year	5,385,572	-510,732
Weighted average number of ordinary shares	17,273,475	17,273,475
Return per share, basic/adjusted	0,31	-0,03

Note 11 – Provisions and long-term accrued and deferred liability items

Provisions and long-term accrued and deferred liability items as at December 31 2023 amounted to 18,147,227 €. Compared to their balance as at December 31 2022 they increased by 2.9 million € or 118.7%.

Changes in provisions and long-term accrued and deferred liability items in 2023:

in €

Item description	Balance 31. 12. 2022	Formation	Drawing	Derecognition	Balance 31. 12. 2023
Provisions for long-service bonuses and severance pay	2,838,300	763,086	139,669	4,159	3,457,557
Other provisions	6,137,038	197,969	0	0	6,335,008
Long-term accrued and deferred liability items	6,309,401	2,513,446	468,186	0	8,354,662
Total	15,284,740	3,474,501	607,855	4,159	18,147,227

Changes in provisions and long-term accrued and deferred liability items in 2022:

in €

Item description	Balance 31. 12. 2021	Formation	Drawing	Derecognition	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
Total	15,705,683	593,511	590,080	424,375	15,284,740

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 2023 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, increased by 0.4%), growth of average earnings in electricity industry (in the amount of the growth of average wages in the RS), 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 3.1%.

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: long-term deferred revenue related to the GreenSwitch project (2,057,016 €), tangible fixed assets obtained free of charge (4,052,134 €), deferred costs arising from average connection costs (1,013,598 €), long-term deferred revenues from rents and user charges (688,479 €) and earmarked funds to cover disproportionate connection costs (391,521 €).

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 2023 Elektro Gorenjska Company had 50,928,959 € of long-term liabilities, which is by 7.9% more than as at December 31 2022. Majority of long-term liabilities are long-term financial liabilities to banks (50,633,042 €). Maturity of long-term financial liabilities to banks is as follows:

in €

1 year	2-5 years	over 5 years	total
9,058,406	26,347,765	24,285,277	59,691,448

In 2023, we drew a 13 million € long-term loan for implementation of investments in electricity infrastructure and repaid by 9,497,788 € in principle. Interest costs amounted to 1,697,228 €. Interest in the amount of 89,536 € was capitalized. Credit balance as at December 31 2023 was 59,691,448 €, while at the end of 2022 it was 56,189,236 €.

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 two 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 53,977,161 € are secured by bills of exchange.

As at December 31 2023 there were 18% of long-term loans secured with the fixed interest rate, which represents the amount of 10.5 million €. Balance of received loans to finance tangible fixed assets as at 31. 12. 2023 amounted to 59,691,448 €.

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). Exposure to risks and hedging systems are explained in chapter Development of a comprehensive risk and opportunity management system.

Company has no long-term debts to the members of the management board (management), members of the supervisory board and internal owners.

Note 13 – Short-term financial liabilities

Short-term financial liabilities as at December 31 2023 amounted to 10,847,735 €. 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, while part in the amount of 1,382 thousand € represents half of the balance sheet profit in 2021, in connection with which a challenge lawsuit was filed.

Note 14 – Short-term operating liabilities

At the end of 2023 short-term operating liabilities in the amount of 8,754,244 € were by 3.3 million € higher than compared to the balance on the last day of 2022. Main reasons are higher liabilities to suppliers. Detailed review of the short-term operating liabilities is presented in the following table.

	in €	
Item description	31. 12. 2023	31. 12. 2022
Liabilities to suppliers for own account:	5,297,865	2,315,652
to group companies	40,380	14,634
to other suppliers	5,257,485	2,301,019
Liabilities to other suppliers on its own behalf and for third party account:	1,881,475	1,668,139
liabilities to company ELES	1,878,137	1,664,017
to others	3,338	4,122
Other liabilities, of which:	1,574,904	1,510,596
for salaries	1,092,662	1,015,788
to state and other institutions	303,430	269,277
for received advances and collaterals	84,197	144,629
other (debt settlement-cession, interests, employee deductions...)	94,616	80,902
Total short-term liabilities from operating activities	8,754,244	5,494,387

Note 15 – Short-term accrued and deferred liability items

As at December 31 2023 short-term accrued and deferred liability items amounted to 1,203,184 €. Compared to their balance as at December 31 2022 they are by 2.5 million € lower. Reason is that at the end of 2022 short-term deferred revenues were recorded on the basis of the DO preliminary statement for 2022, while at the end of 2023 we recorded accrued revenues from the DO preliminary statement.

Note 16 – Off-balance sheet records

Off-balance sheet assets or liabilities as at December 31 2023 amounted to a total 5,584,444 €. They were higher by 550 thousand € compared to the balance as at December 31 2022.

in €

Item description	31. 12. 2023	31. 12. 2022
Received guarantees and enforcement orders	3,944,031	3,332,063
Issued bills of exchange and enforcement orders	66,533	34,030
Fixed assets in the property of SODO	1,573,880	1,668,044
Total off-balance sheet records	5,584,444	5,034,137

Company does not have any contingent off-balance liabilities as defined by ZGD – 1.

In connection with the reduction of revenues in 2022 in the amount of 9.9 million €, which is explained in more detail in the chapter Notes on profit and loss account items (Note 1), a lawsuit was filed against the Energy Agency. Outcome of the lawsuit cannot yet be predicted.

6.5.2 Notes on profit and loss account items

Note 1 – Net sales revenues

In year 2023 net sales revenues amounted to 37,160,207 €. Almost all net sales revenues were generated in the domestic market. Net sales revenue comprises:

Item description	2023	2022
Revenues from rent and services in relation to DO	33,960,924	23,353,435
Revenues from services provided to group companies	164,267	216,800
Revenues from rents:	784,951	610,179
- revenues from rents from group companies	44,546	62,264
- revenues from rents from others	740,405	547,915
Revenues from construction and assembly works	2,088,670	1,794,395
Revenues from other services	161,396	192,834
Total net sales revenues	37,160,207	26,167,643

Majority of net sales revenues in 2023 represent revenues from rent and services related to DO (33,960,924 €). In 2022, these revenues are by 45.4% higher than in 2022. 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 2023 capitalized own effects amounted to 5,921,213 €. They were mostly investments in tangible fixed assets – energy infrastructure.

in €

Item description	2023	2022
Direct material costs	3,905,858	1,697,098
Direct labour costs	1,575,216	1,347,326
Total direct costs of material and labour	5,481,075	3,044,425
Total indirect costs of material, work and depreciation	440,139	310,459
Total costs in the manufacture of products and the provision of services in relation to capitalized own effects	5,921,213	3,354,884

Note 3 – Other operating revenues

Other operating revenues in the amount of 1,884,865 € consist of:

in €

Item description	2023	2022
Revaluation operating revenues	86,729	5,870
Revenue from the transfer of long-term deferred revenue to regular operating revenues:	511,092	385,189
- free acquisition of FA	33,700	34,768
- free acquisition of connections	198,446	198,396
- average connecting costs	85,319	85,319
- other	193,627	66,707
Damages recovered from insurance companies	1,063,978	26,393
Received state supports-refunds	193,637	212,748
Other revenues	29,429	74,460
Total other operating revenues	1,884,865	704,660

Note 4 – Acquisition cost of goods sold and cost of material used

Acquisition cost of sold goods and material used consists of:

in €

Item description	2023	2022
Costs of material:	6,518,212	3,666,103
- for maintenance	392,765	310,734
- in connection with capitalized own effects, market services	5,014,844	2,655,646
- for electricity, gas and heat	702,387	351,983
- small tool write-off	220,740	188,729
- office supplies	52,489	55,185
- other material costs	134,986	103,826
Acquisition cost of goods and material sold	33	29,664
Acquisition cost of goods sold and costs of material used	6,518,245	3,695,767

Note 5 – Costs of services

In 2023, costs of services amounted to 4,553,174 €. 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.

	in €	
Item description	2023	2022
Costs of service in creating products and implementing services	80,036	143,715
Costs of telephone, postal and other transport services	237,578	231,019
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,516,922	1,229,994
Costs of payment transactions, banking services and insurance premiums	595,214	594,175
Costs of intellectual and personal services	544,301	563,113
Costs of advertising and representation	108,162	70,510
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...)	160,195	154,925
Costs of information services	332,297	146,296
Costs of student work service	222,911	107,411
Costs of other services	755,557	720,889
Total costs of services	4,553,174	3,962,047

Maintenance of electricity infrastructure is also presented in chapter Maintenance of the network/ electricity infrastructure (EEI).

Essential item in costs of payment transactions, banking services and insurance premiums costs are insurance premiums which amounted to 554 thousand € in 2023.

Cost of intellectual and personal services consist mainly of costs of scientific research, other consultancy services and costs of additional professional training.

Besides rents, costs of other services include also costs of membership fees, utilities, cleaning costs, expenses related to business trips and other.

According to Article 57 of the Companies Act (ZGD-1), Elektro Gorenjska Company is obliged to audit the annual report. Contractual amount for the audit of the annual report of the Company and Elektro Gorenjska Group for 2023 is 19,830 €. In addition, another 2,740 € was paid to the auditor who audited the annual report for assurance services.

Note 6 – Labor costs

Costs of labor in the amount of 15,353,221 € consist of:

	in €	
Item description	2023	2022
Salary and salary compensation costs	10,937,132	9,545,267
Costs of voluntary pension insurance of employees	504,673	459,205
Costs of employer's contributions and other benefits from salaries	1,803,435	1,589,146
Costs of transport to work	241,746	243,650
Lunch costs	676,323	617,651
Other labor costs	1,189,914	930,713
Total labor costs	15,353,221	13,385,632

Costs of the employer's contributions and other wage benefits also include contributions for pension and disability insurance: year 2023 in the amount of 989,605 €; year 2022 in the amount of 868,382 €.

Other labor 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 Social responsibility. 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 2023, write-offs amounted to 12,551,555 €. Their composition is as follows:

	in €	
Item description	2023	2022
Depreciation of intangible fixed assets	887,989	883,365
Depreciation of tangible fixed assets	11,127,886	10,768,736
Depreciation of investment property	44,909	43,702
Total depreciation costs	12,060,784	11,695,802
Operating expenses from revaluation of fixed assets and investment property	485,477	150,831
Operating expenses from revaluation of current assets	5,294	6,193
Total write-offs	12,551,555	11,852,826

Note 8 – Other operating expenses

Other operating expenses in the amount of 515,719 € consist of:

	in €	
Item description	2023	2022
Contribution for promotion of employment of persons with disabilities	73,284	65,433
Contribution for urban land	79,977	74,314
Provisioning	197,969	197,969
Other expenses (fees, charges ...)	164,489	131,053
Total other operating expenses	515,719	468,769

Employment of people with disabilities is explained in more detail in chapter Social responsibility.

Note 9 – Financial revenue from shares

In 2023, the company realized 1,580,000 € of financial revenue from share in Gorenjske elektrarne Company.

Note 10 – Breakdown of costs by functional groups

Breakdown of costs by functional groups is shown in the following table:

	in €	
Item description	2023	2022
Costs of sold business effects	31,259,210	26,082,657
Costs of general activities	7,236,343	6,566,402
Costs of sales	505,557	529,295
Total	39,001,110	33,178,353

Note 11 – Income tax

In 2023, calculated income tax together with deferred taxes amounted to -141,266 €. Due to the tax loss, income tax for 2022 was not charged, and the deferred taxes amounted to -917,826 €.

Note 12 – Deferred taxes

Deferred tax liabilities in 2023 amounted to -435,221 €. Most of them come from tax credits.

6.5.3 Notes on other comprehensive income items

Other components of comprehensive income amount to -234,315 €, of which an amount of 233,920 € represents a change in actuarial gains and losses, while an amount of -395 € represents deferred tax receivable from severance pay at retirement.

6.5.4 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 2023 the company had on transaction accounts in banks monetary assets in the amount of 4,657,338 €. As at December 31 2023 the balance on transaction accounts in banks and in the form of short-term deposits in commercial banks amounted to 6,378,409 €. In the period January-December 2023 the company had a positive cash result in the amount of 1,721,071 €.

Net cash from operating activities in year 2023 exceeded expenditure by 20,020,477 €, which means that the company operates positively with its main activity and creates a positive cash flow. With this, in year 2023, 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 11,096,599 €. The largest revenues were revenues received under the Contract with DO for implementation of services and rents for electric power infrastructure. Compared to 2022, when revenues of the company were reduced due to the intervention act, these revenues were significantly higher.

Negative net cash used in investing activities in year 2023 amounted to 20,202,807 €. 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 Our investments in sustainable projects). 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 14.2 million €, while expenditures amounted to 12.2 million €.

6.6

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 2023, Elektro Gorenjska operated with its subsidiaries Gorenjske elektrarne.

	in €
Item	2023
Payment of profit to the owner	1,580,000
Income from services provided and rents (subsidiary company expenses)	159,531
Other transactions	72,404
Total	1,811,935

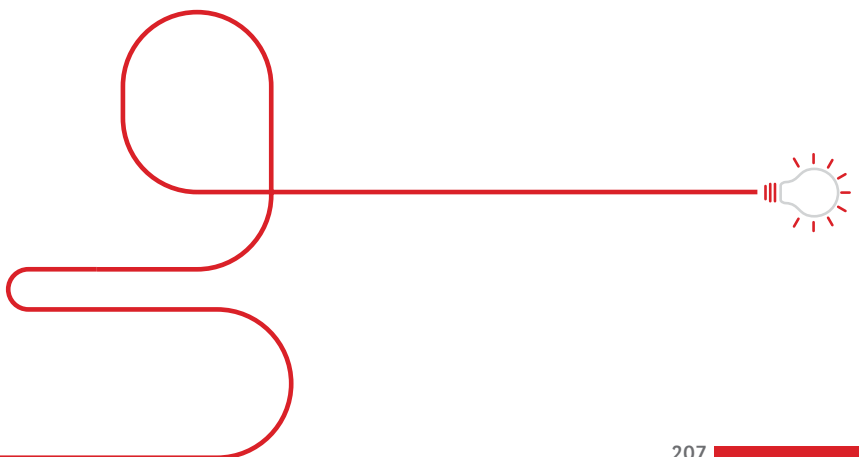
Among transactions with the subsidiary Gorenjske elektrarne, which in 2023 amounted to 1.8 million €, besides the paid profit in the amount of 1,580 thousand € (payment of the subsidiary to the controlling company) the most important were revenues from services rendered and rents.

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 2023 the following:

	in €
Item	Payments in year 2023
Corporate income tax (tax and advance pay-ments)	-402,070
Other duties (VAT, employer contributions)	4,366,940
Total	3,964,870



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. 2023	Open liabilities on 31. 12. 2023	Expenditure in year 2023	Revenues in year 2023
ELES d. o. o.	5,078,967	1,877,806	19,989	33,960,924
Modra zavarovalnica d. d.	0	40,104	447,031	0
Zavarovalnica Sava d. d.	0	11	538,036	0
SID d. d.	0	3,974,854	194,764	0
NLB, d. d.	0	32,398,862	838,444	0
Total	5,078,967	38,291,637	2,038,265	33,960,924

Outstanding liabilities to ELES 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 2023, 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	Unused annual leave	Holiday allowance	Reimbursements of costs	Bonuses
Chairman of the Board	105,600	4,102	8,579	2,232	2,485	8,477

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 contract or company's collective agreement. Bonuses include insurance premiums and use of a company car.

Receipts of supervisory board members in 2023 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 €

	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
Representatives of capital						
Gabrijel Škof	16,754	3,795	1,760	22,309	0	22,309
Rajko Stanković	4,037	1,320	660	6,017	137	6,154
Franjo Curanović	4,108	1,320	660	6,088	21	6,109
Vid Meglič	14,125	3,795	1,320	19,240	186	19,426
Rudolf Ogrinc	15,492	2,475	880	18,847	151	18,997
Gregor Tomše	11,361	2,475	1,320	15,156	0	15,156
Employee representatives						
David Gogala	3,524	1,320	0	4,844	0	4,844
Borut Jereb	12,014	3,795	440	16,249	0	16,249
Iztok Štular	9,720	2,475	880	13,075	0	13,075

Receipts of external members of the audit committee are shown in the table below:

in €

	Payment for the performance of the function (gross)	Attendance fee committee (gross)	Gross total	Travel expenses
	1	2	3=1+2	4
External committee members				
dr. Simon Čadež	5,650	1,980	7,630	148

In 2023, the supervisory board held a total of 14 sessions, of which 13 were regular and one correspondence. Nomination committee held a total of 6 regular sessions in 2023, while audit committee 9 regular sessions. Attendance at the sessions was 100%.



Costs of other supervisory board members' benefits in year 2023 refer to the liability insurance in accordance with the decision of the 16th shareholders meeting of Elektro Gorenjska Company. These benefits represent the creditworthiness of the supervisory board members.

in €

Liability insurance

Representatives of capital	
Gabrijel Škof	104
Rajko Stanković	34
Franjo Curanović	34
Vid Meglič	104
Rudolf Ogrinc	78
Gregor Tomše	78
Employee representatives	
David Gogala	34
Iztok Štular	78
Borut Jereb	104

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 2023.



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 ELES d. o. o. There is a higher risk, as the company despite unpaid claims of customers has to settle all liabilities to ELES 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 2023 or 2022 the following:

	31. 12. 2023	31. 12. 2022
Non-current financial claims	142,798	142,798
Non-current trade receivables	613,688	1,178,900
Short-term trade receivables	7,064,339	7,872,794
Cash and cash equivalent	6,378,409	4,657,338

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. In more difficult situations of liquidity problems, the company would also manage the risk through deferred payments, agreements with suppliers and supplier factoring.

INTEREST RISK

Company Elektro Gorenjska has long-term loans with fixed and variable interest rates. Latter is highly dependent on the actions of central banks in the EU. Increase in interest rates 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.

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 and due to the company's inability to borrow to the required extent. There is a possibility that there will be lack of own monetary resources due to changes in the legislation, which lowers the result 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 the owners. In the long-term, this risk may increase, as lower investments in infrastructure could result in lower voltage quality, greater power interruptions and poorer commercial quality.

Risk is managed by adjusting the scope of investments (rebalancing) in accordance with the available funds, by active correspondence with the SSH as the umbrella manager of capital investments and at the same time the majority owner, by timely correspondence with the company's supervisory authorities and constant awareness of the employees of the company's strategic directions.

6.8

Events after the balance sheet date

There were no significant business events after the balance sheet date.

6.9

Disclosures under the Electricity Supply Act

6.9.1

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 2023. 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 DO 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.



6.9.2 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 2023

in €

Item	Activity DO	Other activities	Total Elektro Gorenjska
ASSETS			
A. Long-term assets	225,358,501	18,383,955	243,742,456
I. Intangible assets and long-term accrued and deferred asset items	3,048,545	65,564	3,114,109
1. Long-term property rights	2,988,390	65,318	3,053,708
5. Other long-term accrued and deferred asset items	60,155	246	60,401
II. Tangible fixed assets	220,033,150	2,515,843	222,548,993
1. Land and buildings	162,608,810	2,250,887	164,859,697
a) Land	6,359,013	923,767	7,282,780
b) Buildings	156,249,797	1,327,120	157,576,917
2. Production plant and equipment	51,840,324	257,565	52,097,889
3. Other plant and equipment	60,200	6,665	66,865
4. Tangible fixed assets in acquisition	5,523,816	726	5,524,542
a) Tangible fixed asset under construction and manufacture	5,482,552	726	5,483,278
b) Advances for the acquisition of fixed assets	41,264	0	41,264
III. Investment property	0	1,782,857	1,782,857
IV. Long-term financial investments	0	13,982,256	13,982,256
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

V.	Long-term operating receivables	722,341	0	722,341
	2. Long-term trade receivables	613,688	0	613,688
	3. Long-term receivables due from others	108,653	0	108,653
VI.	Deferred tax claims	1,554,465	37,435	1,591,900
B.	Short-term assets	-295,441	15,269,754	14,974,313
II.	Stocks	1,291,757	3,612	1,295,369
	1. Material	1,291,757	3,612	1,295,369
IV.	Short-term operating receivables	6,605,424	695,111	7,300,535
	1. Short-term receivables due from Group companies	0	19,910	19,910
	2. Short-term trade receivables	6,396,171	668,168	7,064,339
	4. Short-term receivables due from others	209,253	7,033	216,286
V.	Monetary assets	-8,192,622	14,571,031	6,378,409
C.	Short-term accrued and deferred asset items	1,454,424	25,663	1,480,087
TOTAL ASSETS		226,517,484	33,679,372	260,196,856

in €

Item		Activity DO	Other activities	Total Elektro Gorenjska
LIABILITIES				
A.	Capital	144,971,651	25,343,856	170,315,507
I.	Called-up capital	87,770,535	16,366,080	104,136,615
	1. Share capital	87,770,535	16,366,080	104,136,615
II.	Capital reserves	41,584,616	4,388,863	45,973,479
III.	Profit reserves	15,294,478	3,552,680	18,847,158
	1. Statutory reserves	3,149,563	959,858	4,109,421
	5. Other profit reserves	12,144,915	2,592,822	14,737,737
V.	Reserves arising from fair value measure-ment	-161,731	-34,627	-196,358
VI.	Net profit or loss from previous periods	4,107,730	-4,106,702	1,028
VII.	Net profit or loss for the period	851,109	702,476	1,553,585
	1. Unused part of net profit for current financial year	851,109	702,476	1,553,585
VIII.	Harmonized capital adjustment between activities	-4,475,086	4,475,086	0

B.	Provisions and long-term accrued and deferred liability items	10,654,255	7,492,972	18,147,227
	1. Provisions for pensions and similar liabilities	2,995,348	462,209	3,457,557
	2. Other provisions	0	6,335,008	6,335,008
	3. Long-term accrued and deferred liability items	7,658,907	695,755	8,354,662
C.	Long-term liabilities	50,916,140	12,819	50,928,959
I.	Long-term financial liabilities	50,633,042	0	50,633,042
	2. Long-term financial liabilities to banks	50,633,042	0	50,633,042
II.	Long-term operating liabilities	65,327	2,424	67,751
	4. Long-term operating liabilities based on advances	65,327	2,424	67,751
III.	Deferred tax liabilities	217,771	10,395	228,166
Č.	Short-term liabilities	18,925,730	676,249	19,601,979
II.	Short-term financial liabilities	10,649,817	197,918	10,847,735
	1. Short-term financial liabilities to Group companies	0	171	171
	2. Short-term financial liabilities to banks	9,058,406	0	9,058,406
	4. Other short-term financial liabilities	1,591,411	197,747	1,789,158
III.	Short-term operating liabilities	8,275,913	478,331	8,754,244
	1. Short-term operating liabilities to Group companies	33,214	7,166	40,380
	2. Short-term operating liabilities to suppliers	5,104,617	152,868	5,257,485
	4. Short-term operating liabilities based on advances	63,845	20,352	84,197
	5. Short-term liabilities for income tax	267,669	26,286	293,955
	6. Other short-term operating liabilities	2,806,568	271,659	3,078,227
D.	Short-term accrued and deferred liability items	1,049,708	153,476	1,203,184
TOTAL LIABILITIES		226,517,484	33,679,372	260,196,856



BALANCE SHEET BY ACTIVITIES OF THE COMPANY AS AT DECEMBER 31 2022

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
ASSETS			
A. Long-term assets	214,808,344	18,530,113	233,338,457
I. Intangible assets and long-term accrued and deferred asset items	2,152,829	87,786	2,240,615
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
II. Tangible fixed assets	210,256,129	2,628,920	212,885,049
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
III. Investment property	0	1,786,100	1,786,100
IV. Long-term financial investments	0	13,982,256	13,982,256
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
V. Long-term operating receivables	1,311,805	0	1,311,805
2. Long-term trade receivables	1,178,900	0	1,178,900
3. Long-term receivables due from others	132,905	0	132,905
VI. Deferred tax claims	1,087,581	45,051	1,132,632

B.	Short-term assets	1,422,890	12,724,575	14,147,465
II.	Stocks	944,990	1,932	946,922
	1. Material	944,990	1,932	946,922
IV.	Short-term operating receivables	7,673,574	869,631	8,543,205
	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
V.	Monetary assets	-7,195,674	11,853,012	4,657,338
C.	Short-term accrued and deferred asset items	225,529	20,870	246,399
TOTAL ASSETS		216,456,763	31,275,558	247,732,321

in €

Item		Contract with SODO	Other activities	Total Elektro Gorenjska
LIABILITIES				
A.	Capital	142,800,654	23,745,475	166,546,129
I.	Called-up capital	87,770,535	16,366,080	104,136,615
	1. Share capital	87,770,535	16,366,080	104,136,615
II.	Capital reserves	41,584,616	4,388,863	45,973,479
III.	Profit reserves	14,286,913	2,620,869	16,907,782
	1. Statutory reserves	2,988,717	876,962	3,865,679
	5. Other profit reserves	11,298,196	1,743,907	13,042,103
V.	Reserves arising from fair value measure-ment	37,476	1,509	38,985
VI.	Net profit or loss from previous periods	4,652,654	-4,652,654	0
VII.	Net profit or loss for the period	-1,056,454	545,722	-510,732
	3. Net loss of the business year	1,056,454	-545,722	510,732
VIII.	Harmonized capital adjustment between activities	-4,475,086	4,475,086	0

B.	Provisions and long-term accrued and deferred liability items	8,317,584	6,967,156	15,284,740
	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
C.	Long-term liabilities	47,156,096	27,782	47,183,878
I.	Long-term financial liabilities	46,691,448	0	46,691,448
	2. Long-term financial liabilities to banks	46,691,448	0	46,691,448
II.	Long-term operating liabilities	265,775	22,931	288,706
	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
III.	Deferred tax liabilities	198,873	4,851	203,724
Č.	Short-term liabilities	14,630,892	431,292	15,062,184
II.	Short-term financial liabilities	9,567,555	242	9,567,797
	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
III.	Short-term operating liabilities	5,063,337	431,050	5,494,387
	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
D.	Short-term accrued and deferred liability items	3,551,537	103,853	3,655,390
TOTAL LIABILITIES		216,456,763	31,275,558	247,732,321

6.9.3 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 2023

in €

Item	Activity DO	Other activities	Total Elektro Gorenjska
1. Net sales revenue	33,987,738	3,172,469	37,160,207
a. Net sales revenue on the domestic market	33,987,738	3,164,519	37,152,257
b. Net sales revenue in the foreign market	0	7,950	7,950
3. Capitalized own products and services	0	5,921,213	5,921,213
4. Other operating revenues	1,015,344	871,550	1,886,894
5. Costs of goods, material, and services	5,448,117	5,623,302	11,071,419
a. Costs of goods sold and material used	1,395,640	5,122,605	6,518,245
b. Costs of services	4,052,477	500,697	4,553,174
6. Labour costs	11,770,710	3,582,511	15,353,221
a. Cost of wages and salaries	8,232,385	2,704,747	10,937,132
b. Social security cost	1,821,910	486,197	2,308,107
- of which the cost of pension insurance	1,209,338	286,237	1,495,575
c. Other labour costs	1,716,415	391,567	2,107,982
7. Amortization/depreciation expense	12,295,561	258,023	12,553,584
a. Depreciation	11,841,080	219,704	12,060,784
b. Operating expenses from revaluation of intangible and tangible fixed assets	453,206	32,271	485,477
c. Operating expenses from revaluation of operating current assets	1,275	6,048	7,323
8. Other operating expenses	281,528	234,191	515,719
9. Financial revenues from shares	0	1,580,000	1,580,000
a. Financial revenue from interests in Group companies	0	1,580,000	1,580,000
10. Financial revenues from given loans	0	38,990	38,990
b. Financial revenues from loans given to others	0	38,990	38,990
11. Financial revenues from operating receivables	20,365	5,346	25,711
b. Financial revenue from operating receivables due from others	20,365	5,346	25,711

13.	Financial expenses from financial liabilities	1,697,228	1,116	1,698,344
	a. Financial expenses from loans, received from group companies	0	1,116	1,116
	b. Financial expenses from loans, received from banks	1,697,228	0	1,697,228
14.	Financial expenses from operating liabilities	92,449	14,230	106,679
	b. Financial expenses from accounts and bills payable	56	110	166
	c. Financial expenses from other operating liabilities	92,393	14,120	106,513
15.	Other revenues	17	4	21
16.	Other expenses	63,485	6,279	69,764
17.	PRE-TAX NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	3,374,386	1,869,920	5,244,306
18.	Income tax	267,669	26,286	293,955
19.	Deferred taxes	-448,348	13,127	-435,221
20.	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	3,555,065	1,830,507	5,385,572

In the profit or loss account at the company level, the net approach is used when correcting the value of receivables (excluded values resulting from recording by organizational units). Income and expenses are reduced by 7,089 €.

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
1. Net sales revenue	23,407,592	2,760,051	26,167,643
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
3. Capitalized own products and services	0	3,354,884	3,354,884
4. Other operating revenues	649,995	54,665	704,660
5. Costs of goods, material, and services	4,511,794	3,146,020	7,657,814
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
6. Labour costs	10,478,915	2,906,717	13,385,632
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

7.	Amortization/depreciation expense	11,597,528	255,298	11,852,826
	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
8.	Other operating expenses	237,517	231,252	468,769
9.	Financial revenues from shares	0	1,009,797	1,009,797
	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
10.	Financial revenues from given loans	0	1,004	1,004
	b. Financial revenues from loans given to others	0	1,004	1,004
11.	Financial revenues from operating receivables	10,349	1,473	11,822
	b. Financial revenue from operating receivables due from others	10,349	1,473	11,822
12.	Financial expenses from impairments and financial investment write-offs	0	146,139	146,139
13.	Financial expenses from financial liabilities	512,667	847	513,514
	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
14.	Financial expenses from operating liabilities	15,153	2,446	17,599
	b. Financial expenses from accounts and bills payable	80	50	130
	c. Financial expenses from other operating liabilities	15,073	2,396	17,469
15.	Other revenues	20	4	24
16.	Other expenses	22,774	2,252	25,026
17.	PRE-TAX NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	-3,308,392	490,907	-2,817,485
19.	Deferred taxes	-862,049	-55,777	-917,826
20.	NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	-2,446,343	546,684	-1,899,659

In the profit or loss account at the company level, the net approach is used when correcting the value of receivables (excluded values resulting from recording by organizational units). Income and expenses are reduced by 6,782 €.

FINANCIAL REPORT





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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 2023 on April 2 2024.

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 2 2024

Chairman of the Board
dr. Ivan Šmon, MBA



Auditor's report



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Slovenija

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, 2023 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, 2023, 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 dated on April 16, 2014 on specific requirements regarding statutory audit of public-interest entities (Regulation (EU)). 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.

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 6,132,751 EUR in the year ended December 31, 2023 (2022: 3,567,667 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 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

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 IFRS as adopted in EU.
- 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.
- 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



determining the matter, the management uses assumptions and judgments for recognising tangible fixed assets as they are determined by IFRS as adopted in EU.

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

Disclosures regarding this matter are included in point 7.4 Notes to the consolidated financial statements and within this point subtitle Significant accounting policies - Tangible fixed assets, and in Note 2 - Tangible fixed assets of the point 7.5.1 Notes to the financial statement items, and in Note 2 Capitalized own products and own services of the point 7.5.2 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, 2023 amounted to 240.256.471 EUR (31. December 2022: 227.029.819 EUR); costs of maintenance for the year 2023 amounted to 1.971.742 EUR (2022: 1.475.289 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 7.4 Notes to the consolidated financial statements and within this point subtitle Significant accounting policies and estimates - Fixed assets, to the Note 2 Tangible fixed assets of the point 7.5.1 Notes to the financial statement items, to the Note 5 Maintenance costs of the point 7.5.2 Notes on profit and loss account items.

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.
- We have reviewed the disclosures in the 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 except 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

Confirmation to the Audit Committee

We confirm that our audit opinion expressed herein is consistent with the additional report to the Audit Committee of the Company.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation ((EU) No. 537/2014 of the European Parliament and the Council were provided and audit company complied with independence requirements at auditing.

Other services

There are no services, in addition to the statutory audit which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

Appointment of the Auditor, the Period of Engagement and Certified Auditor

BDO Revizija d.o.o. was appointed as the statutory auditor of the Company and the Group by the shareholder on General Shareholders' Meeting held on August 24, 2023, the president of the Supervisory board signed the engagement letter on September 14, 2023 for the period of 3 years. Our total uninterrupted engagement started on September 26, 2017.

Engagement partner responsible for the audit on behalf of BDO Revizija d.o.o. is Maruša Hauptman, certified auditor.

Ljubljana, April 19, 2024

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana
(signature on the original issued in Slovene language)

Maruša Hauptman, certified auditor



7.3

Financial statements of Elektro Gorenjska Group for business year ended as at December 31 2023

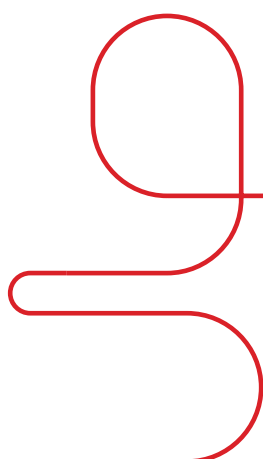
STATEMENT OF FINANCIAL POSITION OF ELEKTRO GORENJSKA GROUP AS AT DECEMBER 31 2023

in €

Item	Note	31. 12. 2023	31. 12. 2022
ASSETS			
Long-term assets		248,367,339	235,093,864
Intangible assets	1	3,075,371	2,160,582
1. Log-term property rights		3,075,371	2,160,582
Tangible fixed assets	2	240,256,471	227,029,819
1. Land and buildings		171,118,648	164,092,423
a) Land		8,469,768	8,476,757
b) Buildings		162,648,880	155,615,666
2. Production plant and equipment		58,562,562	55,884,799
3. Other plant and equipment		689,710	765,317
4. Tangible fixed assets in acquisition		9,885,551	6,287,280
Investment property	3	1,754,302	1,756,738
Long-term financial investments	4	866,607	1,555,937
1. Long-term financial investments, excluding loans		687,839	1,370,207
b) Financial investments accounted for using the equity method		451,128	1,338,124

in €

c) Other shares and stakes		236,711	32,083
2. Long-term loans		178,768	185,730
b) Long-term loans to others		178,768	185,730
Long-term operating receivables	5	729,336	1,328,847
2. Long-term trade receivables		613,688	1,178,900
3. Long-term receivables due from others		115,648	149,947
Long-term accrued costs		75,245	129,309
Deferred tax claims		1,610,007	1,132,632
Short-term assets		31,937,354	20,054,421
Stocks	6	3,257,070	2,627,208
1. Material		3,257,070	2,627,208
Short-term financial investments		8,702	1,006,962
2. Short-term loans		8,702	1,006,962
b) short-term loans to others		8,702	1,006,962
Short-term operating receivables	7	13,993,697	8,199,499
2. Short-term trade receivables		11,180,315	6,257,433
3. Short-term receivables due from others		2,813,382	1,942,066
Income tax receivables		0	131,985
Short-term assets from contracts with customers	8	41,529	1,477,262
Short-term accrued assets and other short-term assets		403,887	1,001,074
Cash and cash equivalents		14,232,469	5,610,431
TOTAL ASSETS		280,304,693	255,148,285



in €

Item	Note	31. 12. 2023	31. 12. 2022
LIABILITIES			
Capital	9	182,985,018	173,886,767
Called-up capital		104,136,615	104,136,615
1. Share capital		104,136,615	104,136,615
Capital reserves		45,973,479	45,973,479
Profit reserves		19,274,198	17,337,941
1. Statutory reserves		4,766,467	4,222,453
5. Other profit reserves		14,507,731	13,115,488
Other reserves		-210,051	38,667
Retained profit and loss		13,810,777	6,400,065
Long-term liabilities		72,322,507	63,095,458
Provisions	10	10,025,806	9,206,772
1. Provisions for pensions and similar liabilities		3,690,798	3,069,733
2. Other provisions		6,335,008	6,137,039
Long-term financial liabilities	11	52,990,185	46,691,448
2. Long-term liabilities to banks		52,990,185	46,691,448
Long-term operating liabilities		79,494	304,443
2. Long-term operating liabilities to suppliers		11,743	11,743
4. Long-term operating liabilities based on advances		67,751	60,856
5. Other long-term operating liabilities		0	231,844

in €

Other long-term liabilities and long-term deferred revenue	12	8,998,856	6,689,071
Deferred tax liabilities		228,166	203,724
Short-term liabilities		24,997,168	18,166,060
Short-term financial liabilities	13	11,276,136	9,567,555
2. Short-term financial liabilities to banks		9,486,978	9,497,788
4. Other short-term financial liabilities		1,789,158	69,767
Short-term operating liabilities	14	10,350,603	6,253,981
2. Short-term operating liabilities to suppliers		6,088,301	3,031,625
4. Short-term operating liabilities based on advances		84,057	77,092
5. Other short-term operating liabilities		4,178,245	3,145,264
Liabilities for income tax		1,205,922	0
Short-term liabilities from contracts with customers	15	439,123	1,219,104
Short-term prepaid expenses and other short-term liabilities	16	1,725,384	1,125,420
TOTAL LIABILITIES		280,304,693	255,148,285

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 2023

in €

Item	Note	2023	2022
Net sales revenue	1	55,075,559	34,619,389
Capitalized own products and services	2	6,132,751	3,567,667
Other operating revenues	3	2,035,494	1,642,907
Costs of goods, material, and services		17,950,830	11,880,945
a. Costs of goods sold and material used	4	10,702,178	6,101,980
b. Costs of services	5	7,248,652	5,778,965
Labor costs	6	16,992,984	14,871,628
Amortization/depreciation expense	7	14,087,900	13,113,483
Other operating expenses	8	628,046	547,118
Financial revenues from given loans		55,959	1,473
Financial revenues from operating receivables		29,568	17,826
Financial expenses from impairments and financial investment write-offs		0	146,139
Financial expenses from financial liabilities		1,726,897	512,667
Financial expenses from operating liabilities		113,453	23,377
Recognized profit or loss on investments valued using the equity method		44,393	960,194
TOTAL PROFIT OR LOSS		11,873,614	-285,900
Income tax	9	1,601,277	384,087
Deferred taxes	10	-453,328	-917,826
NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		10,725,665	247,839

Net profit per share in 2023 amounts to 0.62 €, and in 2022 iz amounted to 0.01 €. Parent company has no priority shares, so basic and adjusted earnings per share are the same.

Basis for calculating the return per share indicator is the net profit for the financial year and the weighted average of ordinary shares in the period. Calculation is shown in the following table.

in €

Item	2023	2022
Net profit or loss for the period	10,725,665	247,839
Weighted average number of ordinary shares	17,273,475	17,273,475
Earnings per share, basic/adjusted	0.62	0.01

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 2023 v €

Title	2023	2022
1. Net profit or loss of the accounting period	10,725,665	247,839
2. Items of other comprehensive income (other than amounts under the equity method) that will not be subsequently reclassified to profit or loss:		
- Actuarial gains and losses	-245,536	422,773
	-245,536	422,773
TOTAL COMPREHENSIVE INCOME OF THE ACCOUNTING PERIOD	10,480,129	670,612

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 2023

in €

Item	2023	2022
A. OPERATING CASH-FLOW		
a. Operating receipts	68,547,536	43,554,047
1. Receipts from sales of products and services	62,028,170	42,478,552
2. Income tax receipts	609,125	77,511
3. Other operating receipts	5,910,241	997,984
b. Operating expenditure	-38,791,823	-33,004,141
1. Expenditure for purchase of material and services	-17,984,470	-13,803,250
2. Expenditure for salaries and employees profit shares	-11,975,573	-10,904,472
3. Income tax expenditure	-285,402	-1,074,092
4. Expenditure for other duties	-4,747,008	-3,697,119
5. Other operating expenditure	-3,799,370	-3,525,208
c. Positive or negative cash flow from operating activities (a+b)	29,755,713	10,549,906



B CASH FLOWS IN INVESTING ACTIVITIES		
a. Receipts in investing activities	2,214,193	6,398,199
1. Receipts from received interest and profit shares of others	1,014,139	158,593
3. Receipts from disposal of tangible fixed assets	194,833	22,829
5. Receipts from disposals of financial investments	1,005,221	6,216,777
b. Expenditure in investing activities	-27,969,203	-19,686,991
1. Expenses for acquisition of intangible assets	-1,108,188	-1,098,263
2. Expenses for acquisition of tangible fixed assets	-26,607,295	-18,553,135
3. Expenses for acquisition of investment property	-49,092	-3,510
4. Expenses for acquisition of financial investments	-204,628	-32,083
c. Positive or negative cash flow from investing activities (a+b)	-25,755,010	-13,288,792
C. CASH FLOWS IN FINANCING ACTIVITIES		
a. Receipts in financing activities	16,000,000	20,262,000
2. Receipts from increase in financial liabilities	16,000,000	20,262,000
b. Expenditure in financing activities	-11,378,665	-17,909,151
1. Expenditure for given interest referring to financing activities	-1,756,128	-487,271
3. Expenditure for repayment of financial liabilities	-9,622,537	-16,040,001
4. Expenditure for dividend and other profit share payment	0	-1,381,878
c. Positive or negative cash flow from financing activities	4,621,335	2,352,849
Č. CLOSING CASH BALANCE	14,232,469	5,610,431
x. Cash flow for the period	8,622,038	-386,037
y. Opening cash balance	5,610,431	5,996,468

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 2023

a.) From January 1 2023 to December 31 2023:

EVENTS IN INDIVIDUAL CAPITAL ITEMS	Called-up capital	Capital reserves		
	I.	II.		
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment
	I./1.	II./1.	II./2.	II./3.
BALANCE AS OF DECEMBER 31 2022	104,136,615	1	28,581	45,944,897
BALANCE AS OF JANUARY 1 2023	104,136,615	1	28,581	45,944,897
CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS	0	0	0	0
Dividend payment	0	0	0	0
TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0
Entry of net profit or loss for the reporting period	0	0	0	0
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
- Actuarial gains and losses				
CHANGES WITHIN CAPITAL	0	0	0	0
Allocation of remaining part of net profit of comparative reporting period to other items of capital	0	0	0	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
Transfer of actuarial gains/losses, due to employee departures, to net profit or loss brought forward	0	0	0	0
BALANCE AS OF DECEMBER 31 2023	104,136,615	1	28,581	45,944,897

in €

Profit reserves		Other reserves	Retained profit and loss		TOTAL CAPITAL
III.		IV.	V.		
Statutory reserves	Other profit reserves	Reserves for fair value	Net profit or loss brought forward	Net profit or loss of the business year	
III./1.	III./5.	IV./3.	V./1.	V./2.	
4,222,453	13,115,488	38,667	6,268,943	131,122	173,886,767
4,222,453	13,115,488	38,667	6,268,943	131,122	173,886,767
0	-1,381,878	0	0	0	-1,381,878
0	-1,381,878	0	0	0	-1,381,878
0	0	-245,536	0	10,725,665	10,480,129
0	0	0	0	10,725,665	10,725,665
0	0	-245,536	0	0	-245,536
-245,536					-245,536
544,014	2,774,121	-3,182	-465,174	-2,849,779	0
0	599,478	0	-468,356	-131,122	0
544,014	2,174,643	0	0	-2,718,657	0
0	0	-3,182	3,182	0	0
4,766,467	14,507,731	-210,051	5,803,769	8,007,008	182,985,018

Explanatory note 9 – Capital in chapter Notes to the statement of financial position are part of the financial statements and should be read in conjunction with them.

b) From January 1 2022 to December 31 2022:

EVENTS IN INDIVIDUAL CAPITAL ITEMS	Called-up capital	Capital reserves		
	I.	II.		
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment
	I./1.	II./1.	II./2.	II./3.
BALANCE AS OF DECEMBER 31 2021	104,136,615	1	28,581	45,944,897
BALANCE AS OF JANUARY 1 2022	104,136,615	1	28,581	45,944,897
CHANGES IN EQUITY CAPITAL – TRANSACTIONS WITH OWNERS	0	0	0	0
Dividend payment	0	0	0	0
i) Other changes in equity capital – derecognition of capital instrument	0	0	0	0
TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0
Entry of net profit or loss for the reporting period	0	0	0	0
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
- Actuarial gains and losses				
CHANGES WITHIN CAPITAL	0	0	0	0
Allocation of remaining part of net profit of comparative reporting period to other items of capital	0	0	0	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
Transfer of actuarial gains/losses, due to employee departures, to net profit or loss brought forward	0	0	0	0
BALANCE AS OF DECEMBER 31 2022	104,136,615	1	28,581	45,944,897

in €

Profit reserves		Other reserves	Retained profit and loss		TOTAL CAPITAL
III.		IV.	V.		
Statutory reserves	Other profit reserves	Reserves for fair value	Net profit or loss brought forward	Net profit or loss of the business year	
III./1.	III./5.	IV./3.	V./1.	V./2.	
4,106,749	13,119,803	-348,171	4,428,585	3,207,707	174,624,767
4,106,749	13,119,803	-348,171	4,428,585	3,207,707	174,624,767
0	0	0	-50,904	-1,357,708	-1,408,612
0	0	0	-24,170	-1,357,708	-1,381,878
0	0	0	-26,734	0	-26,734
0	0	422,773	0	247,839	670,612
0	0	0	0	247,839	247,839
0	0	422,773	0	0	422,773
0	0	422,773	0	0	422,773
115,704	-4,315	-35,935	1,891,262	-1,966,716	0
0	-4,315	0	1,854,314	-1,849,999	0
115,704	0	0	1,013	-116,717	0
0	0	-35,935	35,935	0	0
4,222,453	13,115,488	38,667	6,268,943	131,122	173,886,767



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 2023 amounted to 25,760,824 €, net profit for year 2023 was 7,185,440 €;
- company GEK Solar, Stara cesta 3, 4000 Kranj, which is in 100% ownership of subsidiary Gorenjske elektrarne; capital of this company as at December 31 2023 amounted to 820,832 €, net profit for year 2023 was 620,832 €;
- associate company Soenergetika, Stara cesta 3, Kranj, which is in 25% ownership of subsidiary Gorenjske elektrarne; capital of this company as at December 31 2023 amounted to 1,307,895 €, net profit for year 2023 was 177,573 €.

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 (ZOEI, Official Gazette RS, No. 172/21).

Management of Elektro Gorenjska Company approved the consolidated financial statements on April 2 2024.

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 Important accounting information about accounting policies.

Transactions with distribution operator

Transactions with the distribution operator (company ELES) or preliminary and final accounts received in 2023 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 2023

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:

- Disclosure of accounting policies (amendment to IAS 1 and Statement of Practice IFRS 2): In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements related to accounting policies from »significant accounting policies« to »significant information about accounting policies«. Amendments provide guidance on when information about accounting policies is considered material. Amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1 2023, with early application permitted. As the IFRS Statement of Practice documents are not mandatory, the entry into force of IFRS Statement of Practice 2 is not specified.



- 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 (new standard) and amendment to IFRS 17- Insurance contracts: IFRS 17 replaces IFRS 4 Insurance contracts. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and reinsurance), regardless of the type of entities issuing them, and to certain guarantees and financial instruments with discretionary participation functions; some exceptions will apply. General objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurance companies and that covers all relevant accounting aspects. IFRS 17 is based on a general model supplemented by:
 - special adjustment for contracts with direct participation features (variable fee approach) and
 - simplified approach (premium allocation approach) especially for short-term contracts.
- Deferred tax in respect of assets and liabilities arising from an individual transaction (Amendment to IAS 12 – Income tax). In May 2021 the IASB issued amendments to IAS 12. 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.
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12): Amendments to IAS 12 were introduced as a response to the rules of OECD on BEPS of the Pillar Two and include:
 - mandatory temporary exemption related to the recognition and disclosure of deferred taxes related to Pillar Two Model Rules and
 - disclosure requirements relating to Pillar Two income tax exposure.

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 2024:

- 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.

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 IASC, 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 or January 1 2025 and have not yet been adopted by the EU:

- On May 25, 2023, the IASB has published the document »Supplier Finance Arrangements«, which amends IAS 7 – Statement of cash flows and IFRS 7 – Financial instruments: Disclosures (amendments). These amendments were made as a result of a submission received by the IFRS Interpretations Committee regarding requirements for the presentation of liabilities and related cash flows arising from supply chain financing arrangements and related disclosures. In December 2020, the Committee published a Decision on the work program Agreements on supply chain financing – reverse factoring, which addressed this submission based on the then-current requirements of IFRS accounting standards. During this process, stakeholder feedback pointed t the limitations of the requirements at the time to address the significant information needs of users to understand the effects of financial arrangements with suppliers on a company's financial statements and to compare one company to another. In response to this feedback, the IASB undertook the implementation of a narrow area of standards, which led to amendments. Amendments require companies to provide certain specific disclosures (qualitative and quantitative) in relation to supplier financing arrangements. Amendments also provide guidance on the characteristics of supplier financing arrangements.
- Amendment to IAS 21 – Effects of Changes in Foreign Exchange Rates: Lack of interchangeability.

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.

IMPORTANT ACCOUNTING INFORMATION ABOUT 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.

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

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.

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 company ELES under the Contract with DO. Company believes that such disclosure is in accordance with their nature, as 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 ELES, on the basis of a long-term Contract with DO;
- 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

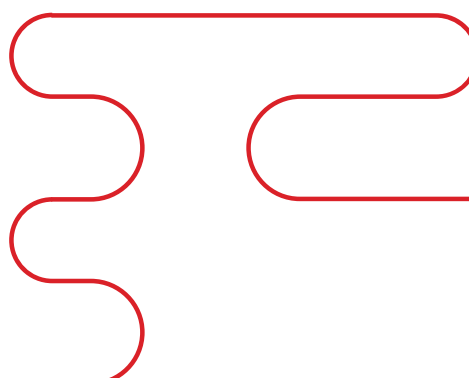
Non-derivative financial assets are:

- 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 assets 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 (e.g. action lodged, denationalization 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-19 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 DO, from the lease of electricity infrastructure and provision of services for ELES.

Amounts collected on behalf of ELES in operations on their own behalf and the account of ELES are not recognized as revenue, but as operating liabilities to ELES company.

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.



Notes to the Elektro Gorenjska Group financial statement items

7.5.1 Notes to the statement of financial position

Note 1 – Intangible assets

Following tables present changes in intangible assets in years 2023 and 2022.

in €

2023	Property rights	Property rights in acquisition	Total intangible assets
1	2	3	4 = 2+3
Acquisition cost			
Balance 1. 1. 2023	6,803,363	564,060	7,367,423
New acquisitions	0	1,780,161	1,780,161
Disposals, withdrawals, transfers	-19,455	0	-19,455
Completion of ongoing investments	2,178,920	-2,178,920	0
Balance 31. 12. 2023	8,962,828	165,301	9,128,129
Value adjustment			
Balance 1. 1. 2023	5,206,840	0	5,206,840
Increase (depreciation)	912,061	0	912,061
Disposals, withdrawals, transfers	-66,142	0	-66,142
Balance 31. 12. 2023	6,052,758	0	6,052,758
Carrying amount			
Balance 1. 1. 2023	1,596,523	564,060	2,160,582
Balance 31. 12. 2023	2,910,070	165,301	3,075,371

in €

2022	Property rights	Property rights in acquisition	Total intangible assets
1	2	3	4 = 2+3
Acquisition cost			
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
Balance 31. 12. 2022	6,806,746	564,060	7,370,806
Value adjustment			
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
Balance 31. 12. 2022	5,210,223	0	5,210,223
Carrying amount			
Balance 1. 1. 2022	1,568,122	218,765	1,786,886
Balance 31. 12. 2022	1,596,523	564,060	2,160,582

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 2023, 42.9% were fully depreciated. On the last day of 2022, 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 2023, the Group had no financial obligations in respect of acquiring intangible fixed assets.

Note 2 – Tangible fixed assets

As at December 31 2023 tangible fixed assets amounted to 240,256,471 €, which represents 86% of balance sheet total of the Group. Compared to the balance as at December 31 2022 their value is by 13.2 million € or 5.8% higher.

Changes in tangible fixed assets in year 2023:

in €

2023	Land	Buildings	Equipment	Equipment - right to use	Tangible fixed assets under construction	Total tangible fixed assets
1	2	3	4	5	6	7=2+3+4+5+6
Acquisition cost						
Balance 1. 1. 2023	8,476,757	331,013,951	151,489,469	0	6,287,281	497,267,457
New acquisitions	0	0	0	0	26,380,944	26,380,944
Impairment	-20,629	-489,315	0	0	0	-509,943
Disposals, separations, transfers	-68,492	-1,254,807	-1,892,217	0	0	-3,215,515
Transfer from ongoing investments	82,132	13,893,237	8,598,579	208,725	-22,782,674	0
Balance 31. 12. 2023	8,469,768	343,163,067	158,195,831	208,725	9,885,551	519,922,942
Valuation adjustment						
Balance 1. 1. 2023	0	175,398,284	94,839,352	0	0	270,237,637
Increase (depreciation)	0	6,443,778	5,859,099	0	0	12,302,877
Impairment	0	-164,093	0	0	0	-164,093
Disposals, separations, transfers	0	-1,163,783	-1,546,171	0	0	-2,709,954
Balance 31. 12. 2023	0	180,514,187	99,152,281	0	0	279,666,468
Carrying amount						
Balance 1. 1. 2023	8,476,757	155,615,666	56,650,116	0	6,287,280	227,029,819
Balance 31. 12. 2023	8,469,768	162,648,880	59,043,547	208,725	9,885,551	240,256,471

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
Acquisition cost					
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, separations, transfers	-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
Balance 31. 12. 2022	8,476,757	331,013,951	151,489,469	6,287,281	497,267,457
Valuation adjustment					
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, separations, transfers	0	-2,533,841	-5,662,127	0	-8,195,968
Balance 31. 12. 2022	0	175,398,284	94,839,352	0	270,237,637
Carrying amount					
Balance 1. 1. 2022	8,433,251	152,326,991	55,597,312	6,988,358	223,345,912
Balance 31. 12. 2022	8,476,757	155,615,666	56,650,116	6,287,280	227,029,819

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 2023 amounted to 204,724,733 € (December 31 2022: 196,111,876 €). For the needs of implementation of system operator activity, which ELES implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, ELES 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 2023, 23.0% were fully depreciated (as at December 31 2022 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 2023 and previous years, whose balance on December 31 2023 amounted to 62,477,262 € (December 31 2022: 56,189,236 €). Interests in the amount of 123,955 € were capitalized (year 2022: 19,786 €). Please see also Note Long-term financial liabilities later in the continuation of this chapter.

Note 3 – Investment property

At the end of 2023, investment property amounted to 1,754,302 €. All investment properties are owned by the Group and are not pledged as security for debts. Changes in their value in years 2023 and 2022 are presented in the following tables.



in €

2023	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
Acquisition cost				
Balance 1. 1. 2023	474,515	2,041,071	0	2,515,586
New acquisitions	0	0	41,666	41,666
Disposals, separations, transfers	0	0	0	0
Balance 31. 12. 2023	474,515	2,041,071	41,666	2,557,252
Valuation adjustment				
Balance 1. 1. 2023	0	758,847	0	758,847
Depreciation	0	44,103	0	44,103
Disposals, separations, transfers	0	0	0	0
Balance 31. 12. 2023	0	802,950	0	802,950
Carrying amount				
Balance 1. 1. 2023	474,515	1,282,223	0	1,756,738
Balance 31. 12. 2023	474,515	1,238,121	41,666	1,754,302

in €

2022	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
Acquisition cost				
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
Balance 31. 12. 2022	474,515	2,041,071	0	2,515,586
Valuation adjustment				
Balance 1. 1. 2022	0	697,853	0	697,853
Depreciation	0	42,895	0	42,895
Disposals, separations, transfers	0	18,099	0	18,099
Balance 31. 12. 2022	0	758,847	0	758,847
Carrying amount				
Balance 1. 1. 2022	474,515	1,274,043	3,938	1,752,497
Balance 31. 12. 2022	474,515	1,282,223	0	1,756,738

Following is the presentation of investment property structure:

in €

Item description	31. 12. 2023	31. 12. 2022
Apartments	296,425	306,853
Holiday facilities	837,921	831,568
Other buildings	145,441	143,802
Land	474,515	474,515
Total investment property	1,754,302	1,756,738

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 2023 amounted to 3,742,787 €. We estimate, that given the market situation, the fair value as at December 31 2023 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 217,823 € (in year 2022: 169,552 €). Direct operating expenses (including repairs and maintenance), originating from investment property, which made revenues from rents in year 2023, and direct operating expenses, which did not make revenues from rents in year 2023 consist of depreciation costs (44,909 €) and costs of material and services (104,232 €). In year 2022 costs of depreciation were 43,702 € and costs of material and services 73,383 €.

Note 4 - Long-term financial investments

On December 31 2023, long-term financial investments of the Group amounted to 866,607 €. Compared to the balance as at December 31 2023 their value decreased due to decrease in the value of investment in company Soenergetika.

in €

Investment	Share in the ownership		Balance	
	31. 12. 2022	31. 12. 2023	31. 12. 2022	31. 12. 2023
Soenergetika, d. o. o.	25.00%	25.00%	1,213,969	326,974
Informatika, d. o. o., Maribor	10.44%	10.44%	124,155	124,155
Alfi SOL 2, d. o. o.	20.00%	20.00%	32,083	236,711
Total long-term financial investments, except loans			1,370,207	687,839
Long-term invested funds (Eldom Maribor)			142,798	142,798
Long-term receivables from financial lease			42,931	35,970
Total long-term loans			185,729	178,768
TOTAL LONG-TERM FINANCIAL INVESTMENTS			1,555,937	866,607

Company Soenergetika d. o. o., which is consolidated according to the equity method in the statements of the Elektro Gorenjska Group, closed the year 2023 with a net profit of 177,573 €, the same amount as the total comprehensive income.

Note 5 – Long-term operating receivables

Long-term operating receivables as at December 31 2023 amounted to 729,336 €. Most of them are claims against the company ELES. Compared to the balance at the end of 2022 they decreased by 0.6 million € due to the redistribution of part of the receivables among short-term receivables.

Note 6 - Stocks

Value of stocks of material, small tools, and merchandise as at December 31 2023 amounted to a total 3,257,070 €. Group estimates that net realizable value of stocks is at least equal to their book value. Movement of material stocks in years 2023 and 2022 is shown in the following table.

	in €	
Item description	2023	2022
Material stocks at the beginning of the period 1. 1.	2,627,207	1,083,794
Purchases	9,298,711	5,560,099
Consumption	-7,718,545	-3,624,418
Sale	-669,935	-194,466
Write-offs	0	-2,248
Inventory deficit	0	-2,756
Impairment and elimination of impairments	-59,491	0
Transfer of small tools in use	-220,877	-192,798
Material stocks at the end of the period 31. 12.	3,257,070	2,627,208

Group has no pledged stocks as security for its liabilities.

Note 7 – Short-term operating receivables

Short-term operating receivables as at December 31 2023 amounted to 13,993,697 €. Their structure was as follows:

	in €	
Item description	31. 12. 2023	31. 12. 2022
Short-term accounts receivable	11,323,713	6,410,423
Short-term advances	0	0
Adjustment of short-term accounts receivable	-143,399	-152,990
Short-term accounts receivable	11,180,315	6,257,433
Short-term income tax receivable	0	0
Short-term operating receivables from others	315,441	406,249
Adjustment of short-term receivables from others	-5,895	-4,134
Short-term advances	2,503,835	1,539,951
Short-term operating receivables from others	2,813,382	1,942,066
Short-term operating receivables	13,993,697	8,199,499

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 2023 according to maturity terms is shown in the following presentation:

in €

Item description	Not yet due	Up to 30 days	31-60 days	61-90 days	More than 90 days	Total amount due	Total accounts receivable
Claims on buyers of electricity, network charge and services	10,298,963	241,217	304,683	327,244	138,632	1,011,775	11,310,738
Default interest claims	3,964	2,274	61	196	6,482	9,013	12,977
TOTAL	10,302,926	243,491	304,744	327,440	145,114	1,020,788	11,323,713

Changes in valuation adjustment of claims in year 2023 are presented in the next table.

in €

Item description	Balance 1. 1. 2023	New formations		Withdrawal (use) and elimination			Balance 31. 12. 2023
		Chargeable to expenses	Chargeable to claims	Claims write-off	Paid amounts (transfer to revenues)	Elimination of excess valuation adjustments	
Valuation adjustment of accounts receivable	145,604	3,080	0	12,507	0	0	136,177
Valuation adjustment of interest claims	7,386	0	733	611	253	35	7,221
Total valuation adjustment of claims	152,990	3,080	733	13,117	253	35	143,399

Note 8 – Current assets from contracts with customers

At the end of 2022, current assets from contracts with customers amounted to 1,477,262 €, at the end of 2023 they were 41,529 €. They refer to marketing projects.

Note 9 – 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 2023 amounted to 182,985,018 €.

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 19,274,198 €, of which statutory reserves represent 4,766,467 €, while other profit reserves 14,507,731 €.

Other reserves (-210,051 €) represent reserves arising from the valuation at fair value.

in €

Item	Balance 1. 1. 2023	Change in fair value of financial investments	Elimination	New formation	Transfer to profit or loss brought forward	Balance 31. 12. 2023
Actuarial gains/losses	50,205	0	-229,046	-18,251	-1,028	-198,119
Value adjustment of deferred tax reserves	-11,537	0	-395	0	0	-11,932
Total	38,667	0	-229,441	-18,251	-1,028	-210,051

Retained profit or loss amounted to 13,810,777 €.

Note 10 – Provisions

As at December 31 2023 provisions amounted to 10,025,806 €. Compared to their balance as at December 31 2022 they decreased by 8.9%.

Review of changes in provisions in year 2023:

in €

Item description	Balance 1. 1. 2023	Formation	Drawing	Derecognition	Balance 31. 12. 2023
Total provisions for long-service bonuses and severance pay	3,069,733	822,151	182,529	18,556	3,690,798
Total other provisions	6,137,038	197,969	0	0	6,335,007
Total provisions	9,206,772	1,020,120	182,529	18,556	10,025,806

Review of changes in provisions in year 2022:

in €

Item description	Balance 1. 1. 2022	Formation	Drawing	Derecognition	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
Total provisions	9,574,509	380,849	234,756	513,831	9,206,772

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 2023 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, increased by 0.4%), average wage growth in electricity industry (in the amount of the growth of average wages in RS), 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 3.1%.

Other provisions mainly refer to compensations in connection with denationalisation proceedings.

Note 11 – Long-term financial liabilities

As at December 31 2023, Elektro Gorenjska Group had 52,990,185 € of long-term financial liabilities, which is by 6.3 million € more than as at December 31 2022. Majority of long-term financial liabilities are long-term financial liabilities to banks, of which 24,499,563 € have the maturity of more than five years. Maturities of financial liabilities to banks as at December 31 2023 were as follows:

in €

1 year	2 - 5 years	over 5 years	Total
9,486,977	28,490,623	24,499,563	62,477,162

In year 2023, we drew 16 million € of long-term credit for the implementation of investments in EEI and redeemed 9,712,073 € worth of principals. Costs of interest amounted to 1,725,811 €. Interest in the amount of 123,955 € was capitalized. Balance of received loans as at December 31 2023 was 62,477,162 €, while at the end of 2022 it amounted to 56,189,236 €.

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 56,762,876 € are secured by bills of exchange.

As at December 31 2023 the Group had 17% of long-term loans secured with the fixed interest rate, which represents the amount of 10.5 million €. Balance of received loans to finance tangible fixed assets as at December 31 2023 amounted to 62,477,162 €.

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). Exposure to risks and hedging systems are explained in chapter Development of a comprehensive risk and opportunity management system.

Group has no long-term debts to the members of the management board (management), members of the supervisory board and internal owners.

Note 12 – Long-term deferred revenue and other long-term liabilities

On the last day of year 2023, Elektro Gorenjska Group had by 8,998,856 € of other long-term liabilities. Structure and changes in long-term liabilities in years 2023 and 2022 are shown in the two tables below.

Structure and changes in other long-term liabilities in year 2023:

in €

Item description	Balance 1. 1. 2023	Formation	Drawing	Derecognition	Balance 31. 12. 2023
Tangible fixed assets obtained free of charge	4,283,851	0	232,146	0	4,051,705
Deferred revenues from average connection costs	1,098,917	0	85,319	0	1,013,598
Other	1,306,304	2,826,884	199,192	442	3,933,554
Total other long-term liabilities	6,689,071	2,826,884	516,656	442	8,998,856

Structure and changes in other long-term liabilities in year 2022:

in €

Item description	Balance 1. 1. 2022	Formation	Drawing	Derecognition	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
Total other long-term liabilities	6,898,760	255,237	454,692	10,233	6,689,071

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 DO. 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 13 – Short-term financial liabilities

Short-term financial liabilities as at December 31 2023 amounted to 11,276,136 €. 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, while part in the amount of 1,382 thousand € represents half of the balance sheet profit in 2021, in connection with which a challenge lawsuit was filed.

Note 14 – Short-term operating liabilities

At the end of 2023, short-term operating liabilities in the amount of 10,350,603 € were by 4.1 million € higher than compared to the balance on the last day of 2022. Detailed breakdown of the short-term operating liabilities is presented in the following table.

in €

Item description	31. 12. 2023	31. 12. 2022
Liabilities to suppliers for own account:	6,088,301	3,031,625
Liabilities to suppliers on its own behalf and for third party account:	1,881,475	1,667,194
- liabilities to ELES, d.o.o.	1,878,137	1,663,776
- to others	3,338	3,417
Other liabilities:	2,380,827	1,555,162
- for salaries	1,213,560	1,116,328
- to state and other institutions	979,639	272,998
- for received advances and collaterals	84,057	77,092
- other (interests, employee deductions, capital company...)	103,571	88,744
Total short-term liabilities from operating activities	10,350,603	6,253,981

Note 15 – Short-term liabilities from contracts with customers

At the end of 2023, short-term liabilities from contracts with customers amounted to 439,123 €, while at the end of 2022 they were 1,219,104 €. They refer to advances given in connection with the implementation of marketing projects.

Note 16 – Short-term accrued expenses and other short-term liabilities

Other short-term liabilities as at December 31 2023 amounted to 1,725,384 € and represent mainly the accrued liabilities.

Note 17 – Off-balance sheet records

Off-balance sheet assets or liabilities as at December 31 2023 amounted to 11,341,426 €. Their structure was as follows:

	in €	
Item description	31. 12. 2023	31. 12. 2022
Received guarantees	5,532,015	4,006,879
Issued guarantees and bills of exchange	4,235,530	492,977
Fixed assets in the property of DO	1,573,880	1,668,044
Total off-balance sheet records	11,341,426	6,167,900

Group does not have any contingent off-balance liabilities as defined by ZGD – 1.

7.5.2 Notes on profit and loss account items

Note 1 - Net sales revenues

In year 2023, net sales revenues amounted to 55,075,559 €. Their structure is presented in the following table.

	in €	
Item description	2023	2022
Revenues from sale of electricity	9,967,430	4,944,415
Revenues from rent and services in relation to DO	33,960,924	23,353,435
Revenues from rents	761,604	583,930
Revenues from construction and assembly works	9,822,298	4,862,386
Revenues from sale of material and services rendered	253,217	719,309
Revenues from sales of other business effects	310,088	155,914
Total net sales revenues from business effects	55,075,559	34,619,389

Majority of net sales revenues of the Group (68%) represent revenues of the controlling company. Major item of net sales revenues of the Group in year 2023 represent revenues from rent and services related to DO (33,960,924 €).

In 2023 revenues from contracts with customers amounted to 35,507 thousand €, and other revenues 19,586 thousand €. In 2022 revenues from contracts with customers amounted to 24,030 thousand €, and other revenues 10,590 thousand €.

Note 2 – Capitalized own products and own services

In year 2023 capitalized own effects amounted to 6,132,751 €. They were mostly investments in tangible fixed assets – energy infrastructure.

	in €	
Item description	2023	2022
Direct material costs	3,932,372	1,732,120
Direct labor costs	1,723,218	1,490,807
Total direct costs of material, services and labor	5,655,580	3,222,917
Total indirect costs of material, services, work and depreciation	477,171	344,750
Total costs in the manufacture of products and the provision of services in relation to capitalized own effects	6,132,751	3,567,667

Note 3 – Other operating revenues

Other operating revenues in the amount of 2,035,494 € consist of:

	in €	
Item description	2023	2022
Revenues from elimination of provisions	11,409	65,294
Revaluation operating revenues	102,004	15,825
Revenue from the transfer of long-term deferred revenue to regular operating revenues:	553,174	428,204
- free acquisition of FA	33,700	34,768
- free acquisition of connections	198,446	198,396
- average connecting costs	85,319	85,319
- other	235,709	109,722
Damages recovered from insurance companies	1,080,878	674,505
- reimbursed damages for destroyed assets (fire)	0	648,112
- other reimbursed damages	1,080,878	26,393
Received state supports-refunds	229,250	241,023
Other operating revenues	58,778	218,056
Total other operating revenues	2,035,494	1,642,907

Note 4 – Acquisition cost of goods sold and cost of material used

Acquisition cost of sold goods and material used consists of:

	in €	
Item description	2023	2022
Costs of material:	10,702,178	6,101,980
- material for maintenance	461,889	354,119
- costs of material in connection with capitalized own effects, market services	7,695,977	4,412,671
- energy costs	1,051,905	819,389
- small tool write-off	245,920	192,798
- inventory differences in material	0	2,756
- costs of office supplies	58,116	62,004
- other material costs	1,188,370	258,243
Acquisition cost of goods sold and material used	10,702,178	6,101,980

Note 5 – Costs of services

In 2023, costs of services amounted to 7,248,652 €, in 2022 they were 5,778,965 €. More detailed structure of service costs is provided in the following table.

	in €	
Item description	2023	2022
Costs of service in creating products and implementing services	1,814,612	1,331,453
Costs of transport services	289,674	227,170
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,971,742	1,475,289
Costs of payment transactions, banking services and insurance premiums	710,285	678,521
Costs of intellectual and personal services	663,848	616,775
Costs of advertising and representation	113,110	75,089
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...)	197,645	163,071
Costs of information services	332,297	146,296
Costs of student work service	239,055	123,632
Costs of other services	916,382	999,880
Total costs of services	7,248,652	5,778,965

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 network/electricity infrastructure.

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 2023 is 27,700 €. In addition, another 4,420 € was paid to the auditor who audited the annual report for assurance services.

Note 6 - Labor costs

Costs of labor in the amount of 16,992,984 € consist of:

	in €	
Item description	2023	2022
Salary costs	12,106,628	10,570,988
Costs of voluntary pension insurance of employees	555,618	506,458
Costs of employer's contributions and other benefits from salaries	1,997,273	1,761,082
Other labor costs	2,333,464	2,033,099
Total labor costs	16,992,984	14,871,628

Other labor 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 Responsibility to employees. 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 2023, write-offs amounted to 14,087,900 €. Their composition is as follows:

	in €	
Item description	2023	2022
Depreciation of intangible fixed assets	912,060	906,739
Depreciation of tangible fixed assets	12,302,071	11,920,581
Depreciation of investment property	44,909	43,702
Total depreciation costs	13,259,041	12,871,022
Operating expenses from sale of fixed assets and investment property	764,075	236,269
Operating expenses from impairment of current assets	64,785	6,193
Total write-offs	14,087,900	13,113,483

Note 8 – Other operating expenses

Other operating expenses in the amount of 628,046 € consist of:

	in €	
Item description	2023	2022
Contribution for promotion of employment of persons with disabilities	78,339	72,954
Contribution for urban land	90,200	83,531
Contribution for polluted water	15,138	15,570
Provisioning	197,969	197,969
Other expenses (environment protection costs, compensations ...)	246,400	177,094
Total other operating expenses	628,046	547,118

Note 9 – Income tax

Charged income tax for business year 2023 amounts to 1,601,277 €, and deferred taxes -453,328 €.

	in €	
Item description	2023	2022
Tax charged	1,601,277	384,087
Deferred tax	-453,328	-917,826
Tax	1,147,949	-533,739

In 2023, 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:

	in €	
Item description	2023	2022
Current tax	1,601,277	384,087
Deferred tax	-453,328	-917,826
Total income tax	1,147,949	-533,739
Profit before tax	14,339,793	2,699,174
Tax at the applicable tax rate (19%)	2,724,561	512,843
Income tax	-484,168	-24,141
Tax from tax relief	-755,616	-105,550
Tax on increase/reduction in expenditure for tax purposes	133,679	5,849
Tax from other items	-17,179	-44,955
Deferred tax at the applicable tax rate (19%)	-392,170	-877,786
Impact of the change in the tax rate from 19% to 22% on deferred tax	-61,158	0
Total income tax	1,147,949	-533,739
Effective tax rate	8%	-

Group expects to have taxable profits in future years that will exceed the profits from the elimination of existing taxable differences. Movement of deferred tax asset and liabilities in 2023 was as follows:

in €

Movement of deferred tax asset and liabilities	Deferred tax asset			Deferred tax liabilities		Total
	Provisions for post-employment and other employee benefits	Tax loss	Tax credits (relief)	Financial investments	Small tools	
Balance 1.1.2022	311,909	0	0	46,813	213,943	51,153
Recognized in the income statement	-16,992	571,951	305,836	0	0	860,794
Eliminated in the income statement	0	0	0	-46,813	-10,219	57,032
Recognized in the statement of comprehensive income	-40,071	0	0	0	0	-40,071
Balance 31.12.2022	254,846	571,951	305,836	0	203,724	928,908
Balance 1.1.2023	254,846	571,951	305,836	0	203,724	928,908
Recognized in the income statement	4,839	90,308	382,623	0	24,442	453,328
Eliminated in the income statement	0	0	0	0	0	0
Recognized in the statement of comprehensive income	-395	0	0	0	0	-395
Balance 31.12.2023	259,289	662,259	688,459	0	228,166	1,381,841

Note 10 – Deferred taxes

Deferred taxes in 2023 amounted to -453,328 €. Most of them (-472,931 €) come from unused tax losses and tax credits as of December 31 2023. Difference in the amount of 24,442 € refers to deductible temporary differences.



7.5.3 Notes on other comprehensive income items

Total comprehensive income in addition to the net profit or loss for the period (10,725,665 €) includes also actuarial gains and losses of the parent company and subsidiaries in the total amount of -245,536 €.

Individual items of other comprehensive income are presented also in chapter Notes to the statement of financial position, note 9 Capital (table fair value changes).

7.5.4 Notes on cash flow items

In year 2023, Elektro Gorenjska Group had 86,761,729 € of receipts and 78,139,691 € 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 positive and amounted to 8,622,038 €.

As at December 31 2023 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 14,232,469 €, while the balance of these assets on December 31 2022 amounted to 5,610,431 €.

Net cash from operating activities in year 2023 exceeded expenditure by 29,755,713 €, 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 DO for implementation of services and rents for electric power infrastructure.

Negative net cash used in investing activities in year 2023 amounted to -25,755,010 €. 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 16 million €.

Cash flow from financing activities in the period considered was 4,621,335 €.



6 Fair values

Overview of fair value and carrying amount of assets and liabilities:

in €

	31. 12. 2023		31. 12. 2022	
	Book value	Fair value	Book value	Fair value
Non-derivative financial assets at amortized cost				
Long-term and short-term financial receivables	187,470	187,470	1,192,692	1,192,692
Long-term and short-term trade receivables	11,794,003	11,794,003	7,436,333	7,436,333
Cash and cash equivalents	14,232,469	14,232,469	5,610,431	5,610,431
Total non-derivative financial assets	26,213,942	26,213,942	14,239,456	14,239,456
Non-derivative financial liabilities at amortized cost				
Bank loans and other financial liabilities	-64,266,321	-64,266,321	-56,259,003	-56,259,003
Short-term trade payables for own and foreign account	-7,969,776	-7,969,776	-4,698,818	-4,698,818
Total non-derivative financial liabilities	-72,236,097	-72,236,097	-60,957,821	-60,957,821
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	0	0	0	0
Total derivative financial instruments	0	0	0	0
Total	-46,022,155	-46,022,155	-46,718,366	-46,718,366

Estimated fair value of short-term assets and liabilities is equal to their book value.

FAIR VALUE SCALE

Fair value of assets:

in €

	31. 12. 2023				31. 12. 2022			
	1. level	2. level	3. level	Total	1. level	2. level	3. level	Total
Assets measured at fair value								
Derivative financial instruments	0	0	0	0	0	0	0	0
Total assets measured at fair value	0	0	0	0	0	0	0	0
Assets for which fair value is disclosed								
Long-term and short-term financial receivables	0	0	187,470	187,470	0	0	1,192,692	1,192,692
Long-term and short-term trade receivables	0	0	11,794,003	11,794,003	0	0	7,436,333	7,436,333
Cash and cash equivalents	0	0	14,232,469	14,232,469	0	0	5,610,431	5,610,431
Total assets for which fair value is disclosed	0	0	26,213,942	26,213,942	0	0	14,239,456	14,239,456
Total	0	0	26,213,942	26,213,942	0	0	14,239,456	14,239,456

Fair value of liabilities:

in €

	31. 12. 2023				31. 12. 2022			
	1. level	2. level	3. level	Total	1. level	2. level	3. level	Total
Assets measured at fair value								
Derivative financial instruments	0	0	0	0	0	0	0	0
Total liabilities measured at fair value	0	0	0	0	0	0	0	0
Liabilities for which fair value is disclosed								
Bank loans and other financial liabilities	0	0	-64,266,321	-64,266,321	0	0	-56,259,003	-56,259,003
Short-term trade payables	0	0	-7,969,776	-7,969,776	0	0	-4,698,818	-4,698,818
Total liabilities for which fair value is disclosed	0	0	-72,236,097	-72,236,097	0	0	-60,957,821	-60,957,821
Total	0	0	-72,236,097	-72,236,097	0	0	-60,957,821	-60,957,821





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 2023 at a similar level as at the end of 2022, which confirms the fact that the Group manages its capital stably.

in €

Item description	Note of items in the statement of financial position	31. 12. 2023	31. 12. 2022
Long-term financial liabilities	11	52,990,185	46,691,448
Short-term financial liabilities		11,276,136	9,567,555
Total financial liabilities		64,266,321	56,259,003
Capital	9	182,985,018	173,886,767
Debt/Capital		0,35	0,32
Cash and cash equivalents		14,232,469	5,610,431
Net financial liability		50,033,852	50,648,572
Net debt/capital		0.27	0.29



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 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 2023 amounted to 1.8 million € (year 2022: 1.3 million €) the most important were the following:

	in €	
Item	2023	2022
Revenue from the provision of general services (costs of subsidiary)	114,985	103,929
Rental income (subsidiary rental costs)	44,546	51,255
Profit distribution (subsidiary distribution)	1,580,000	980,922

Among the transactions between the Gorenjske elektrarne, GEK Solar and Soenergetika more significant transactions are:

	in €	
Item	2023	2022
Sale and purchase of material (Gorenjske elektrarne and GEK Solar)	574,928	0
Maintenance services (Gorenjske elektrarne and GEK Vzdrževanje)	0	426,104
Transfer of profits (Gorenjske elektrarne and Soenergetika)	931,389	115,217

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 2023 the following:

	in €	
Item	Payments in year 2023	Payments in year 2022
Dividends	0	1,381,878
Corporate income tax (tax and advance pay-ment)	263,386	996,581
Other benefits (VAT, employer's contributions)	5,943,652	5,373,793
Total	6,207,038	7,752,252

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 2023.

in €

Business partner	Open receivables on 31. 12. 2023	Open liabilities on 31. 12. 2023	Expenditure in year 2023	Revenues in year 2023
ELES, d. o. o.	5,078,967	1,877,806	19,989	33,960,924
Modra zavarovalnica, d. d.	0	42,825	478,405	0
Zavarovalnica Sava, d. d.	0	11	538,036	0
SID, d. d.	0	3,974,854	194,764	0
NLB, d.d.	0	32,398,862	838,444	0
Total	5,078,967	38,294,358	2,069,639	33,960,924

Outstanding liabilities to ELES 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.

Table below shows significant transactions with companies in which the state has directly or indirectly a dominant influence in 2022:

in €

Poslovni 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	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
Total	6,504,329	26,311,956	1,189,810	23,353,435

TRANSACTIONS WITH THE MANAGEMENT AND SUPERVISORY BOARD

In year 2023, Elektro Gorenjska Group paid the management (employees under individual contracts) the following receipts:

in €

Receipts	Fixed earning (gross salary)	Operating performance	Unused annual leave	Holiday allowance	Long-service bonus	Reimbursements of costs	Bonuses
Chairman of the Board Elektra Gorenjska	105,600	4,102	8,579	2,232	0	2,485	8,477
Director of Gorenjske elektrarne Company	63,954	3,239	0	2,232	2,451	2,168	3,823

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.



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 ELES.

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 DO. There is a higher risk, as the Group despite unpaid claims of customers has to settle all liabilities to DO. 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 2023 and December 31 2022 are shown by maturity in the following table:

	in €	
	31. 12. 2023	31. 12. 2022
Not yet due	10,302,926	4,398,407
Due within 30 days	243,491	217,484
Due from 31 - 60 days	304,744	63,177
Due from 61 - 90 days	327,440	9,602
Due over 90 days	145,114	1,721,752
Overdue	1,020,788	2,012,015
Share of overdue receivables in outstanding	9%	31%
Total	11,323,713	6,410,423

Changes in valuation adjustment of claims and default interest receivables in years 2023 and 2022 are presented in the next table.

	in €	
	2023	2022
Opening balance 1. 1.	152,990	163,650
New formations	3,813	338
Withdrawal and elimination	13,405	10,997
Closing balance 31. 12.	143,399	152,990

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.

Short-term receivable from the biggest buyer as at December 31 2023 amounted to 4,468,279 €, which means 40% of all short-term accounts receivable.

Largest exposure to credit risk was at the end of 2023 or 2022 the following:

	in €	
	31. 12. 2023	31. 12. 2022
Non-current financial claims	178,768	185,730
Non-current trade receivables	613,688	1,178,900
Short-term financial claims	8,702	1,006,962
Short-term trade receivables	11,180,315	6,257,433
Cash and cash equivalent	14,232,469	5,610,431
Short-term assets from contracts with customers	41,529	1,477,262



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 2023, 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 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 two tables show financial liabilities by maturity.



in €

2023	AS PAYMENTS FALL DUE			TOTAL
	within 1 year	from 2 to 5 years	over 5 years	
Financial liabilities to banks	11,777,586	34,966,815	28,481,295	75,225,696
Non-derivative financial liabilities	8,157,404	0	0	8,157,404

in €

2022	AS PAYMENTS FALL DUE			TOTAL
	within 1 year	from 2 to 5 years	over 5 years	
Financial liabilities to banks	11,223,599	30,649,834	21,947,275	63,820,707
Non-derivative financial liabilities	4,864,655	0	0	4,864,655

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.

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 2023, the Group had 83% of unpredictable cash flow (at the end of year 2022 it had 76%).

Exposure to interest rate risk was as follows:

in €

	2023	2022
Financial liabilities with variable interest rate	51,962,876	42,503,521
Financial liabilities with fixed interest rate	10,514,287	13,685,715
	62,477,162	56,189,236

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.

in €

	Impact on profit or loss 2023		Impact on profit or loss 2022	
	increase by 50 bt	decrease by 50 bt	increase by 50 bt	decrease by 50 bt
Financial liabilities for the variable interest rate	-195,924	221,905	-209,160	47,689

We manage interest rate risk through the following activities: raising loans at a fixed interest rate, active 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.

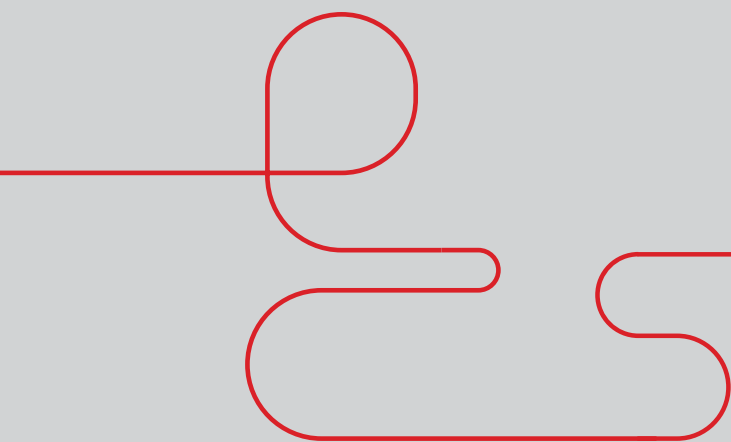


Events after the balance sheet date

There were no significant business events after the balance sheet date.



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ANNUAL REPORT 2023

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