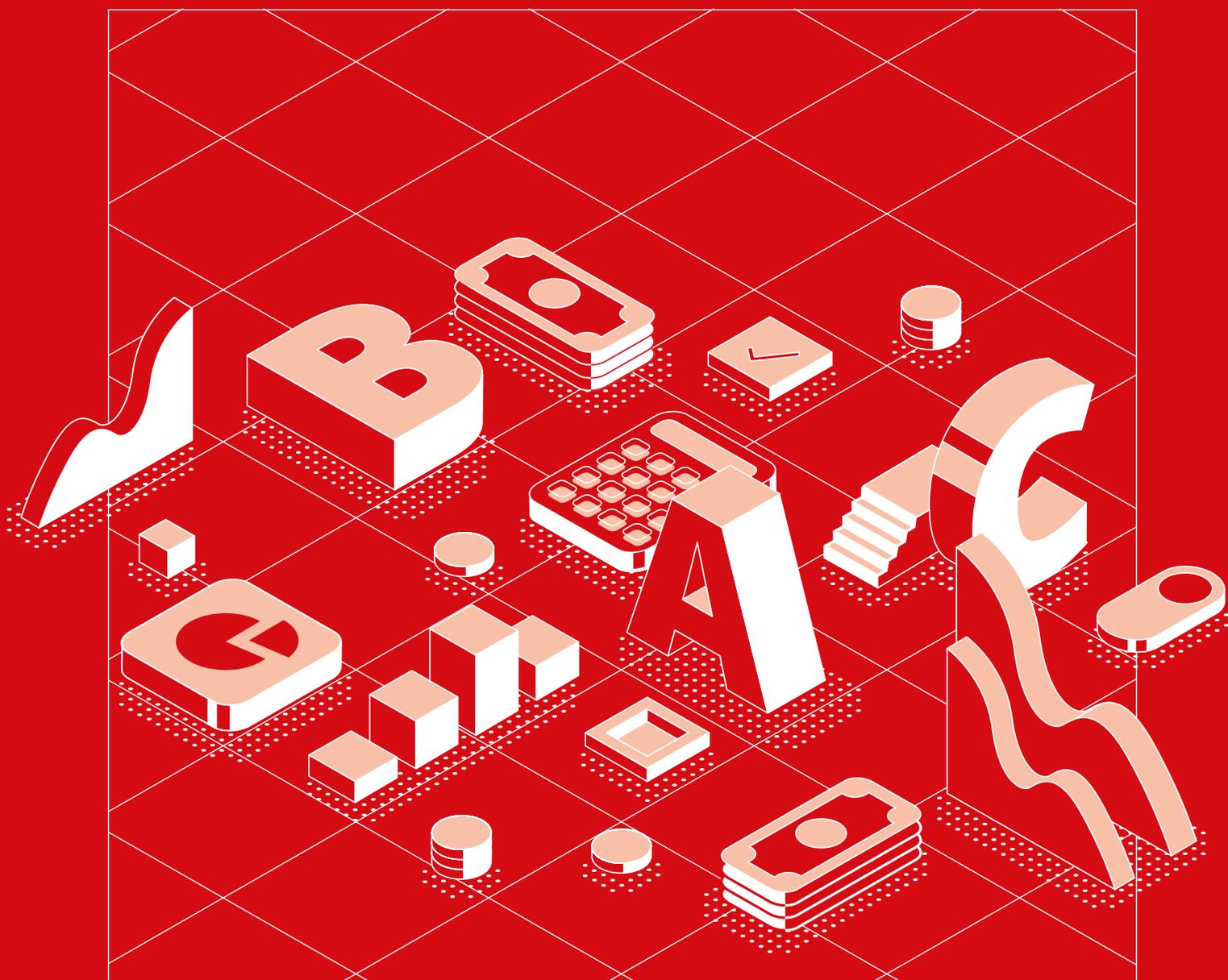


ANNUAL REPORT

OF ELEKTRO GORENJSKA COMPANY AND GROUP
FOR YEAR 2021



We provide sustainable energy.

ANNUAL REPORT

Of Elektro Gorenjska Company and Group
for year 2021

Published by: **Group Elektro Gorenjska**

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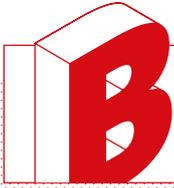
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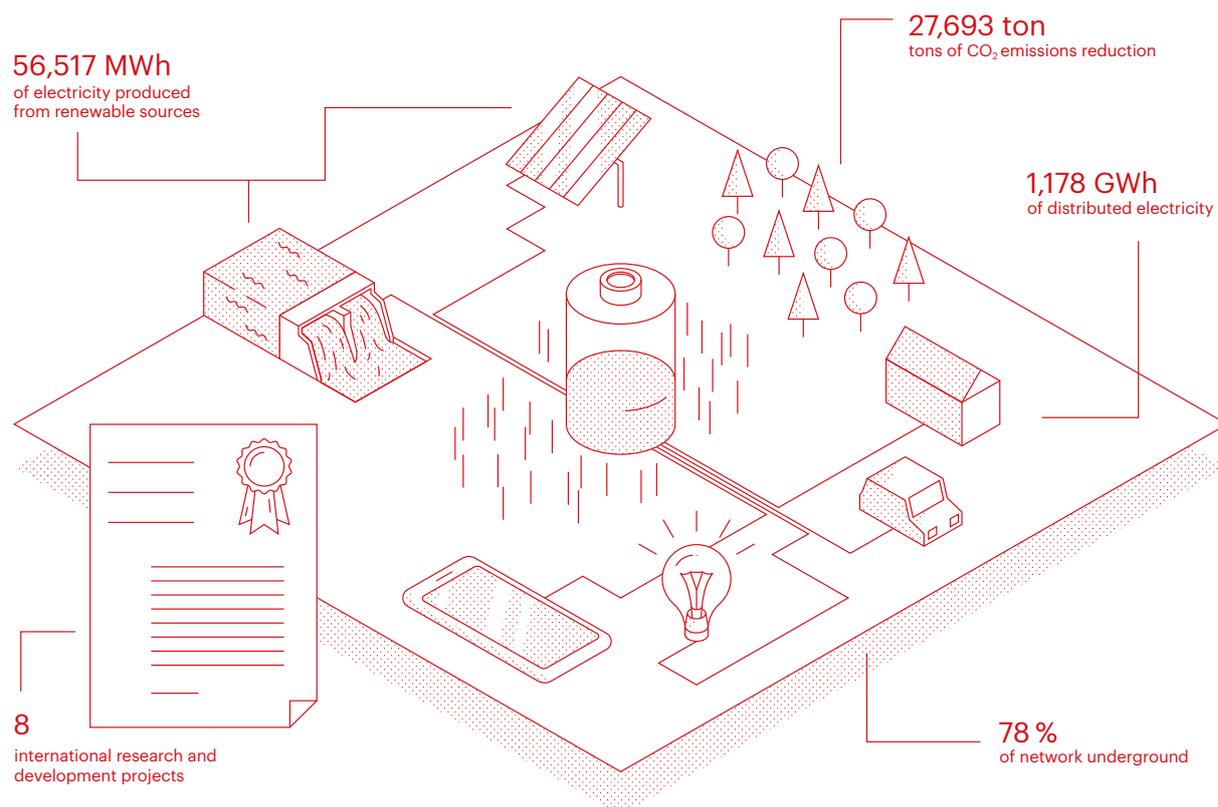
AMI	Advanced Meter Infrastructure	NEPN	National Energy and Climate Plan
BDP	Gross Domestic Product	NN	Low Voltage
CAIDI	The Customer Average Interruption Duration Index	NNO	Low-voltage network
CAIFI	The Customer Average Interruption Frequency Index	NS	Organizational Unit
CAPEX	Capital Expenditures	OT	Operational Technologies
DCV	Distribution Management Centre	OVE	Renewable Energy Sources
DV	Overhead power line	Contract with SODO	Contract on electricity infrastructure lease and provision of services for electricity distribution system operator
EE	Electricity	RP	Distribution station
EFQM	The European Foundation for Quality Management	RTP	Transformer substation
EG	Elektro Gorenjska	SAIDI	System Average Interruption Duration Index
EU	European Union	SAIFI	System Average Interruption Frequency Index
GIS	Gas Isolated Substation	SDH	Slovenian Sovereign Holding
GIZ	Economic Interest Grouping	SN	Medium Voltage
GJS DO	Public utility service of the electricity distribution system operator	SNC WEC	Slovenian National Committee of the World Energy Council
GRI	Global Reporting Initiative	SODO	Distribution network system operator or SODO, d. o. o.
HE	Hydroelectric power station	SPTE	Cogeneration of heat and electricity
IC	Industrial zone	SRO	Environmental Management System
IKT	Information and communication technology	SVI	Information Security System
IT	Information technology	(i)SVK	(integrated) Quality Management System
KBV	Cable line	SVI	Sistem varovanja informacij
KN	Local Inspectorate	TP	Transformer station
MAIFI	Momentary Average Interruption Frequency Index	VN	High Voltage
MFE	Small photovoltaic power station	VZD	Health and Safety at Work
MRS	International Accounting Standards		



BUSINESS REPORT

**OF ELEKTRO GORENJSKA
COMPANY AND GROUP**

1 Performance highlights in year 2021



IMPORTANT FINANCIAL INFORMATION (000 €)	Elektro Gorenjska Company	Elektro Gorenjska Group
Sales revenues	35,711	39,766
EBIT	8,046	9,017
EBITDA	19,656	21,916
Pre-tax profit	9,051	8,899
Net profit	8,174	7,898
Added value	32,229	35,870
Assets	245,664	252,115
Capital	169,473	174,625
SIGNIFICANT INDICATORS	Elektro Gorenjska Company	Elektro Gorenjska Group
Current ratio	0.8	1.1
Profitability rate of revenue (%)	19.4	19.5
Share of labour costs in value added (%)	39.0	38.9
Return on assets (ROA) in %	3.4	3.2
Return on equity (ROE) in %	4.9	4.6
CAPEX (million €)	16.1	17.4



1.1 Significant events in year 2021

JANUARY

- › Elektro Gorenjska has started a demanding reconstruction of the control and protection system of RTP Labore. Reconstruction included 110 kV and 20 kV parts of RTP Labore.
- › In Elektro Gorenjska, heavy snowfall caused problems on high-lying and hard-to-reach power lines. Interventions and breakdowns occurred in the area of Bohinj, Železniki, in Kranjska Gora, in Besnica and Krvavec.
- › Elektro Gorenjska simplified the reconnection process by automating remote reconnections in the TaskManager system. New solutions speed up, simplifies and unloads users.
- › Gorenjske elektrarne was invited as an external partner to participate in the European project CREATORS. Together with partners, they designed and implemented a solar power plant model that will examine the possibility to integrate solar power plants into large industrial facilities.

FEBRUARY

- › For the first time in the history of assessing the correctness of the implementation of the monitoring of uninterrupted power supply, the Agency awarded a positive assessment with a reservation already in the first period of assessment. Calculated average value of parameters was as much as 98.7 %.
- › Gorenjske elektrarne prepared documentation for the complete reconstruction of HE Standard.

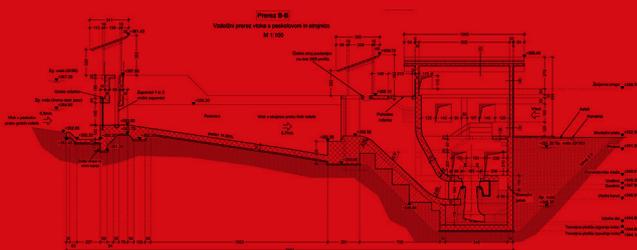
MARCH

- › Elektro Gorenjska Group started implementing a strategic project for the establishment of a comprehensive Business Intelligence solution. Project is divided into 17 content areas.

APRIL

- › Operation Department of Elektro Gorenjska has issued a Report on the quality of electricity supply for 2020, which is publicly available on the company's website.
- › Elektro Gorenjska Group participated in the online event Employment Cafe ("Zaposlitvena kavarna"), organized by School centre Kranj, where high school and college students were able to introduce themselves to prospective employers.
- › Elektro Gorenjska Group has started three-month workshops for employees entitled Present-Focused-Successful as part of the Family-Friendly Company certificate.
- › Gorenjske elektrarne received a valid building permit for the complete renovation of HE Standard in Kranj.

Project of reconstruction
of HE Standard



Annual report
of the Electrical
Quality Supply
is prepared
by Operation
Department



MAY

- › Measuring Laboratory of Elektro Gorenjska has received a new Decision on appointment by the Office of Metrology of the RS, with which it can also perform controls and verifications of electricity meters in the field.
- › Elektro Gorenjska Group as part of the subproject Transformer Academy continued with human resources activities to develop and transform the employee culture.
- › Elektro Gorenjska Group launched an internal social engineering campaign among employees to ensure and raise awareness of the importance of cyber security for a safe and reliable future.
- › Gorenjske elektrarne started the construction of the new MFE on the roof of the Merkur Maribor shopping centre.

JUNE

- › The 28th regular annual general meeting of shareholders of Elektro Gorenjska was held at the headquarters of Elektro Gorenjska.
- › Gorenjske elektrarne put into operation two charging stations for electric vehicles in the parking lot next to the Brdo protocol facility, which represents a new step in creating a different concept of e-mobility. Two charging stations are included in the largest Slovenian online search engine for charging station for electric vehicles »Gremo na elektriko«.

JULY

- › Elektro Gorenjska erected two new polygonal pipe columns in front of RTP Škofja Loka, the conceptual and project design of which is the result of the knowledge of our own experts. Polygonal pole represents an interesting technical solution, which additionally enables the passage of the overhead part of the transmission line into the cable line.
- › Elektro Gorenjska together with the companies SODO and ELES joined the project of determining the dynamic thermal capacity of the TrafoFlex distribution transformers.
- › Elektro Gorenjska and the Municipality of Kranj joined the project Preparation of the energy balance of the Municipality of Kranj, which aims to comprehensively collect available data on the origin, flow and consumption of all energy sources and water in the area of Kranj Municipality.

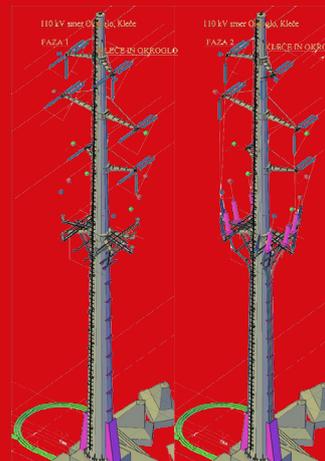
AUGUST

- › Elektro Gorenjska executed cabling of 20 kV transmission line connection in the area from TP Črpališče Krvavec to the upper station of the Krvavec ski lift cable car.
- › Elektro Gorenjska joined the project Talent journey. They will participate in the forming and later implementing the school subject Data Science.

Construction of new solar station in Maribor



Construction of new polygonal pipe columns



SEPTEMBER

- › Founding meeting of the new six-member Supervisory board was held at the headquarters of Elektro Gorenjska. Members appointed Rudolf Ogrinc the president and Gabrijel Škof of the deputy.
- › Representatives of five Slovenian distribution companies organized the sixth strategic conference on electricity distribution in Maribor entitled The Future is Electric
- › Team of employees from Elektro Gorenjska underwent a theoretical and practical training for low-voltage live work at the HEP NOC test site in Velika, Croatia.

OCTOBER

- › Elektro Gorenjska successfully completed the demanding reconstruction of control and protection systems in the energy facility RTP Labore.
- › Elektro Gorenjska and Elektro Celje as the sellers and HSE as the buyer signed an agreement on the sale of the 37.9 % business share of the company Elektro Celje and the 13.1 % business share of the company Elektro Gorenjska in the company ECE.
- › On the Brdo estate, Elektro Gorenjska Group together with its partners presented a pilot project of a self-sufficient bicycle shed with long-range electric bicycles.
- › Elektro Gorenjska successfully passed the regular external audit of systems ISO 9001:2015, ISO 45001:2018, ISO/IEC27001:2013 and recovery audit of ISO 14001:2015.
- › Gorenjske elektrarne started the construction of new MFE on the roof of Merkur shopping centre in Murska Sobota.

NOVEMBER

- › Regular general meeting of the company Soenergetika was held, the quarter owner of which is the company Gorenjske elektrarne. Owners were acquainted with the operations of the company, which has had excellent business results all these years, and with the company's further development plans.
- › Gorenjske elektrarne successfully passed the assessment of quality standards ISO 9001 and ISO 50001.

DECEMBER

- › Together with ELES, Elektro Gorenjska organized the Electrathon event, at which young people with different education co-created innovative solutions on the topic of e-mobility in overcrowded cities.
- › Minister of Infrastructure Jernej Vrtovec visited the Elektro Gorenjska Group as part of his government visit to Gorenjska region. He was presented with the key challenges or opportunities that all electricity distribution companies are facing in the transition to a low-carbon society, with an emphasis on regulation and the provision of adequate financial and human resources.
- › At the end of the year, Gorenjske elektrarne participated in the campaign of putting huchen and grayling fish in the Sava River, which was named Hand in Hand for the Sava River and Nature.

New project how to combine electrical mobility



HSE Group has become a new strategic partner of ECE





1.2 Address of the Chairman of the Board

Energy supply is a key condition for the normal functioning of society, regardless of the situation in which it finds itself. Year 2021 was also uncertain and stressful, mainly due to the epidemiological situation, but the companies in the Elektro Gorenjska Group operated smoothly and, above all, in line with expectations and plans.



dr. Ivan Šmon, MBA

We took care of the reliable and uninterrupted operation of the distribution system, all companies in the Group responded to various situations of time, professionally, but above all efficiently and with appropriate measures and adjustments of the work processes. Despite the restrictions, we even exceeded all planned investments, renovated or built new production facilities, performed the necessary audits, services, and we took care of the safety and high technological standard of our energy facilities as well.

Operations of the companies in the Elektro Gorenjska Group are based on the principles of sustainable operations. We take care of intergenerational justice and solidarity, connect social and environmental goals and cooperate properly with all stakeholders. Every year we re-certify the management systems ISO 9001, ISO 14001, ISO 45001, ISO/IEC 27001 and we are holders of the Family-friendly Company certificate. We have established an integrated management system and internal control system, which ensure compliance of our operations with legislation, regulations, internal acts and requirements of these the above-mentioned management systems. They also include a risk management system and accreditation system – Measurement Laboratories, which operates in accordance ISO/IEC 17002, which we successfully accredit every year.

Business results

Despite the difficult conditions that affected the markets in 2021, the Elektro Gorenjska Group ended the year well. It generated 45.6 million € in revenues, which is by 6.1 % more than in 2020. EBITDA was realized in the amount of 21.9 million €, which is by 7.7 % more than in 2020. Net profit in 2021 amounted to 7.9 million €, which is by 2.5 million € more than in 2020.

Compared to 2020, electricity consumption increased by 5.19 %, and we distribute a total of 1,178 GWh of electricity to users in Gorenjska region. Elektro Gorenjska Group allocated 17.4 million € for investment projects. In 2021, in accordance with the strategic direction, we sold part of the investment in the company ECE, a company for the sale of electricity, and found a buyer. This is the HSE Group, which will use synergy effects to create new opportunities in the electricity market.

We have completed all investment projects that are crucial for the further development of the region

In 2021, we completed more than 300 investment projects in the electricity infrastructure with planned investing and optimal planning, and above all with the aim of providing such electricity infrastructure that will enable further development of Gorenjska region and connection of new users. Despite restrictions and adjustment of work processes, we exceeded the investment plan by 22 %. Elektro Gorenjska Company allocated 16.1 million EUR for investments, 27 % of funds were allocated for the renovation and replacement of free-air lines with new 20 kV cable connections, especially in more exposed places and where new and more reliable equipment was necessary due to wear and tear. At the same time, we continued with the construction and modernization of transformer stations. In this way, we take care of the adequate continuity of supply to end users.

In the low-voltage network, funds were earmarked for the replacement of conductors with terrestrial cables, and we also performed reinforcements in parts where voltage conditions are poor and reinforcements were needed due to the connection of new diffuse energy sources to the network. This, we ensured the appropriate quality of voltage to end users and followed the low-carbon strategy of the country. We have issued more than 1000 consents for the construction of new self-sufficient devices and by the end of 2021, as many as 631 of them have been connected to the network. Trend in the field of self-sufficient power plants is drastically increasing in 2022, as given the increased number of applications received in January and February 2022, we expect two to three times more procedures for connecting self-sufficient power plants than in 2021 (jump from 1000 in 2021 to 3000 connection procedures in 2022). This will bring an extremely increased workload for the entire team involved in the connection processes. Challenge is both in human resources, because there are no experienced experts in the field of connection on the market, as well as financial and operational due to limited investment resources and difficult placement of facilities.

By the end of 2021, the share of the medium-voltage underground network was 68 %, and the share of the low-voltage network was 87 %. In total, the company Elektro Gorenjska has the largest share of the network in the underground cable form in Slovenia amounting 79 %. With awareness that the consumption of electricity in the network is increasing, and at the same time due to self-sufficient solar power plants and other renewable energy sources the share of production facilities is increasing, we upgrade and build a robust and stable distribution network that will enable the connection of new electricity consumers.

At Gorenjske elektrarne, we are pursuing the goal of achieving 6 megawatts of total power by 2023 in the field of electricity generation in solar power plants. Thus, in 2021, Gorenjske elektrarne built two new solar power plants on the roofs of the Merkur shopping centres in Maribor and Murska Sobota. We already produce green electricity in 21 solar power plants. Revitalization of HE Zvirče was one of the key investments, as well as construction works and activities for the construction of the new HE Standard in Kranj. With favourable weather conditions, the new power plant will start operating in 2022. Gorenjske elektrarne also has 12 own electric charging stations, and manages 19 of them. As experts in this field, we offer municipalities the opportunity to manage and maintain their stations, and include them in the system "Gremo na elektriko" (Let's turn to electricity). In 2021, we also presented a pilot project of an e-bicycle shed with long-range electric bicycles on the Brdo estate.

By participating in research and development projects, we confirm our leading role in the field of introducing new technologies

Distribution system will play a key role in the transition to a low-carbon society, but in addition to its advanced nature, it must also provide a basic transfer function. Power system therefore needs a radical transformation. Changes in energy use represent a major challenge for Slovenian electricity networks, as the capacity of the network, especially the distribution network, is limited.

By actively participating in international research and development projects, we are persistently building the reputation of an innovative and reliable partner. Participation in projects also enables us to successfully integrate state-of-the-art technological systems that provide appropriate demonstration environments, important in the implementation and evaluation of new concepts of management and operation of distribution network.

Our goal is to gain knowledge and experience in the use of new technologies and thus prepare for new challenges of the future. In the future, we want to ensure the robustness of the distribution network, which, despite new trends, will still ensure a reliable and high-quality supply of electricity to end users.

We will upgrade robustness with appropriate and cost-effective smart grid solutions. In 2020, we successfully applied for two international development projects, CREATORS and OneNet, which are based on green transformation. In both cases, Elektro Gorenjska provides a demonstration environment for the development and testing of applications and services. In 2021 and the beginning of 2022, we have defined and submitted at least 20 projects that address the challenges of distribution in the future. We participate in international and home consortia, and we deal with market issues of flexibility, advanced analytics, big data, artificial intelligence, hydrogen technologies, storage facilities, and the like.

More about research and development projects in which we are involved as the Elektro Gorenjska Group is written in chapter [3.3.4. Development projects.](#)

Regulatory environment for the years 2022 to 2025

In 2021, the Energy Agency issued a new regulatory framework for 2022, and in 2022, it will issue a new framework for the period 2023 to 2025. Since Elektro Gorenjska Group creates a major part of its revenues in a regulated activity of distributing electricity to end users, ensuring the prescribed quality of electricity supply is crucial for us. At this point, I would like to highlight an important achievement in 2021, as for the first time in the history of assessing the correctness of monitoring the continuity of power supply we received a report on the correctness of monitoring the continuity of power supply in the company for 2019, already within the first assessment period. Agency awarded us a positive rating with a reservation. Calculated average value of the parameters was as high as 98.7 %. This result confirms the extremely high quality of electricity supply and provides us with excellent foundations in the future as well.

Strategy of Elektro Gorenjska Group 2022–2026

With the aim of positioning companies in the Elektro Gorenjska Group as recognizable actors that represent one of the most important and credible pillars of sustainable development (at least) in the Gorenjska region, in 2021 we approached the formulation of a new strategy adopted at the end of January 2022. Environment in which the companies in the Group operate is extremely dynamic.

Energy transition to a low-carbon society and the development of new technologies bring about the transformation of established ways of producing, selling and consuming electricity.

Elektro Gorenjska Group is certainly one of the key players in this transition, which is why we are devoting significant investments to this work. We will continue to ensure a reliable electricity supply, while at the same time creating new opportunities through the use of new technologies as well as energy sources. Together with Gorenjske elektrarne, we enable more environmentally friendly mobility, develop and expand the infrastructure for charging electric vehicles, increase the share of renewable energy sources with a portfolio of our own power plants, participate in projects for more efficient energy use and enable greater control over consumption.

Goals of Elektro Gorenjska Group in 2022

Direction in which energy industry is evolving is determined. All expert assessments and forecasts indicate that distribution networks will become the central environment of energy transformation. All distribution companies are aware of this, and in 2021, we drew attention to the challenges posed by the financial and human resources aspects of transformation.

Years 2020 and 2021 were extremely important from the viewpoint of digital transformation. With constant improvement, and especially with changes in the organization of work and procedures, we have accelerated the digitization process. Due to the status of critical infrastructure that Elektro Gorenjska has, at the end of the year we also received an approval from the Ministry of Public Administration of the documents for critical infrastructure protection planning.

Due to changes in the external environment, new requirements of internal users, integration of information technologies (IT) and operational technologies (OT) for operational needs and, last but not least due to the need for technological updates of certain end-of-life solutions (ERP, BIS, ŽCO, SDH ...), in 2021, the Elektro Gorenjska Group also started preparing a new ICT strategy, which lays foundations for the full digitalisation of Elektro Gorenjska Group, consolidation of technologies in the field of IT and OT and cyber security.

Condition for smooth and successful business are employees. Unfortunately, we are already facing structural imbalances in our companies as well. On the one hand, we employ older staff with knowledge, but at the same time, we need new staff with information and engineering competencies. Thus, in 2022, a major challenge remains for us how to provide the right experts.

Due to the adopted intervention law, the original investment plan for 2022 is being reduced, and we will no longer be able to follow development plans

Due to the adopted intervention law at the end of February 2022, the original investment plan, which amounted to 21 million €, reduced by 9 million €. Final amount of investments in 2022 is not yet known. We are working hard to increase our own resources. Projects included in the implementation plan will be financed both from our own funds and through borrowing.

Investments that are not urgent will be delayed in the coming years, and consequently the realization of the development plan or NEPN will be delayed as well. According to a rough estimate, it will take 7 to 10 years to eliminate the consequences of the measure in the regulated activity, after which we will return to the 2023 plan.

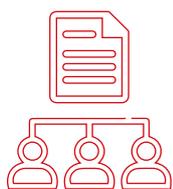
In the short term, such a shortfall in investment funds also means a delay in investments related to the connection of a larger volume of RES. We estimate that most of the RES connections, which will require additional network reinforcements, will have to be rejected in the future. As a result, the implementation of action plans to address the increasing number of applications received for RES, which require both human and financial resources, is also questionable. We are aware that due to the loss of network charges, which represent the majority of basic revenue for us, we will not be able to realize a larger volume of RES connections in the future.

We in the GIZ of electricity distribution have drawn attention to the consequences of the intervention law already prior to its adoption by the National Assembly of the RS, Ministry of Infrastructure, Ministry of Economic Development and Technology, Slovenian State Holding and the Energy Agency.

In the field of connection, due to the described lack of funds for the strengthening and expansion of the low-voltage network, all electricity distribution companies will have to tighten the criteria for rejecting applications for approvals for connecting users to the distribution network. In the event that the connection of the self-supply device requires the strengthening or expansion of the distribution network, we will unfortunately have to reject these applications. We estimate that we will generally have to decline about 15 to 20 % of all connections. Exceptionally such reinforcements will be carried out only in those areas where at the location of the power plant connection we also detect inadequate voltage conditions (voltage drops over 10 %), so we will include these investments in the plan for the following years and consider this in the procedure of issuing the connection consent.

dr. Ivan Šmon, MBA
Chairman of the Board

We will not be able to participate in the joint construction of electricity infrastructure with municipalities and other infrastructure operators this year to the same extent as in the previous years. We will limit ourselves to the most urgent sections of routes (e.g., Road crossings) and also postpone non-urgent cabling of overhead MV lines and LV networks in areas where cable ducts have already been built in recent years.



1.3

Supervisory board report on verification of the annual report of Elektro Gorenjska Company and Group

Supervisory Board operation in year 2021

Year 2021 was also marked by the covid-19 pandemic, so that the work of the Supervisory Board was adjusted to the situation in the Republic of Slovenia and around the world. Work of the Supervisory Board took place remotely until May 2021, and due to the increase in infections in November, one meeting in the new composition was also held remotely. In 2021, 5 regular sessions out of 15 SB sessions were held this way. Sessions were conducted with the safe use and identification of the members of the Supervisory Board using the Microsoft Teams application. When the situation allowed, the meetings were held at the company's headquarters, following all NIJZ security measures and recommendations. Operation of the Supervisory Board in 2021 was thus characterized by the adjustment of the manner of holding meetings to the current situation, which enabled regular and continuous work.

In year 2021, the supervisory board met at fourteen regular sessions and one correspondence session, which is two regular sessions more than in the previous year. Larger number of sessions were held on the account of the establishment of the Supervisory Board during the new term of office 2021-2025, as the General Meeting appointed all new shareholders to the Supervisory Board. Due to the prescribed measures, a third of the regular meetings were held remotely. All meetings held remotely were also recorded in accordance with the rules of procedure. 120 decisions were adopted in 2021, the implementation of which is regularly monitored at the beginning of each regular session. In their decisions, all members of the Supervisory Board acted independently and in accordance with the statements given and transparently published on the company's website. They prepared appropriately on the topics of the individual sessions, gave constructive proposals, corrections and comments, as well as adopted decisions (especially after previous discussions) in accordance with their respective responsibilities. Members of the Supervisory Board carried out their work diligently and responsibly with the duty of careful and conscientious management, in accordance with the fundamental function of supervision over the management of the companies and based on the competences as defined mainly in the Companies Act (ZGD-1), Statute of the company and Rules of the Supervisory Board. In their work, the Supervisory Board members acted in accordance with the Recommendations and Expectations of the Slovenian Sovereign Holding and Corporate Governance Code for Companies with State capital investment. Management board commented on the fulfilment of the above acts and recommendations in the statement on corporate governance, which is a component part of the annual report.



*Rudolf Ogrinc,
mag. ekon. in posl. ved,*

Supervisory Board continued its efforts to upgrade the implementation of good supervisory practices over the company's operations. Due to the adopted legal bases for remote and digital operations of the Supervisory Board, there were no gaps or longer periods without sessions; all work was carried out in accordance with the adopted financial plan and annual business plan of the Supervisory Board and its Committees. In addition to the usual reports, the Management Board regularly reported on the status and progress of strategic projects and provided everything necessary for smooth remote work.

In 2021, the Supervisory Board continued monitoring and directing the Management Board's response regarding the adjustment to the new level of return as a result of covid-19 measures. In 2020, recognized regulated return on assets was reduced from 5.26 % to 4.13 %, which remained the case in 2021 as well, despite some predictions that it will return to previous levels after the pandemic. Due to the reduced return, operations had to be adjusted as early as 2020, and this continued in 2021, and was closely monitored by the Supervisory Board. At the end of the year, the Supervisory Board also closely monitored the reports of the Management Board when adopting the new measures due to rising energy prices. Act Determining the Measures to Mitigate the Consequences of Rising Energy Prices (Official Gazette of RS, No. 29/22) was adopted in early 2022, but at the end of 2021, it was already suspected that its provisions would not be favourable for electricity distribution.

With a guaranteed return, the planned investments in the company had to be implemented, so the Supervisory Board monitored the status of investment projects, in accordance with established practice through regular semi-annual reports on the status of major investments and implementation of public procurement procedures. It regularly monitored changes in the company's internal organization as a result of the implementation of the Strategy of Elektro Gorenjska Group for the period 2018-2022, which further increased the company's operations in terms of corporate governance.

In accordance with the Rules of Procedure, the Supervisory Board also performed a self-assessment of the work of the Supervisory Board in 2020.

Also in 2021, as part of the reporting of companies in the EG Group and in accordance with its responsibilities and good corporate governance practice the Supervisory Board monitored the operations of the companies Gorenjske elektrarne, d. o. o., and GEK Vzdrževanje, d. o. o.

Composition of the Supervisory Board in year 2021

In 2021, membership in the Supervisory Board changed due to the expiration of the term of office of the composition in the period 2017-2021, by members appointed by shareholders. Until August 28 2021, supervisory function was performed by the Supervisory Board in the following composition:



mag. Samo Logar,
Chairman of the Supervisory Board,



mag. Tedo Djekanović,
Deputy Chairman of the Supervisory Board,



Andrej Koprivec,
member,



Franjo Curanović,
member,



Borut Jereb,
member, representative of employees,



Iztok Štular,
member, representative of employees.

28th regular General Meeting of the Company, held on June 23 2021, re-appointed all shareholder representatives. In the Supervisory Board, both employees' representatives continued to perform the function of supervision and the new composition of the Supervisory Board for 2021–2025 is as follows:



Rudolf Ogrinc,
Chairman of the Supervisory Board,



Gabrijel Škof,
Deputy Chairman of the Supervisory Board,



Gregor Tomše,
member,



Vid Meglič,
member.

Term of office of the new members of the Supervisory board began in August 28 2021. Continuity of the work of the Supervisory Board was ensured by continuing the term of office of two representatives appointed by employees, whose term of office otherwise expires on August 8 2023.

As part of the handover of work, for the inaugural meeting of the new Supervisory Board, the Supervisory Board 2017-2021 prepared the document titled Handover Report of the Supervisory Board of Elektro Gorenjska d. d., on the Development and Operation in the period 2013-2021. Integral part of the document were adopted decisions of the supervisory board of the period and the list of permanent and unrealized decisions at the end of the term. Document also summarized the resolutions of the general meetings of that period.

Verification of Company's operations and work of the Management in year 2021

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

Members of the Supervisory Board mainly focused on the following:

- › regular business of the companies, mainly adjustments in the light of the situation associated with the covid-19 epidemic, which have greatly affected the operations of the parent company Elektro Gorenjska, d.d., with an emphasis on the current monitoring of business and financial reporting,
- › ongoing monitoring of operations in the EG Group companies – Gorenjske elektrarne, d. o. o., and GEK Vzdrževanje, 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 Group for period 2018–2022,
- › 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.

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

- › Supervisory Board regularly monitored operations of the Group companies, adjustments to the covid-19 situation and new legal frameworks, discussed quarterly information and evaluations on Group companies' operations, and was devoted to realization of the business plan for year 2021.
- › At the beginning of the year, in accordance with the recommendations and expectations of SDH, the Supervisory Board adopted the Rules on determining the salary and other rights of the Chairman of the Board of Elektro Gorenjska, d. d.
- › In accordance with the ZDG-1 the Supervisory Board verified and approved the audited Annual Report of Elektro Gorenjska, d. d., and audited Consolidated Annual Report of Elektro Gorenjska Group for year 2020, and composed a written report of the Supervisory Board on verification and approval of the stated reports for business year 2020.
- › Supervisory Board participated in preparing the proposals for decisions of the 28th regular General Meeting session, which took place on June 23 2021. Supervisory Board proposed to the General Meeting to approve the work of the Chairman of the Management Board for the financial year 2020, and grant a discharge.
- › At the Audit and Nomination Committees, the Supervisory Board regularly monitored strategic projects from the Elektro Gorenjska Group Strategy for the period 2018-2022 and the Amendment to Strategic Goals and Activities from February 2020.
- › Supervisory Board conducted a self-assessment of the work of the Supervisory Board, the results of which were above average compared to the Slovenian average.
- › Supervisory Board was regularly acquainted with the reports on the review of individual projects in the Company; twice a year, the Management board is obliged to report on the status of all major projects from the Business Plan, as at May 31 and October 31.

- › Supervisory Board continued with the practice of acquainting the Supervisory Board with public procurement matters, already at the time of the introduction of the PP (in the form of information), to which the SB, in accordance with the Statute, gave its consent. In addition, it quarterly checked reports on public procurement procedures implemented (including those that did not require the consent of the SB). In this area, it examined in particular the public procurement for the execution of construction works on the electricity network for the period 2019 - 2021.
- › In 2021, in accordance with the Statute of the Company, the Supervisory Board gave consent to nine legal transactions above the value of 1,041,366.15 € (1% of the Company's share capital), with a total value of these transactions in the amount of 16,647,334.18€ (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 2022, together with a financial projection for the years 2023 and 2024, and with the assurance of the Management that the Company will respect the provisions of the Regulation on the conditions and procedures of borrowing of legal persons from Article 87 of the Public Finance Act, as well as with the assurance that the Company is able to hire and repay the planned debt, the Supervisory Board gave its consent to the Company's borrowing.
- › In accordance with the Act Governing the Remuneration of Managers of Companies (ZPPOGD), the Supervisory Board decided on the amount of the variable part of the remuneration of the chairman of the board for 2020 and

Cooperation with the Chairman of the Board

Supervisory Board is of the opinion that the Chairman of the Management Board successfully continued with approaches of implementing the measures due to the situation related to the COVID-9 epidemic, and the related reduction in revenues. He also actively participated in the monitoring and adoption of new legislation in the field of energy, and at the end of the year in measures to mitigate the consequences of the impact of high energy prices. Despite the decline in profits, operations in 2021 were very good and the volume of investments in electricity infrastructure has not yet suffered. In the given circumstances, he responded appropriately to the covid-19 situation, he very quickly and successfully organized work from home and took other effective measures to reduce the possibility of covid-19 virus infections. We also commend his response to changes in legislation and other legal regulations, to economic and other conditions and taking into account the expressed will of the company's shareholders, especially the majority shareholder, so we are of the opinion that he managed the company very successfully in that period.

All of the above indicates that the Supervisory Board worked very well with the Chairman of the Board, dr. Ivan Šmon, MBA. Management submitted materials for the sessions to the Supervisory Board in time, in writing, and additionally interpreted them orally at the sessions. For the Supervisory Board the management prepared reports on implementation of decisions regularly and other reports requested from the management by the Supervisory Board. Members of the Supervisory Board had all requested and appropriate reports, information and data available to them, so that based on them they could monitor and control Company's operations and made their decisions responsibly.

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

Operation of Supervisory Board Committees

In 2021, two Committees operated within the Supervisory Board.

Audit Committee

Until August 2021, Audit Committee was chaired by Chairman Andrej Koprivec, CFA, FCCA, including Franjo Curanović as a member and prof. dr. Simon Čadež as an external member. In this composition, the Audit Committee met at seven regular sessions in 2021.



Andrej Koprivec, CFA, FCCA,
Chairman of the Audit Board,



Franjo Curanović
member,



prof. dr. Simon Čadež
external member.

In the new term of office from the end of August 2021, Audit Committee was chaired by Mr. Gregor Tomše including, Mr. Gabrijel Škof as a member and prof. dr. Simon as an external member. In this composition, the Audit Committee met at four regular sessions in 2021.



Gregor Tomše,
Chairman of the Audit Board,



Gabrijel Škof,
member,



prof. dr. Simon Čadež
external member.

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 2021:

Annual report 2020: 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 plans of the parent company and subsidiaries for the period 2022-2024 and proposed them to the Supervisory Board for approval.

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

Committee reviewed quarterly the implementation of the strategic projects implemented in Elektro Gorenjska Group and reported them to the Supervisory Board.

Internal audit: Audit Committee worked closely with the internal auditor. In 2021, the Committee discussed the Annual Report on the work of the internal audit for 2020, discussed the internal auditor's reports on all conducted internal audits and monitored the implementation of the recommendations made. It discussed the work plan of the internal audit for 2022 and proposed it to the Supervisory Board for approval.

Cooperation with the external auditor: Audit Committee met with the external auditor after the completion of the audit of the financial statements for 2020 and after the end of the pre-audit phase of the audit of the financial statements for 2021.

Nomination Committee/Human Resources Committee

Within the Supervisory Board, the Nomination and Human Resources Committee of the Elektro Gorenjska, d. d., Supervisory Board, has been operating since 2014 and in 2021 the original composition until August 28 2021:



mag. Samo Logar,
Chairman,



mag. Tedo Djekanovič,
member,



Milena Pervanje
external member.

By a resolution on November 25 2021, the new term of office of the Supervisory Board appointed new members to the Nomination and Human Resources Committee:



Rudolf Ogrinc,
Chairman,



Vid Meglič,
member,



Iztok Štular,
member.

At its sixth regular session on December 23 2021, the Supervisory Board adopted new rules of Procedure of the Human Resources Committee of the Supervisory Board of Elektro Gorenjska d.d., by which this committee was renamed to Human Resources Committee.

In year 2021, the Nomination and Human Resources Committee of Elektro Gorenjska d.d. Supervisory Board (hereinafter Human Resources Committee) had five regular sessions. In the reported period, the Committee adopted 21 decisions, which were all realized. In July, it adopted its report on work and presented it to the Supervisory Board at the end of the year.

At the sessions, the members of the Committee discussed and adopted:

- › reports of the Management on strategic projects (SP-Employees – Ambassadors of Reputation in Elektro Gorenjska Group (Brand and Experience of the Employer) and SP Introduction of Business Intelligence (BI) in Elektro Gorenjska Group),
- › proposal of performance criteria of the Chairman of the Board for 2020 (changes and amendments due to Covid -19 and rebalance) and for 2021,
- › preparation of material for self-assessment for 2020 and implementation of the entire procedure (preparation of questionnaires, presentation of the SB, completion, analysis of results, proposals of measures),
- › preparation of an annex to the employment contact with the Chairman of the Board, as a result of the adoption of the Rules on determining the salary and other rights of the chairman of the board (minimum changes, harmonization with the above rules),
- › acquaintance with the adopted rules on determining salaries and other rights, and performance criteria for the managements in the EG Group,
- › examination of the report of the chairman of the Board on meeting the performance criteria for the financial year 2020 and adoption of the proposal for the Supervisory Board on the amount of payment of the variable part of the remuneration of the chairman of the board for 2020.

Upon taking the office of the 2021-2025 Supervisory Board, the Human Resources Committee was not immediately appointed, so the operation of this committee was suspended for some time, and at the end of the year it resumed its work in a new composition. Immediately after its establishment, the Human Resources Committee first proposed amendments to the Rules of Procedure and prepared proposals for the Performance Criteria of the Chairman of the Board for 2022.

Position of the Supervisory Board to audit report 2021

According to the auditing company BDO Revizija, d. o. o., from Ljubljana, which audited the financial statements of the companies in the Group for 2021, 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 2021, 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 Report of the independent auditor on April 22 2022. Representative of the auditing company BDO reported on the course of the audit procedure and findings on April 20 2022 at the 8th regular meeting of the Audit Committee of the Supervisory Board.

At the 12th regular session of the Supervisory Board held on May 12 2022, upon submission of the audited Annual Report of the Company and Group Elektro Gorenjska for 2021, the Supervisory Board was acquainted with the decisions of the Audit Committee regarding the auditor's report, and found that the auditor carried out the audit in accordance with the legislation and the rules on auditing. Supervisory board had no comments on the independent auditor's report, and its position on the audit report was positive.

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

Approval of the Annual Report of the Company and Group for year 2021 and proposal for the use of distributable profit

Management of the Company submitted the Annual Report of the Company and Group, including the Audit Report, to Supervisory Board for verification within the legal deadline. Audit Committee verified the Annual Report of the Company and Group and Audit Report in detail and gave its opinions and views. Based on the regular monitoring of operations of the Company and other companies in the Group, and a detailed verification of the stated reports, the Supervisory Board has established that the report for year 2021 is composed in accordance with the regional 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 2021 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 another company Gorenjske elektrarne, proizvodnja elektrike, d. o. o., which is in 100 % ownership of the parent company, and company GEK Vzdrževanje, d. o. o., which is in 100 % ownership of Gorenjske elektrarne, d. o. o. Company.

All Group companies closed the business year with profit. Total distributable profit of Elektro Gorenjska, d. d., for the year 2021 amounts to 2,763,756.00 €, and consist of the remaining net profit for the financial year 2021 in the amount of 2,739,585.71 € and retained net profit or loss in the amount of 24,170.29 €. Compared to the distributable profit for the financial year 2020, the profit for 2021 is higher by 690,939 €. Company's Management Board will propose to the General Meeting of Shareholders that the distributable profit for 2021 remains undistributed.

Supervisory Board verified the proposal for the use of accumulated profit, and agreed with the proposal of the Management Board. After the Supervisory Board members verified the Annual Report of the Company and Group for year 2021 and had no comments, the Supervisory Board adopted this Supervisory Board Report on Verification and Approval unanimously at the 13th regular session on May 19 2022.

Kranj, May 19 2022

Rudolf Ogrinc, mag. ekon. in posl. ved,
Chairman of the Supervisory Board





1.4

Corporate Governance Statement of Elektro Gorenjska Company and Group

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

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

In 2021, 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.

Parent company believes that 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 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. We do not have recorded a diversity policy in group companies and we do not implement it as stipulated by the Companies Act-1. In practice in all group companies, candidates for a job and employees are not discriminated based on gender, age, race and religion. Adoption of the diversity policy is expected to be decided in 2022 by the Supervisory board of Elektro Gorenjska.

Composition of supervisory bodies and their committees and information on the operation of the General Meeting are presented in chapter *2.5. Management bodies in Company Elektro Gorenjska*.

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 chapters *3.10 Risk management*. 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 financial investments of ECE d. o. o., and indirectly the controlled company of the subsidiary Gorenjske elektrarne, GEK Vzdrževanje Company, in accordance with the strategic guidelines with the purpose of reaching the set business goals. In leading and managing the controlled company and its controlled company, it has pursued the same standards of corporate management applicable for the controlling company in Elektro Gorenjska Group.

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



1.5 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 2021 is in accordance with the Corporate Governance Code for State-owned Enterprises and amendment to the ZZGD-J (Directive 2014/95/EU) and contains disclosures of non-financial and diversity information. Elektro Gorenjska Group is aware of the importance of non-financial information and a comprehensive approach to reporting for creating value for its stakeholders.

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

- › Information, policy descriptions and policy outcomes on environmental, social and human resources issues, respect for human rights and anti-corruption and anti-bribery issues are presented in chapters *3.6 Care for employees*, *3.7 Care for the environment* in *3.8 Social responsibility*.
- › Main risks related to the previously listed areas are stated in chapter *3.10 Risk management*.
- › Description of the business model or model of value creation of the Elektro Gorenjska Group is presented in chapter *2 Presentation of Elektro Gorenjska Group*.
- › Description of the diversity policies implemented in relation to administrative, management and supervisory bodies can be found in chapter *1.4 Management statement*.

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

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

dr. Ivan Šmon, MBA
Chairman of the Board



1.6 Implementing the sustainable strategy

Committed to sustainable strategic development that addresses people, nature and efficient business in a balanced way.

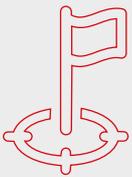


Elektro Gorenjska Group is an important energy technology (EnTech) group with top staff and modern organization, focusing on an advanced distribution system, production of electricity from renewable sources, efficient energy use and development of modern digital and sustainable business models. By carrying out our mission and realizing our values, we ensure lasting energy. Our key competitive advantages are based on lasting innovation, integration into local environment, brand recognition, reliability in the implementation of projects and solving user challenges. Sustainable business model also commits us to everyday operational excellence, which ensures the stability of electricity supply.

Faced with the challenges of technological and green progress and in the changed regulatory circumstances (flexibility services market) with a sustainable business model, we follow the example of individual successful distribution companies, in the direction of modern energy technology public service company, renewable energy producer, energy efficient administrator and moderator of cross-sectoral integration with a focus on the Gorenjska region, partly on Slovenia and with individual digital solutions also abroad.

At the heart of our sustainable strategy is creating value for our household customers and business organizations.

2 Presentation of Elektro Gorenjska Group



2.1 Mission, vision and values of the Group

Mission of the Group

We provide **sustainable** energy.

Values of the Group



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

Vision

**Our vision is to become one of the key energy technology groups.
We create energy of the future.**



We will increase our total power of solar power stations by twofold.



We maintain good relations and cooperations between the market.



We maintain a successful business.

↑ 10 %

We are one of the top ten percent EU distribution company,



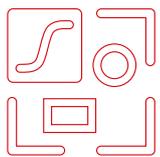
Focused on providing an advanced distribution system.



We look for sustainable green solutions.



We are facilitator for introducing innovative solutions in Slovenian energy industry.



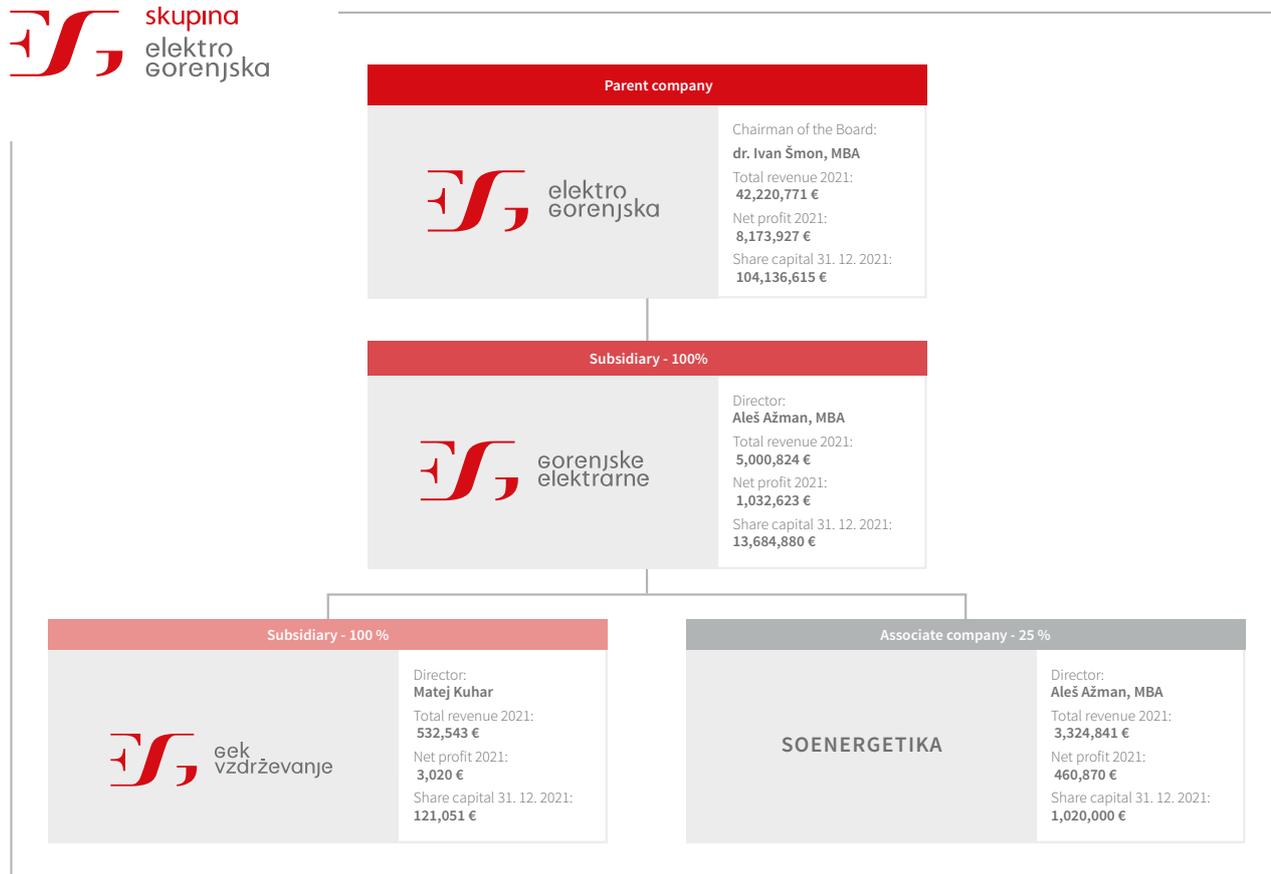
2.2 Activity and Structure of Elektro Gorenjska Group

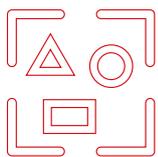
Elektro Gorenjska Group consists of the controlling company Elektro Gorenjska and its controlled company Gorenjske elektrarne, which is in 100 % ownership of Elektro Gorenjska Company. As associated companies, the group also considers GEK Vzdrževanje Company, where Gorenjske elektrarne Company has 100 % ownership share and company Soenergetika, where Gorenjske elektrarne has 25 percent share. 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) and the Corporate Income Tax Act (ZDDPO-2).

Elektro Gorenjska does not directly or indirectly own at least 20 % of the value or number of shares or stakes in capital, management or control in any company other than those already mentioned. Also, the company does not control another company on the basis of a contract in a way that is different from the relationship between unrelated parties, or has no significant influence over any of the other companies.

Organizational chart of Elektro Gorenjska Group





2.3 Main activities and fields of business

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

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

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

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

Production activity includes production of electricity:

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

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

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

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

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

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

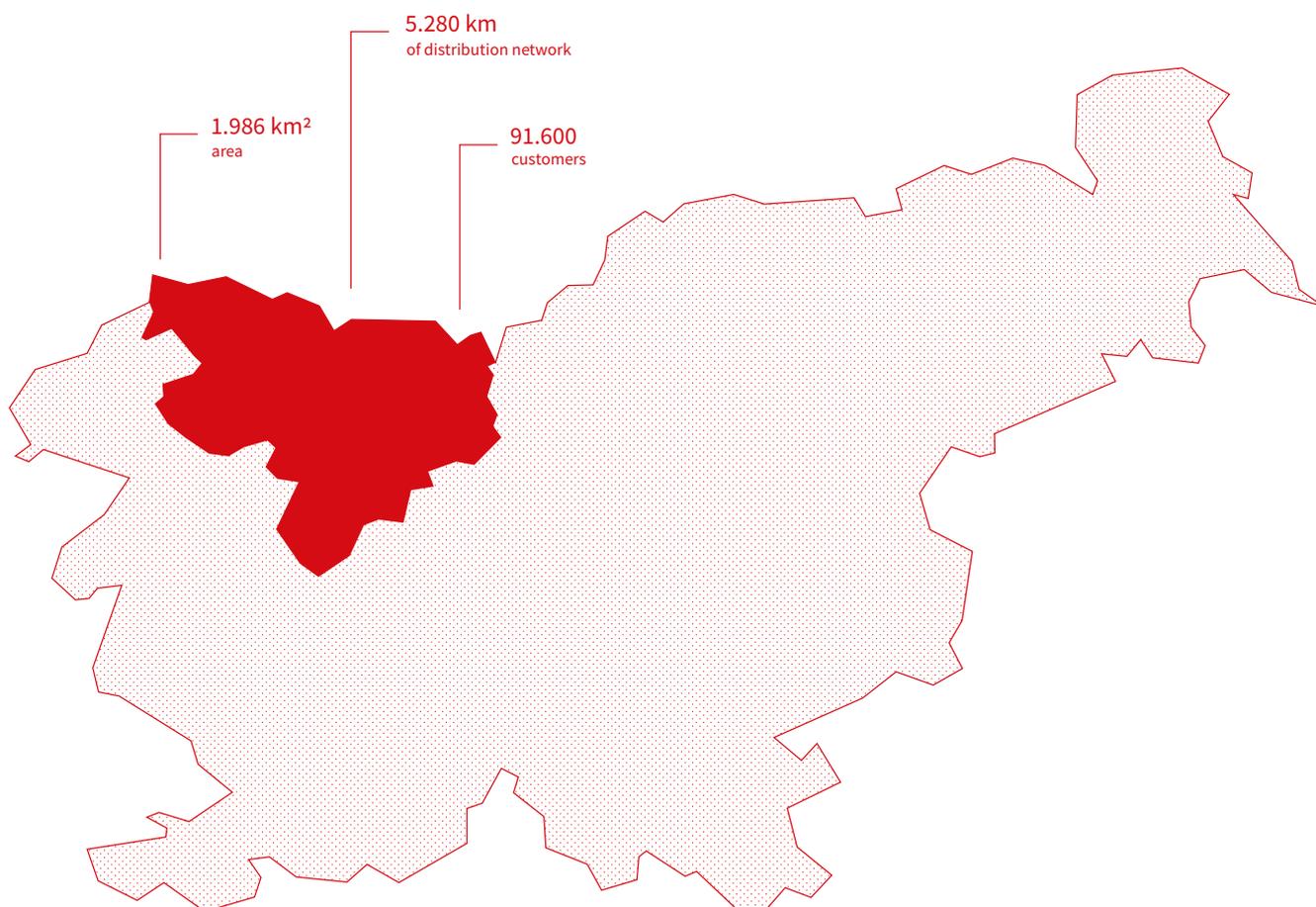
Elektro Gorenjska Group also consists of the associated company Soenergetika, which operates in the market of electricity supply in the segment of market activities. Main activity of the company is the production of electricity and heat in cogeneration plants.

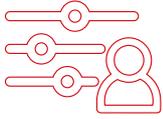


2.4 Main area of operation

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

Display of the electricity supply area of distribution companies





2.5 Management bodies in company Elektro Gorenjska

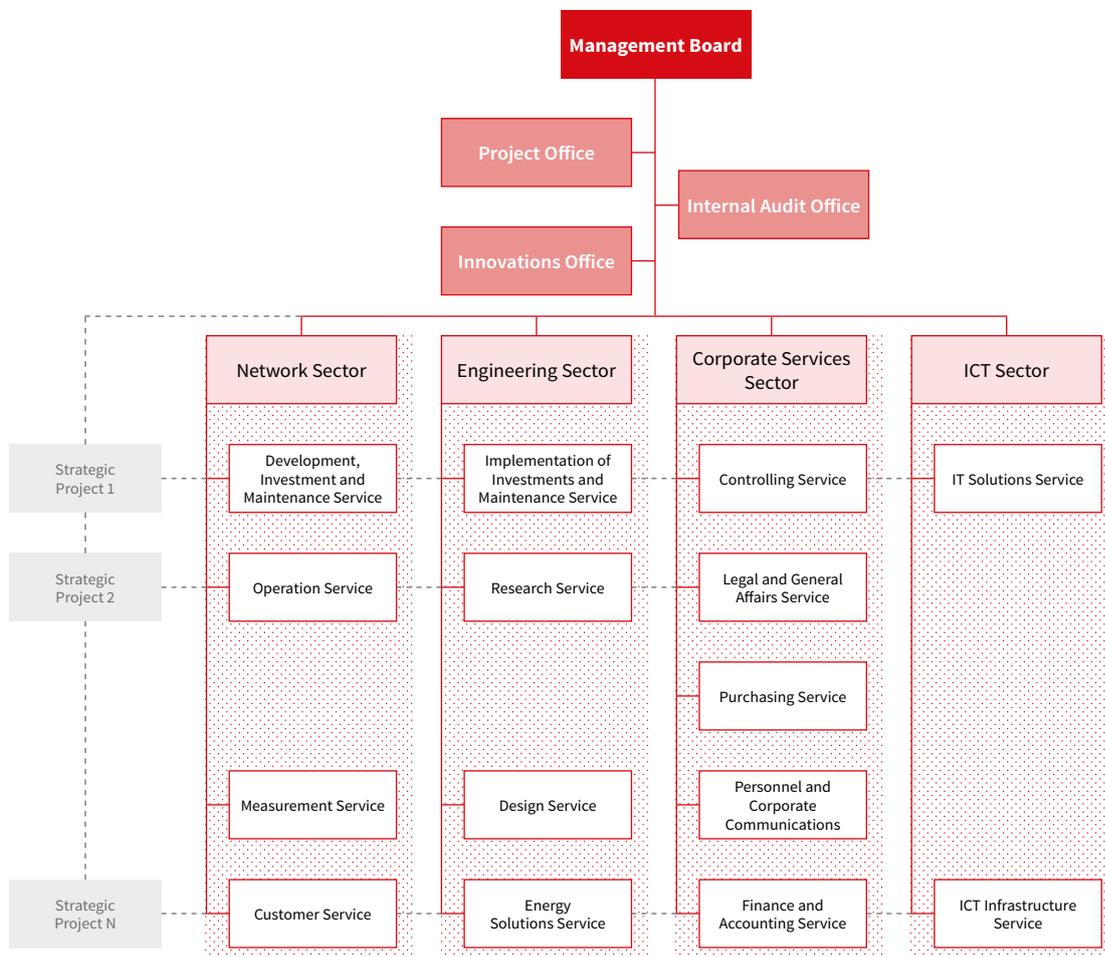
Company management bodies are management, supervisory board, and shareholders' meeting.

Management

Single-member administration, chairman of the board, is appointed by the supervisory board of Elektro Gorenjska Company. Term of office of the Chairman of the Management Board shall be four years with the possibility of reappointment. Chairman of the Board, dr. Ivan Šmon, MBA, started his four-year term on June 15 2018. In accordance with the Statute, the Management Board of the company has a mandate in relation to all issues related to the organization and management of the company. Based on the law, statute, and rules of procedure of the supervisory board the management of the company is obliged to exhaustively and exactly introduce to the supervisory board the course of transactions and company's condition at least four times a year.

Company is organized into four sectors, each headed by sector directors, and they consist of several services. Directly under the Management are the Project and Innovations Office and Internal Audit.

Organizational chart of Elektro Gorenjska Company as at December 31 2021





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

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

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

Supervisory Board

Competence and composition of the supervisory board are defined by the statute of the company. Supervisory board consists of six members, four of them being representatives of the capital and two of them representatives of the employees. Members of the supervisory board are elected for the period of four years and can be re-elected. Members of the supervisory board, which are representatives of the capital, are appointed to the supervisory board by the shareholders' meeting with a simple majority vote of the present shareholders. Two members representing the employees are appointed by the company's works council. In year 2021, there were no changes regarding the members representing the employees.

At the 28th regular General Meeting of the Company, held on June 23 2021, the General Meeting appointed new members to the supervisory board, representing the shareholders. On August 29 2021, Rudolf Ogrinc, Gabrijel Škof, Gregor Tomše and Vid Meglič took office. Namely, membership in the supervisory board was terminated for all four representatives of shareholders on August 28 2021 (mag. Samo Logar, mag. Tedo Djekanović, Andrej Koprivec and Franjo Curanović).

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 2021 are presented in Chapter *5.6 Transactions with related parties*.

Composition of the supervisory board in 2021:

SUPERVISORY BOARD EG, d. d.	Function	Term of office from	Term of office until
mag. Samo Logar	chairman	28. 8. 2017 (as a chairman since 14. 9. 2017)	28. 8. 2021
mag. Tedo Djekanović	deputy chairman	28. 8. 2017 (as a deputy chairman since 14. 9. 2017)	28. 8. 2021
Andrej Koprivec	member	28. 8. 2017	28. 8. 2021
Franjo Curanović	member	28. 8. 2017	28. 8. 2021
Borut Jereb	member	8. 8. 2019	8. 8. 2023
Iztok Štular	member	8. 8. 2019	8. 8. 2023
Rudolf Ogrinc	chairman	29. 8. 2021 (as a chairman since 2. 9. 2021)	29. 8. 2025
Gabrijel Škof	deputy chairman	29. 8. 2021 (as a chairman since 2. 9. 2021)	29. 8. 2025
Gregor Tomše	member	29. 8. 2021	29. 8. 2025
Vid Meglič	member	29. 8. 2021	29. 8. 2025

Audit Committee of Elektro Gorenjska Supervisory Board

In year 2021, 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
Andrej Koprivec	chairman	14. 9. 2017	28. 8. 2021
Franjo Curanović	member	14. 9. 2017	28. 8. 2021
dr. Simon Čadež	member	14. 9. 2017	28. 8. 2021
Gregor Tomše	chairman	2. 9. 2021	29. 8. 2025
Gabrijel Škof	member	2. 9. 2021	29. 8. 2025
dr. Simon Čadež	member	2. 9. 2021	29. 8. 2025

Membership in the supervisory board was terminated for all four representatives of shareholders on August 28 2021 (mag. Samo Logar, mag. Tedo Djekanović, Andrej Koprivec and Franjo Curanović), therefore there were also changes in the Audit Committee. Continuity of the committee's work was ensured by Dr. Simon Čadež, who continued to perform the function of an external member of the committee by being appointed to the committee for another four-year term.

Nomination Committee of Elektro Gorenjska Supervisory Board

In year 2021, a permanent Nomination Committee of Elektro Gorenjska Supervisory Board operated in the following composition:

NOMINATION AND HUMAN RESOURCES COMMITTEE SB EG d. d.	Function	Term of office from	Term of office until
mag. Samo Logar	chairman	14. 9. 2017	28. 8. 2021
mag. Tedo Djekanović	member	14. 9. 2017	28. 8. 2021
Milena Pervanje	member	14. 9. 2017	28. 8. 2021
Rudolf Ogrinc	chairman	25. 11. 2021	29. 8. 2025
Vid Meglič	member	25. 11. 2021	29. 8. 2025
Iztok Štular	member	25. 11. 2021	8. 8. 2023

Term of office of the committee is bound to the term of office of the supervisory board, which is also defined in the Rules of procedure of the nomination committee of Elektro Gorenjska supervisory board.

In the period from August 28 2021 until the appointment of the new Nomination Committee, this committee did not function.

Shareholders' Meeting

In 2021, the management convened one regular session of the General Meeting of Shareholders. The 28th regular session was held on 23 June 2021 with 85.02 % of the voting shareholders present. At the general meeting, shareholders voted on five items on the agenda, which was published in the convocation of the General Meeting of Shareholders on the web portal of Agency for Public Legal Records and Services.

Firstly, company's shareholders were acquainted with the audited annual report of the company and group for 2020, the auditor's opinion and the written report of the supervisory board on the verification and approval of the annual report for the 2020 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 2020, 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 2020.

Shareholders decided on the use the accumulated profit, which stood at 2,072,817.00 € as at December 31 2020. It was decided that the total accumulated profit was used for the payment of dividends in the gross value of 0.12 € per share. Company paid dividends on July 23 2021 to those shareholders who were on the day July 22 2021 entered into the company's share register as shareholders of the company.

General Meeting granted a discharge for work in 2020 to the Chairmen of the Board and specifically to the Supervisory Board members.

In the end, as part of the appointment of new members, the General Meeting first established that the term of office of the current members in the Supervisory Board, representatives of shareholders, in the composition below, expires on August 28 2021:



mag. Samo Logar,
Chairman of the
Supervisory Board,



mag. Tedo Djekanović,
Deputy Chairman of the
Supervisory Board,



Andrej Koprivec,
member,



Franjo Curanović,
member.

General Meeting then individually elected new members of the Supervisory Board, shareholder representatives, for the next four-year term with the beginning of the term on August 29, 2021:



Rudolf Ogrinc,
Chairman of the
Supervisory Board,



Gabrijel Škof,
Deputy Chairman of the
Supervisory Board,



Vid Meglič,
member,



Gregor Tomše,
member.

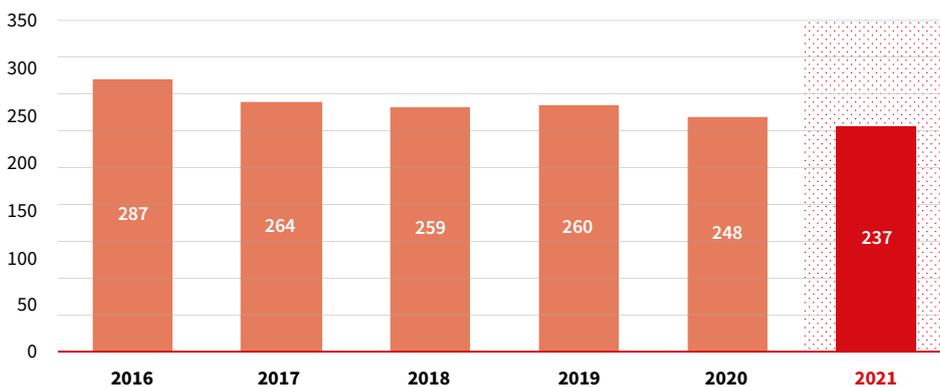


2.6 Share capital and ownership structure

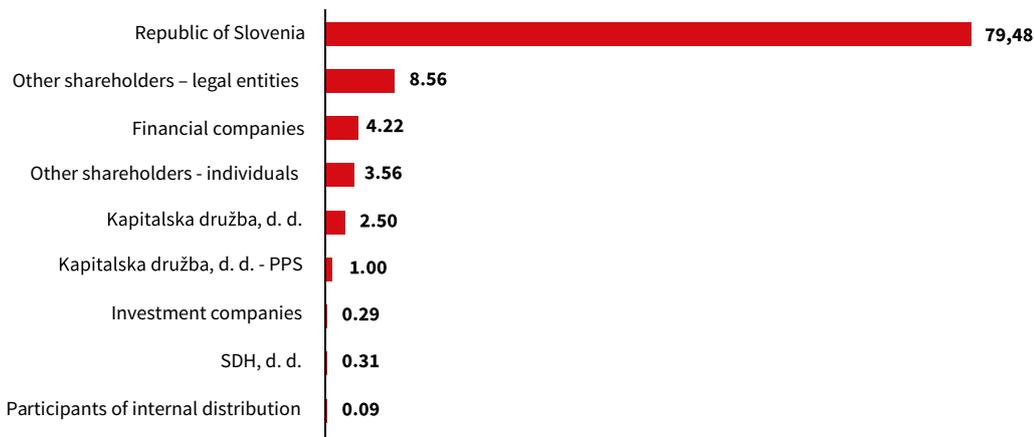
On December 31 2021, share capital of Elektro Gorenjska Company amounted to 104,136,615 €. It is distributed to 17,273,475 of ordinary registered unit shares (designation EGKG). All shares are shares of one category.

Company has no authorized capital. In 2021 the Elektro Gorenjska Company had no transactions with own shares on a regulated market. As of December 31 2021, 96.35 % of company shares were in the ownership of the Republic of Slovenia and legal entities, which represent 18.99 % of all shareholders.

Changes in the number of shareholders of Elektro Gorenjska Company from December 31 2016 to December 31 2021



Ownership structure of Elektro Gorenjska Company as of December 31 2021 (in %)



According to the balance as at December 31 2021 the largest shareholder, holding a 79.48 percent share, is the Republic of Slovenia. It is followed by Kapitalska družba holding 2.50 percent share and Bau 1 d.o.o. with 1.67 percent share.



2.7 Integrated quality management system

Since year 2011 the Elektro Gorenjska Company has an integrated quality management system (hereinafter: iSVK) in the framework of which it meets the quality policy commitments of Elektro Gorenjska.

With the quality policy, which is part of the business policy, the company's management is committed to following the vision in the long run and achieving the set goals in line with strategic orientations. In doing so, it will promote the culture of a company based on quality, risk management, information protection, employee and environmental protection, investing in employees, ensuring their commitment and satisfaction through the principles of reconciling professional and private life and ultimately committing to constant improvement.



Through established and managed iSVK Elektro Gorenjska meets the requirements of the following certification systems:

- › **system SVK**
(requirements of standard ISO 9001:2015),
- › **system SRO**
(requirements of standard ISO 14001:2015)
- › **system VZD**
(requirements of standard ISO 45001:2018) and
- › **system SVI**
(requirements of standard ISO/IEC 27001:2013).

iSVK does not only meet the requirements of the certification systems, but also integrates and ensures the coherent operation of the company also with the requirements of three non-certification systems:

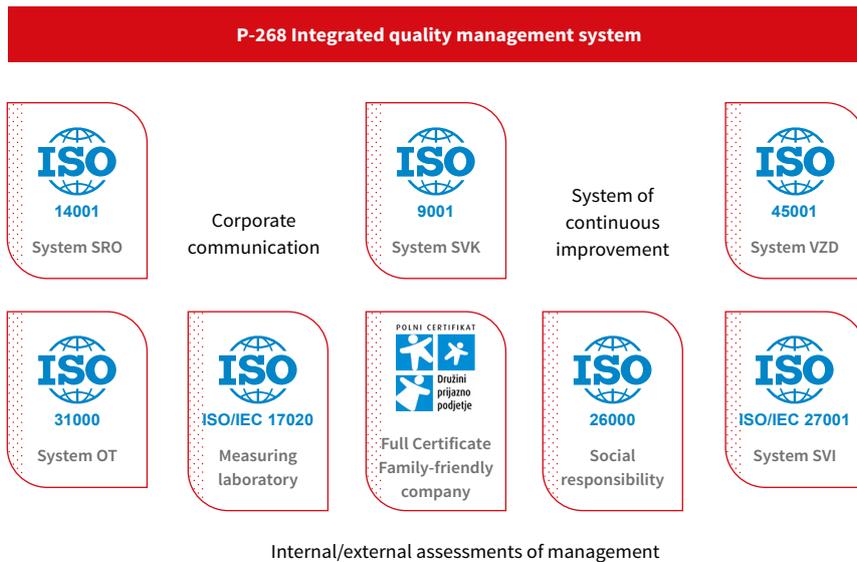
- › **requirements for risk management**
(standard ISO 31000),
- › **requirements for the Family friendly company certificate**, and
- › **requirements arising from social responsibility**
(standard ISO 26000).



In 2019, the company Elektro Gorenjska started the establishment of the Measurement Laboratory (hereinafter ML) and successfully accredited it for the first time at the end of June 2020, and in 2021 it expanded the scope of ML operations in terms of performing its activities in the field as well.

Measurement Laboratory system is an accredited field implemented by the public institute of the Slovenian Accreditation, in accordance with the SIST EN ISO/IEC 17020:2012 standard, and is part of the iSVK. Policy of ML of the company Elektro Gorenjska is to achieve the highest possible quality of ML services in accordance with the standard SIST EN ISO/IEC 17020 and legal provisions.

Integrated quality management system within Elektro Gorenjska Company



With the introduction of an integrated management system, all activities are 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 contribute to an efficient system.

In 2021, the company Elektro Gorenjska monitored and controlled its business with the help of 47 identified and interconnected business processes, which it manages through laws, organizational regulations and work instructions. Operation of business processes was monitored with the help of 189 established quality indicators, and 32 identified strategic risks, 18 environmental risks, and 35 information and security risk. Risks from the point of view of safety and health at work are managed within risk assessments arising from individual employment position.

In 2021, a total of 85 proposals – measures, improvements, were submitted that helped to improve the functioning of the system and encourage employees to seek improvements and additional measures that have a positive impact on the Company's good operations and encourage additional employee commitment and environmental management.

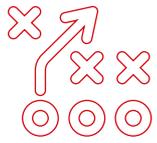
Trend of increasing the quality of implementation of individual business processes of Elektro Gorenjska is reviewed quarterly and discussed at the meetings of the Quality Committee and meetings of the College of the Chairman of the board, where activities of other management systems within iSVK are also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

In Elektro Gorenjska we are aware that all employees are responsible for the success of the company. For successful development and growth, their satisfaction and their commitment are crucial, which is also a key goal of the Family Friendly Company Certificate. As a result, 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. Despite the fact that the two other companies in the Group do not have a Family-Friendly Company certificate, they have committed themselves to implementing measure to the same extent as the parent company.

As a proof that Elektro Gorenjska is properly implementing measures that significantly contribute to strengthening of positive relations between employees and effective and joint addressing of the challenges of sustainable development, social responsibility, as well as maintaining and improving the health and safety at work of employees, the company received a special thanks for 2021 by the Ekvilib Institute on the occasion of its 10th anniversary of the implementation of family-friendly measures and spreading the culture of family-friendly companies in Slovenia.

In the company Gorenjske elektrarne quality and excellence are reflected in business processes established according to standard ISO 9001:2015 and excellence model EFQM. It is currently managed by the following two certified quality systems:

- › **quality management system** according to requirements of ISO 9001:2015, Q-1864, edition 04 / 2020-11-30, annex Q-1864/04 (valid until 16. 12. 2023) and
- › **energy management system** ISO 50001:2018, En-014, edition 04 / 2019-11-11, annex En-014/04 (valid until 11. 11. 2022).



2.8 Strategy for the period from 2022 to 2026

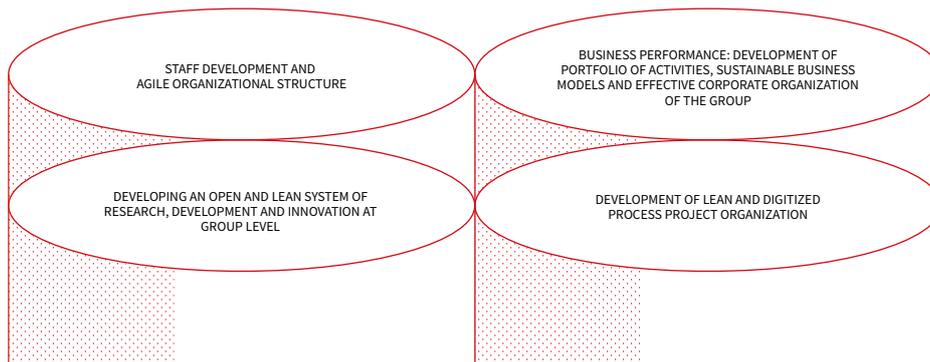
Elektro Gorenjska group has prepared a new strategy for the period from 2022 to 2026. Vision, mission and values of the company in this strategy are changing in the direction of providing sustainable energy, with the Elektro Gorenjska Group being an important energy and technological group with top staff and modern organization focused on an advanced distribution system, production of electricity from renewable sources, efficient use of energy and the development of modern digital and sustainable business models.

Key strategic guidelines

Strategy of the Elektro Gorenjska Group for the period 2018-2022 determined the direction of business development of the entire Elektro Gorenjska Group. In 2019 and 2020, in accordance with the strategy, we implemented an appropriate change in the organizational structure that supports the introduction of a lean and agile organization, and approached the optimization of processes and, consequently, human resources. This laid a good foundation for better exploitation of synergies in the Group and for increasing our presence in the market environment.

With the strategy for the period 2022-2026, we want to continue and at the same time upgrade the planned direction of the Group's business development. We will continue our story of sustainability in changed regulatory circumstances, faced with the challenges of technological progress and the green transition. We will follow the example of individual successful European distribution companies and, with the appropriate organization of the Elektro Gorenjska Group, enable development and market orientation with transparent separation of market and non-market activities. We will pay special attention to the further development of a modern, open and lean innovation system, which will encourage innovation and enable the implementation of new process solutions and new business models. We will develop the organizational culture in the direction of agility, inclusion, cooperation, taking responsibility, innovation and goal orientation. In order to increase efficiency and effectiveness in the face of rapid change, we will improve business processes from the perspective of both internal and external users.

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



Highlights of strategic development

- › Sustainable orientation with changed regulatory circumstances
- › Green challenges and technological progress
- › Development and market orientation
- › Transparent separation of market and non-market activities
- › Promoting innovations and new process orientations
- › Agile and inclusive organizational culture

Strategic challenges

Strategy until 2022 identifies the following challenges:

- › empowerment to operate in the flexibility market (obtaining its own concession, maintaining the Elektro Gorenjska Group);
- › be the best operator for electricity distribution in terms of technical and economic indicators in Slovenia, and comparable to the best in the EU;
- › within the Elektro Gorenjska Group, innovative development of those market activities that are acceptable from the point of view of new European and Slovenian regulations and ensure the integrity of the solution for users;
- › increasing the production of environmentally friendly energy and providing system services or flexibility market services.

Strategic projects

As key to achieving the goals, the company or Group has identified the following strategic projects in the 2018-2022 strategy:

- › obtaining its own concession for electricity distribution;
- › employer's brand;
- › consolidation and launch of engineering at the level of Elektro Gorenjska Group;
- › introduction of business intelligence (BI) in Elektro Gorenjska Group;
- › optimal planning of development, investments and maintenance.

In the strategy for the period 2022–2026 projects obtaining its own concession for electricity distribution and Employer's brand, will no longer be strategic projects. Strategic project Consolidation and launch of engineering at the level of Elektro Gorenjska Group was completed in 2020. Implementation of other projects Introduction of business intelligence (BI) in Elektro Gorenjska Group and Optimal planning of development, investments and maintenance) will continue.



2.9 Set goals for 2021 and their achievement

Indicator	Unit of measure	Plan	Achieved
Net Profit of the Group	€	7,247,452	7,897,717
ROA of the Group	%	2.9	3.2
Value added/employee in the Group	€	111,866	116,365
CAPEX Group	mio €	17.0	17.4
Quantity of produced electricity	MWh	53,354	56,517
Quantity of distributed electricity	MWh	1,139,629	1,177,968
SAIDI (unplanned, own cause)	min/customer	26.50	22.22
SAIFI (unplanned, own cause)	interruption/ customer	0.79	0.55
Share of network losses	%	4.41	3.71

Group ended 2021 with a net profit of 7.9 million €, which is by 9 % better than planned. Main reason for the better result is the higher volume of construction for the market, higher financial revenues from shares and higher other operating revenues. Due to higher profits, the Group also achieved a higher ROA in 2021. Value added per employee amounted to 116 thousand €, which is 4 % above the plan for the year.

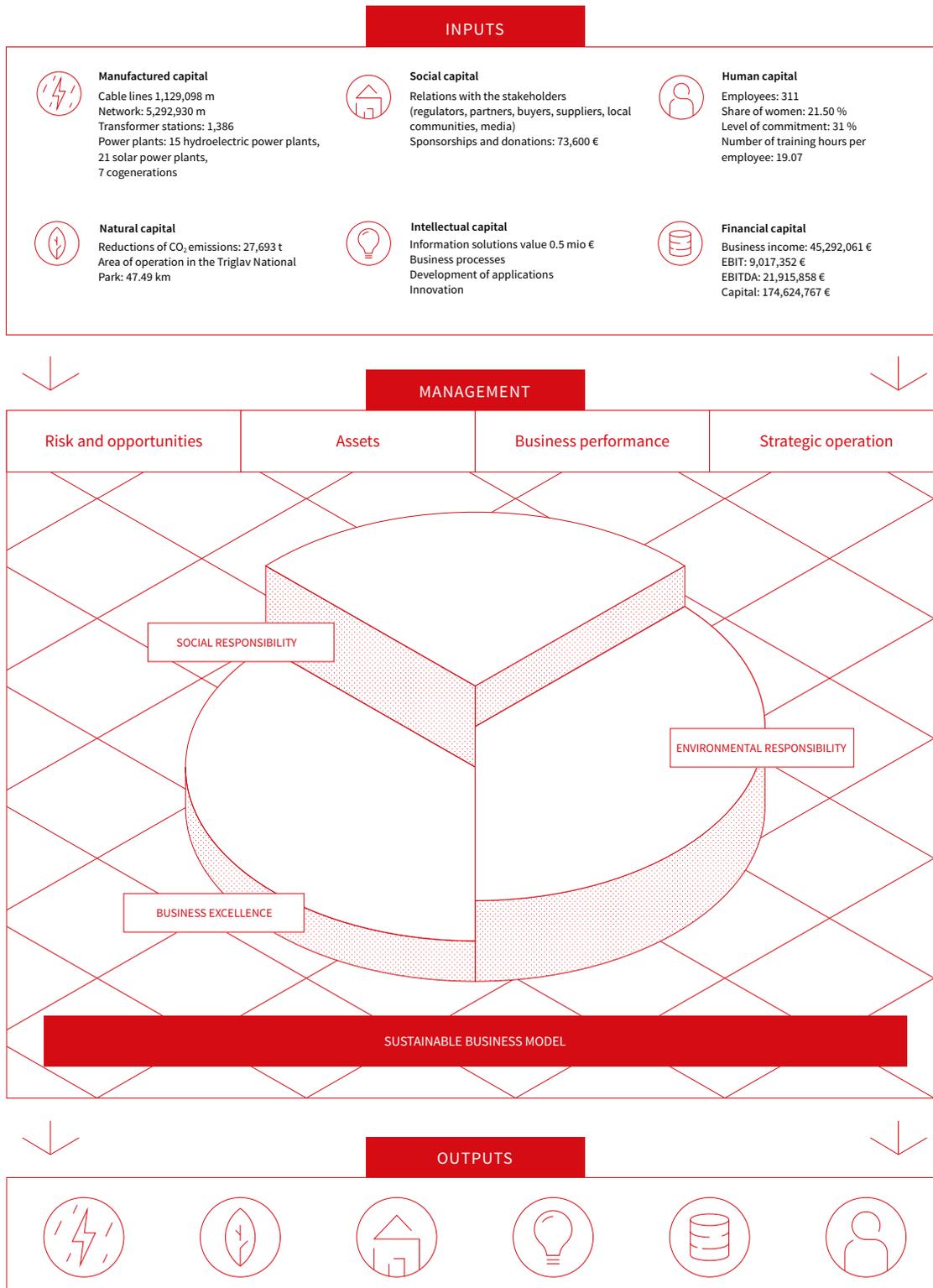
In 2021, we sold 56,517 MWh of electricity, which is 6 % more than planned. Higher production is the result of better water content. In 2021, we distributed 1,178 GWh of electricity, which is 3 % more than planned. Values of the continuity of supply indicators (SAIDI, SAIFI) are better than planned. Indicators continue to improve over the years. Reasons for the improvements should be sought primarily in the constant investment and modernization of the electricity network at all voltage levels and the quality of maintenance work.

In 2021, the Group invested 17.4 million €, which is similar to what was planned for this year. Most of the investment funds were invested in the expansion or processing of the network.

Losses in the network amounted to 3.71 %, which is the lowest value so far. It is the result of several factors, such as the replacement of older measuring devices with new ones and integration of new production sources into the network. Compared to the planned average of the last few years, they are 16 % lower.

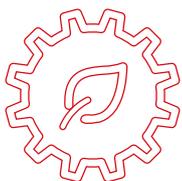


2.10 Our capital



Prepared based on the International Integrated Reporting Framework (<https://www.integratedreporting.org/resource/international-ir-framework/>).

3 Business Report



3.1 Analysis of the environment and its impact on the operations of Elektro Gorenjska Group

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

Regulation

Operations of Elektro Gorenjska Company are largely regulated. Conditions of regulation in accordance with EZ-1, ZOEE and by-laws are determined by the Energy Agency. Revenues realized by the company on the basis of the contract with the company SODO also depend on these conditions and represent almost 78 % of the total revenues of the Company or 72 % of the Group's revenues. Regulation represents the framework that the company must take into account in its operations or adapt to them frequently, as regulatory conditions usually change every three years. Special concern of the company is intended for active participation in the procedures of adopting new regulatory frameworks.

Year 2021 was the last year of the regulatory period 2019-2021. Next regulatory period will cover only 2022, followed by a new three-year regulatory period. In 2022, we expect changes or new Act on the methodology for determining the regulatory framework and the methodology for charging network charge for the electricity system operators. Amendments to the Act may have a significant impact on the company's operations. As in the past, Elektro Gorenjska will actively participate in its public hearing. A new contract with SODO is also expected, which will cover the regulatory period 2023-2025. We expect that the current relationship with SODO will not change significantly.

Regulatory changes

In November 2021, the Electricity Supply Act (ZOEE) entered into force, which (among other things) partially replaced and partially amended the Energy Act. The purpose of the ZOEE was to align the national acquis with EU law. With the bill, legislative acts are being transposed into Slovenian law. i.e. the Clean Energy Package for all Europeans relating to the functioning of the electricity market (Directive 2019/944/EU concerning common rules for the internal market in electricity) and Article 17 of Directive (EU) 2018/2001/EU on the promotion of the use of energy from renewable sources resources. Act regulates the manner of implementation of Regulation (EU) 2019/941 on risk preparedness in the electricity sector; Regulation (EU) 2019/943 on the internal market in electricity and Regulation (EU) 2018/1999 on governance of the Energy Union and climate action.

ZOEE lays down the rules for the operation of the electricity market, production, transmission, distribution, storage and supply of electricity, together with provision for the protection of final customers, methods and forms of public utilities in the field of electricity transmission and distribution and the electricity market, as well as measures to achieve security of electricity supply, regulates measures to prevent energy poverty and other issues of electricity supply.

ZOEE maintains the current regulation of public utilities in the field of transmission, distribution and market operator, material regulation of the electricity market and sustaining and emergency supply.

However, the following areas are being regulated in a completely new way in accordance with the EU law:

- › aggregation services,
- › end-user rights,
- › advanced metering,
- › active customers and energy communities are introduced,
- › energy poverty is defined,
- › ownership and management of energy storage facilities is regulated,
- › obligations regarding system services,
- › energy regulator is given more power.

We estimate that the ZOEE will not have a significant impact on the operations of the company and the Elektro Gorenjska Group.

In 2021, Act on the Promotion of the Use of Renewable Energy Sources was also adopted. Act regulates the implementation of state and municipal policy in the field of renewable energy sources, sets a binding target for the share of energy from RES in gross final consumption in the Republic of Slovenia and measures to achieve this goal and methods of financing (including international cooperation and financial rules to support the promotion of energy from RES and high-efficiency cogeneration), certificates of energy origin, self-sufficiency in electricity from RES, the use of energy from RES in the heating and cooling and in the transport sector, administrative procedures and information and training of installers. Some provisions are the same as in the Energy Act, and some have been amended or added in order to transpose European legislation into Slovenian law.

Inclusion of additional RES and CHP production plants will require rapid and intensive strengthening of the distribution network, especially low-voltage, in accordance with the adopted Development Plan of SSDO distribution network for the period 2021-2030, for which Elektro Gorenjska does not currently have sufficient funds.

3.2 Electricity production and distribution

Important indicators of production and distribution

Company/indicator	Unit of measure	2020	2021
Gorenjske elektrarne			
Quantity of produced electricity	MWh	57,404	56,517
CAPEX	mio €	1.5	1.3
Elektro Gorenjska			
Quantity of distributed electricity	MWh	1,119,827	1,177,968
SAIDI (unplanned, own cause)	min/customer	19.83	22.22
SAIFI (unplanned, own cause)	interruption/ customer	0.66	0.55
Share of network losses	%	3.9	3.7
CAPEX	mio €	15.6	16.1
Elektro Gorenjska Group			
CAPEX	mio €	17.1	17.4

3.2.1 Production of electricity

In year 2021, the Gorenjske elektrarne Company generated and sold a total of **56,517 MWh** of electricity, which is by 1.5 % less than in year 2020.

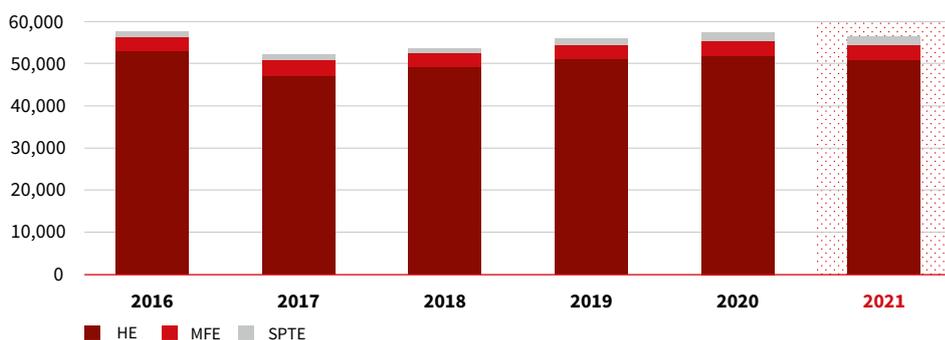
Gorenjske elektrarne generated electricity in 15 HE, of which one power station the company is renting from the founder Elektro Gorenjska Company since its establishment, as well as in 21 solar MFE. Besides that, the company produced heat and electricity in seven high-efficient cogenerations.

Devices of the Gorenjske elektrarne Company

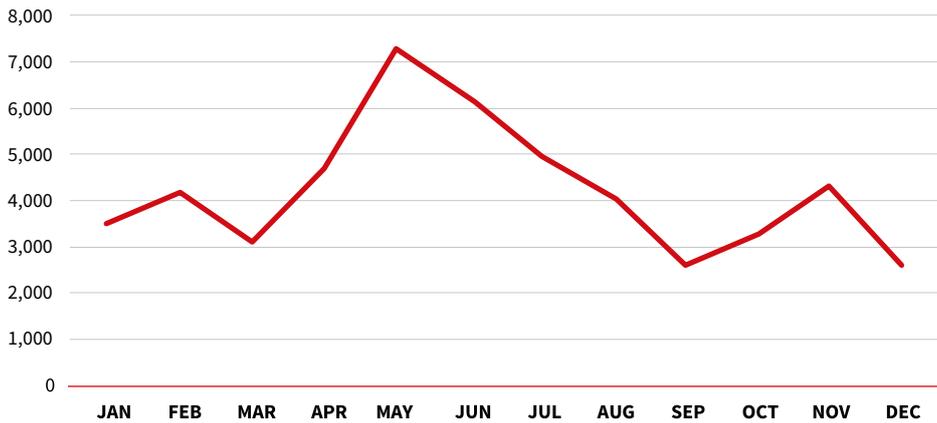
Devices	31. 12. 2020	31. 12. 2021
HE	15	15
MFE	19	21
SPTE	7	7

Company Gorenjske elektrarne has obtained all the necessary licenses to perform energy activities, and the power plants have obtained declarations for the production of electricity from renewable sources and cogeneration of heat and electricity with high efficiency. Power plants are therefore entitled to receive operating support, namely in the form of guaranteed purchase of produced electricity and in the form of financial aid for current operations for other producers (operating support).

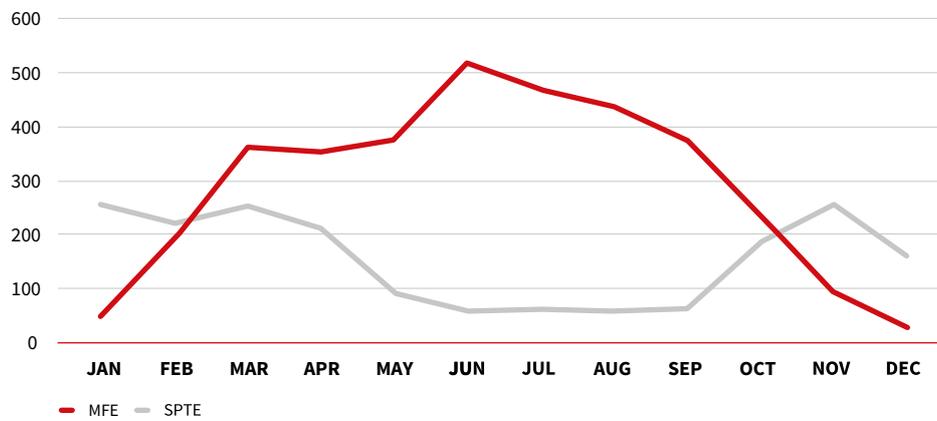
Electricity produced (in MWh) in period 2016–2021



Electricity produced (in MWh) in HE by months of year 2021

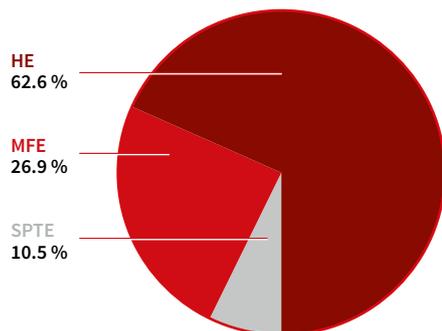


Electricity produced (in MWh) in FE and SPTE by months of year 2021



Most or 62.6 % of the total revenues from the sale of electricity in Gorenjske elektrarne Company is generated in HE, followed by FE with 26.9 % and SPTE with the smallest share (10.5 %).

Share of revenues from electricity sales by individual production sources in year 2021



3.2.2 Electricity distribution

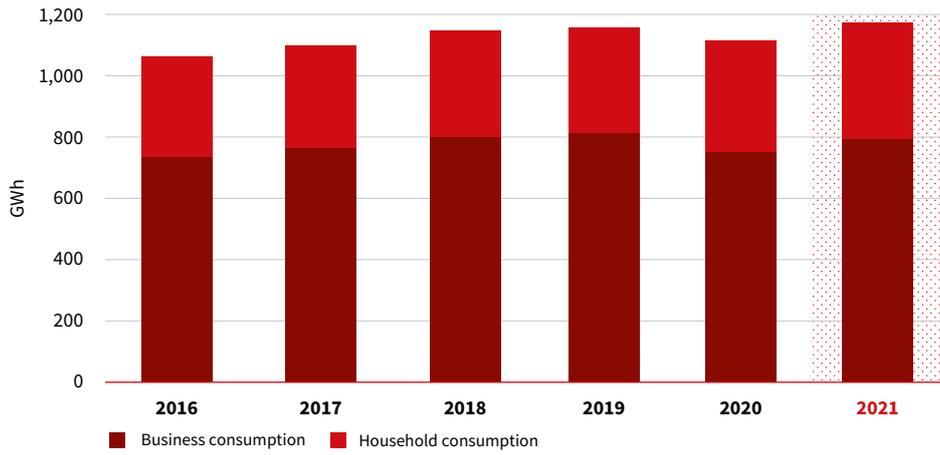
In 2021, Elektro Gorenjska Company distributed **1,178 GWh** of electricity through its network.

Network extent

Network/devices	31. 12. 2020	31. 12. 2021
Powerlines 110 kV	102,463 m	102,463 m
Powerlines 35 kV	20,356 m	20,356 m
Powerlines 20 kV	528,327 m	506,899 m
Powerlines 10 kV	0 m	0 m
Total powerlines	651,146 m	629,718 m
Cable lines 110 kV	3,349 m	3,349 m
Cable lines 35 kV	158 m	158 m
Cable lines 20 kV	1,107,927 m	1,119,175 m
Cable lines 10 kV	6,416 m	6,416 m
Total cable lines	1,117,850 m	1,129,098 m
Total LV network	3,458,104 m	3,534,114 m
Total network	5,227,100 m	5,292,930 m
RTP - Transformer substations	12	12
RP - Substations	8	8
TP - Transformer stations	1,379	1,386

Overview of the scope of the network shows that in 2021 the length of the network increased 65.8 km. Share of network in the cable version is also increasing from year to year. At the end of the year, 68.1 % of the entire MV network and 87.0 % of the entire LV network were in the cable version.

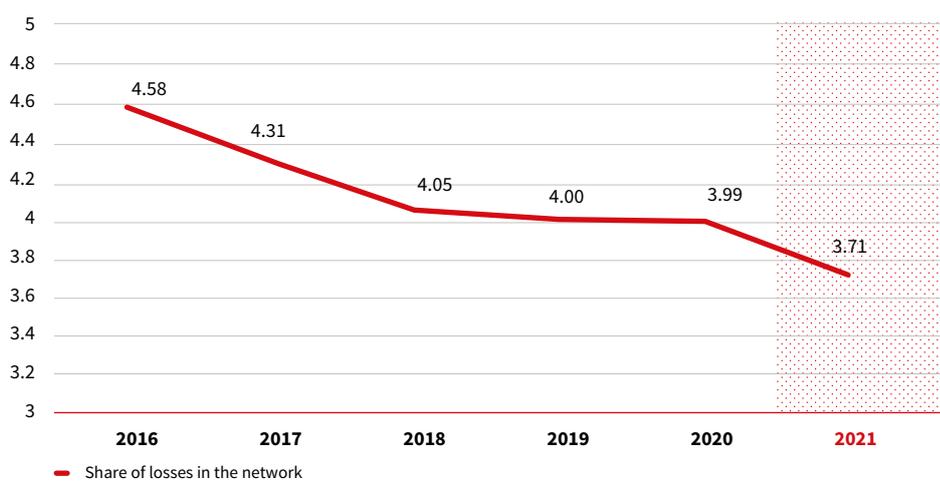
Distributed quantities of electricity (in GWh) in period 2016–2021



Volume of distributed electricity has been increasing every year since 2016, while in 2020 it dropped slightly due to the covid-19 epidemic.

3.2.3 Electricity losses in the network

Electricity losses in the network (in %) in period 2016–2021



Losses in the network amounted to 3.71 %, which is the lowest value so far.

It is the result of several factors, such as strengthening of the network, replacing of older measuring devices with the new ones and integrating new production sources into the network.

3.2.4 Quality of supply

Quality of electricity supply to the users of the system is reflected in the Elektro Gorenjska Company at more than 91,600 grid supply points.

Quality of electricity supply is determined according to:

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

Power continuity

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

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

Unannounced long-term interruptions in year 2021

	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	0.340	14.440	0.595	42.515	0.026	0.564	0.045	22.064	0.000	0.000	0.000	0.000
Total urban	0.209	7.779	0.367	37.167	0.030	0.303	0.052	10.132	0.000	0.000	0.000	0.000
Total	0.549	22.219	0.962	40.476	0.056	0.867	0.097	15.636	0.000	0.000	0.000	0.000

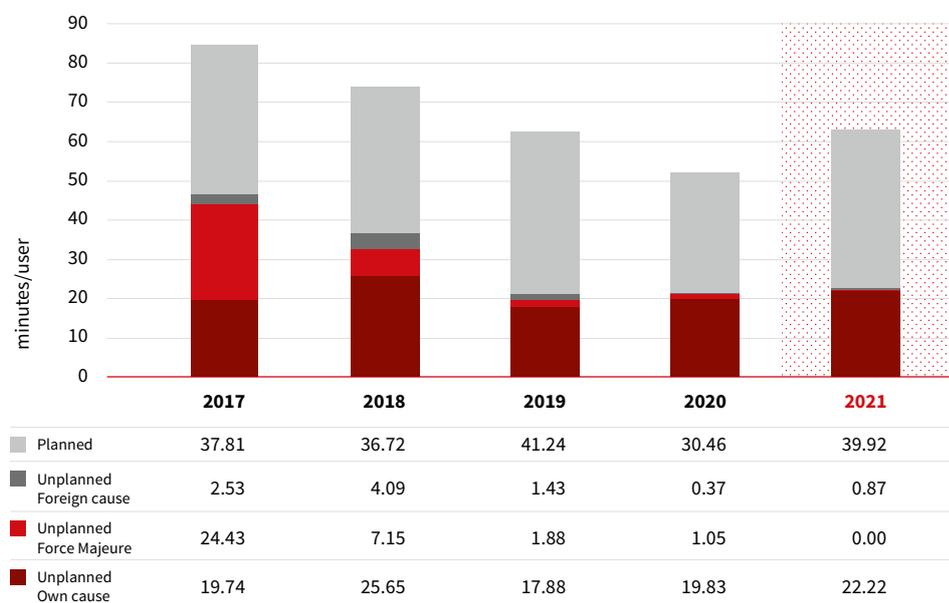
Announced long-term interruptions in year 2021

	SAIFI [interr./cust.]	SAIDI [min/cust.]	CAIFI [interr./cust.]	CAIDI [min/interr.]
Total rural	0.162	26.111	0.283	161.437
Total urban	0.100	13.808	0.175	138.295
Total	0.262	39.919	0.458	152.604

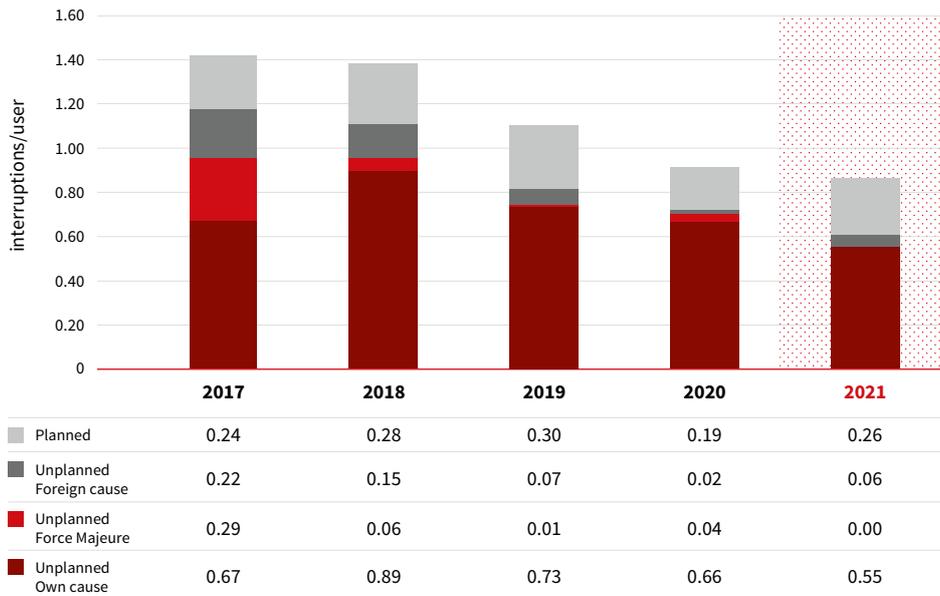
Momentary interruptions in year 2021

	Rural	Urban	Total 2021
MAIFI	2.360	1.048	3.408
MAIFle	1.406	0.628	2.034

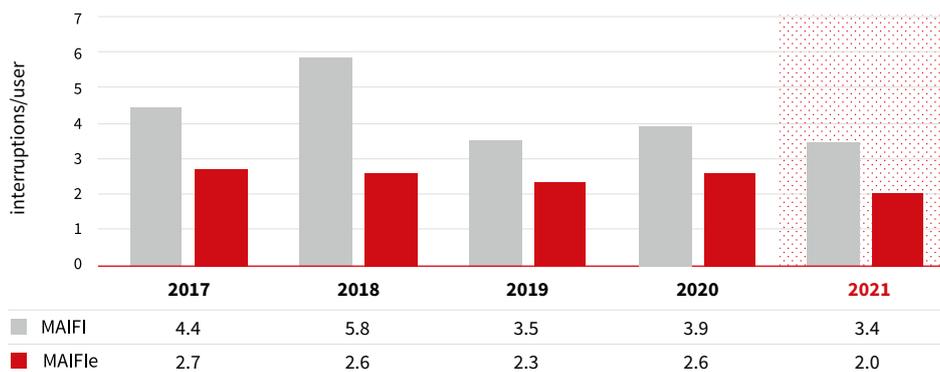
SAIDI – System Average Interruption Duration Index



SAIFI – System Average Interruption Frequency Index



MAIFI and MAIFI-e – Momentary Average Interruption Frequency Index



Values of the SAIDI and SAIFI indicators for planned long-term interruptions for 2021 have increased slightly compared to 2020 and are similar to the years up to 2020, which was marked by the COVID 19 epidemic and related measures to carry out maintenance work on the network. Total values of the SAIDI and SAIFI indicators for unplanned long-term interruptions (all causes) are almost the same in the last three years, which means that in the last few years our network has not been subject to significant weather or other influences. Stable condition of the network is also reflected in the values of MAIFI and MAIFI-e indicators, the values of which has been constant over the last few years and has not changed excessively.

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

Voltage quality

Situation in the field of power quality have improved compared to year 2020. Flicker, which was transmitted from high voltage to lower voltage levels in the past, decreased significantly in year 2021. In year 2021, other parameters were for the most of the measurement time in accordance with the requirements of SIST EN 50160 standard. During the year 2021, we received eighteen official complaints on the condition of voltage quality on the low-voltage level, of which six proved to be justified. We try to eliminate inconsistencies as quickly as possible and within statutory deadlines.

Consistency of power quality parameters with the SIST EN 50160 standard on high voltage level for year 2021

Facilities	Number of weeks under control	Deviation U _{ef}	Harmonica	Flicker	Imbalance	Signal voltages	Frequency	Voltage drops	Voltage increases	Consistency KEE	
		Number of inconsistent weeks								No. of inconsistent weeks	No. of inconsistent weeks
RTP Jesenice 110 kV	51	0	0	1	0	0	0	62	7	50	1
RTP Radovljica 110 kV	51	0	0	2	0	0	0	68	8	49	2
RTP Tržič 110 kV	51	0	0	1	0	0	0	65	17	50	1
RTP Primskovo 110 kV	51	0	0	1	0	0	0	63	8	50	1
RTP Zlato polje 110 kV	51	0	0	3	0	0	0	65	10	48	3
RTP Labore 110 kV DV Okroglo	51	0	0	1	0	0	0	64	10	50	1
RTP Škofja Loka 110 kV DV Okroglo	51	0	0	0	0	0	0	70	13	51	0
RTP Škofja Loka 110 kV DV Kleče	51	0	0	0	0	0	0	66	14	51	0
RTP Železniki 110 kV	43	0	0	0	0	0	0	67	19	43	0
RTP Bohinj 110 kV	45	0	0	0	0	0	0	63	20	45	0

Voltage quality status in the area of Elektro Gorenjska in 2021 was good. 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.

Commercial quality

In most commercial quality parameters for year 2021, 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 individual cases above limit values. Share of more than 10 % of services provided above the limit value was exceeded in parameters No. 1.1, 1.2, 3.1 and 3.3.

In parameter 1.1. "Average time to issue consent for connection" the reason for lower share of services above the limit value (25 %) was the fact that data according to the General Administrative Procedure Act (ZUP) 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.

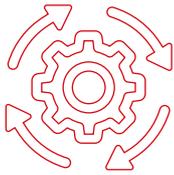
For parameter no. 1.2, the reason for delays in issuing some estimates is insufficient staffing given the high level of demand.

For parameter 3.1 Average time to restore power in the event of a fault in the current limiting device (22.00 do 6.00) , in two of the three cases there was a deviation due to difficult to reach measuring point and a large number of other faults during this time.

For parameter 3.3 Average time required to resolve voltage deviations, in one case the time limit was exceeded because the network reinforcement could not be performed in time due to problems with placement.

Commercial quality parameters for year 2021

Commercial quality parameter	Minimum quality standards (MQS)			Achieved values			Share of services rendered			
	System or guaranteed standard	Required level of compliance [%]	Limit value	Unit	Number of all required or executed services	Number of eligible exemptions (force majeure, foreign cause)	Parameter value	Standard deviation	Up to and including the limit value [%]	Above the limit value [%]
1.1	S	95	20	Working days	2,698	0	18.00	24.10	75	25
1.2	Z	100	8	Working days	351	0	3.35	1.60	89	11
1.3	S	95	20	Working days	2,421	0	2.00	5.90	99	1
1.4	Z	100	8	Working days	816	0	3.48	5.87	93	7
2.1	Z	100	8	Working days	459	0	3.32	11.51	90	10
2.2	-	0	0	-	50,145	0	17.00	16.38	-	-
2.3	-	0	0	-	50,145	0	88.76	0.00	-	-
3.1	Z	100	4	Hours	2,870	0	0.84	0.79	100	0
3.1	Z	100	6	Hours	3	0	6.14	4.91	33	67
3.2	S	95	30	Working days	18	0	14.40	5.70	100	0
3.3	S	50	6	Months	5	0	5.30	5.30	80	20
4.1	Z	100	8	Working days	301	0	6.88	32.39	95	5
4.2	Z	100	3	Working days	174	0	0.44	2.95	98	2



3.3 Development, investments and maintenance

3.3.1 Development of the electricity distribution network

Development of the electricity distribution network in the company Elektro Gorenjska includes all voltage levels. By preparing modern development plans and introducing new and modern technologies, we direct investments in new devices and ensure appropriate renovations of existing devices. Every two years, we submit development plans to SODO, which, as a provider of electricity DSO service of general economic interest, combines them at the level of the entire country. Development Plan 2021-2030 is currently in force. In 2022, a new Network Development Plan for the period 2023-2032 will be prepared.

Distribution electricity network planning is becoming increasingly complex. Increased connection of diffuse sources, heat pumps, storage tanks and electric cars charging stations, is most reflected in the low-voltage level due to increasing loads. Planning thus requires new approaches, and we are gaining experience by participating in various consortiums on the level of Slovenia and in European projects. We are applying for additional funds in various European tenders.

Most important examples of cooperation are:

- › Green Transformation Consortium,
- › European project OneNet (Horizon 2020),
- › GreenSwitch (PCI).

With proper planning, we will continue to ensure the robustness of the distribution network, which will continue to provide a reliable and high-quality electricity supply to all users, regardless of new trends. We will upgrade its robustness with appropriate and economically justified smart grid solutions.

Most important projects in the field of power system development until 2027 are as follows:

- › 110 kV power line Kamnik-Visoko,
- › powering the area of IC Brnik,
- › powering the area of IC Trata,
- › backup power supply of Planice (SP in year 2023),
- › backup power supply of RTP Jesenice,
- › renovation of MV outlet towards Kropa,
- › connection of electric vehicle charging station, 30 MVA power in Zlato Polje,
- › construction of new TPs and NNOs for the needs of connection and operation of dispersed sources and other new technologies.

3.3.2 Maintenance of electricity infrastructure

In year 2021, mainly preventive maintenance on the infrastructure was performed with the aim of reducing the probability of failure of any element in the power system, which was achieved with appropriate maintenance planning and interventions executed according to the criteria, which are determined in advance.

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

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

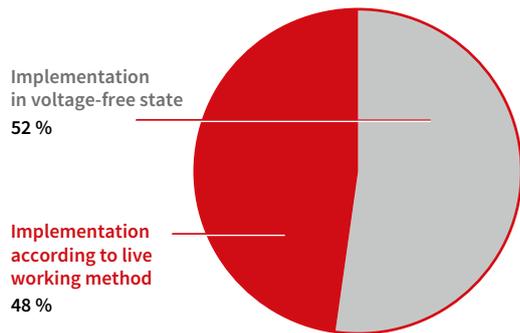
Influence of modern technological devices and solutions is also important, as they technically ensure the fulfilment of strict criteria for the quality of electricity supply, operational safety and indirectly affect the reduction of maintenance costs. These undoubtedly include modern HV and MV equipment, data acquisition and remote-control systems of the distribution network in the remote-control centre, MV network automation with remotely controlled switches, voltage quality registration systems in TPs, telecommunication systems, modern software and similar.

Preventive maintenance included checking the condition of power lines and devices, execution of clearings in power lines and low-voltage overhead lines corridors, revision of transformer stations, switches, transformers, protection devices, carrying out control measurements and operating tests of protective devices.

In addition, in recent years we have been paying 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 eleven years with our own and professionally trained staff, and as part of regular audits of transformer stations, we perform cleaning of EE devices and equipment at the LV and MV level. We will continue with this approach in the future and thus further reduce the impact of maintenance work on reliability and uninterrupted supply of electricity to network users.

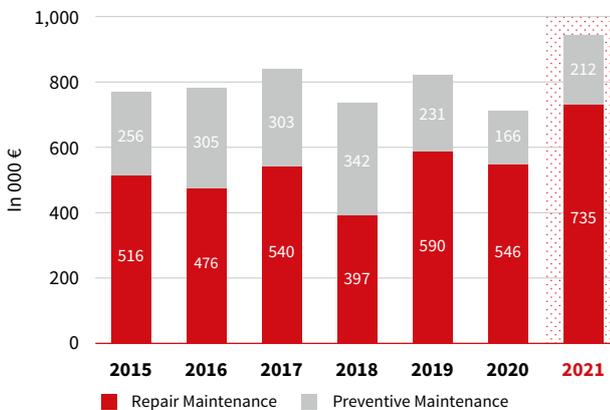
Proportion of performed audits of transformer stations in year 2021 according to the method of execution



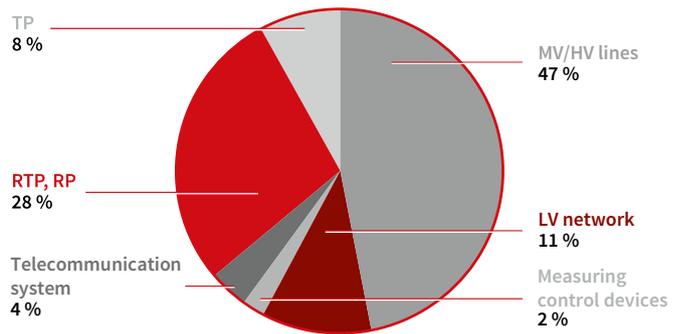
Effects of the activities we perform on preventive maintenance are long-term and are mainly reflected in a smaller number of defects and consequently lower repair maintenance costs.

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

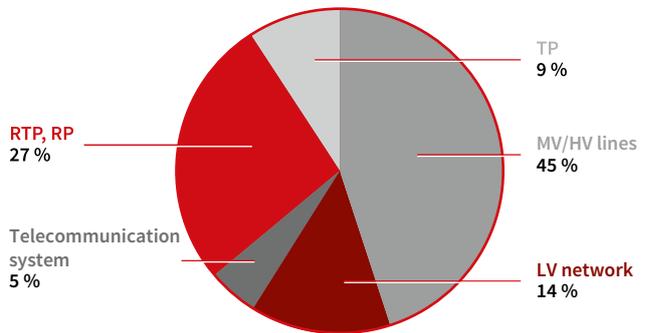
Movement of electricity infrastructure maintenance costs from year 2015 to year 2021 (in €)



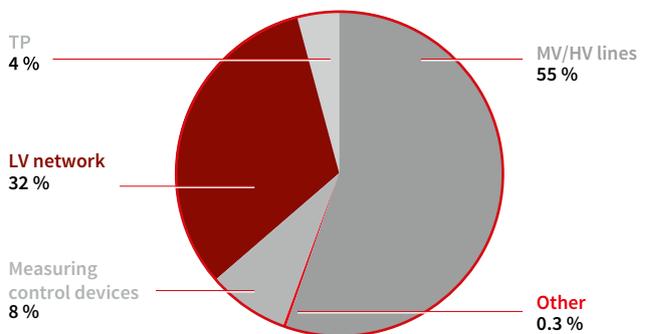
Share of total maintenance costs in 2021 by type of asset



Proportion of preventive maintenance costs by type of asset



Proportion of repair maintenance costs by type of asset



3.3.3 Investments

In year 2021, Elektro Gorenjska Group invested 17.4 million €, while Elektro Gorenjska Company invested 16.1 million €.

Major investments

In 2021, investments in high-voltage network amounted to somewhat more than 4.13 million €.

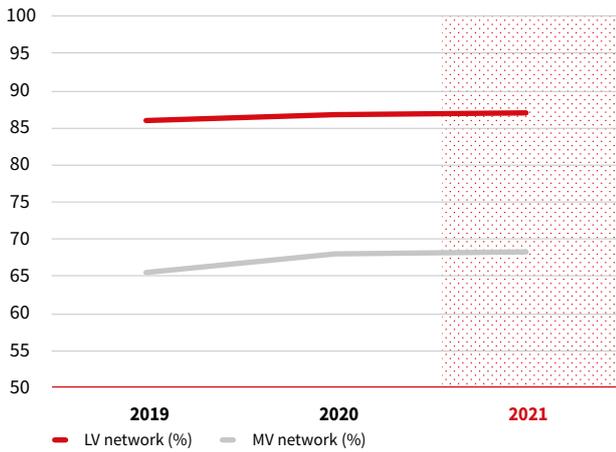
- › **2 x 110 kV transmission line (hereinafter: DV) Kamnik–Visoko:** in 2019 we started with the procedures for obtaining a building permit (obtaining consents, preparing studies, easements) and in 2021 we also obtained it.
- › **110 kV cc for RTP Škofja Loka:** for the needs of the new 110 kV cable connection in exchange for the DV connection, in 2021 we installed new end poles in the existing power supply line, through which we will perform the cable connection of the new RTP Škofja Loka in 2022.
- › **RTP 110 /20 kV Labore:** due to technological obsolescence and reduced reliability of secondary RTP equipment, it was necessary to replace the entire obsolete control system and, in part, the protection and self-use devices. Tender in the amount 1.4 million € was carried out, and the contract was implemented for two years. In 2021, we completed the project with an investment of 658,020 €.
- › **RTP 110/20 kV Škofja Loka:** in 2021, after obtaining a building permit (in 2020), we started with the reconstruction of the 110 kV switchyard in the GIS version, with the expansion of the MV switchyard and the construction of a new KN Škofja Loka. Construction took place in accordance with the planned schedule, so that the construction part of the switchyard and KN is in the final phase, and the 110 kV GIS has been taken over and is ready for installation. In 2022, installation, arrangement of secondary 110 kV equipment and 110 kV cable connection to the transmission line will follow. Value of the investment in 2021 amounted to 2,534,281 €.
- › **RP Naklo 20 kV:** in 2021, we carried out the second part of the construction phase and the exterior arrangement of the distribution station and put it into operation. Investment began in 2018 when a new cabinet for own use was installed and connected. Construction renovation of the entire facility began in 2019, including mechanical and electrical installations. New 20-cable connection to RTP Zlato polje was made. In 2020, supply and installation of new 20 kV cells was carried out.

Value of investments in MV and LV network in year 2021 amounted to 9.2 million €.

- › In 2021, we carried out expansion and renovations of the MV network, especially the rehabilitation of critical parts of the network or to ensure better network robustness. In 2021, a large share of financial resources was allocated for the construction of a new cable network and the associated cable sewerage system, which we built together with other municipal waterworks as part of joint constructions in individual municipalities. We have implemented two major cable connections, which replace the old worn-out connecting transmission lines. First is the **20 kV cable connection TP Golnik–TP Gozd** and other **20kV cc TP Črpališče Krvavec–TP Kabinska žičnica**. Intensive cabling also took place in the areas of the following municipalities **Bled, Medvode, Radovljica, Bohinj, Škofja Loka, Tržiča and Kranj**. This eliminated some of the most critical points on the 20 kV network, where wind and ice outages were frequent. **In 2021, we laid 22 km of MV cable lines and rebuilt 14 transformer stations (hereinafter: TP).**
- › In addition to additionally approved and reallocated funds from other planned items, we also increased sales at low voltage facilities, especially in the field of LV network cabling for reinforcements and elimination of bad voltage conditions, as well as expansion for new connections. In the field of LV network, we also participated in joint constructions with municipalities, especially in the construction of cable sewers for the needs of renovation and strengthening of networks. **In 2021, we thus laid 55 km of LV cable lines.**
- › In 2021, the trend of growth in the number of new connections and increase in the connected load of users (customers and production facilities) continued, which affected the greater scope of expansion and strengthening of parts of the LV network. Funds were also used for the processing of measuring points in accordance with the typification within the AMI project, with which we are simultaneously arranging measuring points in individual facilities, in accordance with the accepted typification.

Result of constant and targeted investments is also reflected, among other things, in increasing the share of the network in the cable design. At the end of 2021, 68.1 % of the entire MV network and 87.0 % of the entire LV network were in the cable version. Compared to the end of 2020, the share of HV and MV network in cable implementation increased by 0.6 percentage points, and the share of LV network by 0.3 percentage points.

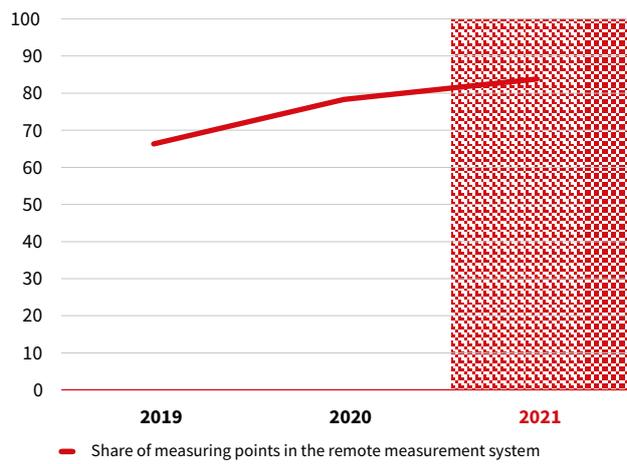
Share of the network in the cable design from year 2019 to year 2021



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

- › measuring devices (AMI project – 4,708 meters installed in year 2021),
- › business and technical equipment,
- › implementation of BI (business analytics),
- › complete renovation of HE Standard,
- › renovation and reconstruction of business facilities (KN Radovljica).

Share of measuring points in the remote measurement system in years 2019 to 2021



Each year Elektro Gorenjska Company increases the share of measuring points (MM) in the remote measurement system. Share at the end of year 2021 was 84.1 %, while growth of the share compared to year 2020 amounted to 5.7 percentage points.

3.3.4 Development projects

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

Major development projects in 2021

Project name	Brief description and type of project	Duration	Activities in 2021	Total value	EG participation
OneNet - One Network for Europe	Establishing a pan-European platform for flexibility trading Type of project: EU project, project qualified by AGEN	1. 10. 2020-30. 9. 2023	3 locations were selected in the demonstration area to implement flexibility. EG covers the areas of TP Srakovlje, where storage tanks will be installed. Demo sites have also been established in Celje (TP Železno) and on the territory of Ljubljana (TP Gradišče).	27,900,419 €	83,213 €
Creators - Creating Community Energy Systems	Establishing energy communities, including the location in Jesenice. Entire Elektro Gorenjska Group is participating in the project. Type of project: EU project	1. 9. 2020-31. 10. 2023	Project activities take place in four demonstration allocations, of which Slovenian partners are focused on the area of company Acroni in Jesenice. At this location, we analyzed the impact of industrial pollution on the production of electricity from solar panels. We prepared an assessment of the hydrological potential for the construction of a new hydroelectric power plant next tot the steel plant. We are developing a business model of self-sufficient energy communities.	7,247,500 €	111,563 €
DN-FLEX - Local-flexibility market platforms for distribution networks	Develop a platform for local flexibility trading, which connects the distribution network operator, aggregators and active customers. Type of project: ARRS project	1. 10. 2021-30. 9. 2024	Coordinaton of implementation plans on the project took place while determining the final goal of the project and the way to achieve it. We have also determined a suitable demonstration area where active users will participate (TP Srakovlje).	300,000 €	30,000 €
TRAFOFLEX (holder SODO) – Advanced concept of efficient use of transformers using DTR technology	To Investigate and demonstrate the possibility of short-term overloads of distribution transformers depending on meteorological conditions with the aim of short-term increase of transformer capacity. Type of project: project qualified by AGEN	1. 8. 2021-31. 12. 2022	We selected an external contractor to model the thermal state of TPs and develop a DTR algorithm. Statistics of TP types in Gorenjska region were compiled, an inventory of transformer types was made, and locations for demonstrations were selected.	542,450 €	120,056 €

*table continues on the next page

Project name	Brief description and type of project	Duration	Activities in 2021	Total value	EG participation
EASY-RES - Enable Ancillary Services by Renewable Energy Sources	Development of an advanced inverter that provides distribution systems with additional ancillary services. Type of project: EU project, project qualified by AGEN	1. 3. 2018-31. 12. 2021	In the project, we prepared an operating concept for the regulation of voltage and frequencies in networks with a high share of RVE. We developed functionalities for optimal control of RVE and storage tanks, define security coordination, the necessary ICT infrastructure and developed a new business model for the implementation of ancillary services.	4,562,358 €	179,250 €
Data Mill - Use of Machine Learning methods for identification of typical users, forecasting of network conditions and pre-processing of data in the company Elektro Gorenjska.	Analysis of data from smart meters, transformer stations and RTP outlets using machine learning methods to detect heat pumps, in-house chargers for electric vehicles, user profiling, development of algorithms for forecasting consumption etc., in order to optimize the design and operation of the electricity distribution network. Type of project: project qualified by AGEN	1. 10. 2020-21. 12. 2021	We have developed an algorithm that returns data that can graphically illustrate users' energy consumption habits. These habits can be grouped together to determine what type of users are involved. Presentation of results was made in early November.	130,000 €	130,000 €
Promising (holder SODO, d.o.o.) – Use of big data from smart meters in the process of distribution system planning and operating	Substantiate new simulation techniques based on large amounts of data and demonstrate the possibilities of optimization of operation and planning. Type of project: project qualified by AGEN	1. 3. 2021-31. 8. 2021	Methodology for calculating power flows in the LV network using meter data was developed and a comparison of the calculation of the network connection capacity with existing methods was performed. Methodology was demonstrated in the calculation of the connection of a new feed and production by taking into account time series on real data, and it was shown that this way better accuracy in the calculations is achieved.	65,000 €	20,000 €



3.4. Market services

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

Maintenance and construction of power facilities and devices for final customers

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

Comprehensive design solutions

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 main files and urban studies of energy facilities.

Energy renovations

In accordance with the strategy, Gorenjske elektrarne participate in energy rehabilitation projects. These are implemented in the form of contractual provision of energy savings and within the framework of energy rehabilitation projects. Contractual provision of energy savings represents a contractual obligation to exploit the available economic potentials for energy savings, including the financing of the necessary energy efficiency measures. As a contractor, we assume all costs of planning, financing and implementing energy efficiency measures, and the investments are reimbursed in the form of a share in the achieved reduction of energy costs resulting from the implemented energy efficiency measures. Company Gorenjske elektrarne has successfully implemented several such projects, namely in the field of replacement of lighting, compressed air compressors and in the field of optimization of metering points. As part of the energy rehabilitation of buildings, the first phase of rehabilitation of buildings owned by the Municipality of Kranj was completed in 2019, namely 22 buildings. In 2020, the energy rehabilitation project at Zlato polje was completed, which included a comprehensive energy renovation of school buildings at Zlato polje in Kranj. We also plan to actively participate in such projects in the coming years, especially in our key area of Gorenjska region.

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

Charging stations for electric vehicles

At the end of 2021, we owned twelve e-charging stations for fast charging of electric vehicles in Gorenjska region. For the purposes of research activities, we are also involved in the E-moticon Europe project, which is also supported by BSC Kranj. In recent years, we have set up some new electric charging stations, especially for the market, and at the same time, more and more municipalities in Gorenjska have entrusted us with the management and maintenance of e-charging stations. We connected all e-charging stations to the rear office of Elektro Ljubljana under the slogan »GREMO NA ELEKTRIKO«. 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.



Other services

We also provide services in the field of telecommunications and control and verification of electricity meters. We offer voltage quality measurements according to 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 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.



3.5. Financial management

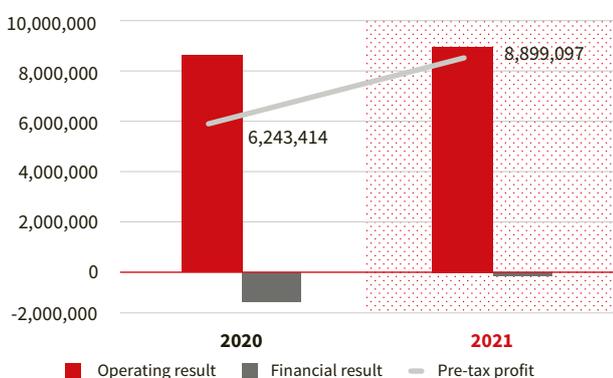
Important business indicators

				
	2020	2021	2020	2021
Business Indicators				
Net financial debt/ EBITDA	2.8	2.4	2.3	2.1
Current ratio (in %)	1.0	0.8	1.3	1.1
Value added (in 000 €)	30,191	32,229	34,516	35,870
Share of labour costs in value added (in %)	42.2	39.0	41.1	38.9
EBITDA (in 000 €)	17,440	19,656	20,342	21,916
ROA (in %)	2.5	3.4	2.2	3.2
ROE (in %)	3.7	4.9	3.2	4.6
Operating revenues per employee (in 000 €)	135,341	145,615	139,338	146,933
Value added per employee (in 000 €)	106,307	115,205	110,126	116,365
Profit and loss statement (in 000 €)				
Operating revenues	38,437	40,736	43,671	45,292
Operating expenses	32,275	32,690	36,743	36,275
EBIT	6,162	8,046	7,433	9,017
Cash flow statement	595	1,047	-1,190	-118
Net profit for the financial year	6,032	8,174	5,349	7,898
Statement of financial position (in 000 €)				
Assets	239,403	245,663	245,367	252,115
- long-term assets	226,132	232,906	226,105	233,245
- short-term assets	12,607	12,399	19,262	18,870
Capital	163,211	169,473	168,643	174,625
Debts	76,192	76,190	76,724	77,490

Elektro Gorenjska Group income and expenditure account analysis

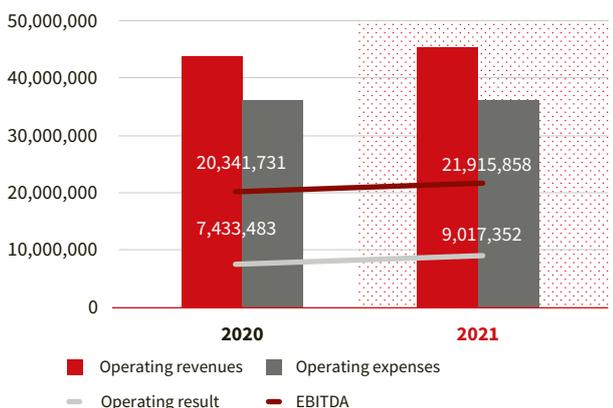
In year 2021, Elektro Gorenjska Group achieved a pre-tax profit in the amount of **8,899,097 €**.

Composition of profit or loss (in €)



As can be seen from the picture above, profit before tax is mainly affected by the operating profit, above all the distribution activities, which Elektro Gorenjska Company implements under the Contract with SODO and electricity production.

Operating profit or loss (in €) in years 2021 and 2020

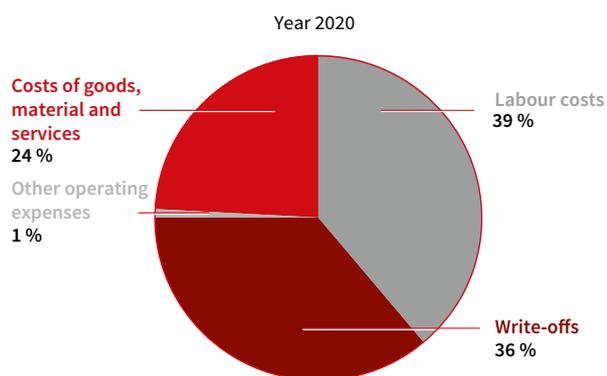
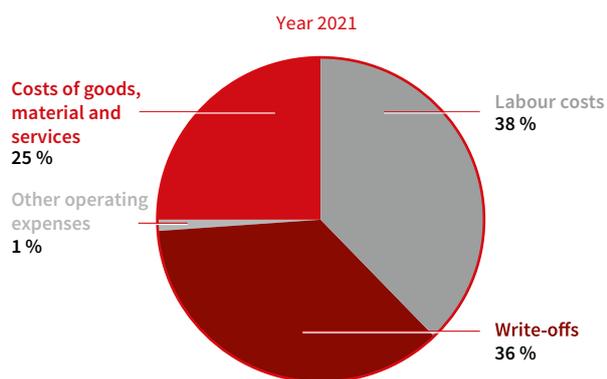


Operating profit (EBIT) in 2021 amounted to **9,017 thousand €**. Compared to 2020, it was higher by 1,584 thousand €, mainly due to higher operating revenues. **EBITDA**, as an approximation of cash flow, amounted to **21,916 thousand €**, which is by 1,574 thousand € more than in 2021.

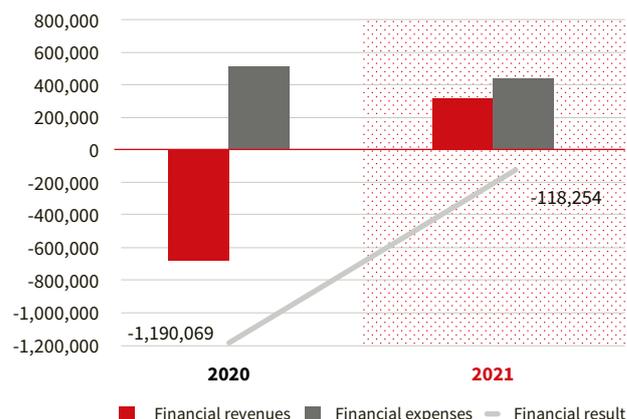
In 2021, Elektro Gorenjska Group generated 45,292 thousand € in operating revenues. Net sales revenues amounted to 39,766 thousand € and were by 7.1 % higher than in 2020. Main part of net sales revenues is represented by revenues from the lease of electricity distribution infrastructure and services provided to SODO. In 2021, these revenues amounted to 32,984 thousand € and were by 10 % higher than in 2020, which is because the return on assets in 2020 was reduced from 5.26 % to 4.13 %. Revenues from capitalized own products and services amounted to 4,369 thousand €, which is 14.1 % less than in 2020. Other operating revenues amounted to 1,157 thousand €, which is by 21.3 % less than in 2020. Main reason for lower other operating revenues is lower government support for the covid-19 epidemic.

In 2021, operating expenses amounted to 36,275 thousand €, which is similar to 2020. Largest share of operating expenses represents labour costs, which in 2021 amounted to 13,954 thousand €. Compared to the previous year, they are lower by 1.6 %, which is mainly the result of lower other labour costs. Costs of goods, materials and services amounted to 8,942 thousand € and were by 3 % higher than in 2020. Costs were higher due to higher costs of research and maintenance services. In 2021, write-offs amounted to 12,899 thousand €, which is similar to 2020. Among them, depreciation costs on account of new investments were higher and revaluation operating expenses were lower. Other operating expenses amounted to 481 thousand €. Largest share among them is the cost of provisions related to the denationalisation of HE Sava.

Structure of operating expenses



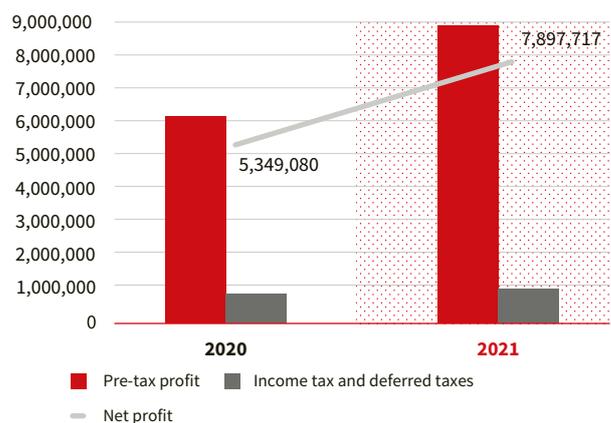
Financial result in years 2021 and 2020 (in €)



Financial result in year 2021 was negative and it amounted to 118 thousand €.

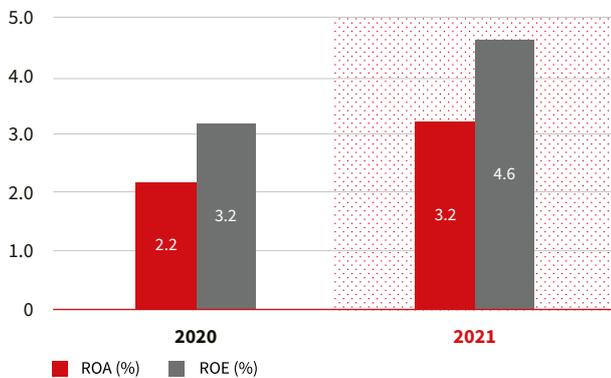
Negative result was mainly influenced by interest for loans received from banks for financing investment. Negative result in 2020 was mainly influenced by interest for loans received from banks for financing investment and impairment of an investment in the associate.

Net profit in years 2021 and 2020 (in €)



In 2021, the Group realized a net profit of 7,798 thousand €, which is by 2,549 thousand € more than in year 2020, when the company operated with a net profit of 5,349 thousand €. Net profit is higher than in 2020, mainly due to higher revenues under the contract with SODO. In 2020, the return on assets was reduced from 5.26 % to 4.13 % on the basis of the Act Determining the Intervention Measures to Contain the covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy. Group's poorer performance in 2020 was also affected by the impairment of its financial investment in ECE.

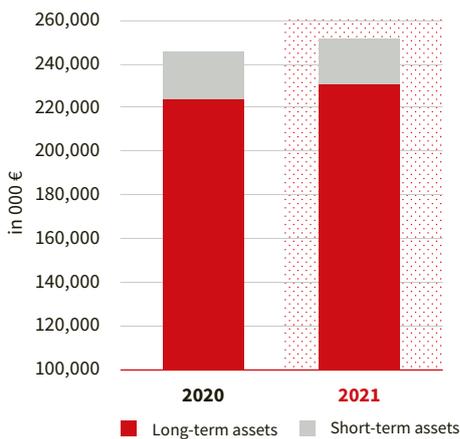
Values of indicators **ROA** and **ROE** are higher in 2021 compared with 2020. As of December 31 2021 the value of indicator ROA amounted to 3.2 %, and indicator ROE to 4.6 %. Values of the indicators is relatively low, but in regards of the industry, and regulation, in which the Group operates, they are above average. It is a fact that the values of the indicator ROA adversely affect constant investments. At the same time it must be emphasized that only with constant investments we are able to pursue one of the tasks of the Group's mission namely to provide quality and reliable electricity distribution.



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

On the last day of year 2021, the **value of assets** of Elektro Gorenjska Group amounted to **252,115 thousand €** (December 31 2020: 245,367 thousand €) and have increased by 2.8 % from the beginning of the year. Long-term assets increased by 3.2 % in year 2021, while short-term assets decreased by 2.0 %. Ratio between the equity and debt capital at the end of 2021 amounted to 2:1, which is the same as at December 31 2020.

Structure of assets as of December 31 2021 and December 31 2020



Long-term assets represent 92.5 % of all Group's assets. Among them tangible fixed assets, representing 95.8 % of all long-term assets, are the most important. Value of tangible fixed assets increased by 4.6 million € as investments in 2021 exceeded the value of depreciation.

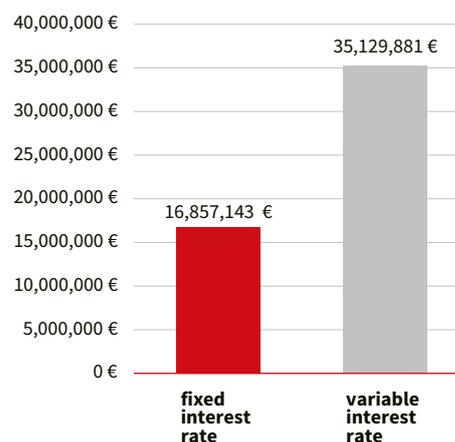
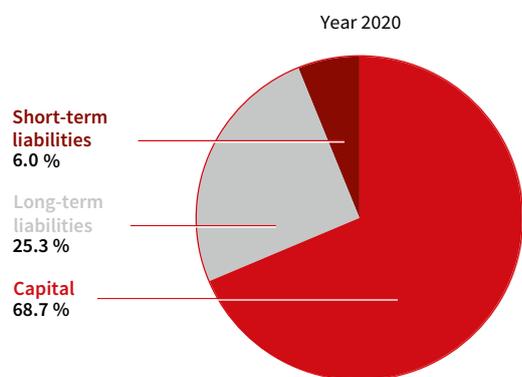
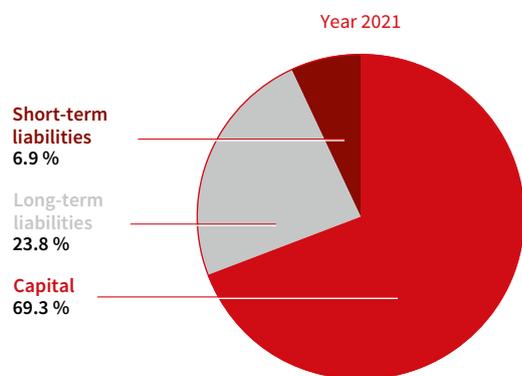
Short-term assets represent 7.5 % of all Group's assets. Compared to the end of 2020 they have increased by 392 thousand €, namely due to the sale of part of the long-term financial investment in an associate.

Within liabilities, capital presents 69.3 %. In 2021, the value of capital increased by 3.5 % or 6 million €. Change in the value of capital is mainly influenced by the net profit generated in the period under review.

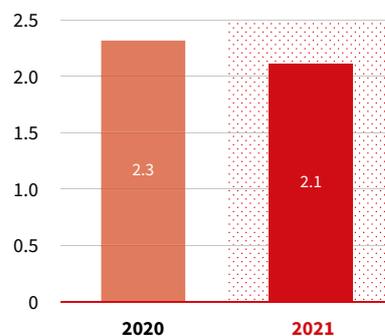
Long-term liabilities, the vast majority of which are long-term financial liabilities to banks, as at December 31 2021 accounted for 23.8 % of all funds. In 2021, they decreased by 3.4 % or 2.1 million €, because more principal of existing loans was repaid than the amount of a new loan. As at December 31 2021, the Group has 32 % of long-term loans with a fixed interest rate.

Short-term liabilities accounted for 6.9 % of all funds at the end of 2021. Compared to their balance on the last day of 2020, they increased by 19.5 % or 2.9 million € mainly due to the increase in short-term liabilities to suppliers and short-term financial liabilities to banks.

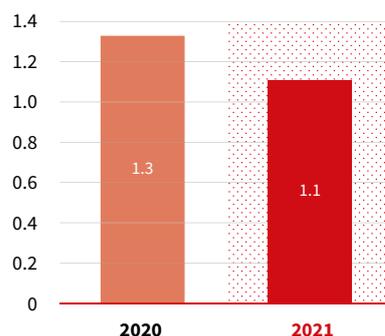
Structure of funds as of December 31 2021 and December 31 2020



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 2021, this amounted to 2.1, which is by 0.2 percentage point less than at the end of 2020. 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 2021, it amounted to 1.1, which is 0.2 percentage point less than on the last day of 2020. Recommended value of the current ratio is equal to 1.





3.6 Care for employees

Responsibility and diligence, determination and professionalism, entrepreneurial innovation, knowledge and cooperation, quality and trust, as well as kindness and openness are the values of the Elektro Gorenjska Group in the principles of daily operation and employment of new employees.

Carefully planned recruitment policy, striving for continuous development and education of employees, effective reward system, and monitoring the commitment and employee satisfaction, are the main guidelines of the personnel management in the group Elektro Gorenjska. Our employees are our strategic advantage, so colleagues are stimulated to follow the business strategy and to be innovative in searching for new opportunities and discovering new ways. We respect equality, open information and cooperation. We place great emphasis on interpersonal communication.

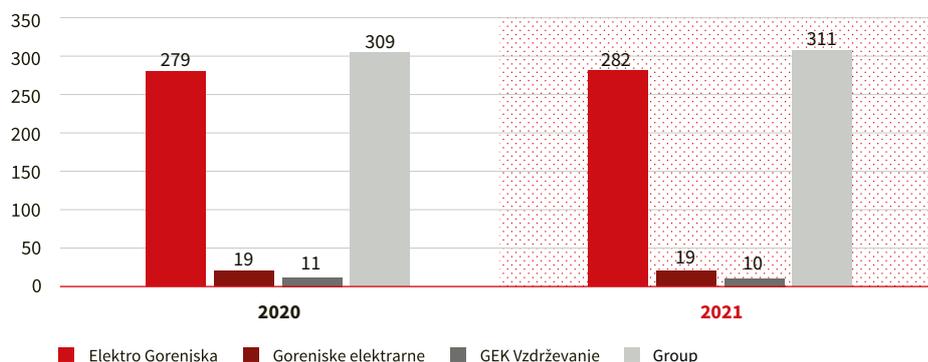
Key indicators for Elektro Gorenjska Group

Data on employees in Elektro Gorenjska Group	2019	2020	2021
Number of employees 31. 12.	315	309	311
Average number of employees	313	313	308
Average age	45.4	45.6	45.5
Average period of employment	23.4	23.6	23.2
Share of employees, who were trained/educated	76.40 %	86.90 %	89.94 %
Percentage of committed employees	31 %	27 %	31 %
Number of disabled employees	8	8	8
Average level of education	6.22	6.28	6.29
Share of days lost due to sick leave (per employee)	5.27	3.87	3.51

Demographic structure in the Group

On December 31 2021, Elektro Gorenjska Group had 311 employees. Compared to the situation as at December 31 2020, number of employees in the Group increased by two workers. On December 31 2021, the Group had 7.40 % of employees employed with fixed-term employment, which is by three percent more than at the end of year 2020.

Changes in the number of employees in the period from 2020 to 2021



At the end of 2021 there were 79.10 % of men and 20.90 % of women employed in the Group. Percentage is entirely comparable with the previous years and closely connected with the primary activity of all three companies. Average age of employees in the Group has been increasing in the past years, but in 2021, the trend has reversed, and the average age thus amounted to 45.5 years at the end of the year, which is by 0.1 year less than in the previous year. Analysis of groups of employees according to age shows that in year 2021 there were the most employees in the age group between 46 and 55 years, namely 34 % of all employees in the Group.

Employment

Human resources planning is a constituent part of strategic and annual business plan. We seek to gain ambitious and professional new workers. In the process of selection and choice of employees, we provide equal opportunities to all candidates, regardless of gender or other circumstances.

Fluctuation of personnel in the Group is small. Fluctuation mainly emerges due to departure of workers for retirement and to lower extent due to fixed-term employments. In 2021, compared to previous years, a similar level of fluctuation is observed.

On December 31 2021 there were eight disabled persons employed in the Group, which is the same as in the previous year. In accordance with the statutory quota of employing disabled persons, which amounts to 6 % for electricity supply activity, Elektro Gorenjska Company would have to employ 17 disabled persons monthly. In year 2021 by concluding contracts and ordering services from social enterprises, we made use of the possibility of claiming the replacement quota fulfilment for a total of 42 disabled persons.

Fluctuation rate in Elektro Gorenjska Group

	2020	2021
Elektro Gorenjska	4.48 %	4.73 %
Gorenjske elektrarne	5.00 %	5.00 %
GEK Vzdrževanje	26.67 %	9.09 %
Group	5.54 %	4.89 %

Education and educational structure of employees

Much attention is given to the appropriate staff education. Employees receive various forms of education and vocational training, with a large proportion of them being in the field of health and safety at work. Due to epidemiological situation in year 2021 we introduced e-learning, in addition, several employees attended various webinars and other digital forms of education and training. In year 2021 we continued with trainings for the Heads in the field of managing the soft skills, more than half of all employees have been included in the Transformator Academy – monthly one hour long workshops, where simple, not demanding content was addressed to help cope with everyday challenges. Average number of training hours per employee in 2021 was 19.07.

Educational structure of employees in Elektro Gorenjska Group as at December 31 2021

Level of education 31. 12. 2021	Elektro Gorenjska		Gorenjske elektrarne		GEK Vzdrževanje		Group	
	Number	Structure (%)	Number	Structure (%)	Number	Structure (%)	Number	Structure (%)
doctoral level (8/2)	4	1.42	0	0.00	0	0.00	4	1.29
master's degree (8/1)	15	5.32	2	10.53	0	0.00	17	5.47
2. Bologna level (7)	58	20.57	8	42.11	1	10.00	67	21.54
1. Bologna level (6/2)	45	15.96	1	5.26	1	10.00	47	15.11
higher level (6/1)	54	19.15	2	10.53	2	20.00	58	18.65
secondary level (5)	68	24.11	5	26.32	4	40.00	77	24.76
three-year vocational level (4)	38	13.48	1	5.26	2	20.00	41	13.18
two-year vocational level (3)	0	0.00	0	0.00	0	0.00	0	0.00
primary school (1)	0	0.00	0	0.00	0	0.00	0	0.00
Total employees	282	100.00	19	100.00	10	100.00	311	100.00

Average level of education in Elektro Gorenjska Group as at December 31 2021 amounted to 6.29 - with level 6 representing high-school education.

Employee motivation and remuneration

Important form of employee remuneration are various benefits we offer employees. 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. In accordance with the reorganization of the organizational structure, we enabled all ambitious employees to participate in the measurement of managerial skills. Those that best fit the job profiles of managers have been assigned to more demanding positions.

With the reorganization, we also renewed the systematization and set up a new system of annual interviews and determining the work performance of employees. 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 2021, we conducted annual interviews with 91.2 % of employees.

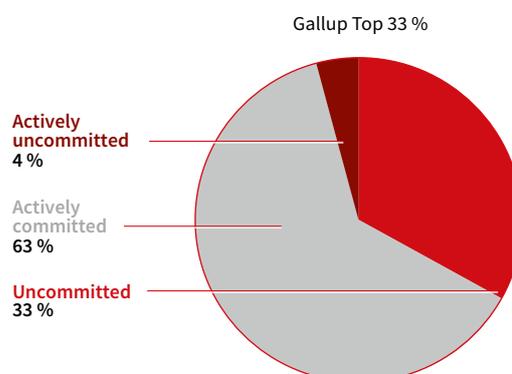
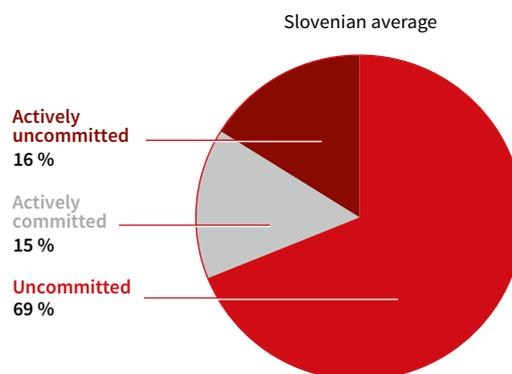
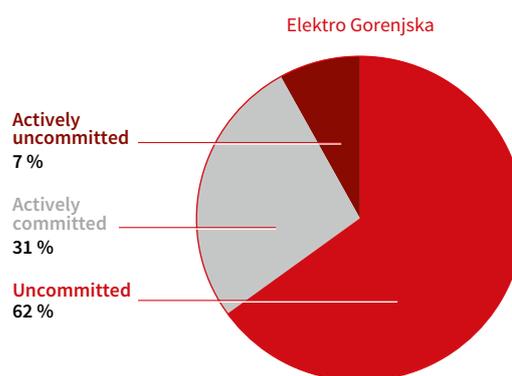
Organizational culture and employee commitment

In accordance with the Strategy of the Elektro Gorenjska Group for the period 2018-2022 in year 2021 we paid special attention to the strategic project Organizational culture and the commitment of employees, whose goal is to create a constructive organizational culture among the employees. During the last iteration of the business strategy, we transformed the strategic project into a new strategic project Employees- Reputation Ambassadors of the Elektro Gorenjska Group (Brand and experience of the employer). Through the agreed activities, we will develop soft leadership skills and improve the trust of employees in the organization, while attracting new promising professionals.

Feedback on comprehension of a working environment and relations in the company is received from employees by anonymous survey every three years.

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

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



Absence of employees for using sick leave

Absenteeism or longer absence from the workplace for the purpose of using sick leave is monitored annually. In 2021, the share of all absences due to sick leave is comparable with the previous year. Non-refunded absences increased by 16 %, while refunded absences decreased by 21 % compared to the year 2020. Average number of days of absence amounted to 8 days.

In Gorenjske elektrarne, non-refunded sick leave doubled and refunded sick leave tripled, while average number of sick days was 5 days.

In GEK Vzdrževanje, absences from work due to the use of sick leave decreased sharply compared to the previous year. Non-refunded absences remained at the same level as in 2020, while refunded absences decreased by 85 %. Average number of sick days was 11 days

Communication with employees

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

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

To communicate with employees we use different communication tools:

- › intranet portal Središče, which contains all the applications that employees need to carry out work processes and perform work efficiently;
- › electronic mailing;
- › traditional bulletin board, intended primarily for those employees who due to the nature of their work do not access their computers regularly;
- › digital meetings in small groups;
- › monthly e-newsletter – the E-monthly with all the information about what is happening in the company;
- › quarterly printed newsletter, in which we present in more detail other contents interesting for employees – from the operation of projects to other activities carried out by individual services, it is also intended for our retired colleagues;
- › newsletter Naš stik, published by Elektro Slovenija, which is intended for broader topics in the energy industry.

Workplace health promotion

In 2021, the Group for the Promotion of Health at Work took care of maintaining health, well-being, and mental and physical balance. With the help of ten measures for the promotion of health at workplace, the group encourages employees to actively participate in activities for the protection and promotion of health, acquaints them with content in the field of mental health, and enables them preventive examinations and vaccinations. Implementation and success of selected measures in the field of workplace health promotion are annually audited at the meetings of the health promotion group, which meets in person or virtually according to the current content. Health promotion group reports to the management on the activities and implemented measures, and success of the measures is checked by conducting a survey among employees. Program for planning and implementing workplace health promotion is annually revised and adjusted to financial capabilities and current conditions.

Health and safety at work

In the Elektro Gorenjska Group, we take care of maintaining and improving the health of employees and a safe and stimulating work environment. This also makes our employees more productive and creative, less likely to get sick and less likely to go on sick leave, and to remain loyal to their organization. By implementing the program of safety and health at work, we also find it easier to hire quality staff and build our reputation.

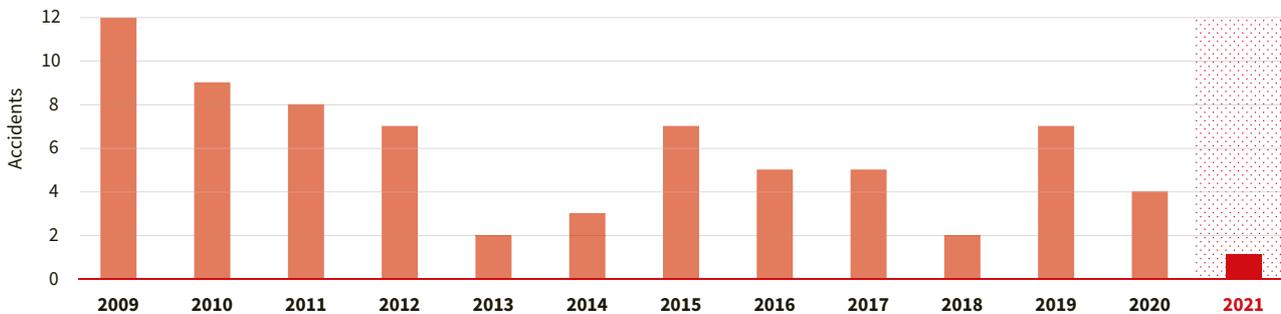
We take care of safety and health at work on several levels

- › Department for Safety and Health at Work is in charge of ensuring safe and healthy work, which is defined by the Health and Safety at Work Act.
- › In 2021, we still faced an epidemic of covid-19 disease. Crisis management team is still active in the company managing the epidemic. We also prepared a risk assessment, from which most of the measures for the safe work of employees and especially field workers were based.
- › In 2021, we prepared a Safety Statement with a risk assessment for the entire Elektro Gorenjska Group. Risk assessment covers all jobs in the Group. High-risk jobs for safety and health at work were also identified and various measures related to the safe and healthy implementation of work were envisaged for them.
- › Council for the Management of Health and Safety at Work operates within the framework of the ISO 45001 standard. Operation of the Council represents an upgrade of safety and health at work, which is determined by the law. In 2021, the members of the Council addressed the issue of COVID-19 disease, injuries at work and dangerous events, took the necessary measures, monitored legislation in the field of safe and healthy work and fire safety. They performed an internal assessment of ISO 45001 and participated in its external audit. They successfully implemented all the recommendations of the internal and external audit and warned employees about safe and healthy work. Special care was given to external contractors and visitors. In 2021, we also performed an audit of risk assessment for those groups that we endanger with our work process or they endanger us. For each of these groups, we prepared a risk assessment and determined measures to reduce the risk to safety and health at work. These measures include, but are not limited to, documents for the safe performance of voltage-free work, written agreements, safety plans, instructions for safe work, etc.
- › In order to ensure safe and healthy work within the Works Council, there is also a Safety Work Committee. Committee addresses the issue of safe and healthy work at the initiative of workers, which can be written or oral. In 2021, the Committee addressed the issue of safe and healthy work, which relates to the replacement of fuses in various situations.

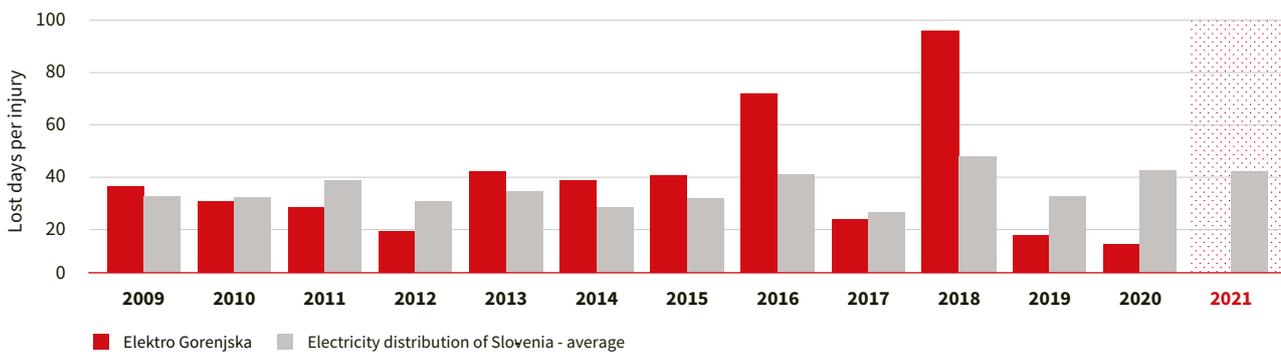
Accidents at work

In 2021, one injury at work occurred in Elektro Gorenjska, which was of lighter nature, and one dangerous event which, in the future, we will try to prevent with the help of the four measures we have identified together with the participation of employees. No additional measures are required to prevent injuries at work and dangerous events. Quality indicator Frequency of injuries, which tells us what percentage of workers were injured, was 0.35 percent. Quality indicator, which tells us how many working days we lost per injury, was 0 days, which is the best result so far.

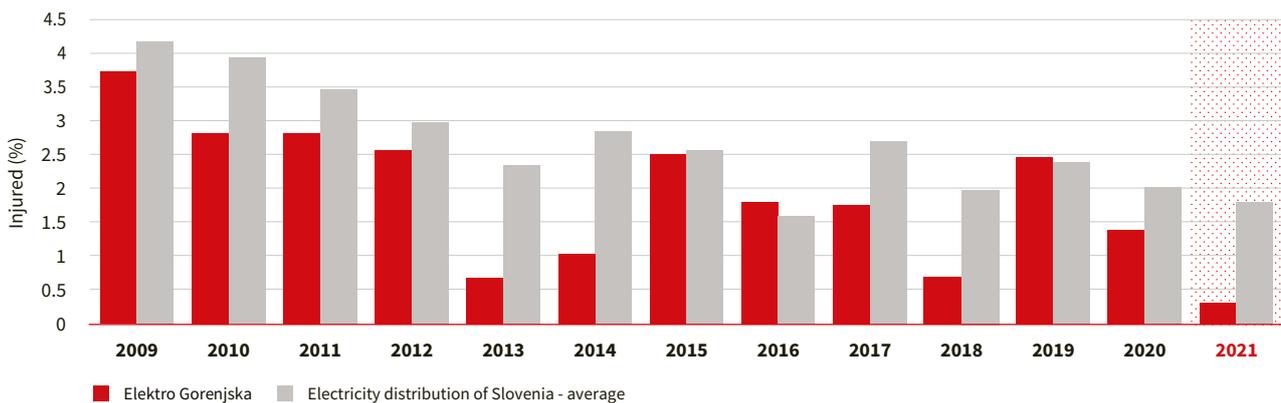
Number of injuries at work



Severity of injuries



Frequency of injuries





3.7 Care for the environment

Environmental policy for the implementation of the European Energy Package and the National Energy and Climate Plan

European Climate Package, which also applies to Slovenia, requires the introduction of new activities on the way to a low-carbon society and requires from Elektro Gorenjska Group to make changes in various areas.

Slovenia supports the ambitious goals of the European Union in the field of climate and its transition to a just and prosperous society with a modern, competitive economy based on efficient use of resources and no net greenhouse gas emissions by 2050. Climate Policy Act thus establishes the mechanisms through which the climate policy will be implemented in all sectors to achieve the following objectives:

- › achieve carbon neutrality by 2050;
- › immediate access of all sectors to take measures to limit and reduce climate change and adapt to it;
- › raise awareness that climate change is happening and affecting the population;
- › achieve climate security of the population;
- › increase society's adaptability to climate change;
- › increase the removal of greenhouse gases;
- › stimulate research and other activities that can remove greenhouse gases from the atmosphere or limit their emissions.

In the National Energy and Climate Plan (NEPN) Slovenia has committed itself to meeting the following energy and climate goals for the period up to 2030 (with a view to 2040):

- › decarbonisation (greenhouse gas emissions and RES),
- › energy efficiency,
- › energy security,
- › internal market,
- › research, innovation, and competitiveness.

3.7.1 Environmental policy of Elektro Gorenjska Group

In accordance with the adopted National Energy and Climate Plan of the Republic of Slovenia, the Elektro Gorenjska Group has also adopted an appropriate strategy, which puts sustainable energy and an appropriate environmental policy into the foreground.

Reliable and high-quality operation of electricity system is associated with investments in a robust infrastructure that will be resistant to the changed habits of the end users, who are turning from consumers to producers, as well as to climate change. With the implementation of the Development Plan of the distribution system, we will enable the connection of new users in accordance with the guidelines of the green transition or NEPN (power plants, charging stations for electric vehicles, heat pumps, electricity storage ...).

Taking into account environmental aspects and in accordance with the applicable legislation of the company, the Elektro Gorenjska Group is building a cable network and energy facilities that fully comply with the environmental standards and guidelines on the way to a low-carbon society. We also use the latest technology in terms of both environmental safety and minimal risks of environmental accidents.

Environmental policy in Elektro Gorenjska Group defines care for environmental protection with the aim of managing negative environmental impacts and comprehensively reducing the impacts of electricity activities on the climate change and related environmental impacts. Environmental management system is adapted to the requirements of the international standard ISO 14001 and is an integral part of the development

plan of the company Elektro Gorenjska.

Main orientation in the field of environmental protection in the Group companies are in line with ISO recommendation, and are reflected in measurable results, which are monitored by environmental indicators.

In dealing with the environment, we are committed to the following fundamental goals:

- › we prevent accidents in locations where energy facilities and works are located as much as possible, and we reduce the possibilities for their occurrence;
- › all warehouses, locations and energy facilities are constantly updated in accordance with current and anticipated ecological standards and guidelines;
- › we strive to reduce CO₂ and greenhouse gas emissions;
- › we control individual environmental impacts with measurements in the field of noise, electromagnetic radiation and light pollution;
- › we use natural energy sources and raw materials economically;
- › we collect and recycle waste separately, thus reducing the amount of remaining waste disposed of and
- › we take care of continuous environmental education and training of employees.

All employees are responsible for consistent compliance with the requirements, and the Environmental Management Council and the company's management guarantee their actual implementation and the achievement of the basic environmental goals of the company and the community in which we operate.

3.7.2 **Disclosure of essential information on actual and potential effects on the environment**

We measure and manage environmental aspects with indicators that reflect the environmental footprint of our own activities (energy facilities, warehouses, office buildings, etc.). Employees from various fields are involved in assessing environmental aspects. In accordance with the ISO 14001 management system, an Environmental Management Council operates in Elektro Gorenjska Company. It is chaired by the president of the council, who together with the council members comprehensively implement environmental policies and its aspects in practice. Council meets periodically, adopts, monitors and upgrades adopted programs and activities in the field of environmental management, which comply with the applicable law. In Gorenjske elektrarne environmental aspects are monitored in accordance with the activity and management system.



Waste management

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

Waste by type in years 2020 and 2021

Type of waste	Occurrence	2020	2021
Useful waste (revenues in €)	construction site/ at investments	27,222	33,136
Non-useful waste (cost of disposal in €)	construction site/ at investments	10,555	13,972
Municipal waste (cost of disposal in €)	business premises	7,093	8,135
Electronic waste (toners and cartridges in kg)	business premises	112	70



Air

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 changing the vehicle fleet, we choose only vehicles with low CO₂ emissions.

Fuel consumption of company vehicles in Elektro Gorenjska Group years 2020 and 2021

Type of waste	Occurrence	2020	2021
fuel in litres (petrol and oil)	company vehicles	162,593	169,655



Greenhouse gas management

Fluorinated greenhouse gas SF₆, which is located in hermetically sealed parts of high-voltage energy switchyard, 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.

Total amount of SF₆ gas in energy devices and energy loss in distribution in years 2020 and 2021

Type of waste	Occurrence	2020	2021
Gas SF ₆ (kg)	Insulation of energy facilities (RTP, RP, TP)	5,500	5,600
Energy loss in distribution (kwh)		44,658,220	43,707,672



Noise

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

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



Electromagnetic radiation

We regularly monitor electromagnetic radiation in more demanding facilities. Electromagnetic radiation generated by transformers in medium and low voltage transformer stations (MV/LV) does not exceed the permissible limits defined by existing regulations. Based on previous measurements, we find that no excessive values occur anywhere outside the protected areas of electric power devices, so no additional radiation protection measures are required. Nevertheless, in accordance with the legislation, we perform periodic EMS measurements at distribution transformer stations (RTP) and raise public awareness of electromagnetic radiation. Information is published on the company's website in the section Impact on the environment.



Light pollution

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



Biodiversity

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

47.49 kilometres of the aboveground medium-voltage, electricity distribution network of Elektro Gorenjska runs through the areas of the Triglav National Park. 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) and in a way that it does not endanger the natural biotic environment



Water and energy

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

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

Consumption of energy in Elektro Gorenjska Group in years 2020 and 2021

Environmental aspect	Type	Unit	2020	2021
Water	Public water supply (m ³)	Business premises	3,190	2,867
Electricity consumption	Consumption in kWh	Business premises	469,005	478,393
Heat consumption	Consumption in kWh	Business premises	1,118,811	1,130,372



Extraordinary environmental events

Key direction and guideline of Elektro Gorenjska group companies' operation is to do everything necessary to prevent security incidents and major accidents and reduce their consequences during the planning, construction, operation, maintenance, changes in energy facilities or when the facility is closed. Implementation of these commitments requires constant coordination between sectors and harmonization of legal commitments (laws on environmental protection, water, construction of facilities, fire safety, protection against natural and other disasters), documentation and issued environmental permits. In 2020, unfortunately, there were two extraordinary environmental events, in which small quantities of oil spilled:

- › When transformer was being replaced, transformer oil leaked into the cable shaft due to damage to the transformer drain valve. Workers present remedied the consequences quickly and appropriately.
- › A small amount of cooling oil leaked during the audit of the mast transformer station. In order to minimize such environmental disasters, we approached the gradual replacement of transformers, especially in water protection areas. New transformers contain environmentally friendly coolant.

Very important safety aspect is fire safety and explosion protection. They are provided both from the point of view of legally prescribed measures as well as preventive operations and protection of people, environment and property. In accordance with the protection and rescue plans, Elektro Gorenjska organized evacuation drills for employees from office buildings, as well as training of employees who work in the field or in offices.



Production of electricity from renewable sources

Gorenjske elektrarne actively contributes to the creation of savings, reduction of CO₂ and consequently to the sustainable development of the wider society by producing clean electricity from hydroelectric power plants, solar power plants and cogeneration of heat and electricity and by increasing the implementation of energy efficiency projects.

In 2021, the total production of ecologically clean electricity from renewable sources amounted to 56, 517, 149 kWh. Total reduction of CO₂ emissions thus amounted 27,693 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.

Environmental savings in reducing CO₂ emissions and electricity production from renewable energy source in years 2020 and 2021

Electricity production	2020 (MWh)	2021 (MWh)	Environmental savings in 2021 (v t)
Hydro power plants	51,789	51,060	25,019
Solar power plants	3,613	3,544	1,737
Cogenerations	2,003	1,913	937



Water protection

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

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

Gorenjske elektrarne Company is liable to pay the Water charge (Water Act, Official Gazette RS 76/02 et seq.), which is calculated in the amount of the water potential of an individual power plant in accordance with the water permit. Cost of water charges in 2021 amounted to 14,317 € and is equal to the amount of water charges in 2020. In order to obtain and receive water consent for an individual hydroelectric power plant, hourly monitoring of water level measurements at the water reservoir must be carried out at each facility to ensure the biological minimum, which are being implemented regularly in the company.

In arranging watercourses in the area of influence of our HPPs, we also cooperate with the Fisheries research Institute of the Republic of Slovenia and regional fishing clubs. With all construction interventions in the riverbeds and canals of the power plants, we must obtain the consent of the Fisheries Institute for fish harvesting, which is carried out by the regional fishing club. In 2021, we paid 1,507 € to fishing clubs for fish harvesting. In addition, we help their activities with donations in cash, in materials and services.



Use of biodegradable oils

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



Achieving savings for final customers

In accordance with the requirements of the European Directive on Energy Efficiency, Slovenia also adopted a legal requirement to ensure energy savings for final customers (Decree on energy savings requirements, Official Gazette No. 96/14). Since 2015, we have been implementing projects that provide savings for end users, namely savings in the replacement of lighting and installation of heat pumps.

Achieved savings from 2016 to 2021

Year	Amount of energy sold to end customers in the previous year kWh	Required energy savings for end customers kWh	Achieved energy savings for end customers kWh	Environmental savings t CO ₂
2016	3,591,023	17,955	43,937	22
2017	4,555,977	22,780	0	0
2018	4,382,512	32,869	76,686	38
2019	2,330,551	17,479	0	0
2020	2,313,149	17,349	22,540	11
2021	2,254,942	16,912	0	0



Mobility services

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

In the field of e-mobility, we offer:

- › charging services at public charging stations for electric vehicles in the system »Gremo na elektriko«;
- › management and maintenance of e-charging stations;
- › consulting, engineering, installation and assembly of e-charging stations (public, domestic, express);
- › finding new solutions in the field of e-mobility (e-cycling, car-port etc.).

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. In 2021, the number of charges at own electric charging stations doubled, from 3,243 charges to more than 6,000.

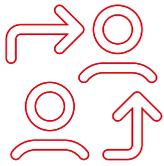
Number of electricity charging stations and number of charges in years 2020 and 2021

Electricity charging stations	Year 2020	Year 2021
Own e-charging stations	10	12
E-charging stations in management	18	19
Number of charges in own charging stations	3,243	6,329

3.7.3 Climate-related opportunities of the Elektro Gorenjska Group

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

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



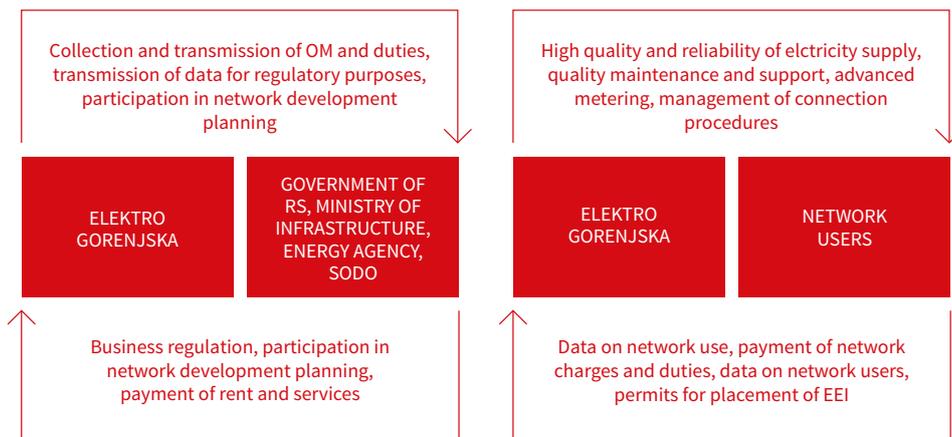
3.8 Social responsibility

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

Role of Elektro Gorenjska Group in the social environment

Companies in the Elektro Gorenjska Group strive for responsible, careful and honest management of the social environment, while looking for ways to become more successful in connection with natural integration into the environment, improve the quality of life of employees, local communities and society, while at the same time satisfying the interests of the owners. We are trying to involve and listen to the various interests of local communities when planning and placing electricity devices as well as building and operating the network. We are not only producers and distributors of electricity, but we look at our work in the environment more broadly and try to find common ground in different areas for better coexistence. We strive to be transparent in our operations, which we do by publishing a range of data and information about our operations on the company's website. We operate in accordance with the accepted good corporate governance practices and governance codes. Comprehensible communication with the population, a clear presentation of goals and consequences are the key emphases that the Group follows in every intervention in space. We report on the plans on our website, we have regular relations with various stakeholders and inform them about our activities.

Network of stakeholders in Elektro Gorenjska Group and value creation



*Network of stakeholders as follows is presented on the next page



Communication with stakeholders

Website of the company Elektro Gorenjska

We use the Elektro Gorenjska website as a tool for communicating with various stakeholders and the public. We publish on the website all the information requires of us by our manager and those that we are obliged to publish under the Public Information Access Act.

Users of our services (customers)

For our users a web application is available on the website to inform about planned power outages at their metering point. By registering, they receive a notification to their e-mail address or in the form of a text message to their mobile phones. Notification is urgent and necessary, because only in this way can we safely and in the shortest possible time perform all necessary work on energy devices. Works are carefully planned, so we inform customers about the interruption of electricity supply at least 48 hours before the interruption. Notices of planned interruptions are published on the company's website and radio stations.

Personal communication with users is largely in digital form. Users of Elektro Gorenjska have at their disposal a 24-hour free call centre, where we receive and resolve complaints, report errors on meters, accept the status of measuring devices for the preparation of annual bills, provide information on planned interruptions, answer general questions, communicate regularly with employees in the field and with electricity suppliers. We encouraged users to use the »Moj elektro« application (<https://mojelektro.si/login>).



This is a single web portal of all distribution companies in Slovenia, which enables centralized access to metering data. System for uniform access to metering data, together with system meters, communication connections and advanced metering centres of electricity distribution system, is part of an advanced metering system. Portal is thus one of the services of the Single-Entry Point of the national data node, in accordance with the Energy Act.

Government institutions

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

Shareholders and financial public

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

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

Business partners

Communication with business partners is based on personal contacts and electronic communication. Because creating personal contacts in the business world is essential, we treat our business partners individually.

Our important business partners are our suppliers. In the companies, we pursue a coordinated and unified purchasing policy, which contains strategic guidelines and principles of a transparent purchasing process. Company's purchasing policy aims to find synergies with suppliers in the quality of

goods, deepen trust between partners, and find favourable commercial conditions. Companies procure goods, services and constructions related to the performance of tasks of maintenance and development of the electricity distribution network under a contract with SODO, in accordance with the Public Procurement Act (ZJN). All procurement procedures take into account the basic principles of public procurement and the economic aspect. Contracts whose estimated value, calculated in accordance with the provisions of the Public Procurement Act, exceeds the limit values for publications defined in the Public Procurement Act, shall be executed as public procurements in accordance with the provisions of the Public Procurement Act. In procedures below the public procurement threshold, however, companies ensure a competitive and transparent selection procedure. Publication of public inquiries on the website and the sending of inquiries to several providers ensures diversification and impartiality in the selection.

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

Media

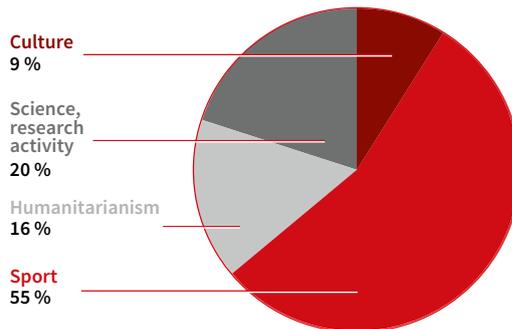
Our guideline in relations with the media is transparent and up-to-date communication, based primarily on the provision of information on the company's operations, new services and sponsorships, innovations on the network and completion of important electricity facilities. We regularly participate in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

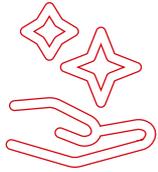
Sponsorships and donations

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

In year 2021 there was a total of 75,683 € of funds allocated to sponsorships and donations. We follow the recommendations of the owners and therefore report all company data, concluded transactions, sponsorship and donation projects on the website <https://www.elektro-gorenjska.si/o-skupini/za-delnicarje> and www.elektro-gorenjska.si/o-podjetju/katalog-informacij-javnega-znacaja.

Share of sponsorship and donation funds in 2021





3.9

Key dematerialised values of Elektro Gorenjska Group

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

Information solutions

Current book value of information solutions is just under 0.5 million €. We also developed some information solutions in cooperation with external contractors.

We have developed our own geographic information system (GIS), which we have also implemented in Serbia together with our partners.

Updates and renovations of business processes

In Elektro Gorenjska Company, we are constantly looking for new solutions and taking care of updates and renovations of business processes within our Project Office. We have established a project methodology based on the Prince2 project framework. In recent years, we have set up or renovated 7 business processes. Development of our live work system, where we are leading in Slovenia, is also of great importance.

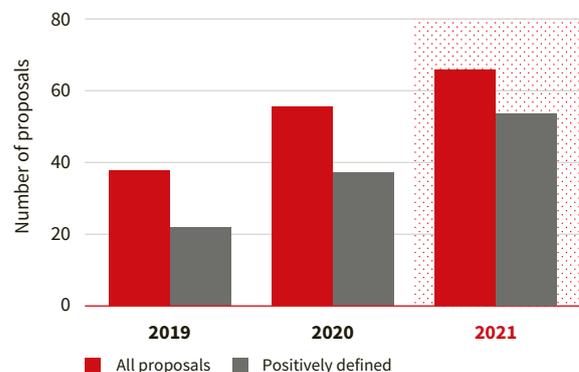
Systems and processes for induction of new employees

In order to get acquainted with the working environment, regulations and business processes as soon as possible, we have also established a process for selection and induction of new employees. Selection of employees is based on defined competencies arising from the systematization of jobs. Even before the arrival of a new employee, we make sure that our colleagues are aware of this; we select a mentor who will accompany a new employee during the induction. System therefore includes acquaintance with the company, organization, rules and instructions, and continues with getting to know the job itself and close associates.

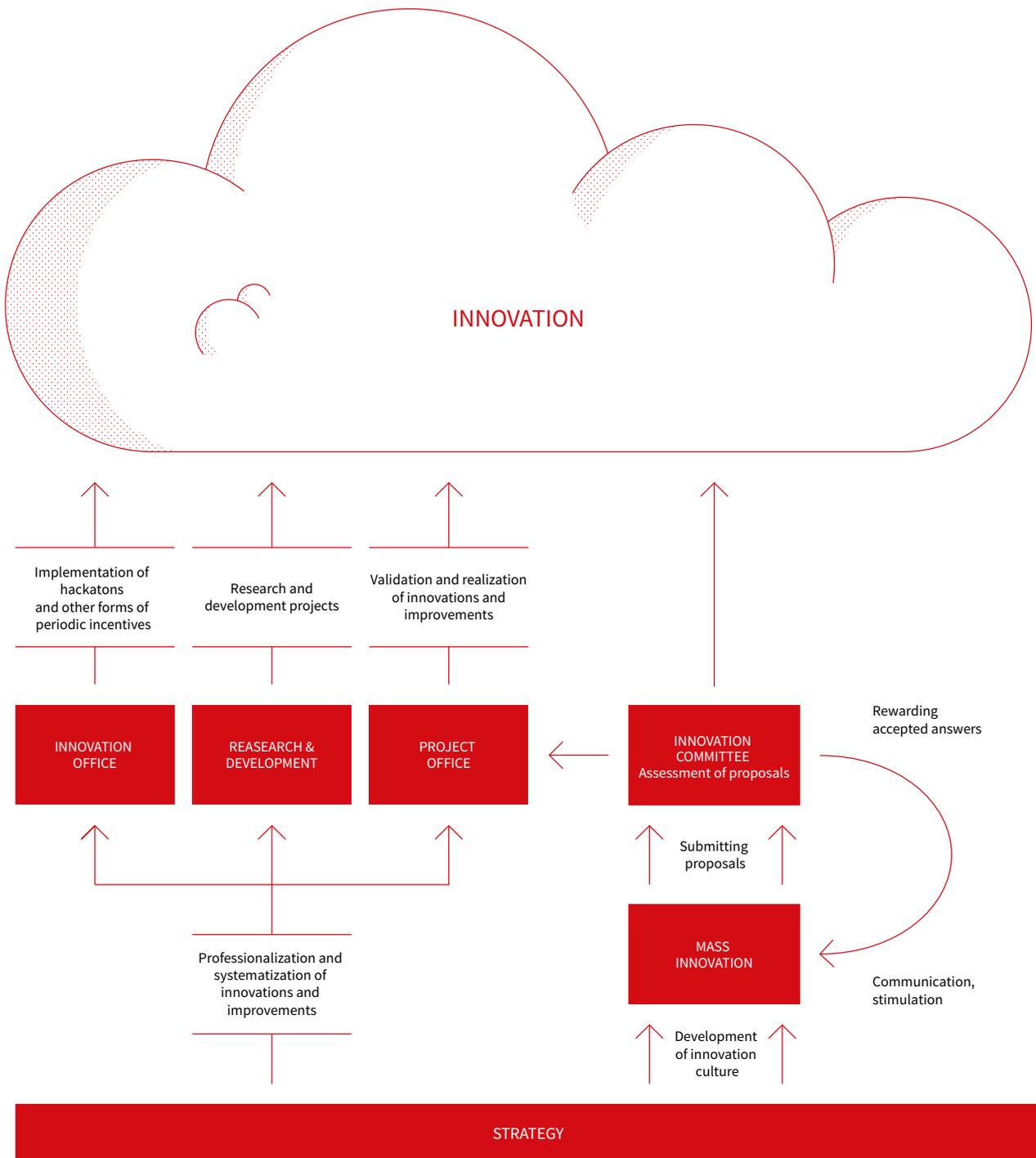
Innovation activity

We pay special attention to innovation activities. In 2021, the Innovation Committee considered 76 proposals and was in favour of 62 proposals. Number of proposals received, and especially the number of positive proposals, has increased compared to 2020.

Proposals for innovation activity



Process of implementing an innovation activity





3.10 Risk management

Risk management system in Elektro Gorenjska

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

Key goal of risk management in the company is proactive management of risks that affect the achievement of goals defined in the company's strategic and business plans. Established risk management system enables us to detect and identify negative trends and take appropriate measures in a timely manner to manage individual identified risks.

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

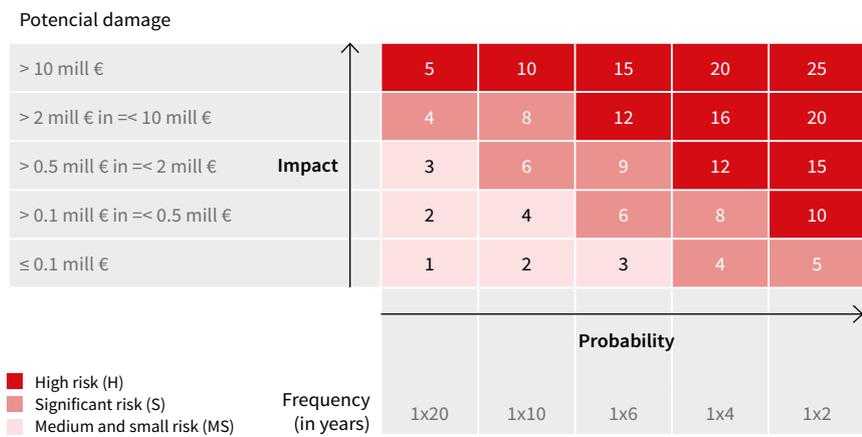
Key content of an individual strategic risk:

- › It is classified into one of three categories: business, financial or operational risk;
- › has its own risk manager and business or work process manager;
- › has identified key threats of risk factors;
- › has an estimated impact of post-management risk that may directly affect the company's profit or loss,
- › has measures in place to manage them, both existing ones, which are already being implemented, as additional measures that are in the process of being established and which further reduce the likelihood of materialization of individual risks;
- › has a reporting system and key documentation in place.

In 2021, we updated the Rules on risk Management, which is now prepared for the Elektro Gorenjska Group and has the same basic starting points for all companies in the Group, and the Instructions on Strategic Risk Management in Elektro Gorenjska, which regulates the management process of risks of strategic importance and includes identification, assessment and treatment of risks that could have an adverse effect on the achievement of business and strategic objectives of the Elektro Gorenjska Company, including the implementation of additional measures for their management.

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

Risk evaluation matrix



In 2021, the largest part of the identified risks in Elektro Gorenjska Company came from the field of:



Following is the presentation of individual important current risks, which the company is actively dealing with in its specific business environment, according to their type.

Significant business risks

■ Methodology of the Energy Agency and other regulations in the field of electricity distribution (H)

Revenues referring to infrastructure lease and payments for services rendered are determined by the Agency through Act determining the methodology for charging for the network charge and the criteria for establishing eligible costs for electricity networks. Due to changes in legislation in the field of public utility service (GJS DO), there is a risk of lower revenue due to failure to achieve the required cost efficiency and the risk of appropriate development, in accordance with the current investment plans defined in the Company's Business Plan, Network Development Plan and Investment Plan. Therefore, the company constantly takes care of the cost efficiency of operations and is actively involved in the preparation of laws and regulations through various working groups. In addition, it takes care of proper planning and optimized implementation of business processes and, within its capabilities, increase market activities to achieve a higher positive business result of unregulated activities in order to relieve the burden on regulated work and create higher added value in the company.

■ Operation of own information system (S)

ICT risk is any threat to business data, critical systems and business processes. This is the risk associated with use, ownership, operation, integration, influence and acceptance of information and communication technology in the company. Risks of information and communication technologies or systems can be external, internal, intentional or unintentional and usually affect one or more of the following elements: business or project objectives, service continuity, end results, business reputation, security, ICT infrastructure. Company manages the operation of its own information system by implementing an information security policy, systematic management of IT risks, physical and technical security, training of employees, regular audits of information systems by external contractors and implementing the activities of the business continuity plan.

■ Information security (S)

Activities of the company Elektro Gorenjska, d.d., 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, and the implementation of information risk management programs, maintenance of the reserve – alternative location for the ICT infrastructure, and implementing of information security policy and an action plan for communicating the corporate security system.

■ Contract with SODO (H)

Contract with SODO may contain provisions that could be disadvantageous for company's operations. In the future the following might occur: transfer of ownership of EG assets to SODO, transfer of task implementation to SODO, transfer of cash flow to SODO. All of the above reduces the autonomy of company's operation. Company manages the risk through an active dialogue with the stakeholders of the contract with SODO.

■ Defects and averages (H)

Defects and averages of unknown magnitude may occur due to external impacts (weather conditions, unintentional damage caused by third parties) and faults in power devices. Risk is managed primarily through proper network construction, maintenance and operation, and continuous upgrading of Information technology as well as appropriate infrastructure insurance.

■ **Denationalization procedures (S)**

Denationalization procedures may cause additional costs or cash flow outflows related to extended court and administrative procedures. Latter can have a significant financial impact in the event of return of objects in kind and payment of compensation due to the inability to use the facilities. Company proactively seeks appropriate solutions, including working together with lawyers that have experience in such proceedings.

■ **Lack of adequate personnel (S)**

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).

■ **Attacks on infrastructure, terrorism, infectious diseases (H)**

Risk represents the possibility of intrusions in the ICT and DCV systems, destruction or damage to individual facilities and theft of parts of the infrastructure. There can also be a sudden outbreak and rapid spread of known or unknown infectious diseases. We manage this risk by installing robust and secure ICT devices, DCV devices, in compliance with security standards, by implementing an appropriate information security policy, upgrading security systems, video surveillance and remote network monitoring, by physically protecting parts of the infrastructure and consistent implementation of regulations and guidelines of state institutions (e.g., National Institute of Public Health, Ministry of Defence...).

Significant financial risks

■ **Financial investments (S)**

Failure to achieve the planned results by the subsidiary (Gorenjske elektrarne, d. o. o.) or associated companies may result 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 of both investments as an active owner and by strategically integrating the associate company.

■ **Credit risk (S)**

On the basis of the Contract for leasing the electricity distribution infrastructure and the provision of services to the operator, the company collects customer payments in its own name and for the SODO Company account. In doing so, it is exposed to credit risk, because despite any unpaid overdue claims of customers, the company has to settle all its liabilities to SODO in accordance with the Contract and the associated 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, risks are mainly managed by careful monitoring of receivables and implementation of recovery procedures, concluding appropriate agreements with debtors, expanding the set of payments according to pro forma invoices and including appropriate financial collateral in contracts.

■ **Liquidity risk (S)**

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

■ **Payment for services rendered to SODO (S)**

There is a risk of inadequate payment for services provided by the company for SODO, mainly due to inadequate amount for payment of services from the Decision of the Energy Agency on determining the regulatory framework, year-on-year or annual deficit of network charges in the distribution system depending on the value of services rendered, unreasonable or disproportionate additional evidence for individual services provided, a dispute over the quality of the service provided. Company manages the risk through active participation in the process of issuing the Agency's decision on determining the regulatory framework and through active and appropriate correspondence with all stakeholders of the Contract with SODO and finding additional sources of funding for increased investments.

■ **Lack of investment funds (S)**

Realization of the risk could occur if the company 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.

Company manages the risk mainly by adjusting the volume of investments (appropriate financial planning), active correspondence with SSH as the umbrella manager of state capital investments and majority owner, and timely correspondence with the company's supervisory authorities.

Significant operating risks

■ **Coherence of the implementation of the strategy of Elektro Gorenjska Company (S)**

There is a risk that the company does not fulfil the set strategy and does not implement the set strategic projects. Company manages risk mainly through regular interviews with directors and supervisory bodies of the company, regular verification of compliance with the Strategy and its up-to-date updating, regular reporting on the progress of strategic projects, monitoring key performance indicators and implementing activities to implement strategic projects.

■ **Risk of serious injury and death at work (S)**

Company faces the risk of serious injuries and deaths at work, which are mainly the result of non-compliance with the regulations in safety and health at work and fire safety, incorrect procedures at work and negligent and irresponsible actions of employees. Risk is managed by implementing a comprehensive set of safety and health at work measures, systematic identification of dangerous events and by taking out accident insurance for employees.

■ **Purchasing risks (S)**

There is a risk that the company does 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. Risk is managed by consistent compliance with the law, 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.

■ **Impartiality, independence and confidentiality of the measurement laboratory (S)**

There is a possibility of influencing the result of the control of the measuring laboratory, which would mean a loss of its credibility and functioning. There is also the possibility of issuing or disposing of confidential information, obtained or generated during the performance of control activities. Company manages the risk through compliance with certification requirements, duly adopted principles and provisions and appropriate powers.

In 2022, in accordance with the established OT system and risk process operators, the company will regularly check the adequacy of existing risks, both in terms of content (the content of each risk must correspond to the current business environment in which the company operates) as well as regular review of additional accepted measures and verification of the overall assessment of each risk (probability and impact).

Effective risk management gives the company good conditions to be able to operate as much as possible in accordance with the set short-term and long-term plans of the company.

Risk management system in Gorenjske elektrarne Company

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.

Basis of the final risk management is their identification and assessment of the severity that the company assesses as a product of the probability of risk materialization and impacts on the company's operations and is graphically depicted in the matrix below.

Evaluation of risks in Gorenjske elektrarne Company

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

Risk severity: ■ High ■ Significant ■ Medium and small

The most important risks in Gorenjske elektrarne Company are presented below.

› **Reduction of supports for electricity generated from RES**

Company recognized as one of the major risks the risk of reducing supports for electricity generated from renewable energy sources. In this context, we evaluate the risk that the government will, in any way, reduce the already approved supports within a single power plant or source of production by means of a regulation or a decree. Indirectly, we can avoid the risk or mitigate its materialization with other revenue sources, especially in the area where revenues are not linked to supports for electricity produced.

› **Risk of weather conditions**

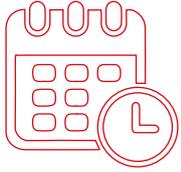
Gorenjske elektrarne Company is decisively linked to weather conditions in its primary activity. About 90% of the volume production comes from hydroelectric plants whose production is decisively affected by the amount of precipitation. It can also swing +/- 25% around the long-term average. Also, the operation of solar power plants depends on the insolation, and the operation of the SPTE on mild or cold winters. Risks are also associated with changes in climatic conditions due to the warming of the atmosphere. Company manages this risk primarily through a development policy that is intensely focused on diversifying revenue sources and introducing new types of revenues from energy efficiency projects, thus reducing the share of sold electricity in sales revenues in the long run.

› **Market risk – decrease in the sales price of electricity**

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. The 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 planned and ongoing 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.



3.11

Events after the balance sheet date

At the end of February 2022, the Act Determining the Measures to Mitigate the Consequences of Rising Energy Prices was adopted. Among other things, the law stipulates that the tariffs items for the distribution operator for billing power and assumed active energy for all customer groups in the period from February 1 to April 30 2022 will be reduced to zero. Lack of network charges for 2022, which will occur due to the reduction of the tariffs, will be covered in a way that the Energy Agency in the process of determining deviations from the regulatory framework for 2022 reduces the regulated return on assets of the distribution operator. For the company Elektro Gorenjska this means by 9.7 million € lower revenues in 2022.

4 Compliance with the GRI Guidelines

Annual report of the Elektro Gorenjska Group has been prepared in accordance with sustainable reporting and equally includes financial and non-financial data on operations.

Annual report is prepared in accordance with GRI (Global Reporting Initiative) standards, which standardize the reporting of organizations on economic, environmental, and managerial impacts and performance. Annual report discloses information on the organizational management, values and benefits that the Elektro Gorenjska Group creates for its stakeholders and the wider society, as well as on the links between the strategy and the commitment to the sustainable development of the company.

GRI standard and disclosure	Description	Chapter or page
GENERAL STANDARD DISCLOSURES		
GRI 102: General disclosures		
Presentation of the Organization		
102-1	Name of the organization	3
102-2	Activity, products, services	32–33, 50–54, 69–70
102-3	Headquarters of the organization	4
102-4	Geographical area of operation	34
102-5	Ownership and legal form	32, 40
102-6	Markets (customers, sectoral and geographical distribution)	34, 54
102-7	Size of the organization (number of employees, number of activities, turnover, liabilities/equity, number of products or services)	11, 77
102-8	Employee information	76–78
MANAGEMENT AND STRATEGY		
102-14	Statement of the chairman of the board on strategy and sustainable operation	15–17
102-15	Key impacts, risks and opportunities	48, 49
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	31
MANAGEMENT		
102-18	Management structure	26, 35
102-22	Composition of managing bodies	37–39
102-30	Effectiveness of risk management	99–106

*table continues on the next page

GRI standard and disclosure	Description	Chapter or page
STAKEHOLDER INVOLVEMENT		
102-40	Stakeholder network	91, 92
102-42	Identification and selection of stakeholders	91, 92
102-43	Ways of stakeholder involvement	94
REPORTING PRACTICE		
102-45	List of included in the consolidated financial statements	32
102-45	Index according to GRI guidelines	108–110
102-56	External verification of reporting	115–118
SPECIFIC STANDARD DISCLOSURES		
GRI 201 ECONOMIC DISCLOSURES		
201-1	Directly generated and distributed economic value	11, 71–75
INDIRECT ECONOMIC IMPACTS		
203-1	Development of important infrastructure and services	62–68, 98
ENVIRONMENT		
ENERGY		
302-1	Energy consumption within the organization	87
302-4	Reducing energy consumption	87
WATER RESOURCES		
303-1	Water consumption by sources	87
303-4	Waste water	87
BIODIVERSITY		
304-1	Operation in the vicinity of or in areas with protected high biodiversity	87
304-2	Impacts of activities on biodiversity in protected areas	87
AIR EMISSIONS		
305-1	Direct greenhouse gas emissions	86
305-2	Indirect greenhouse gas emissions	86
305-5	Reducing greenhouse gas emissions	86
WASTEWATER AND WASTE		
306-2	Waste quantities and their management	85

*table continues on the next page

GRI standard and disclosure	Description	Chapter or page
SOCIAL TOPICS		
EMPLOYMENT		
401-1	New employees and staff turnover	77
402-2	Employee benefits not available to fixed-term or part-time employees	78, 79
HEALTH AND SAFETY AT WORK		
403-1	Management system of safety and health at work	81
403-2	Type and number of injuries at work, occupational injuries, sick leave	82
403-5	Training of employees for safety at work	81
403-6	Promotion of health at work	81
EDUCATION		
404-3	Employee skills development and promotion programs	78
404-4	Proportion of employees involved in regular performance reviews and career development	78
DIVERSITY AND EQUAL OPPORTUNITIES		
405-1	Structure of governing bodies and structure of employees (gender, age, members of minorities)	20
LOCAL COMMUNITIES		
413-1	Local community involvement activities, impact assessment and development programs	93, 96



FINANCIAL REPORT

**OF
ELEKTRO GORENJSKA COMPANY**

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5 Financial Report



5.1 Management responsibility statement

Management board of Elektro Gorenjska Company hereby approves the financial statements published and presented in this annual report and all other component parts of the 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 2021 on April 6 2022.

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 6 2022

dr. Ivan Šmon, MBA
Chairman of the Board



5.2 Auditor's report



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

REPORT ON AUDIT OF 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, 2021 and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, 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 on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 (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.

Key Audit Matters

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

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

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 4,165,835 EUR in the year ended December 31, 2021 (2020: 4,884,562).

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

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 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



subjective judgments of the management and we therefore determined this matter as a key audit matter. In determining the matter, the Company uses assumptions and judgments for recognising tangible fixed assets as they are determined by accounting standards.

Disclosures regarding this matter are included in note 5.4 Typical accounting policies and estimates - Tangible fixed assets, note 2 Tangible fixed assets, which relates to point 5.5.1 Notes to the balance sheet as well as note 2 Capitalized own products and own services, which relates to the point 5.5.2 Notes on profit and loss account items.

of data used.

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

Other information

Management is responsible for the other information. The other information comprises the information included in the business report of the annual report of the company and Group Elektro Gorenjska, d.d., but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 later.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Appointment of the Auditor and the Period of Engagement

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



Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 20, 2022.

Prohibited Services

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

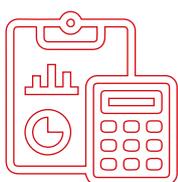
Other Services of the Auditor

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

Ljubljana, April 22, 2022

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana
*(signature on the original issued in Slovene
language)*

Maruša Hauptman, certified auditor,
Procurator



5.3

Financial statements of Elektro Gorenjska Company for business year ended as at December 31 2021

Balance Sheet of Elektro Gorenjska Company as at December 31 2021

Item	Note	31. 12. 2020	31. 12. 2021
in €			
ASSETS			
A. Long-term assets		226,131,825	232,906,327
I. Intangible assets and long-term accrued and deferred asset items	1	1,729,700	3,527,132
1. Long-term property rights		1,709,306	1,754,363
5. Other long-term accrued and deferred asset items		20,394	1,772,769
II. Tangible fixed assets	2	205,680,813	210,259,172
1. Land and buildings		152,522,239	155,260,994
a) Land		7,157,150	7,246,264
b) Buildings		145,365,089	148,014,730
2. Production plant and equipment		50,025,003	49,051,468
3. Other plant and equipment		70,851	69,107
4. Tangible fixed assets in acquisition		3,062,720	5,877,603
a) Tangible fixed asset under construction and manufacture		3,016,115	5,830,541
b) Advances for the acquisition of fixed assets		46,605	47,062
III. Investment property	3	1,801,286	1,782,665
IV. Long-term financial investments	4	16,733,791	16,870,943
1. Long-term financial investments, excluding loans		16,590,993	16,728,145
a) Shares and stakes in group companies		13,715,303	13,715,302
b) Shares and stakes in associate companies		2,875,690	124,155
c) Other shares and stakes		0	2,888,688
2. Long-term loans		142,798	142,798
b) Long-term loans to others		142,798	142,798
V. Long-term operating receivables		186,235	154,506
3. Long-term receivables due from others		186,235	154,506
VI. Deferred tax assets		0	311,909

*table continues on the next page

in €

Item	Note	31. 12. 2020	31. 12. 2021
B. Short-term assets		12,606,624	12,399,377
I. Assets (group for disposal) for sale	5	2,854,470	0
II. Stocks	6	528,963	1,007,602
1. Material		528,963	1,007,602
III. Short-term financial investments		4,643	0
1. Short-term financial investments, excluding loans		4,643	0
c) Other short-term financial investments		4,643	0
IV. Short-term operating receivables	7	5,275,144	6,488,728
1. Short-term receivables due from Group companies		51,442	56,975
2. Short-term trade receivables		5,040,968	6,140,313
3. Short-term receivables for income tax		88,692	0
4. Short-term receivables due from others		94,042	291,440
V. Monetary assets	8	3,943,404	4,903,047
C. Short-term accrued and deferred asset items		664,710	356,912
TOTAL ASSETS		239,403,159	245,662,616

Balance Sheet of the Company as at December 31 20201 (continued from previous page)

in €

Item	Note	31. 12. 2020	31. 12. 2021
LIABILITIES			
A. Capital	9	163,211,293	169,472,670
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		11,473,440	16,907,782
1. Statutory reserves		3,456,983	3,865,679
5. Other profit reserves		8,016,457	13,042,103
V. Reserves arising from fair value measurement		-445,058	-308,962
VI. Net profit or loss from previous periods		8,171	24,170
VII. Net profit or loss for the period		2,064,646	2,739,586
1. Unused part of net profit for the current financial year		2,064,646	2,739,586
B. Provisions and long-term accrued and deferred liability items	10	15,924,984	15,705,684
1. Provisions for pensions and similar liabilities		3,402,770	3,283,251
2. Other provisions		5,741,100	5,939,070
3. Long-term accrued and deferred liability items		6,781,114	6,483,363
C. Long-term liabilities	11	45,327,985	43,477,539
I. Long-term financial liabilities		44,987,024	43,189,236
2. Long-term financial liabilities to banks		44,987,024	43,189,236
II. Long-term operating liabilities		34,384	27,548
4. Long-term operating liabilities based on advances		34,384	27,548
III. Deferred tax liabilities	12	306,577	260,755

*table continues on the next page

Item	Note	31. 12. 2020	31. 12. 2021
in €			
Ā. Short-term liabilities		13,095,622	16,001,908
II. Short-term financial liabilities	13	7,770,575	8,816,018
1. Short-term financial liabilities to Group companies		0	8
2. Short-term financial liabilities to banks		7,747,788	8,797,788
4. Other short-term financial liabilities		22,787	18,222
III. Short-term operating liabilities	14	5,325,047	7,185,890
1. Short-term operating liabilities to Group companies		21,527	44,437
2. Short-term operating liabilities to suppliers		2,453,087	3,175,541
4. Short-term operating liabilities based on advances		31,336	123,524
5. Short-term liabilities for income tax		0	535,679
6. Other short-term operating liabilities		2,819,097	3,306,709
D. Short-term accrued and deferred liability items	15	1,843,275	1,004,815
TOTAL LIABILITIES		239,403,159	245,662,616

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 2021

in €

Item	Note	2020	2021
1. Net sales revenue	1	32,229,781	35,710,944
a. Net sales revenue on the domestic market		31,889,642	35,690,673
b. Net sales revenue in the foreign market		340,139	20,271
3. Capitalized own products and services	2	4,884,562	4,165,835
4. Other operating revenues	3	1,322,584	858,961
5. Costs of goods, material, and services		7,834,138	8,094,295
a. Costs of goods sold and material used	4	4,353,681	4,332,211
b. Costs of services	5	3,480,457	3,762,084
6. Labour costs	6	12,750,942	12,573,116
a. Cost of wages and salaries		8,849,986	9,003,918
b. Social security cost		1,894,265	1,935,544
- of which the cost of pension insurance		1,226,834	1,257,437
c. Other labour costs		2,006,691	1,633,654
7. Amortization/depreciation expense	7	11,277,787	11,609,704
a. Depreciation		11,016,062	11,346,678
b. Operating expenses from revaluation of intangible and tangible fixed assets		261,425	262,623
c. Operating expenses from revaluation of operating current assets		300	403
8. Other operating expenses	8	411,640	412,729
9. Financial revenues from shares	9	1,079,087	1,471,992
a. Financial revenue from interests in Group companies		1,056,166	1,197,454
b. Financial revenue from interests in associates		19,899	128,393
c. Financial revenue from interests in other companies		0	146,139
č. Financial revenues from other investments		3,022	6
10. Financial revenues from given loans		1	0
b. Financial revenues from loans given to others		1	0

*table continues on the next page

in €

Item	Note	2020	2021
11. Financial revenues from operating receivables		17,963	13,015
b. Financial revenue from operating receivables due from others		17,963	13,015
12. Financial expenses from impairments and financial investment write-offs		13,929	12,701
13. Financial expenses from financial liabilities		467,189	419,252
a. Financial expenses from loans, received from group companies		0	66
b. Financial expenses from loans, received from banks		467,189	419,186
14. Financial expenses from operating liabilities		21,312	6,471
b. Financial expenses from accounts and bills payable		922	54
c. Financial expenses from other operating liabilities		20,390	6,417
15. Other revenues		26	23
16. Other expenses		26,294	41,560
17. PRE-TAX NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		6,730,773	9,050,942
18. Income tax	11	670,532	1,206,211
19. Deferred taxes	12	27,945	-329,196
20. NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD		6,032,296	8,173,927

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 2021

Item	in €	
	2020	2021
NET PROFIT OR LOSS OF THE ACCOUNTING PERIOD	6,032,296	8,173,927
Other componenets of comprehensive income	-176,092	160,267
TOTAL COMPREHENSIVE INCOME	5,856,204	8,334,194

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

in €

Item	2020	2021
A. OPERATING CASH-FLOW		
a. Operating receipts	39,429,558	38,313,787
1. Receipts from sales of products and services	38,843,028	37,370,443
2. Income tax receipts	18,211	174,134
3. Other operating receipts	568,319	769,210
b. Operating expenditure	-20,275,231	-22,864,232
1. Expenditure for purchase of material and services	-4,072,438	-6,964,995
2. Expenditure for salaries and employees profit shares	-8,491,658	-8,942,447
3. Income tax expenditure	-845,100	-755,974
4. Expenditure for other duties	-3,583,925	-3,188,956
5. Other operating expenditure	-3,282,110	-3,011,859
c. Positive or negative cash flow from operating activities	19,154,327	15,449,555
B CASH FLOWS IN INVESTING ACTIVITIES		
a. Receipts in investing activities	1,823,674	4,231,578
1. Receipts from received interest and profit shares of others	1,092,551	1,339,441
3. Receipts from disposal of tangible fixed assets	162,444	36,732
4. Receipts from disposal of investment property	169,022	0
5. Receipts from disposals of financial investments	399,657	2,855,405
b. Expenditure in investing activities	-15,951,668	-15,479,394
1. Expenses for acquisition of intangible assets	-574,296	-1,283,209
2. Expenses for acquisition of tangible fixed assets	-15,138,598	-14,131,030
3. Expenses for acquisition of investment property	-5,582	-65,155
4. Expenses for acquisition of financial investments	-233,192	0
c. Positive or negative cash flow from investing activities	-14,127,994	-11,247,816
C. CASH FLOWS IN FINANCING ACTIVITIES		
a. Receipts in financing activities	6,000,000	8,415,000
2. Receipts from increase in financial liabilities	6,000,000	8,415,000
b. Expenditure in financing activities	-10,488,154	-11,657,097
1. Expenditure for given interest referring to financing activities	-478,133	-435,440
3. Expenditure for repayment of financial liabilities	-7,591,734	-9,148,840
4. Expenditure for dividend and other profit share payment	-2,418,287	-2,072,817
c. Positive or negative cash flow from financing activities	-4,488,154	-3,242,097
Č. CLOSING CASH BALANCE	3,943,404	4,903,047
x. Cash flow for the period (Ac+Bc+Cc)	538,180	959,643
y. Opening cash balance	3,405,224	3,943,404

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

Statement of changes in equity of Elektro Gorenjska Company for the business year ended as at December 31 2021

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

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

Explanatory notes 9 – Capital in chapter 5.5.1 Notes to the balance sheet items is part of the financial statements and should be read in conjunction with it.

From January 1 2020 to December 31 2020:

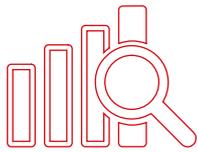
Events in individual capital items		in €							
		Called-up capital	Capital reserves			Profit reserves	Reserves arising from fair value measurement	Net profit or loss brought forward	Net profit or loss of the business year
I.	II.	III.	V.	VI.	VII.				
Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment	Statutory reserves	Other profit reserves	Reserves arising from fair value measurement	Net profit brought forward	Net profit of the business year	
I./1.	II./1.	II./2.	II./3.	III./1.	III./5.	V./1.	VI./1.	VII./1.	TOTAL CAPITAL
104,136,615	1	28,581	45,944,897	3,155,368	4,350,422	-260,795	29,874	2,388,413	159,773,376
104,136,615	1	28,581	45,944,897	3,155,368	4,350,422	-260,795	29,874	2,388,413	159,773,376
0	0	0	0	0	0	0	-29,874	-2,388,413	-2,418,287
0	0	0	0	0	0	0	-29,874	-2,388,413	-2,418,287
0	0	0	0	0	0	-176,092	0	6,032,296	5,856,204
0	0	0	0	0	0	0	0	6,032,296	6,032,296
0	0	0	0	0	0	-176,092	0	0	-176,092
0	0	0	0	301,615	3,666,035	-8,171	8,171	-3,967,650	0
0	0	0	0	301,615	3,666,035	0	0	-3,967,650	0
0	0	0	0	0	0	-8,171	8,171	0	0
104,136,615	1	28,581	45,944,897	3,456,983	8,016,457	-445,058	8,171	2,064,646	163,211,293

Explanatory notes 9 – Capital in chapter 5.5.1 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

		in €	
Item	2020	2021	
1. Net profit or loss of the business year	6,032,296	8,173,927	
2. + Net profit / loss from previous periods (deductible item)	8,171	24,170	
4. - Increase (additional formation) of profit reserve by decision of management and supervisory bodies:			
a) Statutory reserves	301,615	408,696	
5. - Increase (additional formation) of profit reserve by decision of management and supervisory bodies:			
a) Other profit reserves	3,666,035	5,025,645	
7. DISTRIBUTABLE PROFIT	2,072,817	2,763,756	

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



5.4 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) and the Energy Act (EZ-1). Preparation takes into account the 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. 2021 amounted to 18,740,357 €, net profit for year 2021 was 1,032,623 €;
- › company GEK Vzdrževanje, Stara cesta 3, 4000 Kranj, which is in 100 % ownership of controlled company Gorenjske elektrarne; capital of this company as at 31. 12. 2021 z amounted to 175,028 €, net profit for year 2021 was 3,020 €;
- › associate company Soenergetika, Stara cesta 3, Kranj, which is in 25 % ownership of company Gorenjske elektrarne; capital of this company as at 31. 12. 2021 amounted to 1,591,192 €, net profit for year 2021 was 460,870 €.

In addition to the listed companies, Elektro Gorenjska Group also consists of the company Informatika d. d., 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 2021 or in the period from January 1 2021 to December 31 2021 by the following business segments - activities:

- › activity contract with SODO and
- › other activities.

Balance sheet and income statement by business segments are presented in chapter *5.9 Financial statements by activities*.

Typical accounting policies and estimates

In 2021, the company did not change its accounting policies. Significant accounting policies and estimates are the following:

Tangible fixed assets

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

Acquisition cost of tangible fixed asset consists of:

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

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

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

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

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

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

For measuring the tangible fixed asset after recognition, the company uses the cost model. At the end of the financial year, it is assessed whether there are any indications that assets may be impaired. In doing so, indications from external and internal sources of information are assessed.

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

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

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

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.

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

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

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 SODO, on the basis of a long-term contract with SODO;
- › property comprising Sava HE, in connection with which a denationalization dispute is in progress. Until the dispute is resolved Sava HE is under long-term operating lease of the controlled company Gorenjske elektrarne.

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

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

Financial investments

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

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

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

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

Claims

Claims are rights based on property and other relations to require from a certain person to pay the debt, or in the case of given advances supply goods or implement a service. Company recognizes a receivable on the basis of the relevant documents when the contractual rights attached to it begin to be exercised and it is probable that the economic benefits associated with it will flow in.

Claims are initially recognized in amounts that originate from suitable documents assuming that they will be paid. Later, they can increase or decrease due to subsequent rebates, for received payments and other forms of settlement. After their initial recognition, claims are measured at their amortized cost. In the balance sheet long-term claims, which are already due (but not yet settled), and long-term claims, which are due in one year after the balance sheet date at the latest, are recognized as short-term claims.

At least quarterly, before compiling the financial statements, we verify the suitability of individual recognized claim's amounts. Receivables, which are assumed to not be settled wholly or partially, are recognized as doubtful; if they result in legal proceedings or there is a dispute about their pay, they are recognized as disputable. Company forms a 100 % value adjustment for both. To this end, the company has established appropriate records. In the records of disputable claims, it classifies all claims:

- › in the execution procedures based on the execution title;
- › in the execution procedures based on the authentic document (e.g. action) and
- › in the insolvency proceedings (composition proceedings, simplified composition proceedings, and bankruptcy proceedings).

Company classifies receivables as doubtful receivables if the receivables are older than 90 days. Company may reduce the value adjustment based on the verification of the value of the receivable by individual business partner in the case of payments up to the date of data preparations, agreements between business partners on deferral of payments, insurance of receivables and other justified reasons.

Based on justified reasons that individual receivables will not be settled or will not be settled in full, the company may classify as doubtful receivables also receivables that are due for payments in less than 90 days.

Stocks

Stock of material includes the quantities in the warehouse that will be used to create products or provide services.

Quantity units of stock materials (including small tools and packaging) are initially recognized at the purchase price. Cost comprises of the purchase price, import and non-refundable charges and direct acquisition costs.

Costs of material kept in stocks before use are recognized at moving average price method at the level of OE. Moving average price is calculated on a daily basis. Company continuously or at least once a year, during the inventory, verifies the real value of stocks and impairs it, if their book value exceeds the net realizable value.

Monetary assets

Monetary assets include:

- › cash on transactional and foreign currency accounts in banks or other financial institutions that can be used to make payments, and
- › cash equivalents.

Cash equivalents are investments that can be quickly or in the near future converted to known amounts of cash and which are subject to an insignificant risk of changes in value. Company also includes deposits, bank deposits and loans among the companies in the Group with a maturity of up to three months, and receipts from their disposals, among cash equivalents.

All current accounts are kept in Euros, only current account in Gorenjska bank is opened also as foreign currency account. Account in Sberbank represents a saving account.

Revaluation of monetary assets is a change of their carrying value and can be done at the end of the financial year or during the year. Revaluation occurs only in case of assets in foreign currencies if exchange rate changes at the first recognition. Exchange rate difference, which occurs in this situation, either increases or reduces the original recognized value and in first case it represents financial revenue related to monetary assets or in the second case a financial expenditure related to monetary assets.

Capital

Entire capital of the company consists of called-up capital, capital reserves, profit reserves, reserves arising from the valuation at fair value, retained earnings or loss from previous years and temporarily undistributed net profit or outstanding loss for the financial year.

If the company acquires own share in the financial year, it forms reserves for own shares on the balance sheet cut-off date in the amount of the amounts paid for the acquisition of own shares. Company uses the cost method. Full amount paid for the purchase of own shares is recognized as capital and reserves are formed for them.

Reserves arising from fair value valuation relate to the increase or decrease in actuarial gains and losses on severance pays upon retirement, and the amounts of proven gains or losses from changes in the fair value of financial assets available for sale that are not part of the hedging relationship. Reserves arising from the valuation of financial investments at fair value arise from the measurement of financial investments at fair value and are adjusted for changes in fair value. They are eliminated through income statement.

All other components of entire capital belong to the capital owners in proportion of their ownership shares in the capital stock.

Debts

Debts are recognized liabilities related to the financing of own funds that need to be repaid or settled, especially in cash. Deferred tax liabilities are treated as a special type of debts.

In the balance sheet, long-term debts that have already fallen overdue (but not yet settled) and long-term debts due and payable not later than one year after the balance sheet date, are recognized as short-term debts. Debts can be financial (borrowings under the loan agreements, liabilities to lessors in finance lease) or business (purchased materials and services from suppliers, liabilities to employees, liabilities to the state, liabilities to customers for advances and securities).

After initial recognition, debts are measured at amortized cost. They are increased by implied interest and decreased by paid amounts and any other settlements, agreed upon with creditors. Debt is eliminated when the contractual rights to cash flows from it expire (after the expiration of the statute of limitations) or when the debt is transferred and thus transfers almost all the risks and benefits arising from its ownership.

Provisions

Provision is a present obligation that arises from binding past events and is expected to be settled in a period not determined with certainty, and the amounts to be settled can be measured reliably. Contingent liabilities are not considered provisions. Accounting value of provisions is equal to their original value, reduced by spent amounts until the need for their increase or reduction occurs. Provisions are recognized in the accounting records and balance sheet if:

- › there is a present obligation (legal or indirect) due to a past event;
- › it is likely, more likely than not, that the settlement of the obligation will require an outflow of resources providing economic benefits;
- › the amount of the liability can be measured reliably.

More likely than not means that there is a greater than 50 % probability that an obligation of the organization exists. If it is more likely than not that the current obligation does not exist, the organization discloses the contingent liability. Organization only discloses a contingent liability even in extremely rare cases where it is not possible to estimate the amount of the liability reliably.

Provisions include also long-term employee benefits, which are according to IAS 19 divided into:

- › long-service bonus, which belongs to other long-term employee benefits;
- › severance pay upon retirement, which belongs to post-employment benefits, and
- › severance pay upon termination of employment, which belongs to severance pays.

Provisions for long service bonuses and severance pays at retirement are formed in the amount of estimated future payments based on the actuarial report on measuring long-term benefits in accordance with SAS 10, taking into account the International Accounting Standard 19 (IAS 19 – Employee Benefits), as SAS 10 does not specify more detailed content and rules for measuring liabilities. SAS 10 differs from IAS 19 only in the flat-rate (proportional) elimination of actuarial gains and losses in retained earnings for employees for whom the provision for retirement benefits is eliminated.

Calculations for provisions for severance pays at retirement and long service bonuses are prepared by an authorized actuary and are formed in the amount of estimated future payments discounted on the balance sheet date, taking into consideration also costs of service for the current year, costs of interest and actuarial surplus or deficits resulting from changes in actuarial assumptions and experiential adjustments.

On the balance sheet date, the company establishes and, in the profit, or loss account recognizes revenues or expenses in connection with the adjustment of provisions for retirement benefits from:

- › amount of additional provisions for current service costs relating to severance pays for the current year;
- › amount of the increase or decrease in the provisions already made in the event of the introduction or modification of the program (amendment of past service costs);
- › accrued interest in respect of the provisions (as additional cost of provisions);
- › effects of all limitations or shrinking of provisions for severance pay upon retirement.

Actuarial gains and losses from severance pays upon retirement are not recognized in the income statement, but directly in equity under reserves, arising from fair value measurement, which can also be negative. Reserves created under this title are eliminated in the net profit or loss from previous periods in the actual amounts, when for the employees who left or retired, the recognition of provisions for retirement is eliminated.

Long service bonuses are classified as other long-term employee benefits. On the balance sheet date, the company determines and recognizes in the profit or loss revenues or expenses in connection with the adjustment of provisions for long-service bonuses (including actuarial gains and losses). Severance pays on termination of fixed –term employment is recognized by the company as short-term accrued costs and deferred revenue (short-term deferred costs) and not as provisions.

Recognition of provisions in accounting records and the balance sheet is eliminated when the created opportunities for which the provisions were formed, have already been used out or there no longer is a need for them. Provisions for accrued costs and expenses are directly reduced by the costs and expenses for which they were made. Therefore, during the spending of provisions the costs or expenses no longer appear in the income statement.

Accrued and deferred liability items

Accrued and deferred liability items are receivables and other assets and liabilities that are expected to arise within the period for which they are formed and whose occurrence is probable and the amount of which is reliably estimated.

Accrued and deferred liability items can be active (capitalized) or passive (extended). Former can be considered as receivables in a broader sense, as they differ from both cash and goods, and the latter as debts in a broader sense, as they in any case differ from capital as liabilities to owners.

Accrued and deferred liability items that will be applied in one year are defined as short-term, while those that will be used in a longer period are defined as long-term. Among long-term accrued and deferred liability items the company also classifies:

- › state support and donations received to obtain fixed assets or cover certain costs;
- › tangible fixed assets taken over free of charge;
- › received assets – contributions for average connection costs;
- › earmarked assets for co-financing the construction of tangible fixed assets.

Company also classifies accrued costs of unused annual leave as short-term accrued and deferred liability items.

Deferred tax assets and liabilities and income tax

Deferred tax assets and tax liabilities are calculated using the balance sheet liability method, which focuses on temporary differences.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward to be transferred to the next period, when it is probable that in the future taxable income will be available against which it will be possible to use the unused tax losses and unused tax credits. Receivables and deferred tax liabilities are not recognized in the accounting records if the amounts of deferred tax assets and deferred tax liabilities are individually or jointly insignificant for the company.

Deferred income tax is determined using tax rates (and laws) that are in effect at the balance sheet date and which are expected to be in effect when the related deferred tax asset is realized or the deferred tax liabilities settled and when a taxable profit against which it will be possible to eliminate temporary differences is available.

At the end of each reporting period the company reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset if it is probable that future profit will allow the coverage of deferred tax assets.

Current income tax is the amount of tax that is expected to be payable on the taxable income for the year, using tax rates established or substantially effective at the reporting date, and any eventual adjustments to tax payable in respect of previous years.

Revenues

Revenue is recognized by the company when an increase in economic benefits is connected to the increase in an asset or a decrease in the debt and that this increase can be measured reliably. Company recognizes revenue when it is reasonably expected to receive compensation for them and has transferred control of the goods or services to the customer.

Amounts collected on behalf of SODO in operations on their own behalf and the account of SODO are according to the Contract with SODO not recognized as revenue, but as operating liabilities to SODO.

Operating revenue is revenues from sales, capitalized own products and services and other operating revenues associated with business impact. These include also operating revenues from revaluation that occur mainly on the sale of tangible fixed assets and investment property at a price that exceeds their book value, or as a result of adjustment of receivables.

Other revenues consist of unusual items and other revenues that increase the profit or loss. As part of this revenue, the company also discloses state support obtained to contain or eliminate the consequences of the covid-19 epidemic.

Financial revenue arises in relation to financial investments, as well as in association with receivables. They consist of accrued interest and profit shares of others as well as financial revenues from revaluation.

Interest on unpaid claims is not recognized as revenue but increase the value adjustment of receivables because there is reasonable doubt about the payment of claims until the principal is paid.

Company also generates revenue by building real estate for the market. Contract is usually concluded within a period of less than 12 months. Therefore, the company recognizes revenue gradually over the construction period with respect to the measuring of the progress towards the complete fulfilment of the obligation. To measure the progress, it uses the input method. This is based on the ratio of the costs actually incurred and estimated ones. Company estimates that there is no significant component of financing in these construction contracts.

Expenditure

Expenditure is classified into operating, financial and other expenses. Operating and financial expenses are considered regular expenses.

Operating expenses include all costs incurred in the period and operating expenses from revaluation. Latter occur mainly due to the impairment of tangible fixed assets, intangible assets, investment property, accounts receivable and stocks, as well as the sale or other disposal of tangible fixed assets and investment property at a price that is lower than their carrying value.

Financial expenses are financing expenses and investment expenses. First consist primarily of interest, while second are primarily of revaluation financial expenses nature. Latter are due to impairment of financial investments and due to the sale or other disposal at a price that is lower than their book value. Interest expenses are recognized according to the elapsed time and the applicable interest rate.

Other expenses consist of unusual items and other expenses that reduce the profit or loss.

Cash flow statement

Cash flow statement has a sequential staggered form and is prepared using the direct method (version I).

For the purpose of preparation of cash flows cash equivalents are classified as monetary assets as well. These are short term, highly liquid investments that are readily convertible to known amounts of cash and where the risk of changes in value is insignificant. Company treats the short-term deposits and deposits with banks and loans between companies in the Group with a maturity of up to three months after the acquisition, and receipts from their disposal, as cash equivalents.

For each group of assets (of e.g. intangible assets and tangible fixed assets) as an increase (expenses) are treated the paid acquisition costs of the newly acquired assets, and as a reduction (income) the received payments for the value of assets disposed.

Cash flows relating to self-directed investments are classified as cash flows from investing activities. Cash flows from interest received and paid and dividends need to be classified under cash flows from operating, investing and financing activities.

Significant sources of uncertainty, assumptions used, and basis in assessing

Assumptions and estimates that have the biggest impacts on amounts in the financial statements are:

- › determination of useful lives of intangible and tangible fixed assets,
- › value adjustments of doubtful receivables,
- › provisions estimate.

Transactions with SODO Company

In March 2022, the SODO Company received a preliminary settlement of the regulatory year 2021. Preliminary settlement for year 2021 was executed by SODO on the basis of the unaudited financial statements. Settlement shows that the already charged contractual value of services and rent in year 2021 was by 1,921,573 € lower than the value established on the basis of the preliminary settlement. On this basis the company Elektro Gorenjska in 2021 increased revenue by 1,921,573 € (219,031 € short-term deferred revenues and 1,702,542 € long-term accrued income). In year 2020 revenues established on the basis of preliminary settlement of the regulatory year 2020 were by 872,707€ higher than the already charged ones during the year. In year 2020, the Elektro Gorenjska Company therefore decreased revenue by 872,707 € (short-term accrued revenues). Final settlement for year 2020 will be executed by SODO based on the decision by the Energy Agency, which will take into account the revised data of both contracting parties.

In 2021, the company also received final accounts for 2019 and 2020. On the basis of the final account for 2019, revenues decreased by 14,728 €, and on the basis of the final account for 2020 by 103,732 €.

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.



5.5 Notes to the financial statement items

5.5.1. Notes to the balance sheet items

NOTE 1 - Intangible assets and long-term accrued costs and deferred revenues

As at December 31 2021, the value of intangible assets along with the long-term accrued costs and deferred revenues amounted 3,527,132 €. Their changes in years 2021 and 2020 were the following:

2021	Property rights	Property rights in acquisition	Other long-term accrued and deferred asset items	in €
				Total intangible assets and long-term accrued and deferred asset items
1	2	3	4	5=2+3+4
ACQUISITION COST				
Balance 31. 12. 2020	5,915,398	15,456	20,394	5,951,248
New acquisitions	111,765	629,209	1,779,943	2,520,917
Disposals, withdrawals, transfers	-36,759	0	-27,568	-64,328
Transfer from ongoing investments	425,900	-425,900	0	0
Balance 31. 12. 2021	6,416,304	218,765	1,772,769	8,407,837
VALUE ADJUSTMENT				
Balance 31. 12. 2020	4,221,549	0	0	4,221,549
Increase (depreciation)	695,917	0	0	695,917
Disposals, withdrawals, transfers	-36,759	0	0	-36,759
Balance 31. 12. 2021	4,880,706	0	0	4,880,706
CARRYING AMOUNT				
Balance 31. 12. 2020	1,693,849	15,456	20,394	1,729,700
BALANCE 31. 12. 2021	1,535,598	218,764	1,772,769	3,527,132

in €

2020	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. 2019	5,526,572	90,611	105,355	5,722,538
New acquisitions	300,394	248,489	4,480	553,364
Disposals, withdrawals, transfers	-235,212	0	-89,440	-324,652
Transfer from ongoing investments	323,643	-323,643	0	0
Balance 31. 12. 2020	5,915,398	15,456	20,394	5,951,249
VALUE ADJUSTMENT				
Balance 31. 12. 2019	3,873,952	0	0	3,873,952
Increase (depreciation)	581,962	0	0	581,962
Disposals, withdrawals, transfers	-234,365	0	0	-234,365
Balance 31. 12. 2020	4,221,549	0	0	4,221,549
CARRYING AMOUNT				
Balance 31. 12. 2019	1,652,621	90,610	105,355	1,848,586
BALANCE 31. 12. 2020	1,693,849	15,456	20,394	1,729,700

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 2021, the company had no financial obligations in respect of acquiring intangible fixed assets.

NOTE 2 - Tangible fixed assets

As at December 31 2021 tangible fixed assets amounted to 210,259,172 €, which represents 86 % of balance sheet total of the company. Compared to the balance as at December 31 2020 their value is by 2.2 % or 4,578,359 € higher.

Review of changes in tangible fixed assets in year 2021:

							in €
2021	Land	Buildings	Equipment	Tangible fixed assets under construction	Advances	Total tangible fixed assets	
1	2	3	4	5	6	7=2+3+4+5+6	
ACQUISITION COST							
Balance 31. 12. 2020	7,157,150	305,936,364	130,661,902	3,016,115	46,605	446,818,136	
New acquisitions	79,195	8,694	1,638,319	13,725,763	3,000	15,454,971	
Disposals, separations, transfers	-213	-2,279,352	-620,129	0	-2,543	-2,902,237	
Transfer from ongoing investments	10,131	8,698,779	2,202,426	-10,911,336	0	0	
Balance 31. 12. 2021	7,246,264	312,364,485	133,882,519	5,830,541	47,062	459,370,870	
VALUATION ADJUSTMENT							
Balance 31. 12. 2020	0	160,571,274	80,566,049	0	0	241,137,323	
Increase (depreciation)	0	5,838,021	4,769,890	0	0	10,607,911	
Disposals, separations, transfers	0	-2,059,541	-573,995	0	0	-2,633,537	
Balance 31. 12. 2021	0	164,349,754	84,761,943	0	0	249,111,698	
CARRYING AMOUNT							
Balance 31. 12. 2020	7,157,150	145,365,090	50,095,853	3,016,115	46,605	205,680,813	
Balance 31. 12. 2021	7,246,264	148,014,730	49,120,575	5,830,541	47,062	210,259,172	

Review of changes in tangible fixed assets in year 2020:

in €

2020	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. 2019	7,027,943	297,969,871	127,031,962	2,529,809	179,941	434,739,525
New acquisitions	125,023	49,615	2,380,229	12,628,392	211,800	15,395,059
Disposals, separations, transfers	-9,686	-1,276,990	-1,684,636	0	-345,135	-3,316,448
Transfer from ongoing investments	13,869	9,193,869	2,934,348	-12,142,086	0	0
Balance 31. 12. 2020	7,157,150	305,936,364	130,661,902	3,016,115	46,605	446,818,136
VALUATION ADJUSTMENT						
Balance 31. 12. 2019	0	156,010,088	77,402,574	0	0	233,412,661
Increase (depreciation)	0	5,662,532	4,729,654	0	0	10,392,186
Disposals, separations, transfers	0	-1,101,345	-1,566,178	0	0	-2,667,524
Balance 31. 12. 2020	0	160,571,274	80,566,049	0	0	241,137,323
CARRYING AMOUNT						
Balance 31. 12. 2019	7,027,943	141,959,783	49,629,387	2,529,809	179,941	201,326,863
Balance 31. 12. 2020	7,157,150	145,365,089	50,095,854	3,016,115	46,605	205,680,813

New acquisitions are presented in chapter [3.3.3 Investments](#).



Individually significant acquisitions are:

- › RTP Labore 20 kV – secondary equipment (625,591 €),
- › cable ducts Voklo (261,963 €) and
- › EO RP Naklo 110/35 kV (177,015 €).

Disposals and withdrawals of tangible fixed assets are the consequence of new investments, investments in modernization and renovation (reconstruction) of existing assets. Individually significant disposals (withdrawals) connected to energy facilities and devices are the following:

- › 20 kV DV Visoko–Grad (reduction of acquisition cost by 129,877 € and revaluation adjustment by 129,877 €),
- › 20 kV DV Visoko–Brnik (reduction of acquisition cost by 129,543 € and revaluation adjustment by 122,864 €) and
- › Overhead line T0205 Preska–Medvode (reduction of acquisition cost by 147,428 € and revaluation adjustment by 147,428 €).

Important part of tangible fixed assets represents electricity distribution infrastructure as defined in the Decree on energy infrastructure (Official Gazette RS, No. 22/2016). It includes buildings and equipment as well as part of the land. Book value of electricity distribution infrastructure as at December 31 2021 amounted to 191,436,256 € (December 31 2020: 189,484,661 €). For the needs of implementation of system operator activity, which SODO implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, SODO has hired from Elektro Gorenjska Company complete electricity infrastructure.

Fixed assets are owned by the company and are not pledged as security for debts. Company Elektro Gorenjska also discloses among its tangible fixed assets the Sava Hydroelectric power plant, in connection with which a denationalisation dispute has already been initiated in previous years, which has not yet been completed by the date of preparation of this report. Elektro Gorenjska has some tangible fixed assets in co-ownership with SODO Company. At the end of 2021, the carrying amount of parts of these assets owned by Elektro Gorenjska amounted to 878,702 €.

To finance new acquisitions of fixed assets the company took several long-term loans in year 2021 and previous years, whose balance on December 31 2021 amounted to 51,987,024 € (December 31 2020: 52,734,811 €). Interest in the amount of 13,948 € was capitalized.

NOTE 3 - Investment property

At the end of 2021, investment property amounted to 1,782,665 €. Their changes in years 2021 and 2020 were the following:

2021	Land	Buildings	Investment property in acquisition	in €	
				Total investment property	
1	2	3	4	5=2+3+4	
ACQUISITION COST					
Balance 31. 12. 2020	470,235	1,993,618	2,600	2,466,452	
New acquisitions	4,280	0	19,949	24,230	
Disposals, separations, transfers	0	0	0	0	
Transfer from ongoing investments	0	18,611	-18,611	0	
Balance 31. 12. 2021	474,515	2,012,228	3,938	2,490,682	
VALUATION ADJUSTMENT					
Balance 31. 12. 2020	0	665,166	0	665,166	
Depreciation	0	42,851	0	42,851	
Disposals, separations, transfers	0	0	0	0	
Balance 31. 12. 2021	0	708,016	0	708,016	
CARRYING AMOUNT					
Balance 31. 12. 2020	470,235	1,328,452	2,600	1,801,286	
Balance 31. 12. 2021	474,515	1,304,212	3,938	1,782,665	

2020					in €
	Land	Buildings	Investment property in acquisition	Total investment property	
1	2	3	4		5=2+3+4
ACQUISITION COST					
Balance 31. 12. 2019	470,235	1,947,785	0		2,418,020
New acquisitions	0	0	48,432		48,432
Disposals, separations, transfers	0	0	0		0
Transfer from ongoing investments	0	45,832	-45,832		0
BALANCE 31. 12. 2020	470,235	1,993,618	2,600		2,466,452
VALUATION ADJUSTMENT					
Balance 31. 12. 2019	0	623,248	0		623,248
Depreciation	0	41,914	0		41,914
Disposals, separations, transfers	0	4	0		4
Balance 31. 12. 2020	0	665,166	0		665,166
CARRYING AMOUNT					
Balance 31. 12. 2019	470,235	1,324,537	0		1,794,772
Balance 31. 12. 2020	470,235	1,328,452	2,600		1,801,286

Investment property structure was the following:

Item description	in €	
	31. 12. 2020	31. 12. 2021
Apartments	350,021	338,369
Holiday facilities	863,229	855,430
Other buildings	115,201	110,413
Land	470,235	474,515
Investment property in acquisition	2,600	3,938
Total investment property	1,801,286	1,782,665

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 2021 amounted to 3,665,521 €. All investment properties are owned by the company and are not pledged as security for debts.

Revenues from rent in investment property amount to 143,084 € (in year 2020: 142,359€). Direct operating expenses, originating from investment property, which made revenues from rents in year 2021, and direct operating expenses, which did not make revenues from rents in year 2021 consist of depreciation costs (42,851 €) and costs of material and services (64,853 €). In year 2020 costs of depreciation were 41,914 € and costs of material and services 66,156 €.

NOTE 4 - Long-term financial investments

On December 31 2021, long-term financial investments amounted to 16,870,943 €. Compared to the balance as at December 31 2020 their value did not change significantly.

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 [3.10 Risk management](#).

Investment	Number of shares		Share in the ownership		Balance	
	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021
Investment in share in Gorenjske elektrarne d. o. o.			100 %	100 %	13,715,303	13,715,303
ECE d. o. o.			12.5805 %	12.5805 %	2,751,535	2,742,549
Put option in connection with ECE d. o. o.					0	146,139
Informatika, d. o. o., Maribor	1,562	1,562	10.44 %	10.44 %	124,155	124,155
Total long-term financial investments, except loans					16,590,993	16,728,145
Long-term invested funds (Eldom Maribor)					142,798	142,798
Total long-term loans					142,798	142,798
TOTAL LONG-TERM FINANCIAL INVESTMENTS					16,733,791	16,870,943

in €

NOTE 5 - Assets for sale

As at December 31 2021, the company does not disclose assets for sale, while the value of these assets as at 31. 12. 2020 amounted to 2,854,470 €. They accounted for 51 % of the investment in ECE sold in 2021.

NOTE 6 - Stocks

Value of stocks of material and small tools as at December 31 2021 amounted to a total 1,007,602 €. Compared to the balance as at December 31 2020, it increased by 479 thousand € due to ensuring uninterrupted operations. 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 2021 and 2020 are shown in the following table.

Item description	2020	2021
Material stocks at the beginning of the period 1. 1.	509,837	528,963
Purchases	3,598,029	3,566,992
Sale	-48	-68
Consumption	-3,450,317	-2,926,372
Transfer of small tools in use	-128,538	-161,913
Material stocks at the end of the period 31. 12.	528,963	1,007,602

In the inventory as at Decemeber 31 2021, no surpluses or shortages of stocks were identified.

NOTE 7 - Short-term operating receivables

Short-term operating receivables as at December 31 2021 amounted to 6,488,728 €.

Item description	31. 12. 2020	31. 12. 2021
Short-term receivables to group companies	51,442	56,975
Short-term accounts receivable	5,221,014	6,301,614
Short-term advances	1,092	2,349
Adjustment of short-term accounts receivable	-181,138	-163,650
Short-term accounts receivable	5,040,968	6,140,313
Short-term receivables for income tax	88,692	0
Short-term operating receivables from others	95,219	292,066
Adjustment of short-term receivables from others	-1,177	-627
Short-term operating receivables from others	94,042	291,440
Short-term operating receivables	5,275,144	6,488,728

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 2021 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	5,399,583	98,827	630	225,950	567,958	893,365	6,292,948
Interest claims	780	597	63	23	7,203	7,886	8,666
Total short-term accounts receivable	5,400,363	99,424	693	225,972	575,161	901,251	6,301,614

Changes in valuation adjustment of claims were the following:

in €

Item description	Balance 31. 12. 2020	New formations		Withdrawal (use) and elimination			Balance 31. 12. 2021
		Chargeable to expenses	Chargeable to claims	Claims write-off	Paid amounts (transfer to revenues)	Elimination of excess valuation	
Valuation adjustment of accounts receivable	173,715	0	0	12,981	0	4,306	156,428
Valuation adjustment of interest claims	7,423	0	419	376	149	94	7,222
Total valuation adjustment of claims	181,138	0	419	13,358	149	4,400	163,650

NOTE 8 - Monetary assets

As at December 31 2021 the Company had 4,903,047 € of cash on the bank's accounts and short-term redeemable deposits in banks in the state, which is by 1 million € less than on the last day of 2020.

NOTE 9 - 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 2021 amounted to 169,472,670 €, while book value per share to 9.81 €.

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 2021 amount to 3,865,679 € and are formed in accordance to the Article 64 of ZGD-1.

Other profit reserves amount to 13,042,103 €, they are formed from the net profit for the financial year 2021 and previous years and the company uses them in accordance with the Article 11 of the Articles of Association of the joint-stock company Elektro Gorenjska.

Negative value of reserves, arising from fair value valuation (-308,962 €) 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 2021, are shown in the following table.

in €

Item	Balance 1. 1. 2021	Elimination	New formation	Transfer to profit or loss brought forward (employee departures 2021)	Total 31. 12. 2021
Actuarial gains/losses	-445,058	136,559	-4,827	-24,170	-337,496
Value adjustment of deferred tax reserves	0	0	28,534	0	28,534
Total	-445,058	136,559	-4,827	-24,170	-308,962

Net profit for the financial year 2021 in compiling the financial statement for 2021 was in accordance with Paragraph 1 of Article 230 of ZGD-1 (Official Gazette No. 65/2009) in the amount of 5 % (408,696 €) allocated to legal reserves. In accordance with Paragraph 3 of Article 230 of ZGD-1 and Article 11 of the Articles of Association of the joint-stock company Elektro Gorenjska, 5,025,645 € was allocated to other profit reserves. Distributable profit for 2021 amounts to 2,763,756 €. Decision regarding the use of distributable profit is within the competence of the general meeting.

Use of distributable profit for 2020 was determined by the resolution of the General Meeting, which took place on June 23 2021. In accordance with the resolution of the general meeting, the total distributable profit amounting to 2,072,817 € was intended for the payment of dividends to owners.

Return on share in year 2021 amounted to 0.47 €, while in 2020 it amounted to 0.35 €. Company has no preference shares, therefore basic and adjusted returns per share are equal. Basis for the calculation of the indicators of return on share are the net profit for the year and the weighted average number of ordinary shares in the period. Calculation is shown in the following table.

Item	in €	
	2020	2021
Net profit or loss of the business year	6,032,296	8,173,927
Weighted average number of ordinary shares	17,273,475	17,273,475
Return per share, basic/adjusted	0.35	0.47

NOTE 10 - Provisions and long-term accrued and deferred liability items

Provisions and long-term accrued and deferred liability items as at December 31 2021 amounted to 15,705,684 €. Compared to their balance as at December 31 2020 they decreased by 219,301 € or 1.4 %.

Changes in provisions and long-term accrued and deferred liability items in 2021:

Item description	Balance 31. 12. 2020	Formation	Drawing	Derecognition	Balance 31. 12. 2021
Provisions for long-service bonuses and severance pay	3,402,770	147,229	123,279	143,469	3,283,251
Other provisions	5,741,100	197,969	0	0	5,939,069
Long-term accrued and deferred liability items	6,781,114	322,879	437,582	183,048	6,483,363
Total	15,924,984	668,077	560,861	326,516	15,705,684

in €

Changes in provisions and long-term accrued and deferred liability items in 2020:

Item description	Balance 31. 12. 2019	Formation	Drawing	Derecognition	Balance 31. 12. 2020
Provisions for long-service bonuses and severance pay	3,087,353	474,106	117,471	41,219	3,402,770
Other provisions	5,543,132	197,969	0	0	5,741,100
Long-term accrued and deferred liability items	6,716,418	494,325	429,629	0	6,781,114
Total	15,346,903	1,166,400	547,100	41,219	15,924,984

in €

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 2021 takes into account the following actuarial assumptions: statistical probability of mortality, linearly decreasing fluctuation (0.6 % a year for next year), retirement in accordance with the law or already known data, wage growth in the company (85 % of annual inflation), growth of average earnings in electricity industry (annual inflation, increased by 0.5 %), growth of average earnings in RS (for years 2022 and 2023 based on Autumn forecast, later growth of 2 % is projected), growth of salaries due to promotion (0.8 % a year for next business year), growth of amounts in the Regulation, in line with inflation, length of service allowance (growth in the amount of 0.5 % from the basic salary a year) and discount rate in the amount of 0.8 %.

Other provisions relate to the compensation in connection to denationalisation proceedings. Within long-term accrued and deferred liability items, the following items are also recorded: tangible fixed assets obtained free of charge (4,510,495 €), deferred costs arising from average connection costs (1,184,236 €), long-term deferred revenues from rents and user charges (394,971 €) and earmarked funds to cover disproportionate connection costs (310,652 €).

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 11 - Dolgoročne obveznosti

As at December 31 2021 Elektro Gorenjska Company had 43,477,539 € of long-term liabilities, which is by 4.1 % less than as at December 31 2020. Majority of long-term liabilities are long-term financial liabilities to banks (43,189,236 €). Maturity of long-term financial liabilities to banks is as follows:

in €			
1 year	2-5 years	Over 5 years	Total
8,797,788	26,334,839	16,854,397	51,987,024

In 2020, we drew a 7 million € long-term loan for implementation of investments in electricity infrastructure and repaid by 7,747,788€ in principle. Interest costs amounted to 419,186 €. Interest in the amount of 13,948 € was capitalized. Credit balance as at December 31 2021 was 51,987,024 €, while at the end of 2020 it was 52,734,811 €.

Contractual interest rate in all loans is the result of collecting the offers of interested deposit money banks in acquiring the loan, in accordance with the Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act (Official Gazette RS, No. 23/04, as amended) and subsequent negotiations with banks. Interest rate of four of the loans is fixed, while all other loans have a floating rate, bound by three- or six-month EURIBOR. Add-on to EURIBOR is between 0.33 and 1.70 percent point. Financial liabilities in the amount of 51,987,024 € are secured by bills of exchange.

As at December 31 2021 there were 32 % of long-term loans secured with the fixed interest rate, which represents the amount of 16.9 million €. Balance of received loans to finance tangible fixed assets as at 31. 12. 2021 amounted to 51,987,024 €.

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 [3.10 Risk management](#).

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

NOTE 12 - Deferred tax liability

Deferred tax liabilities as at December 31 2021 amounted to 260,755 €. They relate to taxable temporary differences due to the merger of subsidiary Elektro Gorenjska Prodaja to company ECE and small inventory in fixed assets. Compared to the balance as at December 31 2020 they decreased by 45,822 € mainly due to the sale of the part of investment in ECE.

NOTE 13 - Short-term financial liabilities

Short-term financial liabilities as at December 31 2021 amounted to 8,816,018 €. Main part of short-term financial liabilities refers to the short-term financial liabilities to banks, which represent the short part of long-term loans and interest.

NOTE 14 - Short-term operating liabilities

At the end of 2021 short-term operating liabilities in the amount of 7,185,890 € were by 1.9 million € higher than compared to the balance on the last day of 2020. Detailed review of the short-term operating liabilities is presented in the following table.

in €		
Item description	31. 12. 2020	31. 12. 2021
Liabilities to suppliers for own account:	2,474,615	3,219,979
to group companies	21,527	44,437
to other suppliers	2,453,087	3,175,541
Liabilities to other suppliers on its own behalf and for third party account:	1,749,236	2,052,778
liabilities to SODO, d.o.o.	1,749,236	2,051,531
to others	0	1,247
Other liabilities, of which:	1,101,197	1,913,134
for salaries	868,769	879,144
to state and other institutions	114,961	820,808
for received advances and collaterals	31,336	123,524
other (debt settlement-cession, interests, employee deductions...)	86,130	89,657
Total short-term liabilities from operating activities	5,325,047	7,185,890

NOTE 15 - Short-term accrued and deferred liability items

As at December 31 2021 short-term accrued and deferred liability items amounted to 1,004,815 €. Compared to their balance as at December 31 2020 they are by 838,460 € lower. Reason is that at the end of 2020 short-term deferred revenues were recorded on the basis of the SODO preliminary statement for 2020, while at the end of 2021 we recorded accrued revenues from the SODO preliminary statement for 2021.

NOTE 16 - Off-balance sheet records

Off-balance sheet assets or liabilities as at December 31 2021 amounted to a total 4,859,205 €. They were lower by 206 thousand € compared to the balance as at December 31 2020.

Item description	31. 12. 2020	31. 12. 2021
Received guarantees and enforcement orders	3,177,809	3,065,531
Total potential assets	3,177,809	3,065,531
Issued bills of exchange and enforcement orders	31,465	31,465
Total potential liabilities	31,465	31,465
Fixed assets in the property of SODO	1,856,374	1,762,209
Total other	1,856,374	1,762,209
Total off-balance sheet records	5,065,648	4,859,205

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

5.5.2. Notes on profit and loss account items

NOTE 1 - Net sales revenues

In year 2021 net sales revenues amounted to 35,710,944 €. Almost all net sales revenues were generated in the domestic market. Net sales revenue comprises:

Item description	2020	2021
Revenues from rent and services in relation to SODO	29,988,641	32,984,393
Revenues from services provided to group companies	137,533	135,955
Revenues from rents:	509,330	576,987
- revenues from rents from group companies	163,845	163,940
- revenues from rents from others	345,485	413,047
Revenues from construction and assembly works	1,079,346	1,709,889
Revenues from other services	514,931	303,721
Total net sales revenues	32,229,781	35,710,944

Majority of net sales revenues in 2021 represent revenues from rent and services related to SODO (32,984,393€). In 2021, these revenues are by 10.0 % higher than in 2020. In 2020, due to the amendment to the Act on the methodology determining the regulatory framework and network charge for the electricity distribution system, the return on electricity infrastructure assets decreased from 5.26 % to 4.13 %.

NOTE 2 - Capitalized own products and own services

In year 2021 capitalized own effects amounted to 4,165,835 €. They were mostly investments in tangible fixed assets – energy infrastructure.

Item description	2020	2021
Direct material costs	3,093,561	2,376,095
Direct labour costs	1,442,320	1,450,599
Total direct costs of material and labour	4,535,881	3,826,694
Total indirect costs of material, work and depreciation	348,681	339,141
Total costs in the manufacture of products and the provision of services in relation to capitalized own effects	4,884,562	4,165,835

NOTE 3 - Other operating revenues

Other operating revenues in the amount of 858,961 € consist of:

Item description	2020	2021
Revaluation operating revenues	268,700	16,012
Revenue from the transfer of long-term deferred revenue to regular operating revenues:	419,513	448,409
- free acquisition of FA	43,715	35,057
- free acquisition of connections	181,256	195,499
- average connecting costs	85,319	85,319
- other	109,222	132,534
Damages recovered from insurance companies	54,531	155,891
Received state aid due to covid-19	411,320	15,619
Received state supports-refunds	145,224	166,406
Other revenues	23,296	56,624
Total other operating revenues	1,322,584	858,961

Other operating revenues in 2021 were by 463,623 € lower than in 2020 due to lower revaluation operating revenues and lower state aid due to covid-19.

NOTE 4 - Acquisition cost of goods sold and cost of material used

Acquisition cost of sold goods and material used consists of:

Item description	in €	
	2020	2021
Costs of material:	4,353,633	4,332,143
- for maintenance	198,808	280,333
- in connection with capitalized own effects, market services	3,632,440	3,454,356
- for electricity, gas and heat	252,576	278,434
- small tool write-off	128,538	161,913
- office supplies	46,325	44,478
- other material costs	94,946	112,628
Acquisition cost of goods and material sold	48	68
Acquisition cost of goods sold and costs of material used	4,353,681	4,332,211

NOTE 5 - Costs of services

In 2021 costs of services amounted to 3,762,084 €, which is by 282 thousand € more than in 2020. Biggest cost within the cost of services is the costs of services related to the maintenance of the electricity infrastructure and other tangible fixed assets. More detailed structure of service costs is provided in the following table.

Item description	in €	
	2020	2021
Costs of service in creating products and implementing services	278,318	176,632
Costs of telephone, postal and other transport services	180,986	217,077
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,110,810	1,208,246
Rents	24,881	23,899
Reimbursements of work-related costs to employees	21,902	25,637
Costs of payment transactions, banking services and insurance premiums	564,294	586,362
Costs of intellectual and personal services	414,811	531,447
Costs of advertising and representation	69,758	64,969
Costs of services of individuals not performing the activity, including duties chargeable to the company (costs under work contracts, authorship contracts, meeting fees of supervisory board members...)	142,484	154,165
Costs of information and other services	672,213	773,650
Total costs of services	3,480,457	3,762,084

Maintenance of electricity infrastructure is also presented in chapter [3.3.2 Maintenance of electricity infrastructure](#).

Essential item in costs of payment transactions, banking services and insurance premiums costs are insurance premiums which amounted to 544,374 € in 2021.

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

Besides information services costs of other services include also costs of membership fees, utilities, student service, cleaning costs and other.

According to Article 57 of the Companies Act (ZGD-1), Elektro Gorenjska is obliged to audit the annual report. Contractual amount for the audit of the annual report of the Company and Elektro Gorenjska Group for 2021 is 13,630 €. In addition, another 1,570 € was paid to the auditor who audited the annual report for assurance services.

NOTE 6 - Labour costs

Costs of labour in the amount of 12,573,116 € consist of:

Item description	in €	
	2020	2021
Salary costs	8,849,986	9,003,918
Costs of voluntary pension insurance of employees	422,812	430,813
Costs of employer's contributions and other benefits from salaries	1,471,453	1,504,731
Costs of transport to work	216,817	184,668
Lunch costs	544,221	596,653
Cost of covid-19 crisis allowance	88,228	0
Other labour costs	1,157,425	852,333
Total labour costs	12,750,942	12,573,116

Costs of the employer's contributions and other wage benefits also include contributions for pension and disability insurance: year 2021 in the amount of 826,624 €; year 2020 in the amount of 804,023 €.

Other labour costs include provisions for long-service benefits and severance pay, holiday pay, benefits, insurance costs for employees and payment to intern students. Number of employees and their educational structure, as well as other information related to employees, are presented in chapter 3.6 *Care for employees*. Remuneration of management and supervisory board is presented in more detail in chapter 5.6 *Transactions with related parties*.

NOTE 7 - Write-offs

In 2021, write-offs amounted to 11,609,704 €. Their composition is as follows:

Item description	in €	
	2020	2021
Depreciation of intangible fixed assets	581,962	695,917
Depreciation of tangible fixed assets	10,392,186	10,607,911
Depreciation of investment property	41,914	42,851
Total depreciation costs	11,016,061	11,346,678
Operating expenses from revaluation of fixed assets and investment property	261,425	262,623
Operating expenses from revaluation of current assets	300	403
Total write-offs	11,277,787	11,609,704

NOTE 8 - Other operating expenses

Other operating expenses in the amount of 412,729 € consist of:

Item description	in €	
	2020	2021
Contribution for promotion of employment of persons with disabilities	58,598	55,924
Contribution for urban land	74,522	74,685
Provisioning	197,969	197,969
Other expenses (fees, charges ...)	80,551	84,152
Total other operating expenses	411,640	412,729

Employment of people with disabilities is explained in more detail in chapter 3.6 *Care for employees*.

NOTE 9 - Financial revenue from shares

In 2021, the company realized 1,471,992 € of financial revenue from shares. Share in Gorenjske elektrarne Company refers to 1,197,454 € in revenues, while 128,393 € to the company ECE. Financial revenues in the amount of 146,139 € represent the value of the put option in connection with the investment in ECE.

NOTE 10 - Breakdown of costs by functional groups

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

Item description	2020	2021
Costs of sold business effects	25,625,881	26,140,912
Costs of general activities	5,735,197	5,688,850
Costs of sales	651,656	596,989
Total	32,012,734	32,426,751

NOTE 11 - Income tax

Accrued income taxes together with deferred taxes for the business year 2021 amounted to 877,015 € (year 2020: 698,478 €). Effective tax rate was 10 % in 2021, which is the same as in 2020.

NOTE 12 - Deferred taxes

Deferred tax liabilities in 2021 amounted to -329,196 €. Part in the amount of -45,822 € represents a reduction in deferred tax liabilities and mostly relates to the sale of part of the investment in ECE. Remainder of the amount -283,374 € represents deferred tax receivables from provisions for long-service bonuses and severance pay, which the company recognized for the first time in 2021.

5.5.3. Notes on other comprehensive income items

Other components of comprehensive income amount to 160,267 €, of which an amount of 131,733 € represents a change in actuarial gains and losses, while an amount of 28,534 € represents deferred tax receivable from severance pay at retirement.

5.5.4. 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 2021 the company had on transaction accounts in banks monetary assets in the amount of 3,943,404 €. As at December 31 2021 the balance on transaction accounts in banks and in the form of short-term deposits in commercial banks amounted to 2,903,047 €. In the period January-December 2021 the company had a negative cash result in the amount of 1,040,357 €.

Net cash from operating activities in year 2021 exceeded expenditure by 15,449,555 €, which means that the company operates positively with its main activity and creates a positive cash flow. With this, in year 2021, the company was able to settle all its liabilities (expenditure) referring to the repayment of the principals and interests in respect of long-term credits in the amount of 8,183,176 €, settle all liabilities related to payment of dividends in the amount of 2,072,817 €, and could partly finance new acquisitions of intangible and tangible assets. The largest revenues were revenues received under the Contract with SODO for implementation of services and rents for electric power infrastructure.

Negative net cash used in investing activities in year 2021 amounted to 11,247,815 €. 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 3.3.3 *Investments*). New acquisitions of intangible and tangible assets were mainly financed by drawing from long-term credit in the amount of 7 million € (explained in Note 11 *Long-term liabilities in chapter 5.5.1*), and also by positive net cash from operating activities. Receipts from financing activities in the period considered amounted to 8.4 million €, while expenditures amounted to 11.7 million €.



5.6 Transactions with affiliates

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 2021, Elektro Gorenjska operated with its subsidiaries Gorenjske elektrarne and GEK Vzdrževanje.

Among transactions with the subsidiary Gorenjske elektrarne, which in 2021 amounted to 1,584 thousand €, besides the paid profit in the amount of 1,197 thousand € (payment of the subsidiary to the controlling company) the most important were the following:

Item description	2021
Revenue from the provision of general services (costs of subsidiary)	98,366
Rental income (subsidiary rental costs)	152,724

Transactions with GEK Vzdrževanje Company did not reach significant values. All transactions with Group companies were implemented under normal market conditions. As a controlling company, Elektro Gorenjska Company did not obstruct or impair operations of company Gorenjske elektrarne as the controlled.

Transactions with the Republic of Slovenia

Most important transactions of the Elektro Gorenjska Company with the Republic of Slovenia were in 2021 the following:

Item	Payments in year 2021
Dividends	1,647,466
Corporate income tax (tax and advance payments)	581,840
Other duties (VAT, employer contributions)	4,599,869
Total	6,829,175

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.

Business partner	in €			
	Open receivables on DEC 31 2021	Open liabilities on DEC 31 2021	Expenditure in year 2021	Revenues in year 2021
SODO d. o. o.	3,806,147	2,051,428	0	32,984,393
Modra zavarovalnica d. d.	0	34,055	408,822	0
Zavarovalnica Sava d. d.	55,664	59	539,483	0
SID d. d.	0	5,164,549	49,799	0
NLB, d. d.	0	7,000,000	5,730	0
Total	3,861,811	14,250,091	1,003,834	32,984,393

Outstanding liabilities to SODO Company represent payables for the account of third parties. Transactions with other companies in which the State has a dominant influence do not represent significant amounts.

Transactions with Management and Supervisory Board

In year 2021, 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	Long-service bonus	Holiday allowance	Reimbursements of costs	Bonuses
Chairman of the Board	97,200	7,787	2,078	7,071	2,128	10,342

In 2021, the annual leave allowance was paid for years 2019 (proportional part), 2020 and 2021. Reimbursement of costs (material costs) include reimbursement for meals and business travel expenses. They are charged in accordance with the employment contracts or company's collective agreement. Bonuses include insurance premiums and use of a company car.

Receipts of supervisory board members in 2021 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
	1	2	3	4=1+2+3	5
Representatives of capital					
mag. Samo Logar	15,720	2,695	1,320	19,735	120
Andrej Koprivec	11,528	2,675	1,716	15,918	153
mag. Tedo Djekanović	11,318	1,870	880	14,068	15
Franjo Curanović	10,480	2,675	1,716	14,870	10
Rudolf Ogrinc	4,374	1,375	0	5,749	45
Gabrijel Škof	3,937	1,375	660	5,972	0
Gregor Tomše	4,010	1,375	660	6,045	0
Vid Meglič	2,916	1,375	0	4,291	47
Employee representatives					
Iztok Štular	11,300	4,070	0	15,370	0
Borut Jereb	11,300	4,070	0	15,370	0

Receipts of external members of the audit and nomination committees 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				
Milena Pervanje	4,192	1,320	5,512	0
dr. Simon Čadež	5,650	2,156	7,806	51

In 2021, the supervisory board held a total of 15 sessions, of which 14 were regular and one correspondence. Nomination committee held a total of 5 regular sessions in 2021, while audit committee 11 regular sessions. Mag. Tedo Djekanović was present at six supervisory board session out of total of nine and two nomination committee sessions out of total of four, which the composition of external members of the supervisory board with a mandate until August 28 2021, had in 2021. All other members of the supervisory board and committees were present at all sessions.

Costs of other supervisory board members' benefits in year 2021 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	
mag. Samo Logar	600
Andrej Koprivec	600
mag. Tedo Djekanović	600
Franjo Curanović	600
Rudolf Ogrinc	202
Gabrijel Škof	202
Gregor Tomše	202
Vid Meglič	202
Employee representatives	
Iztok Štular	802
Borut Jereb	802

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 2021.



5.7 Financial risk management

Financial risks in the company are connected with the ability to create financial income, control financial expenses, maintain the value of financial assets, control financial liabilities and ensure competitive and long-term solvency.

Risk of financial investments

Failure to achieve the planned results on the part of investments (investments in the company Gorenjske elektrarne, d. o. o., with 100 % share and investment in the company ECE with a share of 12.5805 %) 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 of both investments as an active owner and with strategic connecting.

Credit risk

Under the Contract on the lease of electricity distribution infrastructure and the provision of services for the distribution system operator the company collects customer payments on its own behalf and on behalf of SODO d. o. o. There is a higher risk, as the company despite unpaid claims of customers has to settle all liabilities to SODO in accordance with the Contract and its Annexes. Company also provides a wide range of market services. Any unpaid receivables from these services represent the greatest credit risk for the company. In both cases, Company manages the risk primarily by carefully monitoring receivables and carrying out recovery procedures, concluding appropriate agreements with debtors, expanding the set of payments according to pro forma invoices and by including appropriate financial collateral in contracts.

Largest exposure to credit risk was at the end of 2021 or 2020 the following:

	31. 12. 2020	31. 12. 2021
Non-current financial claims	142,798	142,798
Non-current trade receivables	0	0
Short-term financial claims	4,643	0
Short-term trade receivables	5,040,968	6,140,313
Cash and cash equivalent	3,943,404	4,903,047

in €

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.

Interest risk

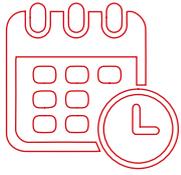
Company borrowed more than half of its long-term loans at a variable interest rate, which could increase in the event of greater economic activity and central bank measures in the European Union, which would have a direct negative impact on operating results due to higher financing costs. Company manages the risk by negotiating with banks to reduce existing mark-ups or bank margins and refinancing or repayment of existing loans with unfavourable financial commitments or higher mark-ups that are realistically achievable in the banking market. As well as with proactive monitoring of movements in variable and fixed interest rates and mark-ups of banks, and active search for the most favourable conditions for access to foreign resources.

Payment for services rendered to SODO

There is a risk of inadequate payment for services to the company SODO, mainly due to requirements for the provision of services not covered by the contract with SODO, a dispute over the quality of services provided and charged by EG, an inadequate Agency's decision on establishing a regulatory framework, and the year-on-year or annual deficit of the network charge in the distribution system according to the value of services rendered. Company manages the risk by actively participating in the procedure of issuing the Agency's decision on determining the regulatory framework and by active and appropriate correspondence with all stakeholders of the Contract with SODO.

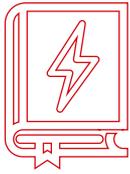
Lack of investment funds

Realization of the risk could occur mainly in the event that the company fails to provide the owners with funds for the realization of the planned investments due to the lack of own funds, due to the company's inability to borrow to the required extent or die to the excessive payment of dividends. Company manages the risk through appropriate financial planning and sustainable long-term borrowing.



5.8 Events after the balance sheet date

At the end of February 2022, the Act Determining the Measures to Mitigate the Consequences of Rising Energy Prices was adopted. Among other things, the law stipulates that the tariffs items for the distribution operator for billing power and assumed active energy for all customer groups in the period from February 1 to April 30 2022 will be reduced to zero. Lack of network charges for 2022, which will occur due to the reduction of the tariffs, will be covered in a way that the Energy Agency in the process of determining deviations from the regulatory framework for 2022 reduces the regulated return on assets of the distribution operator. For the company Elektro Gorenjska this means by 9.7 million € lower revenues in 2022.



5.9 Disclosures under the Energy Act

5.9.1. **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 2021. 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 (IS sector), excluding revenues and costs (expenses) of these services achieved in relation to associated companies, in connection with the provision of legal, personnel, accounting, financial and other similar services. Revenue generated in relation to associated companies is initially recognized in other activities. Costs incurred in connection with the provision of services to associated companies are recorded directly in other activities.

This determined indirect revenues and costs (expenses), assets and funds of general services are allocated to activities on the basis of criteria. Following two criteria are used:

- › number of employees and
- › number of fixed assets.

On this basis, indirect costs (expenses), revenues, assets and funds of general services were allocated to the activity Contract with SODO in the amount of 90 %, and to other activities in the amount of 10 %.

Other important criteria for allocating indirect revenues, costs (expenses), assets and funds according to activities

Mutual relations between OU 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, IS 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.

5.9.2. Balance sheet by activities of the company

In accordance with the provisions of the Energy Act, we disclose financial statements by activities.

Balance sheet by activities of the company as at December 31 2021

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
ASSETS			
A. Long-term assets	211,548,121	21,358,206	232,906,327
I. Intangible assets and long-term accrued and deferred asset items	3,458,842	68,290	3,527,132
1. Long-term property rights	1,687,177	67,186	1,754,363
5. Other long-term accrued and deferred asset items	1,771,665	1,104	1,772,769
II. Tangible fixed assets	207,666,038	2,593,134	210,259,172
1. Land and buildings	152,983,954	2,277,040	155,260,994
a) Land	6,349,011	897,253	7,246,264
b) Buildings	146,634,943	1,379,787	148,014,730
2. Production plant and equipment	48,752,798	298,670	49,051,468
3. Other plant and equipment	62,069	7,038	69,107
4. Tangible fixed assets in acquisition	5,867,217	10,386	5,877,603
a) Tangible fixed asset under construction and manufacture	5,820,155	10,386	5,830,541
b) Advances for the acquisition of fixed assets	47,062	0	47,062
III. Investment property	0	1,782,665	1,782,665
IV. Long-term financial investments	0	16,870,943	16,870,943
1. Long-term financial investments, excluding loans	0	16,728,145	16,728,145
a) Shares and stakes in group companies	0	13,715,302	13,715,302
b) Shares and stakes in associate companies	0	124,155	124,155
c) Other shares and stakes	0	2,888,688	2,888,688
2. Long-term loans	0	142,798	142,798
b) Long-term loans to others	0	142,798	142,798
V. Long-term operating receivables	154,506	0	154,506
3. Long-term receivables due from others	154,506	0	154,506
VI. Deferred tax claims	268,735	43,174	311,909
B. Short-term assets	3,151,860	9,247,517	12,399,377
II. Stocks	1,005,807	1,795	1,007,602
1. Material	1,005,807	1,795	1,007,602
IV. Short-term financial investments	5,883,726	605,002	6,488,728
1. Short-term receivables due from group companies	15	56,960	56,975
2. Short-term trade receivables	5,630,192	510,121	6,140,313
4. Short-term receivables due from others	253,519	37,921	291,440
V. Monetary assets	-3,737,673	8,640,720	4,903,047
C. Short-term accrued and deferred asset items	345,046	11,866	356,912
Total assets	215,045,027	30,617,589	245,662,616

Balance sheet by activities as at December 31 2021 (continued from the previous page):

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
Liabilities			
A. Capital	146,207,790	23,264,880	169,472,670
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 measurement	-250,564	-58,398	-308,962
VI. Net profit or loss from previous periods	4,942,743	-4,918,573	24,170
Net profit or loss for the period	2,348,633	390,953	2,739,586
1. Unused part of net profit for the current financial year	2,348,633	390,953	2,739,586
VIII. Coordinated capital adjustment between activities	-4,475,086	4,475,086	0
B. Provisions and long-term accrued and deferred liability items	8,887,797	6,817,887	15,705,684
1. Provisions for pensions and similar liabilities	2,828,786	454,465	3,283,251
2. Other provisions	0	5,939,070	5,939,070
3. Long-term accrued and deferred liability items	6,059,011	424,352	6,483,363
C. Long-term liabilities	43,422,815	54,724	43,477,539
I. Long-term financial liabilities	43,189,236	0	43,189,236
2. Long-term financial liabilities to banks	43,189,236	0	43,189,236
II. Long-term operating liabilities	25,124	2,424	27,548
4. Long-term operating liabilities based on advances	25,124	2,424	27,548
III. Other long-term operating liabilities	208,455	52,300	260,755
Č. Short-term liabilities	15,656,700	345,208	16,001,908
II. Short-term financial liabilities	8,816,010	8	8,816,018
1. Short-term operating liabilities to group companies	0	8	8
2. Short-term financial liabilities to banks	8,797,788	0	8,797,788
4. Other short-term financial liabilities	18,222	0	18,222
III. Short-term operating liabilities	6,840,690	345,200	7,185,890
1. Short-term operating liabilities to group companies	41,473	2,964	44,437
2. Short-term operating liabilities to suppliers	3,135,047	40,494	3,175,541
4. Short-term operating liabilities based on advances	86,953	36,571	123,524
5. Short-term liabilities for income tax	479,863	55,816	535,679
6. Other short-term operating liabilities	3,097,354	209,355	3,306,709
D. Short-term accrued and deferred liability items	869,924	134,891	1,004,815
Total liabilities	215,045,026	30,617,590	245,662,616

Balance sheet by activities of the company as at December 31 2020

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
ASSETS			
A. Long-term assets	204,886,484	21,245,341	226,131,825
I. Intangible assets and long-term accrued and deferred asset items	1,677,023	52,677	1,729,700
1. Long-term property rights	1,658,119	51,187	1,709,306
5. Other long-term accrued and deferred asset items	18,904	1,490	20,394
II. Tangible fixed assets	203,023,226	2,657,587	205,680,813
1. Land and buildings	150,220,419	2,301,820	152,522,239
a) Land	6,264,731	892,419	7,157,150
b) Buildings	143,955,688	1,409,401	145,365,089
2. Production plant and equipment	49,687,377	337,626	50,025,003
3. Other plant and equipment	64,447	6,404	70,851
4. Tangible fixed assets in acquisition	3,050,983	11,737	3,062,720
a) Tangible fixed asset under construction and manufacture	3,004,378	11,737	3,016,115
b) Advances for the acquisition of fixed assets	46,605	0	46,605
III. Investment property	0	1,801,286	1,801,286
IV. Long-term financial investments	0	16,733,791	16,733,791
1. Long-term financial investments, excluding loans	0	16,590,993	16,590,993
a) Shares and stakes in group companies	0	13,715,303	13,715,303
b) Shares and stakes in associate companies	0	2,875,690	2,875,690
2. Long-term loans	0	142,798	142,798
b) Long-term loans to others	0	142,798	142,798
V. Long-term operating receivables	186,235	0	186,235
3. Long-term receivables due from others	186,235	0	186,235
B. Short-term assets	4,296,453	8,310,171	12,606,624
I. Assets (group for disposal) for sale	0	2,854,470	2,854,470
II. Stocks	527,035	1,928	528,963
1. Material	527,035	1,928	528,963
III. Short-term financial investments	0	4,643	4,643
1. Short-term financial investments, excluding loans	0	4,643	4,643
c) Other short-term financial investments	0	4,643	4,643
V. Short-term operating receivables	4,903,231	371,913	5,275,144
1. Short-term receivables due from group companies	1,478	49,964	51,442
2. Short-term trade receivables	4,726,434	314,534	5,040,968
3. Short-term receivables for income tax	97,883	-9,191	88,692
4. Short-term receivables due from others	77,436	16,606	94,042
V. Monetary assets	-1,133,813	5,077,217	3,943,404
C. Short-term accrued and deferred asset items	627,137	37,573	664,710
Total assets	209,810,074	29,593,085	239,403,159

Balance sheet by activities as at December 31 2020 (continued from the previous page):

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
Liabilities			
A. Capital	140,861,342	22,349,951	163,211,293
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	9,630,226	1,843,215	11,473,440
1. Statutory reserves	2,638,506	818,477	3,456,983
5. Other profit reserves	6,991,720	1,024,737	8,016,457
V. Reserves arising from fair value measurement	-360,034	-85,024	-445,058
VI. Net profit or loss from previous periods	4,931,319	-4,923,148	8,171
Net profit or loss for the period	1,779,766	284,880	2,064,646
1. Unused part of net profit for the current financial year	1,779,766	284,880	2,064,646
VIII. Coordinated capital adjustment between activities	-4,475,086	4,475,086	0
B. Provisions and long-term accrued and deferred liability items	9,355,415	6,569,569	15,924,984
1. Provisions for pensions and similar liabilities	2,929,214	473,556	3,402,770
2. Other provisions	0	5,741,101	5,741,101
3. Long-term accrued and deferred liability items	6,426,202	354,912	6,781,114
C. Long-term liabilities	45,224,666	103,319	45,327,985
I. Long-term financial liabilities	44,987,024	0	44,987,024
2. Long-term financial liabilities to banks	44,987,024	0	44,987,024
II. Long-term operating liabilities	33,070	1,314	34,384
4. Long-term operating liabilities based on advances	33,070	1,314	34,384
III. Deferred tax liabilities	204,572	102,005	306,577
Č. Short-term liabilities	12,680,341	415,281	13,095,622
II. Short-term financial liabilities	7,770,517	58	7,770,575
2. Short-term financial liabilities to banks	7,747,788	0	7,747,788
4. Other short-term financial liabilities	22,729	58	22,787
III. Short-term operating liabilities	4,909,824	415,223	5,325,047
1. Short-term operating liabilities to group companies	17,177	4,350	21,527
2. Short-term operating liabilities to suppliers	2,237,597	215,490	2,453,087
4. Short-term operating liabilities based on advances	27,776	3,560	31,336
6. Other short-term operating liabilities	2,627,274	191,823	2,819,097
D. Short-term accrued and deferred liability items	1,688,309	154,966	1,843,275
Total liabilities	209,810,074	29,593,085	239,403,159

5.9.3. 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 2021

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
1. Net sales revenue	33,109,289	2,601,655	35,710,944
a. Net sales revenue on the domestic market	33,109,289	2,581,384	35,690,673
b. Net sales revenue in the foreign market	0	20,271	20,271
3. Capitalized own products and services	0	4,165,835	4,165,835
4. Other operating revenues	774,783	84,178	858,961
5. Costs of goods, material, and services	4,254,009	3,840,286	8,094,295
a. Costs of goods sold and material used	926,576	3,405,635	4,332,211
b. Costs of services	3,327,433	434,651	3,762,084
6. Labour costs	9,699,607	2,873,509	12,573,116
a. Cost of wages and salaries	6,824,154	2,179,764	9,003,918
b. Social security cost	1,539,292	396,252	1,935,544
- of which the cost of pension insurance	1,023,698	233,739	1,257,437
c. Other labour costs	1,336,161	297,493	1,633,654
7. Amortization/depreciation expense	11,308,196	301,508	11,609,704
a. Depreciation	11,046,900	299,778	11,346,678
b. Operating expenses from revaluation of intangible and tangible fixed assets	260,893	1,730	262,623
c. Operating expenses from revaluation of operating current assets	403	0	403
8. Other operating expenses	187,239	225,490	412,729
9. Financial revenues from shares	0	1,471,992	1,471,992
a. Financial revenue from interests in group companies	0	1,197,454	1,197,454
b. Financial revenue from interests in associates	0	128,393	128,393
c. Financial revenue from interests in other companies	0	146,139	146,139
č. Financial revenues from other investments	0	6	6
11. Financial revenues from operating receivables	11,921	1,094	13,015
b. Financial revenue from operating receivables due from others	11,921	1,094	13,015

*table continues on the next page

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
12. Financial expenses from impairments and financial investment write-offs	0	12,701	12,701
13. Financial expenses from financial liabilities	419,186	66	419,252
a. Financial expenses from loans. received from group companies	0	66	66
b. Financial expenses from loans. received from banks	419,186	0	419,186
14. Financial expenses from operating liabilities	5,555	916	6,471
b. Financial expenses from accounts and bills payable	9	45	54
c. Financial expenses from other operating liabilities	5,546	871	6,417
15. Other revenues	18	5	23
16. Other revenues	37,406	4,154	41,560
17. Pre-tax net profit or loss of the accounting period	7,984,813	1,066,129	9,050,942
18. Income tax	1,219,883	-13,672	1,206,211
19. Deferred taxes	-240,390	-88,806	-329,196
20. Net profit or loss of the accounting period	7,005,320	1,168,607	8,173,927

In the profit and loss account at the company level, the net approach (excluded values resulting from accounting by organizational units) is used to adjust the value of receivables. Revenues and expenses are reduced by 60 €.

Profit or loss account by activities of the company for business year ended as at
December 31 2020

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
1. Net sales revenue	29,985,738	2,244,043	32,229,781
a. Net sales revenue on the domestic market	29,985,738	1,903,904	31,889,642
b. Net sales revenue in the foreign market	0	340,139	340,139
3. Capitalized own products and services	0	4,884,562	4,884,562
4. Other operating revenues	1,091,172	231,412	1,322,584
5. Costs of goods, material, and services	3,616,263	4,217,875	7,834,138
a. Costs of goods sold and material used	660,635	3,693,046	4,353,681
b. Costs of services	2,955,628	524,829	3,480,457
6. Labour costs	9,847,001	2,903,941	12,750,942
a. Cost of wages and salaries	6,665,275	2,184,711	8,849,986
b. Social security cost	1,501,272	392,993	1,894,265
- of which the cost of pension insurance	996,364	230,470	1,226,834
c. Other labour costs	1,680,454	326,237	2,006,691
7. Amortization/depreciation expense	10,970,038	307,749	11,277,787
a. Depreciation	10,730,204	285,858	11,016,062
b. Operating expenses from revaluation of intangible and tangible fixed assets	239,601	21,824	261,425
c. Operating expenses from revaluation of operating current assets	233	67	300
8. Other operating expenses	188,793	222,847	411,640
9. Financial revenues from shares	0	1,079,087	1,079,087
a. Financial revenue from interests in group companies	0	1,056,166	1,056,166
b. Financial revenue from interests in associates	0	19,899	19,899
č. Financial revenues from other investments	0	3,022	3,022
10. Financial revenues from given loans	0	1	1
b. Financial revenues from loans given to others	0	1	1

*table continues on the next page

in €

Item	Contract with SODO	Other activities	Total Elektro Gorenjska
11. Financial revenues from operating receivables	14,994	2,969	17,963
b. Financial revenue from operating receivables due from others	14,994	2,969	17,963
13. Financial expenses from impairments and financial investment write-offs	467,189	0	467,189
b. Financial expenses from loans, received from banks	467,189	0	467,189
14. Financial expenses from operating liabilities	16,763	4,549	21,312
b. Financial expenses from accounts and bills payable	839	83	922
c. Financial expenses from other operating liabilities	15,924	4,466	20,390
15. Other revenues	21	5	26
16. Other revenues	23,926	2,368	26,294
17. Pre-tax net profit or loss of the accounting period	5,961,952	768,821	6,730,773
18. Income tax	740,020	-69,488	670,532
19. Deferred taxes	25,623	2,322	27,945
20. Net profit or loss of the accounting period	5,196,309	835,987	6,032,296

In the profit and loss account at the company level, the net approach (excluded values resulting from accounting by organizational units) is used to adjust the value of receivables. Revenues and expenses are reduced by 1,506 €.



FINANCIAL REPORT

OF ELEKTRO GORENJSKA GROUP

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FINANCIAL REPORT OF ELEKTRO GORENJSKA GROUP

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6 Financial report

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 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 2021 on April 6 2022.

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 6 2022

dr. Ivan Šmon, MBA
Chairman of the Board



6.2 Auditor's report



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SI-1000 Ljubljana
Slovenija

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 AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Group Elektro Gorenjska, d.d. (the Group), which comprise the statement of financial position as at December 31, 2021 and the profit and loss account, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the 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, 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted in EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 (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.

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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 4,369,001 EUR in the year ended December 31, 2021 (2020: 5,086,990).

The Group 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

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 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 Group.
- Examination of the methodology and assumptions used by the Group in calculating



amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management and we therefore determined this matter as a key audit matter. In determining the matter, the Group uses assumptions and judgments for recognising tangible fixed assets as they are determined by accounting standards.

Disclosures regarding this matter are included in note 6.4 Notes to the consolidated financial statements - Tangible fixed assets, note 2 Tangible fixed assets, which relates to point 6.5.1 Notes to the balance sheet as well as note 2 Capitalized own products and own services, which relates to the point 6.5.2 Notes on profit and loss account items.

the cost of personnel and verification of the completeness and accuracy of data used.

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

Other information

Management is responsible for the other information. The other information comprises the information included in the business report of the annual report of the company and Group Elektro Gorenjska, d.d., but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 later.

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 Supervisory Board for the 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 in EU 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 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 confirmation of the audited annual report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee



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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Appointment of the Auditor and the Period of Engagement

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



Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 20, 2022.

Prohibited Services

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

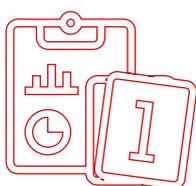
Other Services of the Auditor

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

Ljubljana, April 22, 2022

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana
*(signature on the original issued in Slovene
language)*

Maruša Hauptman, certified auditor,
Procurator



6.3

Financial statements of Elektro Gorenjska Group for business year ended as at December 31 2021

Statement of financial position of Elektro Gorenjska Group as at December 31 2021

Item	Note	31. 12. 2020	31. 12. 2021
in €			
ASSETS			
Long-term assets		226,805,087	233,244,853
Intangible assets	1	1,761,357	1,786,886
1. Long-term property rights		1,761,357	1,786,886
Tangible fixed assets	2	218,764,561	223,345,912
1. Land and buildings		158,416,921	160,760,242
a) Land		8,370,299	8,433,251
b) Buildings		150,046,622	152,326,991
2. Production plant and equipment		55,906,589	54,682,783
3. Other plant and equipment		965,056	914,529
4. Tangible fixed assets in acquisition		3,475,995	6,988,358
Investment property	3	1,770,311	1,752,497
Long-term financial investments	4	4,283,163	4,103,332
1. Long-term financial investments, excluding loans		3,383,510	3,410,641
b) Financial investments accounted for using the equity method		3,383,510	521,953
c) Other shares and stakes		0	2,888,688
2. Long-term loans		899,653	692,691
b) Long-term loans to others		899,653	692,691
Long-term operating receivables	5	203,277	1,874,090
2. Long-term trade receivables		17,042	1,719,584
3. Long-term receivables due from others		186,235	154,506
Other long-term assets		22,418	70,227
Deffered tax claims		0	311,909
Short-term assets		18,562,196	18,870,182
Assets (group for disposal) for sale	6	2,854,470	0
Stocks	7	600,705	1,083,794
1. Material		600,705	1,083,794

*table continues on the next page

in €

Item	Note	31. 12. 2020	31. 12. 2021
Short-term financial investments	8	3,011,605	4,006,962
1. Short-term financial investments, excluding loans		4,643	0
c) Other short-term financial investments		4,643	0
2. Short-term loans		3,006,962	4,006,962
b) Short-term loans to others		3,006,962	4,006,962
Short-term operating receivables	9	5,469,903	7,576,407
2. Short-term trade receivables		5,064,599	7,239,855
3. Short-term income tax receivables		405,304	336,552
Income tax receivables		24,400	0
Other short-term assets		680,610	206,551
Cash and cash equivalents	10	5,920,503	5,996,468
Total assets		245,367,283	252,115,035

Statement of financial position of Elektro Gorenjska Group as at December 31 2021
(continued from previous page)

in €

Item	Note	31. 12. 2020	31. 12. 2021
LIABILITIES			
Capital	11	168,642,937	174,624,767
Called-up capital		104,136,615	104,136,615
Capital reserves		45,973,479	45,973,479
Profit reserves		12,511,300	17,226,552
Other reserves		-483,724	-348,171
Retained profit and loss		6,505,267	7,636,292
Long-term liabilities		62,049,920	59,950,809
Provisions	12	9,481,958	9,574,509
Long-term financial liabilities	13	44,987,024	43,189,236
Long-term operating liabilities		189,805	27,548
Other long-term liabilities and long-term deferred revenue	14	7,084,556	6,898,760
Deferred tax liabilities		306,577	260,756
Short-term liabilities		14,674,426	17,539,459
Short-term financial liabilities		7,770,575	8,816,010
Short-term operating liabilities	15	5,782,558	6,943,439
Liabilities for income tax		0	480,509
Short-term liabilities from contracts with customers	16	0	128,421
Other short-term liabilities		1,121,293	1,171,080
Total liabilities		245,367,283	252,115,035

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 2021

Item	Note	in €	
		2020	2021
Net sales revenue	1	37,114,917	39,766,295
Capitalized own products and services	2	5,086,990	4,369,001
Other operating revenues	3	1,469,454	1,156,765
Costs of goods, material, and services		8,677,325	8,941,614
a. Costs of goods sold and material used	4	4,663,925	4,643,366
b. Costs of services	5	4,013,400	4,298,248
Labour costs	6	14,173,816	13,953,799
Amortization/depreciation expense	7	12,908,248	12,898,507
Other operating expenses	8	478,490	480,790
Financial revenues from shares		5,834	146,146
Financial revenues from given loans		1,843	2,356
Financial revenues from operating receivables		24,974	19,555
Financial expenses from impairments and financial investment write-offs		13,929	3,714
Financial expenses from financial liabilities		467,579	419,187
Financial expenses from operating liabilities		23,514	8,127
Recognized profit or loss on investments valued using the equity method		-717,697	144,717
Total profit or loss		6,243,414	8,899,097
Income tax	9	866,389	1,330,576
Deferred taxes	10	27,945	-329,196
Net profit or loss of the accounting period		5,349,080	7,897,717

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 2021

Title	in €	
	2020	2021
1. Net profit or loss of the accounting period	5,349,080	7,897,717
2. Items of other comprehensive income (other than amounts under the equity method) that will not be subsequently reclassified to profit or loss	-195,800	156,768
- Actuarial gains and losses	-195,800	156,768
4. Share of other comprehensive income of associates and joint ventures accounted for using the equity method, which will not be subsequently reclassified to profit or loss	-6,415	162
Total comprehensive income of the accounting period	5,146,865	8,054,647

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 2021

in €

Item	2020	2021
A. Operating cash-flow		
a. Operating receipts	45,617,229	43,945,808
1. Receipts from sales of products and services	44,968,556	42,606,171
2. Income tax receipts	19,984	174,134
3. Other operating receipts	628,689	1,165,503
b. Operating expenditure	-23,546,854	-26,158,909
1. Expenditure for purchase of material and services	-4,934,709	-7,840,635
2. Expenditure for salaries and employees profit shares	-9,503,054	-10,011,243
3. Income tax expenditure	-983,875	-951,014
4. Expenditure for other duties	-4,563,255	-4,013,958
5. Other operating expenditure	-3,561,961	-3,342,059
c. Positive or negative cash flow from operating activities	22,070,375	17,786,899
B Cash flows in investing activities		
a. Receipts in investing activities	938,926	4,595,399
1. Receipts from received interest and profit shares of others	218,019	285,832
3. Receipts from disposal of tangible fixed assets	145,267	247,200
4. Receipts from disposal of investment property	169,022	0
5. Receipts from disposals of financial investments	406,618	4,062,367
b. Expenditure in investing activities	-20,243,900	-19,064,288
1. Expenses for acquisition of intangible assets	-588,222	-1,302,452
2. Expenses for acquisition of tangible fixed assets	-16,516,905	-15,696,681
3. Expenses for acquisition of investment property	-5,581	-65,155
4. Expenses for acquisition of financial investments	-3,133,192	-2,000,000
c. Positive or negative cash flow from investing activities	-19,304,974	-14,468,888
C. Cash flows in financing activities		
a. Receipts in financing activities	6,000,000	7,000,000
2. Receipts from increase in financial liabilities	6,000,000	7,000,000
b. Expenditure in financing activities	-10,740,133	-10,242,045
1. Expenditure for given interest referring to financing activities	-478,742	-435,388
3. Expenditure for repayment of financial liabilities	-7,843,105	-7,733,840
4. Expenditure for dividend and other profit share payment	-2,418,286	-2,072,817
c. Positive or negative cash flow from financing activities	-4,740,133	-3,242,045
Č. Closing cash balance	5,920,503	5,996,469
x. Cash flow for the period	-1,974,732	75,965
y. Opening cash balance	7,895,236	5,920,503

Explanatory notes in chapter 6.5.4. Notes to the cash flow statement 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 2021

in €

a) From January 1 2021 to December 31 2021:

Events in individual capital items	Called-up capital		Capital reserves		Profit reserves		Other reserves		Retained profit and loss		TOTAL CAPITAL
	I.		II.		III.		IV.		V.		
	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment	Statutory reserves	Other profit reserves	Reserves for fair value	Net profit or loss brought forward	Net profit or loss of the business year		
	I./1.	II./1.	II./2.	II./3.	III./1.	III./5.	IV./3.	V./1.	V./2.		
BALANCE AS OF DECEMBER 31 2020	104,136,615	1	28,581	45,944,897	3,706,143	8,805,157	-483,724	4,493,188	2,012,079	168,642,937	
BALANCE AS OF JANUARY 1 2021	104,136,615	1	28,581	45,944,897	3,706,143	8,805,157	-483,724	4,493,188	2,012,079	168,642,937	
CHANGES IN EQUITY - TRANSACTIONS WITH OWNERS	0	0	0	0	0	0	0	-8,171	-2,064,646	-2,072,817	
Dividend payment	0	0	0	0	0	0	0	-8,171	-2,064,646	-2,072,817	
TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0	0	0	156,930	0	7,897,717	8,054,647	
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	0	7,897,717	7,897,717	
Items of other comprehensive income (except under the equity method) that will be reclassified to profit/loss later	0	0	0	0	0	0	156,768	0	0	156,768	
- Actuarial gains and losses	0	0	0	0	0	0	156,768	0	0	156,768	
Share of other comprehensive income calculated under the equity method that will not be reclassified to profit or loss later	0	0	0	0	0	0	162	0	0	162	
CHANGES WITHIN CAPITAL	0	0	0	0	400,606	4,314,646	-21,377	-56,432	-4,637,443	0	
Allocation of part of net profit of reporting period to other items of capital	0	0	0	0	0	25,242	0	-77,809	52,567	0	
Allocation of part of net profit of reporting period to other items of capital following the decision of the management and control	0	0	0	0	400,606	4,289,404	0	0	-4,690,010	0	
Transfer of actuarial gains/losses due to departures of employees, to profit/loss brought forward	0	0	0	0	0	0	-24,170	24,170	0	0	
Merger GE Les	0	0	0	0	0	0	2,793	-2,793	0	0	
BALANCE AS OF DECEMBER 31 2020	104,136,615	1	28,581	45,944,897	4,106,749	13,119,803	-348,171	4,428,585	3,207,707	174,624,767	

Explanatory notes in chapter 6.5.4. Notes to the cash flow statement are part of the financial statements and should be read in conjunction with them.

b) From January 1 2020 to December 31 2020:

in €

	Called-up capital		CAPITAL RESERVES		PROFIT RESERVES		Other reserves		Retained profit and loss		TOTAL CAPITAL
	I.		II.		III.		IV.		V.		
Events in individual capital items	Share capital	Share premium account	Capital reserves from reduction of share capital by withdrawal of shares	General equity revaluation adjustment	Statutory reserves	Other profit reserves	Reserves for fair value	Net profit or loss brought forward	Net profit or loss of the business year		
	I./1.	II./1.	II./2.	II./3.	III./1.	III./5.	IV./3.	V./1.	V./2.		
BALANCE AS OF DECEMBER 2019	104,136,615	1	28,581	45,944,897	3,393,348	5,769,517	-267,183	3,995,163	2,913,420		165,914,359
BALANCE AS OF JANUARY 1 2020	104,136,615	1	28,581	45,944,897	3,393,348	5,769,517	-267,183	3,995,163	2,913,420		165,914,359
CHANGES IN EQUITY - TRANSACTIONS WITH OWNERS	0	0	0	0	0	0	0	-29,874	-2,388,413		-2,418,287
Dividend payment	0	0	0	0	0	0	0	-29,874	-2,388,413		-2,418,287
TOTAL COMPREHENSIVE INCOME OF REPORTING PERIOD	0	0	0	0	0	0	-202,215	0	5,349,080		5,146,865
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	0	0	5,349,080		5,349,080
Items of other comprehensive income (except under the equity method) that will be reclassified to profit/loss later	0	0	0	0	0	0	-195,800	0	0		-195,800
- Actuarial gains and losses	0	0	0	0	0	0	-195,800	0	0		-195,800
Share of other comprehensive income calculated under the equity method that will not be reclassified to profit or loss later	0	0	0	0	0	0	-6,415	0	0		-6,415
CHANGES WITHIN CAPITAL	0	0	0	0	312,795	3,035,640	-14,326	527,899	-3,862,008		0
Allocation of part of net profit of reporting period to other items of capital	0	0	0	0	0	11,473	0	514,689	-526,162		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	312,835	3,024,167	0	0	-3,337,002		0
Transfer of actuarial gains/losses due to departures of employees, to profit/loss brought forward	0	0	0	0	0	0	-14,326	14,326	0		0
Merger GE Les	0	0	0	0	-40	0	0	-1,116	1,156		0
BALANCE AS OF DECEMBER 31 2020	104,136,615	1	28,581	45,944,897	3,706,143	8,805,157	-483,724	4,493,188	2,012,079		168,642,937

6.4

Notes to the consolidated financial statement

Reporting company and Group structure

In accordance with Article 56 of the Companies Act ZGD-1, a company with its registered office in Slovenia that is superior to one or more companies in the Republic of Slovenia or abroad must prepare a consolidated annual report. Elektro Gorenjska Company is the parent company of Elektro Gorenjska Group. Business address of the parent company is Ulica Mirka Vadnova 3a, Kranj. Elektro Gorenjska Group consists of:



parent company Elektro Gorenjska, Ulica Mirka Vadnova 3a, Kranj;



company Gorenjske elektrarne, Stara cesta 3, Kranj, which is in 100 % ownership of the controlling company; capital of this company as at December 31 2021 amounted to 18,740,357 €, net profit for year 2021 was 1,032,623 € and



company GEK Vzdrževanje, Stara cesta 3, 4000 Kranj, which is in 100 % ownership of subsidiary Gorenjske elektrarne; capital of this company as at December 31 2021 amounted to 175,028 €, net profit for year 2021 was 3,020 €.

Associate company Soenergetika, Stara cesta 3, Kranj, is in 25 % ownership of company Gorenjske elektrarne; capital of this company as at December 31 2021 amounted to 1,591,192 €, while its net profit for year 2021 was 460,870 €. Company did not have any other comprehensive income in 2021, and the total comprehensive income attributable to the Elektro Gorenjska Group amounts to 115.217 €.

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) and the Energy Act (EZ-1). Management of Elektro Gorenjska Company approved the consolidated financial statements on April 6 2022.

Basis for measurement

Consolidated financial statements have been prepared on a historical cost basis, except in the case of receivables, which are recorded at amortized cost. Methods used to measure fair value are described in the continuation of the chapter (Determination of fair value).

Consolidated financial statements have been prepared assuming that the Group will continue with its operations in the future. Operations of the Group are not seasonal in nature.

Functional and presentation currency

Presented financial statements of Elektro Gorenjska Group are presented in EUR. Degree of accuracy in reporting is 1 €.

Exchange rate differences, which occur in settlements of monetary items or with transference of monetary items at exchange rates different from those at which they were transferred at initial recognition in the period, are recognized in profit and loss for the period they occur in. In order to convert values in foreign currencies, the Group uses the reference rate of the European Central Bank published by the Bank of Slovenia.

Use of significant estimates and assessments

In the application of presented accounting policies and guidelines, the Group must carry out a number of estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. Estimates and associated assumptions are based on historical experience and factors that the Group believes to be appropriate. Estimates and assumptions used are continuously reviewed. Actual results may differ from these estimates. Checks to accounting estimates are recognized in the period in which the estimate is checked, but also in future periods if the revised estimate affects both current and future periods. Following are the main assessments that have a significant effect on the amounts recognized in the financial statements.

Assumptions and estimates

Assumptions and estimates that have the biggest impacts on amounts in the financial statements are:

- › determination of useful lives of intangible and tangible fixed assets,
- › value adjustments of receivables,
- › provisions estimate.

They are presented in more detail in Summary of significant accounting policies.

Transactions with SODO Company

Transactions with the company SODO or preliminary and final accounts received in 2021 are presented in more detail in chapter *5.4 Bases for compiling financial statements* in Financial Report of Elektro Gorenjska Company.

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.

Adopted standards and interpretations that came into force as at January 1 2021

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:

- › Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reference interest rate reform- phase 2. Amendments define the issues arising from the implementation of the IBOR Reform and include the replacement of one benchmark criterion with another. For financial instruments measured at amortized cost, the amendments require companies to consider, as a practical exception, a change in the basis for determining contractual cash flows as a result of the IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no profit or loss is recognized immediately. This practical exception applies only to such an amendment and only to the extent necessary as a direct consequence of the IBOR reform, and the new basis is economically equivalent to the previous basis. With respect to IFRS 16, lessees are required to apply a similar practical exception when accounting for lease changes that change the basis for determining future leases as a result of the IBOR reform (for example, when leases are indexed to IBOR rates).

- › Renewal of changes to lease terms related to covid-19 (Amendments to IFRS 16 – Leases), applicable for the periods from June 1 2020 onwards with permitted retroactive application. Amendment, first adopted in May 2020, allows tenants not to assess whether a change in a lease related to covid-19 is a change in a lease and consequently considers the change as not a change in a lease as defined in IFRS 16. In doing so, certain conditions must be met, such as: a) the new rental allowance remains "substantially the same" or less than the pre-change rental allowance; b) any reduced payments were originally due on or before 30 June 2021; and c) there are no other "substantive" changes to the lease. In March 2021, the IASB extended the duration of the amendment from June 30 2021 to June 30 2022. This amendment applies to reporting periods beginning on or after April 1 2021. Lessees can optionally choose this practical solution and apply it consistently to all leases with similar characteristics and in similar circumstances. This practical solution does not apply to lessors.
- › Amendments to IFRS 4 – Insurance contracts – temporary exemption for the use of IFRS 9, which came into force in EU on January 1 2021.

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 2022:

- › Delicate contracts – Contract performance costs (amendment to IAS 37 – Provisions, contingent liabilities and contingent assets). Amendments relate to the clarification that when delicate contracts are assessed, the costs of performing the contract include all costs directly related to the contract.
- › Property, plant and equipment: revenue before intended use (amendment to IAS 16 – Tangible fixed assets– proceeds before intended use). Proceeds from the sale (e.g. of samples) before a fixed asset is available for its intended use can no longer be deducted from the cost of the fixed asset, but are recognized in the income statement, together with the cost of production. In doing so, the company will have to distinguish between the cost of production and sales before the fixed asset is available for its intended use and the costs associated with preparing the fixed asset for its intended use.

- › Annual improvements IFRS 2018–2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41). Annual improvements include amendments to IFRS 1 – First-time adoption of IFRS, which simplify the first-time introduction of IFRS in a subsidiary, then follows the amendment to IFRS 9 – Financial instruments, explaining which fee costs to take into account in the 10% test to derecognise financial liabilities, after that the amendments of illustrative example to IFRS 16 – Leases and IAS 41 – Agriculture, which eliminates the requirement to exclude cash flows for tax purposes when measuring fair value, thus equating fair value with the definition in IFRS 13.
- › Reference to the conceptual framework (amendment to IFRS 3 – Business combinations, relating to the updated reference to the Conceptual Framework 2018 and introducing new exception to recognition and measurement under IFRS 3 in order to ensure that the new reference does not change the provisions as to which assets and liabilities qualify as business combinations.
- › 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.

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 2023:

Following amendments take effect for the reporting period beginning on January 1 2023:

- › IFRS 17 – Insurance contracts.
- › Disclosure of accounting policies (amendment to IAS 1 and Statement of Practice IFRS 2). IAS 1 includes two amendments – amendment related to the presentation of short-term and long-term liabilities and an amendment related to the disclosure of accounting policies. In January 2020, the IFRIC issued amendments to IAS 1 that clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that the classification as short-term or long-term is based on whether the entity has the right to defer settlement of the liability at the end of the reporting period for at least twelve months after the reporting. Amendments also clarify that “settlement” involves the transfer of cash, goods, services or equity instruments, unless the obligation to transfer equity instruments arises from a conversion feature that is a separate component of a compound financial instrument. Amendments were originally effective for annual reporting period beginning on or after January 1 2022, but the validity date was postponed in May 2020 to annual reporting periods beginning on or after January 1 2023. Amendment to IAS 1, related to the disclosure of accounting policies, introduces the disclosure of material and not only significant accounting policies and provides guidance on when accounting policy information is considered material.
- › Deferred tax in respect of assets and liabilities arising from an individual transaction (Amendment to IAS 12). Amended IAS 12 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). Amendment introduces additional criteria for the initial recognition of exemptions under IAS 12.1, 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.
- › Amendment to IFRS 17 – Insurance contracts, first use of IFRS 17 and IFRS 9 – Comparative data.

We anticipate that the introduction of the above new standards and amendments to existing standards during the period of initial application will not have a significant impact on the Elektro Gorenjska Group's financial statements.

Summary of significant accounting policies

Financial statements of the Group have been prepared on the basis of accounting policies presented below.

Basis for consolidation

Financial statements of the Group have been prepared on the basis of the financial statements of Elektro Gorenjska Company and its subsidiary and associated companies.

a. Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the controlling company has the opportunity to decide on the financial and operating policies of the company in order to obtain benefits from its operations. Financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Accounting policies of subsidiaries are consistent with the policies of the Group.

b. Associated companies

Associated companies are those companies in which the Group has significant influence, but not control over their financial and operating policies. Significant influence exists when the Group owns 20 to 50 per cent of the voting rights in another company. Investments in associates at initial recognition are stated at cost and then accounted for under the equity method. Consolidated financial statements of the Group include the Group's share in the profits and losses of associates from the date that significant influence commences until the date when it ends.

c. Transactions eliminated from the consolidated financial statements

In preparing the consolidated financial statements, we eliminate balances, unrealized gains and losses resulting from intra-Group transactions. Unrealized gains on transactions with associated companies (accounted for under the equity method) are eliminated to the extent of the Group's share in this company. Unrealized losses are eliminated in the same way as unrealized gains, provided that there is no evidence of impairment.

d. Assumptions used in preparation of consolidated financial statements

In preparing the consolidated financial statements, the following assumptions have been used:

- › assumption of a single company (consolidated Group accounts show the assets, financial condition and results of operations and changes in financial position and changes in equity of the Group companies as if it were one company);
- › assumption of demonstrating the true asset and financial position and profit or loss;
- › assumption of the Group's completeness;
- › assumption of the completeness of the financial statements and their uniform scope;
- › assumption of the same date;
- › assumption of consistent consolidation methods;
- › assumption of clarity and transparency;
- › assumption of economy;
- › assumption of significance.

Significant accounting policies

Intangible assets

Intangible asset is a non-monetary asset, which does not exist physically. It is recognizable when it is identifiable, detachable, it can be replaced, transferred or sold. Intangible asset managed by the Group has the power to receive future economic benefits and limit the access of others to these benefits.

Group recognizes an intangible fixed asset when, and only when, it is probable that the expected future economic benefits will flow to the Group, and its value can be reliably measured. After initial recognition, the Group has the selected accounting policy as the cost model. Intangible assets are initially recognized at cost, less accumulated amortization and accumulated impairment losses. Impairment of intangible assets with a definite useful life is carried out in the same way as for tangible fixed assets.

Useful life is the period in which the Group expects that the intangible asset will be available for use. Useful life of all intangible assets in the Group is finite and intangible assets are depreciated. Depreciable amount of an intangible asset with a finite useful life the Group strictly allocates to the entire period of its useful life. Amortization of intangible assets is calculated individually based on the straight-line depreciation method. Depreciation charge for each period shall be recognized in profit or loss account.

Useful lives and depreciation rates of larger groups of depreciable assets are:

Significant categories of depreciable assets	Estimated useful life (in years)	Amortizacijska stopnja (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 SODO under the Contract with SODO. In terms of content, this is a proprietary use of assets, but the Group does not originally have it in order to earn rent or other returns, but in order to carry out its activity.

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

Costs related to tangible fixed assets, which arose later and are necessary to operate normally, are disclosed as maintenance costs.

Depreciation of tangible fixed assets is calculated individually based on the straight-line method over the entire estimated useful life of assets.

Average useful lives and depreciation rates of larger groups of depreciable assets are:

Significant categories of depreciable assets	Estimated useful life (in years)	Depreciation rate (in %)
Buildings of energy infrastructure	25–50	2–4
Buildings of hydroelectric power stations	5–40	2.5–20
Solar power stations	7–30	3.33–13.13
Other buildings	20–50	2–5
Equipment of energy infrastructure	10–35	2.86–10
Computer hardware equipment	3–4	25–33.33
Equipment of hydro power stations	3–30	3.33–33.33
Equipment SPTE	6–10	10–16.21
Other equipment	2–20	5–50
Investments in foreign tangible fixed assets	1.5–30	3.33–70
Vehicles	6–12	8.33–16.67

Depreciable amount of tangible fixed assets is equal to their acquisition cost, reduced by any eventual impairment, which is systematically allocated throughout the useful life.

Group annually verifies useful lives and other values of significant items of tangible fixed assets, depreciation rates are then converted to current and future periods if expectations differ significantly from the estimates.

At the end of the financial year, the Group assesses whether there are any indications that assets may be impaired. In doing so, indications from external and internal sources of information are assessed. Impairment loss is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount and is generally recognized in profit or loss as an operating expense.

Investment property

In recognizing investment property, the Group considers the same conditions as with tangible fixed assets, reliability of measuring the acquisition value and inflow of economic benefits.

Investment property is property owned by the Group in order to bring rent, to increase the value of long-term investment or both. Investment property in the Group generates cash flows independently of other assets held by the Group.

Investment properties in the Group include mainly:

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

Investment property does not include:

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

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

For measuring investment property after recognition model of acquisition value is used, reduced by depreciation and eventual impairments.

Group transfers funds from the account or to the investment property account only when the use is changed and there is evidence of a change in use. Such a case is a sale that is probable within a period of one year, a transfer to a disposal group, or among assets intended for sale. Straight-line depreciation method is used. Useful life of investment property is the same as for tangible fixed assets of the same kind.

Assets received and leased

When concluding a contract, the Group assesses whether it is a lease contract or whether the contract contains a lease. Contract is a lease if it transfers the right-of-use control of a particular asset for a specified period of time in return for payment. Lessee must have the right to derive all significant economic benefits from the use of the assets and the right to direct the use of the asset.

For all such contracts, the Group recognizes the right to use the assets and the related lease obligation when concluding the lease. This equates the accounting treatment of leases for both operating and finance leases.

Exceptions are short-term leases and leases in which the leased asset is of small value. For these leases, the Group recognizes lease payments as a cost of services (rent costs) on a straight-line basis over the term of the lease or on any other systematic basis that best reflects the pattern of benefits received.

Group defines the assets it leases as operating or financial, depending on the nature of the lease. Lease is classified as finance lease if it transfers substantially all the risks and benefits connected to the ownership of the asset. All leases that are not financial are operating leases. In a finance lease, the lessor recognizes finance income over the lease term on a sample basis that reflects a constant periodic rate of return on the net investment. Payments made under operating leases are recognized by the lessor as revenue on a straight-line basis or, if the pattern previously reflects a reduction in the benefits or using the asset, using another systematic method.

Group discloses assets leased under operating leases under its own assets and calculates depreciation from their purchase value in accordance with the guidelines, while the amounts charged for the use of the asset are included in rental income.

All contractual relationships where the Group acts as a lessor are concluded as operating leases. Group discloses assets among its assets. Rental income over the lease term is recognized on a straight-line basis over net operating income. All costs associated with leased assets (including depreciation) are recognized as expenses of the period.

Financial instruments

Financial instruments include the following items:

- › non-derivative financial assets,
- › non-derivative financial liabilities, and
- › derivative financial instruments.

Non-derivative financial assets

Non-derivative financial assets are:

- › financial investments recorded in the statement of financial position as long-term and short-term financial investments,
- › receivables and loans,
- › cash and cash equivalents.

Financial investments

At initial recognition, non-derivative financial instruments are classified into one of the following categories: financial asset at fair value through other comprehensive income, financial assets at amortized cost and financial asset at fair value through profit or loss. Classification depends on the purpose for which the instrument was acquired.

All long-term loans and short-term financial investments are classified in the group of financial assets at amortized cost. In a regular way of purchase or sale of financial assets in the accounting records and statement of financial position such financial asset is recognized taking into account the trade date (trade), this is the date on which the Group commits to purchase or sell the asset.

Upon initial recognition, the financial investment is measured at fair value. Initial value is added also transaction costs arising from the acquisition or issue of financial assets, except for investments classified as financial assets at fair value through profit or loss.

Financial investments in associate companies and joint ventures are measured using the cost model. If there is an objective evidence that an impairment loss occurred the stated investment is tested for impairment in accordance with the IAS 36 – Asset impairment.

Claims

Claims are rights based on property and other relations to require from a certain person to pay the debt, or in the case of given advances supply goods or implement a service.

Claims are initially recognized in amounts that originate from suitable documents assuming that they will be paid. Later, they can increase or decrease due to subsequent rebates, returns due to inadequate quality, for received payments and other forms of settlement.

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. Accounts No. SI 56 3000 0000 3480 687 and No. SI 56 3000 0000 8793 959 in Sberbank represent saving accounts.

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).

Derivative financial instruments

Derivative is a financial instrument or other contract where its value changes in response to a change in a specified interest rate, price of financial instruments, commodity price, exchange rate, price or exchange rate index, creditworthiness or credit index or other variables, if in the case of a non-financial variable, such a variable is not specific to one of the counterparts. At the same time, it does not require an initial net financial investment or only a small investment, which is smaller than for other types of contracts for which a similar response to changes in market conditions is expected. Such a financial instrument is settled on a future date.

Group has an option contract, which is a derivative financial instrument for hedging, namely for hedging fair value. Change in fair value is recorded in the income statement.

Stocks

Stocks are assets that are held for sale in the ordinary course of business, which are being used in the process of production for such sale, or in the form of materials to be consumed in the production or provision of services.

Quantity units of stock materials (including small tools and packaging) are initially recognized by the Group at the purchase price. Cost comprises of the purchase price, import and non-refundable charges (including value added tax, which is not reimbursed) and direct acquisition costs.

Costs of material kept in stocks before use are recognized at moving average price method at the level of organizational units. Moving average price is calculated on a daily basis.

Group values stocks at their original value. Group continuously or at least once a year, during the inventory, verifies the real value of stocks and impairs it, if their book value exceeds the net realizable value, which is the estimated selling price.

Other assets

Other assets of the Group include accrued income and deferred expenses.

Accrued income are revenues that are considered in the income statement, although they have not yet been charged. In accordance with IFRS 15 they are recognized as assets under the contracts with buyers. Deferred expenses are amounts that when incurred are not yet charged to the profit and loss account.

Capital

Entire capital of the Group consists of called-up capital, capital reserves, profit reserves, other reserves and retained profit.

All other components of entire capital belong to the capital owners in proportion of their ownership shares in the capital stock.

Provisions

Group recognizes provisions if due to past events it has a legal or indirect obligation that can be reliably estimated and future events occur that may affect the amount required to settle the obligation. Before forming provisions, the Group first assesses the likelihood of future events. It is noted that the future event really occurred, if there is material evidence about it at the time of the assessment (eg. action lodged, denationalisation claim made...).

Accounting value of provisions is equal to their original value, reduced by spent amounts until the need for their increase or reduction occurs.

Contingent liabilities are not considered provisions.

Significant provisions include long-term employee benefits, which are divided into:

- › long-service bonus, which belongs to other long-term employee benefits, and
- › severance pay upon retirement, which belongs to post-employment benefits.

Calculations for provisions for severance pays at retirement and long service bonuses are prepared by an authorized actuary and are formed in the amount of estimated future payments discounted on the balance sheet date, taking into consideration also costs of service for the current year, costs of interest and actuarial surplus or deficits resulting from changes in actuarial assumptions and experiential adjustments.

On the balance sheet date, the Group establishes and, in the profit, or loss account recognizes revenues or expenses in connection with the adjustment of provisions for retirement benefits from:

- › amount of additional provisions for current service costs relating to severance pays for the current year;
- › amount of the increase or decrease in the provisions already made in the event of the introduction or modification of the program (amendment of past service costs);
- › accrued interest in respect of the provisions (as additional cost of provisions);
- › effects of all limitations or shrinking of provisions for severance pay upon retirement.

Actuarial gains and losses from severance pays upon retirement are not recognized in the income statement, but directly in equity under other reserves, which can also be negative. Reserves created under this title are eliminated in the net profit or loss from previous periods in the actual amounts, when for the employees who left or retired, the recognition of provisions for retirement is eliminated.

Long service bonuses are classified as other long-term employee benefits. On the balance sheet date, the Group determines and recognizes in the profit or loss revenues or expenses in connection with the adjustment of provisions for long-service bonuses (including actuarial gains and losses).

Recognition of provisions in accounting records and the balance sheet is eliminated when the created opportunities, for which the provisions were formed, have already been used out or there no longer is a need for them.

Provisions for accrued costs and expenses are directly reduced by the costs and expenses for which they were made. Therefore, during the spending of provisions the costs or expenses no longer appear in the income statement.

State benefits

State benefits are recognized at fair value when there is reasonable assurance that the Group will meet the conditions associated with them and receive the grants. State benefits are recognized as revenue in the periods in which they are matched by the related costs to be replaced.

Assets acquired free of charge

Assets acquired free of charge include::

- › connections of customers that the group took over into its tangible fixed assets together with its commitment to care for their maintenance and reconstruction, in accordance with the regulations, namely the General conditions for connection to the distribution electric system,
- › free acquisitions of other fixed assets,
- › assets acquired through government support or donation and
- › earmarked funds for co-financing the construction of tangible fixed assets.

Assets acquired free of charge are initially recognized in the financial statements as deferred income under other long-term liabilities. They are recognized as other operating income over the useful life of each asset.

Other liabilities

Other liabilities include deferred revenues and cost provisions or expenses.

Deferred revenue is revenue received to cover costs and is recognized consistently as revenue over the periods in which they arise. Other income is recognized when the Group expects to receive benefits. Cost provisions are amounts that have not yet occurred, but already have an impact on profit.

Deferred tax liabilities and tax receivables and income tax

Deferred tax assets and tax liabilities are calculated using the balance sheet liability method, which focuses on temporary differences. They relate to those items of income or expense that are taxable or deductible in the coming years.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward to be transferred to the next period, when it is probable that in the future taxable income will be available against which it will be possible to use the unused tax losses and unused tax credits.

Receivables and deferred tax liabilities are not recognized in the accounting records 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

Revenue is 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.

Financial revenue arises in relation to financial investments, as well as in association with receivables. They consist of accrued interest and profit shares as well as other financial revenues from revaluation.

Other revenues consist of unusual items and other revenues that increase the profit or loss. Company discloses state support obtained to contain or eliminate the consequences of the COVID-9 epidemic, among other revenues.

Interest on unpaid claims is not recognized as revenue but increase the value adjustment of receivables because there is reasonable doubt about the payment of claims until the principal is paid.

Majority of revenue is generated by the Group on the basis of Contract with SODO, from the lease of electricity infrastructure and provision of services for SODO. Amounts collected on behalf of SODO in operations on their own behalf and the account of SODO are not recognized as revenue, but as operating liabilities to SODO.

Group also generates revenue by building real estate for the market. Contract is usually concluded within a period of less than 12 months. Therefore, the Group recognizes revenue gradually over the construction period with respect to the measuring of the progress towards the complete fulfilment of the obligation. To measure the progress, it uses the input method. This is based on the ratio of the costs actually incurred and estimated ones. Company estimates that there is no significant component of financing in this construction contracts.

Expenditure

Expenditure is classified into operating and financial expenses. Operating expenses include all costs incurred in the period 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.

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

The 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.



6.5 Notes to the Elektro Gorenjska Group financial statement items

6.5.1. Notes to the statement of financial position

NOTE 1 - Intangible assets

Following tables present changes in intangible assets in years 2021 and 2020.

in €			
2021	Property rights	Property rights in acquisition	Total intangible assets
1	2	3	4 = 2+3
Acquisition cost			
Balance 1. 1. 2021	6,162,751	15,456	6,178,208
New acquisitions	112,048	631,368	743,416
Disposals, withdrawals, transfers	-36,759	0	-36,759
Completion of ongoing investments	428,059	-428,060	0
Balance 31. 12. 2021	6,666,100	218,765	6,884,865
Value adjustment			
Balance 1. 1. 2021	4,416,851	0	4,416,851
Increase (depreciation)	717,887	0	717,887
Disposals, withdrawals, transfers	-36,759	0	-36,759
Balance 31. 12. 2021	5,097,978	0	5,097,978
Carrying amount			
Balance 1. 1. 2021	1,745,901	15,456	1,761,357
Balance 31. 12. 2021	1,568,122	218,765	1,786,886

in €			
2020	Property rights	Property rights in acquisition	Total intangible assets
1	2	3	4 = 2+3
Acquisition cost			
Balance 1. 1. 2020	5,766,366	90,611	5,856,977
New acquisitions	304,942	251,501	556,443
Disposals, withdrawals, transfers	-235,212	0	-235,212
Completion of ongoing investments	326,654	-326,655	0
Balance 31. 12. 2020	6,162,751	15,456	6,178,207
Value adjustment			
Balance 1. 1. 2021	4,047,183	0	4,047,183
Increase (depreciation)	604,033	0	604,033
Disposals, withdrawals, transfers	-234,365	0	-234,365
Balance 31. 12. 2020	4,416,851	0	4,416,851
Carrying amount			
Balance 1. 1. 2020	1,719,184	90,611	1,809,794
Balance 31. 12. 2020	1,745,900	15,456	1,761,357

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 2021 30.9 % were fully depreciated. On the last day of 2020, there were 28 % of all intangible assets fully depreciated. Share is calculated according to the acquisition cost of intangible assets.

As at December 31 2021, the Group had no financial obligations in respect of acquiring intangible fixed assets.

NOTE 2 - Tangible fixed assets

As at December 31 2021 tangible fixed assets amounted to **223,345,912 €**, which represents 89 % of balance sheet total of the Group. Compared to the balance as at December 31 2020 their value is by 4.6 million € or 2.1 % higher.

Changes in tangible fixed assets in year 2021:

2021	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. 2021	8,370,299	317,781,544	146,906,696	3,475,995	476,534,534
New acquisitions	79,195	8,702	1,710,934	15,003,083	16,801,914
Impairment	0	0	0	0	0
Disposals, separations, transfers	-26,375	-2,496,717	-952,364	-2,862	-3,478,318
Transfer from ongoing investments	10,131	8,732,377	2,745,350	-11,487,858	0
Balance 31. 12. 2021	8,433,251	324,025,906	150,410,616	6,988,358	489,858,130
Valuation adjustment					
Balance 1. 1. 2021	0	167,734,922	90,035,051	0	257,769,973
Increase (depreciation)	0	6,199,120	5,657,500	0	11,856,620
Impairment	0	0	0	0	0
Disposals, separations, transfers	0	-2,235,128	-879,247	0	-3,114,375
Balance 31. 12. 2021	0	171,698,914	94,813,303	0	266,512,217
Carrying amount					
Balance 1. 1. 2021	8,370,299	150,046,622	56,871,645	3,475,995	218,764,561
Balance 31. 12. 2021	8,433,251	152,326,991	55,597,312	6,988,358	223,345,912

Gibanje opredmetenih osnovnih sredstev v letu 2020:

in €

2020	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. 2020	8,240,984	309,586,760	143,290,000	2,747,088	463,864,832
New acquisitions	125,131	55,754	2,456,321	14,066,672	16,703,879
Impairment	0	-10,115	-734,833	0	-744,948
Disposals, separations, transfers	-9,686	-1,247,079	-2,030,466	-1,999	-3,289,229
Transfer from ongoing investments	13,869	9,396,224	3,925,673	-13,335,767	0
Balance 31. 12. 2020	8,370,299	317,781,544	146,906,696	3,475,995	476,534,533
Valuation adjustment					
Balance 1. 1. 2020	0	162,794,254	86,717,233	0	249,511,487
Increase (depreciation)	0	6,015,998	5,640,597	0	11,656,595
Impairment	0	-3,896	-439,678	0	-443,574
Disposals, separations, transfers	0	-1,071,434	-1,883,102	0	-2,954,536
Balance 31. 12. 2020	0	167,734,922	90,035,051	0	257,769,972
Carrying amount					
Balance 1. 1. 2020	8,240,984	146,792,506	56,572,767	2,747,088	214,353,345
Balance 31. 12. 2020	8,370,299	150,046,622	56,871,645	3,475,995	218,764,561

Important part of tangible fixed assets represents electricity distribution infrastructure as defined in the Decree on energy infrastructure (Official Gazette RS, No. 22/2016). It includes buildings and equipment as well as part of the land. Book value of electricity distribution infrastructure as at December 31 2021 amounted to 191,436,256 € (December 31 2020: 189,484,661 €). For the needs of implementation of system operator activity, which SODO implements on the basis of the concession contract for implementation of public utility service of distribution network system operator, SODO has hired from Elektro Gorenjska Company complete electricity infrastructure.

Group does not have any assets under its fixed assets that would represent the right to use the assets under IFRS 16. Of all tangible assets that were in use as at December 31 2021, 23.7 % were fully depreciated (as at December 31 2020 these assets were 23 %). 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 2021 and previous years, whose balance on December 31 2021 amounted to 51,987,024€ (December 31 2020: 52,734,811 €). Interests in the amount of 13,948 € were capitalized (year 2020: 6,053 €). Please see also Note 13 - Long-term financial liabilities later in this chapter.

NOTE 3 - Investment property

At the end of 2021, investment property amounted to **1,752,497 €**. All investment properties are owned by the Group and are not pledged as security for debts. Changes in their value in years 2021 and 2020 are presented in the following tables.

2021	Land	Buildings	Investment property in acquisition	in €
				Total investment property
1	2	3	4	5=2+3+4
Acquisition cost				
Balance 1. 1. 2021	470,235	1,953,286	2,600	2,426,121
New acquisitions	4,280	0	19,949	24,230
Transfer from ongoing investments	0	18,611	-18,611	0
Balance 31. 12. 2021	474,515	1,971,897	3,938	2,450,350
Valuation adjustment				
Balance 1. 1. 2021	0	655,809	0	655,809
Depreciation	0	42,044	0	42,044
Disposals, transfers	0	0	0	0
Balance 31. 12. 2021	0	697,853	0	697,853
Carrying amount				
Balance 1. 1. 2021	470,235	1,297,477	2,600	1,770,311
Balance 31. 12. 2021	474,515	1,274,043	3,938	1,752,497

in €				
2020	Land	Buildings	Investment property in acquisition	Total investment property
1	2	3	4	5=2+3+4
Acquisition cost				
Balance 1. 1. 2020	470,235	1,907,454	0	2,377,688
New acquisitions	0	0	48,432	48,432
Transfer from ongoing investments	0	45,832	-45,832	0
Balance 31. 12. 2020	470,235	1,953,286	2,600	2,426,121
Valuation adjustment				
Balance 1. 1. 2020	0	614,699	0	614,699
Depreciation	0	41,107	0	41,107
Disposals, transfers	0	4	0	4
Balance 31. 12. 2020	0	655,809	0	655,809
Carrying amount				
Balance 1. 1. 2020	470,235	1,292,755	0	1,762,990
Balance 31. 12. 2020	470,235	1,297,477	2,600	1,770,311

Following is the presentation of investment property structure.

Item description	v €	
	Dec 31 2021	Dec 31 2020
Apartments	319,046	308,201
Holiday facilities	863,229	855,430
Other buildings	115,201	110,413
Land	470,235	474,515
Investment property in acquisition	2,600	3,938
Total investment property	1,770,311	1,752,497

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 2021 amounted to 3,665,521 €. We estimate, that given the market situation, the fair value as at December 31 2021 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 amount to 143,084 € (in year 2020: 142,359 €). Direct operating expenses (including repairs and maintenance), originating from investment property, which made revenues from rents in year 2021, and direct operating expenses, which did not make revenues from rents in year 2021 consist of depreciation costs (42,851 €) and costs of material and services (64,853 €). In year 2020 costs of depreciation were 41,914 € and costs of material and services 66,156 €.

NOTE 4 - Long-term financial investments

On December 31 2021, long-term financial investments of the Group amounted to **4,103,332 €**. Compared to the balance as at December 31 2020 their value did not change significantly.

Investment	Number of shares		Share in the ownership		Balance	
	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021
Soenergetika	-	-	25.00 %	25.00 %	418,075	397,798
ECE d. o. o.	-	-	25.6744 %	12.5805 %	2,841,281	2,742,549
Put option in connection with ECE d. o. o.	-	-	-	-	0	146,139
Informatika, d. o. o., Maribor	1,562	1,562	10.44 %	10.44 %	124,155	124,155
Total long-term financial investments, except loans	-	-	-	-	3,383,510	3,410,641
Long-term invested funds (Eldom Maribor)	-	-	-	-	142,798	142,798
Long-term deposits	-	-	-	-	700,000	500,000
Long-term receivables from financial lease	-	-	-	-	56,855	49,893
Total long-term loans	-	-	-	-	899,653	692,691
Total long-term financial investments	-	-	-	-	4,283,163	4,103,332

in €

NOTE 5 - Long-term operating receivables

Long-term operating receivables as at December 31 2021 amounted to 1,874,090 €. Compared to the balance at the end of 2020 they increased by 1.7 million € due to the recording of long-term operating receivables based on the preliminary settlement for 2021.

NOTE 6 - Assets for sale

As at December 31 2021, the Group does not disclose any assets for sale, while their value amounted to 2,854,470 € as at December 31 2020. They represented a 51 % share of the investment in the company ECE, which was sold in 2021.

NOTE 7 - Stocks

Value of stocks of material, small tools, and merchandise as at December 31 2021 amounted to a total **1,083,794 €**. Group estimates that net realizable value of stocks is at least equal to their book value. Movement of material stocks in years 2021 and 2020 is shown in the following table.

Item description	2020	2021
Material stocks at the beginning of the period 1. 1.	601,289	600,706
Purchases	3,604,960	3,589,170
Transfer from fixed assets	784	0
Consumption	-3,460,182	-2,935,535
Sale	-48	-68
Write-offs	-17,029	0
Transfer of small tools in use	-129,068	-170,479
Material stocks at the end of the period 31. 12.	600,705	1,083,794

Group has no pledged stocks as security for its liabilities.

NOTE 8 - Short-term financial investments

According to the balance as at December 31 2021 the Group records **4,006,962 €** of short-term financial investments. Of which the major part refers to time deposits. At the end of year 2020 the Group recognized 3 million € of such investments.

NOTE 9 - Short-term operating receivables

Short-term operating receivables as at December 31 2021 amounted to **7,576,407 €** and have increased by 2.1 million € compared to the balance as at December 31 2020, which is mainly due to the increase of receivables based on the preliminary settlement for 2021. Their structure was as follows:

Item description	Dec 31 2021	Dec 31 2020
Short-term accounts receivable	5,244,645	7,309,446
Short-term advances	1,092	94,059
Adjustment of short-term accounts receivable	-181,138	-163,650
Short-term accounts receivable	5,064,599	7,239,855
Short-term income tax receivable	0	0
Short-term operating receivables from others	406,480	337,179
Adjustment of short-term receivables from others	-1,177	-627
Short-term operating receivables from others	405,303	336,552
Short-term operating receivables	5,469,903	7,576,407

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 2021 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	6,391,238	103,485	4,646	229,795	570,875	908,801	7,300,039
Default interest claims	1,521	597	63	23	7,203	7,886	9,407
Total	6,392,759	104,082	4,710	229,817	578,078	916,687	7,309,446

Changes in valuation adjustment of claims in year 2021 are presented in the next table.

in €

Item description	Balance Jan 1 2021	New formations		Withdrawal (use) and elimination			Balance Dec 31 2020
		Chargeable to expenses	Chargeable to claims	Claims write-off	Paid amounts (transfer to revenues)	ination of excess valuation	
Valuation adjustment of accounts receivable	173,715	0		12,981	0	4,306	156,428
Valuation adjustment of interest claims	7,423	0	419	376	149	94	7,222
Total valuation adjustment of clams	181,138	0	419	13,358	149	4,400	163,650

NOTE 10 - Cash and cash equivalents

As at December 31 2021, Elektro Gorenjska Group had **5,996,468 €** of cash on the commercial bank's accounts and short-term redeemable deposits in banks in the state.

NOTE 11 - 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 2021 amounted to **174,624,767 €** and was higher by 6 million € or 3.5 % compared with the balance of capital as at December 31 2020.

Called-up capital of Elektro Gorenjska Company is the same as share capital (**104,136,615 €**). It is divided in 17,273,475 ordinary registered unit shares. All shares are fully paid up. Shares are issued in dematerialized form and are managed in KDD – Central Securities Clearing Corporation, d. d., in accordance with regulations.

Capital reserves in the amount of **45,973,479 €** were formed on January 1 2006 in accordance with the transitional provisions item No. 15 Introduction to 2006 SAS, from the hitherto general revaluation equity adjustment, while a part in the amount of 28,581 € results from the withdrawal of treasury shares in 2019.. They are applied in accordance with the Article 64 of ZGD-1.

Profit reserves amounted to 17,226,552 €, of which statutory reserves represent 4,106,749 €, while other profit reserves 13,119,803 €.

Other reserves (-348,171 €) represent reserves arising from the valuation at fair value.

in €

Item	Balance Jan 1 2021	Elimination	New formation	Transfer to profit or loss brought forward	Balance Dec 31 2020
Actuarial gains/losses	-480,770	133,061	-4,827	-24,170	-376,705
Change in fair value of financial investments available-for sale (associated company)	-2,954	2,954	0	0	0
Value adjustment of deferred tax reserves	0		28,534		28,534
Total	-483.724	136.015	23.707	-24.170	-348.171

Retained profit or loss amounted to 7,636,292 €.

Return on share in year 2021 amounted to 0.46 €, which is by 0.15 € more than in year 2020. Controlling company has no preference shares, therefore basic and adjusted returns per share are equal.

Basis for the calculation of the indicators of return on share are the net profit for the year and the weighted average number of ordinary shares in the period. Calculation is shown in the following table.

Item	in €	
	2020	2021
Net profit or loss of the business year	5,349,080	7,897,717
Weighted average number of ordinary shares	17,273,475	17,273,475
Return per share, basic/adjusted	0.31	0.46

NOTE 12 - Provisions

As at December 31 2021 provisions amounted to **9,574,509 €**. Compared to their balance as at December 31 2020 they did not change significantly.

Review of changes in provisions in year 2021:

Item description	Balance 1. 1. 2021	Formation	Drawing	Derecognition	Balance 31. 12. 2021
Total provisions for long-service bonuses and severance pay	3,731,236	173,373	123,279	145,891	3,635,439
Total other provisions	5,750,722	197,969	9,621	0	5,939,070
Total provisions	9,481,958	371,342	132,900	145,891	9,574,509

in €

Review of changes in provisions in year 2020:

Item description	Balance 1. 1. 2020	Formation	Drawing	Derecognition	Balance 31. 12. 2020
Total provisions for long-service bonuses and severance pay	3,391,771	519,626	138,942	41,219	3,731,236
Total other provisions	5,550,333	200,389	0	0	5,750,722
Total provisions	8,942,104	720,015	138,942	41,219	9,481,958

in €

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 2021 takes into account the following actuarial assumptions: statistical probability of mortality, linearly decreasing fluctuation (0.6 % a year for next business year), retirement in accordance with the law or already known data, wage growth in the company (85 % of annual inflation), wage growth in electricity industry (annual inflation, increased by 0.5 %), growth of average earnings in RS (for years 2022 and 2023 based on Autumn forecast, later growth of 2 % is projected), growth of salaries due to promotion (0.8 % a year for next business year), growth of amounts in the Regulation, in line with inflation, length of service allowance (growth in the amount of 0.5 % from the basic salary a year) and discount rate in the amount of 0.8 %.

Other provisions mainly refer to compensations in connection with denationalisation proceedings. There were no significant differences between planned and realized forming and drawing on individual category of provisions.

NOTE 13 - Long-term financial liabilities

As at December 31 2021 Elektro Gorenjska Group had **43,189,236 €** of long-term financial liabilities, which is by 1.8 million € less than as at December 31 2020. Majority of long-term financial liabilities are long-term financial liabilities to banks, of which 16,854,397 € have the maturity of more than five years. Maturities of financial liabilities to banks as at December 31 2021 were as follows:

1 year	2 - 5 years	Over 5 years	Total
8,797,788	26,334,839	16,854,397	51,987,024

In year 2021 we drew 7 million € of long-term credit and redeemed 7,747,788 € worth of principals. Costs of interest amounted to 419,187 €. Interest in the amount of 13,948 € was capitalized. Balance of received loans as at December 31 2021 amounted to 51,987,024 €.

Contractual interest rate in most loans is the result of collecting the offers of interested deposit money banks in acquiring the loan, in accordance with the Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act (Official Gazette RS, No. 23/04, 56/05, 65/06, 65/09) 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 41,129,881 € are secured by bills of exchange.

As at December 31 2021 the Group had 32 % of long-term loans secured with the fixed interest rate, which represents the amount of 169 million €. Balance of received loans to finance tangible fixed assets as at December 31 2021 amounted to 51,987,024 €.

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 *3.10. Risk management*.

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

NOTE 14 - Other long-term liabilities and long-term deferred revenue

On the last day of year 2021 Elektro Gorenjska Group had by **6,898,760 €** of other long-term liabilities. Structure and changes in other long-term liabilities in years 2021 and 2020 are shown in the two tables below.

Structure and changes in other long-term liabilities in year 2021:

in €

Item description	Balance 1. 1. 2021	Formation	Drawing	Derecognition	Balance 31. 12. 2021
Tangible fixed assets obtained free of charge	4,606,213	134,838	230,556	0	4,510,495
Deferred revenues from average connection costs	1,269,555	0	85,319	0	1,184,236
Other	1,208,789	178,559	165,490	17,830	1,204,028
Total other long-term liabilities	7,084,556	313,396	481,364	17,829	6,898,760

Structure and changes in other long-term liabilities in year 2020:

in €

Item description	Balance 1. 1. 2020	Formation	Drawing	Derecognition	Balance 31. 12. 2020
Tangible fixed assets obtained free of charge	4,599,347	231,827	0	224,962	4,606,213
Deferred revenues from average connection costs	1,354,875	0	0	85,319	1,269,555
Other	849,133	505,313	7,725	137,931	1,208,789
Total other long-term liabilities	6,803,354	737,139	7,725	448,211	7,084,556

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 General conditions for connection to the distribution electric system (Official Gazette of RS No. 126/07 et seq.) and free acquisition of other fixed assets.

Long-term deferred revenue from average connection costs were formed until June 30 2007 regarding the implementation of GJS SODO. Average cost of a connection is a one-off amount paid for connection to the network or to increase the installed capacity. It is a dedicated source of funding for investment in network expansion.

Group has no long-term debts to members of the Board (of management), members of the Supervisory Board or internal owners.

NOTE 15 - Short-term operating liabilities

At the end of 2021 short-term operating liabilities in the amount of **6,943,439€** were by 1.2 million € higher than compared to the balance on the last day of 2020.

Detailed breakdown of the short-term operating liabilities is

Item description	in €	
	Dec 31 2021	Dec 31 2020
Liabilities to suppliers for own account:	2,762,226	3,420,962
Liabilities to suppliers on its own behalf and for third party account:	1,749,236	2,052,778
Liabilities to SODO, d.o.o.	1,749,236	2,051,531
To others	0	1,247
Other liabilities:	1,271,097	1,469,699
For salaries	956,058	977,270
To state and other institutions	190,357	302,499
For received advances and collaterals	31,336	93,204
Other (interests, employee deductions, capital company...)	93,346	96,726
Total short-term liabilities from operating activities	5,782,558	6,943,439

NOTE 16 - Other short-term liabilities

Other short-term liabilities as at December 31 2021 amounted to **1,171,080 €** and represent mainly the accrued liabilities. Compared to the balance as December 31 2020 they did not change substantially.

NOTE 17 - Off-balance sheet records

Off-balance sheet assets or liabilities as at December 31 2021 amounted to **5,222,480 €**. Their structure was as follows:

Item description	in €	
	Dec 31 2021	Dec 31 2020
Received guarantees	3,539,424	3,423,645
Total potential assets	3,539,424	3,423,645
Issued guarantees and bills of exchange	136,772	36,626
Total potential liabilities	136,772	36,626
Fixed assets in the property of SODO	1,856,374	1,762,209
Total other	1,856,374	1,762,209
Total off-balance sheet records	5,532,570	5,222,480

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

6.5.2. Notes on profit and loss account items

NOTE 1 - Net sales revenues

In year 2021, net sales revenues amounted to **39,766,295 €**. Their structure is presented in the following table.

Item description	in €	
	2020	2021
Revenues from sale of electricity	4,569,208	3,833,620
Revenues from rent and services in relation to SODO	29,988,641	32,984,393
Revenues from rents	388,426	455,958
Revenues from construction and assembly works	1,276,405	1,734,471
Revenues from other services	205,282	679,063
Revenues from sales of other business effects	686,955	78,791
Total net sales revenues from business effects	37,114,917	39,766,295

Majority of net sales revenues of the Group (90 %) represent revenues of the controlling company. Major item of net sales revenues of the Group in year 2021 represent revenues from rent and services related to SODO (32,984,393 €).

In 2021 revenues from contracts with customers amounted to 20,272 thousand €, and other revenues 19,494 thousand €. In 2020 revenues from contracts with customers amounted to 20,329 thousand €, and other revenues 16,786 thousand €.

NOTE 2 - Capitalized own products and own services

In year 2021 capitalized own effects amounted to **4,369,001 €**. They were mostly investments in tangible fixed assets - energy infrastructure.

Item description	in €	
	2020	2021
Direct material costs	3,128,305	2,431,247
Direct labour costs	1,590,604	1,575,954
Total direct costs of material, services and labour	4,718,910	4,007,201
Total indirect costs of material, services, work and depreciation	368,080	361,800
Total costs in the manufacture of products and the provision of services in relation to capitalized own effects	5,086,990	4,369,001

NOTE 3 - Other operating revenues

Other operating revenues in the amount of **1,156,765 €** consist of:

Item description	in €	
	2020	2021
Revenues from elimination of provisions	0	0
Revaluation operating revenues	267,333	148,608
Revenue from the transfer of long-term deferred revenue to regular operating revenues:		
- free acquisition of FA	43,715	35,057
- free acquisition of connections	181,256	195,499
- average connecting costs	85,319	85,319
- other	155,906	177,482
Damages recovered from insurance companies	76,024	249,741
Received state aid due to covid-19	471,141	18,603
Received state supports-refunds	165,079	183,946
Other operating revenues	23,681	62,512
Total other operating revenues	1,469,454	1,156,765

NOTE 4 - Acquisition cost of goods sold and cost of material used

Acquisition cost of sold goods and material used consists of:

Item description	in €	
	2020	2021
Costs of material:	4,663,925	4,643,366
- material for maintenance	237,656	319,111
- costs of material in connection with capitalized own effects, market services	3,658,316	3,475,473
- energy costs	502,877	516,222
- small tool write-off	129,068	170,479
- costs of office supplies	51,488	49,365
- other material costs	84,520	112,716
Acquisition cost of goods sold and material used	4,663,925	4,643,366

NOTE 5 - Costs of services

In 2021 costs of services amounted to **4,298,248 €**, in 2020 they were 4,013,400 €. More detailed structure of service costs is provided in the following table.

Item description	in €	
	2020	2021
Costs of service in creating products and implementing services	316,367	210,637
Costs of transport services	199,091	213,452
Costs of services in respect of maintenance of electric power infrastructure and other tangible fixed assets	1,322,465	1,416,709
Rents	126,676	127,803
Reimbursements of work-related costs to employees	24,159	29,550
Costs of payment transactions, banking services and insurance premiums	627,538	647,382
Costs of intellectual and personal services	443,763	585,776
Costs of advertising and representation	71,955	67,726
Costs of services of individuals not performing the activity, including duties chargeable to the company (costs under work contracts, authorship contracts, meeting fees of supervisory board members...)	147,948	160,400
Costs of information and other services	733,436	838,812
Total costs of services	4,013,400	4,298,248

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 **3.3.2. Maintenance of 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 2021 is 17,710 €. In addition, another 1,570 € was paid to the auditor who audited the annual report for assurance services.

NOTE 6 - Labour costs

Costs of labour in the amount of **13,953,799 €** consist of:

Item description	in €	
	2020	2021
Salary costs	9,852,323	10,007,708
Costs of voluntary pension insurance of employees	471,251	478,553
Costs of employer's contributions and other benefits from salaries	1,638,722	1,671,749
Cost of covid-19 crisis allowance	95,652	0
Other labour costs	2,115,867	1,795,789
Total labour costs	14,173,816	13,953,799

Other labour costs include reimbursement of transport and food expenses during work, provisions for long-service benefits and severance pay, holiday pay, benefits, insurance costs for employees and payment to intern students. Number of employees and their educational structure and other information related to employees are presented in chapter **3.6 Care for employees.** Remuneration of the management and supervisory boards are presented in chapter **5.6 Transactions with related parties** in the financial report of Elektro Gorenjska Company.

NOTE 7 - Write-offs

In 2021, write-offs amounted to **12,898,507 €**.
Their composition is as follows:

Item description	in €	
	2020	2021
Depreciation of intangible fixed assets	604,033	717,887
Depreciation of tangible fixed assets	11,655,788	11,860,128
Depreciation of investment property	41,914	42,851
Total depreciation costs	12,301,735	12,620,865
Operating expenses from sale of fixed assets and investment property	589,183	277,239
Operating expenses from impairment of current assets	17,329	403
Total write-offs	12,908,248	12,898,507

NOTE 8 - Other operating expenses

Other operating expenses in the amount of **480,790 €** consist of:

Item description	in €	
	2020	2021
Contribution for promotion of employment of persons with disabilities	58,598	55,924
Contribution for urban land	83,676	83,807
Contribution for polluted water	14,625	14,317
Provisioning	200,389	197,969
Other expenses (environment protection costs, compensations ...)	121,201	128,773
Total other operating expenses	478,490	480,790

NOTE 9 - Income tax

Charged income tax for business year 2021 amounts to **1,330,576 €**, and deferred taxes **-329,196 €**.

Item description	in €	
	2020	2021
Tax charged	866,389	1,330,576
Deferred tax	27,945	-329,196
Tax	894,334	1,001,380

In the years 2021 and 2020, all Group companies disclosed income tax liability. An overview of the calculation of the income tax for each year is given in the following table:

Item description	in €	
	2020	2021
Profit before tax	8,207,199	10,210,950
Tax at the applicable tax rate (19 %)	1,559,368	1,940,081
First recognition of deferred tax	0	-283,375
Revenue tax which decreases the tax base	-266,001	-308,684
Revenue tax which increases the tax base	0	47,851
Expenditure tax which decreases the tax base	177,905	164,715
Expenditure tax which increases the tax base	-73,775	-52,233
Tax relief	-520,218	-488,082
Tax from other items	17,055	-18,893
Income tax	894,334	1,001,380
Effective tax rate	11 %	10 %

Movement of deferred tax asset	in € Provisions for post-employment and other employee benefits
Balance 1. 1. 2021	0
Recognized in the income statement	283,375
Recognized in the statement of comprehensive income	28,534
Balance 31. 12. 2021	311,909

Deferred tax liability	in €	
	31. 12. 2020	31. 12. 2021
For financial investments	95,537	46,813
For small tools	211,041	213,943
Total	306,578	260,755

NOTE 10 - **Deferred tax liabilities and deferred taxes**

Deferred tax liabilities 2021 amounted to -329,196 €. Part in the amount of -45,822 € represents a reduction in deferred tax liabilities and mostly relates to the sale of part of the investment in ECE. Remainder in the amount of -283,374 € represents deferred tax receivables from provisions for long-service bonuses and severance pay, which Elektro Gorenjska Company recognized for the first time in 2021.

Movement of deferred tax liabilities	in €		
	Financial investments	Small tools	Total
Balance 1. 1. 2020	95,537	183,095	278,632
Recognized in the income statement	0	27,945	27,945
Balance 31. 12. 2020	95,537	211,041	306,577
Balance 1. 1. 2021	95,537	211,041	306,577
Recognized in the income statement	0	2,902	2,902
Elimination in the income statement	-48,724	0	-48,724
Balance 31. 12. 2021	46,813	213,943	260,755

6.5.3. Notes on other comprehensive income items

Total comprehensive income in addition to the net profit or loss for the period (7,897,717 €) includes also actuarial gains and losses of the parent company and subsidiary as well as the effect of impairment of the long-term financial investment in the associate company in the total amount of -156,930 €.

Individual items of other comprehensive income are presented also in chapter *6.5.1 Notes to the statement of financial position, note 11 Capital (table fair value changes)*.

6.5.4. Notes on cash flow items

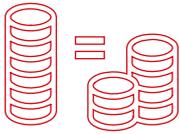
In year 2021 Elektro Gorenjska Group had 56,981,449 € of receipts and 56,905,484 € of expenditures. Receipts and expenditures include appropriate amounts of duties, mainly VAT and excise duties, in accordance with the issued invoices or receipted invoices. Cash flow was positive and amounted to 75,965 €.

As at December 31 2021 the Group had on transaction accounts in banks and in the form of short-term deposits or deposits redeemable monetary assets in the amount of 5,996,468 €, while the balance of these assets on December 31 2020 amounted to 5,920,504 €.

Net cash from operating activities in year 2021 exceeded expenditure by 17,786,899 €, which means that the Group operates positively with its main activity and creates a positive cash flow. The largest revenues were revenues received under the Contract with SODO for implementation of services and rents for electric power infrastructure. With operating cash flow surplus in year 2021 the Group was able to settle all its liabilities (expenditure) referring to the repayment of the principals and interests in respect of long-term credits in the amount of 8,183,176 €, settle all liabilities related to payment of dividends in the amount of 2,072,817 €, and could for the most part finance new acquisitions of intangible and tangible assets.

Negative net cash used in investing activities in year 2021 amounted to -14,494,130 €. 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 7 million € and also by positive net cash from operating activities.

Cash flow from financing activities in the period considered was -3,216,803 €.



6.6 Fair values

Overview of fair value and carrying amount of assets and liabilities:

in €

	31. 12. 2020		31. 12. 2021	
	Book value	Fair value	Book value	Fair value
Non-derivative financial assets at amortized cost				
Long-term and short-term financial receivables	3,911,258	3,911,258	4,699,653	4,699,653
Long-term and short-term trade receivables	5,081,641	5,081,641	8,959,439	8,959,439
Cash and cash equivalents	5,920,503	5,920,503	5,996,468	5,996,468
Total non-derivative financial assets	14,913,402	14,913,402	19,655,560	19,655,560
Non-derivative financial liabilities at amortized cost				
Bank loans and other financial liabilities	-52,757,599	-52,757,599	-52,005,246	-52,005,246
Short-term trade payables for own and foreign account	-4,511,462	-4,511,462	-5,473,739	-5,473,739
Total non-derivative financial liabilities	-57,269,061	-57,269,061	-57,478,985	-57,478,985
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	0	0	146,139	146,139
Total derivative financial instruments	0	0	146,139	146,139
Total	-42,355,659	-42,355,659	-37,677,287	-37,677,287

Estimated fair value of short-term assets and liabilities is equal to their book value.

Fair value scale

Fair value and method of valuation of assets:

in €

	31. 12. 2020				31. 12. 2021			
	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	146,139	0	146,139
Total assets measured at fair value	0	0	0	0	0	146,139	0	146,139
Assets for which fair value is disclosed								
Long-term and short-term financial receivables	0	0	3,911,258	3,911,258	0	0	4,699,653	0
Long-term and short-term trade receivables	0	0	5,081,641	5,081,641	0	0	8,959,439	0
Cash and cash equivalents	0	0	5,920,503	5,920,503	0	0	5,996,468	0
Total assets for which fair value is disclosed	0	0	14,913,402	14,913,402	0	0	19,655,560	0
Total	0	0	14,913,402	14,913,402	0	146,139	19,655,560	146,139

Fair value and method of valuation of liabilities:

in €

	31. 12. 2020				31. 12. 2021			
	1. level	2. level	3. level	Total	1. level	2. level	3. level	Total
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	-52,757,599	-52,757,599	0	0	-52,005,246	-52,005,246
Long-term and short-term trade receivables	0	0	-4,511,462	-4,511,462	0	0	-5,473,739	-5,473,739
Total assets for which fair value is disclosed	0	0	-57,269,061	-57,269,061	0	0	-57,478,985	-57,478,985
Total	0	0	-57,269,061	-57,269,061	0	0	-57,478,985	-57,478,985



6.7 Capital management

Key factor in the success of Elektro Gorenjska Group is a long-term orientation towards the customer and constant adaptability to operating conditions (national interest, regulatory and legislative changes, major technological changes...). Main purpose of capital management in Elektro Gorenjska Group is therefore to ensure capital adequacy, high financial stability and long-term solvency, and appropriate value for shareholders.

Group monitors the long-term financial stability with the ratio between net financial debt and EBITDA. Policy of the Group is that it does not exceed the value of 3.5, which allows the Group long-term stable operation. For control over the capital, the Group uses a leverage ratio, which indicates the proportion of net debt to equity. Indicator was at the end of 2021 at a similar level as at the end of 2020, which confirms the fact that the Group manages its capital stably.

Item description	Note in chapter 6.5.1	in €	
		Dec 31 2021	Dec 31 2020
Long-term financial liabilities	13	44,987,024	43,189,236
Short-term financial liabilities	16	7,770,575	8,816,010
Total financial liabilities		52,757,598	52,005,246
Capital	11	168,642,937	174,624,767
Debt/Capital		0.31	0.30
Cash and cash equivalents	10	5,920,503	5,996,468
Net financial liability		46,837,095	46,008,778
Net debt/capital		0.28	0.26



6.8 Transactions with affiliates

Below we present transactions with related parties, namely transactions with Group companies, transactions with the Republic of Slovenia, transactions with companies owned by the Republic of Slovenia and transaction with the management and supervisory boards. Group, with the exception of the associated company ECE, did not operate with related parties through the persons responsible for management.

Transactions with Group companies

Among transactions of the controlling company with the subsidiary Gorenjske elektrarne, which in 2021 amounted to 1,584 thousand € (year 2020: 1,424 thousand €) the most important were the following:

Item	in €	
	2020	2021
Revenue from the provision of general services (costs of subsidiary)	91,608	98,366
Rental income (subsidiary rental costs)	152,025	152,724
Profit distribution (subsidiary distribution)	1,056,166	1,197,454

Among the transactions between the Gorenjske elektrarne Company, GEK Vzdrževanje and Soenergentika more significant transactions are:

Item	in €	
	2020	2021
Maintenance services (Gorenjske elektrarne and GEK Vzdrževanje)	429,011	461,591
Transfer of profits (Gorenjske elektrarne and Soenergentika)	172,934	135,495

Other transactions did not reach significant values. All transactions with Group companies were implemented under normal market conditions. As a controlling company, Elektro Gorenjska Company did not obstruct or impair operations of company Gorenjske elektrarne as the controlled company.

Transactions with the Republic of Slovenia

Most important transactions of the parent company and its subsidiary with the Republic of Slovenia were in 2021 the following:

Item	in €	
	Payments in 2020	Payments in 2021
Dividends	1,922,043	1,647,466
Corporate income tax (tax and advance payment)	1,747,946	825,668
Other benefits (VAT, employer's contributions)	5,860,809	5,514,415
Total	9,530,798	7,987,549

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 2021.

Business partner	Open receivables on 31. 12. 2021	Open liabilities on 31. 12. 2021	Expenditure in year 2021	Revenues in year 2021
SODO d. o. o.	3,806,147	2,051,428	0	32,984,393
Modra zavarovalnica d. d.	0	37,196	447,011	0
Zavarovalnica Sava d. d.	55,664	59	539,483	0
SID d. d.	0	5,164,549	49,799	0
NLB, d. d.	0	7,000,000	5,730	0
Total	3,861,811	14,253,231	1,042,023	32,984,393

Outstanding liabilities to SODO Company represent payables for the account of third parties. Transactions with other companies in which the State has a dominant influence do not represent a significant amount.

Significant transactions with companies in which the state has directly or indirectly a dominant influence in 2020 were:

Business partner	Open receivables on 31. 12. 2020	Open liabilities on 31. 12. 2020	Expenditure in year 2020	Revenues in year 2020
SODO d. o. o.	3,021,292	1,747,757	0	29,988,641
Modra zavarovalnica d. d.	0	37,382	447,215	0
Zavarovalnica Sava d. d.	0	486,149	1,011,069	0
SID d. d.	0	5,766,242	68,581	0
Total	3,021,292	8,037,530	1,526,865	29,988,641

Transactions with the management and supervisory board

In year 2021, Elektro Gorenjska Group paid the management (employees under individual contracts) the following receipts:

Receipts	Fixed earning (gross salary)	Operating performance	Holiday allowance	Payment of unused annual leave	Lon-service bonus	Reimburse- ments of costs	Bonuses
Chairman of the Board Elektra Gorenjska	97,200	7,787	7,071	0	2,078	2,128	10,342
Director of Gorenjske elektrarne	59,943	8,543	2,062	0	0	2,063	1,914
Director of GEK Vzdrževanje	54,620	0	2,062	0	0	2,089	3,277

In year 2020, Elektro Gorenjska Group paid the management (employees under individual contracts) the following receipts:

Receipts	Fixed earning (gross salary)	Operating performance	Holiday allowance	Payment of unused annual leave	Lon-service bonus	Reimburse- ments of costs	Bonuses
Chairman of the Board Elektra Gorenjska	96,443	5,730	0	4,480	0	2,035	6,907
Director of Gorenjske elektrarne	57,017	7,852	2,023	0	0	1,839	2,016
Director of GEK Vzdrževanje	56,363	0	2,023	0	2,121	1,861	3,808

Reimbursement of costs (material costs) include reimbursement for meals during work, reimbursement of travel expenses. 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 *5.6 Transactions with related parties* in the financial report of Elektro Gorenjska Company.

6.9 Financial risks

In Elektro Gorenjska Group, we are aware of the risks that are an integral part of our operations. We are also aware that only a comprehensive and systematic risk management can be effective. Management of risks is an important condition for successful and efficient reaching of the set long-term business goals.

Financial risks are connected with the ability to create financial income, control financial expenses, maintain the value of financial assets, control financial liabilities and ensure competitive and long-term solvency. In the Group Elektro Gorenjska, we are exposed to numerous financial risks, which include, in particular: credit risk, liquidity risk, interest rate risk, lack of investment funds, risk of investments in subsidiaries and risk of inadequate payment of services by SODO.

Credit risk

Under the Contract on the lease of electricity distribution infrastructure and the provision of services for the distribution system operator the Group collects customer payments on its own behalf and on behalf of SODO d. o. o. There is a higher risk, as the Group despite unpaid claims of customers has to settle all liabilities to SODO. In part, the Group in accordance with the control has recognized and covered potential write-offs, but only up to 0.2 % of charged network charges, which is approx. 50,000 € annually. Group also provides market services. Any outstanding receivables from these services represent the greatest credit risk.

Breakdown of short-term receivables for the network charge, electricity and services and interest receivable as at December 31 2021 and December 31 2020 are shown by maturity in the following table:

	31. 12. 2020	31.12.2021
Not yet due	4,898,698	6,392,759
Due within 30 days	154,481	104,082
Due from 31-60 days	3,097	4,710
Due from 61-90 days	92	229,817
Due over 90 days	188,276	578,078
Overdue	345,946	916,687
Share of overdue receivables in outstanding	7 %	13 %
Total	5,244,644	7,309,446

Changes in valuation adjustment of claims and default interest receivables in years 2021 and 2020 are presented in the next table.

	2020	2021
Opening balance 1. 1.	321,213	181,138
New formations	149	419
Withdrawal and elimination	140,224	17,907
Closing balance 31. 12.	181,138	163,650

Receivables are reviewed regularly and monthly in the Group. Recovery is conducted regularly to all customers under the same criteria. We recover also default interest consistently. Accuracy of the records and the recovery has brought us to a good result. Largest debtors or non-payers of network charge are discussed at the regular monthly meetings, where for the individual debtor we make the plan of activities, which should lead to the highest possible recovery. It is an individual treatment. We also review the credit rating of the debtors. We also use telephone recovery, possibility of granting payments in installments, search options for compensation, assignment, etc. In the case of an installment debt repayment, contract of assignment of claim, we always include in the contract the accrued default interest. Advanced invoices are issued for certain services. When closing the outstanding receivables, we respect the provisions of the general part of the contract on access to distribution networks. When we have exhausted all possible instruments of "soft" recovery, in the event of non-payment of the network charge, we send a notice of disconnecting the user system. In the event that a party despite the notice still does not settle the debt within the time limit specified in the notice, disconnection of the measuring point follows. In this way, the company prevents further damage to the business or financial indiscipline, which would otherwise lead to higher outstanding receivables.

Receivable from the biggest buyer as at December 31 2021 amounted to 3,806,147 €, which means 73 % of all accounts receivable.

Largest exposure to credit risk was at the end of 2021 or 2020 the following:

	31. 12. 2020	31. 12. 2021
Non-current financial claims	899,653	692,691
Non-current trade receivables	17,042	1,719,584
Short-term financial claims	3,011,605	4,006,962
Short-term trade receivables	5,064,599	7,239,855
Cash and cash equivalent	5,920,503	5,996,468

in €

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 2021, 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 OUs, so that appropriate and timely action is taken (issuing timely reminder, court claims...). In concluding commercial contracts with customers of our services, special attention is paid to further integration of the relevant insurance of payments. Customers with overdue receivables are regularly and monthly reminded.
- › Constant monitoring of the stocks. At the level of the management, decisions were adopted, defining the monitoring of stocks. Group finally and fully realizes the decisions in connection with the consignment of material and equipment suppliers. Group further optimizes working processes (in the field of planning, purchasing material and implementation).
- › Established cash management system at the Group level, on the basis of which companies borrow cash from each other. Main objective of managing the monetary assets in Elektro Gorenjska Group is to optimize the liquidity of Group companies. It is a matter of short-term cash management that is the covering of short-term deficits and short-term placement of cash surpluses among companies in the Group.
- › Much attention is given to the preparation and monitoring of cash flows plan. Effective planning of liquidity enables us to optimally manage any short-term surpluses or deficits of liquid assets.

Following table shows financial liabilities to banks and other long-term financial liabilities by maturity.

2021	As payments fall due			Total
	Within 1 year	From 2 to 5 years	Over 5 years	
Financial liabilities to banks	8,797,788	26,334,839	16,854,397	51,987,024

in €

2020	As payments fall due			Total
	Within 1 year	From 2 to 5 years	Over 5 years	
Financial liabilities to banks	7,747,787	28,731,400	16,255,625	52,734,811

in €

Short-term operating receivables according to maturity were following:

2021						in €	
	Not yet due	Due from 0 to 30 days	Due 31 to 90 days	Due over 90 days	Total due	Total liabilities	
Short-term trade payables	3,411,843	9,050	69	0	9,119	3,420,962	
Short-term operating liabilities from advances	93,204	0	0	0	0	93,204	
Short-term operating liabilities for a foreign account	2,052,778	0	0	0	0	2,052,778	
Short-term liabilities for salaries	977,270	0	0	0	0	977,270	
Liabilities to state and other institutions	302,499	0	0	0	0	302,499	
Other short-term operating receivables	96,476	0	0	250	250	96,726	
	6,934,070	9,050	69	250	9,369	6,943,439	

2020						in €	
	Not yet due	Due from 0 to 30 days	Due 31 to 90 days	Due over 90 days	Total due	Total liabilities	
Short-term trade payables	2,725,733	21,981	0	14,511	36,492	2,762,226	
Short-term operating liabilities from advances	31,336	0	0	0	0	31,336	
Short-term operating liabilities for a foreign account	1,749,236	0	0	0	0	1,749,236	
Short-term liabilities for salaries	956,058	0	0	0	0	956,058	
Liabilities to state and other institutions	190,357	0	0	0	0	190,357	
Other short-term operating receivables	93,346	0	0	0	0	93,346	
	5,746,066	21,981	0	14,511	36,492	5,782,558	

Severity of liquidity risk is assessed as significant. Due to the established control mechanisms and the implementation of measures, especially cash management at the Group level, we believe that the probability of materialization of illiquidity is unlikely, although we are aware that illiquidity could cause a great business damage. Assuming a 25 % annual probability of risk realization an individual assessment of risk situations on operations amounts to 8 thousand €, with the range of losses in the case of realization going from a minimum of 0 € to a maximum of 120 thousand €.

Interest risk

Interest rate risk is the danger in the event of unfavorable movements in interest rates. Since the Group has certain loans contracted at a variable interest rate (EURIBOR), they are sensitive to movements in interest rates. At the end of 2021, the Group had 68 % of unpredictable cash flow (at the end of year 2020 it had 63 %).

Exposure to interest rate risk was as follows:

	2020	2021
Financial liabilities with variable interest rate	33,306,240	35,129,881
Financial liabilities with fixed interest rate	19,428,572	16,857,143
	52,734,811	51,987,024

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.

Some loan agreements include provisions that the variable interest rate equals zero, if the EURIBOR is negative.

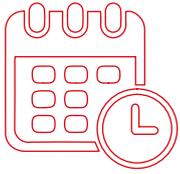
	Impact on profit or loss 2020		Impact on profit or loss 2021	
	increase by 50 bt	decrease by 50 bt	increase by 50 bt	decrease by 50 bt
Financial liabilities for the variable interest rate	-63,940	33,195	-24,745	25,334

We manage interest rate risk through the following activities: raising loans at a fixed interest rate, proactive monitoring of interest rate movements and bank surcharges, negotiations with banks to reduce existing surcharges or bank margins, refinancing of existing loans, active search for the most favourable conditions for access to foreign sources.

Severity of interest risk is assessed as small. Assuming a 17 % annual probability of risk realization an individual assessment of risky rate (with 95 % of confidence level) on operations amounts to 31 thousand €, with the range of losses in case of realization going from a minimum of 0 € to a maximum of 90 thousand €.

Foreign exchange risk

Operations are conducted in euros; therefore, the Group is not exposed to the risk of exchange rate changes.



6.10

Events after the balance sheet date

At the end of February 2022, the Act Determining the Measures to Mitigate the Consequences of Rising Energy Prices was adopted. Among other things, the law stipulates that the tariffs items for the distribution operator for billing power and assumed active energy for all customer groups in the period from February 1 to April 30 2022 will be reduced to zero. Lack of network charges for 2022, which will occur due to the reduction of the tariffs, will be covered in a way that the Energy Agency in the process of determining deviations from the regulatory framework for 2022 reduces the regulated return on assets of the distribution operator. For the company or group Elektro Gorenjska this means by 9.7 million € lower revenues in 2022.

