



**ANNUAL REPORT OF THE COMPANY
ELEKTRO CELJE
and
THE ELEKTRO CELJE GROUP
for 2021**



Celje, 26 April 2022

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KEY OPERATING INDICATORS OF THE COMPANY ELEKTRO CELJE AND THE ELEKTRO CELJE GROUP

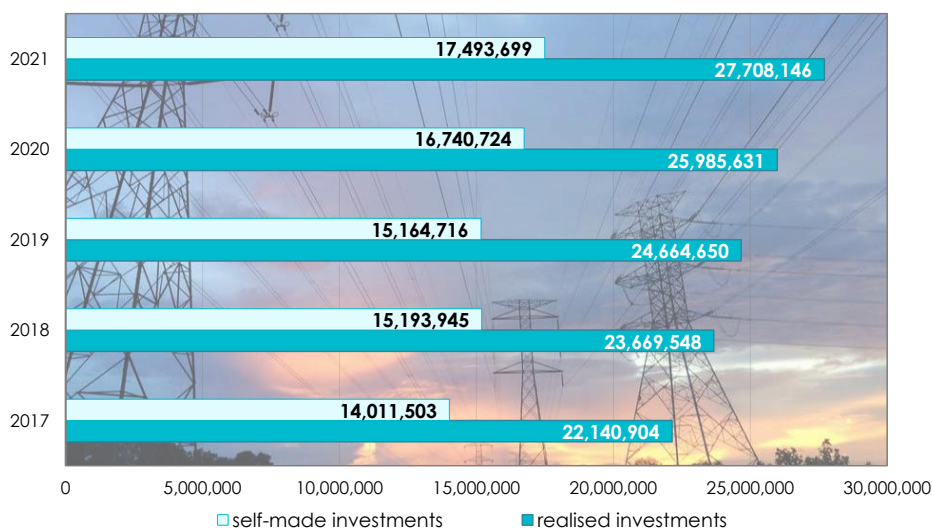
The Company Elektro Celje

INVESTMENTS: 27.7 million euros: +6.6% (according to 2020)

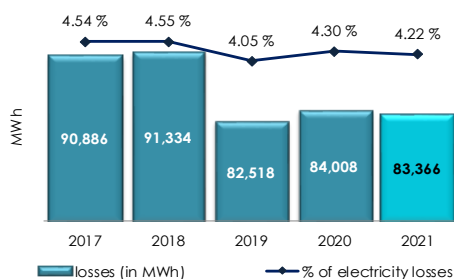
SELF - MADE INVESTMENTS: 17.5 million euros: +4.5% (according to 2020)

EQUITY: 234.6 million euros: +5.4% (according to 2020)

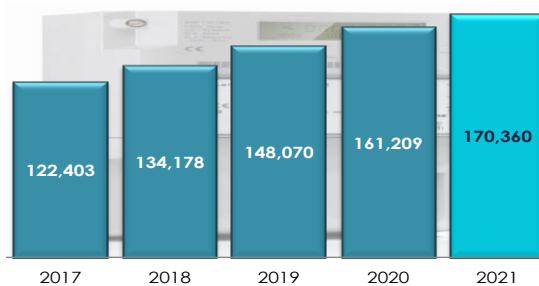
Investments in the company Elektro Celje (in EUR)



Electricity losses in the network



Number of remote metering points



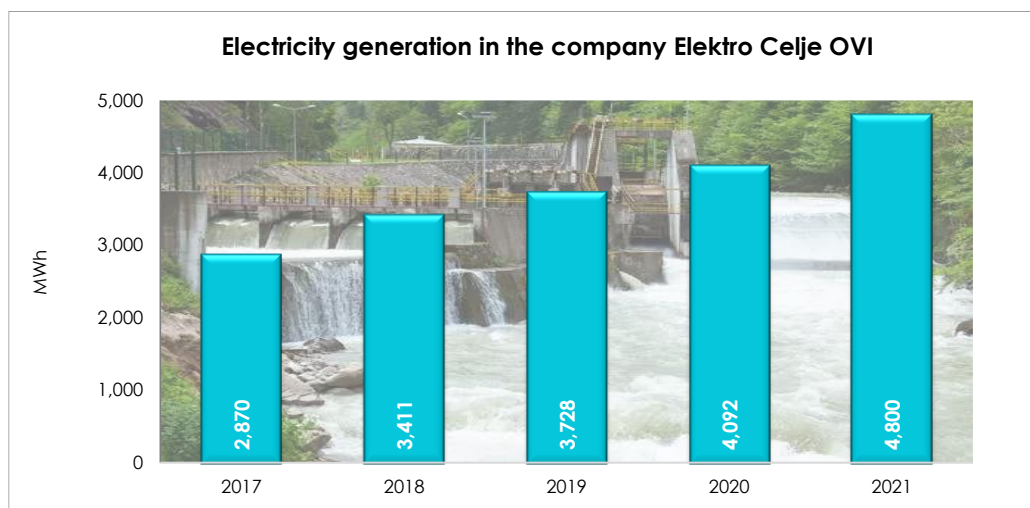
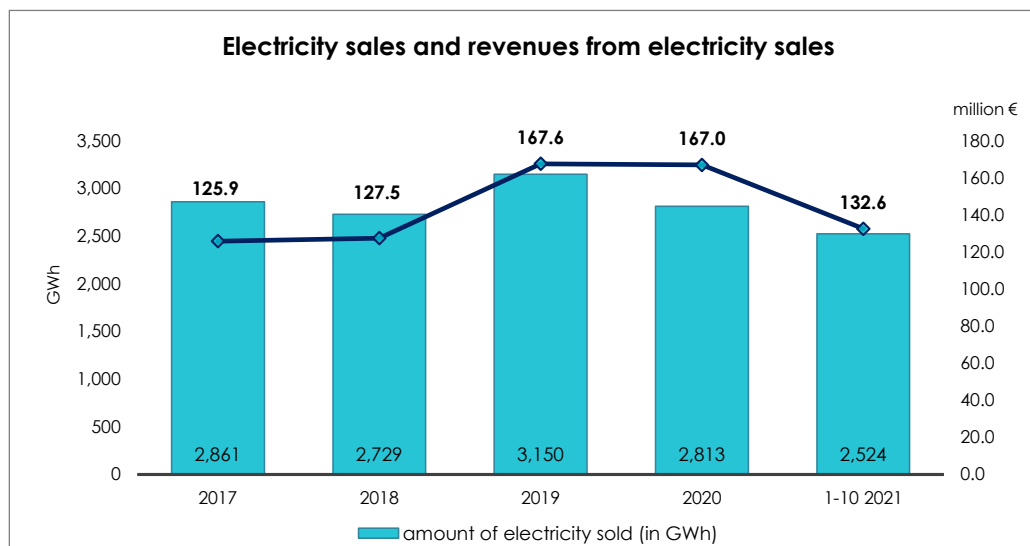
THE COMPANY ELEKTRO CELJE	achieved					graphic comparison
	2017	2018	2019	2020	2021	
SAIDI (System Average Interruption Duration Index) - unplanned interruptions	46.22	33.84	31.13	30.67	26.34	
SAIFI (System Average Interruption Frequency Index) - unplanned interruptions	1.03	0.80	0.66	0.65	0.63	
MAIFI (Momentary Average Interruption Frequency Index)	4.51	3.49	2.93	3.26	1.95	
SAIDI (System Average Interruption Duration Index) - planned interruptions	144.40	167.69	170.28	133.52	126.52	
SAIFI (System Average Interruption Frequency Index) - planned interruptions	0.88	1.09	1.11	0.88	0.80	
NETSALES REVENUE (in EUR)	49,823,026	50,512,707	50,831,032	47,072,367	52,368,583	
NET PROFIT (in EUR)	9,062,759	10,428,778	9,252,820	5,535,289	13,983,238	
EQUITY (in EUR)	207,146,133	214,215,726	219,909,447	222,482,388	234,602,568	
ASSETS (in EUR)	279,697,695	284,080,642	290,471,682	293,952,609	305,377,920	
GROSS ADDED VALUE PER EMPLOYEE	78,443	82,201	82,006	79,832	84,730	
FINANCIAL DEBT/EQUITY (in EUR)	0.195	0.179	0.182	0.178	0.166	
ROA (in %)	3.26	3.70	3.22	1.89	4.67	
ROE (in %)	4.44	4.95	4.26	2.50	6.12	

THE ELEKTRO CELJE GROUP

TOTAL NET PROFIT: 9.7 million euros: +3.5 million euros (compared to 2020)

EQUITY: 239.3 million euros: +1.2% (compared to 2020)

ASSETS: 310.6 million euros: -7.9% (compared to 2020)



FOREWORD BY THE MANAGEMENT BOARD CHAIRMAN

Dear shareholders, business partners and work colleagues.

The Elektro Celje Group operated in 2021 in difficult economic circumstances. There were many challenges and adaptations, and also some new technical, technological and organisational solutions were introduced into the work processes. The electricity system served their users effectively, reliably and safely. We established a well-built, strong and robust distribution network, upgraded with cutting-edge information and telecommunication technologies. RES (renewable energy sources) system integration in buildings and industry, GHG reduction in the transport sector, inclusion of batteries and mobile sources, access to data and information in real time, aggregation and subsequent flexibility of the electricity system are the challenges we addressed in 2021.

The approved business plan of the company was implemented smoothly. After the year 2020, the Elektro Celje Group responded quickly, comprehensively and effectively to the crisis brought by the epidemic. In the first phase, our activities were focused on operating in changed circumstances, identifying and managing risks, and finally ensuring uninterrupted electricity supply to our consumers. This implied ensuring safe and reliable supply of electricity services to customers according to market principles and sustainable development principles, taking into account efficient and economical use of renewable energy sources and environmental protection conditions. In the second phase, our work organisation was adjusted to the conditions of demanding operations, i.e. using digital technologies in everyday life.

Ready for change, we are enhancing our cooperation in European projects

The last two years were a good example showing us how quickly a business situation or circumstance could change. The company Elektro Celje proved to also operate well in a rapidly changing technological environment. We adequately responded to all such changes. We are certainly among the companies offering answers to today's challenges of systemic transition to renewable energy sources, electric mobility, the use of alternative, environment-friendly energy sources, development of sustainable mobility and the provision of integrated services for smart management of electricity consumption.

Employees of the company Elektro Celje are aware of the significance of cooperating in the field of technological development and innovativeness. Therefore, we participate in development projects that are directly linked to technological fields of electricity distribution. In 2021, we were the leading partner in **Use Smartly** and **Lambda** development projects. Among other things, we actively cooperated with international partners in several European projects, such as **X-FLEX**, **i-Flex**, **OneNet** and **BD4OPEM**. We also participated in a consortium for the promotion and acceleration of the green transformation of the Slovenian energy sector, with the aim to decarbonise Slovenia by 2050. Within this consortium, tender documentation for the European project **GreenSwith** is underway.

All such projects, the number of which will certainly increase in the future, are of regional importance, and will contribute to the development of the network. Recognising the

importance of participation in European development projects, we encouraged our employees to become intensively involved in R&D projects.

Employees are the key to this successful story

The fundamental purpose of the planned development of the organisational culture is achieving business performance and adaptation of employees to the Company's strategy in order to encourage the process of change. Being a member of the Elektro Celje Group means implementing the culture of work and coexistence, which binds us. There were over 700 employees in the Group in 2021. We helped develop their competences, took care of their training, and monitored their satisfaction. It is in human nature to feel well after the work is successfully done. This gives us a sense of success, satisfaction and confirmation. There is a Slovene saying that every person is the architect of their own fortune. So, if we are satisfied with the work, we are also responsible and motivated for success. Employees strengthen the Company's reputation and image with commitment, motivation and knowledge.

We operate sustainably

Business operations, products, services and contents of the operations of companies within the Group incorporate the principles of sustainable development in the manner to meet today's needs, without compromising the possibility of future generations to satisfy their own needs. Global accountability, intergenerational justice and solidarity, integration of social and environmental goals, the precautionary principle and the principle of cooperation are our responsibilities we are certainly aware of.

The company Elektro Celje is aware of its accountability to all the stakeholders. We are a proud holder of the Family-Friendly Company Certificate and ISO 9001, ISO 14001, ISO 45001 and ISO 27001 certificates. We have established a system to ensure compliance of our operations with the applicable legislation, regulations and internal acts. Risk management and Internal Control System are also part of the Company's Corporate Governance. Our endeavours for continuous adjustment and improvement are the driving forces on the way to excellence and sustainable business operations.

RESPONSIBILITY STATEMENT OF THE MANAGEMENT BOARD

The management board of the company Elektro Celje is responsible for the preparation of the company's Annual Report in the way to present Financial Statements and the wealth of the company and the group for the financial year ending on 31 December 2021. It hereby confirms separate and consolidated accounts, clarifications and disclosures in the annual report.

The management board declares that the company's accounts are drawn up in accordance with adequate accounting guidelines. It also declares that the accounting estimates are made on the basis of prudence and good management, assuming that the company and other members of the group will continue to operate in the future, and in compliance with the applicable Slovenian legislation and the Slovenian Accounting Standards (for the company) and International Financial Reporting Standards adopted by the EU (for the group).

The management board is responsible for the implementation of measures in order to insure the preservation of the company's value and to prevent and detect frauds.

The management board approved the annual report on 26 April 2022.

Chairman of the Management Board,
Boris Kupec, MSc



MAJOR BUSINESS EVENTS

➤ JANUARY

On 1 January, the new Rules on Internal Organisation and Staffing Structure entered into force. By concluding new employment contracts with employees, the basic gross salary was adjusted to the newly determined quotients of the salary brackets in each tariff class according to the Entrepreneurial Collective Agreement.

On 1 January, the new 2021-2025 Strategic Business Plan of the company Elektro Celje came into force.

We started a pilot implementation of USE SMARTLY project, which was designed to test the introduction of dynamic tariffing of electricity network charges for households and small business customers.

➤ MARCH

On 1 March 2021, the new System Operating Instructions for the Electricity Distribution Network (orig. SONDSEE) came into force. Article 163 of the above-mentioned instructions stipulates that from 1 March 2021 the installation of measuring equipment is to be ordered from a local distribution company, the costs of which are borne by SODO.

The amended Code of Ethics of the company Elektro Celje was adopted in March.

➤ APRIL

At its 71st regular session of 22 April 2021, the Government of the Republic of Slovenia determined the wording of the Bill on the Promotion of the Use of Renewable Energy Sources (orig. abbr. ZOVE). The content of this Act regulates the implementation of the policy at the national and municipal levels in the field of renewable energy sources. It also sets goals of renewable energy policy, measures to achieve them, and the ways of their financing (including international cooperation and rules on financial support to encourage the use of renewable energy and cogeneration enabling high energy efficiency). It sets guarantees of origin, self-sufficiency in electricity obtained from renewable energy sources, use of energy from renewable sources in the heating and cooling sector and transport, and provision of information and trainings for installers.

➤ MAY

In accordance with Article 10 of the Energy Efficiency Act (orig. abbr. ZURE), the Ministry of Infrastructure published a proposal to amend the Decree on energy savings requirements for public hearing. The proposal of the decree follows the new energy efficiency objectives arising from the adopted National Energy and Climate Plan (abbr. NEPN), which envisages a gradual increase in the contribution for energy use in order to increase energy efficiency.

➤ JUNE

At its regular 80th session of June 2021, the Government of the Republic of Slovenia determined the wording of the Bill on Electricity Supply (orig. abbr. ZOEE), the purpose of which is to ensure competitive, secure, reliable and accessible supply of electricity, taking the principles of sustainable development into consideration, and to establish comprehensive, competitive, flexible, fair and transparent electricity markets. The bill is based on electricity supply regulation, as already defined by the Energy Act. However, due to the transposition of the Directive 2019/944/EU, it includes a number of novelties.

On 18 June 2021, the Ministry of Infrastructure issued the new Rules on technical requirements for the connection of power facilities to the distribution network, which

simplifies procedures and removes problems in the implementation of the System Operating Instructions for the electricity distribution system.

On 30 June 2021, at its 26th regular Annual General Meeting of the company Elektro Celje, the shareholders were acquainted with the audited annual report of the company and the consolidated annual report for the business year 2020, along with the auditor's report, the written report of the Supervisory Board on the verification and approval of the audited annual report of the company Elektro Celje for 2020, audited consolidated annual report of the Elektro Celje Group for the business year 2020, with the remunerations of the management and supervisory board members, the remuneration policy and the rules on determining other rights arising from the employment contract of the management board chairman of the company Elektro Celje.

The decision was adopted that the distributable profit determined as at 31 December 2020 in the amount of €1,741,676.05 would be paid out in full in the form of dividends of its gross value of €0.073 per share. The company paid out dividends on 30 September 2021 to those shareholders who were registered in the company's shareholder register one working day prior to the date of the dividend payout.

The General Meeting confirmed and approved the work of the management board and the supervisory board of the company in 2020, and granted them discharge.

The General Meeting also confirmed the amendments to the Articles of Association so that the Management Board may, with the consent of the Supervisory board, determine in the convening of the General Meeting that the shareholders may attend the General Meeting and vote at the General meeting by using electronic means (an electronic General Meeting). Supervisory and management board members may participate in the General Meeting by transmitting their image and tone in case of an electronic General Meeting, in compliance with Article 297 (4) of the Companies Act (orig. abbr. ZGD-1), and in other cases as determined by the Rules of Procedure of the General Meeting.

At The General Meeting, Marijan Papež and Boštjan Leskovar and Dejan Žohar were elected as the Supervisory Board members, shareholder representatives, for a four-year term of office, the first two mentioned above started on 28 August 2021, and Dejan Žohar started on 31 August 2021.

➤ JULY

The Resolution on Slovenia's long-term climate strategy until 2050 was adopted, based on the principles of reducing greenhouse gas emissions, efficient use of energy and reduction of energy consumption, climate justice, fair transition and scientific findings. The Climate Strategy is a strategic document and does not imply concrete measures. The Action plan for the implementation of the Climate Strategy until 2030 is the National Energy and Climate Plan (abbr. NEPN).

A new Act on the Promotion of the Use of Renewable Energy Sources (orig. abbr. ZSROVE) was adopted. The content of the Act regulates the implementation of the policy at the national and municipal levels in the field of the use of renewable energy sources (abbr. RES). It sets goals in the field of RES, measures to achieve such goals and methods of their financing. The Act also regulates guarantees of origin, self-sufficiency with electricity obtained from RES, RES communities, the use of RES in the heating and cooling sector, in the transport sector, and additionally in provision of information and training of installers.

➤ **SEPTEMBER**

On 29 September 2021, the 6th Strategic Conference of Slovenian Electricity Distribution entitled "The Future is Electric" took place, putting the importance and the role of power distribution and its green transition at the forefront.

On 30 September 2021, the company Elektro Celje paid out dividends to its shareholders in the amount of €1,741,676, under the resolution of the General Meeting on the payout of the distributable profit obtained in 2020.

➤ **OCTOBER**

The company HSE as the buyer and the companies Elektro Celje and Elektro Gorenjska as the sellers concluded an agreement on the sale of a 37.9% of the equity stake of the company Elektro Celje and a 13.1% equity stake of the company Elektro Gorenjska within the company ECE. Thus, HSE became the majority owner possessing 51% of the ownership of the company ECE with its seventy-five employees, more than a 15% share of the Slovenian electricity market, and with a wide range of energy solutions and its own online store. The retained equity of the company Elektro Celje amounts to 36.4195%. The entry in the Slovenian Business Register was made on 27 October 2021, and the purchase price in the amount of €8,263,529.80 was transferred to the current account of the company Elektro Celje on 28 October 2021. The impact on gross profit of the company Elektro Celje arising from this item amounted to €5,458,008.

In October, Annex No.2 to the Contract on Lease of Power Distribution Infrastructure was signed with the company SODO.

The National Assembly approved Electricity Supply Act (orig. ZOEE), which transposed the Directive 2019/944/EU on common rules of internal electricity market into the national legal order. The act refers to the regulation of the new market model, it introduces new roles in the market, and puts active consumption and flexible market development at the centre. The act brings several novelties in relations between electricity companies and final customers, including the right to a contract with a dynamic price, the role of an active consumer and independent aggregator, and the energy community of citizens.

➤ **NOVEMBER**

The National Assembly approved the amendment to the Renewable Energy Sources Promotion Act (abbr. ZSROVE-A). With the new Act, all self-sufficiency consumers using energy from renewable energy sources will have the right to easily connect their self-sufficiency devices, regardless of whether they decide to invest under the so-called old model of netting the received and delivered quantities into the network, or under the new model where the network charges are charged on the total amount of electricity taken from the network, and customers are entitled to other benefits.

Post-Balance-Sheet Events

On 22 February 2022, the Government of the RS adopted the Act on Emergency Measures to Mitigate the Consequences of the Impact of High Energy Prices, and determined that the tariff rates of power distribution providers are reduced to zero for the capacity charge and the delivered active energy for the consumer groups in the period from 1 February 2022 to 30 April 2022. Considering the fact, that the network charge deficit for 2022 will be covered by reducing the recognised regulated return on assets, the revenues of the company Elektro Celje will be 12.1 million euros lower than planned, and as a result, the company will end the business year 2022 with a loss.

ANNUAL REPORT OF THE COMPANY ELEKTRO CELJE

PRESENTATION OF THE COMPANY ELEKTRO CELJE

Basic information about the company Elektro Celje

Name:	ELEKTRO CELJE, podjetje za distribucijo električne energije, d.d.
Abbreviated name:	ELEKTRO CELJE , d.d.
Head office:	Vrunčeva 2a, 3000 Celje
Telephone:	(03) 42 01 000
Email address:	info@elektro-celje.si
Website:	http://www.elektro-celje.si
Entry in the Court Register:	Court Register of Celje District Court, entry no. 1/00600/00
Nominal capital:	150,955,089.64 EUR
Number of shares:	24,192,425
Registration number:	5223067
VAT identification number:	SI62166859
Company size (according to the provisions of Companies Act - ZGD-1):	Large enterprise
Number of employees as of 31. 12. 2021:	623
Number of MWh of electricity distributed in 2021:	1,975,237 MWh
Number of consumers as of 31. 12. 2021:	175,027
Chairman of the Management Board:	Boris Kupec, MSc
Chairman of the Supervisory Board:	Boštjan Leskovar, MSc

Mission, vision and values

MISSION

We enable development and progress to electricity network users by providing reliable, high-quality, cost-effective and environment-friendly electricity supply, and up-to-date services.

VISION

Elektro CELJE, d.d. is an efficient and innovative company with technologically advanced electricity network, which makes us recognisable as a reliable partner in the provision of sustainable development.

VALUES

The company Elektro Celje respects and encourages activities to ensure that principles and values are respected:

• ACCOUNTABILITY AND RELIABILITY

We are a responsible and reliable partner.

We act with diligence and full commitment, in compliance with rules and ethical standards. We comply with agreements. We are personally responsible for meeting our obligations. We are aware of being part of a wider community which is connected to the power network. Our acting contributes to safety and quality of life. We ensure a reliable, secure and uninterrupted power distribution. We respect the work and time of others.

• DIALOGUE AND COOPERATION

Open and respectful communication is the foundation of successful cooperation.

We build good mutual relationships with a clear expression and respect of interlocutors. We contribute to a positive working atmosphere, mutual trust and respect. We work for the common good and in partnership with employees, customers, suppliers and owners. We respect interpersonal differences, follow the values of a family-friendly company and coordinate various tasks and activities in order to meet common goals.

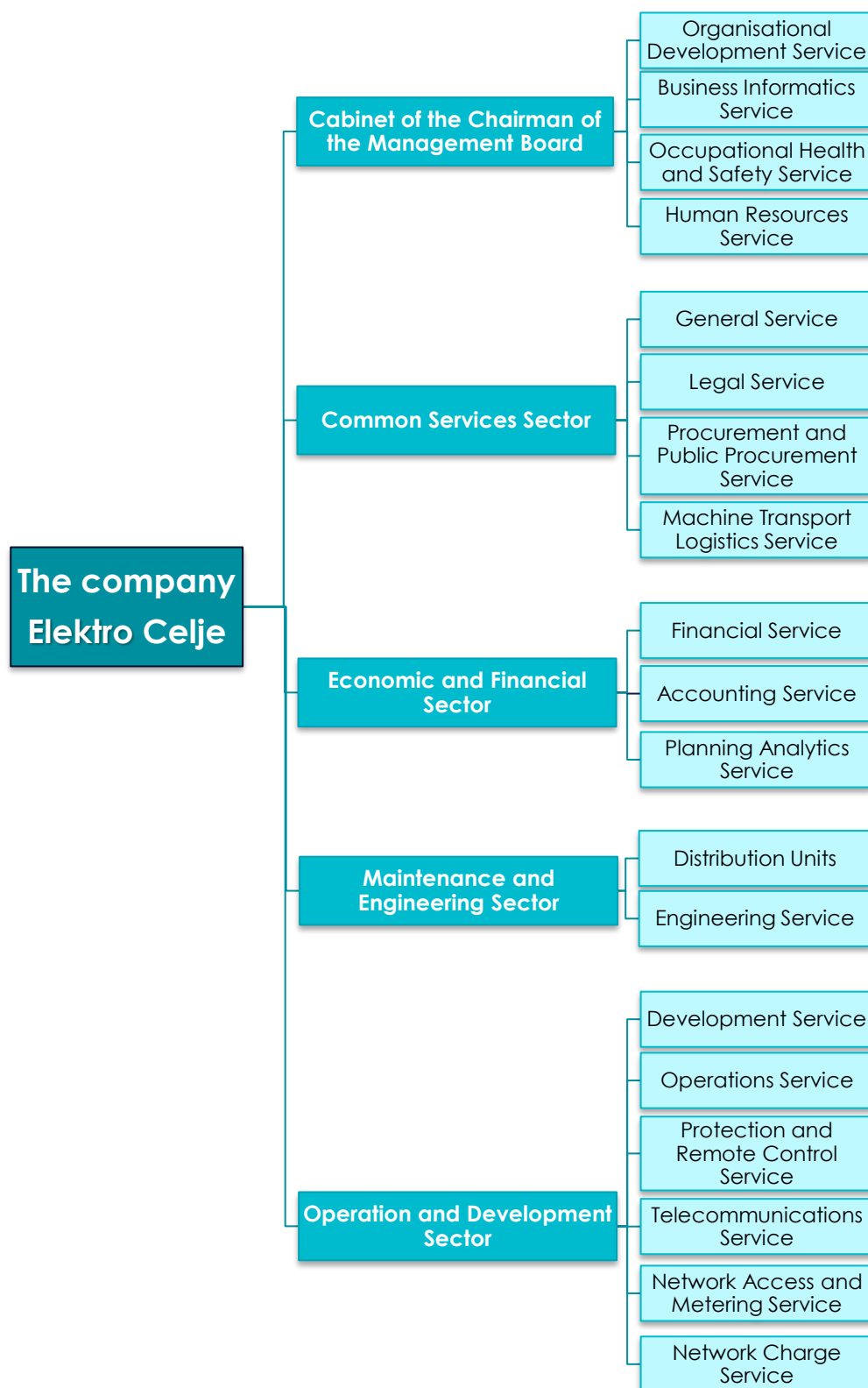
• KNOWLEDGE AND EXCELLENCE

We develop knowledge and capabilities, and achieve outstanding results.

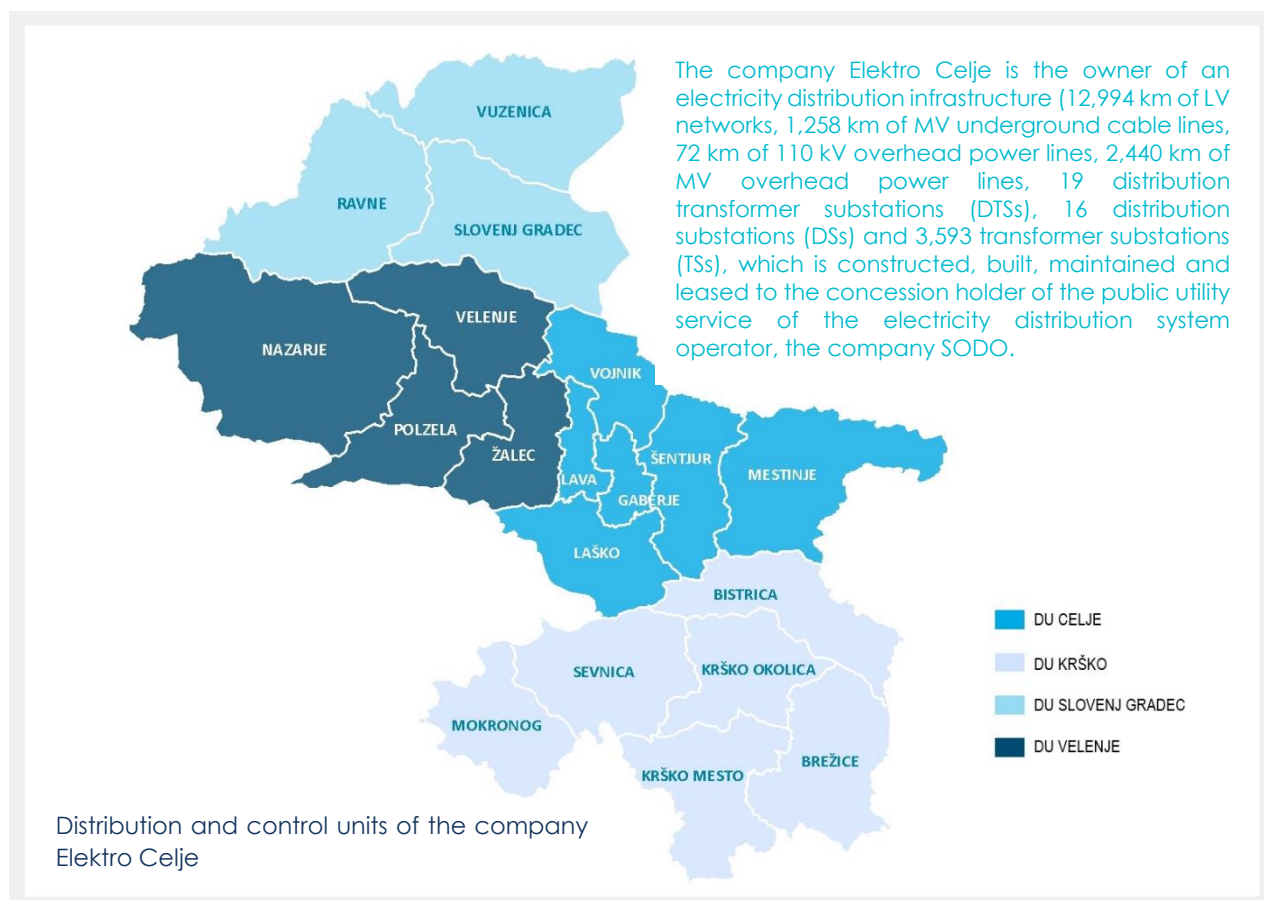
Through continuous acquiring and sharing knowledge and experiences, through striving for innovation and following best practices, we build professionalism, improve our operations, and stay committed to seeking and finding the best solutions to continuous improvement of the quality of electricity supply. With enthusiasm and creativity we enhance the culture of development and achievement of outstanding results.

Organisational structure

The organisational structure of the company Elektro Celje is based on the applicable Rules on Organisation and Staffing Structure, and it ensures expert, efficient and rational implementation of the company's operations and effective internal control.



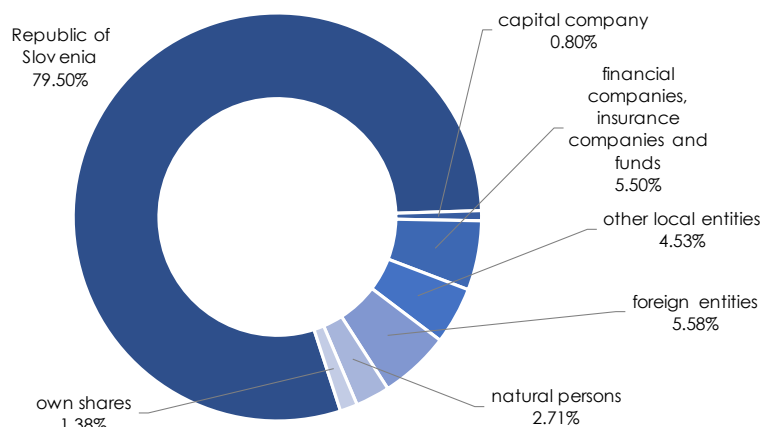
Area of operations



Ownership structure

The company Elektro Celje operates as a public limited company. On 31 December 2021, its nominal capital amounted to €234.6m. Holding a 79.5% equity stake in the company, it makes the Republic of Slovenia its majority shareholder. The company also holds 333,849 own shares with the purchase value of 886,371 euros.

Ownership structure of the company Elektro Celje as of 31 December 2021



STRATEGIC GUIDELINES AND OBJECTIVES OF THE COMPANY ELEKTRO CELJE

Given the constantly changing requirements of stakeholders and the wish for excellent business performance in all areas, the company Elektro Celje decided to renew its strategy, to redefine its strategic guidelines and to draw up its operational plan to meet strategic objectives for the period 2021-2025. **Four strategic objectives** and **eight strategic projects** were defined. These are structured in a way to be evaluated and classified into several aspects such as learning and growth, internal process, customers and the market, and finances.

Strategic guidelines of the company Elektro Celje

Strategic guidelines stem from the company's mission and have not altered. Partial adjustments, with a personal note, were made to the company's values and the company's vision. Strategic objectives were updated and set in a transparent and structured manner in compliance with the company's process organisation.

Some key guidelines in the period 2021-2025 are the following:

- **development of new services,**
- **digitalisation of operations,**
- **supply quality and reliability.**

We carry out a semi-annual evaluation of the company's business performance to ensure meeting our strategic objectives. Should major changes take place in the environment where the company Elektro Celje operates, adjustments to the strategic activities and objectives will be made. Based on a careful analysis of changes in the external and internal environment and based on a SWOT analysis, some strategic guidelines were proposed and adopted to serve for the preparation and definition of strategic objectives, activities and tasks, and are aimed at sustainable development of the company:

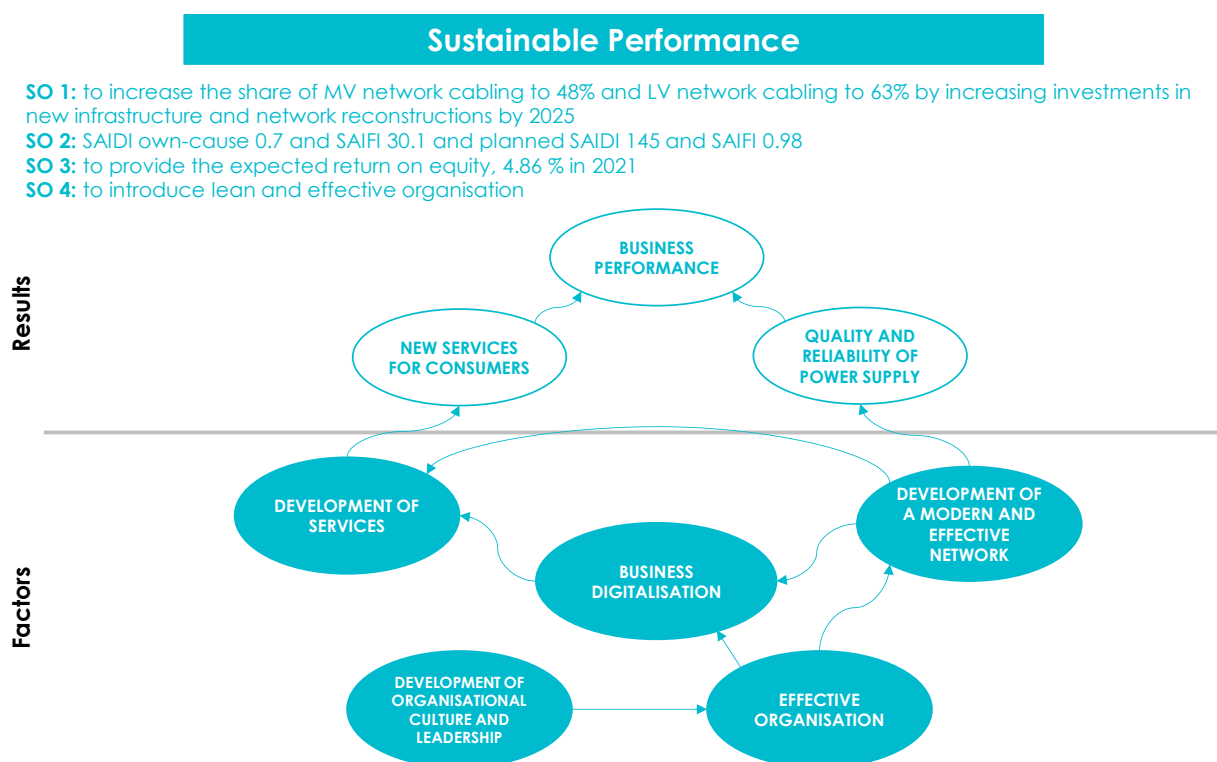
- **provision of quality customer services by strengthening the distribution network, introducing new technologies and services,**
- **optimisation and increased efficiency of business processes, and ensuring profitability for the company owners, and**
- **sustainable development.**

Strategic objectives

In order to implement our strategic guidelines, some strategic objectives were set to provide the anticipated development and good company's business performance. The strategic objectives are a commitment of **what** we are planning to achieve in the period 2021-2025 to realise the company's mission and vision. Of course, meeting the objectives can only be successful with a clearly defined strategy of **how** to achieve them, i.e. which strategic activities and **by which deadlines**, and above all, **who** is going to be responsible for their successful implementation. To get an in-depth understanding of the strategy, particularly to ensure its integrity and consistency, we used the **balanced scorecard system** (BSC) as a well-established management tool for planning and implementing the strategy.

Strategic diagram

schematically shows interrelations between strategic projects (understanding the cause-and-effect relationship) and strategic objectives, and is primarily intended for the visualisation of the strategy and therefore its better understanding.



The strategy was set on the basis of a realistic or 'most likely' scenario, which was also the basis for our further strategic thinking. Since some major changes have taken place in 2022, which will most probably reduce the likelihood of this scenario, it will be necessary for the company to adjust to the changed circumstances and adequately revise the set strategy.

The company Elektro Celje carried out most of its planned activities in 2021. Only 10 out of 59 strategic activities were not fully implemented (minimum deviations from target values).

Our human resources activities help us build the organisational culture of the company, achieve business efficiency and adapt employees to the set strategy in order to promote the process of change: from the culture focused on functional excellence to the culture focused on stakeholders and employee relations. By building leadership, the company will have leaders who lead by example, build trust, and are flexible and successful in managing changes. The company's values live among employees, which strengthens the culture of excellence and business performance. In accordance with the adopted values and the culture of excellence we are aiming to eliminate losses of various kinds in different processes.

With the increased volume of the network cabling we are increasing transmission capacity of the network and operational reliability of the underground network, resulting in improved SAIDI and SAIFI indicators, which can also lead to incentives from the Energy Agency. With the increased volume of cabling we are reducing the impact of severe weather conditions on the electricity network operation, and consequently we can

contribute to cost reduction from elimination of defects. We increased the share of LV and MV network cabling system with additional investments in 2021.

Employees of the company Elektro Celje are aware that digitalisation of business operations is not easy, and it only makes sense if it brings results significantly better than the current ones. It requires a lot of effort, strategic decisions, employee training, patience and perseverance. On the other hand, it brings higher efficiency, a higher level of services, greater flexibility and responsiveness. Digitalisation includes the entire company. In addition to employee participation, it also includes an active role of the company management. It is a continuous process and demands continuous readiness for change. So far, we have successfully been developing our services and have achieved a relatively high level of expertise by implementing development activities and participating in various European research projects. The newly added services are intended for all network users, and are based on flexibility and digital platforms allowing two-side communication with users and faster and more efficient implementation of activities required by users. To achieve a certain level of electricity supply accountability, we are strategically directing all the activities at modernising the LV and MV network. We are increasing the quality of our own work, installing tested materials, and testing some recent technologies in pilot testing. We control our supply reliability with power continuity indicators, such as SAIDI and SAIFI.

Business objectives of the company Elektro Celje

In order to increase its strategic performance, the company shall increase its investments by 2025, in its total value as well as in relation to its sales revenues. By increasing the extent of investments, we will meet several guidelines and objectives, from modernisation and necessary increase in the network capacity to greater reliability of electricity supply. In addition to increasing investments and rationalising costs, among which labour costs are in the first place, it is also necessary for greater business performance to make optimal use of other possibilities allowed by the regulation of the Energy Agency. These possibilities also include the implementation of new development projects which will potentially enable new services.

Operational goals of the company Elektro Celje and their achievement	Annual Management Plan (orig. LNU) 2021	plan 2021	achieved 2021
SAIDI (System Average Interruption Duration Index)	≤ 30.50	30.50	26.34
Share of distributed electricity loss (in %)	≤ 4.37	4.37	4.22
OPEX per electricity distributed (in EUR/MWh)	≤ 20.06	20.06	21.37
SAIFI (System Average Interruption Frequency Index)	≤ 0.70	0.70	0.63
MAIFI (Momentary Average Interruption Frequency Index)	≤ 3.70	3.70	1.95
ROA (in %)	≥ 2.82	2.82	4.67
ROE (in %)	≥ 4.35	3.72	6.12
EBITDA margin (in %)	≥ 41.17	41.17	39.72
Net financial debt/EBITDA (in EUR)	≤ 1.63	1.63	1.28
CAPEX to net revenue from sales ratio (in %)	≥ 50.55	50.55	52.91
Added value per employee (in EUR 000)	≥ 83.15	83.15	84.73
Net profit (in EUR)		8,449,190	13,983,238
Investment realisation (in EUR)		26,000,000	27,708,146
Self-made investment realisation (in EUR)		15,511,000	17,493,699
Realisation of customer services (in EUR)		1,745,200	1,797,064

BUSINESS ACTIVITIES OF THE COMPANY ELEKTRO CELJE

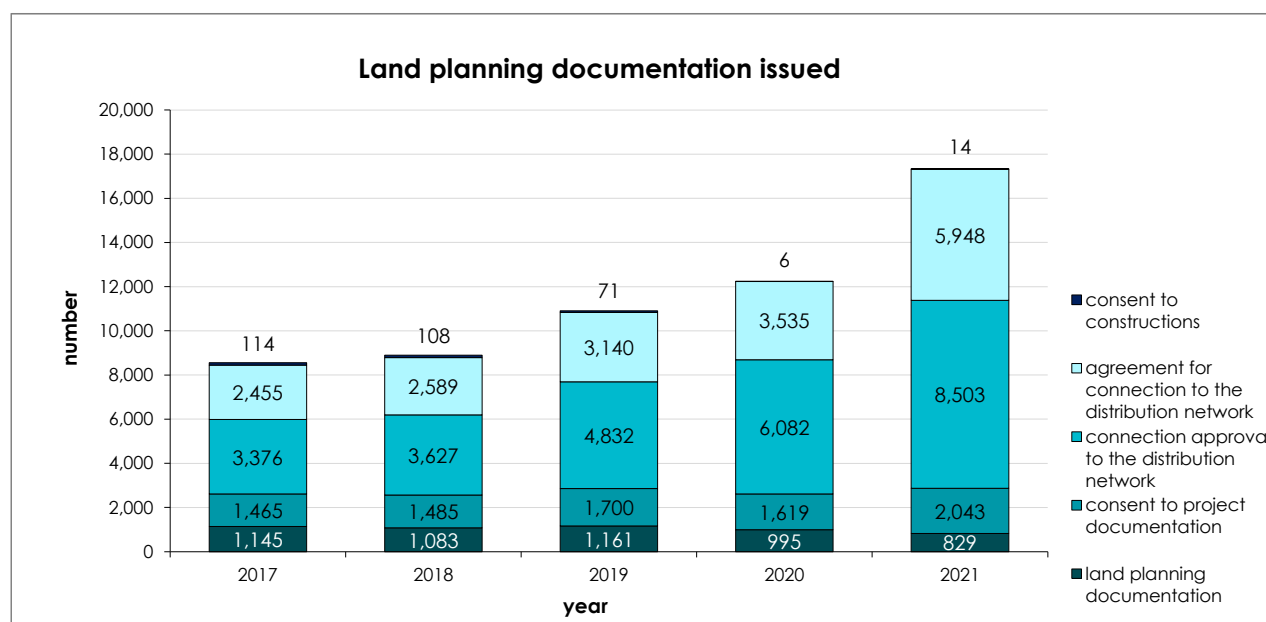
Operation and Development of the Distribution Network

The company Elektro Celje performs the control, management and operation of the distribution network and telecommunication systems, plans network development, performs system operating instructions, manages electricity transmission through the distribution network and exchanges with other networks, performs optimum restoration of the system after an eventual failure, coordinates operation of the distribution network with connected networks, performs system protection of the distribution network, conducts operational measurements in the distribution network, conducts measurements and analyses in the field of the quality of electricity supply, and settles network charges.

Development of the Distribution Network

Due to an increased number of applications for dispersed resources (the method of self-supply connection) in 2021, the number of issued connection approvals for the distribution network increased significantly.

Land planning documents



Quality of Electricity Supply and Network Development

The company Elektro Celje plans its distribution network so as to ensure quality electricity supply allowing the connection of new customers and production resources. Network analyses are performed with the use of appropriate software in order to connect new larger customers and dispersed energy sources to the network. By monitoring power supply reliability indicators (SAIFI, SAIDI and MAIFI), which are included among the strategic indicators of the company Elektro Celje, we monitor progress towards one of our key strategic objectives 'Reliability and Security of Network Operation', and the implementation of strategic activities to meet the following objectives: ensuring network operation reliability, efficient control of voltage conditions, MV network automation upgrade, MV network cabling, and optic cable upgrade.

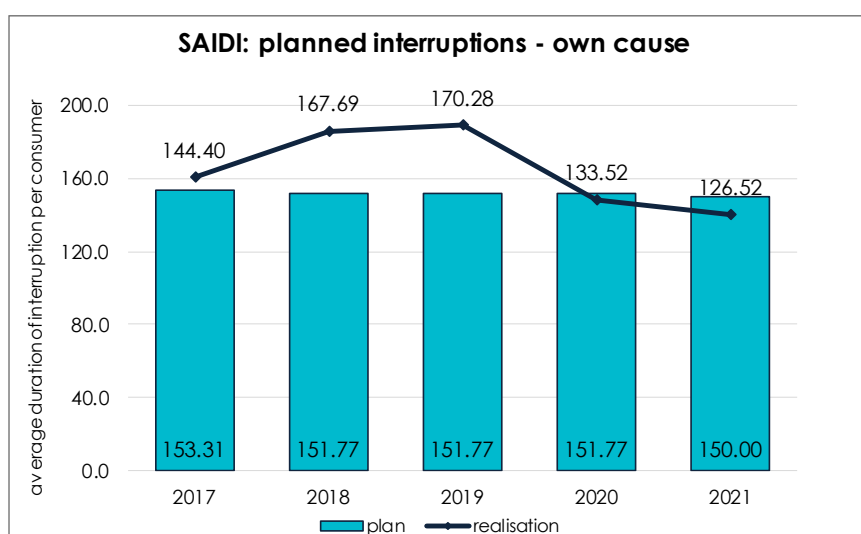
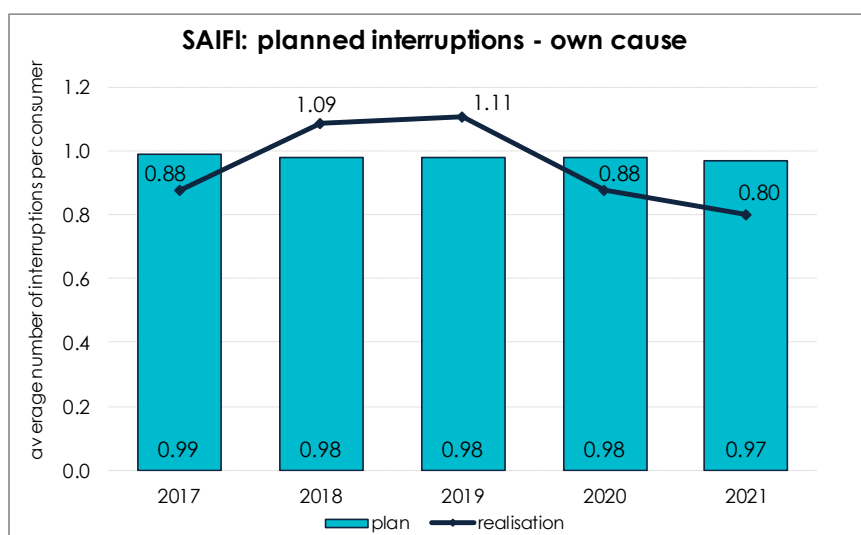
The company Elektro Celje received 137 consumer complaints about the quality of electrical voltage in 2021 (100 in 2020), of which 107 were justified (compared to 79 in 2020).

The total values of reliability indicators SAIFI and SAIDI for 2021 regarding the cause of interruption are shown below.

SAIFI / SAIDI reliability indicators	UNPLANNED INTERRUPTIONS						PLANNED INTERRUPTIONS	
	OWN CAUSE		FOREIGN CAUSE		FORCE MAJEURE		SAIFI	SAIDI
	SAIFI	SAIDI	SAIFI	SAIDI	SAIFI	SAIDI		
	[inter./cons.]	[min./cons.]	[inter./cons.]	[min./cons.]	[inter./cons.]	[min./cons.]	[inter./cons.]	[min./cons.]
total value	0.63	26.34	0.35	22.49	0.04	3.24	0.80	126.52

Planned interruptions for the company Elektro Celje in 2021 amounted to:

- SAIFI indicator: **0.801** interruptions/consumer, which is 11.9% more than the EDC average (0.716 interruptions/consumer),
- SAIDI indicator: **126.523** minutes/consumer (the EDC average is 100.380 minutes/customer).

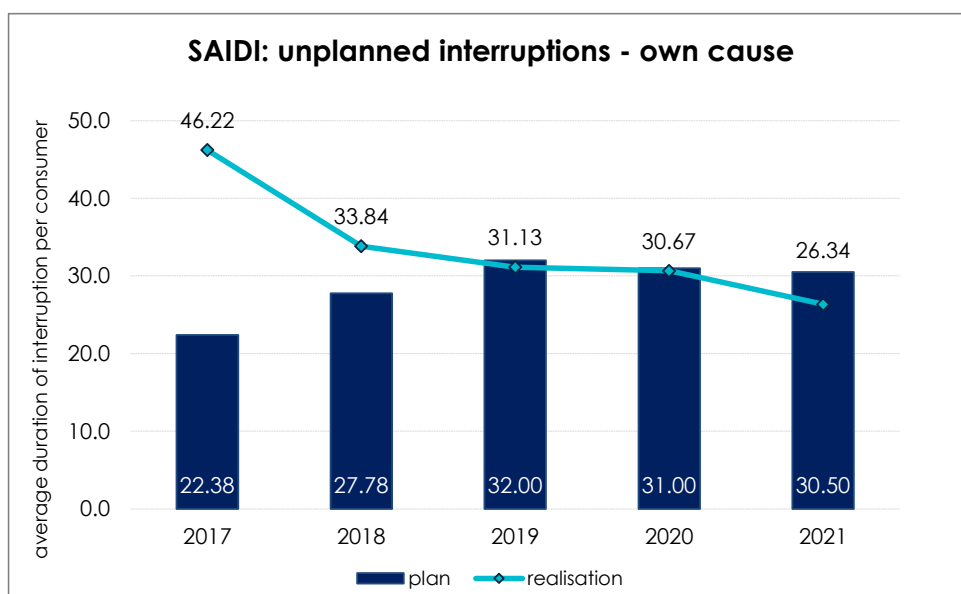
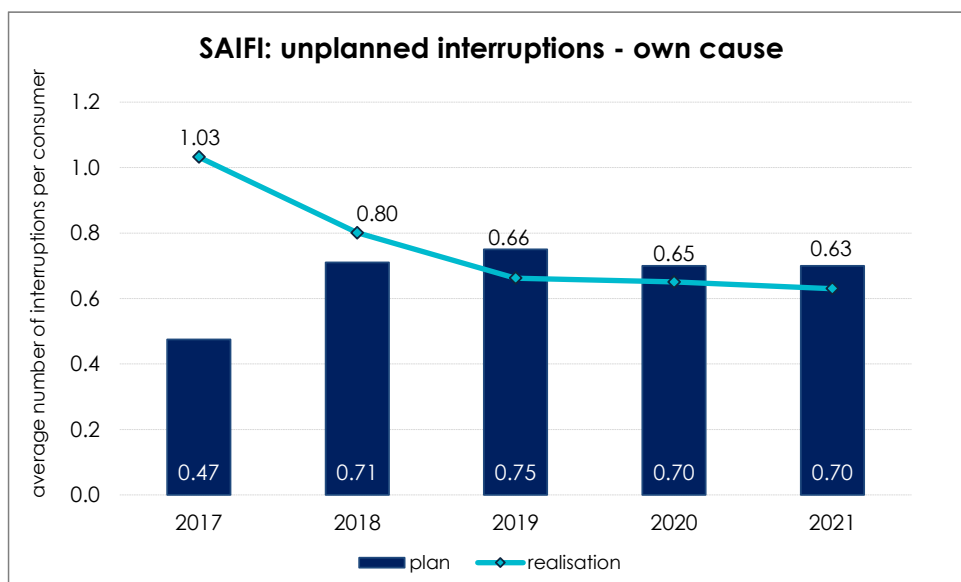


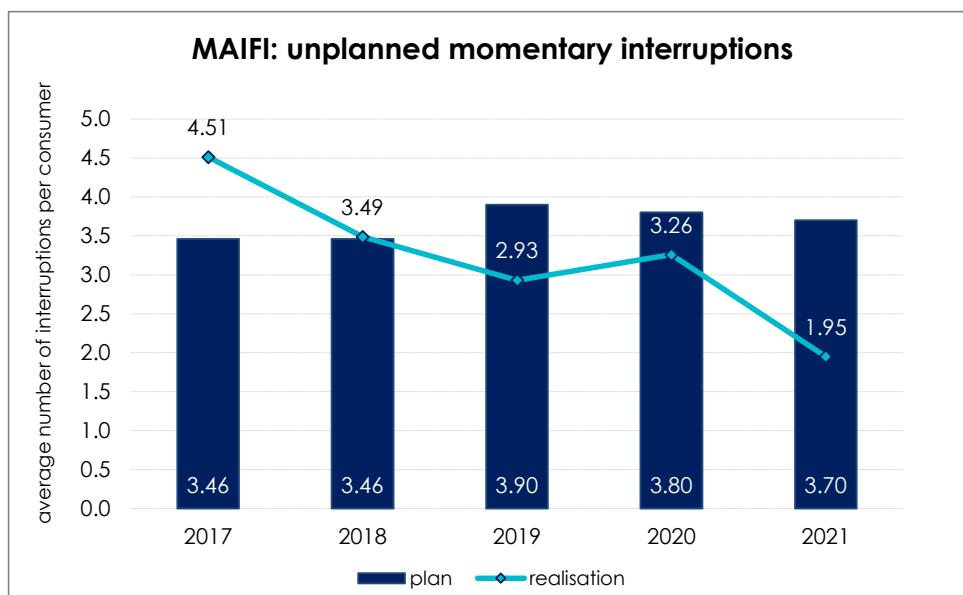
Unplanned interruptions are divided according to their cause into own causes, foreign cause and force majeure. Unplanned interruptions due to our own causes indicate the age of the system and maintenance issues (frequency, the quality of performed work,

etc.). Unplanned interruptions which are not responsibility of the distributor or do not arise from failures of the distributor, are classified as foreign cause and force majeure. In both cases, the distributor shall prove the causes of interruption, which are stored as evidence of individual interruptions beyond their influence.

Unplanned interruptions for the company Elektro Celje for 2021 amounted to:

- SAIFI indicator (own cause): **0.63** interruptiong/consumer,
- SAIDI indicator (own cause): **26.34** minutes /consumer.





Operation of the Distribution Network

In 2021, the greatest attention was put on editing the data required for replacing SCADA with SCADA ADMS v3 software in the distribution control centre.

In the first half of February, P2P testing on the new SCADA ADMS v3 software was completed. The correct operation of remote controls was also checked, as well as other devices which are controlled and monitored remotely from the distribution control centre. In the second half of March, a specialised training was performed for dispatchers to utilise the above mentioned software programme. In December, we organised a specialised training for the employees who would use WOM programme intended for writing documents related to work safety (work orders, work programmes). The distribution control centre fully took over the command and control by using SCADA ADMS v3.

In GIS, DMS, PSI AG (SCADA) and the new SCADA ADMS v3 some changes to the network were made, important for dispatchers in the distribution control centre to reliably control and perform all necessary switching manipulations required for continuous maintenance, investment and failure removal (troubleshooting).

Protection and Remote Control

In 2021, we performed tests of adequate operation of protection, measurement of earth resistance, galvanic contacts, short-circuit loops, electricity quality, tests of smooth and faultless cable functioning, maintenance of RUPS uninterruptible systems, and parametrisation of protection and remote control relays.

The uninterruptible RUPS system and batteries were replaced in DS Laško town, DS Planina and DS Podsreda. Batteries were replaced and the remote control was upgraded in DTS Dravograd (upgrade from SCU810 remote control unit to SYS600 unit). The same investment was also made in DTS Selce. In DTS Lava, the inclusion and start-up tests of new MV underground cables were performed, and the inclusion and start-up tests after replacing the secondary equipment were performed in DTS Selce. In the field of distribution

network automation, remote control of three transformer substations were performed and 7 remotely controlled separate locations were established.

The number of remotely controlled separate locations are expected to slightly decline over years, while the number of remotely controlled transformer substations will continue to grow.

In 2021, we started measuring electromagnetic radiation of transformer substations and power lines. The prerequisite for legally appropriate measurements is the introduction of the ISO/IEC/17025:2017 standard (general requirements for competences of testing and calibration laboratories) in the processes that have already been in force in the company Elektro Celje. After arranging all the documentation, performing trainings and purchasing instruments, we started to perform non-accredited measurements of electromagnetic radiation, which is a prerequisite for accreditation assessment by the Slovenian accreditation.

Telecommunications support

The company Elektro Celje maintains an optical network, the IP/MPLS Ethernet network in several redundant rings, a digital radio system for voice and narrowband data connections, a telephone system with a call system and a customer relationship management (CRM) system for managing customer relations, a microwave connection system, a corporate videoconference system and a wireless WIFI network. The company takes care of cyber security and fully manages advanced firewalls, with the support of software tools for cyber security and ADS system. We also take care of marketing excess telecommunication capacities via the company Stelkom, and for renting out other TC infrastructure.



Kostanjevica radio repeater, installed as part of TS Male Vodenice close to Kostanjevica

Author: Davor Lipej

In recent years, we have activated several new base stations or repeaters on the digital radio system, and additional microwave connections have been installed among the repeaters. To improve the radio signal coverage, two new repeaters were installed; the repeater Velenje Sveti Križ to control Velenje, and the repeater Kostanjevica to control Krško with its surroundings. Since more relevant microwave links have been migrated to the licensed frequency band, the equipment in DS Podplat - Boč and DS Ločica - Mrzlica was replaced in 2021.

We know that full coverage of our territory with our own radio system will not be possible, but we will continuously strive for maximum coverage, given the density of the electricity network in the remaining minor grey zones.

We continued to construct our own optical links between distribution units and some relevant transformer substations. We also made investments in active telecommunication equipment of Ethernet/IP and IP/MPLS network, which is connected via an optical network. Some investments were also made in equipment and services for cyber security. This is an area which is gaining on its relevance, and at the same time it is professionally very demanding. It is necessary to integrate advanced mechanisms of cyber and information security through continuous investments in hardware and software, and licenses. Consequently, it is necessary to provide adequate employee training in order to manage cyber security systems. We also increased the level of cyber security as we continued the project of implementing ADS system to detect anomalies for the process network with the support of artificial intelligence and with transparency over services, protocols and devices. The system protects the networks and services belonging to the process part, i.e. at the level of DTS, DS and distribution control centre (abbr. DCC) energy facilities.

Access to the Network

Access to the distribution network includes the process of managing the entire collection of the data of the metering points in the area of the network management of the company Elektro Celje and the processes directly related thereto.

Input (Production) Balance

The total input of transferred electricity into the distribution network of Elektro Celje in 2021 amounted to 2,058,664 MWh, which is 1.1% more than in 2020, while the maximum peak load reached a limit of 347.5 MW in December. 1,975,237 MWh of electricity were distributed to consumers (1.2% more than the year before). Electricity losses in the distribution network added up to 83,366 MWh or 4.2% of the amounts distributed.

Input and output (electricity generation and consumption) balance	year 2017 in MWh	share in %	year 2018 in MWh	share in %	year 2019 in MWh	share in %	year 2020 in MWh	share in %	year 2021 in MWh	share in %
transmission network	1,922,865	91.90%	1,928,955	91.93%	1,944,017	91.75%	1,858,719	91.25%	1,880,678	91.36%
producers	150,134	7.18%	149,636	7.13%	155,556	7.34%	160,910	7.90%	159,209	7.73%
unregulated supply	19,337	0.92%	19,703	0.94%	19,216	0.91%	17,243	0.85%	18,777	0.91%
total electricity input into the distribution network	2,092,336	100.00%	2,098,294	100.00%	2,118,789	100.00%	2,036,872	100.00%	2,058,664	100.00%
total output of electricity	2,001,430	/	2,006,905	/	2,036,262	/	1,952,512	/	1,975,237	/
unregulated output	19	/	55	/	9	/	323	/	61	/
losses	90,886	4.54%	91,334	4.55%	82,518	4.05%	84,008	4.30%	83,366	4.22%

Network users

175,027 electricity consumers (including the consumers with power generation devices and self-supply) and 5,581 power generation devices which are directly connected to the network were connected to the distribution network of the company Elektro Celje at the end of 2021.

Number of electricity consumers connected to the Elektro Celje network	2017	2018	2019	2020	2021
business consumers	20,147	20,362	20,516	20,689	20,916
household consumers	151,193	151,770	152,411	153,170	154,111
total	171,340	172,132	172,927	173,859	175,027

Number of operating power plants in 2021 by energy source		
energy source	number of power plants	electricity generation (in MWh)
the sun	5,351	57,856
water	127	32,045
biomass	11	43,557
municipal waste	1	19
gas	88	25,147
wind	3	0
total	5,581	158,624



In 2021, the total number of power plants increased by 2,234 compared to 2020. 9,229 consumers switched their electricity supplier in the distribution area of Elektro Celje, which was 4,644 less than the year before.

Metering instruments

Referring to the remote meter reading system, there were 3,142 data concentrators/collectors installed in TSs (89.7% of all TSs) and 2,997 control meters (85.6% of all TSs) at the end of 2021. 171,801 meters have already been installed, which enables remote data transmission (97.3% of all consumers connected to the distribution network of the company Elektro Celje). The number of consumers who were billed based on their actual electricity consumption was 170,360 at the end of 2021.

Network Charge Calculation

Under the agreement with SODO, the company Elektro Celje is invoicing network charges to those consumers who are not billed for the network charge by their electricity supplier.

The network charges billed on behalf of SODO added up to €84,673,718, which was 1.4% up on the planned network charges.

Network Charge Department services	2017	2018	2019	2020	2021
access contracts to the distribution network	14,477	12,214	13,346	13,150	15,344
manual meter reading - annually	52,701	50,673	31,994	17,443	6,291
manual meter reading - monthly	25,988	20,745	14,607	24,333	19,403
remote meter reading - households and business consumers	1,401,387	1,531,041	1,686,040	1,843,925	1,965,517
manual meter reading due to change of supplier	4,374	2,630	2,278	1,213	310
remote meter reading due to change of supplier	8,722	7,507	10,185	12,660	8,919

The company Elektro Celje monitors the following indicators of commercial quality:

- the time needed to respond to written questions, user complaints and requirements,
- the time until the electricity re-supply is restored at the metering point, after the conditions for reconnection have been established,
- the time needed to rectify a meter failure,
- the number of meter readings in a year by the type of census (annually, monthly),
- call hold time in the call centre,
- the indicator showing the call centre service level, and
- the number of consumer complaints, their reasons and justifications.

Network Maintenance

The company Elektro Celje takes care of the maintenance and faultless technical condition of electricity installations, fast implementation of interventions and rectification of failures and emergencies.

The tables below show the data on the amount and value of maintenance of electricity infrastructure by type of asset and type of work in 2021.

Maintenance by type of assets and works (physical realisation)	type of work	measurement unit	DU Celje	DU Krško	DU Slovenj Gradec	DU Velenje	Elektro Celje Total
110 kV infrastructure							
HV overhead power lines	inspection	km	60.74	0.20	0.00	6.59	67.53
	land clearance	km	28.40	0.00	0.00	0.00	28.40
DTS 110/MV kV, DS 110 kV	inspection	number	84.00	60.00	48.00	45.00	237.00
	revision	number	161.00	64.00	63.00	81.00	369.00
MV infrastructure							
MV overhead power lines	inspection	km	719.00	784.00	393.00	585.00	2,481.00
	land clearance	km	200.93	20.02	65.06	17.18	303.19
MV cabling lines	inspection	km	63.00	52.00	30.00	22.00	167.00
DTS MV/MV, DS MV with control and protection	inspection	number	48.00	49.00	36.00	53.00	186.00
	revision	number	17.00	16.00	10.00	2.00	45.00
TS MV/0.4 kV, TS MV/0.95 kV, TS 0.95/0.4 kV	inspection	number	1,084.00	1,004.00	779.00	880.00	3,747.00
	revision	number	252.00	228.00	206.00	152.00	838.00
LV network							
	inspection	km	672.30	699.41	352.51	591.90	2,316.12
	land clearance	km	81.87	12.97	34.12	9.44	138.40

Maintenance of electricity installations by asset class (financial realisation)	DU Celje	DU Krško	DU Slovenj Gradec	DU Velenje	Other	Elektro Celje Total
HV overhead power lines	30,067	5,453	1,367	979	0	37,866
DTS 110/MV kV, TS 110 kV	104,949	72,879	48,358	55,165	22,171	303,522
Total 110 kV infrastructure	135,016	78,332	49,725	56,144	22,171	341,388
MV overhead power lines	470,770	336,074	364,858	389,439	0	1,561,141
MV underground cables	23,340	44,546	34,950	25,975	166	128,977
DTS MV/MV, DS MV (with control and protection)	14,834	9,625	11,167	9,130	11,713	56,469
TS MV/0.4 kV, TS MV/0.95 kV, TS 0.95/0.4 kV	279,887	225,280	249,106	180,763	83	935,119
Total MV infrastructure	788,831	615,525	660,081	605,307	11,962	2,681,706
LV network	883,330	823,634	589,846	1,031,124	2,439	3,330,373
Total LV network infrastructure	883,330	823,634	589,846	1,031,124	2,439	3,330,373
GENERAL	689,866	821,286	861,415	693,636	2,541,080	5,607,283
TOTAL MAINTENANCE OF PRIMARY EQUIPMENT AND INFRASTRUCTURE	2,497,043	2,338,777	2,161,067	2,386,211	2,577,652	11,960,750

The table does not include the costs of:
organising and performing emergency services,
management-operation and process management,
TC support and operation of protective devices.

Due to various impacts, there were some disturbances or faults on electricity installations in 2021, which were rectified by competent distribution units in the shortest time possible, and the normal smooth operation was restored.

The greatest extent of network damage was caused by a strong wind (wind damage), which accompanied extreme weather occurrences (storms) and snow at higher altitudes in December.

Number of failures and rectification time	DU Celje	DU Krško	DU Slovenj Gradec	DU Velenje	Elektro Celje total
number of disturbances on 110 kV infrastructure	1	0	0	1	2
duration of disturbance on 110 kV infrastructure	0.08	0.00	0.00	0.02	0.10
number of disturbances longer than 3 minutes on MV infrastructure	80	111	88	113	392
number of hours to rectify disturbances on MV infrastructure	2,383	1,392	2,476	2,976	9,227
number of failures on LV network	1,071	402	231	1,038	2,742
number of hours to rectify failures on LV network	9,328	4,808	2,599	11,443	28,178

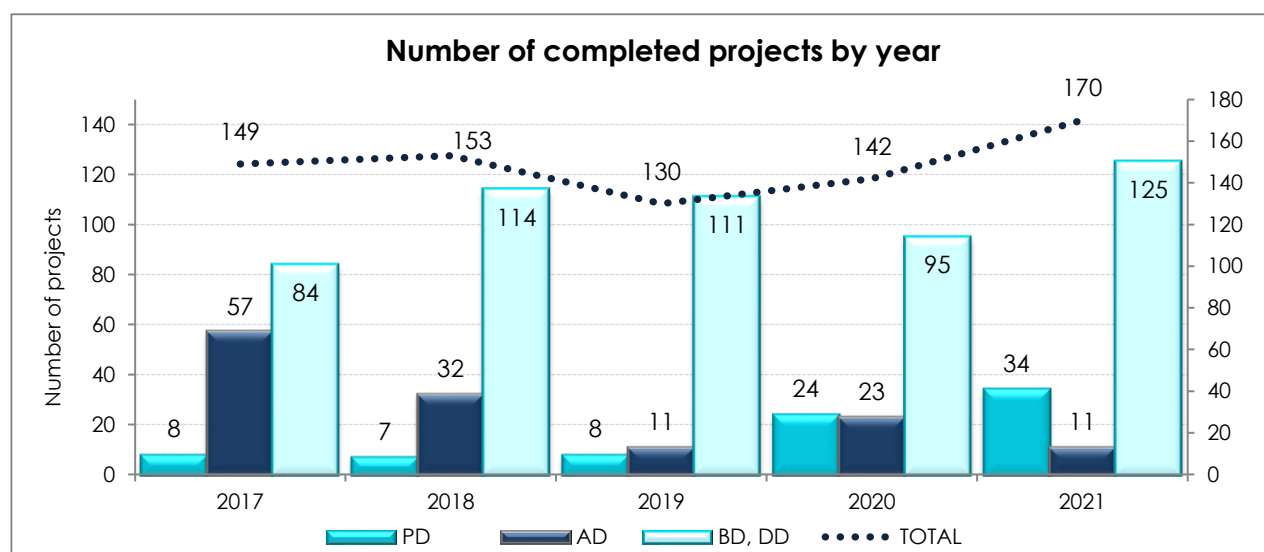
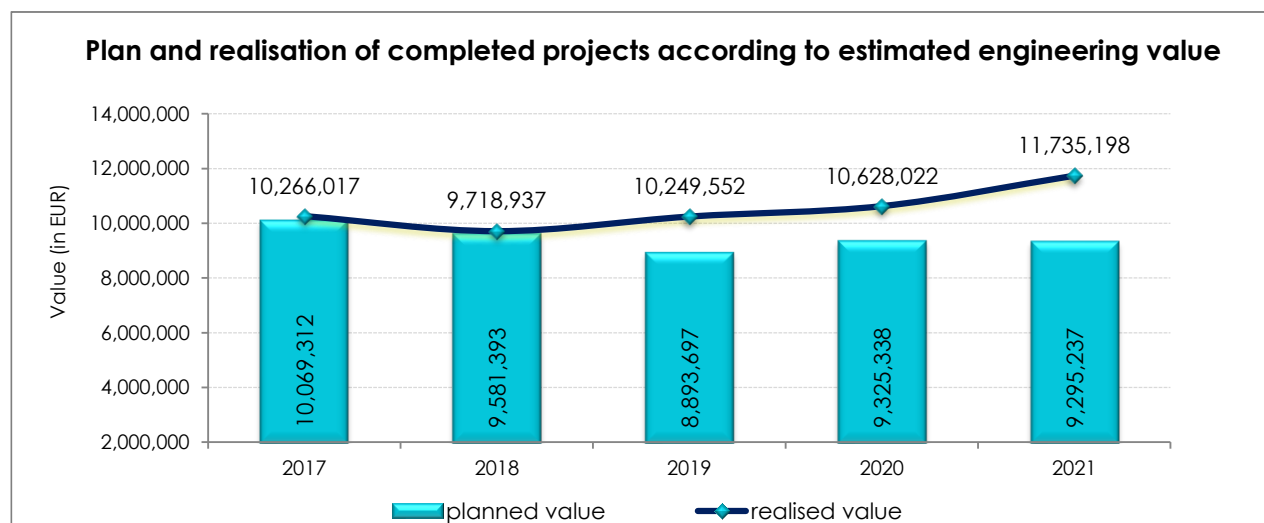
92 transformers were replaced due to the increased consumption capacity in 2021, while 20 transformers were replaced due to failures or wear and tear. We also restored 814 LV connectors.

Investments and Projects

In the field of investments, the company Elektro Celje plans, supervises and directs its investments, prepares analyses and reports for several stakeholders and drafts project documentation. For new MV and LV power facilities, DSs, DTSs and 110 kV power lines, we managed investments from preparation of the project task to the final commencement of the facility in operation. We spent a lot of time integrating facilities into the environment, assessing their impact on the environment, arranging land law issues, coordinating routes of power lines and locations of electricity installations with landowners, negotiating the amount of compensation for easement and concluding easement contracts.

Project Planning

The total investment value of the completed project documentation for obtaining a building permit (abbr. DGD, DNZO) and the project documentation for the execution of construction works (abbr. PZI) amounted to €11,735,198 in 2021.

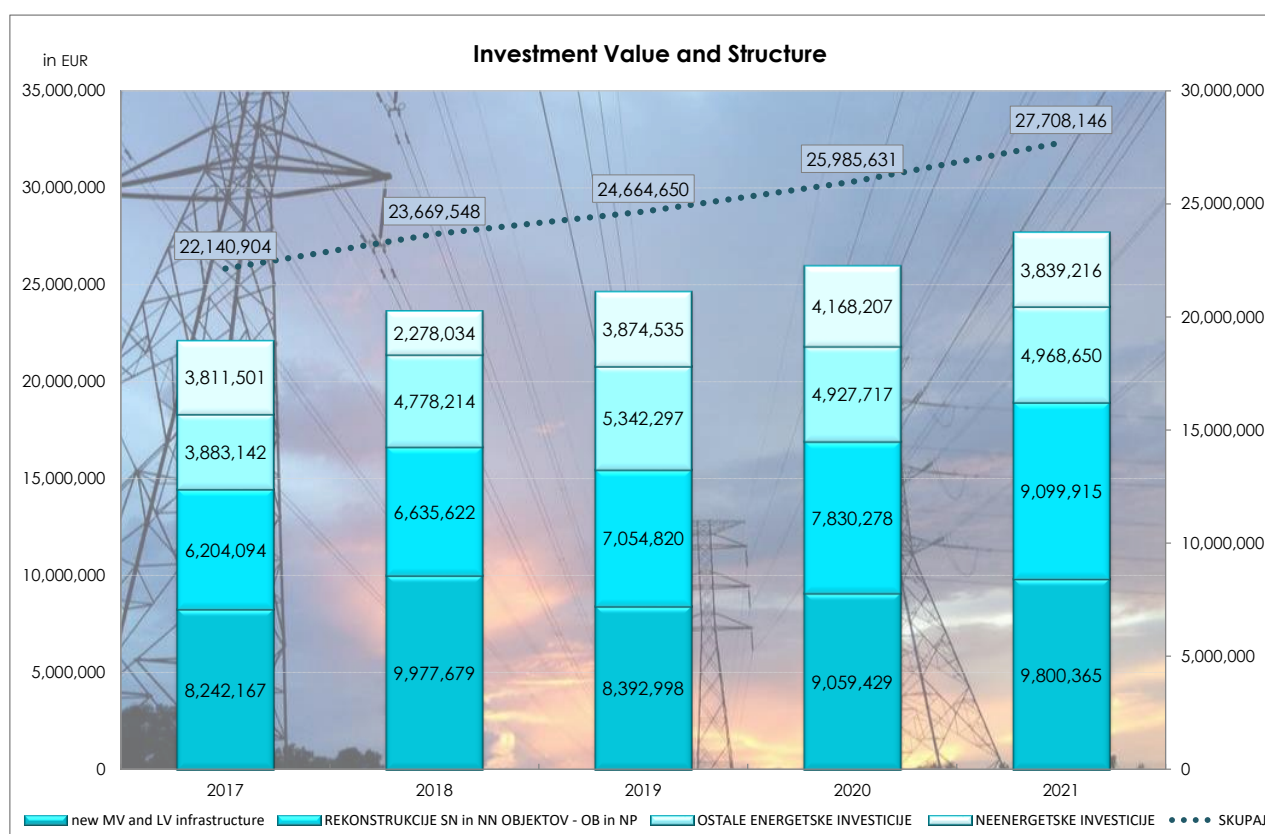


Investments

In 2021, the company Elektro Celje made investments in the amount of €27.7m, which accounted for 106.6% of the annual plan of €26m. The reason for not achieving the planned non-energy investments lies in fewer investments in business informatics and business premises. Due to the expected lower annual realisation in this investment segment, a decision was adopted in October to reallocate funds in the amount of €800,000 to the investment group of reconstruction, renovation, replacement and enlargement of facilities.

in EUR

Realisation of investments in 2021	plan	achieved	index achieved /plan
new MV and LV infrastructure	8,786,873	9,800,365	111.5
reconstruction of MV and LV facilities - renovation, reconstruction and enlargement of infractucture	7,573,127	9,099,915	120.2
other energy investments	4,775,000	4,968,650	104.1
non-energy investments	4,865,000	3,839,216	78.9
TOTAL	26,000,000	27,708,146	106.6



Significant investments in 2021

DTS 110/20kV Šentjur - replacement of TR1 and TR2 20 MVA

In DTS 110/20 kV Šentjur, two power transformers of 110/20 kV were replaced, namely TR1 and TR2 from 20 MVA to 31.5 MVA, as well as the modified control and protection cabinet. The investment was fully completed in 2021, in its value of €1,161,229.

Underground cable line of 20 kV in DTS Slovenj Gradec - TS Mislinja trg phase 1

Due to power supply reliability in Mislinja and its surroundings, a new underground cable line from DTS 110/20 kV Slovenj Gradec to TS Mislinja in the length of 6,015 m was constructed. For more reliable power supply of Legen-Kope, a new underground cable line from DTS Slovenj Gradec to TS Žabja vas was constructed in the length of 3,225m. The existing power line was dismantled. The investment added up to €485,586.

DTS 110 20 kV Lava - replacement of primary and secondary equipment of MV switchyard

The replacement of 10 kV cells for 20 kV cells and of automated 22 pieces of metal-shielded air-insulated 24 kV cells with pull-out vacuum circuit-breakers was performed. Control cabinets with the prescribed LV equipment and protective and control components of an individual block were installed above the switching and measuring instrument part of the cells. MV connection among the collection systems was established. In addition to the new MV cell, a cell with own-use transformer was installed, which is energetically connected and powered by a 20 kV cell in sector 1. Remote control was also installed in the facility. The investment will be fully completed in 2022, and €356,182 were allocated to it in 2021.

Replacement of MV cable lines in DTS Lava -Hospital II

Due to the planned transition of the MV network operation from 10 kV to 20 kV voltage level and due to deterioration of the existing MV cable lines, all the existing 10 kV cable lines will be replaced in several phases in the wider area of Celje. This investment added up to €230,043 in 2021.

TS Šentjur - replacement and its power lines

To increase power supply reliability, a TS replacement with its connecting power lines was built. The investment added up to €228,796.

TS Črna gora and its power lines

Due to increased electricity consumption, improvement of voltage conditions and better electricity supply reliability, a new TS was built in the territory of the settlement Črna gora, which supplies electricity to the existing consumers and will supply it to future consumers. Two 20 kV connecting cable lines in the total length of 2,050 m were also built on the site. The investment added up to €167,819 in 2021.

MV cable lines Latkova vas and Dolenja vas

Consumers in the area of Ločica, Latkova vas, Dolenja vas, Groblje and partly also Šentrupert were supplied via 20kV transmission lines. Due to increased consumption, improvement of voltage conditions and better power supply reliability, some new cable lines in the total length of 3,800 m were built from DS Ločica, which were intended to connect the existing transformer substations to the MV network. The total investment value in 2021 added up to €165,319.

TS 20/0.4 kV Orlska gora and its power lines

Due to improvement of voltage conditions, a new TS Orlska gora was constructed. A LV network was rearranged as part of the construction of the TS and MV cable line. The investment value, which was to continue in 2022, amounted to €100,814 in 2021.

20kV cable line, TS Mirna Roje 3 Fužine (Mirna) direction and Trstenik direction

A new TS replacement Fužine Mirna was constructed due to deterioration of the existing TS and the arrangement of a 20kV transmission line. Due to the dismantling of TS Mirna selo and the 20kV overhead power line Trstenik, it was necessary to build a new 20kV underground cable line. As a part of this investment, new LV cables were installed and connected to the LV network. The investment value in 2021 added up to €130,032.

TS Primož nad Muto Vrhnjak and its power lines (replacement)

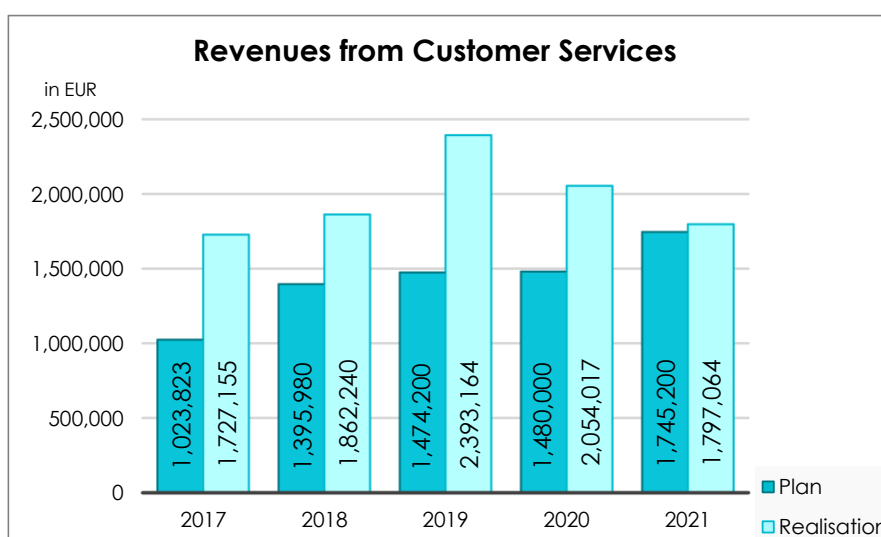
Due to the envisaged increase in the electricity demand of Vrhnjak sawmill at the location Primož nad Muto Vrhnjak, a new prefabricated concrete TS was built and its corresponding connecting MV and LV cables were arranged. The investment value in 2021 added up to €88,123.

Market Services

Market services in the company Elektro Celje are classified into several groups:

- preparation of project documentation,
- construction and electric installation works for the construction of MV and LV electric lines and transformer substations,
- maintenance of third-party devices,
- various measurements for customers,
- other works of non-energy market activities (network switchovers, supervision during construction of facilities, setting out of land, etc.), and
- installation and replacement of third-party electricity metering devices.

In 2021, revenue from the sale of services to customers amounted to €1,797,064, which was 3% up on the planned revenue for 2021. The construction of new, larger MV and LV facilities for customers, other works in non-energy market activities, project planning for customers and construction of MV connections accounted for the largest share of revenue.



The planned revenue was exceeded mainly due to the planned implementation of offer preparation and communication with potential customers of our services.

BUSINESS PERFORMANCE ANALYSIS OF THE COMPANY ELEKTRO CELJE

Operating Conditions

Indicators of economic trends	2017	2018	2019	2020	2021
GDP, actual growth (in %)	4.8	4.4	3.2	-4.2	8.1
average registered unemployment rate (in %)	9.5	8.2	7.7	8.7	7.6
annual average inflation (in %)	1.4	1.7	1.6	-0.1	1.9
gross salary per employee in the RS, nominal growth (in %)	2.7	3.4	4.3	5.8	6.1
gross salary per employee in the RS, real growth (in %)	1.3	1.7	2.7	5.9	4.1

Source: Statistical Office of the Republic of Slovenia and Employment Service of Slovenia

According to the first assessment, the **GDB** of the Republic of Slovenia, which amounted to €52.02 bn in 2021, increased by 8.1% in real terms, after declining by 4.2% following the outbreak of Covid-19 epidemic and a partial closure of public life in 2020. Relatively high economic growth was significantly affected by domestic demand, since the domestic consumption increased by 10.8% on an annual basis (after a 4.6% decrease in 2020). In the course of 2021, improvements of the epidemic conditions also visibly affected the services sector. After the epidemic outbreak, a number of measures were taken at the national level, within the ECB and the European Commission to limit negative effects of the epidemic on the population and the economy and to speed up its recovery. These measures substantially mitigated the loss of income of the economy and the population due to the pandemic, and provided liquidity and support to companies in tackling negative consequences of the pandemic. This significantly mitigated the decline in economic activity last year and prevented the collapse of some most affected sectors.

Many years of favourable labour market trends were interrupted by the first wave of the epidemic in spring 2020. The employment rate plunged, and the rate of unemployment soared. However, the worsening of the situation subsided with the adoption of some intervention measures to preserve jobs. **The average registered unemployment rate** decreased from 8.7% in 2020 to 7.6% in 2021. According to the Employment Service of the Republic of Slovenia, there were 65,969 registered jobseekers at the end of December 2021, which was 24.4% less than in December 2020.

The annual inflation rate was 4.9% in 2021 (-1.1% in 2020). The average annual inflation stood at 1.9% (-0.1% in 2020). The increase in the annual inflation was mostly affected by petroleum products (1.3 percentage points). Food prices, which rose 4%, raised annual inflation by 0.6 percentage point, and the rise in thermal energy prices contributed 0.5 percentage point to inflation. Cheaper private health insurance services eased annual inflation by 0.2 percentage points.

The growth in the statistically recorded average gross salary was last year, and also this year, strongly affected by the established intervention measures for the preservation of jobs, in connection with the methodology of salary calculation and social welfare payments related to the declaration of the corona virus epidemic. **The average monthly gross salary** amounted to €1,969.59 in Slovenia in 2021. Compared to the average monthly gross salary in 2020, it was 6.1% higher in nominal terms, and 4.1% higher in real terms, mainly due to the payment of social welfare contributions.

The Energy Regulatory Environment of the Operations of the Company Elektro Celje

Power distribution companies are a key to the development of a cost-effective distribution network in Slovenia, ensuring high-quality and reliable power supply to Slovenian consumers. Development of the power distribution network, along with the active role of its consumers, will allow the transition to a low-carbon society with power generation from renewable energy sources.

The role of power distribution in the Slovenian electricity system is defined by the Energy Act, together with the comprehensive National Energy and Climate Plan (NEPN), which sets objectives and defines mechanisms for the transition from energy and electricity supply to reliable, competitive and environment-friendly power supply with related energy services.

The aim of energy policy is to provide the conditions for safe and reliable supply of energy services to users according to market principles and the principles of sustainable development, taking into account its efficient use, economical use of renewable energy sources and environmental protection conditions. NEPN is a strategic document which sets goals, policies and measures for the five dimensions of the energy union for the period up to 2030 (with a view to 2040): decarbonisation (GHG emissions and renewable energy sources), energy efficiency, energy security, the internal market and research, innovation and competitiveness.

The implementation of the public utility service for electricity distribution is also defined in the ten-year Development Plan for Electricity Distribution System in the Republic of Slovenia, for which preliminary consent must be given by the Energy Agency and the competent Ministry of Infrastructure. The guidelines are mainly focused on insuring long-term, reliable, high-quality, effective and competitive supply of electricity to the users of the power distribution system, enabling them an active role in the distribution system.

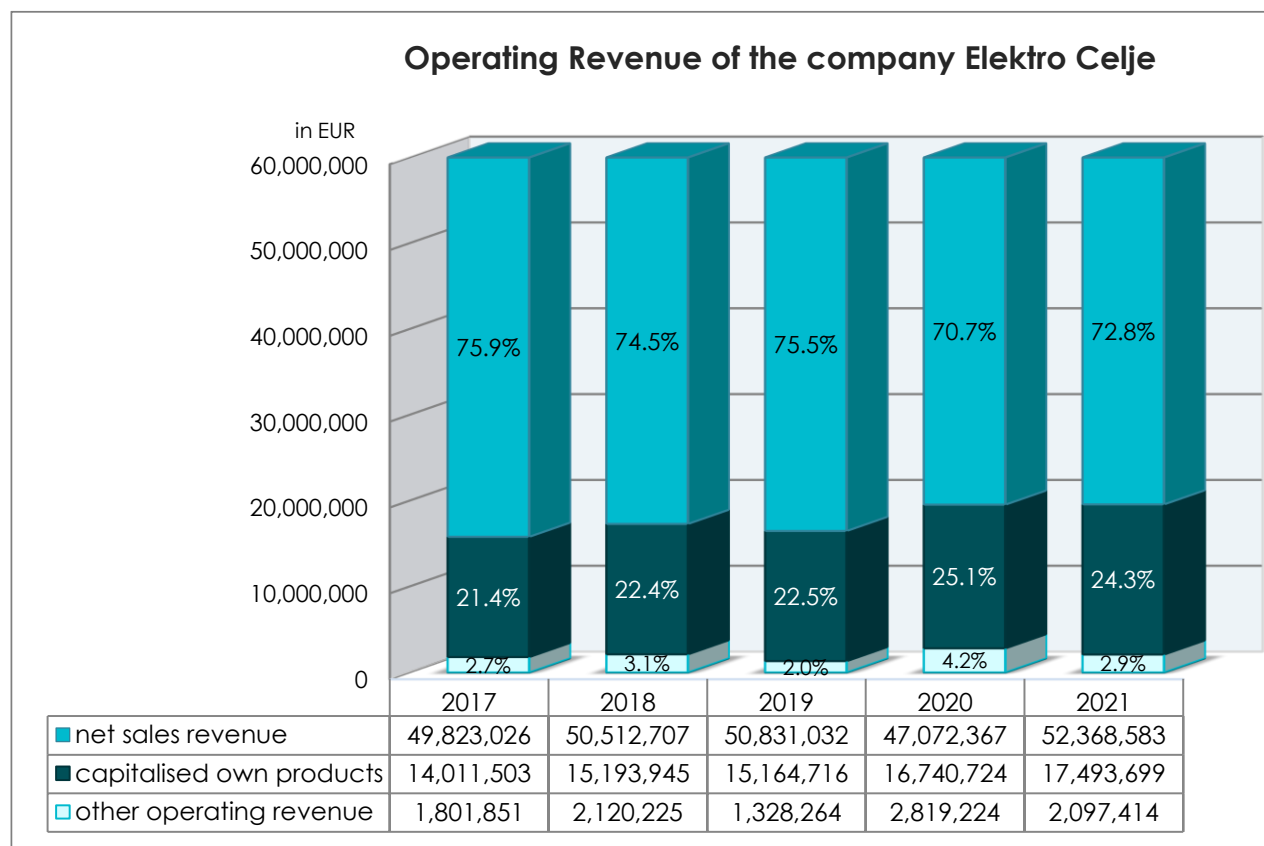
The Energy Agency has the authority to determine the methodology for calculating network charges and eligible costs of services provided by system operators. The Act on the Methodology for Determining the Regulatory Framework (RF) and the Methodology for Calculating Network Charges for Network Operators determines the elements of the Regulatory Framework, the criteria for determining and the method of calculating individual RF elements (including the regulated return), the criteria and the method of their determination, the rules and the method of identifying deviations from RF, and the method of taking the identified deviations into accounts. It further defines the parameters of individual quality dimensions, their reference values and methods, and the standards for their calculation. It also sets the rules for calculating the impact of quality on eligible costs, minimum quality standards of various services provided by network operators and the amount of compensation, and methods and deadlines for paying compensation for breaches of guaranteed quality standards.

The Energy Agency prepared a proposal of a general act to regulate determination of the methodology used for preparation of development plans of network operators, which was published on 20 January 2022 on its website.

Performance Analysis

Profit or Loss

In 2021, operating revenue of the company Elektro Celje amounted to €71,959,696, which was 5.3 % up on the planned revenue for 2021.



Revenue from lease and maintenance of infrastructure, and from service provisions for SODO amounted to €50,030,523, of which €25,386,521 were obtained from leasing infrastructure, and €24,644,002 from the provision of services for SODO. They also include accrued revenues of deviation from the preliminary calculation for the regulatory year 2021 (€3,726,257), for not yet accrued revenues for the measuring communication equipment, provided by the company in compliance with Art. 163 of the System Operating Instructions for the power distribution system (Official Gazette of the RS Nr. 7/2021) and delivered to users in its own name and on behalf of SODO (€241,451), and the final calculations of the RF from past years (RF surplus for 2019 in the amount of €92,251, and RF deficit for 2020 in the amount of €9,450).

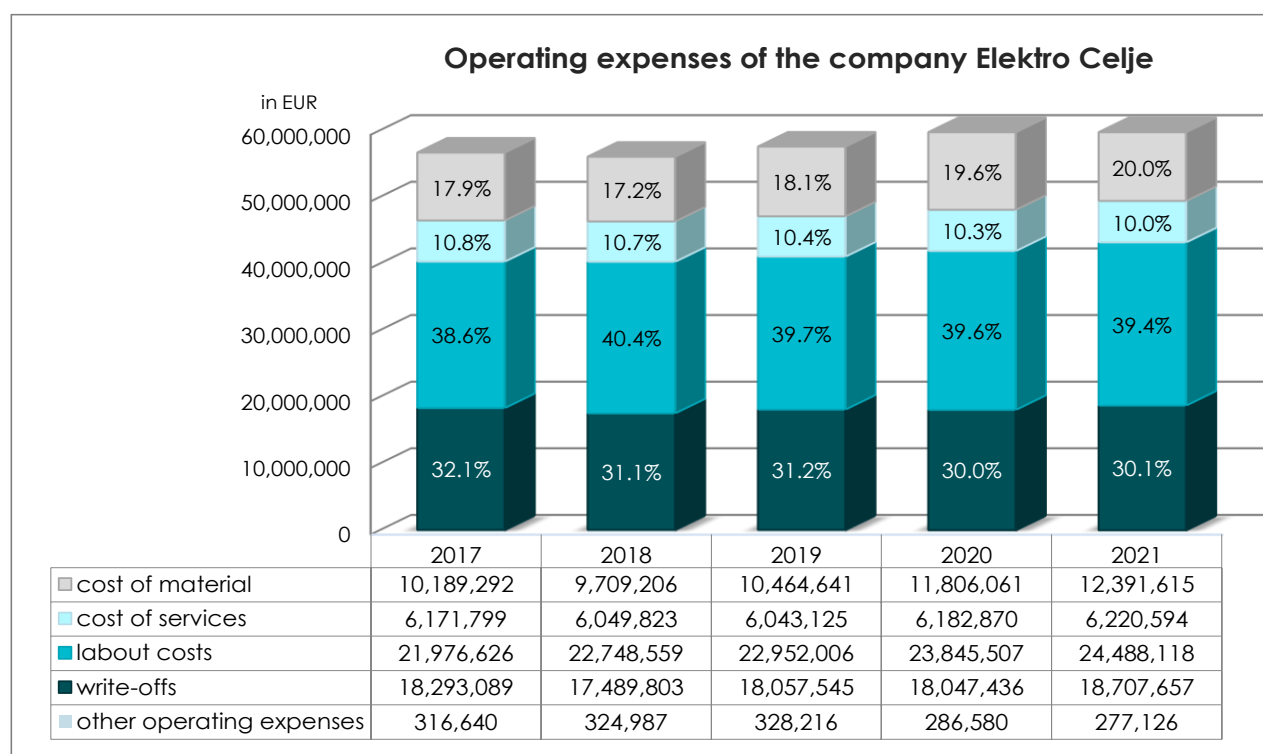
Sales revenue, comprising services provided to external customers for the provision of electrical installation services and rents amounted to €2,338,060, of which revenues from customer services added up to €1,797,064, which was 3% more than the planned sales revenue for 2021. The latter also include the value of unbilled projects in the amount of €137,471. The achieved added value from customer services added up to €895,837, which was 3.8% down on the planned value (€931,409).

Revenues obtained from capitalised own products and services amounted to €17,493,699, which was 12.8% more than planned, and account for 63.1% of the investments in 2021.

Added value from the implementation of investments amounted to €7,834,609, which was €266,616 more than planned.

Other operating revenue in the amount of €2,097,414 were by 53.6% higher than planned, mainly due to the revenues obtained from refunds of sickness allowances (€622,740), which were not included in the planned revenues for 2021. These revenues also comprise the reversal of provisions from fixed assets taken over free of charge and the average connection costs received prior to 1 July 2007 (€653,418), the reversal of provisions from lawsuits (€19,712), revaluation operating revenues obtained from the sale of dismantled material, and the difference between the selling and the carrying value upon the disposal of fixed assets (€212,740), rewards and withheld contributions obtained from exceeding the employment quota for disabled persons under Vocational Rehabilitation and Employment of Disabled Persons Act, reversal of accruals or deferrals for EU non-returnable funds (grants) and incentives for employment and training (€287,236), received compensations from insurance companies and others (€279,947), and revenues obtained from elimination of the adjustment of receivables, reduction in VAT obligations, and write-offs (€21,621).

Operating expenses of the Company Elektro Celje amounted to €62,085,110, which was 6.2% more than planned for 2021.



Costs of material and services in the amount of €18,612,209 were €2.4 million up on the planned costs, mainly due to higher self-made investments, which were performed by using a higher proportion of installed materials (in the amount of €1.7m) and higher maintenance costs (up by €82,000). Due to services provided to customers to a greater extent than planned, there was also an increase in material costs in this perspective (up by €197,000). Significant service costs included also the costs of insurance premiums (€995,785), which were 5.4% down on the planned costs, and information support costs (€1,135,416). The latter are by 1.7% up on the planned costs.

Labour costs in the amount of €24,488,118 account for 39.1% of the total expenditure. Based on the fulfilled conditions from Art. 110 (c) of Collective Labour Agreement at company level, the cost of €1,707,911 was paid out to reward merit at the end of the year. The average gross salary per employee based on working hours amounted to €2,363 in 2021, which was 5.4% more than in 2020, and 9.6% more than the average gross salary in Slovenia. Accrued salary costs resulting from the unused annual leave for 2021 and the accrued contributions from this perspective amounted to €675,437 (which was €130,612 more than planned). Other labour costs in the amount of €3,154,514 comprised provisioning rates for long-service bonuses, social welfare benefits and severance payment (€403,776), which was 34,6% more than planned). Excluding the impact of changed booking of refunds and accrued provisions for unused leave, the costs of salaries along with contributions on salaries were within the planned limits for 2021.

Write-offs in the amount of €18,707,657, referring to amortisation and depreciation costs (€18,499,993), revaluation operating expenses from fixed assets (i.e. losses on disposals or sales of fixed assets) in the amount of €202,162 and value adjustments to inventory and write-offs to trade receivables (€5,502), were by 2.4% higher than planned.

Other operating expenses in the amount of €277,126, mainly including the costs of compensation for building land (€164,784), the costs of fees and court costs (€17,664) and the costs of remuneration of student work during their work placement and related contributions and reimbursement of travel costs (€11,258), were by 14.9% lower than planned.

Financial revenues and expenses

Item (in EUR)	the company Elektro Celje				
	achieved 2017	achieved 2018	achieved 2019	achieved 2020	achieved 2021
financial revenue	1,805,998	1,099,051	1,067,415	103,654	5,870,226
financial expenses	-455,770	-417,422	-413,001	-369,028	-432,084
net financial result	1,350,228	681,629	654,414	-265,374	5,438,142

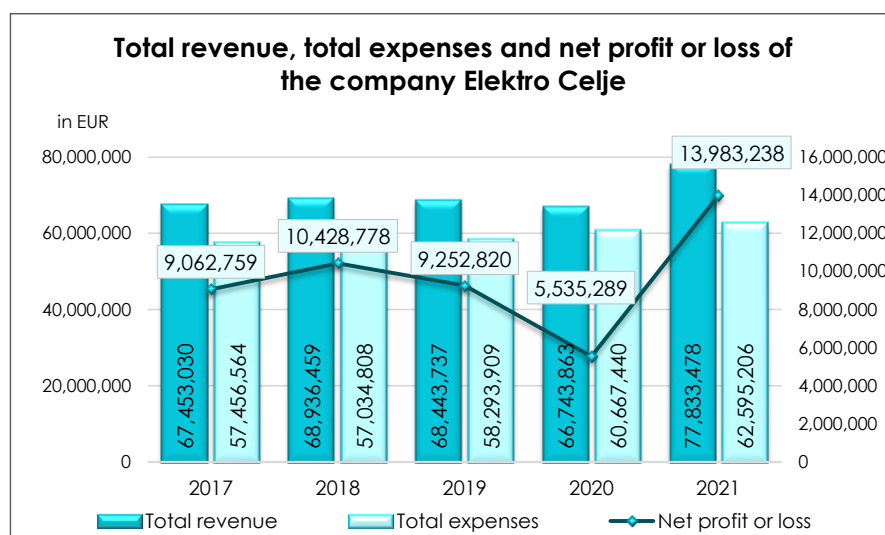
Financial revenues in the amount of €5,870,226 were by €5.8m higher than planned, due to the sale of the majority share of the dependent company ECE (€5,458,008), and the received payment from the profit-sharing of the company ECE (€371,688). These revenues also comprised received dividends from Zavarovalnica Triglav insurance company (€5,032), the interest accrued for instalments of compensation in the value of unjustified electricity consumption identified in 2019 (€3,290), the interest from deposits (€31), default interest for late payment of network charge (€18,429) and services (€2,748), the interest on the settlement of RF (€10,160), and other received interest (€646) and other financial revenues (€194).

Financial expenses in the amount of €432,084 mainly comprised the interest on borrowings (€306,508), which were 12.3% lower than planned, and interest expenses on provisions for severance payments and long-service bonuses (€22,704). The latter were €69,296 lower than planned.

Other revenues from extraordinary company activities in the amount of €3,556 were 62% lower than planned. This was mainly due to lower reimbursement of court and bailiff costs, which amounted to €2,844 in 2021. **Other expenses from extraordinary company activities** amounted to €78,012 and mainly include donations (€36,100), annuities and resource claims (€10,492) and compensations (€30,412). They were 8.4% higher than planned, mainly due to higher compensation (up by €5,000 on the planned compensations).

The company Elektro Celje generated €77,833,478 of total revenues, which was 13.9% more than planned. Total expenditure amounted to €62,595,206 (up by 6.1% on the planned expenditure). The company Elektro Celje ended the business year 2021 with a total profit of €15,238,272, which was €5.9m more than planned (mainly due to €5.5m of financial revenues from the disposal of the majority stake in the company ECE).

Net profit of the company Elektro Celje in 2021 added up to €13,983,238, which was €5.5m more than planned, and up by €8.4m on the net profit achieved in the previous year.



Properties and financial position

The balance sheet total of the company Elektro Celje as of 31 December 2021 amounted to €305,377,920, and was up by 3.9% on the last day of the previous year.

the company Elektro Celje					
Assets (in EUR)	31.dec.21	share (in %)	31.dec.20	share (in %)	Index 2021/2020
non-current assets	290,587,114	95.2%	278,031,060	94.6%	104.5
intangible assets and long-term accrued income and deferred expenses	4,215,592	1.4%	4,970,713	1.7%	84.8
tangible fixed assets	276,712,483	90.6%	266,511,447	90.7%	103.8
long-term financial investments	4,931,799	1.6%	4,911,671	1.7%	100.4
long-term operating receivables	3,293,149	1.1%	129,761	0.0%	2,537.9
deferred tax receivables	1,434,091	0.5%	1,507,468	0.5%	95.1
current assets	13,942,145	4.6%	15,708,237	5.3%	88.8
assets for disposal	311,626	0.1%	3,609,473	1.2%	8.6
inventories	2,456,822	0.8%	1,592,644	0.5%	154.3
short-term operating receivables	9,738,343	3.2%	9,908,308	3.4%	98.3
cash	1,435,354	0.5%	597,812	0.2%	240.1
short-term accrued income and deferred ex	848,661	0.2%	213,312	0.1%	397.8
total assets	305,377,920	100.0%	293,952,609	100.0%	103.9

In the asset structure, the majority of assets (95.2%) refer to the **long-term assets**, of which intangible and tangible fixed assets account for 92%. **Tangible fixed assets** amounted to €276,712,483 and increased by €10.2m in 2021.

Long-term financial investments include investments in the subsidiary company Elektro Celje OVI, a stake in the associate company Informatika, investments in the insurance company Zavarovalnica Triglav, and a stake in the company Stelkom d.o.o.

Long-term operating receivables decreased due to long-term deferred receivables from SODO (in the amount of €95,161), from the preliminary calculation of RF 2015, which will be settled in 2022 and transferred to short-term operating receivables. However, they increased by the amount of long-term deferred receivables from the preliminary calculation for 2021 (€3.3m). There is still an ongoing dialogue about the sale agreement with municipalities related to the disposal of public and street lighting. These assets has company reallocated from tangible fixed assets to assets intended for sale. Their value amounted to €311,626 at the end of 2021.

The value of inventories on 31 December 2021 was 54.3% higher than on 31 December 2020. Due to the market situation (lack of basic raw materials and consequently their price increase), we increased the stock of our strategic raw materials in order to smoothly perform ongoing investments and maintenance works. An additional increase is also related to protective equipment (hygienic masks, disinfectants, gloves, etc.) There were 71 days of average stockpiling days in 2021, which was 9 days more than in 2020.

The value of **short-term operating receivables** on 31 December 2021 was 1.7% lower, compared to the balance on 31 December 2020. Despite the Covid -19 epidemic, the age structure of receivables was not worse at the end of the year, apart from receivables from SODO.

The value of **short-term prepayments and accrued income** on 31 December 2021 was €635,000 higher than the value on 31 December 2020, mainly due to short-term unbilled revenues of SODO from the preliminary calculation for 2021 (€648,784).

Equity and liabilities (in EUR)	the company Elektro Celje				
	31. 12. 2021	share (in %)	31. 12. 2020	share (in %)	Index 2021/2020
equity	234,602,568	76.8%	222,482,388	75.7%	105.4
provisions and long-term accrued expenses and deferred revenue	18,924,285	6.2%	19,742,276	6.7%	95.9
long-term liabilities	29,337,059	9.6%	31,297,203	10.6%	93.7
short-term liabilities	21,760,123	7.1%	18,723,115	6.4%	116.2
short-term accrued expenses and deferred revenue	753,885	0.2%	1,707,627	0.6%	44.1
total equity and liabilities	305,377,920	100.0%	293,952,609	100.0%	103.9

The equity of the company on 31 December 2021 amounted to €234,602,568, which was 5.4% more than the value on 31 December 2020. It included 333,849 own shares, which was 1.3799% of all outstanding shares of the company, with the purchase value of €886,371. In accordance with the resolution of the General Meeting, the company paid out the distributable profit (€1,741,676.05) in the form of dividends in the gross value of

€0.073 per share. The equity or share capital of the company as of 31.12.2021 increased by the distributable profit made in 2021 (by €4.4m) and profit reserves (by €8.8m).

Provisions and long-term accruals and deferred income were by 4.1% lower than at the end of 2020. At the end of September, a civil proceedings was concluded before the court in favour of the company, relating to an action for damages due to zero line interruption, and cancellation of provisions in the amount of €19,850 (of which payment amounted to €138). New provisions in the amount of €12,000 were formed for a new lawsuit for the ownership of a transformer substation land.

Financial liabilities to banks from investment loans as of 31.12.2021 amounted to €37,822,559€, with those outstanding in 2022 in the amount of €8,504,821. The weighted average interest rate on investment loans added up to 0.74%. The value of other financial liabilities as of 31 December 2021 amounted to €51,825 and includes the yet invoiced short-term part under the rental contracts, upgrade and provision of software and other adequate licences for the operation of information support in the amount of €45,838, which falls due in 2022.

Short-term accruals and deferred income included mainly accrued expenses of unused annual leave (€675,437) and accrued interest expenses (€3,888).

Cash flow statement

Cash flow (in EUR)	the company Elektro Celje	
	year 2021	year 2020
net operating cash flow	4,878,392	13,572,585
net investing cash flow	-868,036	-10,088,345
net financing cash flow	-3,172,814	-3,300,922
net change in cash and cash equivalents	837,542	183,318

Cash assets of the company Elektro Celje increased by €837,542 in 2021. The initial cash flow balance as of 1 January 2021 stood at €597,812, and the final cash flow balance as of 31 December 2021 amounted to €1,435,354.

Operating income was by €6.9m lower than the year before, mainly due to lower receipts from lease receivables and services under the SODO contract (€5.5m less than in 2020) and lower receipts from market services provided for customers (€1.2m less than in 2020).

Operating expenses were by €1.8m higher than the year before, mainly due to higher expenses for financing material and services.

The negative **investing cash flow** was mainly due to the expenditure for the acquisition of intangible and tangible fixed assets (€10,182,867), while the **investment receipts** were by €8.9m higher than the year before. The latter mainly include the payment received from the disposal (sale) of a share of the dependent company ECE (€8,263,530).

The negative **financing cash flow** was mainly attributed to the payment of long-term bank loans (€26,798,930) and expenses for paying out dividends (€1,741,676).

Performance Indicators

The achieved values of the power supply reliability indicators (**SAIDI** - 26.34, **SAIFI** - 0.63 and **MAIFI** - 1.95) for 2021 were more favourable than the planned values, the values of the previous year and even the values determined by a legal act of Energy Agency.

The distributed amount of electricity in the amount of €1,975,237 was by 58,076 MWh lower than planned, mainly due to lower consumption of electricity provided for the customer Vipap Videm Krško. **Losses on distributed electricity** amounted to 83,366 MWh, which were by 5,422 MWh fewer than planned, mainly due to reduction of technical losses, since local power generation started to increase (minor solar power plants). Consequently, transmission routes have been shortened, as transmission of electricity from the transmission network has been reduced. The **share of losses on transmitted electricity** amounted to 4.22% in 2021, while the recognised losses under the regulatory framework of the Energy Agency amounted to 4.81%. Due to a smaller volume of distributed electricity, the **OPEX indicator to distributed electricity** exceeded the planned value.

The connected load for households was higher than planned at the end of 2021, due to new connections and an increase in the connected load for the existing customers, mainly due to the connection of heat pumps. Due to a lower number of new business customers connected to the network than planned, the connected load for business customers was lower than planned.

The **ROA** indicator in the amount of 4.67% was by 1.8 percentage points higher than the planned value (2.82%), due to the company's net profit which was by €5.5m higher than planned (mainly due to financial revenues from the sale of the majority share of the company ECE in the amount of €5,458,008).

The indicator **net financial debt/EBITDA** shows that the cash flow generated in 2021 would be sufficient to repay its financial liabilities in 1.3 years (excluding investment during this period).

Gross added value per employee amounted to €84,730, which was €1,578 more than planned in 2021. The average number of employees per hours was by 0.54% higher, with a higher gross added value (by €1.3m). The **EBITDA margin** stood at 39.72%, which was 96.5% of the planned value.

Since the investment plan for 2021 was exceeded by €1.7m, **CAPEX in the net sales revenues** also increased in 2021 (52.91%), compared to the planned value for 2021 (50.55%).

A. FINANCING INDICATORS (INVESTMENTS)

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
equity	214,215,726	219,909,447	222,482,388	229,221,455	234,602,568	
liabilities	284,080,642	290,471,682	293,952,609	304,363,696	305,377,920	
equity financing rate	75.41%	75.71%	75.69%	75.31%	76.82%	
sum of equity and long-term debt (including provisions) and long-term accrued expenses and deferred revenue	259,834,540	268,033,042	273,521,867	285,251,521	282,863,912	
liabilities	284,080,642	290,471,682	293,952,609	304,363,696	305,377,920	
long-term financing rate	91.47%	92.28%	93.05%	93.72%	92.63%	

B. INVESTMENT INDICATORS (INVESTING ACTIVITIES)

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
fixed assets (carrying value)	254,312,030	260,519,495	266,511,447	275,373,262	276,712,483	
assets	284,080,642	290,471,682	293,952,609	304,363,696	305,377,920	
operating fixed assets rate	89.52%	89.69%	90.66%	90.48%	90.61%	
sum of fixed assets and long-term accrued income and deferred expenses (carrying value), investment in real property, long-term financial investment and long-term trade receivables	267,266,695	273,779,665	276,523,592	287,604,640	289,153,023	
assets	284,080,642	290,471,682	293,952,609	304,363,696	305,377,920	
long-term assets rate	94.08%	94.25%	94.07%	94.49%	94.69%	

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
actual investments	23,669,548	24,664,650	25,985,631	26,000,000	27,708,146	
planned investments	22,000,000	23,000,000	25,000,000	26,000,000	26,000,000	
investment realisation rate	107.59%	107.24%	103.94%	100.00%	106.57%	
investing cash flow	23,669,548	24,664,650	25,985,631	26,000,000	27,708,146	
net sales revenues	50,512,707	50,831,032	47,072,367	51,438,510	52,368,583	
CAPEX to net sales revenue ratio*	46.86%	48.52%	55.20%	50.55%	52.91%	

C. HORIZONTAL FINANCIAL STRUCTURE INDICATORS

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
equity	214,215,726	219,909,447	222,482,388	229,221,455	234,602,568	
fixed assets (carrying value)	254,312,030	260,519,495	266,511,447	275,373,262	276,712,483	
equity to fixed assets ratio	0.842	0.844	0.835	0.832	0.848	
liquid assets	510,032	414,494	597,812	371,000	1,435,354	
current liabilities	23,622,058	21,880,727	18,723,115	18,551,073	21,760,123	
immediate solvency ratio	0.022	0.019	0.032	0.020	0.066	

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
sum of liquid assets and short-term receivables	10,816,138	11,216,306	10,506,120	10,499,172	11,173,697	
current liabilities	23,622,058	21,880,727	18,723,115	18,551,073	21,760,123	
quick ratio	0.458	0.513	0.561	0.566	0.513	

D. ECONOMIC INDICATOR

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
operating revenue	67,826,877	67,324,012	66,632,315	68,315,000	71,959,696	
operating expenses	56,322,378	57,845,533	60,168,454	58,470,050	62,085,110	
operating efficiency ratio	1.204	1.164	1.107	1.168	1.159	

E. PROFITABILITY INDICATORS

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
EBITDA	28,994,302	27,536,024	24,511,297	28,122,120	28,582,243	
gross operating profit	67,826,877	67,324,012	66,632,315	68,315,000	71,959,696	
EBITDA margin*	42.75%	40.90%	36.79%	41.17%	39.72%	
EBIT	11,504,499	9,478,479	6,463,861	9,844,950	9,874,586	
gross operating profit	67,826,877	67,324,012	66,632,315	68,315,000	71,959,696	
EBIT margin	16.96%	14.08%	9.70%	14.41%	13.72%	
net profit	10,428,778	9,252,820	5,535,289	8,449,190	13,983,238	
average assets	210,680,930	217,062,587	221,195,918	226,963,933	228,542,478	
net return on equity (ROE)*	4.95%	4.26%	2.50%	3.72%	6.12%	
net profit	10,428,778	9,252,820	5,535,289	8,449,190	13,983,238	
average assets	281,889,169	287,276,162	292,212,146	299,973,470	299,665,265	
return on assets (ROA)*	3.70%	3.22%	1.89%	2.82%	4.67%	

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
sum of dividend for the financial year	3,145,015	3,220,908	2,934,605	1,752,367	1,741,676	
average equity	100,953,201	100,953,201	125,954,146	125,954,146	150,955,090	
dividends to share capital ratio	0.031	0.032	0.023	0.014	0.012	
dividend paid out in the current year	3,145,013	3,220,907	2,934,605	1,752,367	1,741,676	
average equity	210,680,930	217,062,587	221,195,918	226,963,933	228,542,478	
dividends to equity ratio	1.49%	1.48%	1.33%	0.77%	0.76%	

F. LABOUR PRODUCTIVITY INDICATOR

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
gross added value	51,742,861	50,488,030	48,356,804	51,803,671	53,070,361	
number of staff per hours worked (incl. hours of refund)	629.47	615.66	605.73	623.00	626.35	
gross added value per employee*	82,201	82,006	79,832	83,152	84,730	

G. TECHNICAL INDICATORS AND INDEXES

SAIDI (System Average Interruption Duration Index)* - unplanned interruptions - own cause	33.84	31.13	30.67	30.50	26.34	
SAIFI (System Average Interruption Frequency Index)* - unplanned interruptions - own cause	0.80	0.66	0.65	0.70	0.63	
MAIFI (Momentary Average Interruption Frequency Index)*	3.49	2.93	3.26	3.70	1.95	
SAIDI (System Average Interruption Duration Index) - planned interruptions - own cause	167.69	170.28	133.52	150.00	126.52	
SAIFI (System Average Interruption Frequency Index) - planned interruptions - own cause	1.09	1.11	0.88	0.97	0.80	
losses (MWh)	91,334	82,518	84,008	88,788	83,366	
electricity distributed (MWh)	2,006,905	2,036,262	1,952,512	2,033,313	1,975,237	
losses to distributed electricity ratio*	4.55%	4.05%	4.30%	4.37%	4.22%	
electricity supplied in the time interval (MW)	239	242	232	230	235	
peak power in the time interval (MW)	341	338	343	340	348	
load factor (LF)	0.70	0.71	0.68	0.68	0.68	
electricity distributed (MWh)	2,006,905	2,036,262	1,952,512	2,033,313	1,975,237	
standardised network length (km)	583	577	587	611	589	
electricity distribution per standardised network length	3,445	3,528	3,325	3,328	3,356	

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
Number of connection approvals by consumer category						
- MV (1 - 35 kV)	31	49	35	41	80	
- 0,4 kV measured power	180	245	138	173	215	
- 0,4 kV without measured power	805	756	814	1,126	744	
- households	2,226	2,842	3,550	4,508	3,652	
- electric vehicle charging		1	2	6	2	
standardised network length (km)	583	577	587	611	589	
number of employees	633	628	629	623	623	
standardised network length per employee	0.92	0.92	0.93	0.98	0.94	

H. TECHNICAL ECONOMIC INDICATORS OF REGULATED ACTIVITY

operating expenses of regulated activity (in EUR)	39,236,015	40,702,409	40,957,514	40,796,204	42,205,099	
electricity distributed (MWh)	2,006,905	2,036,262	1,952,512	2,033,313	1,975,237	
OPEX per electricity distributed*	19.55	19.99	20.98	20.06	21.37	
operating expenses of regulated activity (in EUR)	39,236,015	40,702,409	40,957,514	40,796,204	42,205,099	
standardised network length (km)	583	577	587	611	589	
OPEX per standardised network length	67,344	70,512	69,741	66,770	71,710	
investments in regulated activity (in EUR)	23,669,548	24,268,183	25,592,207	25,894,834	27,438,707	
electricity distributed (MWh)	2,006,905	2,036,262	1,952,512	2,033,313	1,975,237	
investments per electricity distributed	12	12	13	13	14	
labour costs of regulated activity (in EUR)	15,633,136	16,141,614	16,603,790	16,327,391	16,723,261	
number of consumers	172,132	172,927	173,859	174,031	175,027	
labour costs per consumer (in EUR)	91	93	96	94	96	
operating revenue of regulated activity (in EUR)	50,444,747	49,519,229	47,144,564	50,536,079	52,270,516	
electricity distributed (MWh)	2,006,905	2,036,262	1,952,512	2,033,313	1,975,237	
operating revenue per electricity distributed	25	24	24	25	26	

I. INDICATORS OF COMPLIANCE WITH BANK COMMITMENTS

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
financial debt	37,676,913	39,589,797	39,324,681	46,330,215	37,874,384	
average equity	210,680,930	217,062,587	221,195,918	226,963,933	228,542,478	
financial debt /equity**	0.179	0.182	0.178	0.204	0.166	
net financial debt	37,166,881	39,175,303	38,726,869	45,959,215	36,439,030	
EBITDA	28,994,302	27,536,024	24,511,297	28,122,120	28,582,243	
net financial debt/EBITDA**	1.282	1.423	1.580	1.634	1.275	

* selected indicators for SSH (orig. SDH) for 2021 are calculated in accordance with SSH methodology

** indicators referring to commitments to the SID bank

SUSTAINABILITY PERFORMANCE OF THE COMPANY ELEKTRO CELJE

Sustainable development of the company is an integral part of the business processes of the company Elektro Celje. The integration of the principles of sustainable development and social responsibility into the business processes contributes to added value creation, ensuring compliance of the company's operations with the quality policy, its operations within statutory requirements and ethical norms, strengthening care for employees, efforts to improve employee satisfaction, care for environmental protection and promotion of efficient use of electricity by consumers. Promoting personal growth enables the development of their potentials and capabilities, with an organisational culture focused on enhancing employee awareness of the importance of satisfaction of all stakeholders at all levels, enabling the company's growth and development in the future.

In relationship with stakeholders, the company Elektro Celje exercises its rights responsibly, fulfils its obligations assumed in a manner which is consistent with the company's objectives, and enables its long-term benefits. It maintains best business practices with their stakeholders and protects their professional secrecy. The company takes into account the legitimate interests of stakeholders when making specific decisions, and informs and reports in accordance with the company's objectives.

Relations with stakeholders are shown in the Section [Social Perspective](#).

Sustainable Development Objectives

The company Elektro Celje reports on its sustainable operations to provide sufficient information on socially responsible conduct of the company. For measuring orientation towards sustainable development, some indicators have been established for sustainable environmental protection, attitude towards employees and employee satisfaction, health protection of employees, and most importantly, ensuring sustainable power supply to our customers, which is a prerequisite to enable a sustainable development of a wider society.

Meeting the goals of non-financial indicators is monitored within the Performance Indicators System. Some of them have already been presented in some other sections of the Annual Report (Land planning documents and Power Supply Reliability Indicators – SAIDI, SAIFI and MAIFI in the section [Distribution Network Development](#), meter reading indicators in the section [Network Charge Calculation](#), the number of interruptions and the time required to rectify failures in the section [Network Maintenance](#), and environmental indicators in the section [Environmental Perspective](#)).

Meeting the goals of SSH from the AMP (Annual Management Plan) is shown in the section [Strategic Challenges and Objectives of the Company Elektro Celje](#).

The company Elektro Celje also monitors the following non-financial indicators:

Non-financial indicators	target	achieved
average time required to issue connection approval (in days)	16.7	19.9
average time required to issue a contract for the connection to LV network (<i>v dneh</i>)	10.6	14.2
average time required to active the mains connection (in days)	10.0	1.5
average time required to respond to a voltage quality complaint (in days)	30.0	17.2
average time required to resolve voltage deviations (in months)	6.0	2.7
average time required to rectify a meter failure (<i>in days</i>)	5.0	4.0
average time to reply to questions, complaints or user requests in writing (in days)	7.0	3.3
consumer satisfaction with information services (1 - 5)	3.5	3.4
number of hours of employee training per employee (in hours)	22.0	14.0
evaluation of employee training effectiveness (1 - 5)	4.5	4.3

Development Plan of the Distribution Network

Development of the distribution network of the company Elektro Celje is defined by:

- The Development Plan for the Electricity Distribution Network for the period 2021-2030, which envisages €279m of investments for the aforementioned decade;
- The Investment Plan of the Elektro Celje network for the period of 2022-2024 (€26m in 2022 and €27m in 2023 and €27m in 2024) and the Investment Plan of the Elektro Celje network for the period 2023-2025 (€30.2m in 2023, €32.1m in 2024 and €34.5m in 2025), and
- The Business Plan of the company Elektro Celje for 2022 with baselines in 2023 and 2024, which includes investments in the amount of €85.6m (€30.3m in 2022, €28m in 2023 and €27.3m in 2024).

The development plan of the electricity distribution network for the period 2021-2030 defines investments in the distribution system in the amount of €279m (the basic variant with guaranteed sources of financing) including new constructions which account for a 52,4% share of the total envisaged resources. 39.6% of the investment will be intended for reconstructions, which are also intended for the increase in infrastructure capacity, and the remaining 8% of the investment value is projected for investments in project documentation and the purchase of the infrastructure necessary to perform the public utility service (PUS) of the distribution network.

The development plan is drawn up based on new findings and orientations, as well as NECP (National Energy and Climate Plan) and European European Policy. The electricity system is facing major challenges resulting from the increase in the share of energy from dispersed renewable energy sources and new ways of electricity use. Connections of newly constructed electric vehicle charging stations, increased use of heat pumps, an increased share of renewable energy sources in end-use of energy and active involvement of users in the role of consumers and producers require, in addition to investments in the primary electricity infrastructure, renovation and replacement of LV network (LV network renovation and cabling, construction of new TSs of MV/0.4 kV), and also new constructions and renovations at higher voltage levels (MV and HV). For optimal utilisation of the electricity system it is necessary to modernise the distribution network by using new technologies and installing cutting-edge metering systems to obtain more accurate and transparent data on electricity consumption in the network. Active network users and related flexibility services can significantly impact the concept of network planning and operation. They can prevent network overloading by adequate managing of their appliances and systems for power generation, storage and use.

Fundamental objectives of effective distribution network planning:

- ensure planned and actual electricity consumption and meet the demand for electricity,
- meet the needs of inclusion of dispersed electricity production and other system users,
- ensure the network and condition thereof corresponding to state-of-the-art,
- ensure long-term increase or maintaining good supply quality according to the target level of quality,
- ensure long-term stability, reliability and availability of the distribution network,
- ensure cost-effectiveness of the network,
- ensure environmental protection in line with the applicable legislation,
- meet the requirements of the Slovenian Energy Compact (SEC),
- meet the needs and requirements of the national energy climate objectives.

Based on the analysis of the state of the distribution network, the planned development of individual regions, projected greater loads and increase in the electricity consumption in the coming years, the following new and renovation investments were set as priority projects of the Development Plan of the company:

- The construction of 2 x 110 kV DTS Trebnje - DTS Mokronog power line (ca. 9 km) and 2 x 110 kV DTS Trebnje - DTS Mokronog cable line (0.4 km) in 2024.
- The construction of 2 x 110 kV DTS Ravne - DTS Mežica power line (ca. 8 km) and 2 x 110 kV DTS Ravne - 2 x 110 kV DTS Mežica power line (ca. 0.5 km) by 2032.
- The construction of DTS 110/20 kV Mokronog by 2025.
- The construction of DTS 110/20 kV Mežica by 2032.
- Major renovations and reconstructions are envisaged for DTS Ravne and DTS Velenje (reshaping of the 110 kV switchyards in GIS execution). The 110/20 kV transformers are to be replaced in DTS Krško, DTS Brežice, DTS Sevnica, DTS Trnovlje, DTS Selce, DTS Šentjur, DTS Laško and DTS Velenje. In individual DTSs, the replacement of primary and secondary equipment, own use of the control system, RUPS and ACCU batteries will be performed based on age and operational uncertainties. Construction works (anti-corrosion protection of metal parts, renovation of foundations, facades, oil pits and roofs) will also be performed, if necessary.
- The replacement of conductors in the 110 kV DTS Podlog - DTS Lava - DTS Šentjur overhead power line (18.3 km) in 2026 and 2027 is envisaged.
- Investments in the existing transformer substations and MV and LV power lines and facilities are envisaged due to the projected increase in electricity consumption, the state of the installed technology, adequate provision of power supply quality, increased demand for connections of renewable energy sources, environmental requirements and conditions of consent authorities.
- Investments in MV and LV networks will be performed based on the projected increase in electricity consumption and the construction of new business and residential zones, adequate quality of power supply and increased demand for connections of renewable energy sources. The new lines are mainly built as underground cable systems.
- The continuation of the transition from 10 to 20 kV power lines in the area of Celje.
- The upgrade of remote control and protection devices (distribution control centre – abbr. DCC), replacement of the remote uninterruptible power system (RUPS) and

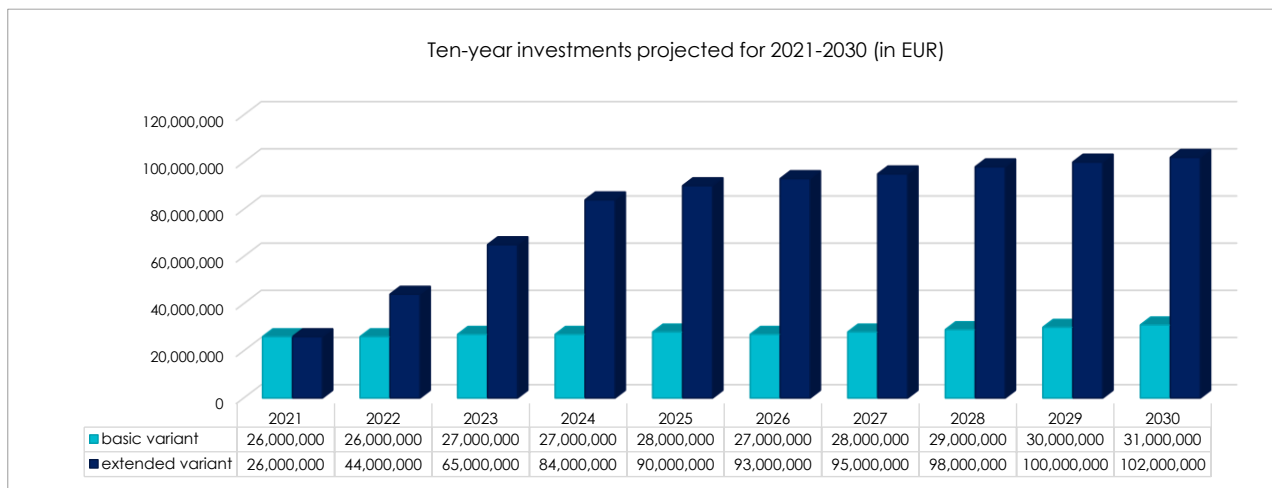
batteries, and network automation (advanced technological solutions of control systems and protection in DTs, DSs, for remote-controlled TSs and remote-controlled switchgears).

- Completion of the construction of an advance metering system consisting of system meters, associated communication infrastructure and IT systems (all system meters allowing consumers to be billed based on actual electricity consumption are to be reinstalled, benefits of modernising electricity metering will also be seen in a more active role of end users, more efficient use of the existing infrastructure, active management of electricity, and support for the users who generate electricity for their own use).
- Investments in the telecommunication infrastructure comprise further expansion of our own optical network in redundant rings throughout the entire electricity system of DTs and DSs and to key TSs. Great emphasis will be placed on cyber and information security, in IT as well as in OT process networks and systems: in addition to all the measures taken so far, advanced security mechanisms with AI support will be introduced (also for SCADA protocols) and a joint (inter)sectoral Security Operations Centre will be established.
- Ecological investments will be targeted at the arrangement of eco-islands for waste, waste water and faeces treatment, and connections of facilities to the public sewerage system. The investments into the renovation and refurbishment of business premises, manufacturing facilities and warehouses, refurbishment of heating systems using renewable energy sources, light pollution reduction of business and power facilities, and insulation of facades and roofs will be continued in order to ensure energy efficiency of facilities.

The envisaged investments in the distribution network will allow the development of the distribution network, which will follow the anticipated trends of electricity consumption. The development of a modern and efficient distribution network is outlined in the Strategic Business Plan of the company for the period 2020-2025, which anticipates an increase in the share of the underground network in the following five years. The increased amount of cabling will proved for better transmission capacity and operational reliability of the network, leading to more favourable values of SAIDI and SAIFI indicators and consequently to stimulation in the calculation of deviations from the regulative framework. The increased volume of cabling will decrease the impact of severe weather conditions on the operation of the electricity network, and consequently contribute to reducing costs for rectifying the damage. The company has set a strategic objective to achieve an increased share of network cabling in a total of 60% of its power electricity network by 2025 (48% of its MV network and 63% of its LV network), which will be achieved by increasing its total investments (€28m by 2025).

The Economic and Financial Aspects

Eventual significantly increased investments in the amount of €797m by 2030, following the extended variant, could only be doable by providing additional financial resources (increase in own resources, changes in the regulation of activities, earmarked contribution to the electricity distribution network, EU grants, etc.), and only when using a systematic approach and coordinated action of all the stakeholders (Energy Agency as the activity regulator, SODO, the Ministry of Infrastructure, the EU, etc.)



The extended variant of investment activities would in the long run enable electrification of traffic and heating, an impact of distributed power generation on energy conditions in the distribution network, the development of advanced distribution networks, smart grid networks, the development of the ICT infrastructure and the private LTE network, network visibility (real time metering arising from network automation devices), flexibility services and data provision for stakeholders, network development with respect to reduction in network vulnerability, etc.

Research and Innovation Projects

The company Elektro Celje intensively participated in a variety of development projects in the field of smart networks and their digitalisation in 2021.

We successfully completed the project **Use Smartly**. Approximately 800 households and small business customers, electricity users, participated in the project. The project is considered the largest project of this kind in Slovenia. Within the project, the introduction of dynamic tariffing of network charging was tested.



In **LAMBDA, a pilot project** which was also completed in 2021, we set up the BigData platform and successfully tested the tools used for mass processing of meter data. The platform shows a great potential for further digitalisation of the company's business processes.

Both above mentioned projects were financed by Energy Agency, from the Research and Innovation Fund.

In 2022, we will continue to implement European projects from the Horizon 2020 development programme:

- H2020 X-FLEX
- H2020 BD4OPEM
- H2020 iFLEX and
- H2020 OneNet.



The envisaged deadline for project completion is 2023. We received non-returnable funds in the amount of €717,000.

As part of the **X-FLEX project**, we were the first in Slovenia to successfully test the automated establishment of island operation of LV network with battery storage of electricity. With the establishment of the Local Energy Community, the company Elektro Celje has established the calculation of network charges for self-sufficient communities under Article 137 of the applicable Act on calculating network charges. The latter envisages in the tariff rate of the working energy taken from the network another two tariffs which enable the calculation of a lower cost of network charges in case a community is self-sufficient with electricity at the level of an individual hourly interval.



The **BD4OPEM project** will allow to establish an environment for development and use of software analysis services, which will, based on the use of large amounts of data, enable electricity operators to control, maintain and plan electricity networks more optimally and cost-effectively. Data analysis services will be developed by using AI methods.



The aim of **IFLEX** is to empower the electricity consumers and to allow them to participate in the electricity market as easy as possible in response to the demand. The emphasis is mainly on households and the response to the demand to support high penetration of renewable energy sources.



The aim of the **OneNet** project is to ensure seamless integration of all the involved agents in the electricity system in near real time. By using open IT architecture, which will assure interoperability at the continental level, the project will allow conditions for synergistic activity or optimisation of the overall energy management, while also creating an open and fair market structure.



CES PLATFORM - The Community Energy Storage Platform (CES) enables simple and transparent stakeholder participation in investment. The introduction of autonomously implemented smart contracts, simple establishment and managing relationships among investors and transferability of equity stakes will bring a substantial technological leap. Its real time and fixed data recording allows transparency and automated calculation. The long-term purpose of the project is to establish CES Platform as one of the leading technologies in investing in community energy storage, and to market it as an integral solution for community investments in electricity infrastructure, along with GIT product, which allows community investments in photovoltaic power plants and electric vehicle charging stations. The investment is co-financed by the Republic of Slovenia and the European Union from the European Regional Development Fund (<https://www.eu-skladi.si>).



In cooperation with external partners in 2021, we applied for two tenders, **EV4EU** and **ENERSHARE**, which are part of Horizon Europe, a European Development Programme. We are currently applying for another two projects within the same development programme, namely **COHESION** and **USERGRID**. As part of Green Transformation Consortium, we are also to apply for European funds for the infrastructure project **Green Switch**.

Within the Research and Innovation Fund, we have applied for two projects, **AMBER** and **LAMBDA-production**, within Energy Agency for 2022 and 2023. The first project will focus on advanced use of battery storage of electricity (orig. BSE) in the area of TS Gimnazija Velenje. The aim of the project is to enable a new approach to the use of system services for the distribution operator by using advanced ADMS technology, and to provide the most optimal network stability and consequently better quality and cost-effective electricity supply to final customers. The project LAMBDA-production will enable the extension of BigData analyses to all relevant information systems and business processes in the company. The aim of the project is to enable the company's management to make data-supported decisions and to increase employee efficiency with the automation of data tasks.

Human Resources

Accountability to Employees

The company Elektro Celje is introducing the corporate culture that supports a stimulating, positive and orderly dynamic work environment through respectful and correct relationships. By using an integrated approach to employee competency development, both professional fields and soft skills are rewarded, contributing to raising work efficiency and strengthening the company's image.

Despite the fact that the year 2021 brought us many challenges as the result of the continuing epidemiological situation of the last two years, impacting our regular work process and organisation, we managed to complete the set activities and contribute to the realisation of the strategic and business objectives through our committed and agile employees.

We enabled our employees to perform their tasks in an environment which on the one side allowed safe and healthy work while also preventing further spread of the infections, and on the other side it encouraged innovativeness and creativity. With the help of digital technologies and information awareness among employees, our work processes proceeded smoothly despite temporary physical distance among employees. Adjustments to the new organisation of work processes showed our capability to achieve and pursue highly set objectives, to upgrade them and bravely step out of our comfort zone and walk into lesser-known fields which provide new solutions and good results. The epidemiological situation required several adjustments which were for many employees inconvenient or even stressful. However, being connected and cooperative we achieved to establish a stable environment, which also brought many advantages:

- The new work organisation allowing home working enabled flexibility and smooth operation of work processes;
- Due to restrictions of social contacts, digital development accelerated and contributed to acquiring additional knowledge, which today is a must while it contributes not only to social progress but also to personal development;

- Our measures additionally contributed to our health, and we put more attention to a healthy life style.

Employee Structure

Our employee structure has not changed significantly over the last years. The number of employees is adjusted to the conditions and needs within work processes and market needs.

Having an appropriate personnel policy and well-thought planning in place in 2021, we managed to pursue the objectives defined in the business plan. The number of employees reduced on account of retirement and some other reasons for termination of employment relationship.

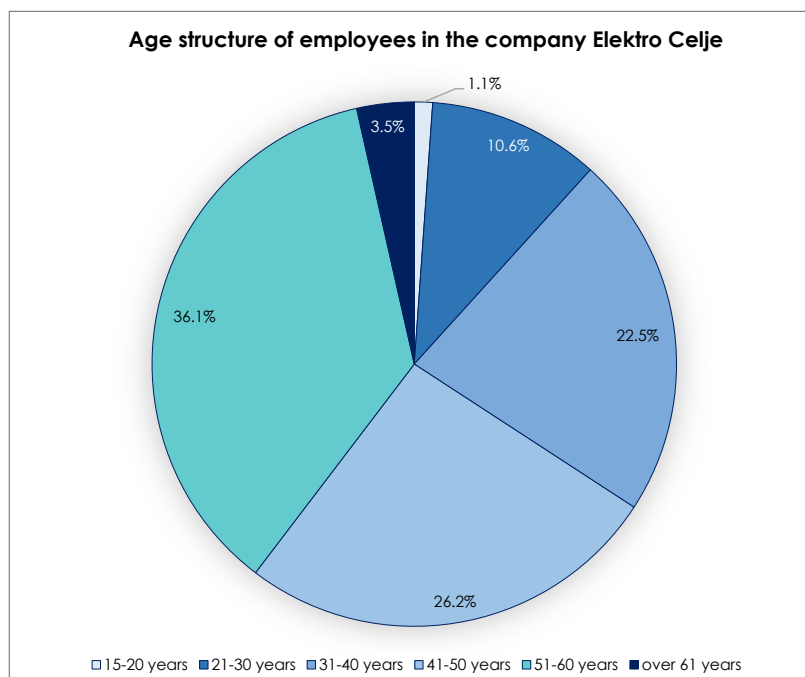
There were 623 employees in the company Elektro Celje on 31 December 2021. There were 6 employees fewer than in 2020. The average number of employees was 622. The employment relation was terminated for 36 employees.

Number of employees by status share of employees by gender and average age	
number of permanent employees	586
number of temporary employees	33
number of interns	4
total number of employees	623
average age	45.12
share of female employees	14%
share of male employees	86%

The main reason for termination was retirement (24), while other terminations were owing to the expiration of temporary employment contracts, extraordinary/regular terminations and consensual terminations. Key personnel were carefully replaced mainly with internal job relocations, whereby we developed our own potential of the staff to acquire necessary competences and skills suitable for a specific job through apprenticeship and job placement. Where we could not find a suitable solution among our employees, we made job offers. 35 new employees were recruited in the company Elektro Celje in 2021.

Job fluctuation of the company Elektro Celje was 5.8%, which was mainly the result of old-age retirements and other reasons for terminating employment relationship. We needed to fill this gap of staff shortage by employing students.

94% of the staff of the company Elektro Celje are employed for an indefinite period of time. The company was facing a relatively high age structure, since the average age of employees was 45 in 2021. The 51-60 age group was the largest group, accounting for 36.1% of all employees. Given this fact, 127 employees will meet the full conditions for old-age retirement in the period 2022-2026. There was still a trend for older employees opting not to retire immediately after meeting the first condition, but rather continue to work. This is mainly due to stimulative labour legislation which financially rewards the continuation of work, and also the fact that pensions are lower than salaries.



Due to the specifics of the industry, men prevail in the company (86%). This structure does not change much over years due to the nature of work. The majority of professional and technical staff are men, while women prevail in support and administrative functions. 98.7% of the staff is full-time staff, and the rest are disabled employees working part-time in accordance with the Decree of Pension and Disability Insurance Institute of Slovenia (orig. ZPIZ) (having 20 or 30 working hours per week). There were no part-time employees who would enforce this right on the basis of parental rights in 2021. For several years in a row, the company Elektro Celje has reached an 8% share of employees with disability status, which is 2% more than the defined threshold set by the Decree Establishing an Employment Quota for Persons with Disability in the field of Electricity Supply. Four employees newly acquired the status of disability and restrictions at work in 2021. Based on the issued ZPIZ decision, these employees were provided with a suitable job in accordance with their work restrictions. We ensure for all disabled employees and those having various health restrictions and those requiring adjusted work processes to continue their work after the onset of their disability. In 2021, we started with professional retraining of two disabled employees, who would, after obtaining their professional education, be able to perform their work in accordance with the ZPIZ decision.

The share of sick leave in the company Elektro Celje continues to rise. We carefully monitor the absence from work, so in 2021 we achieved 7% of sick leave hours (i.e. the proportion of hours in relation to hours worked in the period referred to, including refundable and non-refundable hours), which was by 0.6 percentage point more than the year before and 2.3 percentage points more than planned. Despite the adjustment of work due to compliance with current measures to prevent the spread of infections, the provision of additional protective equipment, the possibility to receive the first dose of vaccine and the compliance with all additional measures to curb infections, the company could not avoid absences due to coronavirus-related diseases. Of the total share of sick leave, 1% of absences were due to isolation or Covid-19 infection. The relatively high age structure of the company also contributed to the higher percentage of sick leave. Health care will remain a priority in the company, since only mentally and physically healthy employees can enable us to pursue the planned objectives.

Recruitment

The company Elektro Celje is aware of the fact that employees are of key importance to achieve sustainable development and to meet the set objectives. We strive with great responsibility to strengthen employee satisfaction and motivation, and to enable their personal growth, both by adapting work processes and including them in various forms of training. As in previous years, we also saw a shortage of professionally qualified jobseekers in the job market in 2021. However, we managed to fill the offered vacancies with professionally qualified employees with an appropriate and pre-planned personnel policy.

We strived to cultivate our own human resources, who could get promoted to key positions after acquiring adequate knowledge and experience. By redeploying the staff within the company we could achieve adequately qualified staff, who were nurtured within the company, and at the same time they got an opportunity to get promoted and to follow their career path. When looking for new recruits, vacancies were published on the internet and intranet of the company Elektro Celje, and in external portals of the Employment Service of Slovenia (orig. ZRSZZ) and Moje Delo.com. The transfer of professional knowledge and good practices was ensured through a mentoring system. We put emphasis on transfer of professional knowledge and good practises when recruiting new staff.

Cooperation with young generations

The year 2021 was marked by a large number of sick leave due to the Covid-19 epidemic. We were forced to replace the unplanned absences in order to enable smooth operation of work processes. Since no additional recruitment was planned in this perspective, we were forced to find alternative solutions. Consequently, we increase the volume of student work, which effectively facilitated staff shortage. 13 students were introduced into our work processes from May to December 2021. They offered assistance in different organisational units of the company.

Knowing severe competition for competent and qualified jobseekers in today's job market, we took actions to facilitate this situation by tendering company scholarships, and we co-financed a company scholarship for the school year 2021/2022 to four promising secondary school students. Through obligatory job placements we effectively cooperated with secondary school and university students, and helped them on their educational path to gain additional work experience and to utilise their knowledge in practice. In 2021, there were 18 persons, 6 university students and 12 secondary school students, on placement in the company Elektro Celje.

Employee development and Training

Knowledge, experience and motivation of employees are of high importance for the company Elektro Celje. Therefore, we plan employee development responsibly and carefully and enable our employees their personal and professional growth. We know that development of high-skilled staff is crucial for the company's successful operations and development.

After preliminary conducted orientation workshops, we started with **Annual development interviews** in March. This was an opportunity for a manager and their subordinate to

directly express their expectations and set goals for the coming years. Based on the obtained feedback, we planned further employee development also in the field of on-the-job training and education.

Despite the epidemic, we implemented all the planned forms of training in 2021. They were carried out in e-environment, on different communication platforms, which enabled us to strengthen and upgrade digital skills and to keep pace with modern times, which require good knowledge of information technologies. We managed to turn the initial fear of such new ways of conducting trainings to opportunities to save the time for commuting to work and the time to organise live trainings. We performed 14 training hours per employee on average, of which 1.8 hours per employee were dedicated to internal training. The latter were intended to acquire and pass knowledge and experiences to others, and were performed by qualified colleagues. In this manner, we enhanced the knowledge specific to our industry, while also developing cooperation among the employees and the units.

Within the internal 'Knowledge Centre' we provided for the transfer of new knowledge, enhanced professional fields necessary for effective operation of work processes, and areas of competences, and we enabled formal education of employees. By co-financing such trainings we would like to stimulate our employees to acquire a higher level of formal education and more competences.

In external trainings we cooperated with proven and competent external partners. In 2021, we organised an extensive computer training of the Excel programme at all levels of knowledge. 65 employees were included in the training. We conducted a German course for the first time, and we continued with an English course. We conducted live training in the field of corporate integrity, which was performed in three parts. 75 employees participated in it.

We put special attention to periodic trainings which were necessary for certain jobs. In the field of professional training, specialised trainings were organised intended to obtain professional examination from Administrative Procedure Act, a professional examination for certified engineers and foremen, and on-the-job training for operators of power facilities. Several professional trainings were organised for engineers in the Slovenian Chamber of Engineers (orig. IZS), and we also conducted specialised training in the field of audit and ISO standards.

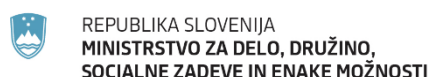
Feedback on employee satisfaction with trainings and education was obtained from reports and evaluations on the effectiveness of trainings. Based on evaluations, all the trainings met expectations of the participants.

Human Resources Projects

After successfully completing the strategic HR '[Job Classification Project](#)' in the company Elektro Celje in 2021, which was intended to thoroughly overhaul the jobs and clearly define job responsibilities, work and tasks, and after a successful introduction of the new Staffing Structure, the new Rules on Internal Organisation and Job Classification entered into force on 1 January 2021. At the beginning of 2021, the new jobs were introduced into the information system, and new employment contracts were issued, whereby for all employees their existing employment contracts were terminated and replaced by the

new ones prior to introducing the new job classification. By means of an upgrade of the competency model, all competences and skills had for the first time been evaluated at the level of the entire company in Annual development interviews.

In 2021, we continued with trainings within the [Competency Centres \(KOC\) Energy project](#). Some trainings, including computer and language courses and the ones with professional topics, were cofinanced by The European Social Fund and the Ministry of Labour, Family, Social Affairs and Equal Possibilities. They were conducted in cooperation with ICES project office that coordinated the administration part in relation to reporting to the Public Scholarship, Development, Disability and Maintenance Fund of the Republic of Slovenia.



The aim of the project is development of key competences of the future, acquisition of specific knowledge and skills of employees, raising awareness of the necessity of lifelong learning, and a unified approach to employee development for future challenges.



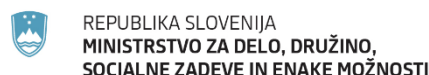
[SPIN Project - Ready for change](#)

In 2021, we also continued with mentoring programme trainings, which were conducted within the SPIN project by the external performer Racio razvoj.



We qualified more than 60 mentors in the field of knowledge transfer skills and other pedagogical andragogical content in the period 2019–2021. The target groups were heads of supervisions (controls) and EMS and their assistants, professionals, who are often mentors to secondary school and university students on their practical training or apprenticeship, and heads of departments or units.

At the end of 2021, we started conducting the last module of trainings, which included all group mentors who previously participated in the project. Trainings in the fields of communication skills, conflict resolution strategies, team work and cooperation, and various motivational tools in work schemes will also be organised in 2022.



[Concern for Employees](#)

The company Elektro Celje is striving to enable its employees an optimal working environment where every member of the chain gets an opportunity for their personal and professional development, and is offered adjustment to their work organisation, additional trainings and promotion. With occupational health promotion and various sporting activities, offered within the Sports association, we would like to encourage a healthy life

style. At the same time we are striving, by means of various measures, to facilitate the balance between the work and family life.

Satisfied and committed employees are the key to success

It is typical practice of a successful company to monitor its organisational climate. For this reason, the company Elektro Celje performs SiOK measurements every second year. The outcomes of these measurements are the basis to set new goals and objectives in order to make improvements and adjust the personnel strategy. In 2021, we cooperated with an external performer to conduct the measurements again. The anonymous survey was performed in two ways: the employees with the company's electronic domains received the survey questionnaire in e-form, and those who do not use the company's electronic access received it in hard copy.

The participation was 53.9%, which was by 5.9% less than in 2019. Lower responsiveness can be attributed to novelties in the implementation, since the implementation of the survey in e-form raised fear or a dilemma among employees regarding the anonymity of the answers given.

The outcomes of the survey of the total index of the organisational climate (3.47) and satisfaction (3.76) in 2021 were by 0.22 or 0.21 points higher than the outcomes of the 2019 measurements. This result also exceeded the overall index of the Slovenian average. Also the engagement index (3.77) proved to be by 0.25 points higher. According to the survey, despite good results and adequate classification of individual work climate categories, there is still room for improvement, especially in the field of employee remuneration, promotion, career development and internal communication. A challenge is however posed by negative deviation in responsiveness.

Balance between work and private life

As the holder of the Family-Friendly Company Certificate we perform activities to help manage the balance between work and private life. Since the pace and the way of life have been very dynamic in recent years, and the Corona virus epidemic has forced us to be more flexible, it is all the more important to harmonise these two key areas of life without additional stress and uncertainty.



Among the most topical measures in 2021 were giving gifts to newborn babies and to children at the the New Year's time, and the child's time bonus upon their first entering a kindergarten or a primary school.

By using open and respectful communication we respect our communication measures, as we are aware of the fact that only a positive way of expression and cooperation, without intolerance, discrimination, conflicts and violence, can bring us good results.

Concern for Social Security of Employees

The company Elektro Celje has had a supplementary pension insurance plan since 2021, which provides all employees with additional social security for the third period of life. Premiums for supplementary pension insurance are paid by the company (€816,422 in 2021) in a contractually agreed share of the maximum amount of the premium, and

employees are opted to additionally pay their share of the premium. The company has arranged the collective additional pension insurance with the insurance company Modra Zavarovalnica.

Other employee insurances

Our company is responsible for the employees and their well-being. Therefore, in addition to the collective accident insurance concluded with the insurance company Zavarovalnica Triglav, we also offer to employees to conclude a specialist collective health insurance. The insurance provides quick access to health services in form of a disease or an casualty, the organisation and cost coverage of certain self-paying health services in Slovenia or abroad, and obtaining a second opinion from specialists. The company concluded the collective insurance contract for all employees with the insurance company Vzajemna, and it includes free assistance of the insurance company for easier access to such services. An additional option for employees hereby is the possibility of insuring their family members.

Communication with Employees

Open and regular communication between employees and the company's management, as well as among the employees, is of key importance. The company ensures responsible and ethical communication and promote communication at all the levels, and it consequently creates a productive working atmosphere, increases the sense of belonging and builds a culture of mutual trust and respect.

- Internal communication most commonly takes the form of meetings, or phone or face-to-face conversation, the website, e-mail or the intranet. One of the forms the company informs employees is the GEC internal newsletter, a joint newsletter of the Elektro Celje Group, which is published three times a year.
- Annual employee appraisal interview is an important instrument for the targeted management and human resources management in today's highly successful organisations. The interview is an in-depth dialogue regarding current tasks, the implemented work and results achieved, goals and tasks for the future, and personal growth and career path of an employee.
- The Intranet site regularly and transparently notifies all employees about the news, events and activities inside the company. Immediate superiors play a major role in internal communication, as we strive to ensure that the information flow runs smoothly, so the information provided is forwarded to all employees.

Social Perspective

Accountability to Investors and the Financial Public

Communication with shareholders and the financial public is transparent and compliant with the effective regulations. The information provided to shareholders relates to business performance and the company's future strategy. Public information (Annual Report, Quarterly Report, concluded Contracts, General Meetings and the material thereof), is regularly disclosed on our website www.elektro-celje.si. Our communication with shareholders is based on compliance with SSH recommendations and OECD guidelines for corporate governance of state-owned enterprises, where three main principles are emphasised: transparency, effectiveness and accountability.

Accountability to Customers and the Influential Public

In the last two years, since the outbreak of the Covid-19 epidemic, electricity supply has become even more important. It has had to be smooth, uninterrupted, as life without it would have come to a standstill. While the life of both households and business customers has completely changed, the basis of the operating all services and maintaining the economy has been reliable electricity supply that enables powering of all devices, which most of us take for granted.

We, employees, were faced with new challenges during the epidemic. Restrictive measures were necessary to prevent the spread of the virus. At the same time, it was our responsibility to provide a smooth uninterrupted process of reliable and secure distribution of electricity. We were forced to introduce new solutions in order to ensure secure and reliable electricity supply. We acted in compliance with all the instructions issued by health institutions and responsible for our consumers. The work method we use was often made difficult due to mandatory protective measures, but it was nevertheless safe and reliable. Our employees were continuously striving to ensure our customers, households, public entities and businesses, with stable and reliable supply of electricity even in the times of crisis.

Communication with Users

The Call Centre is available to all our users, where operators receive and deal with complaints, consumer reports on metering faults, and metering device statuses required for annual calculations (billing), and they give information on planned outages, reply to general questions of consumers, and regularly stay in contact with field workers and electricity suppliers.

Our new corporate image expresses the present and the future of the company

In 2021, we started to refresh the overall graphic design of the company in order to obtain a conceptual solution for a modern, high-quality and distinctive image which would reflect our activity of today and the future. The company logo is the starting point for building an integral visual identity at all the levels of appearance.



The new integral corporate graphic image reflects our vision, represents modern energy and carries the charge of a successful future. It reflects the use of new technologies and continuous development of the company, including awareness of today's actions shaping the world of our descendants.



The website of the company Elektro Celje is used as a tool to communicate with various types of public. On our website, all the information is published required by our operator and also the information obliged to be published under the Access to Public Information

Act. Our consumers can also have access to online application to receive information on planned outages in a household, a business entity or any other facility. After registering they will receive a notification to their e-mail or an sms on their mobile phone.

Informing consumers about planned outages

is necessary and urgent, because this is the only way to safely and in the shortest time possible perform all the necessary work on power facilities. All the work is carefully planned, so our consumers are informed about any

interruption of electricity supply 48 hours prior to each interruption. Notifications about planned interruptions are available on the company's website and on local radio stations.



Moj Elektro: a Single Metering Data Access System

Power distribution companies have established a joint free unified web portal [Moj elektro](#) – Single Metering Data Access System - where users can access to their metering data, regardless of the electricity distribution area or a power distributor. It is intended for end users (consumers and electricity producers) who have not had the possibility of centralised access to the metering data for their own or authorised metering points so far. The users will be, with appropriate authorisation, able to access the data of other beneficiaries on the portal.

Communication with business partners is based on personal contacts and e-communication. Personal contacts are necessary in the business world, therefore our business partners are treated individually.

Communication with the influential public

We communicate with the key influential public, including the governmental institutions of the Republic of Slovenia, the line ministries and other important institutions (Eagen, SSH, and others), about topics related to the regulation and legislation.

Participation in the Economic Interest Association for Electricity Distribution Companies

The company Elektro Celje cooperates with other power distribution companies in Slovenia, which are joined in the Economic Interest Association for Electricity Distribution Companies (orig. GIZ DEE). The fundamental goals of the GIZ Distribution are to facilitate, coordinate and promote the activity of the public utility services of SODO and DTO, to improve the results in the industry and to facilitate and coordinate other activities.

Accountability to the community

The company Elektro Celje is striving for responsible, careful and fair treatment of the environment. While looking for ways in connection with natural integration in the environment, we want to become more successful, to improve the quality of life of all employees, local communities and a wider public, and at the same time we want to serve the interests of our owners.

When planning and placing electricity installations in space, and constructing and operating the network, we strive to include and listen to various interests of local communities, and to achieve as many goals as possible for the common good. We are not only an electricity distributor, but we look at our operations in the environment more widely, and try to find common points in different areas for better co-existence.

We strive for transparency of our operations, which is achieved through publishing a variety of data and information related to our operations on the company's website, and by being compliant with the adopted cases of good practice in corporate governance and corporate governance codes.

Our guideline in media relations is transparent and up-to-date communication, based primarily on the company's operations, new services and sponsorship cooperation, network innovations and completions of significant power facilities. We regularly share our content with Naš Stik, the Slovenian power industry newsletter, where our topical news and articles are published.

Relations with Suppliers and Procurement Policy

The company Elektro Celje organises and performs the procurement of goods, services and constructions referring to the implementation of the tasks of maintenance and development of the power distribution network, under the SODO contract and the Public Procurement Act (PPA, orig. ZJN). All the procurement procedures respect the basic principles of public procurement and the economic aspect.

The orders of which the estimated value calculated in accordance with the provisions of the PPA exceed the publication threshold defined by the PPA shall be awarded as public procurement under the provisions of the PPA. In cases where the company Elektro Celje is a contractor for orders of third parties that are not liable for public procurement, goods, services and constructions with the estimated value exceeding the publication threshold defined by the PPA may be ordered without the execution of a public procurement under the PPA procedure.

Goods and services for which not more than just one bid is required, but they require handling with due diligence, refer to the services sold according to uniform price lists in the Republic of Slovenia and are published in the Official Gazettes, purchase or rental of immovable property, purchase of professional literature, participation in professional seminars, services provided by lawyers and notaries, etc.

The company Elektro Celje manages a coordinated and unified procurement policy, containing strategic guidelines and principles of a transparent procurement process. The goal of the company's procurement policy is to seek synergies with suppliers in terms of the quality of goods, increasing trust among partners, and favourable commercial conditions.

The company provides a competitive and transparent selection procedure by sending an enquiry to several bidders in procedures below the public procurement threshold.

Every year, we evaluate the existing suppliers, assess their adequacy, timeliness and reliability of their supplies. In accordance with the internal acts, inclusion of an anti-corruption clause is mandatory in all procurement contracts. In addition, the company has adopted several internal acts with regard to procurement, defining procedures and other instructions (Instructions regarding the execution of procurement and public procurement, Assessment of suppliers, Instructions regarding the method of collecting goods from suppliers, etc.).

Sponsorships and donations

When providing sponsorships, we considered the principle of balance, economic benefit and diversification, while in cases of donations, the principle of social responsibility, in accordance with the Rules on the Allocation of Sponsorships and Donations, were taken into accounts. To ensure transparency, the list of concluded sponsorship and donation contracts is published on the company's website.

In 2021, we allocated funds to social welfare institutions which were most affected by the Covid-19 epidemic, and to socially deprived individuals. We also supported sporting and some other events, and in the pre-Christmas and New Year time we also allocated part of our funds for charity in those local communities included in the company's operations. Instead of business gifts we dedicated funds for charitable purposes.

Environmental Perspective

With its adopted Environmental Management Policy, the company Elektro Celje undertakes to meet the requirements of environmental legislation and regulations, agreements, standards and its own requirements. In strategic and operative planning and reviewing the achievements of the set goals and objectives, the principles of sustainable development are taken into account, so the company, in addition to meeting the statutory and other requirements, is seeking to achieve the highest possible level of managing natural resources and reuse of raw material. At the same time, we are also building a sustainable attitude to the environment in areas not defined by law. We take care of the natural environment through a prudent siting of power facilities in any given area, as well as through compliance with the legislation regulating electromagnetic, thermal and light radiation and noise.

The employees are familiar with the environmental management policy and are committed to bring it to the attention of anyone working on behalf of the company. We constantly improve the environmental aspects of our operations, with focus on preventive handling and the introduction of environment-friendly materials and technologies, economic use of natural resources, energy and materials. We are reducing waste production and promote their efficient waste management.

The company periodically evaluates environmental suitability of its suppliers (additional points are dedicated to the suppliers who have established the ISO 14001 Environmental Management System).

The costs associated with environmental management amounted to €124,677 in 2021 and were by 8.7% higher than planned.

Indicator	2017	2018	2019	2020	2021	graphic comparison
electricity consumption (in MWh)						
With the energy renovation of buildings (installation of heat pumps and CHP facilities), insulation and high-quality builders' joinery we will contribute to reduced electricity consumption.	910.2	857.1	917.6	879.4	844.0	
water consumption (in m³)						
We take care of rational water consumption by improving the control of the water supply system, reducing losses in the water supply network, and by using rainwater for sanitary and technological waters.	4,797	11,105	5,786	6,822	5,172	
share of transformers with environmentally sound oils (in %)						
We systematically integrate transformers with environmentally sound oils into electricity network. Where sensible/permissible, we use chestnut or coniferous tree wood impregnated with environmentally sound impregnation for the construction of overhead power lines.	26.3	29.0	32.0	32.8	34.8	
reported hazardous waste (number)						
Transformer waste oils, used oil filters, discarded electronic equipment containing hazardous substances and other hazardous waste are collected in separate specially marked containers. Their disposal is arranged by the contractual waste management company. The amount of hazardous waste depends on the reconstruction of infrastructure in each year.	7	18	13	7	9	
mixed municipality waste (in kg)						
Municipality waste collection is organised according to the decrees issued by municipalities and competent local public utility companies. The company takes care of the comprehensive management of useful (recyclable) and useless waste.	110,900	110,800	111,200	69,200	80,073	

Carbon Footprint of the Company Elektro Celje

Carbon footprint is for the company calculated for the first time and it serves for:

- identification of key sources of CO₂ emissions to prepare detailed inventory,
- risk management and opportunities to reduce GHG emissions,
- report publishing and cooperation in GHG reduction programmes.

Reporting is voluntary and serves to assess future progress in reducing the carbon footprint of the organisation. To calculate the carbon footprint, a standardised method is used in accordance with the international standard for the determination and reporting of GHG emissions - GHG Protocol - a Corporate Accounting and Reporting Standard, and other standards which the reference standard refers to. Indirect emissions are also calculated and reported, arising from the company's activities on sources which are not owned or controlled by the company Elektro Celje. Indirect emissions arising from employee transport to and from work are reported for 2021. The calculation is verified within the verification procedure by the independent third party Bureau Veritas, and is compliant with the requirements of ISO 14063-3 and ISO 14065 standards.

Item	2018	2019	2020	2021
direct emissions volume 1 tCO _{2e}	1,086.21	1,268.71	1,222.35	1,278.00
indirect emissions volume 2 tCO _{2e}	59,842.33	47,443.82	50,649.23	50,265.00
Indirect emissions volume 3 tCO _{2e}	NA	NA	NA	564.00
carbon footprint of the company kgCO _{2e} /MWh	30.36	23.92	26.56	26.34
carbon footprint from electricity losses kgCO _{2e} /MWh	29.54	22.98	25.60	25.11
carbon footprint from the company's operations tCO _{2e} /employee	2.61	3.05	2.98	3.91
carbon footprint from employee transport to work tCO _{2e} /employee	NA	NA	NA	0.91
Number of employees	633	628	629	623

Management Systems

Management system of the company Elektro Celje is based on the following certified systems:

- the Quality Management System in accordance with ISO 9001:2015,
- the Occupational Safety and Health System in accordance with ISO 45001: 2018,
- the Information Security Management System in accordance with ISO 27001:2013, and
- the Environmental Management System in accordance with ISO 14001:2015.

Through their operation, the systems provide methodological support to the company's management in the organisational development of the company, based on a process approach. Along with the compliance with the Guidelines of the Risk Management System according to ISO 31000:2018, they form an integral management system. For all segments of the integrated management system, the company has policies in place which commit us to responsible management in the fields of quality management, employee health, information security, environmental management and risk management. We review, update and inform the employees about our policies regularly.

We also established a laboratory management system for measurements in accordance with the ISO 17025:2017 standard, General requirements for the capacity of testing and calibration laboratories, and made preparations for the accreditation of procedures within the Slovene Accreditation in 2021.

The management review enables us to identify effectiveness and adequacy of the operation of the management system. A comprehensive management review shall, as a rule, take place once a year in the second quarter of the business year. Partial management review may also be carried out, regarding the needs of the management and coordination of the business processes. Measures managed through a management review are also an important management tool. The functioning of the management system is annually audited by external auditors of Bureau Veritas Slovenia. In 2021, control audits of the quality management, occupational health and safety and environmental management system were performed, for which the validity of certificates was extended. A recertification audit of the information security management system was also performed, for which a new certificate was issued.

In the field of the **Quality Management System**, the basic standard for the management of the company, we continued with process improvement, introduction of additional measures to improve optimal functioning of the process and sub-processes. Due to changes inside the company and in its environment, it was necessary to adjust the existing processes, to design some new sub-processes and add new goals to the existing processes.

Safe work and a healthy lifestyle are not only statutory commitments, but also values and fundamental tasks of the company Elektro Celje. In 2021, several measures were taken to provide preventive employee protection due to the Covid-19 epidemic. As a result, there were no systemic changes.

Familiarity of employees with internal research on accidents and hazardous incidents enables us to identify risks in the work process, and also to look for solutions to prevent similar accidents or incidents.

In 2021, there were 9 minor accidents at work recorded, 8 of which occurred in the working environment, and 13 hazardous incidents, 7 of which were related to the use of or work directly at or in the immediate vicinity of the electrical installations. Based on the provisions of statutory regulations and the approved Safety Statements and the Risk Assessment, we carried out periodic checks of work and personal protective equipment, and random checks of power facilities, work sites and construction sites. We implemented the prescribed measures regarding fire safety tools and equipment. 126 infections and 164 risky contacts with a Covid-19 infected person were recorded in 2021.

Indicator	2018	2019	2020	2021
Number of accidents at work	11	8	6	9
Frequency of accidents at work Number of accidents per effective hour	10.75	7.86	5.97	8.83
Frequency accidents at work Percentage of injured employees	1.71	1.27	0.95	1.45
Severity of accidents at work Lost days per effective hours	73.38	54.74	43.63	69.41
Proportion of working days lost due to accidents Lost days per injury	68.27	69.63	73.08	78.60

The Information Security Management System incorporates the protection of the company's assets and information. In addition to its own requirements for information security, the requirements of the Critical Infrastructure Act and the Information Security Act are also incorporated into the company's operations.

The company's activity is performed in an environment-friendly manner, compliant with the requirements of the **Environmental Management System** and statutory requirements. In 2021, the carbon footprint of the company was calculated, which was verified by an independent organisation.

In 2021, the company implemented some of the improvements identified in the most recent self-appraisal following the EFQM business excellence model.

CORPORATE GOVERNANCE

The Supervisory Board of the Company Elektro Celje

REPRESENTATIVES OF SHAREHOLDERS:			
Chairperson	Deputy Chairperson	Member	Member
Rosana Dražnik, MSc. until 27 August 2021	dMSc. Mirjan Trampuž, dMSc. until 27 August 2021	Miha Kerin, MSc. until 27 August 2021	Drago Štefe, MSc. until 30 August 2021
Boštjan Leskovar, MSc. since 28 August 2021 member since 1 September 2021 chairperson	Miha Kerin, MSc. since 1 September 2021	Marijan Papež since 28 August 2021	Dejan Žohar, MSc. since 31 August 2021

REPRESENTATIVES OF EMPLOYEES	
Member	Member
Miran Ajdnik, B.E.E. since 1. October 2018	Janko Čas, electrician - expert in energetics since 1. October 2018

AUDIT COMMITTEE OF THE SUPERVISORY BOARD		
Chairperson	Member	Member
Miha Kerin, MSc. since 3 October 2017	Ignac Dolenšek, MSc. External expert member until 31 August 2021 Miran Ajdnik, B.E.E. since 1. September 2021	Darinka Virant, BA in economics external expert member since 9. December 2013

PERSONNEL COMMITTEE OF THE SUPERVISORY BOARD		
Chairperson	Member	Member
Drago Štefe, MSc. until 30 August 2021	Rosana Dražnik, MSc. until 27 August 2021	Janko Čas, electrician - expert in energetics since 15. November 2018
Marijan Papež since 1 September 2021	Boštjan Leskovar, MSc. since 1. September 2021	

Corporate Integrity and Code of Ethics

The company Elektro Celje has established a corporate integrity system which incorporates elements defined by the Slovenian Corporate Integrity Guidelines. Our integrity is built on ethics, business compliance and effective risk management.

Ethical rules, which employees should follow in certain circumstances, are laid down in the **Code of Ethics**. It is published on the company's website and is a guide to the basic rules and standards of conduct and decision-making. It is used in our daily work. With its written values and principles, it helps us in certain situations when we are not certain how to act properly. The Code of Ethics itself does not raise the company's reputation, and it does not make it ethical. The Code of Ethics must be lived. For this purpose, we have designed the Corporate Integrity Plan, which takes key contents of Code of Ethics into consideration and presents the ways how to promote the Code of Ethics and the company's values among employees.

An integrated approach to encourage responsibility for common values in the company Elektro Celje refers to the awareness of the management board and the wider management of the importance of managing the risks of unethical and corrupt deeds, who carry responsibility for creation and cultivation of cultural and ethical business practices at all the levels.

In 2021, the key activities of the corporate integrity officer were directed at the renewal of the Code of Ethics, preparation of a risk plan regarding corruption, unethical and illegal acting, periodic meetings with employees, the internal auditor, the quality management coordinator and the data protection officer, raising employee awareness about the meaning of individual values through their annual development interviews, targeted training of the management, employees and supervisory bodies with dr. Aleksander Zadel, article preparation for the internal newsletter GEC, and maintaining the gift register.

In addition to the above mentioned activities performed by the corporate integrity officer, the company also performs the following activities in order to pursue the principles of ethical conduct:

- registration of a gainful activity of employees,
- encouraging a healthy lifestyle and safe work,
- positive communication,
- inclusion of an anti-corruption clause in contracts with contractual partners, and efforts to include the clause in contracts concluded with subcontractors, and
- care for social responsibility.

Renewal of the Code of Ethics

The new Code of Ethics was adopted in 2021. A wider circle of employees participated in its renewal, which was finally discussed and approved by the company's Works Council and the Trade Union.

We have renewed the company's values, mission and vision. Some new contents, our principles of acting, and commitment to respect the human rights were added.

The Code of Ethics applies to all employees of the company Elektro Celje, also to stakeholders when performing activities or any other type of work for the company. All employees have received the printed Code of Ethics, and posters were made with written values on. All employees have signed the **Declaration of Conformity**, beside the Code of Ethics.



Risk Management of the Company Elektro Celje

Risk management is based on the company's Risk Management Policy and meeting the requirements of the ISO 9001, ISO 31000, ISO 45001, ISO 14001 and ISO 27001 standards. The company has established within the management process a sub-process for managing risks in order to determine necessary activities and responsibilities for risk assessment and management, to manage key risk register, monitor and update risks, adopt and

implement measures, report on risk management, and to act and control the risk management process.

Risk refers to all the events and circumstances in external or internal company's environment, which could negatively (a threat) or positively (an opportunity) affect meeting the company's objectives. The risk in the company is divided into process risks, based on the management systems, and on key business risks at the company level.

Process risks based on the management systems

In the field of process risks the following activities were implemented in 2021:

- Process risk assessment was renewed, which referred to meeting the objectives according to processes, and the management of such risks was monitored and reported in the management review of the management systems;
- In accordance with the Critical Infrastructure Act, the critical infrastructure risk assessment was renewed and verified by the Ministry of Public Administration, which confirmed its compliance with the requirements;
- A new risk assessment was made for all workplaces, and adequacy of risk prevention measures was reviewed. The rights and obligations were determined, as well as the occupational health and safety powers and hierarchy of risk management measures in the field of occupational health and safety;
- Environmental risks were also assessed. 19 of the company's sites were assessed according to relevant environmental aspects. Risk assessment was made for the sites where a significant environmental aspect was identified, which implied additional monitoring;
- Corporate integrity risks were assessed and internal controls were recorded, preventing the possibility of realising such risks in processes;
- According to processes, key management controls were recorded, which reduce the possibility of risk realisation.

Key business risks

At the end of 2021, the key business risks of the company Elektro Celje were 36 risks which were monitored quarterly, as they could have a greater impact on meeting the objectives at the company level. The effect of risk management was the following:

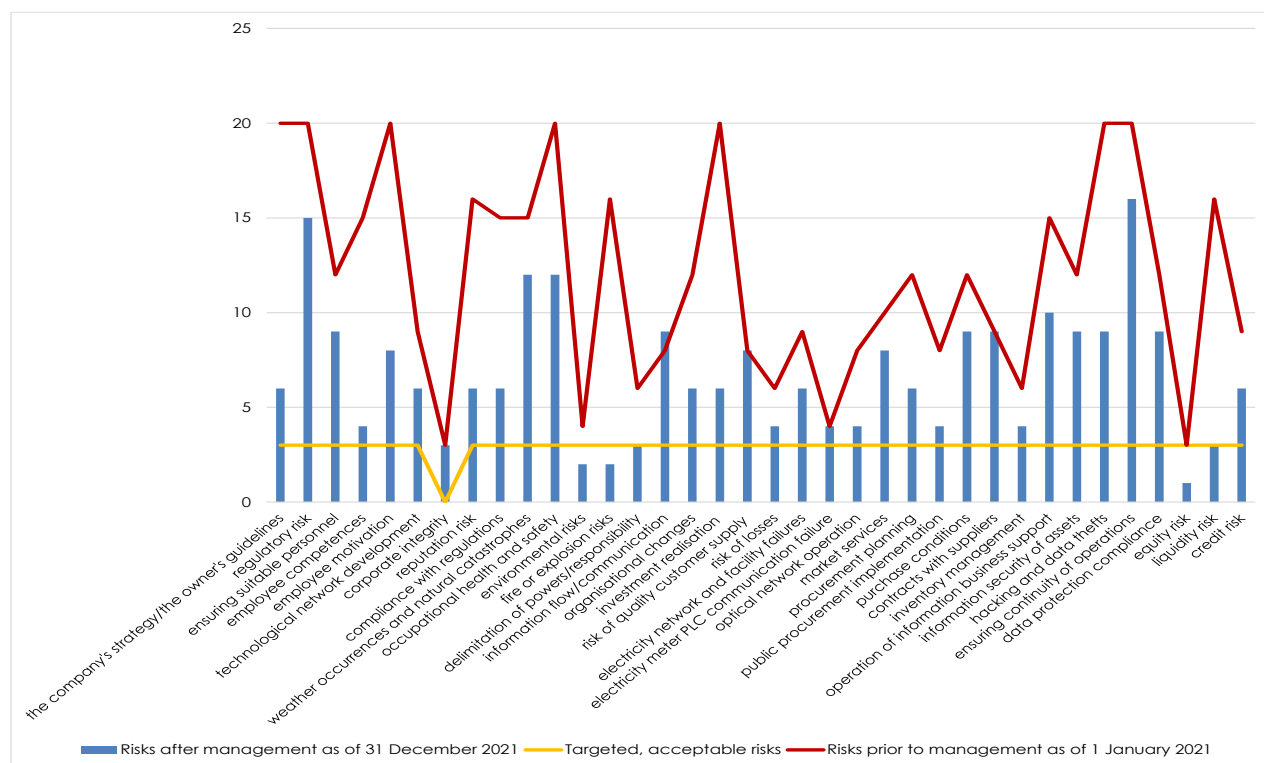


As part of the management review in November 2021, the Risk Management Committee reviewed the effectiveness and functioning of the risk management system, and adopted the following conclusions:

- Risk management was successful and effective, the key business risks were adequately assessed;

- Environmental risks, information security risks, occupational health and safety risks and process risks were systematically assessed and managed.

As of 31st December 2021, the company Elektro Celje did not identify highly assessed risks after handling the risks, 9 risks were assessed as medium risks, and the rest were assessed as low risks.



Note: The risks of purchase terms and conditions and contracts with suppliers increased to 12 and 9 in the first quarter of the pre-management assessment.

In the following, all medium risks are presented, which are to be monitored and managed quarterly, according to the existing methodology.

Regulatory Risk

Regulatory risk is referred to a number of changes in the field of AE methodology, regulations in the field of electricity distribution and some other areas. None of these changes had a direct significant impact on revenues, however a lot of employee engagement was required to ensure compliance (staff reinforcement was necessary in the Development Department), and additional financial resources were needed in the field of information and communication technologies (ICT). We had some difficulties with timely transfer of innovations to business practice and employees, especially during the epidemic, and also with suitable information support of internal and external performers.

Future expectations: Regulatory risk was again implemented at the beginning of 2022, as the Emergency Measures Act to Mitigate the Consequences due to the Impact of High Energy Prices (orig. ZOUPVCE) was adopted. According to the new Act, the capacity charge and the assumed working energy billed by all power distributors for all forms of electricity consumption were reduced to zero from 1 February to the end of April 2022.

The company Elektro Celje will be left without a quarter of its revenues, namely €12.1m. Consequently, additional borrowing will be required by the company, and we will be

forced to move non-urgent investments into the near future, which will also result in postponed implementation of the NECP.

Compliance Risk in the field of Data Protection

The data protection officer is responsible for ensuring the compliance of personal data processing, and constantly monitors the compliance of processes with the applicable legislation and international standards, assesses the impacts of personal data processing and, if necessary, cooperates with supervisory authorities. The company keeps records of personal data processing activities within its business activity. Personal data are protected through various organisational and technological procedures and measures in order to prevent accidental or intentional unauthorised destruction of data, their alteration or loss, and unauthorised processing or transmission.

Despite the fact that no inconsistencies were identified in 2021 in the field of personal data protection, the company planned several activities to reduce the possibility to misuse the data still in process.

Future expectations: After the implementation of the planned activities, lower risk of compliance in the field of data protection is expected.

Information Intrusion and Data Theft

Risks are events which could lead to the interruption of the company's business operations and allow unauthorised persons to use, modify, destroy or steal sensitive data and intellectual property of the company. The company implements a number of organisational and technical measures regarding information security (access control of data and systems, security data archiving, protection against malicious code, up-to-date software, established network controls, changes managed, etc.) Information security policies were adopted, defining the main security requirements for the employees of the company Elektro Celje, as well as for its external providers. A mechanism for monitoring security events and controls was put in place to reduce the possibility of identity theft.

A security check and a penetration test were conducted in December 2021 in order to check various areas (network, domain, mobile applications, websites). The check provided us with certain findings and recommendations, which will be the basis to devise an elimination plan for all perceived shortcomings. This will reduce the occurrence of individual risks and allow the business processes to meet the set objectives by means of adequate information security.

Future expectations: Due to the adoption of the National Cyber Incident Response Plan at the national level, it is necessary to integrate the requirements into the existing management procedure of information security incidents. Between EDCs (electricity distribution companies) and SOCs (Security Operations Centres) an agreement has been reached to harmonise the common protocol. The completion is projected in the first quarter of 2022. Despite large investments in the provision of information security, reduction in risk is still not expected in 2022, mainly due to continuous occurrences of new threats which demands constant monitoring and addressing risks posed. Such risks are also recognised as the greatest global risks.

Information Risk according to ISO 27001

Information risks are threats and vulnerabilities identified within the information risk assessment, in compliance with the adopted methodology under the ISO 27001 requirements. This type of risk assessment identifies the key, fundamental assets (property) which are necessary to conduct the business activity and provide fundamental services, and could negatively affect the provision of information security. This is the way to determine all posing threats we need to be protected from in order to avoid non-availability of services. All the planned activities, either already performed or being underway, will enable us to protect our assets by priority, depending on the level of risk.

An external audit conducted in December did not reveal any inconsistencies in the field of information security. It suggested a few observations to be properly addressed and remedied.

Future expectations: despite the fact that the company performs numerous activities and invests a lot in process digitalisation, the key risks are expected to remain unchanged in the following year due to emergence of some new threats.

Business Continuity Risks

The system is established through a well-prepared strategy, policies, procedures and instructions based on the outcome of the analysis of the impact on the company's business performance and risk assessments. This is the way how the company ensures statutory compliance, protects the interests of its key stakeholders, maintains its reputation and effectively performs its mission - continuous electricity supply to its consumers.

In 2021, there were no interruptions of the functioning of essential parts of the information system. However, the risk was still assessed as medium high, due to the fact that:

- the business continuity is being renewed,
- the company is still dealing with appropriate response times with the contractors who provide support of the operation of the information system,
- the company is in certain areas still highly dependent on ICT infrastructure of the company Informatika, d.d.

Future expectations: According to our estimation, it will not be possible to reduce the level of risk to low in the coming year, despite all the planned activities.

Severe Weather Conditions and Major Disasters

These risks include adverse weather conditions and other disasters which can cause damage to the company's power lines, equipment and devices, and other company assets. In 2021, due to favourable weather conditions, there were no major events recorded causing damage to the company assets. The risk is being reduced by cabling the network, part of the risk is transferred to the insurance company, the other part of the risk is borne by the company itself.

Future expectations: as there has been no major damage caused for quite some time, the probability of its occurrence, given past trends, is quite high in the near future, therefore we do not expect to reduce the level of risk.

Occupational Health and Safety

Risks posed are eventual events or already occurred events which could affect occupational health and safety of employees. All recorded accidents presented in the section [Management Systems](#), were investigated, and measures to reduce the possibility of their recurrence were taken.

The company took good care of its employees during the epidemic. A lot of funds were allocated to prevent coronavirus infections among employees, who had all necessary protective equipment and disinfectants at their disposal. Where possible, employees were allowed to work from home. Employees who worked in the company's premises were deployed in the way to avoid being in the same office at the same time with work colleagues as much as possible. The main goals were to protect the employees from infection and to provide operative teams for smooth operation of the electricity infrastructure. Risks associated with Covid-19 were managed by a company's crisis group, which monitored risks and took safety and organisational measures in line with the risk assessment.

External auditors identified two minor inconsistencies in the field of equipment inspection. The first one was remedied, and the elimination plan for the second one is already in place.

Future expectations: the epidemic is expected to subside in the second half of the next year, so risk regarding occupational health and safety will be reduced to a lower level. We do not expect any other major risks in this area, since the company invests a lot of resources in preventive activities.

Risks to Purchase Conditions

The global market experienced a major crisis with the supply of electronic components, granules for plastics and metals, including copper, which finally resulted in shortage of raw materials and higher prices. In the first half of the year, purchase conditions for plastics, MV cables, transformers, etc. did not change significantly, while in the second half of the year we encountered several individual increases in purchase prices and delivery delays.

Future expectations: higher purchase prices for materials and individual delivery delays.

Risks to contracts with suppliers

Due to the increase in prices of materials and services, some existing contracts were terminated by suppliers this year. After the contract expiration, most suppliers are now willing to conclude only one-year contracts.

Future expectations: due to the crisis in raw materials markets, extension of delivery times can be expected, which must be taken into account when planning deliveries. Therefore, a measure was taken to increase the level of stock compared to the previous period. Consequently, the level of stock is also higher due to higher purchase prices.

Internal Audit and Internal Control System

The activity of internal audit is in the company performed by the head of the internal audit, which is compliant to the Corporate Governance Code of companies with state capital investment. Organisational independence is successfully implemented by way that the head of the internal audit is administratively responsible to the company's chairman of the management board, and functionally to the Supervisory Board Audit Committee or the Supervisory Board. The formal definition of competence, accountability and operative tasks is defined by the Fundamental Internal Audit Charter, and specific tasks are defined in the adopted annual plan.

The internal audit facilitates to achieve the company's strategy and to perform key projects set in the way to remain focused on their goals and, in cooperation with

responsible individuals, to get a clear picture how processes are underway and what possible improvements could be made. By providing assurances and advice, it seeks to increase the benefits and improve the functioning of the company by encouraging a prudent and orderly operation plan in the fields of management areas and risk management.

The internal audit examines and assesses the establishment and effectiveness of internal controls and identifies whether the company has efficient, economical and effective internal controls in relation to the risks affecting prudent operations in view of achieving its objectives, reliable accounting and compliance of operations with the applicable legislation, regulations and instructions.

The company's management comprises managing (directing) the company's management towards achieving the objectives and control over the operations, including risk management (first and second line of control). The internal audit (third line of control) enables the management board to acquire independent and impartial assurances and opinions on the state and the functioning of the internal control system and the information that the most important risks are adequately managed. The emphasis is on communication in all directions and joint operation, while identifying the company's priorities to meet the objectives.

The company has established a system of internal controls, based on the current strategic business plan for 2021-2025, and comprises the adopted rules, procedures defined in the management system and some other written guidelines made by the chairman of the management board, organisational structure and the accountability system, as defined in the Rules on Internal Organisation and Job Classification, the Rules of Procedure of the company Elektro Celje, and issued powers by the chairman of the management board. Compliant business activity, legal and fair conduct, transparent monitoring of decisions taken and communication are the concern of all employees and the management, and enable the company to build its integrity which is crucial for maintaining the company's good name.

The established internal control system and operation ensure accuracy, reliability and completeness of data and information for the correct and fair preparation of the company's accounts, prevent and identify errors in the system and provide compliant and systematic operations.

Statement of Non-Financial Operations of the Company Elektro Celje and the Elektro Celje Group

In accordance with the provisions of Art. 70 (c) of the Companies Act (orig. ZGD-1), the company Elektro Celje provides in its Statement on Non-financial Operations a brief description of the business model, a description and results of its policies and risks, and non-financial performance indicators on environmental, social and personnel matters, respect of human rights and anti-corruption and bribery matters.

Description of the Company's Business Model and Policy

The company Elektro Celje is part of the electricity system of the Republic of Slovenia, and one of the five power distribution companies in Slovenia. The company's basic activities are administration, management and operation of the distribution system, and maintenance, construction and renovation of distribution power lines and facilities in the territory of Savinja, Koroška and Spodnjeposavska regions, comprising 40 municipalities in their entirety and 2 in part. It covers 4.345 km² or 22% of the area of Slovenia. Accordingly, dispersed power lines and facilities represent, in view of their total length, the second-largest network among the five power distribution companies in Slovenia. The role of distribution in the Slovene electricity system is defined by the Energy Act, along with the Energy Concept of Slovenia and the National Energy and Climate Plan.

Since 1 July 2007, the company Elektro Celje has been leasing out the electricity distribution infrastructure to the concession holder of the public utility service of the electricity distribution system operator, the company SODO. Pursuant to the Agreement on the Lease of Electricity Distribution Infrastructure and Provision of Services for the Distribution Network System Operator, the company performs the activity of distribution of electricity and provides the related contractually agreed services. The amount of the infrastructure rental and the amount charged for services carried out for the system operator are determined for each regulatory framework individually by annexes to the Agreement.

The company's goal is to ensure conditions for a safe and reliable supply of energy-related services to customers according to market principles and sustainable development principles, taking into account efficient use, economical use of renewable energy sources and environment protection conditions. The sustainable perspective of operations is presented in the section [Sustainable Operations](#).

The adopted business and security policies direct the company's operations. The following policies have been adopted in the company: management policy, general security policy, quality management policy, occupational health and safety policy, environmental management policy, information security and data protection policy, and risk management policy. The corporate integrity policy of the company Elektro Celje is set out in its Code of Ethics.

The texts of individual policies are available on the website www.elektro-celje.si.

[The Management Policy](#) is an umbrella policy which sets out the corporate governance and guidelines for the adoption of other policies and a Corporate Governance framework. The Management Policy of the company consists of:

- the main management directions with respect to the set goals and values of the company Elektro Celje,
- application of the Reference Governance Code,
- recognised groups of stakeholders and the strategy of communication and cooperation with them,
- policy of connectedness between the company Elektro Celje and its dependent companies;
- the process of informing dependent companies and shareholders with the strategy and standards of the Group's governance,
- the policy of transactions between the company and its dependent companies, including their members of the Management Board and the Supervisory Board,
- diversity policy,
- commitment to identifying conflicts of interest and independence of the members of the management /supervisory board,
- the commitment that the Supervisory board will assess its own performance,
- the establishment of Supervisory Board Committees and determination of their roles,
- a system of dividing responsibilities and powers among the management board and supervision board members,
- rules among the company, including their affiliated companies and their management board and supervisory board members, which are not governed by the statutory provisions on conflicts of interest,
- management remuneration policy,
- determination of the company's communication strategy, including high-quality standard of the design and disclosure of accounting, financial and non-financial information, and
- protection of the interests of employees of the company.

The implementation of the Management Policy is integrated in the planning, implementation and control of business processes. It is regularly verified through supervisory institutions, and its performance is measured by the deviation of financial and non-financial indicators.

The [Quality Management Policy](#) defines the relationship with the maintenance and development of the management system, and obliges the management to ensure that all employees are included and acquainted with the management system. The management make sure that employees positively affect the quality of services and make personal efforts to improve the company's operations, which is the guiding principle for the work of all employees. By improving the existing electricity supply system, our endeavours are directed at increasing satisfaction of all the stakeholders. In the quality management system, the quality objectives are set for each individual business processes. Their achievement is reviewed at least once a year during the management review. The quality objectives regarding consumers are of particular importance. The company Elektro Celje publishes its Annual Report on the Quality of Electricity Supply, which is available to all consumers on the company's website.

[The Security Policy](#) in its broadest sense refers to the control over identified risks in order to achieve acceptable risk management within the implementation of the company's mission. Operational safety comprises the provision of security of all identified stakeholders: consumers, employees, local communities, regulatory authority, suppliers, business

partners and shareholders. As a basis for the preparation of the measures to ensure and implement all aspects of safe operations in all segments and areas of the functioning of the company Elektro Celje, the company's management board adopts the umbrella security policy of the company. The company shall provide safety in all business processes, and the provision of safety is the duty and the right of each employee.

The company Elektro Celje respects and strives for:

- occupational health and safety of employees by meeting the requirements of the ISO 45001 standard,
- security of property through technical and physical security measures, active fire protection and through measures to protect the property after a damage has occurred.
- environmental protection by meeting the requirements of the ISO 14001 standard,
- information security by implementing the adopted internal regulations and meeting the requirements of the ISO 27001 standard,
- Internal control over the implementation of the business processes and compliance of the operations,
- implementation of measures in the field of corporate integrity,
- Implementation of measures and emergency response taking into account protection and rescue plan, and enforcement of the established management system of business continuity.

Our commitment to the quality management system compliant to the ISO 9001 standard ensures harmonised operation of the systems.

Environment

The Environment Management Policy obliges the entire company to meet the requirements of environmental legislation and regulation, agreements, standards and requirements of the company, as the company is building a sustainable relationship to the environment also in areas that are not legally defined. We are also committed to continuous improvement of the environmental management system and prevention of environmental pollution. More information on the environmental perspective of the sustainable operations is presented in the Section [Environmental Perspective](#).

The Main Environmental Risks and their Management

The operations of the company Elektro Celje generate waste, such as waste oils, construction waste, packaging waste either containing hazardous substances or being contaminated with hazardous substances, used batteries, accumulators, etc. Waste is separately collected at all locations of the company, and is taken away by specialised contractors. Where the potential for hazardous event is identified, the significance of the environmental aspects is assessed, which is the basis to make the risk assessment.

The company manages environmental risks:

- by periodically evaluating the compliance with the applicable environmental legislation and the ISO 14001 standard:
 - by performing various types of monitoring and measures obtained from the monitoring,

- by periodically evaluating environmental aspects, which are the basis to establish and implement the framework environmental objectives and operational targets,
- by conducting internal and external audits of the Environmental management system and adopting preventive/corrective measures and improvements, and control over their implementation,
- by checking the conformity of administrative licences,
- by monitoring the status of periodic equipment checks,
- by following the instructions for handling various waste types,
- by controlling the handling of waste at sites or by working groups,
- by raising awareness of all employees about managing the waste that occur or is generated at work,
- by identifying and complying with the local regulations which define the conditions and waste disposal methods in the competent municipality,
- by managing carbon footprint, and
- by drawing up the Fire Safety Regulations, where measures and responsibilities of individual persons are determined to prevent the occurrence of fire. In larger company's business premises, evacuation drills and inspections of equipment, devices and other fire protection equipment are carried out (every 3 months for DTs and DSs, and every 6 months for business premises). A Protection and Rescue Plan is in place for operations in emergencies.

Key Environmental Management Performance Indicators

Energy rehabilitation has been performed in several facilities by replacing energy resources and installing insulation and builders' joinery. Several facilities are heated by cogeneration, ensured by the dependent company Elektro Celje OVI. The company records a positive trend of reducing electricity consumption. By improving the control over the water supply system and reducing technical losses in the water supply network, and using rainwater for sanitary and technological water, we enable lower quantities of and lower costs for drinking water. Our vehicle fleet is updated in accordance with the criteria of the so-called green public procurement with environmentally sound personal and transport vehicles. Waste is collected separately. Meeting the environmental requirements is proven by our monitoring activity. The company periodically assesses environmental suitability of its suppliers.

When installing power facilities in space, we focus more in investments in new constructions and network reconstructions, by increasing the proportion of electricity network cabling.

The calculation of carbon footprint was determined and verified for 2021, and the recalculation to the base year 2018 was made, which is the reference year to determine progress in carbon footprint management of the company Elektro Celje.

Social and Staff Matters, and Respect for Human Rights

Personnel policy

The cornerstone of our work with employees are compliance with labour legislation, concern for occupational health and safety, and appropriate working environment. At work, we do not follow only the economic effects of our business activity, but also act in compliance with the highest ethical and moral values, and comply with professional standards of operation. The company Elektro Celje acts compliant to the adopted

Personnel strategy, which clearly defines the key personnel processes in order to provide support to the company's business operations and development. The main goal of the Personnel policy is to integrate professionally trained staff in our working environment and invest in the systematic development of our employees, while also taking care of planning succession and enabling career progression.

In the recruitment process, as described in detail in the Section [Recruitment](#), we carefully plan the necessary staff.

Knowledge and excellence are two of key values, therefore we provide training and development for all our employees (described in the Section [Employee Development and Implementation of Trainings](#)).

As we want to build the company's reputation through loyal and committed employees, and implement our vision and social responsibility, we follow the principles laid down in the updated Code of Ethics, which commits us to conscientious and fair conduct, taking into account equality without discrimination and negative communication. This is a way of building good partnership relations which can bring positive results in terms of professionalism and entrepreneurship. We wish our working environment and the work process along with the work method to be effective and adjusted to specifics of each job. Therefore, we devoted our full attention to restructuring and job classification last year, as described in the Section [Personnel Projects](#).

Open and respectful communication helps us to build positive mutual relations, which are also reflected in our communication with employee representatives. We cooperate with the Trade Union and the Works Council at meetings and joint consultations on key decisions, and adopt common decisions through an open and honest attitude.

[Occupational Health and Safety Policy](#) obliges us to ensure that individuals performing work or work-related activities under the supervision of the company, meet the requirements of the legislation, regulations and agreements, requirements of the ISO 45001:2018 standard, and additional company's requirements in the field of occupational health and safety. Being aware of their responsibilities, the company's management and employees are committed to continuously improving the system of occupational health and safety management, and to consequently improving the working environment. Particular emphasis is placed on consultation with employee representatives and joint cooperation. With their personal example and concern for employee safety, each manager contributes to raising the safety culture of employees and reducing the number of occupational accidents, and also promotes the measures of family-friendly company and a healthy lifestyle.

[Respect for human rights](#) commits us to respect human rights through the entire business process, and to avoid and prevent eventual negative impacts on human rights. We are striving to protect the environment and sustainability in the field of consumer safety, which places the consumers' rights to a healthy environment and sustainable consumption at the forefront. We guarantee our users access to our services, taking into account precautionary principles (protection and preservation of the environment also for future generations). We provide a working environment where no employer should be exposed to sexual or any other harassment or suffering, verbally, non-verbally or physically, by the employer, their superiors or work colleagues.

The company Elektro Celje does not support direct or indirect discrimination, and aims to ensure equal treatment, regardless the gender (we do not restrict access to vacancies by gender, or require information from applicants, and do not make employment conditional on family or marital status, pregnancy or family planning).

The Main Personnel Risks and their Management

In addition to the main personnel risks in 2021, as presented in the Section [Risk Management of the Company Elektro](#), also risks related to occupational health and safety are of significant importance.

The company has a large number of employees performing field work, therefore, there is a risk of injury while working on construction sites, worksites, electrical installations, close to certain parts of live equipment, and on live devices, at a high altitude, in adverse weather conditions, etc.

The occupation health and safety risks are managed by:

- performing professional tasks in the field of OHS in compliance with the requirements of the Health and Safety at Work Act,
- performing the requirements of the Occupational Health and Safety System compliant with the ISO 45001:2018,
- implementing the measures in accordance with the Statement on Safety with Risk Assessment and the OHS systemic documentation,
- carrying out inspections of the work equipment and work accessories,
- issuing work instructions and regular employee trainings, and
- carrying out regular and non-routine preventive health examinations.

In 2021, we conducted obligatory employee trainings from occupational safety and health and fire protection. Due to the new job classification, the Statement of Safety with Risk Assessment had to be revised. Based on the provisions of statutory regulations and the approved Statement of Safety with the Risk Assessment, we carry out periodic checks of work and personal protective equipment, and random checks of power facilities, worksites and construction sites. We implemented the obligatory measures regarding fire protection means and equipment checks.

In 2021, we recorded 19 minor accidents at work, and documented 13 hazardous events, of which 7 were related to working on or with an electricity facility or in its immediate vicinity.

Employee health protection is performed in accordance with the occupational health requirements for each job as defined in the Statement of Safety with Risk assessment and in collaboration with the contracted occupational health provider. The employees performed preliminary, periodic and control health checks. Preventive vaccination against tick-borne meningoencephalitis is provided for field workers, and we also organise voluntary influenza vaccination for all employees.

In 2021, our employees were exposed to Covid-19 pandemic. The Crisis Committee of the company Elektro Celje, consisting of executives and Occupational Health and Safety Service, adopted numerous measures to prevent the spread of the new coronavirus infection. A plan to ensure smooth uninterrupted work processes was designed after the outbreak of the epidemic. Based on the hazard posed by the spread of the contagious

coronavirus disease, our measures were adapted to the epidemiological situation at a given time in order to protect our employees, to restrict risky contacts and protect the company from the infection.

Based on the adopted decrees of the Government of the Republic of Slovenia, our company also adopted and followed the measures in order to meet the PCT requirement posed on employees and customers. We also organised vaccination against Covid-19 for all employees.

The company performs health promotion and measures to protect health at work.

Performance Indicators in the field of Human Resources are measured quarterly and annually, with focus on several different areas. Thus, we monitor the number of employees and manage it through our plans. We monitor the level of employee absenteeism due to sick leave, measure effectiveness of employee trainings and the number of training hours per employee, and monitor utilisation of the work time and employee involvement in annual development interviews. By measuring SiOK organisational climate, which takes place every second year in the company, we can acquire data on employee satisfaction at work and their commitment, while the results obtained are also the basis for further improvements.

- **The Proportion of Temporary Employees**

The majority of employees (94%) have an employment contract for an indefinite period of time, which does not change significantly through a longer period of time. The proportion of employees for a definite period of time depend on the needs of individual work processes and the goals set in the business plan. As we want to entice promising, ambitious and motivated individuals into our working environment, we provide a possibility of performing secondary and university student practical training and apprenticeship. In case of positive results of practical training or completed apprenticeship, a later employment is also provided for them.

- **Staff turnover**

The company has a low staff turnover (5.8% in 2021), which still provides a stable working environment and is mainly the consequence of old-age retirement or termination of fixed-term employment contracts.

- **Gender Balance and other Diversity Aspects**

We ensure equal possibilities to all, irrespective of their gender or other circumstances, without discrimination. During the recruitment process we focus on professionalism, commitment and target orientation of the applicants. We also have employees with disability status, which is described in detail in the Section [Employee Structure](#).

Irrespective of the fact that the company Elektro Celje operates in the industry where, due to the specifics of work in technical professions, male employees are dominant (86%), it can be pointed out that the company, through its planned and target oriented recruitment, takes care of its gender balance at all the levels, also in management. In management positions and heads of units, the ratio between male and female employees is 70%: 30 %. The Management Policy, part of which is also the Diversity Policy, also determines the diversity of the composition of the Supervisory Board. Implementation of the policy is monitored by the Supervisory board Personnel Committee, which report directly to the Supervisory Board.

The Management Board of the company Elektro Celje is a single-member company body, so its composition does not include diversity. The Management Board is responsible for managing diversity in the field of human resources.

Fighting Corruption and Bribery

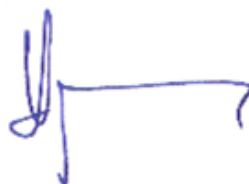
Corporate Integrity Policy is established under the Code of Ethics of the company Elektro Celje (Section [Corporate Integrity and the Code of Ethics](#)), which is compliant with the Slovenian Corporate Integrity Guidelines. Corporate integrity is acknowledged and defined as one of the strategic objectives, and is incorporated in the strategic guidelines of the company Elektro Celje. It facilitates to increase the likelihood of meeting the set objectives, to encourage proactive management, enhance the identification of opportunities and threats, act in compliance with adequate statutory regulations and standards, and to improve operative effectiveness and performance.

Corporate integrity and the risk related to it are included in the risk management system. Risks related to corporate integrity are included in the Risk Register, where they are identified, assessed and managed through proposed measures. With the help of the Corporate integrity Officer, the mechanism has been established for regular and comprehensive identification of corporate integrity risks, their assessment, and a systematic and independent control over the effectiveness of performing risk management measures. The risk of corporate integrity refers to any unfair, illegal conduct of employees, which is contrary to the applicable legislation, good business practices, Code of Ethics and other internal rules and regulations of the company Elektro Celje.

The company manages the following risks by:

- appointing »Corporate Integrity Officer«, who is responsible for dealing with and managing such risks, raising awareness and protection of the employees who report any corporate integrity,
- by making a process-based risk assessment,
- by promoting the Code of Ethics, which is publicly available,
- by establishing a system for notifications and investigations of any suspected irregularities,
- by establishing a gift catalogue,
- by including an anti-corruption clause in contracts,
- by establishing a Register of Gainful Activity, performed by employees, by preparing and implementing annual activities from the Corporate Integrity Plan, by complying with the provisions of the Integrity and Prevention of Corruption Act (orig. ZIntPK), referring to control over the financial state of the managers and the employees in charge of public procurement.

Chairman of the Management Board,
Boris Kupec, MSc



Corporate Governance Statement of the Company Elektro Celje and the Elektro Celje Group

The management board of the company Elektro Celje declares that the management of the company and the group was performed in 2021 in compliance with the applicable acts and other regulations, the Articles of Association of the company Elektro Celje, and with Recommendations and Expectations of the Slovenian Sovereign Holding (orig. HSE) (hereinafter: SSH Recommendation), published on the website www.sdh.si.

In doing their business, the company and the group respect and apply the Corporate Governance Code of companies with state capital investment (published on the SSH website www.sdh.si).

The Management Board of the company works on behalf of and represents the company, and manages the company's business activities independently and on their sole responsibility. Thereby, it makes decisions in line with the strategic company's objectives and to the benefit of the shareholders. The management and governance systems steers the company and ensures supervision over the company and its dependent companies. It defined the allocation of rights and responsibilities among the management bodies, sets rules and procedures to decide corporate issues of the company, provides the framework for setting, achieving and monitoring the performance of business objectives, and establishes values, principles and standards of fair and responsible decision-making and conduct in all aspects of the company's business operations. The applicable regulations, significant for the company's operations and the Articles of Association are available on the company's website www.elektro-celje.si.

The governance and management system is a means to achieve long-term strategic objectives of the company and the group, and a way for the Management Board and the Supervisory Board of the Company Elektro Celje exercise responsibility to the shareholders and other stakeholders of the company.

The vision and the objective of the company Elektro Celje and its dependent companies are to introduce modern management principles and the fullest conformity with the advances local and foreign business practices.

Explanations referring to Corporate Governance Code of Companies with State Capital Investment and SSH Recommendations

In 2021, the company's operations did not deviate much from its principles, procedures and criteria prescribed by the above mentioned Code and SSH Recommendations. The company declares it does not fully and consistently act in accordance with the provisions of the Code and recommendation which are regulated for the company by law, but are regulated by the company in compliance with the provisions of the Articles of Association in a different manner than defined by the Code, or in cases when non-binding actions are not prescribed in its acts or when actions are not defined as statutory requirements. The company deviated from the recommendation 6.14 or from the Code 6.9.1 in the composition of the personnel committee where no external expert was included in the committee.

Clarifications in accordance with the Companies Act

In accordance with the provisions of Art. 70 (5) and Art. 56 (11) of the Companies Act (ZGD-1) defining the minimum content of the Corporate Governance Statement, The company Elektro Celje and the Elektro Celje Group provide the following explanatory notes:

1. The Description of the main features of internal control systems and Risk management of the Company and the Group.

Internal controls are orientations and procedures the company Elektro Celje and the Elektro Celje Group conduct all the levels to manage the risks, including those related to financial reporting. The internal control system put in place ensures the reliability of financial reporting in accordance with the applicable law and other external and internal regulations, and its effectiveness. The accounting control is based on authenticity verification, delimitation of competences, control of business operations, keeping records up-to-date, and checking if the balances stated in the accounts correspond to actual value.

The Company and the Group have established a system of internal controls and risk management relating to financial reporting, whereby controls are integrated into business processes and systems. More precisely, controls refer to financial reporting procedures, as defined in the Rules on Accounting, the Rules on Financial operations, and the Rules on the Inventory and some detailed instructions within ISO documents, which, among others, include double control and confirmation of accuracy, completeness and authenticity of transactions proven from the accounts and other financial documentation, accuracy control of the accounts (f.e. by checking if individual items from the accounts correspond to those of business partners, checking if the values booked correspond to their actual values, etc.), and delimitation of competence and accountability (f.e. separate booking of invoices and their payments, as well as obligatory payment confirmation).

Those internal controls are also related to controls incorporated in the information support of the accounting process, and comprise controls and access limitation to data or applications, as well as control of accuracy and completeness of data capture and data processing.

The three-line model determines structures and processes to help the Company and the Group meet their goals, while also strongly supporting business management and risk management. Activities and responsibilities are allocated to three-line holders, whereby the company's management as the first and the second line run and direct the operations and ensure the implementation of the business activity, manage risks (the task of the 'process owners' of risks), and with the assistance of specialist departments ensure complementary expert opinions, support, monitoring and reporting of risk-related challenges. Internal audit, representing the third line of defence, gives independent and impartial assurances, and provides consultations on all target-oriented matters.

The control mechanism for managing risks, the role and the functioning of the internal audit in ensuring an efficient and effective internal audit system is shown in the Section [Internal Audit and Internal Control System](#). Procedures for verifying internal controls relevant for the audit are performed by an authorised audit company during the process of audit.

The Company and the Group manage their risks at target levels by managing risks at all levels, and they take opportunities arising from this process. The management board performs the Risk Policy, and also responds to it adequately and thus it increases the likelihood of meeting their objectives. It enables the risk management process to be part of the management incorporated in the culture and practices and to be adjusted to business processes of the Company and the Group. Each decision-making process in the Company, irrespective of the level of significance, includes consideration of risk and the use of Risk management to a certain extent. The management board is responsible for ensuring orderly risk management for the company Elektro Celje in accordance with relevant legislation and requirements of the asset manager. The board provides adequate organisation and communication in managing risks and adequate professional qualifications of employees to ensure quality risk management. The Management Board and the Risk Management Committee supervise and assess the effectiveness of the risk management process and system. The coordinator of risk management activities is responsible for determining and harmonising necessary activities, and for reporting on eventual risks. Important risks and ways of managing them are shown in the Section [Risk Management of the Company Elektro Celje](#) and in the Section [Risk Management and Types of Risks in the Elektro Celje Group](#).

2. Significant direct and indirect ownership of the Company's securities in terms of achieving a qualified holding as stipulated by the Act regulating acquisitions.

All the Company's shares are ordinary registered no-par value shares giving their holders the right to manage the Company, the entitlement to a dividend and to the payout of the remaining company's assets in case of the company's liquidation. All shares are of the same class, issued in book-entry form and freely transferable.

As of 31st December 2021, the owner of the qualifying holding of the company Elektro Celje, as determined by Takeovers Act, is the shareholder the Republic of Slovenia with its equity stake of 19,232,978 shares or 79.50%.

The Company Elektro Celje has no share scheme for employees.

The Company knows no agreements among the shareholders which could limit the transfer of securities or voting rights.

The Company has no agreements with members of the Management and Supervisory boards that would provide compensation if members resign due to a bid stipulated by the Takeovers Act, or are discharged without valid grounds or their employment is terminated.

3 Clarifications on each holder of securities with special controlling rights

Individual shareholders of the company Elektro Celje have no special controlling rights arising from holding shares of the Company. There are no special agreements that could result in limiting the transfer of shares or voting rights.

4 Clarifications concerning all restrictions on voting rights

The shareholders of the company Elektro Celje have no restrictions on exercising their voting rights.

5. The Company's rules on the appointment and replacement of the Management and Supervisory board members and amendments to the Articles of Association

The Company's rules do not separately govern the appointment and replacement of the Management and Supervisory board members, and amendments to the Articles of Association. The Company fully complies with the applicable legislation.

6. Authorisation to the management board members, in particular the authorisation to issue or purchase treasury shares.

In 2021, the management board of the Company Elektro Celje did not have the authorisation of the General Meeting to acquire treasury shares. The Company held 333,849 treasury shares as of 31 December 2021.

7. Functioning of the Company's General Meeting and its key competences

The Company's General Meeting met only once in 2021. The powers of the General Meeting and the shareholders' rights are stipulated by law and are exercised in the manner as determined by the Company's Articles of Association, the Rules of Procedure of the General Meeting and the Chairperson of the General Meeting.

8. Data on the structure and functioning of the Management and Supervisory Boards and their Committees


A comprehensive presentation of the Management and Supervisory Boards and their Committees is shown in the Section [Supervisory Board Report](#), and a description of diversity policy, in the Management Policy, available on the website www.elektro-celje.si.

9. System of Company's Operations Compliance and Corporate Integrity

A system of Corporate Integrity, including elements defined by the Slovenian Corporate Integrity Guidelines, was established in the company in 2021. Corporate Integrity and the Code of Ethics are described in the Section [Corporate Governance](#).

Compliant with Art. 60 (a) of the Companies Act, the Management Board of the company Elektro Celje ensures the Annual Report of the company Elektro Celje and the Elektro Celje Group for 2021 is compiled and published in compliance with the Companies Act and the Accounting Standards.

Chairman of the Management Board,
Boris Kupec, MSc

A handwritten signature in blue ink, consisting of a stylized 'B' followed by a horizontal line and a small flourish.

BUSINESS REPORT OF THE ELEKTRO CELJE GROUP

PRESENTATION OF THE ELEKTRO CELJE GROUP

In addition to the parent company Elektro Celje, the Elektro Celje Group also consisted of the dependent company ECE (until the end of October 2021), as a supplier of electricity and other energy products, and the dependent company Elektro Celje OVI, as a producer of electricity and engineering provider.

The dependent company ECE

The company ECE, energetska družba, d.o.o. (orig. Ltd.), was established under the Articles of Association on 4 September 2015. The company was founded by the companies Elektro Celje and Elektro Gorenjska. The shareholder Elektro Gorenjska, d.d. (orig. PLC) entered the company Elektro Celje during the process of acquiring its subsidiary Elektro Gorenjska Prodaja by the company Elektro Celje Energija. The equity stake of individual shareholder in the subsidiary's share capital until October 2021 amounted to:

- Elektro Celje, d.d.: 74.3256%.
- Elektro Gorenjska, d.d.: 25.6744%.

ECE Company Profile

Name:	ECE, energetska družba, d.o.o.
Abbreviated name:	ECE d.o.o.
Head office:	Vrunc̃eva 2a, 3000 Celje
Branch Offices:	Celje, Kranj, Kr̃sko, Slovenj Gradec, Velenje, Źirovnica
Telephone:	080 22 04
Email address:	info@ece.si , prodaja@ece.si , podjetja@ece.si
Website:	http://www.ece.si
Entry in the Court Register:	Court Register of Celje District Court, Ref. No. Srg 2011/36741, and changes following the acquisition, Ref-No. Srg 2015/37235.
Nominal capital:	3,436,767.65 EUR
Registration number:	6064892000
VAT identification number:	SI55722679
Company size (according to the provisions of Companies Act - ZGD-1):	large enterprise
Number of employees as of 31. December 2021:	76
Amount of electricity sold in 2021:	2,524 GWh
Number of metering points as of 31 December 2021:	161,563
The director:	MSc Sebastijan Roudi

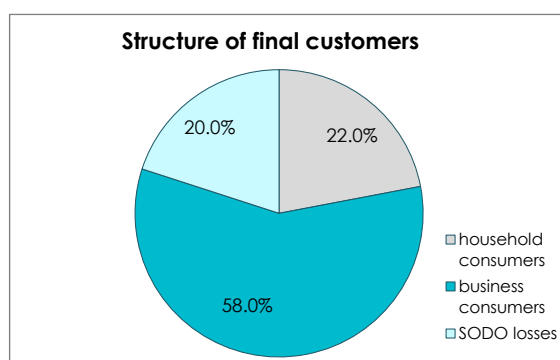
The Operations of the Company ECE

Electricity

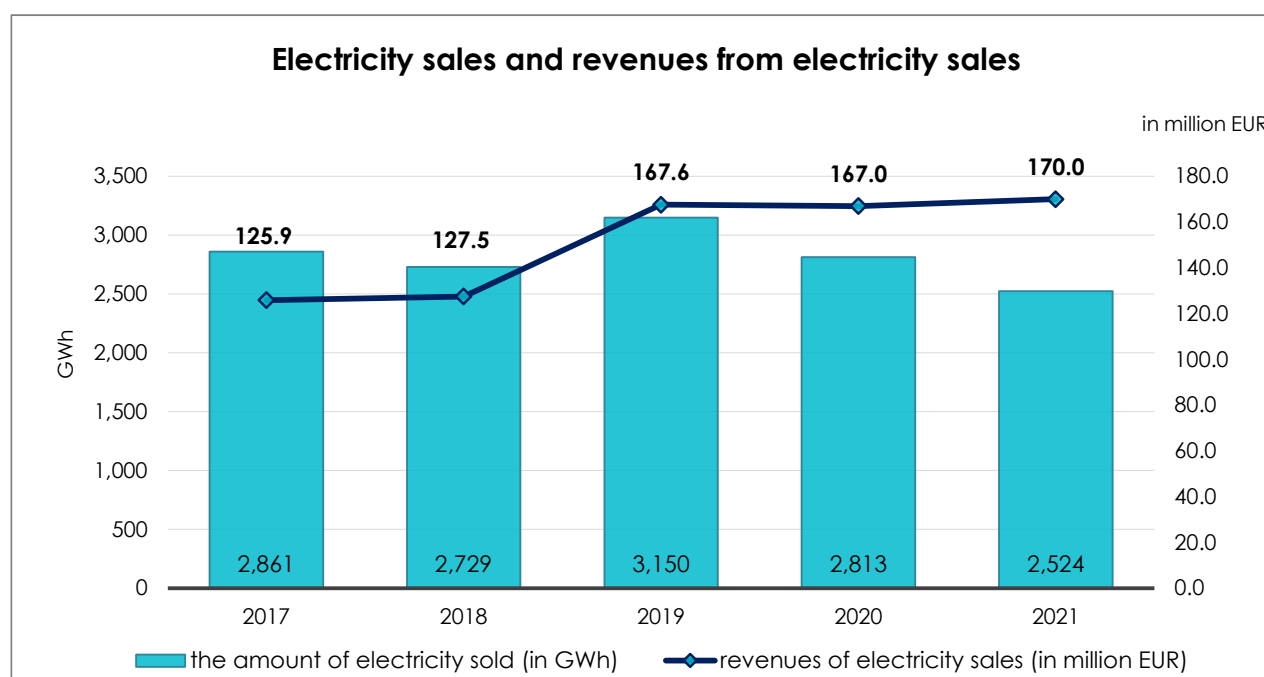
The company ECE supplied electricity to 161,663 metering points in Slovenia, mainly to households in 2021.

2,524 GWh of electricity were supplied (2,091 GWh in the first ten months), of which 58% to large, medium-sized and small business consumers, 22% to households and 20% to the company SODO to cover losses in the distribution network.

Due to the rise in emission coupon prices, the electricity market in 2021 was characterised by a constant price growth. In the last quarter of the year, the prices started to soar, mainly due to market uncertainty of gas supply in the EU and the rise in CO₂ coupons. Over 300 EUR/MWh were traded at the end of the year, and the market situation required withdrawal of major electricity suppliers from the market. Compared to previous years, this meant a large proportion of business consumers, in hope of a price drop, hesitated to conclude their energy supply contracts after the end of 2021. This situation posed increased uncertainty for the company ECE, which has also put a lot of pressure on necessary additional energy purchases in the last two months, since consumption was enormously high.



The company ECE did not raise its electricity prices in 2021. However, it will be necessary to raise electricity prices in 2022. Given the price situation in the market, significant and frequent price increases will be unavoidable in the future.



Natural gas

The price of natural gas rose by more than 25% in the first half of 2021, and reached a steep rise in the second half of the year, due to a slow pace of filling European natural gas storage facilities and the uncertainty about the commencement of Nord Stream pipeline 2. Due to unpredictable market conditions, the supply of natural gas, with its relatively low market share, poses a high level of risk commercially.

Volume and value of natural gas sales	2017	2018	2019	2020	2021
Volume (GWh)	102.0	104.9	185.8	136.2	153.1
Value (in thousand euros)	1,995	2,074	4,405	2,947	3,235

The company ECE supplied 112,7 GWh of natural gas in the first ten months, and 153.1 GWh throughout the year, which was by 12.4% more than in 2020, mainly due to an increased number of households and an increased consumption of natural gas by the existing business consumers. Revenues from the sale of natural gas in the period January-October 2021 amounted to €2.3m, and €3.2m throughout the year.

Our increasing market share in the natural gas market requires a lot of knowledge and managing systemic and non-systemic risks. This market is controlled by a large sole supplier that is at the same time a trader and a supplier. ECE's expectations are to minimise risks and increase its market share. Natural gas is an energy product which will in the future be strongly subject to environmental objectives of the European Union to decarbonise the power generation.

Energy Solutions - self-sufficient solar power plants

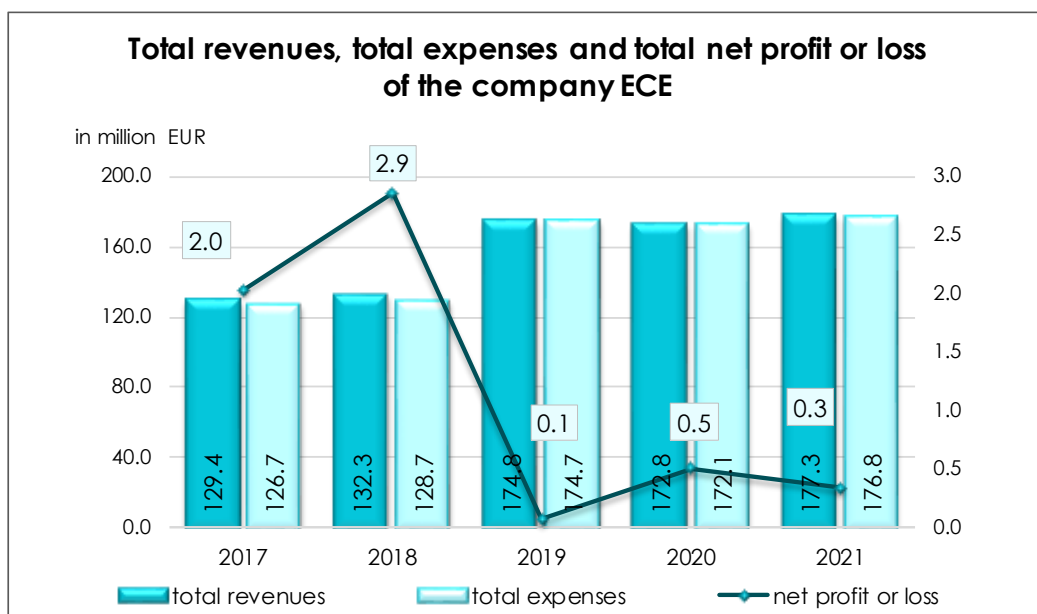
In addition to the provision of self-sufficiency solar power plants and some other energy solutions for small-scale consumers in 2021, the company ECE also provided activities in the field of consulting and sales of larger solar power plants, energy audits and projects of efficient energy use and renovation of heating systems. Due to environmental awareness, rising energy prices in the second half of the year and easier access to investment funds, the market demand for services related to efficient use of energy increased.

Revenues from the sale of energy solutions in the period January-October 2021 amounted to €1.4m, and €1.7m throughout the year, which was up by 114.4% compared to 2020.

Restrictions related to Covid-19 epidemic, limitations and changes of technical conditions for connecting solar power plants to the distribution network, prolongation of procedures to issue approvals, and also issues related to delivery and shortage of equipment and workforce in the second half of the year significantly impacted the company's marketing activities.

Online Store

ECE's online store, called 'ECE shop' recorded sales growth in 2021, mainly due to increased staff who consistently updated its range of products and services on sale and brought some new suppliers. A lot of customers took advantage of the so-called 'ECE bonus' at its average price of 28 euros, which customers could cash in in their purchases over 300 euros. The biggest share of the sales comprised small domestic appliances, computer-related and phone-related products, and leisure time products, mainly due to the availability of payment by instalments. The year 2021 brought numerous challenges in the field of the delivery of products, due to material shortage and production delays. In the first ten months of 2021, the company ECE generated €695,000 of revenues in this field, and €864,000 throughout the year.



The company ECE made a net profit of €3,210,221 in the first ten months of the year 2021, and a net profit of €335,497 throughout the financial year 2021, which was up by 17.8% on the planned profit for 2021.

The Subsidiary Elektro Celje OVI

Elektro Celje OVI, obnovljivi viri in inženiring, d.o.o., is a limited liability company founded by the sole owner, the company Elektro Celje, d.d. It was established on 29 March 2002 for the purpose of electricity generation.

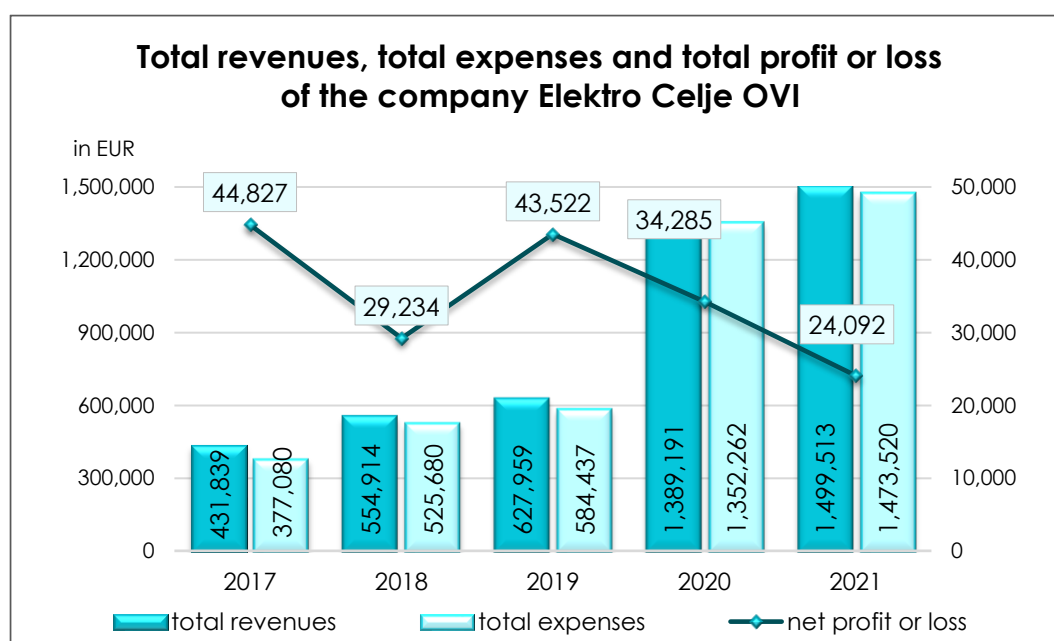
Elektro Celje OVI Company Profile

Name:	Elektro Celje OVI, obnovljivi viri in inženiring, d.o.o.
Abbreviated name:	Elektro Celje OVI, d.o.o.
Head office:	Rimska cesta 108, 3311 Šempeter v Savinjski dolini
Entry in the Court Register:	Court Register of Celje District Court, entry No. Srg 2020/15209
Nominal capital:	72,518.78 EUR
Registration number:	1700758
VAT identification number:	S152011429
Company size (according to the provisions of Companies Act - ZGD-1):	micro company
Number of employees as of 31. December 2021:	9
Number of SHPPs (small hydro power plants)	4
Number of SPPPs (small photovoltaic power plants)	10
Number of CHPPs (combined heat and power plants - cogeneration of heat and electricity):	4
Charging stations for electric vehicles:	7
Amount of electricity produced in 2021 (in MWh):	4,800 MWh
Amount of thermal energy produced in 2021 (in MWh):	1,580 MWh
The director:	Srečko Mašera, univ. dipl. inž. El. (BSEE)

Operations of the Company Elektro Celje OVI

In 2021, electricity generation in SHPPs was above the ten-year average. 36.8% more electricity was generated than planned. Frequent rainy seasons impacted the operation of photovoltaic power plants, since electricity generation from SPPPs was by 3.1% lower than planned. The operation of the plants for combined heat and power generation (CHP) is primarily intended for heating the business premises of the company Elektro Celje. 15.1% more heat production and 20.6% more electricity than planned were generated in 2021.

Customer services in the amount of €938,937 were performed in the fields of measuring earthing systems and electrical installations, e-mobility services, constructing TSs with connecting lines and LV connections and installations of solar power plants, heat pumps and charging stations. Investment activities were mainly focused on the purchase of fixed assets for more efficient customer use or service (lift ladder, electric forklift).



The company Elektro Celje OVI made a net profit of €24,092 in the business year 2021, which was 42.7% of the 2021 plan.

Strategic Challenges and Objectives of the Elektro Celje Group

Strategic Guidelines of the Company ECE

The company ECE faced an important turning point in 2021, namely it strategically merged with the new majority shareholder, the company HSE d.o.o., in the last quarter of the year, and it is going through a vertical integration into the HSE Group.

The most significant strategic guidelines and objectives constituting the cornerstone of business operations of the Company ECE by 2024 are the following:

- keeping the position among the leading electricity providers with more than 16% market share in the end user/consumer segment, increasing the market share in the natural gas segment, compared to 2021,

- generating at least €2.5m of revenues and exceeding €250,000 difference in price, with additional products and services (online store, energy solutions, biomass),
- given the expected end of the health crisis, a gradual increase in return on equity (ROE) and exceeding 10.0% return by 2024,
- upgrading the marketing of new products and services for energy customers, while also focusing on cooperation with other providers in order to provide customers with better contents with increased added value and to enable customer retention in the long run (solar power plants, heat pumps, energy solutions, smart home, e-mobility),
- managing risks in the field of purchase portfolio management (the aim is to optimise volume purchase and consequently to obtain relatively lower deviation costs and good quality of purchasing strategy for large-scale customers), managing recovery by using a dynamic model of credit rating and intensive recovery of small-scale customers, and transfer of a higher share of risks to final customers, particularly business customers.
- adjusting the organisation and business processes in accordance with the implemented vertical integration, with the aim of greater flexibility and better optimisation of the company's business operations, and
- developing the company ECE into a cost-effective, well-organised and high quality information-supported company which will be attractive to several stakeholders in the immediate environment at all times.

Strategic Guidelines of the Company Elektro Celje OVI

The set strategic guidelines of the company Elektro Celje OVI are: increase in electricity generation from renewable energy sources (RES), implementation of engineering services in the energy field, provision of e-mobility services and involvement in development projects.

Increase in electricity generation the company will achieve by improving the efficiency of the existing power plants and/or constructing new RES installations. Renovations of the existing hydro power plants are due to wear and tear at the forefront.

The company is intending to develop market services related to the preparation of project and technical documentation, implementation of electrical installation works, consulting in energy efficiency, and implementation of energy contracting programme.

The installations of charging stations are becoming topical, and are operated by municipalities and companies. The installed public charging stations are included in the company's maintenance and management through the information system "Gremo na elektriko" (Let's switch to electricity).

Business Objectives of the Elektro Celje Group

Operating objectives of the Elektro Celje Group and their achievements	achieved 2020	plan 2021	achieved 2021
ROE (in %) -average equity includes net profit of 2021	2.66	4.35	6.59
share of the total equity / liabilities (in %)	70.13	70.51	76.66
net financial debt / EBITDA (in EUR)	1.60	1.36	1.60
financial debt / equity (in EUR)	0.17	0.20	0.16
sales of electricity (in GWh)	2,842	2,573	2,524
generation of electricity (in MWh)	4,092	3,677	4,800
generation of thermal energy (in MWh)	1,402	1,373	1,580

RISK MANAGEMENT OF THE ELEKTRO CELJE GROUP

Risks of the parent company within the Elektro Celje Group are divided into: strategic, financial and reputation risks.

Strategic risks

Management risks of dependent companies

Elektro Celje d.d. monitored and directed the business operations of the subsidiary ECE d.o.o. as its majority shareholder until October 2021, and the subsidiary Elektro Celje OVI, d.o.o. as the sole shareholder in 2021.

Two 'Supervision Boards' were established to monitor the business operations of the dependent companies. Both boards met according to their needs to address pending issues.

Risks of strategic guidelines of the majority shareholder of the parent company

In 2021, numerous activities were conducted aiming to connect ECE d.o.o. to the strategic shareholder HSE d.o.o. On 14 October 2021, HSE as the buyer and Elektro Celje and Elektro Gorenjska as the sellers signed a contract to sell equity stakes in the company ECE, thus making the company HSE the majority shareholder (51%) of the company ECE d.o.o. The Slovenian Competition Protection Agency also gave its consent to the purchase of a 51% share.

On the one hand, the partnership with HSE as the biggest Slovenian electricity producer and the electricity supplier ECE, has reduced the risks of strategic guidelines of the company Elektro Celje. On the other hand, ECE's entry into the HSE Group opens up access to a reliable source of energy, mainly from renewable energy sources, and access to a vast knowledge resource in developing new products in the energy solutions segment. The capital strength of the HSE Group will allow a great provision of larger, more complex and financially demanding projects. Within the HSE Group, the risks borne by ECE in its long-term purchase activity and the sales of energy products will be reduced.

Financial Risks

In order to reduce the risks of selling ECE's majority stake and achieving fair value, a number of activities were performed:

- In June 2018, the company Elektro Celje commissioned KF Finance d.o.o. to assess the value of ECE's equity. Based on a financial analysis and several projections made for company's three-year business operations, a fair assessment of the company's value was made;
- A sensitivity analysis of the size of all realised synergies was made, which most optimally indicated a long-term strategic cooperation with HSE. This should allow the existing company's owner to gain maximum financial benefit;
- In August 2020, the company Elektro Celje additionally commissioned:
 - the company PricewaterhouseCoopers (PwC) SVETOVANJE d.o.o. to make a market analysis and assessment of the selected sales scenario of a 51% share,
 - the consulting company Grant Thornton Consulting d.o.o. to make an economic study including the presentation and preparation of various sales scenarios of the company ECE, and benefits for the existing owner. Based on the study, the supervisory board of the Company Elektro Celje approved the

selected sales scenario of a 51% share in the company ECE to the company HSE, taking the projected synergies into consideration.

Financial risks are also related to the business performance of the subsidiary Elektro Celje OVI and ECE d.o.o. Effective business operations of the above mentioned companies positively affect the investment value of the company Elektro Celje and financial revenues from profits paid out.

Future expectations: The risk is posed by a possible 'paid-out profit' to the majority shareholder of the company ECE d.o.o. through electricity purchase prices.

The risk is posed by the value of the minority share in the company ECE for the sale or purchase option from the Option agreement with HSE d.o.o. in the period from 1 January 2025 to 31 May 2025, based on the assessed capital value as of 31 December 2024.

Reputation Risk

A possible deterioration of the reputation of the dependent companies might affect the reputation of the entire Group. There were no events recorded in 2021 which would negatively affect the reputation of any of the group's companies or the Group as a whole.

Risks of the Company ECE

Due to the growing energy market, active consumers, dispersed energy sources and significantly greater variability in energy prices, risk management of purchase and sale of energy products, as the two main company activities, has become increasingly important. The company ECE's risk identification is based on the strategic and annual objectives. The company reduces its negative impact on meeting its objectives with a regulated method of risk management.

For the second year in a row, the company has been facing the pandemic and the government's measures to facilitate its consequences. At the beginning of 2022, the company had to face a new form of risk, as a consequence of Russia's attack on Ukraine and subsequent sanctions against the Russian Federation, which has significantly reflected in higher energy prices. In October 2021, the strategic partner HSE d.o.o. entered the ownership structure of the company by buying its majority stake. The change in ownership means the transformation of individual business functions and the company's operations, therefore also the new definition and analysis of all the existing and newly identified risks.

The company ECE is aware of the fact that risks, despite using the best management method, cannot be completely eliminated. However, they can be limited by adopting optimal business decisions. In 2021, the company ECE was largely successful at managing risks, with the exception of the risks described in the paragraph above.

Regulatory Risk

Regulatory risks in the last few years have importantly affected the company's business operations. In accordance with the Rules for the Operation of the Electricity market, a changeover to a 15-minute charging interval on the purchase side entered into force in 2021. However, since trading is only possible by using an hourly interval, this has a significant impact on the cost rise, deviations and purchase offsetting on a daily basis.

The adoption of new System Operating Instructions for the electricity distribution system has a positive effect on risk management regarding the reduction in the required guarantee framework to ensure the payment of the network charge for SODO, however it will also bring several novelties for the electricity market which will increase the number of events and changes in the functioning of the market and consequently in the number of risks.

Operational Risks

Human Resources Risks

Within the personnel policy a lot of attention was paid to managing risks in view of the pandemic. All necessary measures were taken to protect employees and ensure smooth and uninterrupted business operations. In line with the implemented vertical integration, the adjustment of the organisation and business processes is in place, aiming to achieve greater flexibility and better optimisation of the company's business operations. The probability of the occurrence of a personnel risk is assessed as low.

Risks of the Operations and ICT System Security

Regarding the operation of the information systems, the company ECE is exposed to the risks of hosting information systems in a 'cloud' environment, ensuring personal data security (GDPR), and ensuring information security related to cyber intrusions. The risks in 2021 were fully managed.

Financial /Market Risks

The company ECE is exposed to **price risks** due to changes in market prices of electricity and other energy products, which impacts the level of revenue and expenses. Owing to the rise in electricity prices, the costs of balancing the system also increased, which may affect the cost of deviation in 2022, in case such growth continues. The company decreases its price risks by monitoring developments in the energy markets and by timely response, i.e. By leasing energy in the short-term electricity and natural gas market.

Quantity risks are related to deviations of actually taken over and supplied quantities from the planned ones. The Company ECE manages such risks by regularly communicating with large-scale users about their consumption and eventual own cogeneration, by analysing the dependence of consumption on various factors, by changing contractual provisions for customers, of which consumption significantly deviates from the existing contractual provisions, and by actively managing the portfolio of short-term products in the wholesale. In 2022, the risks were managed to the extent to make a profit at the end of the financial year.

Credit risks in 2021 did not pose a serious threat to the company's business performance. To manage such risks, the following measures were taken: introduction of indicators to show the expected future creditworthiness of customers, formation of teams to implement regular recovery and amended contents of contracts with business consumers (buyers) in order to easier obtain insurances.

Liquidity risks of the company ECE increased, mainly due to higher prices of energy products, since a large proportion of business consumers opted for their purchases on the daily market. This posed to the company ECE as a supplier an additional liquidity risk, as

payment terms on stock exchanges are much shorter payment terms and conditions than the ones agreed with consumers. In 2021, such risks were successfully managed.

Risks of the company Elektro Celje OVI

Through constant monitoring and proactive response, the company Elektro Celje OVI successfully manages the risks which could have a negative impact on its business operations and meeting their objectives. Weather conditions affect the operation of small-scale hydro power plants, solar power plants and combined heat and power generation, as well as the implementation of works on solar power plants, heat pumps and charging stations. Due to the pandemic, the company Elektro Celje OVI in 2021 was again confronted with a new type of risk; the pandemic of a disease which had never been experienced in such a wide range and intensity before.

Some business partners slowed down their market activities and shrank the supply of materials, having negative results in the company's operations. The company cannot eliminate such impacts, but it can only limit them by adapting to new work methods.

Key Risks Identified by the Company Elektro Celje OVI

- **Strategy, regulation and legislation:** due to the regulated activity of the company Elektro Celje, its operations are subject to external stakeholders to whom the company has to adapt. With the occurrence of Covid-19 pandemic and the government measures to curb the spread of the virus, market services were severely curtailed in 2021. The company did not have any measures in place to manage such risks.
- There are numerous reasons for **reputational risks**. From inability to provide adequate quality and reliability of electricity or heat supply, failure to meet the set financial and business objectives, unethical and inconsistent conduct of employees, to causing environmental pollution. Such risks are manageable.
- **Operational risks** stem mainly from weather conditions, the implementation of regular maintenance work and investment maintenance, errors made by employees when performing engineering services, and unexpected incidents such as reduction in water potential. Such risks are managed through adequate regulation of operation of individual sources of electricity and heat generation, maintenance and investment works, and through managing employee relations.
- **Credit risks:** the company generates its revenues from the sale of electricity and heat entirely within the Group. Thus, it receives support from the Borzen Stock Exchange. Therefore, its credit risks were fully managed. Credit risks regarding the provision of services are managed through the review of creditworthiness of companies prior to concluding agreements, constant monitoring and active recovery of overdue accounts receivable. After risk management, the risk was assessed as low in 2021.
- **Liquidity risks:** consistency of maturity of short-term assets and liabilities, and consequently the ability to settle overdue liabilities at a certain time were successfully managed by the company. Such risks were assessed as low.
- **Price risks** refer to the company's exposure to changes in market conditions. In addition to unfavourable changes of energy product prices in 2021, the company's business operations were characterised by reducing prices of already ordered market services, which had a negative impact on its operating result.

PERFORMANCE ANALYSIS OF THE ELEKTRO CELJE GROUP

Operating conditions

Impacts of economic environment on the Volume of Electricity Consumption

Despite the continuation of the epidemic in 2021, the closure of the activities was no longer expected, and that was a positive sign in the company ECE to plan the purchase and sales of energy products.

Until the exit of some small-scale suppliers from the market, the competitiveness stayed at the same level as in previous years. Margins obtained from contracts from the time of stable energy prices did not cover the risks of offsetting consumption and deviation costs. Despite a slight improvement of competitiveness and margins at the end of the financial year 2021, concrete changes in contractual relations will be necessary in the future to ensure that energy suppliers will be able to ensure stable supplies at competitive prices in the long run.

Despite the fact that ECE expected deterioration in the liquidity of business entities due to the epidemic and increasing energy prices, the sales of goods was paid regularly, which helped to maintain stability of the company's operations and timely settlement of its liabilities to suppliers.

The impact of the projected economic conditions on electricity and heat generation

The electricity price from RES consists of the operating support and the purchase price of electricity. The Republic of Slovenia financially supports electricity generation in RES and CHP power plants, provided that production costs exceed the prices obtained on the market. The purchase price of electricity defines the market. The energy crisis has caused the rise in natural gas prices, which resulted in rising heat and electricity prices. The company Elektro Celje OVI tried to follow the market prices with its selling prices and to achieve the highest prices possible.

The operation of small hydro power plants (SHPPs) depends mainly on the amount and annual distribution of precipitation. As a result, fluctuations in the value of energy generation occurred among individual years and months. The company has recently recorded a substantial reduction in the quantity of precipitation, resulting in decreased power generation from small hydro power plants.

The operation of small photovoltaic power plants (SPPPs) depends mainly on the amount of solar radiation, which also varies depending on the time of the year. The company increases its efficiency by regular cleaning of modules.

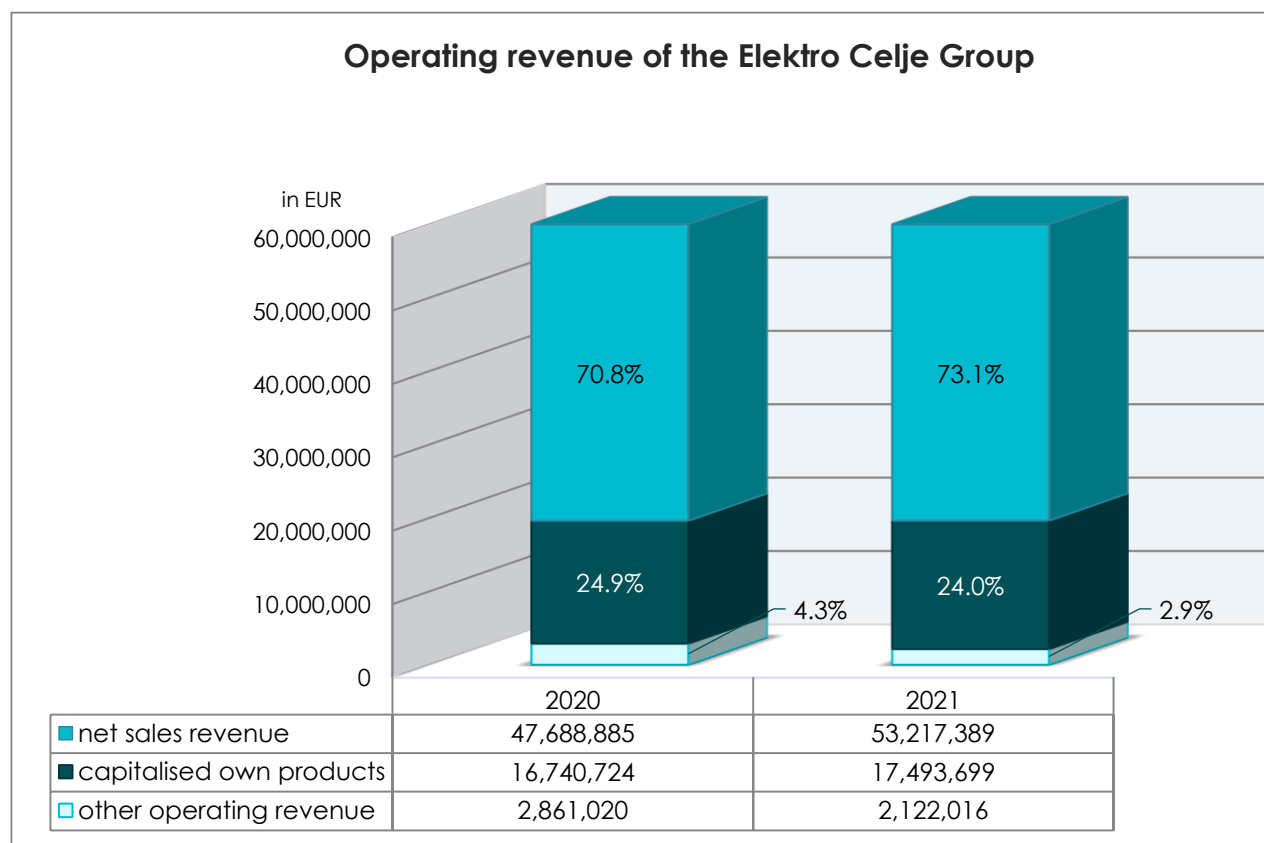
CHP is planned for heating buildings and are to operate in the heating season when the need for heat is the greatest. The most optimal way to operate such plant is its operation throughout the heating season (up to 4,000 working hours), which cannot always be achieved due to fluctuations of outdoor temperature and the need for heat consumption due to the work process.

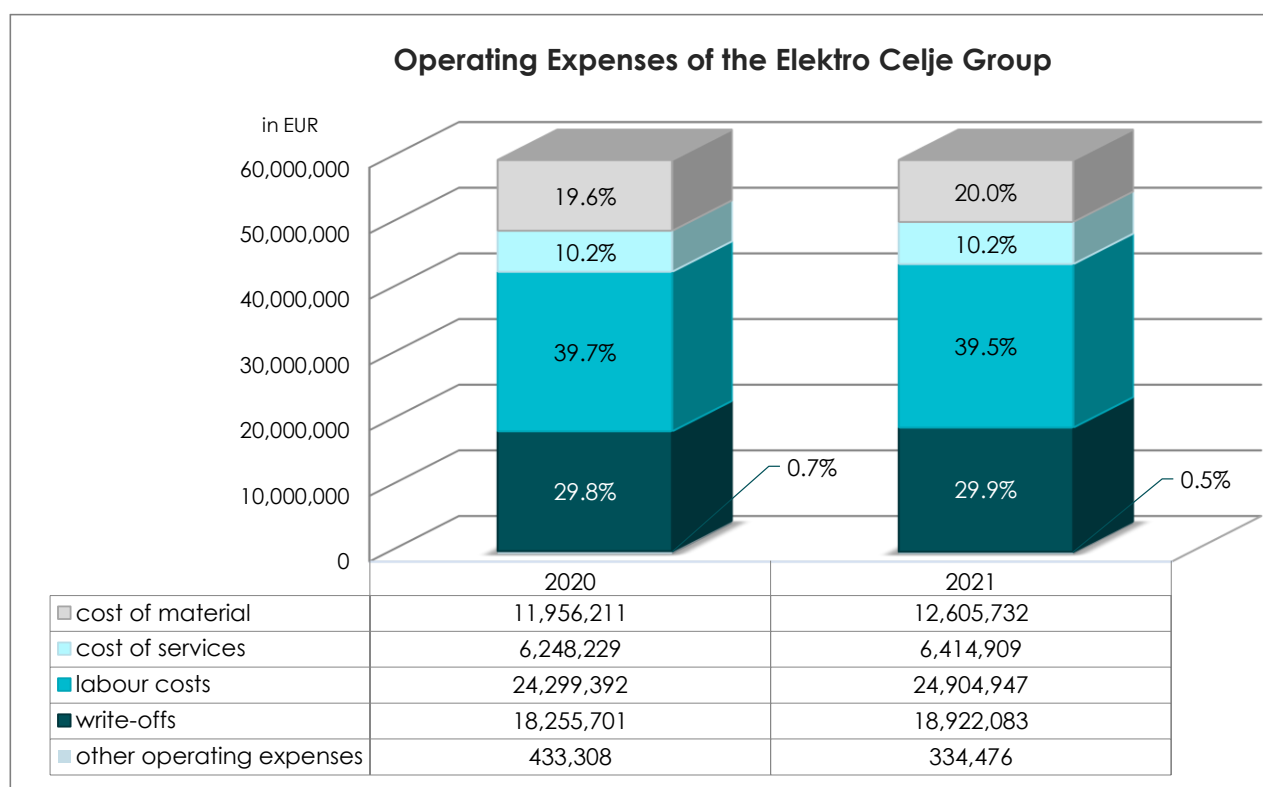
Performance analysis

Profit or Loss

Due to the sale of the majority share of the dependent company ECE, the items of revenues and expenses in the consolidated profit and loss account of the dependent company ECE are stated as discontinued operations, namely in the item Profit or loss from discontinued operations after taxation. In 2021, the company ECE was for the last time included in consolidation. Since 1 November 2021 the company ECE operates as an associate company of the company Elektro Celje, the data in the consolidated statements refer to the ten-month operations of the company ECE.

In 2021, the **operating revenues** of the Elektro Celje Group amounted to €72,833,104, which was 8.2% up on the same revenues in 2020. Higher revenues resulted from €5.6m higher revenues from lease and maintenance of the infrastructure and the implementation of services for SODO, and also from €753,000 of higher **revenues from capitalisation of own products and services**, which were generated by the associate company, as shown in the Section [Performance Analysis of the Company Elektro Celje](#). **Other operating revenues** in the amount of €2,122,016 were by 25.8% lower than the year before, mainly due to lower government financial aid to curb the spread of the Covid-19 virus (€842,027 less than in 2020).





Operating expenses of the Elektro Celje Group amounted to €63,182,147, and were 3.3% higher than the year before. **Costs of material and services** accounting to €19,020,641 were by 4.5% higher than the year before. Due to an increased level of self-directed investments, the material costs in this respect were 2.3% higher, while also the costs of material and maintenance services were 5.1% higher. **Labour costs** compared to the year before were 2.5% higher, mainly due to 20.7% higher accrued costs for unused annual leave with related contributions. **Other operating expenses** in 2021 were 22.8% lower than in 2020, mainly due to lower compensation and rent (€59,713 less than in 2020).

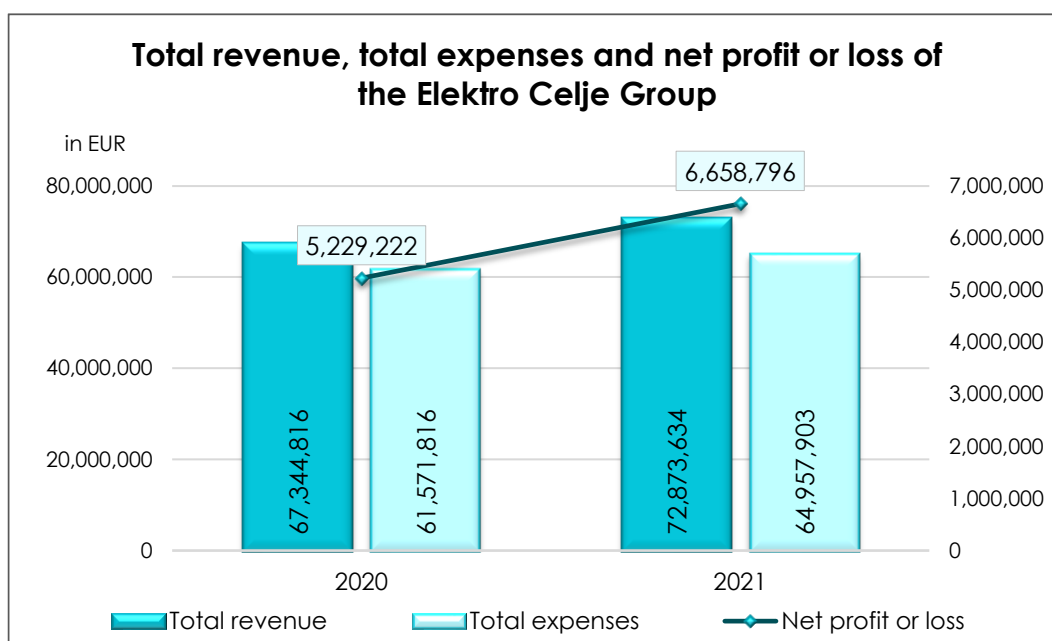
Financial revenues and expenses

Item (in EUR)	the Elektro Celje Group	
	achieved 2020	achieved 2021
share in profits (losses) of associated companies	4,462	-1,336,222
financial revenue	49,725	40,530
financial expenses	-378,975	-439,534
net financial result	-324,788	-1,735,226

Financial revenues in the amount of €40,530 were 18.5% lower than the year before, mainly due to lower revenue from loans and the interest on RF settlement. **Financial expenses** in the amount of €439,534 were by 16% higher than in 2020 mainly due to higher interest rates of bank loans (€7,308 more than in 2020) and the interest on discounting the preliminary settlement deficits for 2021 in the amount of €101,848. The group's financial result also includes a proportional share of loss in the amount of €1,336,222, which was generated by the associate company ECE in the last two months of 2021.

The Elektro Celje Group generated €72,873,634 of total revenue (8.2% more than in 2020). The total expenses of the Group amounted to €64,957,903 (5.5% more than in 2020).

The net profit of the Elektro Celje Group from continuing operations amounted to €6,658,796 in 2021, which was 27.3% more than in 2020. The total net profit of the Elektro Celje Group amounted to €9,738,482 in 2021, which was €3.5m more than in 2020.



Properties and financial position

The balance sheet total of the Elektro Celje Group as of 31 December 2021 amounted to €310,550,570 and was 7.9% lower compared to 2020.

Assets (in EUR)	the Elektro Celje Group				
	31.dec.21	share (in %)	31.dec.20	share (in %)	Index 2021/2020
non-current assets	295,155,943	95.1%	276,137,451	81.9%	106.9
intangible assets	4,321,877	1.4%	5,051,759	1.5%	85.6
tangible fixed assets	279,073,251	89.9%	269,044,455	79.8%	103.7
financial investments	223,359	0.1%	197,021	0.1%	113.4
investments in the associate companies	6,810,216	2.2%	206,987	0.1%	3,290.2
operating receivables	3,293,149	1.1%	129,761	0.0%	2,537.9
deferred tax receivables	1,434,091	0.4%	1,507,468	0.4%	95.1
current assets	15,394,627	4.9%	61,160,540	18.1%	25.2
non-current assets for disposal	311,626	0.1%	48,631,742	14.4%	0.6
inventories	2,542,409	0.8%	1,641,639	0.5%	154.9
operating receivables from customers	10,043,706	3.2%	9,340,270	2.8%	107.5
assets from contracts with customers	327,243	0.1%	114,913	0.0%	284.8
income tax receivables	0	0.0%	85,304	0.0%	0.0
other operating revenues and other assets	508,268	0.2%	681,636	0.2%	74.6
cash and cash equivalents	1,661,375	0.5%	665,036	0.2%	249.8
total assets	310,550,570	100.0%	337,297,991	100.0%	92.1

Financial investment as of 31 December 2021 amounted to €223.359, and compared to 31 December 2020 was €26,338 higher mainly due to the revaluation of the shares of the insurance company Zavarovalnica Triglav d.d. in the amount of €20,128.

Among investments in the associated companies, the Elektro Celje Group as of 31 December 2021, in addition to its investment in the associated company Informatika, d.o.o. in the amount of €206,987, also stated the investment in the associated company ECE in the amount of €6,603,229, which is shown in detail in the Section [5.6.4](#).

Operating receivables in the amount of €3,293,149 were €3.2m higher than in 2020, mainly on account of long-term receivables to the company SODO from the preliminary regulatory frame calculation (orig. RO) for 2021, which is shown in detail in the Section [5.6.7](#).

Non-current assets for sale as of 31 December 2021 amounted to €311,626 and referred to public and street lighting. Due to the sale of a share of the company ECE, as of 31 December 2021, the Group no longer stated disposal assets related to the company ECE in the amount of €47,827,791.

The reasons for the increase in **inventories**, which were on 31 December 2021 54.9% higher than at the end of 2020, are explained in the Section [Performance Analysis of the Company Elektro Celje](#).

Equity and liabilities (in EUR)	the Elektro Celje Group				
	31. 12. 2021	Delež (v %)	31. 12. 2020	Delež (v %)	Indeks 2021/2020
equity	239,289,656	77.1%	236,545,580	70.2%	101.2
long-term liabilities	48,572,437	15.6%	51,387,375	15.2%	94.5
short-term liabilities	22,688,477	7.3%	49,365,036	14.6%	46.0
total equity and liabilities	310,550,570	100.0%	337,297,991	100.0%	92.1

Equity of the group accounted for 77.1% of liabilities, and as of 31 December 2021, amounted to €239,289,656. On 31 December 2021, the group no longer stated the equity of the non-controlling share in the amount of €5,129,034 in its accounts.

Financial liabilities to banks as of 31 December 2021 amounted to €38,240,594 and are shown in detail in the Section [5.6.13](#).

Short-term liabilities in the amount of €22,688,477 were compared to 31 December 2020 lower, since the Elektro Celje Group no longer stated its non-current liabilities related to disposal assets and groups in the amount of €28,912,328 in its accounts, due to the sale of the company's share in the company ECE.

Cash flow statement

Cash flow (in EUR)	the Elektro Celje Group	
	year 2021	year 2020
net operating cash flow	5,757,193	16,773,561
net investing cash flow	-5,603,553	-10,264,000
net financing cash flow	-3,396,103	-3,405,451
net change in cash and cash equivalents	-3,242,463	3,104,110

Cash flow statement of the group in the period from January to December 2021 amounted to - €3,242,463. The group's cash flow balance, taking into account the disposal of the financial assets in the process of discontinued operations in the amount of €4.101.431 as of December 2021, amounted to €1,661,375.

Cash flows from operating activities showed a surplus of receipts over expenditure, while cash flows from investing and financing showed a surplus of expenditure. The negative **cash flow from investing** was mainly due to the expenditure for the acquisition of intangible and tangible fixed assets (€10,400,310), while investment receipts were by €4.3m higher than the year before. The latter include the amount received for the sale of a share of the dependent company ECE (€8,263,530).

The negative **cash flow from financing** was mainly to the repayment of long-term bank loans (€25,472,955) and expenses for paying out dividends (€1,870,069).

Performance Indicators

The ROE indicator in the amount of 4.1 % was by 1.4 percentage points higher than in 2020 (2.7 %), due to the group's €3.5m higher net profit of the group.

The business efficiency indicator showed the efficiency of the group's operations, and amounted to 1.2 in 2021 (1.1 in 2020). The reason for the improved value of the indicator was €5.5m higher gross operating income.

The net financial debt indicator /EBITDA showed that the Elektro Celje Group could - with the cash flow generated in 2021 - have repaid all its financial liabilities in 1.3 year (without investing in the same period), while it would have needed 1.6 year for the same repayment in the previous year.

As of the balance sheet date 31 December 2021, the Elektro Celje Group fulfilled all its contractual financial commitments towards EIB (financial debt/EBITDA < 2,5, financial debt/capital < 0,3, EBITDA/financial expenses from financing liabilities > 12).

A. FINANCING INDICATORS (INVESTMENTS)

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
equity	228,621,568	233,303,669	236,545,580	243,699,006	239,289,656	
liabilities	323,636,596	332,064,289	337,297,991	345,607,864	310,550,570	
equity financing rate	70.64%	70.26%	70.13%	70.51%	77.05%	
sum of equity and long-term debt (including provisions) and long-term accrued expenses and deferred revenue	275,011,009	282,662,797	287,932,955	301,404,046	287,862,093	
liabilities	323,636,596	332,064,289	337,297,991	345,607,864	310,550,570	
long-term financing rate	84.98%	85.12%	85.36%	87.21%	92.69%	

B. INVESTMENT INDICATORS (INVESTING ACTIVITIES)

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
fixed assets (carrying value)	256,998,186	263,833,488	269,044,455	278,841,175	279,073,251	
assets	323,636,596	332,064,289	337,297,991	345,607,864	310,550,570	
operating fixed assets rate	79.41%	79.45%	79.76%	80.68%	89.86%	
sum of fixed assets and long-term accrued income and deferred expenses (carrying value), investment in real property, long-term financial investment and long-term trade receivables	263,488,417	270,622,058	274,629,983	284,174,425	293,721,852	
assets	323,636,596	332,064,289	337,297,991	345,607,864	310,550,570	
long-term assets rate	81.41%	81.50%	81.42%	82.22%	94.58%	
in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
actual investments	24,216,074	25,473,187	26,225,856	26,781,000	27,955,915	
planned investments	22,390,000	23,640,000	25,765,000	26,781,000	26,781,000	
investment realisation rate	108.16%	107.75%	101.79%	100.00%	104.39%	
investing cash flow	24,216,074	25,473,187	26,225,856	26,781,000	27,955,915	
net sales revenues	180,987,203	223,884,495	47,688,885	215,892,852	53,217,389	
CAPEX to net sales revenue ratio*	13.38%	11.38%	54.99%	12.40%	52.53%	





C. HORIZONTAL FINANCIAL STRUCTURE INDICATORS

in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
equity	228,621,568	233,303,669	236,545,580	243,699,006	239,289,656	
fixed assets (carrying value)	256,998,186	263,833,488	269,044,455	278,841,175	279,073,251	
equity to fixed assets ratio	0.890	0.884	0.879	0.874	0.857	
liquid assets	5,584,107	1,799,728	665,036	4,736,542	1,661,375	
current liabilities	48,625,587	49,401,492	49,365,036	44,203,818	22,688,477	
immediate solvency ratio	0.115	0.036	0.013	0.107	0.073	
in EUR	31 Dec. 18'	31 Dec. 19'	31 Dec. 20'	plan 2021	31 Dec. 21'	graphical comparison
sum of liquid assets and short-term receivables	56,014,043	57,422,532	10,887,159	57,476,746	12,540,592	
current liabilities	48,625,587	49,401,492	49,365,036	44,203,818	22,688,477	
quick ratio	1.152	1.162	0.221	1.300	0.553	


D. ECONOMIC INDICATOR

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
operating revenue	199,932,675	241,548,945	67,290,629	233,106,292	72,833,104	
operating expenses	185,024,469	232,270,846	61,192,841	220,945,996	63,182,147	
operating efficiency ratio	1.081	1.040	1.100	1.055	1.153	




E. PROFITABILITY INDICATORS

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
EBITDA	33,122,836	27,866,198	24,353,489	31,455,107	28,573,040	
gross operating profit	199,932,675	241,548,945	67,290,629	233,106,292	72,833,104	
EBITDA margin	16.57%	11.54%	36.19%	13.49%	39.23%	
EBIT	14,908,206	9,278,099	6,097,788	12,160,296	9,650,957	
gross operating profit	199,932,675	241,548,945	67,290,629	233,106,292	72,833,104	
EBIT margin	7.46%	3.84%	9.06%	5.22%	13.25%	
net profit	12,550,115	8,595,312	6,237,847	10,506,938	9,738,482	
average assets	224,195,861	230,962,619	234,924,625	241,574,003	237,917,618	
net return on equity (ROE)*	5.60%	3.72%	2.66%	4.35%	4.09%	
net profit	12,550,115	8,595,312	6,237,847	10,506,938	9,738,482	
average assets	320,879,753	327,850,443	334,681,140	342,192,478	323,924,281	
return on assets (ROA)	3.91%	2.62%	1.86%	3.07%	3.01%	

F. LABOUR PRODUCTIVITY INDICATOR

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
gross added value	58,888,825	53,868,030	48,652,881	58,520,761	53,477,987	
number of staff per hours worked	700.54	689.75	685.48	703.00	711.62	
gross added value per employee*	84,062	78,098	70,976	83,244	75,150	

I. INDICATORS OF COMPLIANCE WITH BANK COMMITMENTS **

in EUR	year 2018	year 2019	year 2020	plan 2021	year 2021	graphical comparison
financial debt	37,758,483	40,224,067	39,735,283	47,445,621	38,240,594	
equity	228,621,568	233,303,669	236,545,580	243,699,006	239,289,656	
financial debt/equity	0.165	0.172	0.168	0.195	0.160	
financial debt	37,758,483	40,224,067	39,735,283	47,445,621	38,240,594	
EBITDA	32,819,106	27,697,812	24,342,642	30,737,537	28,561,397	
financial debt/EBITDA	1.151	1.452	1.632	1.544	1.339	
EBITDA	32,819,106	27,697,812	24,342,642	30,737,537	28,561,397	
financial expenses from financial liabilities	345,724	328,928	307,411	365,001	415,944	
EBITDA/financial expenses from financial liabilities	95	84	79	84	69	

* selected indicators for SSH (orig. SDH) for 2021 are calculated in accordance with SSH methodology, which differ from Slovenian Accounting Standards (in the calculation of average equity the net profit or loss of the period under review is taken into account).

** indicators referring to the commitments to the EIB. The revaluatory operating expenses of current assets are excluded from the calculation of EBITDA.

The indicators are adjusted to IFRS (short-term assets include accrued revenue and deferred expenses, non-current liabilities include provisions and accrued expenses and deferred revenue, with receivables and liabilities for corporate income tax offset).

SUSTAINABLE OPERATIONS OF THE ELEKTRO CELJE GROUP

Staff

The Elektro Celje Group endeavours to employ dedicated and competitive candidates. The Group's job fluctuation was 6.3%, and was mainly due to old-age retirement. The majority of employees in the Elektro Celje Group were full-time employees, only 1.3% of the staff (in the parent company) were under a part-time employment contracts (20 to 30 hours/week). Those were employees with legally recognised rights as persons with disabilities.

As of 31st December 2021, there were 632 employees in the Elektro Celje Group.

Number of employees by status share of employees by gender and average age		
	Elektro Celje, d.d.	Elektro Celje OVI, d.o.o.
number of permanent employees	586	8
number of temporary employees	33	1
number of interns	4	0
total number of employees	623	9
average age	45.12	38
share of female employees	14%	0%
share of male employees	86%	100%

Social Responsibility

In the second year of the pandemic, the Elektro Celje Group dedicated the most support to recipients of donor and sponsorship funds, whose unenviable position had prevented them from optimal methods of trainings and competitions. In line with the Rules on the Allocation of Sponsorship and Donor Funds, the group financially supported sports organisations, while taking into account the principles of balance, economic benefit and sufficient dispersion, and in the case of donor funds the principle of social responsibility.

Sponsorship funds were allocated to sports clubs and associations operating across Slovenia in different sports, in lower and higher categories of sports competition. The Women's Handball Club Z'dežele, the Ice Hockey Skating Association Jesenice, the Handball Club Celje Pivovarna Laško, the Basketball Club Triglav Kranj and the Athletic Association Kladivar Celje are among the highest profile sports categories.



The visit of handball players and the professional management of the Handball Club Z'dežele at the fair MOS in Celje

Environmental Responsibility

Since sustainable development has become a driving force of the progress, the Elektro Celje Group is focused on finding solutions with the least environmental burden for our planet. With its campaign 'Protecting the environment with an e-invoice', the dependent company ECE encouraged the transition from paper to electronic receipt of bills, while also rewarding this shift with a 10-euro discount on a monthly energy bill. Four electric bikes were awarded in the prize game which accompanied the above mentioned campaign. All buyers were opted to supply electricity from 100% of renewable energy sources. The company ECE constructed and commissioned over 130 solar power plants in 2021. Care for environment in the parent company is shown in the Section [Environmental Perspective](#).



Visual communication of the campaign for the transition to e-billing.

Accountability to Customers and the General Public

Customer satisfaction with services is one of the priorities in the Elektro Celje Group. In 2021, the group met the needs of its customers at several levels:

- The company ECE fully digitalised the procedure of concluding electricity and natural gas supply contracts, and thus enabled to its customers a contactless and digitally signed contractual relationship.
- We kept a network of payment spots where customers could pay their bills without paying the commission. There were 86 of such payment spots in 2021.
- The 'ECE bonus' loyalty programme offered a monthly bonus to each electricity customer, which could be redeemed when buying online in the ECE shop.
- The company ECE renewed its online portal 'My ECE', enabling even better control over consumption and the bills, as well as a review of key energy data referring to the buyer's metering point(s). The renewed portal was rated 'excellent' in a test performed by Računalniške novice magazine.

Communication in the parent company is shown in the Section [Social Perspective](#).

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Financial report of the company Elektro Celje

Independent Auditor's Report on Separate Financial Statements of the Company



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

REPORT ON THE AUDIT OF SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Elektro Celje, d.d. (the Company), which comprise the balance sheet as of 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 Elektro Celje, d.d. as of 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 separate financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 separate 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 separate financial statements.

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 17,493,699 EUR in the year ended December 31, 2021 (2020: 16,740,724 EUR).

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

Our response

Our audit procedures included:

- Assessing the guidelines defining additions to tangible fixed assets and construction costs in order to test that they comply with the guidelines prescribed by 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.

BDO Revizija d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.

Okrožno sodišče v Ljubljani, vl.št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.

fixed assets, includes estimation. Estimation of the amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management 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 Slovenian Accounting Standards.

Disclosures regarding this matter are included in note 2.3.b) Tangible fixed assets, note 2.3.o) Revenue and note 2.6.2. Capitalised own services.

- 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.
- Review of the disclosures in the financial statements.

Other information

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

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

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

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

Responsibilities of Management and the Supervisory Board for the Financial Statements

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the 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 MATTERS

Other reporting obligations as required by EU Regulation 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 28, 2019 for the financial years 2019 - 2021. The engagement letter for the three years was signed on October 1, 2019. We have been performing the statutory audit of financial statements for seven years without interruption. The audit partner responsible for the audit is Mateja Vrankar.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 30, 2021.

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, 26 April 2022

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

*(signature on the original
issued in Slovene language)*

Mateja Vrankar, certified auditor
Managing Partner

1 FINANCIAL STATEMENTS OF THE COMPANY ELEKTRO CELJE

1.1 BALANCE SHEET

ACCOUNTING ITEM	Explanatory note:	Amount (in EUR)	
		Balance as of 31. 12. 2021	Balance as of 31. 12. 2020
ASSETS			
A. Long-term assets (I. + II. + III. + IV. + V. + VI.)		290,587,114	278,031,060
I. Intangible assets and long-term prepaid expenses and accrued income (1 to 6)	2.4.1	4,215,592	4,970,713
1. Long-term property rights		4,186,365	4,963,248
4. Intangible assets in development		24,321	0
6. Other prepayments and accrued income		4,906	7,465
II. Tangible fixed assets (1 to 4)	2.4.2	276,712,483	266,511,447
1. Land and buildings (a + b)		202,544,561	196,007,055
a) Land		6,311,161	6,014,819
b) Buildings		196,233,400	189,992,236
2. Production facilities and machines		65,213,333	63,855,002
3. Other facilities and equipment		62,451	58,969
4. Tangible fixed assets in the course of acquisition (a + b)		8,892,138	6,590,421
a) Tangible fixed assets in course of construction and production		8,892,138	6,590,421
IV. Long-term financial investments (1 to 2)	2.4.3	4,931,799	4,911,671
1. Long-term financial investments apart from loans (a + b + c + ĉ)		4,931,799	4,911,671
a) shares and shareholdings in the companies within the group		1,805,952	4,501,454
b) shares and shareholdings in associate companies		2,902,489	206,987
c) other shares and shareholdings		223,358	203,230
V. Long-term operating receivables (1 to 3)	2.4.7	3,293,149	129,761
2. Long-term operating trade receivables from buyers		3,290,360	122,178
3. Long-term operating receivables from others		2,789	7,583
VI. Deferred tax assets	2.4.4	1,434,091	1,507,468
B. Short-term assets (I. + II. + III. + IV. + V.)		13,942,145	15,708,237
I. Assets held for sale	2.4.5	311,626	3,609,473
II. Inventories (1 to 4)	2.4.6	2,456,822	1,592,644
1. Material		2,456,822	1,592,644
IV. Short-term operating receivables (1 to 3)	2.4.7	9,738,343	9,908,308
1. Short-term operating receivables from companies within the group		2,151	63,296
2. Short-term operating trade receivables from buyers		9,310,216	9,142,498
3. Short-term operating receivables to others		425,976	702,514
V. Cash	2.4.8	1,435,354	597,812
C. SHORT-TERM PREPAYMENTS AND ACCRUED INCOME	2.4.9	848,661	213,312
TOTAL ASSETS (A + B + C)		305,377,920	293,952,609

ACCOUNTING ITEM	Explanatory note:	Amount (in EUR)	
		Balance as of 31. 12. 2021	Balance as of 31. 12. 2020
LIABILITIES			
A. Equity (I. + II. + III. + IV. + V. + VI. VII.)		234,602,568	222,482,388
I. Called-up capital (1 to 2)	2.4.10	150,955,090	150,955,090
1. Share Capital		150,955,090	150,955,090
II. Capital reserves	2.4.10	62,260,317	62,260,317
III. Profit reserves (1 to 5)	2.4.10	17,736,482	8,219,247
1. Statutory reserves		5,441,216	4,744,833
2. Reserves for own shares and own interests		886,371	886,371
3. Own shares and own interests		-886,371	-886,371
5. Other profit reserves		12,295,266	3,474,414
V. Reserves resulting from valuation at fair value	2.4.10	-759,747	-693,942
VII. Net profit or loss of the business year	2.4.10	4,410,426	1,741,676
1. Undistributed profit of the business year		4,410,426	1,741,676
B. Provisions and long-term prepaid expenses and accrued income (1 to 3)	2.4.11	18,924,285	19,742,276
1. Provisions for pensions and similar liabilities		7,048,732	6,910,193
2. Other Provisions		197,993	193,843
3. Long-term accruals and deferred income		11,677,560	12,638,240
C. Long-term liabilities (I. + II.+ III.)		29,337,059	31,297,203
I. Long-term financial liabilities (1 to 4)	2.4.12	29,321,223	31,285,192
2. Long-term financial liabilities to banks		29,317,738	31,222,559
4. Other long-term financial liabilities		3,485	62,633
III. Deferred Tax Liabilities	2.4.14	15,836	12,011
Č. Short-term liabilities (I. + II. + III.)		21,760,123	18,723,115
II. Short-term financial liabilities (1 to 4)	2.4.12	8,553,161	8,039,489
2. Short-term financial liabilities to banks		8,504,821	7,721,488
4. Other short-term financial liabilities		48,340	318,001
III. Short-term operating liabilities (1 to 8)	2.4.13	13,206,962	10,683,626
1. Short-term operating liabilities to companies within the group		41,207	80,478
2. Short-term operating liabilities to suppliers		4,590,083	3,305,826
4. Short-term operating liabilities for third party account		3,522,713	3,233,150
5. short-term liabilities to employees		3,358,728	3,128,719
6. short-term liabilities to state and other institutions		1,035,205	304,728
7. short-term operating liabilities based on advances		184,378	138,905
8. Other short-term operating liabilities		474,648	491,820
D. Short-term Accruals and Deferred Income	2.4.15	753,885	1,707,627
TOTAL LIABILITIES (A + B + C + Č + D)		305,377,920	293,952,609

1.2 PROFIT AND LOSS ACCOUNT (INCOME STATEMENT)

ACCOUNTING ITEM	Explanatory note	Amount (in EUR)	
		2021	2020
1. Net sales revenues (a + b)	2.6.1	52,368,583	47,072,367
A. on the domestic market		52,368,583	47,072,367
3. Capitalised own products and own services	2.6.2	17,493,699	16,740,724
4. Other operating revenues (including revaluation operating revenue)	2.6.3	2,097,414	2,819,224
5. Costs of goods, material and services (a + b)	2.6.4	18,612,209	17,988,931
a. Purchase value of sold goods and costs of used material		12,391,615	11,806,061
b. Costs of services		6,220,594	6,182,870
6. Labour costs (a + b + c + d)	2.6.5	24,488,118	23,845,507
a. Costs of salaries		17,645,745	16,864,461
b. Pension insurance costs		2,394,029	2,307,591
c. Other social insurance costs		1,293,830	1,246,216
d. Other labour costs		3,154,514	3,427,239
7. Write-offs (a + b + c)	2.6.6	18,707,657	18,047,436
a. Amortisation and depreciation		18,499,993	17,770,533
b. Revaluation operating expenses of intangible and tangible fixed assets		202,162	266,492
c. Revaluation operating expenses of current assets		5,502	10,411
8. Other operating expenses	2.6.7	277,126	286,580
9. Financial revenue from shares (a + b + c)	2.6.8	5,834,728	53,930
a. Financial revenue from shares in the companies within the group		5,829,696	49,468
b. Financial revenue from shares in other companies		5,032	4,462
10. Financial revenue from loans granted (a + b)	2.6.8	3,321	7,997
b. Financial revenue from loans granted to others		3,321	7,997
11. Financial revenue from opera receivables (a + b)	2.6.8	32,177	41,727
b. Financial revenue from the operating receivables from others		32,177	41,727
13. Financial expenses from financial liabilities (a + b + c + ċ)	2.6.8	408,643	297,980
a. financial expenses related to loans from companies within the group		233	0
b. Financial expenses related to loans from banks		306,508	297,912
ċ. Financial expenses from other financial liabilities		101,902	68
14. Financial expenses from operating liabilities (a + b + c)	2.6.8	23,441	71,048
b. Financial expenses from trade payables and bills of exchange payable		61	20,891
c. Financial expenses from other operating liabilities		23,380	50,157
15. Other revenue	2.6.9	3,556	7,894
16. Other expenses	2.6.10	78,012	129,958
17. NET PROFIT OR LOSS OF THE PERIOD BEFORE TAXATION (1 ± 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16)	2.6.11	15,238,272	6,076,423
18. Income Tax	2.6.13	1,173,039	473,136
19. Deferred taxes	2.6.13	81,995	67,998
20. NET PROFIT OR LOSS FOR THE REPORTING PERIOD (1 ± 2 + 3 + 4 - 5 - 6 - 7 - 8 + 9 + 10 + 11 - 12 - 13 - 14 + 15 - 16 - 18 + 19)	2.6.11	13,983,238	5,535,289

1.3 STATEMENT OF OTHER COMPREHENSIVE INCOME

ACCOUNTING ITEM (in EUR)	Amount (in EUR)	
	2021	2020
1. Net profit or loss of the reporting period	13,983,238	5,535,289
3. Changes in reserves resulting from valuation at fair value	16,304	-7,912
- Revaluation of financial investments measured at fair value through equity	20,128	-9,768
- Adjustment to reserves resulting from valuation at fair value for deferred tax liabilities	-3,824	1,856
5. Other components of comprehensive income	-137,686	-19,832
- Actuarial gains/losses in provisions for severance pays	-146,305	-17,225
- Impact of deferred tax on actuarial gains/losses in provisions for severance pays	8,619	-2,607
6. Total comprehensive income of the period (1 + 2 + 3 + 4 + 5)	13,861,856	5,507,545

Explanatory Notes to the Statement of Comprehensive Income are shown in the Section Statement of Comprehensive Income (Section [2.6.12](#)).

1.4 CASH FLOW STATEMENT

ACCOUNTING ITEM	Amount (in EUR)	
	2021	2020
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	96,201,531	103,142,903
Inflows from sales of products and services	94,276,908	100,976,220
Other inflows from operating activities	1,924,623	2,166,683
b. Outflows from operating activities	-91,323,139	-89,570,318
Purchase of material and services	-61,613,343	-59,402,252
Salaries and employees' shares in profit	-23,246,551	-22,196,973
Duties and taxes (contributions and other taxes)	-5,188,117	-6,721,901
Other outflows from operating activities	-1,275,128	-1,249,192
c. Positive or negative cash flow from operating activities (a + b)	4,878,392	13,572,585
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a. Inflows from investing activities	9,314,831	454,878
Inflows from interest and dividends received relating to investing activities	426,219	4,495
Inflows from disposals of tangible fixed assets	625,082	450,383
Inflows from disposals of financial investments	8,263,530	0
b. Outflows from investing activities	-10,182,867	-10,543,223
Expenditure for the acquisition of intangible assets	-2,082,138	-3,408,760
Expenditure for the acquisition of tangible fixed assets	-8,100,729	-7,074,463
Purchase of financial investments	0	-60,000
c. Positive or negative cash flow from investing activities (a + b)	-868,036	-10,088,345
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Receipts from financing activities	25,677,442	25,391,839
Receipts from the increase in financial liabilities	25,677,442	25,391,839
b. Outflows from financing activities	-28,850,256	-28,692,761
Interest paid on financing activities	-309,650	-326,837
Repayments of financial liabilities	-26,798,930	-25,431,319
Payments of dividends and other profit shares	-1,741,676	-2,934,605
c. Positive or negative cash flow from financing activities (a + b)	-3,172,814	-3,300,922
Č. CLOSING CASH BALANCE	1,435,354	597,812
Net cash flow for the period (sum of the net cash flows Ac, Bc and Cc)	837,542	183,318
Opening cash balance	597,812	414,494

Explanatory Notes to the Cash Flow Statement are shown in the section Explanations to Cash Flow statement (Section [2.7](#)).

1.5 STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY since 1 January 2021 to 31 December 2021 (in EUR)		Called-up capital	Capital reserves	Profit reserves				Reserves resulting from valuation at fair value	Retained profit or loss		Net profit or loss of the business year	Total
		Share Capital		Legal reserves	Reserves for own shares and interests	Own shares and interests	Other profit reserves		Retained net profit	Retained net loss	Net profit of the business year	
A.1.	Balance at the end of the previous reporting period	150,955,090	62,260,317	4,744,833	886,371	-886,371	3,474,414	-693,942	0	0	1,741,676	222,482,387
A.2.	Balance at the beginning of the reporting period	150,955,090	62,260,317	4,744,833	886,371	-886,371	3,474,414	-693,942	0	0	1,741,676	222,482,388
B.1.	Changes in equity - transactions with owners	0	0	0	0	0	0	0	-1,741,676	0	0	-1,741,676
g)	Payment of dividends	0	0	0	0	0	0	0	-1,741,676	0	0	-1,741,676
B.2.	Total comprehensive income in the reporting period	0	0	0	0	0	0	-121,382	0	0	13,983,238	13,861,856
a)	Input of the net profit or loss for the period	0	0	0	0	0	0	0	0	0	13,983,238	13,983,238
c.	Changes in reserves resulting from valuation of financial investments at fair value	0	0	0	0	0	0	16,304	0	0	0	16,304
c.	Other components of comprehensive income of the reporting period	0	0	0	0	0	0	-137,686	0	0	0	-137,686
B.3.	Changes in equity	0	0	696,383	0	0	8,820,852	55,577	1,741,676	0	-11,314,488	0
a)	Allocation of the remainder of net profit in the comparative reporting period to other equity components	0	0	0	0	0	0	0	1,741,676	0	-1,741,676	0
b)	Allocation of a part of net profit in the reporting period to other equity components in line with the decision of the management and supervisory boards	0	0	696,383	0	0	8,820,852	0	0	55,577	-9,572,812	0
f)	Other Changes in equity	0	0	0	0	0	0	55,577	0	-55,577	0	0
C.	Balance at the end of the reporting period	150,955,090	62,260,317	5,441,216	886,371	-886,371	12,295,266	-759,747	0	0	4,410,426	234,602,568
	DISTRIBUTABLE PROFIT	0	0	0	0	0	0	0	0	0	4,410,426	4,410,426

Explanatory Notes to the Statement of Changes in Equity are shown in the section Disclosures in the Statement of Changes in Equity (section [2.8.](#)).

STATEMENT OF CHANGES IN EQUITY since 1 January 2020 to 31 December 2020 (in EUR)		Called-up capital	Capital reserves	Profit reserves				Reserves resulting from valuation at fair value	Retained profit or loss		Net profit or loss of the business year	Total
		Share Capital		Legal reserves	Reserves for own shares and interests	own shares and interests	Other profit reserves		Retained net profit	Retained net loss	Net profit of the business year	
A.1.	Balance at the end of the previous reporting period	100,953,201	62,260,317	4,470,302	886,371	-886,371	50,001,889	-710,867	0	0	2,934,605	219,909,447
A.2.	Balance at the beginning of the reporting period	100,953,201	62,260,317	4,470,302	886,371	-886,371	50,001,889	-710,867	0	0	2,934,605	219,909,447
B.1.	Changes in equity - transactions with owners	0	0	0	0	0	0	0	-2,934,605	0	0	-2,934,605
g)	Payment of dividends	0	0	0	0	0	0	0	-2,934,605	0	0	-2,934,605
B.2.	Total comprehensive income in the reporting period	0	0	0	0	0	0	-27,744	0	0	5,535,289	5,507,545
a)	Input of the net profit or loss for the period	0	0	0	0	0	0	0	0	0	5,535,289	5,535,289
c.	Changes in reserves resulting from valuation of financial investments at fair value	0	0	0	0	0	0	-7,912	0	0	0	-7,912
c.	Other components of comprehensive income of the reporting period	0	0	0	0	0	0	-19,832	0	0	0	-19,832
B.3.	Changes in equity	50,001,889	0	274,531	0	0	-46,527,475	44,668	2,934,605	0	-6,728,218	0
a)	Allocation of the remainder of net profit in the comparative reporting period to other equity components	0	0	0	0	0	0	0	2,934,605	0	-2,934,605	0
b)	Allocation of a part of net profit in the reporting period to other equity components in line with the decision of the management and supervisory boards	0	0	274,531	0	0	3,474,414	0	0	44,668	-3,793,613	0
f)	Other Changes in equity	50,001,889	0	0	0	0	-50,001,889	44,668	0	-44,668	0	0
C.	Balance at the end of the reporting period	150,955,090	62,260,317	4,744,833	886,371	-886,371	3,474,414	-693,943	0	0	1,741,676	222,482,387
	DISTRIBUTABLE PROFIT	0	0	0	0	0	0	0	0	0	1,741,676	1,741,676

Explanatory Notes to the Statement of Changes in Equity are shown in section Disclosures in the Statement of Changes in Equity (section [2.8](#)).

2 EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY ELEKTRO CELJE

2.1 Reporting Company

The company Elektro Celje is headquartered in Slovenia, at Vrunčeva 2a, 3000 Celje. The company's main activity is to ensure long-term network capacity and to reliably, safely and effectively supply electricity to its consumers through its planning, developing, managing and operating, and maintaining the distribution network area of the company Elektro Celje. The company has concluded a contract with SODO d.o.o., a public utility company, to perform SODO activities on the lease of electricity distribution infrastructure and the provision of services for the system operator of the distribution network. The company's activities are focused on research and innovation, through collaboration in international projects, which provide grants from various European funds.

The company's Financial Statements were prepared for the business year ending on 31 December 2021, based on the ongoing concern assumption.

The company Elektro Celje, as the parent company of the Elektro Celje Group, also compiled the Consolidated Financial Statements. In 2021, the dependent company ECE was for the last time included in the consolidation. The equity stake of the company Elektro Celje in the company ECE was reduced to a 36.4195% share (a 74.3256% share prior to the share disposal), and the company ECE has been operating as an associate company of the company Elektro Celje d.d. since 1 November 2021.

The Annual Report of the company Elektro Celje and the Elektro Celje Group is available on the website <https://www.elektro-celje.si/si/elektro-celje/letna-porocila>.

2.2 Bases for the Preparation of the Financial Statements

a) Declaration of conformity

The company's Financial Statements were prepared in accordance with the Slovenian Accounting Standards 2016 (hereinafter: SAS 2016), with the corresponding positions and interpretations adopted by the Professional Council of the Slovenian Institute of Auditors, and in line with the provisions of the Companies Act (hereinafter: ZGD-1). The company operates in accordance with the regulations in the energy field (EZ-1, ZOEE, Act on determining the methodology for charging network charges and the methodology for defining network charges and criteria for determining eligible costs for electricity networks), and regulations that apply in the fields of accounting, finance and taxation. The company consistently applies the accounting policies, selected in the accounting rules, and eventual changes in accounting policies are duly disclosed.

b) Reporting by business and geographical segments

In compliance with the regulations of the energy legislation, the company provides accounting monitoring and reporting by areas; for the activity of the system operator of the distribution network separately from the market activity.

The Income Statement, the Balance Sheet and the Cash Flow Statement are shown by activities in the Notes to the Financial Statements in the section Disclosures under the

Energy Act (section [3](#)). The criteria for allocating direct and indirect costs, expenses, revenues, assets and asset sources are clarified and disclosed by individual activities. The activities are considered as business segments according to SAS 2016, while the company does not have geographical segments.

c) Basis for Measurement

The Financial Statements are prepared on a historical cost basis, except for financial instruments, of which prices are quoted in an active market and their values can be measured reliably. Therefore, they are measured and calculated at fair value.

The Financial Statements reflect a true and fair view of the company's financial state, its profit or loss and cash flows. They are drawn up on the basis of the fundamental accounting assumptions; the occurrence of a business transaction event and the going concern of the company's operations. The principles of comprehensibility, relevance, reliability and comparability are taken into account.

d) Functional and presentation currency

The Financial Statements are made and presented in euros (EUR), which is also the functional currency of the company. All the accounting data, presented in EUR are shown as rounded-off figures.

Due to rounding of value data (figures), some insignificant deviations in the totals of the tables may occur. The Financial Statements show comparable information with respect of the previous period.

e) Use of estimates, assumptions and significant insecurities in the operations

USE OF ESTIMATES AND ASSUMPTIONS IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of the Financial Statements in accordance with SAS 2016 require the use of estimates and assumptions which impact the carrying amount of the reported assets and liabilities on the reporting date, and also the amount of revenues, costs, expenses in the reporting period. Estimates and assumptions are based on the best knowledge of current and future events and activities, and are regularly reviewed, with adjustments recognised in the period of the change, and are valid for all future periods, affected by such change. Significant estimates and assumptions are related to:

- estimate on the useful life of depreciable or amortisable assets
(Explanatory Note [2.4.1](#), [2.4.2](#) and Accountancy Guidelines [2.3.a](#), [2.3.b](#));
- determining discount rates and lease duration
(Explanatory Note [2.4.2](#) and Accountancy Guidelines [2.3.c](#));
- measuring valuation adjustments of trade receivables
(Explanatory Note [2.4.7](#) and Accountancy Guidelines [2.3.h](#));
- assessment of long-term employee benefits and provisions for lawsuits and formation and elimination of long-term accruals and deferred income
(Explanatory Note [2.4.11](#) and Accountancy Guidelines [2.3.k](#));
- measuring deferred tax assets and liabilities

- determining contingent liabilities
(Explanatory Note [2.4.4](#), [2.4.14](#) and Accountancy Guidelines [2.3.e](#)),
- valuation of financial investments
(Explanatory Note [2.4.16](#), and Accountancy Guidelines [2.3.e](#)) and
(Explanatory Note [2.4.3](#) and Accountancy Guidelines [2.3.d](#)).

REGULATORY FRAMEWORK FOR 2021

The company obtained the majority of its revenues from lease contracts for electricity distribution infrastructure and the provision of services for the distribution operator and related annexes, concluded with the company SODO to perform public utility services within SODO activities.

The Energy Agency has the competence to determine methodology for calculating network charge and eligible costs of SODO performers, based on the energy legislation. The Council of Energy Agency adopted the Act on the Methodology to Determine the Regulatory Framework and Methodology to Calculate Network Charge for Electricity Operators (Official Journal of the RS, No. 46/18, 47/18-amended, 86/18, 76/19, 78/19 - amended, 85/20, 145/21 and 172/21 - ZOOE, hereinafter: the Network Charge Act), on which basis the Energy Agency, under the decision No. 211-42/2108-58/452 (as of 11 December 2018), also defined the Regulatory Framework for the period 2019-2021.

In the calculation of the regulated return on assets, the weighted average costs of capital before taxation (WACC) in the amount of 5.26% was taken into account. Due to the determination of a lower rate of return on the new electricity infrastructure (EI) than in the previous regulatory period (7.14%), there was a downward trend in the yield growth, which also covered the costs and expenses of the regulated company's activity not recognised by the Energy Agency.

Controlled eligible costs of the operation and maintenance remained determined on the basis of average realised eligible costs in the period 2011-2013, and varied depending on the efficiency factor, the rate of inflation, changes in the length of power lines, number of substations and users. Uncontrolled costs also included 10% of costs to remove loss events, revaluation of operating expenses related to trade receivables from network charges up to 0.5% of network charges billed for the distribution system, revaluation of operating expenses for fixed assets of electricity infrastructure, membership fees prescribed by law and compensations for the use of building land. In the field of investments in research and innovation, costs for qualified projects under the Energy Agency were recognised and taken into consideration (EU grants). These included innovations in smart networks to enable better use of the existing EI and renewable energy sources, and in research and demonstrative projects to provide wider societal benefits and savings in the use of end-user network and to ensure more effective investments in the network.

Obtaining state and EU grants, including investment funds, is crucial for network development, while it also relieves consumers and lowers the need for network charge to plan new investments. In 2021, the company received €8,324 of incentives for non-returnable funds acquired (€10,274 in 2020).

The field of stimulations or penalties for managing the amounts of electricity losses in the network is regulated under the contract between the company and SODO d.o.o. Revenues in respect thereof amounted to €654,874 in 2021 (€573,594 in 2020).

Doing business with the company SODO

Since 2007, the company SODO d.o.o. has operated as a concessionaire for the implementation of the public utility service of the system operator of the electricity distribution network in the territory of Slovenia. The company Elektro Celje, as the owner of electricity distribution infrastructure, concluded a new Contract on the Lease of Electricity Distribution Infrastructure and the Implementation of Related Services with the company SODO on February 2020. In line with the provisions of the contract, the contractual parties also signed Annex No.1, defining the amount of the rent and the scope of services in the distribution network for the regulatory period 2019-2021.

In March 2022, in accordance with the Contract and the Annex thereto, the company received from SODO d.o.o. the preliminary settlement for the regulatory year 2021, which was performed on the basis of the data from not yet closed Financial Statements of the company. Arising from the preliminary settlement, the contract value of services and the lease was already charged in the amount €3,726,257 lower than the value determined on the basis of the provisions of the Network Charge Act. In March 2020, the company issued an invoice for the calculated deficit, and it recognised additional revenue and receivables from SODO for 2021, for the amount of the identified difference. In terms of content, these are eligible costs for 2021 not covered by the network charges that were billed to the electricity consumers, and which the Energy Agency will include in the calculation of tariff rates of network charges for the future regulatory periods. By the end of the year, the network charge deficit will be settled in the amount of €1,777,081 (one third of the estimated deficit for 2021, calculated based on the share of the eligible costs of the company in all eligible costs of the distribution system for the RF 2019-2021, amounting to 16.86%), of which was €334,196 of the preliminary settlement. The rest of the preliminary settlement for the regulatory year 2021 will be settled in the following regulatory period. The final settlement for the regulatory year 2021 will be based on the audited figures of both contractual parties and the decision made by the Energy Agency.

In 2021, the company received from the distribution network system operator the settlement of the final deviations of the regulatory year 2019 (in the amount of -€ 92,251) and the regulatory year 2020 (in the amount of €9,450), which were both included in the contract value for RF 2022.

The short-term part of long-term receivables from SODO, which fell due in 2021, amounted to €95,161 (the rest of the deficit of the preliminary settlement for 2015).

THE IMPACT OF THE COVID-19 EPIDEMIC ON THE BUSINESS YEAR 2022

The realisation of adverse events due to Covid-19 epidemic was in the company of lesser significance. The company's operations were mostly uninterrupted, the company achieved the planned operating result. As there were no risks posed on the going concern, the company used the provisions of SAS 2012 to measure its assets and liabilities.

Covid-19 epidemic did not affect the company's liquidity risk. The company managed its assets and investments in a way to be able to meet all its outstanding liabilities at any time with the lowest possible balance of its funds on its bank accounts. Cash flow was planned monthly, weekly and daily, as part of implementing a policy of regular liquidity management. The age structure of receivables did not change significantly at the end of 2021 compared to 31 December 2020. Newly formed adjustments of short-term receivables amounted to €2,852 in 2021 (€6,074 in 2020).

The company regularly monitored its financial commitments set out in loan contracts. Failure to meet the indicators on the balance sheet cut-off date could have led to a change in contractual provisions, such as a change in the loan repayment and interest rates. Covid-19 epidemic did not affect the company's financial commitments in 2021, neither did the company's financial state and cash flow.

Received state subsidies to curb and eliminate the consequences of Covid-19 epidemic in the amount of €66,728 (€891,722 in 2020), including received refunds of sickness allowance from the Health Insurance Institute of Slovenia in the amount of €1,541 (Art. 56 of the Act Determining the Intervention Measures to Contain the Covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (hereinafter: ZIUZEOP) and Art. 20 of the Act Determining Temporary Measures to Mitigate and Remedy the Consequences of Covid-19 (hereinafter: ZZUOOP)) included received refunds of the Employment Service of the RS in the amount of €65,187 (Art.13 of the Act Determining Intervention Measures to Prepare for the Second Wave of Covid-19 (hereinafter: ZIUPDV and Art. 57 of the ZZUOOP). There were no risks of recovering state aid.

The Impact of Covid-19 Epidemic on the Regulatory Year 2021

By amending the Network Act (Official Journal of the RS No. 85/20 as of 12 June 2020) for the regulatory years 2020 and 2021, the limit on revaluation of operating expenses related to trade receivables from network charges increased from 0.2% to 0.5% of the network charges billed. They amounted to €4,843 in 2021, which was 0.01% of the network charges billed for the territory of the Elektro Celje distribution system (€10,990 in 2020).

According to the network act amendment, the state subsidies received to mitigate the epidemic were included in other revenues, and were therefore intended to cover previously recognised eligible costs for the activity of the distribution operator and not to cover additional costs arising from the epidemic. Other revenues arising from the state aid provided for SODO activity amounted to €46,177 in 2021 (€635,669 in 2020).

f) Changes to Accountancy Policies

The company did not amend its accountancy policies in 2021.

2.3 Significant accounting policies

The company has been using SAS 2016 for the presentation and valuation of the items of the Financial Statements since 1 January 2016. The company does not apply any accounting policies which do not comply with individual accounting standards SAS 2016. In selecting accounting policies, the company takes into account the precautionary principle, priority of content over form and significance of business event. The items for

which SAS 2016 give the company the possibility to choose among different valuation methods are defined by accounting policies which are disclosed in individual items of the Annual Report.

The company disclosed all significant items in accordance with SAS 2016 provisions, and the significance of individual items was defined in the accounting rules. When disclosing balance sheet items, there were values of important transactions or business events exceeding 2% of the value of assets or liabilities on the balance sheet date, and in the Income Statement these were the items of which values exceed 2% of all revenues or expenses of the business year.

a) Intangible long-term assets and long-term prepayments and accrued income

An intangible asset is a non-monetary asset which as a rule does not take physical form and occurs as an intangible long-term asset. The company's intangible long-term assets include identified long-term property rights (mainly investments in software), assets of this kind in preparation and prepayments and accrued income (long-term deferred expenses). The investments in the rights in rem of real estate are based on SAS 2.39 disclosed in the balance sheet in the item land and buildings.

Recognition and derecognition of intangible assets

An intangible asset is recognised if it is probable that any subsequent economic benefit will arise from the asset, and its purchase value can be measured reliably. Recognition is rederecognised upon disposal or when no economic benefits are expected from its use or subsequent disposal.

Initial accounting measurement and measurement after recognition

An intangible asset is initially recognised by its purchase value, including import and non-returnable purchase duties after deducting any discounts and all directly attributable costs of preparing the asset for its intended use. The purchase value is subsequently reduced by amortisation adjustments.

Amortisation and useful life

All intangible assets are amortizable assets with a finite useful life. The straight-line method of amortisation is used, and the amortisation basis is equal to the purchase value of intangible assets. Amortisation of intangible assets begins on the first day of the month following the month when the asset is available for use. Amortisation, calculated for each individual amortisation period, is recognised as a cost or operating expense from this amortisation period.

Significant groups of amortizable intangible assets	Estimated useful life in years	Amortisation rate in %
Computer software	3	33.33
Rights in rem on immovable property	100	1.00
Rights to use facilities	30	3.33

Due to impairment, the company, as a rule, revalues intangible long-term assets as soon as their book value exceeds recoverable amount.

Long-term prepayments and accrued income include the amounts of deferred expenses or costs referring to a period longer than one year, and are therefore not included in the profit or loss.

b) Tangible fixed assets

A tangible fixed asset is an asset owned, leased or in any other way controlled by the company, and is also used to provide services or lease or it is used for office purposes and is therefore expected to be used for this purpose for more than one accounting period. The groups of tangible fixed assets refer to immovable property (land, buildings), equipment and other tangible fixed assets and investments in acquiring such assets and receivables for advances under this item. Tangible fixed assets also include some types of small tools of which useful life is longer than one year (convenient tools and devices).

Recognition, initial measurement and derecognition of tangible fixed assets

A tangible asset is recognised if it is probable that any subsequent economic benefit will arise from the asset, and its purchase value can be measured reliably. A tangible fixed asset is valued upon its initial recognition by its purchase value consisting of the purchase price, import and non-returnable purchase duties and costs that are directly attributable to the activities necessary for the asset's intended use. The purchase value also include borrowing costs related to the acquisition of a new tangible fixed asset for those fixed assets for which the period from the date of the provision of a service of the first invoice for a construction assembly service or equipment to bringing the fixed asset into use is longer than one year, for the period from the maturity date of an individual invoice to the date when a fixed asset is put into use, whereby its capitalisation rate is calculated for each individual investment, taking into account the weighted average rate of investment loan repayments in the current year. If the purchase value of a fixed asset is relevant, it shall be divided into its parts. If these parts have a different useful life and/or patterns of use, significant in relation to the whole purchase value of the tangible fixed asset, each part is dealt with individually.

Land is valued by its purchase value, including paid real estate transfer tax and fees for Land Registry entry. The purchase value of construction buildings includes expenses for the purchase, construction or extension of facilities, expenses for project and other related documentation on which basis the purchase, construction or extension is carried out, expenses for land management, necessary permits to install connections, and other costs which are directly attributable to bringing an asset into use. Expenses on the acquisition of the land where facilities are located are excluded in this value, as well as expenses on the acquisition of the land intended for access to construction facilities or other needs regarding their use. The purchase value includes expenditure for the purchase, manufacture or finishing of equipment, delivery and assembly costs, and other expenses occurring during purchase, manufacture or finishing.

The purchase value of a tangible fixed asset, constructed or produced in the company, consists of costs originating from its construction or manufacture, and indirect costs of its construction or manufacture attributable to the asset. It does not include costs not connected with its construction or manufacture, and costs not recognised by the market. The purchase value of such fixed asset cannot be higher than the value of the same or

similar fixed assets available in the market. The investments implemented in the company are divided into renovations, comprising major repairs of fixed assets due to wear and tear, replacements and capacity increase, comprising investments in replacing or increasing capacity of the existing fixed assets, and new investments, such as investments in the acquisition of new fixed assets. Fixed assets acquired free of charge are valued at their purchase value and if the latter is not known, at fair value, as determined in the free acquisition agreement.

Recognition of a tangible fixed asset is derecognised upon its disposal or if no further economic benefits are expected from its use or disposal. Disposal and derecognition of tangible fixed assets are a consequence of new investments in reconstructions and renovations, of technical, economic or physical obsolescence of a fixed asset, or of sales or loss events, mainly due to extreme weather occurrences. Profits or losses from a sale or disposal are determined by way of comparing sales revenues with the book value, and are included in the company's Income Statement.

Measurement upon recognition and subsequent costs

In evaluating tangible fixed assets, the company uses the purchase value model, and manages them by their purchase value less the amortisation valuation adjustments and accumulated impairment losses.

Subsequent repair and maintenance costs associated with tangible fixed assets the company recognises as maintenance costs arising from restoring and maintaining future economic benefits, based on the original estimated level of the asset's efficiency. The estimated costs of regular inspections or repairs of tangible fixed assets are considered as parts of tangible fixed assets.

Revaluation

Due to impairment, the company, as a rule, revalues tangible long-term assets as soon as their book value exceeds recoverable amount. The recoverable amount is considered as fair value, reduced by the costs of sale, or the value in use, whichever is greater. A significant change in the operating situations is one for which the assumptions used in assessing value in use and fair value reduced by the costs of sale change by more than 5% in a year. A review in impairment is decided on the basis of a significant asset with the longest useful life; a significant asset is defined by the company as an asset of which purchase value amounts to more than 0.5% of all purchase values of tangible fixed assets. A decrease in value of depreciable assets due to impairment is considered as an operating expense from revaluation, as is the carrying amount of an asset that no longer has any usefulness. In case such asset is disposed and its net realisable value is bigger than its book value, the difference is considered as revenues from revaluation.

The value of land, construction facilities and distribution equipment are valued by certified appraisers. The rest of the company's equipment is, as a rule, not revalued, as it accounts for less than 5% of the value of total fixed assets.

Depreciation and useful life

Significant groups of depreciable tangible assets	Estimated useful life Useful life in years	Depreciation rate in %	
		Minimum	Maximum
Electricity infrastructure buildings	20 - 40	2.50	5.00
Other facilities	20 - 40	2.50	5.00
Electricity infrastructure equipment	3 - 33.33	3.00	33.33
Other equipment	2 - 33.33	3.00	50.00
Vehicles	8 - 12.5	8.00	12.50

A tangible fixed asset starts to be depreciated on the first day of the following month after it becomes available for use. The company uses the straight-line depreciation method. Depreciation rates are determined by the expected useful life, depending on the expected physical wear, technical and economic aging and expected statutory, lease and other restrictions of use, taking into account the one that is the shortest. Useful life of a fixed asset is determined by the Joint Commission of Electricity Distribution Companies, designated for this purpose.

Depreciation is calculated individually, until the amount of an asset replaces fully the value forming the basis for the calculation of depreciation. Valuation adjustments of fixed assets are made for the amount of depreciation, which is determined in the final annual calculation of depreciation. Depreciation is not calculated for land, fixed assets of cultural, historical or artistic significance, for fixed assets permanently out of use, investments in the acquisition of fixed assets until they are available for use, and advances for the acquisition of fixed assets.

The company reviews at least every two years useful life of significant fixed assets of which the purchase value exceeds one million euros and their depreciation rates are recalculated accordingly if expectations differ significantly from estimates. The effect of the recalculation is considered as a change in an accounting estimate.

c) Leases

When concluding a contract, the company assesses whether it is a lease contract or a contract containing leases. In case of long-term leased assets (lease period is more than one year) or leased assets of a higher value (over €10,000, taking into account the value of the new asset), the company recognises, on the commencement date of a lease, the right to use the leased asset and the associated liability from rent. The contract is considered a lease if it confers the right to manage the use of an asset for a specified period in exchange for compensation. Lease duration is determined by the company on the basis of the period in which the lease cannot be cancelled. The period for which the possibility of extension or cancellation of lease is also taken into account.

At the beginning of a lease, liabilities for leased assets are stated in the same amount as the rights to use the assets, and are reduced by repayments, while the value of rights to use leased assets is reduced by the calculated depreciation throughout the lease.

Depreciation rates are assessed based on the leasing period. The calculated interest costs are stated in the financial expenses of the period.

RIGHT TO USE LEASED ASSETS

Recognition, initial measurement of leases

A fixed asset acquired through a lease is an integral part of the company's fixed assets. The purchase value of a leased asset includes the amount of the initial measurement of the lease liability and the amount of lease payments made on or before the date of the commencement of the lease, reduced by the amount of received lease incentives and increased by the initial direct costs incurred by the lessee and an estimate of the costs incurred by the lessee when dismantling or removing the leased asset that is the subject of the lease contract, restoring the site where the asset is located, or returning the asset which is the subject of the lease contract to the state required by lease conditions.

Depreciation and amortisation, useful life and revaluation

The company depreciates an asset representing the right to use from the beginning of the lease to the end of its useful life, or the end of the lease duration, if shorter. In case by the end of lease duration, the ownership of the asset is transferred to the lessee or the company uses a purchase option, depreciation is calculated based on the assessed useful life.

Depreciation right to use leased assets	Estimated useful life Useful life in years	Depreciation rate in %	
		Minimum	Maximum
Rights to use equipment	8	12.50	12.50

The right to use a leased asset is reassessed, in case the duration of the lease changes, or the amount of the lease payment (f. e. a change in future payments as a consequence of index or rate of determining the amount of the lease payments) is changed, or the estimate of the lease termination fee changes, or the lease contract is modified, if such change is not considered and calculated as a separate lease. The company revaluates the right to use the assets also for eventual impairment in accordance with SAS 17 requirements.

LIABILITIES FOR LEASED ASSETS

Recognition, initial measurement of leased liabilities

At the commencement date of the lease, the company measures the lease liability at the present value of leases not yet paid at the date. When calculating the present value of lease payments, the interest rate is used which has been accepted upon the lease. If this value is not determinable, then the average weighted interest rate on investment loans after the commencement date of the lease is used. Lease payments which the company includes in measuring lease liabilities comprise fixed leases reduced by lease incentive receivables, variable lease payments, the exercise price of the purchase option if it is fairly certain that the company will exercise this option and the payment of lease termination fees, if the duration of the lease indicates that the lessee will use the

option of terminating its lease. Lease liabilities are shown in the item 'short-term/long-term liabilities' of financial liabilities (in the section [2.4.12](#)).

Measurement after recognition and revaluation

Upon initial recognition, the amount of the lease liability is increased by the interest on the lease liability, and is reduced by lease payments to the lessor. The book value of the leased liability is reassessed if the duration of the lease changes, or the amount of the lease payment (f. e. a change in future payments as a consequence of index or rate of determining the amount of the lease payments) is changed, or the estimate of the lease termination fee changes, or the lease contract is modified, if such change is not considered and calculated as a separate lease.

SHORT-TERM AND LOW-VALUE LEASES OF ASSETS

The company applies the exception for leases of assets in the value up to €10,000 and leases with a duration period of up to 12 months, excluding a purchase option. It recognises the costs associated with a lease of these assets under the item 'costs of lease payments', evenly over the duration period of the lease, or on any other systematic basis which best reflects the pattern of benefits it receives.

d) Financial Investments

Financial investments are financial assets held by the investing company in order to acquire returns from them and increase the company's financial revenue. In the company's balance sheet, these investments are stated as long-term investments, thus the company intends to hold them for a period longer than one year, and are not held for trading or short-term financial investments. Long-term financial investments, that fall due within a year after the balance sheet date, are reclassified into short-term financial investments in the balance sheet.

Exposure to various types of risk, especially the risk of value reduction of financial investments below their cost, is not hedged with financial instruments. The value that best represents the maximum exposure to such risk is the total investment value.

The company's balance sheet shows long-term financial investments in the equity of the subsidiary and the associate companies, and other shares and equity stakes. Long-term financial investments in equity of other companies are classified into other long-term financial investments allocated and measured by their purchase value, or other financial Investments allocated and measured at fair value through equity. Received payments of profit from long-term financial investments are recognised as financial revenues at the moment when the company obtains the right to pay out dividends.

Recognition and derecognition of financial investments

Financial investments are recognised if it is probable that any subsequent economic benefit will arise from these investments, and their purchase value can be measured reliably. When buying or selling them, the company recognises them on the basis of their trading or settlement date. The company derecognises a financial asset when it no longer has contractual obligations arising from cash flows or when it transfers all the risks

and benefits related to the ownership of the financial risk to a third party.

Initial Accounting Measurement and Measurement after Initial Recognition

Upon initial recognition, a financial investment is measured at fair value. Transaction costs arising directly from the purchase or issue of a financial asset are also included, except for assets measured at fair value through profit or loss. After the initial recognition, the company classifies its financial investments into the financial assets measured at fair value through profit or loss, the financial investments held to the maturity date, loans, assets available for sale or financial assets measured at purchase value. Financial assets measured at fair value through profit or loss are as a rule short-term financial investments. A financial investment in the equity of a subsidiary is measured and valued at its purchase value. In case fair value of investments in shares and equity stakes cannot be measured reliably, these investments are measured by the purchase value method, increased by the transaction costs and reduced by eventual impairment.

Revaluation of Financial Investments

The company revalues its financial investments at fair value at the end of the business year. If the carrying value of a long-term financial investment is higher than its market value calculated according to the latest published stock exchange rate, the company impairs its value. If its proven fair value according to the latest stock exchange rate exceeds its carrying value, the company appreciates such financial investment (carrying values are increased to the fair value). Fair value is established if it can be measured reliably, and is determined in accordance with SAS 16. A proven profit or loss arising from the change in the fair value of a financial asset is recognised directly in equity as an increase (profit) or a reduction (loss) in reserves, resulting from valuation at fair value.

Financial investments carried at the purchase value method are impaired (long-term), which causes losses if objective impartial evidence of its impairment exists and its stated book value is higher than the proven realisable value, due to events after the initial recognition of the investment. On the balance sheet day, the company carries out a test to assess the impairment of a financial investment in the equity instrument, if the book value of such investment on the balance sheet day is 20% higher than the proportional part of the book value of the total equity of the company in which it has a stake (i.e. investment), and also if the company's future business plans indicate permanent impairment of this investment. The amount of loss is measured as the difference between the book value of the financial investment on the balance sheet day and the present value of the expected future cash flows of this investment, discounted at the current market return (recoverable amount), applicable to similar financial assets. The value of the loss is recognised as a revaluation financial expense in the company's Income Statement. Such impairment losses may not be reversed.

e) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities result from calculating present and future tax consequences (future repayment/settlement of the book value of assets/liabilities, recognised in the company's Balance Sheet and transactions, and other business events in the period in question, recognised in the Financial Statements of the company).

Deferred tax assets are the amounts of income tax recoverable in future periods and are recognised by the company at the end of the reporting period, if it is likely to have future taxable profits which could be burdened by deductible temporary differences. Deferred tax assets reduce tax expense, thus having impact on better operating results or directly increasing the company's equity.

The company calculates deferred tax using the balance sheet liability method, taking into account temporary differences between book and tax values of individual assets and liabilities, arising from each respective state of the accounting items and not from differences between the previous and current state. Deferred taxes are measured at the tax rates which are expected to be applied in the business year when the deferred tax assets are realised or the deferred tax liabilities settled, and are based on tax rates and tax regulations valid until the balance sheet date.

When the book value of deferred taxes changes due to changes in tax rates or tax regulations, or reassessment of the recoverability of deferred tax assets or changes in the expected manner of recovery of an asset, the resulting deferred tax is recognised in the company's profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

f) Assets held for sale

In case the book value of an asset is provided primarily by sale and not by continuing its use, this asset is classified as a disposal group for sale. Assets held for sale are available for immediate sale in their current state, and their sale is highly likely (the management adopted the sales plan, marketing activities for the sale of the assets are intensive, and the sale is expected to be executed).

An asset shall cease to be depreciated when it is classified into the disposal group for sale. A disposal asset or an asset for sale is measured at its book value or fair value reduced by the costs of sale, whichever is lower.

g) Inventories

Inventories comprise short-term tangible assets, which are to be used to create products or provide services. The company's material inventories include materials and small tools with a useful life up to one year, having the nature of material stock, but may also include those materials with a useful life more than a year, if their individual purchase price does not exceed €500. The company also classifies protective equipment and tools as small tools. In its analytical record, the company keeps its stock of materials classified by individual types of material.

Recognition and derecognition of inventories

A material in stock is recognised in the company's accounts if it is probable that any subsequent economic benefit will arise from the material, and its value or cost can be measured reliably. The material in stock is derecognised when the material has been used or consumed, sold, or otherwise ceases to exist, as confirmed by relevant documentation.

Initial measurement and measurement after initial recognition

A unit of material stock is valued at purchase value (cost) consisting of its purchase price, reduced by eventual discounts, import and other non-returnable purchase duties, and direct purchasing costs. Consumption of material inventories is valued according to the weighted average price method.

Revaluation of inventories

Material stock is due to impairment revalued, if their book value exceeds the net realisable value. Write-offs of damaged or obsolete inventories are performed by the company regularly during the year and during each stock-taking.

h) Receivables

Receivables are the rights based on property rights and other legal relationships to require from an individual or a business entity to pay a debt, or in case of given advance payments the demand for material supply or any other service provision. Depending on their maturity, receivables are divided into short-term, collected within a year, and long-term receivables. Long-term receivables which have already matured and are not settled yet, and those falling due within a year after the balance sheet date, are recognised as short-term receivables. Receivables that occur in the company, are mainly trade receivables, receivables from employees, the State, suppliers for advance payments given, etc.

Recognition and derecognition of inventories

Receivables are recognised in the company's accounts and the Balance Sheet if it is probable that any subsequent economic benefit will arise from the them, and their historical cost can be measured reliably. Their derecognition is implemented if they no longer fall under binding contractual rights which either expire or are ceded.

Initial accounting measurement and measurement after initial recognition

Upon initial recognition, receivables of all types are recognised by the company in the amounts arising from relevant documents (invoices, contracts), assuming they will be paid. Receivables from legal and natural persons abroad are converted into the home currency on the date of their occurrence, using the current reference ECB exchange rate. Later on, receivables can be increased or reduced (subsequent discounts, complaints), thereby affecting the company's relevant operating and financial revenues.

Revaluation of receivables

Revaluation appears mainly as revaluation of receivables due to their impairment or reversal of impairment, i.e. reduction or subsequent possible increase in their value to their collectible value. In the Balance Sheet, receivables are carried at amortised cost, i.e. they are reduced by the amount of the valuation adjustment for doubtful and disputable receivables. In accordance with SAS, the company recognises a valuation adjustment in the total amount of receivables in bankruptcy proceedings, receivables being a subject of litigation, and receivables that have been mature for more than 90 days on the balance sheet date. For receivables in compulsory settlement proceedings, the company forms a valuation adjustment depending on the decision of each

compulsory settlement or in the amount of 80%, in case a compulsory settlement has not been confirmed yet. Valuation adjustments are reduced by payments and write-offs of receivables based on adequate supporting documentation: court decision, decision on compulsory settlement, decision on bankruptcy proceedings, and other relevant documentation.

Long-term operating receivables referring to trade receivables which are undergoing a compulsory settlement are interest-bearing receivables in compliance with decisions on compulsory settlement. Long-term operating receivables from the company SODO bear interest in compliance with the Network Charges Act. Receivables of significant values which are not interest-bearing are shown at discounted values in the Balance Sheet, taking into account the interest rate equal to the average interest rate of investment loans.

i) Cash

Cash of the company refers to balances held in bank accounts and deposits in commercial banks, investments that are quickly convertible into known amounts of cash in the near future, and where the risk of changing values is insignificant (overnight deposits with banks). Cash is recognised in the amounts arising from adequate relevant documentation.

j) Equity

Total equity is the liability to the company's owners, which is due when the company terminates its operations. It is defined in the amounts invested by its owners and the amounts generated during its operations, which belong to the owners. Equity is reduced by an operating loss, redeemed own shares and paid-out dividends. Equity consists of called-up capital, capital reserves, profit reserves, revaluation reserves, reserves resulting from valuation at fair value, net profit brought forward from past years, and temporarily undistributed net profit of the business year.

Called-up capital of the company is share capital distributed into 24,192,425 ordinary freely transferable shares. Ordinary shares give their holders the right to participate in the management of the company, the right to a paid-up proportion of its profits (dividends) and the right to participate in an appropriate share of the remaining assets after the liquidation or bankruptcy of the company. There are no agreements among shareholders which could result in a limited transfer of securities and voting rights. The company also has no restrictions on voting rights, except for treasury shares (own shares), which neither have voting rights nor provide dividends. All shares are of the same class and have been fully paid up. There are no newly issued shares. The company's shares are issued in book-entry form and are held by KDD - Centralno klirinško depotna družba d.d. (Central Securities Clearing Corporation), in compliance with applicable regulations. The company had no employee shareholder scheme in the business year. The company's share capital on 31 December 2021 amounted to €150,955,090. In 2020, its share capital increased by €50,001,889 by converting other profit reserves based on the decision of the General Meeting of the company.

The company's capital reserves consist of the amounts of reversal of the general capital valuation adjustment, and were formed in line with Art.15 of the Introduction to SAS 2006 (transitional provisions) to be used in accordance with Art.64 of ZGD-1.

Profit reserves include legal reserves, reserves for treasury shares, acquired treasury shares and other profit reserves. Profit reserves are formed in the amount and under the conditions laid down in Art. 64 of ZGD-1 and the Articles of Association of the company, from the amounts of the net profit of the financial year. Reserves for treasury shares are formed in accordance with the Articles of Association in the following order: from the net profit of the financial year, profit brought forward from past years and from the amount of other profit reserves exceeding the eventual amount of loss brought forward which could not be compensated with the net profit of the financial year. Other profit reserves are formed in the amount and under conditions laid down by law and the Articles of Association of the company. The management board may establish other profit reserves in the proportion up to two thirds of the remaining net profit of the financial year after legal reserves and reserves for treasury shares are formed, unless they already amount to one half of the company's share capital. Other profit reserves refer to own source of financing investments. Pursuant to the Companies Act, capital and legal reserves may be used to cover the net loss of the financial year, if such loss cannot be covered from retained net profit from past years or other profit reserves and for the coverage of the profit brought forward, if it cannot be covered by net profit of the financial year or any other profit reserves. Obtained treasury shares are a constituent part of the total equity and are deducted from it. The purpose of or the reason for acquiring treasury shares was determined by the decision of the 21st General Meeting of the company Elektro Celje as of 31 August 2016, namely, to increase the value of the company's wealth and to maximise its value for shareholders.

Reserves arising from revaluation at fair value refer to actuarial gains or losses from severance pay upon retirement and proven profit or loss amounts arising from changes in fair value of financial assets, available for sale.

k) Provisions and long-term accruals and deferred income

The purpose of forming provisions is to collect the amounts in the form of accrued expenses or costs which will be used to cover the costs or expenses incurred in the future time. Long-term accruals and deferred income refer to deferred revenues which will be used to cover projected expenses in a period longer than one year.

Recognition and derecognition of provisions and long-term accruals and deferred income

Provisions are recognised if, based on a past event, a current liability exists (with probability greater than 50%), which is expected or projected to be settled in a period which cannot be determined with certainty, and if the amount of such liability cannot be measured reliably. Derecognition is carried out, when the item for which provisions were made has already been used or there is no longer a need to form it. The unused part is reshaped into other revenues.

Accruals and deferred income in respect of assets obtained free of charge are formed

for the amounts of the received assets. Derecognition is carried out, when all incurred options have already been used or if there is no longer a need to form them.

Initial accounting measurement and measurement after recognition

The amount recognised as a provision is the best estimate of the expenditure (including risks and uncertainties) required to settle, as a rule, long-term liabilities on the balance sheet date. If the effect of the time value of money is significant, the expected expenditure is discounted to the present value accordingly.

Accruals and deferred income due to deferred revenues are transformed into operating revenues of the financial year when these costs or expenses occur and are covered from this item.

Revaluation and measurement of changes in provisions and long-term accruals and deferred income

Provisions are not revalued. They are adjusted at the end of the accounting period due to changed estimates so that their value is equal to the present value of expenditure which is projected to be needed to settle a certain liability. Long-term accruals and deferred income are also not revalued. However, when compiling the company's accounts, the reality and eligibility of their formation shall be verified.

PROVISIONS FOR SEVERANCE PAYS AND LONG-SERVICE BONUSES

Pursuant to legal provisions and the collective agreement, the company is obliged to pay out long-service bonuses to employees, severance pays to employees upon their retirement and solidarity allowance in case of death of employees, for which provisions are formed for the long-term benefit in the amount of future payments discounted at the balance sheet date. The actuarial calculation is prepared using the Projected Unit Credit method based on the multiple decrement model and takes into consideration service costs, interest costs, payments of benefits and actuarial gains/losses resulting from changes in actuarial assumptions and adjustments based on experience. In accordance with SAS 10.35 on the balance sheet cut-off date, the company determines and recognises in its Income Statement revenues or expenses related to the adjustment of provisions for severance pays upon retirement (long-service costs and interest), while actuarial gains and losses arising from liabilities to retirement benefits are recognised in equity in form of reserves resulting from valuation at fair value.

In accordance with SAS 10.36 on the balance sheet cut-off date, the company also determines and recognises in its Income Statement revenues and expenses in relation to the adjustment of provisions for long-service bonuses and paid out solidarity allowances upon the death of an employee (long-service costs, interest, actuarial gains/losses).

PROVISIONS FOR LAWSUITS

The company discloses provisions for lawsuits in which it acts as the defendant. The eligibility of provisions formed regarding the state of the company's pending disputes and the likelihood of their favourable or unfavourable outcome is verified at the end of each year. The amount of the provisions is determined on the basis of the known amount

of compensation claims, or according to the expected/projected amount, in case the claim amount is yet unknown.

LONG-TERM ACCRUALS AND DEFERRED INCOME

The company recognises long-term accruals and deferred income for **fixed assets free of charge** classified in categories according to the depreciation rate of the acquired assets. These are intended to cover depreciation costs of these depreciable assets and are used by being reallocated to operating revenues. Fixed assets acquired free of charge mainly refer to connections of consumers taken over by the company and are classified as tangible fixed assets under the obligation to maintenance and renovation, in accordance with relevant rules (Official Gazette of the RS No. 16/07, General conditions for electricity supply and consumption from the electricity distribution network).

The company also recognises long-term accruals and deferred income for the calculation of **average connection costs** pursuant to the Decision on determining network charge for the use of the electricity networks of the Energy Agency of the Republic of Slovenia for electricity for the period until 30 June 2007, referring to the designated payments for network connection or increased connected load (financing investments in the network expansion). Provisions are designated for covering depreciation of assets and are used by being reallocated to operating revenues at the prevailing depreciation rate of fixed assets of electricity infrastructure, i.e. at the rate of 3%.

Long-term deferred revenues for government and European grants are recognised in the periods when depreciation costs of these depreciable assets arise, or costs or expenses for which covering these assets were designated.

I) Liabilities (debt)

Debts are recognised liabilities related to financing own assets, which are to be repaid or settled, mainly in cash. The company discloses financial and operating liabilities, and short-term and long-term liabilities by maturity of their payment. Short-term liabilities fall due in the period shorter than one year.

Recognition and derecognition of liabilities

Liabilities are recognised, if it is probable that their settlement will reduce the factors enabling economic benefits, and if their amount to be settled can be measured reliably. Derecognition is performed, if a liability specified in a contract or any other legal instrument is settled, annulled or time-barred.

Initial accounting measurement and measurement after initial recognition

Upon initial recognition, liabilities are valued at the amounts arising from relevant documentation on their origin, which, in financial liabilities, is the evidence of the received loan, the obligation to pay interest, dividends or repayment of any business debt, and in operating liabilities, the evidence is receipt of a product or service or performed work or accrued cost, expense or a share in profit or loss.

Liabilities are measured at amortised cost. Before compiling the company's accounts, the company estimates the fair value of short-term liabilities arising from contracts at least once a year, if the book values are lower than the established fair values, and performs a mandatory strengthening of short-term liabilities. Liabilities increase by the amount of accrued interest and decrease by repaid amounts or eventual other forms of settlement. The book value of long-term liabilities is equal to their historical cost, reduced by the amount of principal repaid, and transfers to short-term liabilities. When purchasing on credit or deferred payment and when exceeding the contractual deadline for payment, the part of the liability referring to interest is considered a financial expense. Subsequent reduction by the amount for which an agreement with creditors exists (subsequent discounts, return of sold material, recognised complaints, etc.) reduces relevant costs or operating or financial expenses. Short-term liabilities denominated in foreign currencies are translated into the local currency on the balance sheet date using the reference exchange rate of the ECB.

Revaluation of liabilities

The company does not recognise and disclose impairment of short-term liabilities.

m) Short-term accruals and deferrals

Short-term deferred expenses and accrued revenue include short-term deferred expenses and costs (which are most likely to be realised in the following year, and their amount is reliably measured, and do not yet affect the profit or loss), accrued revenues (if revenues are taken into account in the profit or loss, for which payment has not been received yet and which could not be invoiced) and VAT on advance payments and overpayments of network charges received.

Recognition and derecognition of short-term accruals and deferrals

Short-term accruals and deferrals are recognised when it is probable that such revenues or costs or expenses will actually incur during the period for which they are created. Derecognition is carried out, when all such incurred options have already been used or there is no longer a need to form accruals or deferrals. They are only used for the items for which they were originally recognised. The reality of the items in short-term accrued revenue and deferred costs must be justified on the balance sheet date, while items in short-term accruals and deferred income should not hide reserves.

Revaluation of short-term accruals and deferrals

Accruals and deferrals are not revalued. Their reality and eligibility of their formation are verified at the end of the accounting period.

n) Income tax

Income tax for the business year includes current and deferred tax. Current tax is a tax paid by the company from its taxable profit for the business year, using tax rates in force on the reporting date, and taking into account eventual adjustments to tax liabilities in respect of past business years.

o) Revenue

Revenue is broken down into operating, financial and other revenue. Operating and financial revenue are regular.

OPERATING REVENUE refer to revenues from sales, capitalised own services and other operating revenues in relation to their business effects.

Sales revenue includes revenues acquired from the company SODO from the lease of the electricity infrastructure and the provision of related services, revenues from the provision of services to other customers in the market, and revenues from rental of business premises and the company's vacation facilities.

The amounts that have been invoiced in the name and for the account of the company SODO d.o.o. are not recognised as revenue, but as operating liabilities to the company SODO. Calculated VAT and excise duties are not considered as sales revenue, but as a deducted liability.

The company discloses accrued revenues for services provided to customers among assets acquired from contracts concluded with customers. Since SAS 15 does not provide for separate disclosure of these items in the Balance Sheet, they are recognised as prepayments and accrued income.

A liability arising from a contract is an obligation to transfer a service to a particular customer in exchange for compensation received by the company. As part of the contractual liability from contracts concluded with customers, the company discloses liabilities for guarantees and advance payments received. Since SAS 15 does not provide separate disclosure of these items in the Balance Sheet, they are recognised as accruals and deferred income.

Capitalised own services are services provided for the company's own needs and are recognised as tangible fixed assets or intangible long-term assets.

Other operating revenue includes revenues from the reversal of provisions and long-term accruals and deferred income (mainly for fixed assets acquired free of charge), revenues associated with business effects (received compensations, subsidies, government aid, reimbursements, grants, recourses, etc.) and operating revenues from revaluation arising from the disposal of fixed assets (as surpluses of their sales value over the book value), sale of dismantled material, write-offs of liabilities and the reversal of valuation adjustments to receivables.

FINANCIAL REVENUE arises in connection with financial investments (financial revenues from the sale of investments, payment of dividends and participation in profits, etc.) in connection with receivables (received interest on late payment of the network charge and services), and includes received interest on deposits, cash on the company's bank accounts and granted loans, positive exchange rate differences and financial revenues from revaluation.

OTHER REVENUE comprises not typical items which are not expected to arise regularly or frequently (recovered written off receivables from past years, received reimbursements of court fees and damages, etc.)

Recognition and accounting measurement of revenue

Sales revenue is recognised based on the terms and provisions of contracts with customers, upon transfer of control of the services to customers, in the amount of the expected fees to which the company is entitled in return for the services performed, reduced by eventual returns and discounts granted at or after the sale due to an earlier payment.

Recognition of revenues from customer services is gradual. The method of inputs (f. e. assets, car rides, working hours, costs) which have already been spent by the measuring date, is used to measure the performance obligation. The right to compensation in return for services that are or have been transferred to the customer is an asset from contracts with the customer. Liabilities for security and advance payments received are recognised as revenues when the company meets its performance obligation under the contract.

Revenues arising from interest are recognised on the date of their occurrence, using the effective interest rate method, revenues from dividend on the date when the shareholder's right to receive payment is exercised, default interest on late payment for network charges and services rendered at settlement, when there is no doubt about their amount and maturity date.

p) Costs and expenses

Costs and expenses are classified as operating, financial and other expenses. Operating and financial expenses are regular.

OPERATING COSTS AND EXPENSES comprise costs of material and services, labour costs, write-offs and operating expenses.

FINANCIAL EXPENSES are expenses arising from the company's financing (borrowing costs, exchange rate differences, etc.) and expenses from investments (impairment and write-offs of financial investments) and are divided into the one part associated with the creation of operating revenues, and the second part associated with the creation of financial revenue.

OTHER EXPENSES comprise not typical items and other expenses which reduce the company's profit or loss (fines, compensations, annuities, etc.).

Recognition and accounting measurement of costs and expenses

Costs and expenses are recognised if decreased economic benefits in an accounting period are related to reduced assets or increased debt, and if such reduction can be measured reliably. Operating expenses from revaluation are recognised when adequate revaluation is performed. Financial expenses from revaluation are also recognised in the sale or any other disposal or derecognition in financial investments other than equity instruments, or the sale of receivables as a negative difference between the sale and

book value, adjusted for any reserve arising from valuation at fair value. Financial expenses are recognised at settlement irrespective of the payments associated with them. Borrowing costs are recognised by the company in its Income Statement using the effective interest method, except for the costs that are capitalised and are attributable to tangible fixed assets in the course of construction or development.

Consumption of material inventories is valued according to the weighted average price method. Labour costs comprise salaries and other labour costs calculated in gross amounts, as well as contributions paid from these bases and are not a constituent part of these gross amounts. The company complied with the provisions of general and industry level Collective Agreement and individual employment contracts related to the payment of salaries. In 2020, the company changed the method used for recording refunds or remunerations which are now booked on a gross basis. Write-offs include depreciation and operating expenses from revaluation. Depreciation was calculated based on depreciation rates laid down by the so-called unified commission of all five power distribution companies appointed specifically for that purpose, with respect to the life span of fixed assets. Operating expenses from revaluation arise from long-term intangible and tangible fixed assets and current assets due to their revaluation to a lower value and in connection with the sale or other disposal and derecognition of fixed assets.

q) Statement of Comprehensive Income

The Statement of Comprehensive Income is a financial statement that gives a true and fair view of all components of the Income Statement for the periods for which the statement is compiled, and includes those items of revenue and expenses which are not recognised in the profit or loss, but have impact on the amount of the total company's equity. The company uses Version I of the Income Statement according to SAS 21.8. The total comprehensive income including items from Articles 19 -24 of SAS 21.8 and items from Article 25-29 of SAS 21.10 is given in an additional Statement.

r) Cash Flow Statement

The Cash Flow Statement discloses changes in inflows and outflows from operating, investing and financing, and clarifies changes in the cash balance for the business year. Cash includes cash balances in current accounts and cash equivalents. The Cash Flow Statement is compiled using the direct method (Version I) in accordance with SAS 22.6. Inflows from sale include value added tax (VAT) and excise duties, while cash flow items from investing and financing activities are disclosed in non-offset amounts. The data for the items of the Cash Flow Statement arise from analytical records, current account summaries and offsets.

s) Statement of Changes in Equity

The Statement of Changes in Equity discloses, fairly and truly, changes shown in all equity components in the Balance Sheet for the business year in accordance with SAS 23.4 and SAS 23.5 in form of the Table of Changes in all Equity Components. The total company's equity comprises share capital, entered into the Court Register, capital reserves, profit reserves, reserves from valuation at fair value, net profit or loss brought forward and the

net operating result (profit or loss) of the business year.

2.4 Clarification of Items in the Balance Sheet

The Balance Sheet is a fundamental financial statement showing the fair balance of assets and liabilities as of 31 December 2021. It is compiled in sequential order as determined in SAS 20.4 and the Companies Act. Balance Sheet items are shown in their carrying amounts as the difference between the total values and their valuation adjustments. The principle of individual valuation of assets and liabilities is observed.

2.4.1 Intangible long-term assets and long-term prepayments and accrued income

Intangible assets and long-term prepayments and accrued income (in EUR)	31 December 2021	31 December 2020
Long-term property rights	4,186,365	4,963,248
Intangible long-term assets in preparation	24,321	0
Other prepayments and accrued income	4,906	7,465
Total	4,215,592	4,970,713

Intangible long-term assets as of 31 December 2021 mainly comprised property rights for software equipment in the amount of €4,186,365 (€4,951,511 as of 31 December 2020). The carrying amount under agreements on lease, upgrade and provision of software and appropriate licences for the operation of information support amounted to €68,757 (purchase value of €137,514, and valuation adjustment of €68,757), and the unpaid part of the same agreements in the amount of €45,838 falls due in 2022. €1,443,463 of intangible assets were activated in 2021, the majority of which referred to ADMS, the software for advanced management system of the distribution system.

Changes in intangible long-term assets (in EUR)	Long-term property rights	Intangible assets in preparation	Long-term prepayments and accrued income	Total
PURCHASE VALUE				
Balance as of 1 January 2020	12,883,542	405,251	30,160	13,318,953
Increase	0	2,405,806	0	2,405,806
Carry-over from investments in progress	2,811,057	-2,811,057	0	0
Decrease	-68,085	0	-22,695	-90,780
Balance as of 31 December 2020	15,626,514	0	7,465	15,633,979
Balance as of 1 January 2021	15,626,514	0	7,465	15,633,979
Increase	0	1,467,784	0	1,467,784
Carry-over from investments in progress	1,443,463	-1,443,463	0	-0
Decrease	-141,416	0	-2,559	-143,975
Balance as of 31 December 2021	16,928,561	24,321	4,906	16,957,788
Valuation adjustments				
Balance as of 1 January 2020	9,066,545	0	0	9,066,545
Amortisation	1,661,448	0	0	1,661,448
Rentals for holiday facilities	3,358	0	0	3,358
Decrease	-68,085	0	0	-68,085
Balance as of 31 December 2020	10,663,266	0	0	10,663,266
Balance as of 1 January 2021	10,663,266	0	0	10,663,266
Amortisation	2,208,609	0	0	2,208,609
Decrease	-129,679	0	0	-129,679
Balance as of 31 December 2021	12,742,196	0	0	12,742,196
CARRYING AMOUNT				
Balance as of 1 January 2020	3,816,997	405,251	30,160	4,252,408
Balance as of 31 December 2020	4,963,248	0	7,465	4,970,713
Balance as of 1 January 2021	4,963,248	0	7,465	4,970,713
Balance as of 31 December 2021	4,186,365	24,321	4,906	4,215,592

As of 31 December 2021, the company did not have intangible assets with the above mentioned limited property rights, pledged or given as a guarantee, nor did it conclude any contracts for the purchase of intangible assets in respect of which liabilities have not yet been recognised. The amount of liabilities to suppliers from the acquisition of intangible assets as of 31 December 2021 added up to €646,161 (€571,505 as of 31 December 2020).

2.4.2 Tangible fixed assets

Tangible fixed assets (in EUR)	31 December 2021	31 December 2020
Land	6,311,161	6,014,819
Buildings	196,233,400	189,992,236
Equipment	65,275,784	63,913,971
Land, plant and equipment in the course of acquisition	8,892,138	6,590,421
Total	276,712,483	266,511,447

Investments in tangible fixed assets in 2021 amounted to €26,599,692 and are shown in the section [Investments and Project Design](#). Costs of in-house construction and manufacture of tangible fixed assets in 2021 amounted to €17,493,699 (€16,740,724 in 2020), purchases from suppliers including acquisitions of intangible assets in the amount of €10,214,448 (€9,244,908 in 2020), and acquisition free of charge in the amount of €359,330 (€337,397 in 2020).

Changes in tangible fixed assets (in EUR)	Land	Buildings	Equipment	Ongoing investments	Advance payments for tangible assets	Total
PURCHASE VALUE						
Balance as of 1 January 2020	5,988,367	587,638,163	171,493,749	6,773,154	408,722	772,302,155
Increase	0	0	0	23,917,224	0	23,917,224
Carry-over from investments in progress	32,551	14,303,735	9,763,671	-24,099,957	0	0
Decrease	-2,212	-31,577,467	-2,367,156	0	-408,722	-34,355,557
Balance as of 31 December 2020	6,018,706	570,364,431	178,890,264	6,590,421	0	761,863,822
Balance as of 1 January 2021	6,018,706	570,364,431	178,890,264	6,590,421	0	761,863,822
Increase	0	0	0	26,599,692	0	26,599,692
Carry-over from investments in progress	303,500	15,870,491	8,123,984	-24,297,975	0	0
Decrease	-6,255	-4,485,556	-2,883,080	0	0	-7,374,891
Balance as of 31 December 2021	6,315,951	581,749,366	184,131,168	8,892,138	0	781,088,623
Valuation adjustments						
Balance as of 1 January 2020	3,173	400,999,555	110,779,932	0	0	511,782,660
Depreciation	714	9,688,602	6,419,769	0	0	16,109,085
Decrease	0	-30,315,962	-2,223,408	0	0	-32,539,370
Balance as of 31 December 2020	3,887	380,372,195	114,976,293	0	0	495,352,375
Balance as of 1 January 2021	3,887	380,372,195	114,976,293	0	0	495,352,375
Amortisation	903	9,592,966	6,697,515	0	0	16,291,384
Decrease	0	-4,449,195	-2,818,424	0	0	-7,267,619
Balance as of 31 December 2021	4,790	385,515,966	118,855,384	0	0	504,376,140
CARRYING AMOUNT						
Balance as of 1 January 2020	5,985,194	186,638,608	60,713,817	6,773,154	408,722	260,519,495
Balance as of 31 December 2020	6,014,819	189,992,236	63,913,971	6,590,421	0	266,511,447
Balance as of 1 January 2021	6,014,819	189,992,236	63,913,971	6,590,421	0	266,511,447
Balance as of 31 December 2021	6,311,161	196,233,400	65,275,784	8,892,138	0	276,712,483

The book value of long-term intangible and tangible fixed assets arising from the Contract on Lease of Electricity Distribution Infrastructure and Provision of Services for the System Operator and related Annexes, given to lease to the company SODO d.o.o., as of 31

December 2021 added up to €270,683,300 (€263,385 as of 31 December 2020). The value of revenues from leases to the company SODO for the business year 2021 was calculated with the preliminary settlement of the regulatory year 2021 amounting to €25,526,591 (€22,897,029 in 2020).

The rate of write-offs of engineering structures amounted to €66.3% (66.7% as of 31 December 2020), and the equipment amounted to 64.6% (64.3% as of 31 December 2020). Borrowing costs, which in 2021 were attributed to newly activated engineering structures, amounted to €1,526 (€17,671 in 2020). Investments in progress include interest in the amount of €1,314 (€7,109 in 2020).

As of 31 December 2021, easements in the amount of €105,782 (€74,675 in 2020) as of 31 December 2020) were also disclosed under land, which are according to SAS 2.39 recorded in the accounting records as intangible assets, and are shown in the item land and buildings and investment in progress in the Balance Sheet. As of 31 December 2021, the company did not have tangible fixed assets pledged as a guarantee for debts.

RIGHT TO USE LEASED ASSETS

The carrying amount of rights to use equipment as 31 December 2021 added up to €5,068 (€6,712 as of 31 December 2020). The payment amounts for leased equipment for the entire lease period ending on 31 January 2025 are determined in the contract and are fixed. Payments of the lessee's obligations arising from the lease of assets are secured by bills of exchange. The possibility to terminate an individual lease contract exists only in case of a breach of contractual obligations by contracting parties or based on the mutual consensus of termination thereof, while the possibility of lease contract renewal is not specified in the contracts.

Changes in the right to use leased equipment (in EUR)	Amount
PURCHASE VALUE	
Balance as of 1 January 2020	9,998
Balance as of 31 December 2020	9,998
Balance as of 1 January 2021	9,998
Balance as of 31 December 2021	9,998
Valuation adjustments	
Balance as of 1 January 2020	1,643
Depreciation	1,643
Balance as of 31 December 2020	3,286
Balance as of 1 January 2021	3,286
Depreciation	1,644
Balance as of 31 December 2021	4,930
CARRYING AMOUNT	
Balance as of 1 January 2020	8,355
Balance as of 31 December 2020	6,712
Balance as of 1 January 2021	6,712
Balance as of 31 December 2021	5,068

2.4.3 Long-term financial investments

Changes in long-term financial investments (in EUR)	Investment within the group	Investments in associate companies	Other investments	Total
Carrying amount as of 1 January 2020	7,246,976	206,987	212,998	7,666,961
Increase	60,000	0	0	60,000
Transfer to short-term assets held for sale	-2,805,522	0	0	-2,805,522
Changes in other comprehensive income	0	0	-9,768	-9,768
Carrying amount as of 31 December 2020	4,501,454	206,987	203,230	4,911,671
Carrying amount as of 1 January 2021	4,501,454	206,987	203,230	4,911,671
Transfer to investments in the associate companies	-2,695,502	2,695,502	0	0
Changes in other comprehensive income	0	0	20,128	20,128
Carrying amount as of 31 December 2021	1,805,952	2,902,489	223,358	4,931,799

The company did not hold stakes in other company where it would possess unlimited liability for the obligations, liabilities of that company. Taking into account the available data on the operations of the dependent company, the associate companies and investments in equity stakes and shares of others, the company estimates there are no signs of investment impairment of any of such investment.

Long-term financial investment in the company within the group is investment in the company Elektro Celje OVI, d.o.o., Vrunčeva 2a, Celje. It is disclosed at purchase value in the amount of €1,805,95.26 (its contribution in-kind amounted to €1,733,433, cash contribution, increased by €60,000 in 2020, amounted to €72,519). The company is 100% owned by the company Elektro Celje and is presented in the sections [Presentation of the Elektro Celje Group and Composition of the Elektro Celje Group \(section 5.5\)](#).

Long-term financial investments in the associated company

Investments in the associate company in the EUR	31. 12. 2021	number of shares and shareholdings	31. 12. 2020	number of shares and shareholdings
Informatika, d.o.o.	206,987	16.57 %	206,987	2,479
Elektro Celje Energija, d.o.o.	2,695,502	36.42 %	-	-
Total	2,902,489	-	206,987	-

Elektro Celje, d.d. has considered the company ECE as an associate company since 1 November 2021. As of 1 November 2021, the equity stake of the company Elektro Celje in the company ECE reduced from 74.3256% to 36.4195%. The purchase and sale option for the sale of the remaining share to the company HSE d.o.o. was also established, namely in the period from 1 January 2025 to 31 May 2025. These options are derivatives of which fair value is 0 euros due to the conditions of execution, and therefore they are not recognised in the company's accounts. The decision to sell a 51% equity stake in the company ECE d.o.o. was adopted on the basis of due diligence and external assessment of its reasonable and fair value. The integration of ECE and HSE is about the synergy of the wholesale and power generation in the electricity market. In this form, ECE's partners will benefit from the projected synergies, especially in the reduction of deviation costs and lower purchase costs of electricity. A positive synergy can also be expected in the financial, human resources and IT fields. The company is presented in the sections [Presentation of the Elektro Celje Group and Composition of the Elektro Celje Group \(section 5.5\)](#).

Long-term financial investments in shares and equity stakes of other companies

Other shares and shareholdings (in EUR)	31. 12. 2021	number of shares	31. 12. 2020	number of shares
Zavarovalnica Triglav, d.d.	108,928	2,960	88,800	2,960
Stelkom, d.o.o	114,430	12.64 %	114,430	12.64 %
Total	223,358		203,230	

Changes in 2021 referred to the increase in fair value of listed shares of the company Zavarovalnica Triglav d.o.o. Reserves arising from valuation at fair value through equity as of 31 December 2020 amounted to €63, 218 and increased by €20,128 due to revaluation, and therefore amounted to €83,346 on 31 December 2021.

A long-term financial investment in Stelkom's equity stake is stated at purchase value. The last revaluation took place in 2004, when the company carried out investment impairment of €1,243. Given the fact that there was no objective evidence of possible impairment of this financial investment as of 31 December 2021, the company assessed that its revaluation in 2021 was not necessary.

2.4.4 Deferred tax assets

A tax rate of 19% was used for the calculation of deferred tax assets in 2021, which will also be used in 2022 (the same as in 2020). As of 31 December 2021, the company had no other significant temporary tax differences and tax credits which could constitute an additional source for the formation of deferred tax assets.

Deferred tax assets (in EUR)	31 December 2021	31 December 2020
Revaluation of short-term receivables	83,869	96,939
Revaluation of long-term receivables	7,047	9,697
Provisions for long-term employee benefits	653,294	640,445
Financial assets measured at purchase value	19,667	19,667
Long-term accruals and deferred income for fixed assets acquired free of charge	670,214	740,720
Total	1,434,091	1,507,468

Changes in deferred tax assets (in EUR)	Short-term receivables	Long-term receivables	Provisions for long-term benefits	Financial Investments	Long-term accruals and deferred income for fixed assets acquired free of charge	Total
Balance as of 1 January 2020	116,524	12,868	617,789	19,667	811,225	1,578,073
Recognised in the Income Statement	0	0	25,263	0	0	25,263
Reversed Income Statement	-19,585	-3,171	0	0	-70,505	-93,261
Reversed Statement of Comprehensive Income	0	0	-2,607	0	0	-2,607
Balance as of 31 December 2020	96,939	9,697	640,445	19,667	740,720	1,507,468
Balance as of 1 January 2021	96,939	9,697	640,445	19,667	740,720	1,507,468
Recognised in the Income Statement	0	0	4,230	0	0	4,230
Income	0	0	8,619	0	0	8,619
Reversed Income Statement	-13,070	-2,650	0	0	-70,506	-86,226
Balance as of 31 December 2021	83,869	7,047	653,294	19,667	670,214	1,434,091

2.4.5 Assets held for sale

Assets held for sale (in EUR)	31 December 2021	31 December 2020
Tangible fixed assets reclassified for sale	311,626	803,951
Financial investments reclassified for sale	0	2,805,522
Total	311,626	3,609,473

Public and street lighting in the amount of €803,951 were reclassified in 2020 from tangible fixed assets to assets held for sale, using the book value. Their balance as of 31 December 2021 was lower by €492,325 due to the agreements with municipalities on their sale, and amounted to €311,626.

Changes in assets held for sale (in EUR)	Tangible fixed assets reclassified for sale	Financial investments reclassified for sale	Total
Balance as of 1 January 2020	0	0	0
Design:	803,951	2,805,522	3,609,473
Withdrawal:	0	0	0
Balance as of 31 December 2020	803,951	2,805,522	3,609,473
Balance as of 1 January 2021	803,951	2,805,522	3,609,473
Design:	0	0	0
Sales:	-492,325	-2,805,522	-3,297,847
Balance as of 31 December 2021	311,626	0	311,626

Upon signing the contract on the sale and transfer of shareholdings in the company ECE d.o.o. (as of 1 December 2020), long-term financial investments in the group in the amount of €2,805,522 (book value on 31 December 2020) were reclassified as of 31 December 2020 into long-term assets held for sale. The transfer of the sale in the amount of €8,263,530 was made on 28 October 2021, and the change in the ownership of the equity share was entered into the Slovenian Business Register was made on 27 October 2021.

2.4.6 Inventories

Inventories (in EUR)	31 December 2021	31 December 2020
Material	2,350,001	1,496,399
Material in processing	4,757	2,970
Small tools	102,064	93,275
Total	2,456,822	1,592,644

During the regular annual inventory as of 30 November 2021, the company recorded a deficit of €2,221 (€3,069 on 30 November 2020) and a surplus of €5,144 (€7,426 on 31 November 2020), which was calculated within the company's expenses or revenues. Due to obsolescence or changes in the material quality, inventories in the amount of €5,481 were written off in 2021 (€8,702 in 2020). The company had no inventories pledged as security for its obligations.

2.4.7 Receivables

The amount of the company's receivables as of 31 December 2021 added up to €13,031,492 (€10,038,069 as of 31 December 2020), of which there were €3,293,149 of long-term operating receivables (€129,761 as of 31 December 2020).

Long-term operating receivable

Long-term operating receivables (in EUR)	31 December 2021	31 December 2020
Operating trade receivables from buyers	3,429,302	173,967
Valuation adjustments to trade receivables	-37,094	-51,040
Discounted receivables from SODO	-101,848	-749
Long-term operating trade receivables from buyers	3,290,360	122,178
Long-term operating receivables from others	2,789	7,583
Total	3,293,149	129,761

Long-term operating trade receivable as of 31 December 2021 in the amount of €3,290,360 comprised:

- €147 for operating receivables after compulsory settlement with the deadline for their repayment longer than a year,
- long-term receivables from SODO in the amount of €3,290,213; €3,392,061 related to the preliminary settlement RF 2021 and -€101,848 related to discounting of these receivables. Receivables from the company SODO will no longer bear interest after being included in the Regulatory Framework, but in accordance with SAS 5.36 they were disclosed at a discounted value using the interest rate of 0.738%, which was equal to the weighted average interest rate on long-term loans as of 31 December 2021 (0.793 % in 2020).

Short-term operating receivable

Short-term operating receivables (in EUR)	31 December 2021	31 December 2020
Short-term operating receivables from companies within the group	2,151	63,296
Short-term trade receivables from foreign buyers	1,200	1,050
Short-term trade receivables from domestic buyers	9,675,088	9,603,087
Valuation adjustments to trade receivables	-413,230	-477,671
Discounted receivables from SODO	-697	-10,109
Receivables for interest	20,986	26,298
Valuation adjustments to receivables for interest	-18,955	-24,242
Advance payments given	47,372	25,633
Valuation adjustments to advance payments given	-1,548	-1,548
Short-term operating trade receivables from buyers	9,310,216	9,142,498
Short-term operating receivable from others	433,660	710,808
Valuation adjustments to short-term receivables from others	-7,684	-8,294
Short-term operating receivable from others	425,976	702,514
Total	9,738,343	9,908,308

As of 31 December 2021, the company disclosed short-term operating receivables in the amount of €9,738,343, of which receivables from the companies within the group accounted for 0.02% (receivables for rent). Valuation adjustments of reduced short-term trade receivables from local customers (€9,261,161) comprises receivables for maintenance and lease of electricity infrastructure and provision of services for SODO d.o.o. (€5,673,843), trade receivables for network charge (€2,954,843), trade receivables

for customer services (€359,469), receivables for rent, average connection costs, disposed fixed assets and waste materials (€273,703), and discounted value of receivables from SODO from preliminary settlement of the regulatory year 2015 (-€697). Short-term receivables for interest, reduced by valuation adjustments of interest receivables amounted to €2,031 (of which default interest for network charge amounted to €1,797 and for services €234). Receivables from others within the group in the amount of €425,976 comprised receivables for input VAT (€251,271), receivables from state institutions (€130,560), and other short-term operating receivables from others (€44,145).

Valuation adjustments of receivables and advances amounted to €441,418 (€511,755 as of 31 December 2020), expenses from the formation of receivables in the amount of €2,852 (6,074 in 2020), revenues from a reversal of adjustments of receivables in the amount of €10,379 (€49,358 in 2020). Receivables written off amounted to €62,810 (€58,248 in 2020).

Changes in valuation adjustments to short-term receivables for 2021 (in EUR)	Balance as of 1 January 2021	Write-offs	Harmonisation		Balance as of 31 December 2021
			Design	Withdrawal	
Adjustments to receivables - network charges	443,117	-57,267	0	-3,639	382,211
Adjustments to receivables - SODO services	18,172	-1,128	1,617	0	18,661
Adjustments to receivables - services	16,382	-309	0	-3,715	12,358
A Total adjustments- receivables	477,671	-58,704	1,617	-7,354	413,230
Adjustment to receivables from default interest - network charges	21,379	-2,926	0	-2,922	15,531
Adjustments to receivables from default interest - SODO services	798	-37	909	0	1,670
Adjustment to receivables from default interest - services	1,419	-208	0	-103	1,108
Adjustment to receivables from default interest - other	646	0	0	0	646
B Total adjustments- interest	24,242	-3,171	909	-3,025	18,955
Adjustment of various short-term receivables	8,294	-935	326	0	7,685
c. Adjustment of various short-term receivables	8,294	-935	326	0	7,685
C Valuation adjustments to short-term advance payments given	1,548	0	0	0	1,548
TOTAL (A + B + C)	511,755	-62,810	2,852	-10,379	441,418

Changes in valuation adjustments to short-term receivables for 2020 (in EUR)	Balance as of 1 January 2020	Write-offs	Harmonisation		Balance as of 31 December 2020
			Design	Withdrawal	
Adjustments to receivables - network charges	541,403	-50,525	0	-47,761	443,117
Adjustments to receivables - SODO services	19,202	-1,787	757	0	18,172
Adjustments to receivables - services	15,660	-1,768	2,412	0	16,304
Adjustments to receivables - other	329	-208	0	-43	78
A Total adjustments- receivables	576,594	-54,288	3,169	-47,804	477,671
Adjustment to receivables from default interest - network charges	24,941	-2,035	0	-1,527	21,379
Adjustments to receivables from default interest - SODO services	560	-33	271	0	798
Adjustment to receivables from default interest - services	1,587	-141	0	-27	1,419
Adjustment to receivables from default interest - other	658	-12	0	0	646
B Total adjustments - interest	27,746	-2,221	271	-1,554	24,242
Adjustment of various short-term receivables	8,947	-1,739	1,086	0	8,294
C Adjustment of various short-term receivables	8,947	-1,739	1,086	0	8,294
C Valuation adjustments to short-term advance payments given	0	0	1,548	0	1,548
TOTAL (A + B + C)	613,287	-58,248	6,074	-49,358	511,755

The company forms valuation adjustments of receivables in line with SAS for receivables in bankruptcy proceedings, compulsory settlement proceedings, for receivables which are the subject of a litigation and for which more than 90 days have elapsed from their maturity on the balance sheet date. Part of operating receivables in the amount of €920,192 as of 31 December 2021 were secured by writs of execution (€1,079,335 as of 31

December 2020). Underlying assets and maturity structure are presented in the section Credit risks (section [2.9.1](#)).

No operating receivables of the company were pledged as a security for the company's liabilities. The company also had no disclosed receivables from the Management Board and Supervisory Board members and internal owners, except for regularly issued invoices for network charges and electricity.

2.4.8 Cash

Cash (in EUR)	31 December 2021	31 December 2020
Cash in current accounts with banks	1,435,354	597,812
Total	1,435,354	597,812

Cash comprises balances on bank accounts. In 2021, the company had a contract concluded with a commercial bank on the use of an overdraft in its current account in the amount of €500,000 (the same as in 2020), valid until 31 December 2021. There were no negative balances on the company's current accounts at the end of the year.

2.4.9 Prepayments and accrued income

Prepayments and accrued income (in EUR)	31 December 2021	31 December 2020
Short-term deferred expenses	57,082	97,524
Short-term accrued projects	137,471	114,913
Short-term accrued revenues from SODO	648,783	0
VAT from advance payments and overpayments of network charge received	5,325	875
Total	848,661	213,312

Short-term unbilled revenues from SODO include the short-term part of the preliminary settlement for 2021 in the amount of €334,196, and uncharged revenues for the measuring-communication equipment in the amount of €314,587, which the company installed and charged to users in 2021. The items under prepayments and accrued income are realistic and contain no hidden reserves.

2.4.10 Equity

Equity (in EUR)	31 December 2021	31 December 2020
Share Capital	150,955,090	150,955,090
Capital reserves	62,260,317	62,260,317
Profit reserves	17,736,482	8,219,247
<i>Legal reserves</i>	5,441,216	4,744,833
<i>Reserves for own shares and interests</i>	886,371	886,371
<i>Own shares</i>	-886,371	-886,371
<i>Other profit reserves</i>	12,295,266	3,474,414
Reserves resulting from valuation at fair value	-759,747	-693,942
Net profit or loss of the business year	4,410,426	1,741,676
Total	234,602,568	222,482,388

The value of the company's share capital and capital reserves did not change in 2021.

Profit reserves increased by €9,517,235, namely legal reserves increased by €696,383, which was a 5% mandatory formation of reserves from the company's profit in line with the provisions Art. 64 (4) of ZGD-1 and the company's Articles of Association, and other reserves from profit increased by €8,820,852. On the balance sheet date, the company owned 333,849 treasury shares (own shares), which accounted for 1.3799% of the total company's shares. By acquiring its treasury shares, in accordance with the Articles of Association Art. 64 (5) of ZGD-1, the company formed in the Balance Sheet from the net profit for the business year 2018 reserves for its own equity stakes which as of 31 December 2021 amounted to €886,371, i.e. €2.655 per share (the same value as of 31 December 2020).

Reserves arising from revaluation at fair value as of 31 December 2021 amounted to - €759,747. In 2021, these reserves increased by €84,324 (€8,619 for deferred tax on actuarial profit, €20,128 for the revaluation of shares of Zavarovalnica Triglav, d.d., and €55,577 for the transfer of a proportional share of actuarial losses from the formation of provisions for severance pay upon retirement on retained profit or loss), and reduced by €150,129 (€146,305 from actuarial losses and €3,824 for deferred tax from valuation adjustments or surpluses from revaluation of financial investments). The nature and purpose of all those reserves is presented in the section Significant Accountancy Guidelines (section [2.3.j](#)).

The remaining net operating profit of the business year amounted to €4,410,426 (€1,741,676 as of 31 December 2020).

The book value of shares as of 31 December 2021 added up to €9.70 (€9.20 as of 31 December 2020), and net earnings per share amounted to €0.58 (€0.23 as of 31 December 2020). The balance of individual components of the company's equity as of 1 January 2021 and 31 December 2021 and changes of individual components of the company's equity in 2021 is presented in the Statement of Changes in Equity (section [1.5](#)). The company's called-up capital is share capital of the company distributed into 24,192,425 of freely transferable ordinary shares in the total value of €150,955,090 (as described in the section [2.3.j](#)). The weighted average number of ordinary shares outstanding during the accounting period amounted to 23,858,576. The ownership structure of the company is presented in [the section Presentation of the company Elektro Celje](#).

2.4.11 Provisions and long-term accruals and deferred income

Provisions and long-term accruals and deferred income (in EUR)	31 December 2021	31 December 2020
Long-term provisions for severance pays and long-service bonuses	7,048,732	6,910,193
Provisions for lawsuits	197,993	193,843
Long-term accruals and deferred income:	11,677,560	12,638,240
- for long-term accrued liabilities to SODO	0	530,193
- for State and EU grants	798,187	934,585
- for fixed assets acquired free of charge	8,961,014	9,147,110
- for connection fees	1,918,359	2,026,352
Total	18,924,285	19,742,276

Changes in provisions and long-term accruals and deferred income (in EUR)	Provisions for long-term benefits	Other Provisions	Long-term accruals and deferred income	Total
Balance as of 1 January 2020	6,672,190	182,578	12,243,978	19,098,746
Utilisation	-298,597	0	0	-298,597
Formation	536,600	64,265	1,163,060	1,763,925
Withdrawal	0	-53,000	-768,798	-821,798
Balance as of 31 December 2020	6,910,193	193,843	12,638,240	19,742,276
Balance as of 1 January 2021	6,910,193	193,843	12,638,240	19,742,276
Utilisation	-434,246	0	0	-434,246
Formation	572,785	24,000	385,184	981,969
Withdrawal	0	-19,850	-1,345,864	-1,365,714
Balance as of 31 December 2021	7,048,732	197,993	11,677,560	18,924,285

Long-term provisions for long-term employee benefits

Long-term provisions for long-service bonuses, severance pays upon retirement and death allowance of an employee in the amount of €7,048,732 were formed in the amount of the projected future payments, discounted as of 31 December 2021. The actuarial calculation as 31 December 2021 considered the following assumptions: statistical probabilities of mortality and disability, retirement in accordance with the law and staff turnover (2.5% under the age of 40, 1% in the 41-50 age group, 0% in the age group over 51), the discount rate (0.9852), pay raise (2.9%), applicable employer's contribution rate (16.1%), growth in the amounts from the Decree on the tax treatment of reimbursement of costs and other income from employment (0.25%).

Liabilities related to long-term employee benefits	Long-service bonuses	Severance pays	Death allowance	Total
Balance as of 1 January 2020	1,750,548	4,752,489	169,153	6,672,190
Current service costs	138,278	249,790	12,444	400,512
Interest costs	12,625	35,702	1,272	49,599
Payments of benefits	-128,272	-164,665	-5,660	-298,597
Actuarial surplus	77,806	17,224	-8,541	86,489
Balance as of 31 December 2020	1,850,985	4,890,540	168,668	6,910,193
Balance as of 1 January 2021	1,850,985	4,890,540	168,668	6,910,193
Current service costs	139,650	259,598	13,123	412,371
Interest costs	6,280	15,848	576	22,704
Payments of benefits	-135,912	-296,453	-1,881	-434,246
Actuarial surplus	-58	146,305	-8,537	137,710
Balance as of 31 December 2021	1,860,945	5,015,838	171,949	7,048,732

Reduction in provisions referred to the payment of long-service bonuses, severance pays upon retirement and solidarity allowance based on actual costs from long-term benefits (€434,246). Additional receivables amounted to €572,785 (€536,600 in 2020). The expected present value of liabilities included actuarial gains/losses due to changes in financial and demographic assumptions and experimental adjustments.

Sensitivity analysis	Discount rate		Salary growth		Staff turnover		Life expectancy	
Changes in the percentage point	0.50	- 0.50	0.50	- 0.50	1.00	- 1.00	+ 1 year	- 1 year
Impact on the balance of liabilities (in EUR)	-315,308	343,611	346,092	-321,260	-617,257	275,239	8,090	-8,860

Other Provisions

Other provisions in the amount of €197,993 include provisions formed to debit operating expenses for lawsuits: €12,000 in years 2016 and 2017 (due to the ownership of a substation land), €85,727 in 2018 (€55,727 due to the realisation of a bank guarantee, €18,000 due to increased damage caused when clearing routes, and €12,000 for a lawsuit in relation to the ownership of a substation land), €64,266 in 2020 (€12,599 for an action for damages due to a damage to a facility upon the construction of a cable line, and €51,667 for a lawsuit due to the ownership of a substation land) and €24,000 in 2021 (due to the ownership of a substation land). Compared to 2020, these provisions decreased by €15,859 (a litigation referring to a claim for damages concluded in favour of the company).

Long-term accruals and deferred income

Long-term accruals and deferred income were formed in the amount of €385,184. Reduced long-term accruals and deferred income for the accrued depreciation of fixed assets acquired free of charge and average costs of connections amounted to €651,168, utilisation of assigned contributions under the Vocational Rehabilitation and Employment of Disabled Persons Act amounted to €3,800, the use of government subsidies for the purchase of fixed assets amounted to €98,026, and the use of European grants intended to cover costs and expenses incurred in European pilot projects amounted to €62,677. Due to the inclusion into the 2022 Regulatory Framework, long-term unbilled liabilities to the company SODO were eliminated, related to the final settlement of the RF 2018 in the amount of €530,193.

2.4.12 Financial liabilities

Financial liabilities (in EUR)	31 December 2021	31 December 2020
Long-term financial liabilities to banks	29,317,738	31,222,559
Long-term lease liabilities	3,485	62,633
Long-term financial investments	29,321,223	31,285,192
Short-term financial liabilities to banks	8,504,821	7,721,488
Short-term lease liabilities	47,488	316,429
Short-term liabilities for dividends paid out	852	1,572
Short-term financial liabilities	8,553,161	8,039,489
Total	37,874,384	39,324,681

The book value of debts as of 31 December 2021 was equal to their amortised cost and were not exposed to financial risks (section [2.9.4](#)). As of 31 December 2021, the company had no long-term debts to the members of the Management Board, Supervisory Board or the internal owner of the company.

Bank Loans

Financial liabilities to banks in the amount of €37,822,559 included long-term loans from domestic and foreign banks, acquired for financing the company's investments.

The company borrows assets in accordance with the Decree on the Terms and Conditions and Methods of Borrowing by Legal Entities, referring to Art. 87 of the Public Finance Act. In line with the Decree, the consent of the Ministry of Finance is required for the commencement of any and each borrowing procedure and for signing contracts with banks. To finance investments, the company concluded a Loan Agreement in the amount of €28m with the European Investments Bank in 2015, with the credit conditions determined upon disbursement of individual tranches (moratorium of 2 to 36 months, maturity up to 15 years, the interest rate, etc.) In 2018 and 2019, credit agreements for financing investments were concluded with commercial banks in the amount of €20.8m (with a repayment period of 5 years and a one-year moratorium), in 2020 and 2021 those agreements were concluded in the amount of €21.1m (with a repayment period of 6 years and a one-year moratorium). The value of the principal due for payment five years after the balance sheet date amounted to €4,890,519 (€6,029,329 as of 31 December 2020), and the amount of interest amounted to €46,657 (€82,431 as of 31 December 2020).

The loans were secured by bills of exchanges and financial commitments, which company fully met as of 31 December 2021, as follows:

- for the company Elektro Celje: financial debt/average equity (lower than 0.40) and net financial debt on EBITDA (lower than 2.70), and
- for the Elektro Celje Group: financial debt/EBITDA (lower than 2.5), financial debt/equity (lower than 0.3) and EBITDA/financial expenses from financial liabilities (higher than 12).

The weighted average interest rate on investment loans as of 31 December 2021 amounted to 0.738% (0.793% as of 31 December 2020). The company did not hedge changes in the EURIBOR interest rate with financial instruments.

The company committed €6,600,000 of investment loans in 2021, and repaid principals in the amount of €7,721,488. €8,504,821 of principals due in 2020 were transferred to short-term liabilities at the end of the year. To finance an occasional liquidity deficit, the company used a revolving credit facility up to the amount of €3,000,000, under the contract concluded in 2019, with a maturity of 33 months.

Lease Liabilities

Among lease liabilities, recognised by the right to use the assets, the company disclosed liabilities for leased assets, of which value was calculated in accordance with SAS 1 (2019). The uncharged portion under the contract on lease, upgrading and providing software and relevant licences in the amount of €45,838 the company will settle in 2022.

Changes in lease liabilities recognised with the right to use the assets (in EUR)	Amount
Balance as of 1 January 2020	8,392
Lease payment	-1,621
Balance as of 31 December 2020	6,771
Balance as of 1 January 2021	6,771
Lease payment	-1,636
Balance as of 31 December 2021	5,135

2.4.13 Operating liabilities

Short-term operating liabilities (in EUR)	31 December 2021	31 12 2020
Liabilities to companies within the group	41,207	80,478
Trade payables for fixed assets	2,438,727	1,471,792
Trade payables for current assets	2,042,230	1,814,406
Trade payables for current assets abroad	103,016	18,720
Trade payables for non-invoiced material and services	6,110	908
Operating liabilities for third party account (the company SODO)	3,522,713	3,233,150
Liabilities to employees	3,358,728	3,128,719
Liabilities to State and other institutions	1,035,205	304,728
Liabilities based on advance payments	184,378	138,905
Other short-term operating liabilities	474,648	491,820
Total	13,206,962	10,683,626

As of 31 December 2021, the company had no long-term operating liabilities (as well as on 31 December 2020).

Short-term operating liabilities to companies within the group included liabilities to the dependent company Elektro Celje OVI (€41,207) for the supply of electricity (€5,157), thermal heating (€26,743) and services provided within the group (€9,307).

The majority of short-term operating liabilities were liabilities to the company SODO in the amount of €3,522,713 (for network charges with surcharges the company charge to electricity consumers in the supply area), and operating liabilities to suppliers in the amount of €4,590,083 (mainly for investments and maintenance of fixed assets). Due to a higher volume of investments, the latter were higher than at the end of 2020. Short-term liabilities to employees included accrued and not yet paid salaries, including liabilities for their contributions (€3,358,728). The company had €1,035,205 of short-term liabilities to the State and other institutions (€282,223 for VAT liability, €739,332 for corporate income tax liability, and €13,650 for calculated taxes from meeting fees, mandatory internship and other liabilities to state institutions). Other short-term operating liabilities (€474,648) mainly included liabilities from the deposits submitted by bidders from public tenders (€241,235) and liabilities for Voluntary Supplementary Pension Insurance (€117,836).

As of 31 December 2021, the company settled all outstanding liabilities to suppliers, the remaining short-term liabilities are due within three months after the balance sheet date, except for the liabilities arising from deposits of bidder, which fall due in accordance with the contract. The company had no other liabilities to the Management board, Supervisory board or the internal owners, except for salaries and meeting fees of the

members of the Supervisory Board and the Audit Committee of the Supervisory Board for December 2021. It also did not grant them any loans, advances or guarantees for liabilities. The company did not have its liabilities secured by a real collateral. Risks related to the company's solvency are presented in the section Liquidity Risks (section [2.9.2](#)).

2.4.14 Deferred tax liabilities

Deferred tax liabilities (in EUR)	31 December 2021	31 December 2020
Financial assets measured at fair value	15,836	12,011
Total	15,836	12,011

Changes in deferred tax liabilities (in EUR)	Financial Investments
Balance as of 1 January 2020	13,867
Eliminated in the Statement of Comprehensive Income	-1,856
Balance as of 31 December 2020	12,011
Balance as of 1 January 2021	12,011
Recognised in the Statement of Comprehensive Income	3,825
Eliminated in the In Statement of Comprehensive Income	3,825
Balance as of 31 December 2021	15,836

2.4.15 Short-term accruals and deferred income

Short-term accruals and deferred income (in EUR)	31 December 2021	31 December 2020
Accrued costs and expenses	679,325	566,263
Deviations in RF for SODO activity	73,137	1,139,991
VAT from advance payments given	1,423	1,373
Total	753,885	1,707,627

Short-term accrued expenses included accrued labour costs for unused annual leave of employees for 2021 in the amount of €675,437 (€559,624 in 2020), accrued expenses for bank interest in the amount of €3,888 (€6,639 for 2020), and deferred revenues in the amount of €73,137 for the measuring-communication equipment, which was charged by the company, but not yet installed to their users in 2021.

Surplus of the preliminary settlement for 2020 (in the amount of €1,060,657), which was included in the RF deviations for SODO activity as of 31 December 2020 (in the amount of €1,139,991), was settled in April 2021.

2.4.16 Contingent liabilities and other off-balance sheet records

Contingent liabilities and other off-balance record (in EUR)	31 December 2021	31 12 2020
Contingent liabilities	8,489	64,769
Other off-balance records	13,814	33,353
Total	22,303	98,122

Contingent liabilities (pending litigations) were included in the off-balance sheet records, which as of 31 December 2021 did not meet the conditions to be recognised under the

Balance Sheet items. The amount of pending litigations in which the company Elektro Celje, d.d. acted as a defendant was lower by €64,769 due to completed proceedings of actions for damages in favour of the company, and newly initiated litigations amounted to €8,489. Other off-balance sheet records referred to given bank guarantees in the amount of €13,814. The company did not disclose other off-balance sheet liabilities as defined by the Companies Act (ZGD-1).

2.4.17 Potential liabilities and other off-balance-sheet records

Potential liabilities and other off-balance-sheet records in the EUR)	31 December 2021	31 December 2020
Potential receivables	285,495	835,724
Other off-balance records	6,346,155	5,988,883
Total	6,631,650	6,824,607

Receivables, which according to the Balance Sheet as of 31 December 2021 did not meet the conditions to be recognised among the Balance Sheet items, were included in the off-balance sheet records. They referred to receivables from shareholders of deleted companies (€166,506), tax relief for the employment of disabled workers (€111,575) and the amount of outstanding loss events to insurance companies, which are recognised as off-balance sheet items until the insurance company liquidates the claim. The value of claims as of 31 December 2021 lower compared to 31 December 2020, namely by €522,746. The proportion of damages paid, which were disclosed as of 31 December 2020 as off-balance sheet item, was 29,5%.

The off-balance sheet record mainly included received bank guarantees for good performance of contractual obligations, seriousness of the tender and removal of errors within the warranty period in the amount of €3,387,044 (€2,894,461 as of 31 December 2021) and the carrying amount of the electricity infrastructure in the amount of €2,847,536 (€2,990,223 as of 31 December 2020). The latter was transferred to the company SODO on the basis of a mutual agreement on the delivery and acceptance of the fixed assets, financed from the average connection costs and the sales contract, and Elektro Celje kept them in off-balance sheet record.

2.5 Significance Events after the Balance Sheet Date

From the date of the Financial Statements to the date of the preparation of this report, no events were identified which would affect the authenticity and fairness of the stated Financial Statements for 2021.

Due to the impact of high energy price, the government adopted on 22 February 2022 the Emergency Mitigation Measures Act, stipulating that the tariff rates of the electricity distributors for the capacity charge and delivered active energy for all consumer groups in the period from 1 February 2022 to 30 April 2022 would be reduced to zero. The loss of the quarterly revenues from the connected load and network charges in 2022 will be covered by the reduction of the recognised regulatory return on assets, and consequently the revenues of the company Elektro Celje will be lower than planned by €12.1m in 2022. Due to the loss of revenues, the company will most likely end the business year with a loss, and the enforcement of the law will negatively impact the indicators of indebtedness and meeting the financial commitments to lenders.

2.6 Clarification of Items in the Income Statement

The Income Statement is a fundamental financial statement showing the company's revenues and expenses, deferred taxes and net operating result for the business year 2021. The form of the Income Statement for external business reporting is laid down in Art.66 of ZGD-1 and SAS 21. The company used the version I, as defined by SAS 21.6, therefore explained costs by functional groups in compliance with SAS 21.20. Operating costs and revaluation expenses can be direct, which means they may be directly related to the emerging business effects, or general.

Costs and expenses by category (in EUR)	2021			2020		
	Direct costs	Overhead costs	Total	Direct costs	Overhead costs	Total
Material costs	12,254,506	137,109	12,391,615	11,708,157	97,903	11,806,060
Costs of services	4,844,260	1,376,333	6,220,593	4,886,225	1,296,645	6,182,870
Labour costs	20,748,219	3,739,900	24,488,119	20,100,855	3,744,653	23,845,508
Depreciation	16,761,679	1,738,315	18,499,994	16,221,348	1,549,185	17,770,533
Revaluation Expenses	193,248	14,415	207,663	266,986	9,917	276,903
Other costs	224,136	52,990	277,126	237,481	49,099	286,580
Total	55,026,048	7,059,062	62,085,110	53,421,052	6,747,402	60,168,454

2.6.1 Sales revenues

Sales revenue (in EUR)	2021	2020
Revenues from lease of electricity infrastructure for SODO	25,386,521	22,534,961
Revenues from provision of services for SODO	24,644,002	21,896,108
Revenues from services provided for customers	1,824,959	2,110,166
- of which revenues from the sale of services to companies within the group	1,086	30,364
- of which revenues from non-invoiced services to customers	137,471	114,913
Lease revenues	513,101	531,132
- of which revenues from the lease to companies within the group	105,765	118,201
Total	52,368,583	47,072,367

The company generated €52,368,583 of sales revenues in the domestic market, while it did not generate any revenues in foreign markets. Revenues from the regulatory activity under the Contract and related Annexes with SODO d.o.o. for 2021 in the total amount of €50,030,523 comprised deviations of past years identified in procedures for the final calculation of the regulatory framework (surplus of the final settlement for 2019 in the amount of €92,251 and deficit of the final settlement for 2020 in the amount of €9,450), and not yet charged revenues from the measuring-communication equipment, which the company installed to users in 2021 (in the amount of €241,451) in line with Art.163 of the System Operating Instructions for the Electricity Distribution System (Official Gazette of the RS No. 7/2021).

2.6.2 Capitalised own services

With the construction of its own fixed assets, the company generated €17,493,699 of revenues (€16,740,724 in 2020). The value of own work amounted to €6,636,653, materials used amounted to €9,659,090 and the costs of car journeys added up to €1,197,956. The company did not state profit from in-house constructions of fixed assets.

2.6.3 Other operating income

Other operating revenue (in EUR)	2021	2020
Revenues from elimination of provisions	19,712	53,000
Revenues from elimination of long-term accruals and deferred income	653,419	640,728
- for fixed assets acquired free of charge	545,426	532,736
- for average connection fees	107,993	107,992
Revenues associated with business effects	1,189,922	1,923,501
- received compensation from insurance companies and others	279,947	232,733
- revenues from projects and EU funds	71,963	30,260
- employee incentives and trainings	42,542	40,921
- State aid to curb and eliminate the consequences of the epidemic	66,728	891,722
- refunds of sickness allowances	556,012	574,869
- other revenues	172,730	152,996
Revaluation of operating revenues	234,361	201,995
- sale of fixed assets and dismantled material	212,740	146,299
- elimination of adjustments to receivables, decrease and write-off of liabilities	21,621	55,696
Total	2,097,414	2,819,224

2.6.4 Costs of material and services

Material costs (in EUR)	2021	2020
Material costs for investments performed in-house	9,659,090	9,438,484
Material costs for the provision of services to customers	741,635	707,627
Material costs for the provision of SODO services	261,029	58,064
Material costs for maintenance	611,193	584,182
Costs of fuel and energy	726,337	638,447
Write-off of small tools	234,949	160,601
Material costs for damage repair	83,326	162,414
Costs of stationery items	53,537	38,637
Other material costs	20,519	17,605
Total	12,391,615	11,806,061

The costs of intellectual and personal services included the costs of auditing the consolidated annual report for 2021 in the amount of €10,994, carried out by the authorised audit firm BDO Revizija d.o.o. The costs of other assurance services provided by the firm BDO Revizija, amounted to €1.050 in 2021.

Costs of services (in EUR)	2021	2020
Costs of services for maintenance	2,075,119	1,981,130
Costs of informatics	1,052,959	1,016,596
Costs of payment transactions, bank services and insurance premiums	1,026,919	1,094,983
Costs associated with the provision of services to customers	159,592	441,790
Costs of intellectual and personal services	357,478	325,795
Costs of transport services	328,385	268,674
Costs of services for damage repair	90,446	88,829
Costs of memberships	106,508	84,210
Costs of study	65,535	54,800
Lease costs	44,142	46,126
Other costs of services	913,511	779,937
Total	6,220,594	6,182,870

2.6.5 Labour costs

Labour costs (in EUR)	2021	2020
Salaries	17,645,745	16,864,461
Costs of supplementary pension insurance for employees	816,422	797,540
Costs of employer's contributions and other levies on salaries	2,871,437	2,756,267
Other labour costs	2,750,738	2,957,462
Provisions for long-service bonuses and severance pays	403,776	469,777
Total	24,488,118	23,845,507

Number of employees by educational structure	Number of employees as of 1 January 2021	Share (in %)	Number of employees as of 31 December 2021	Share (in %)	Average number of employees
Educational level I	2	0.3 %	2	0.3 %	2
Educational level II	3	0.5 %	2	0.3 %	3
Educational level III	18	2.9 %	16	2.6 %	17
Educational level IV	170	27.1 %	165	26.5 %	167
Educational level V	236	37.6 %	224	36.0 %	228
Educational level VI/1	73	11.6 %	80	12.8 %	76
Educational level VI/2	62	9.9 %	66	10.6 %	65
Educational level VII	52	8.3 %	56	9.0 %	54
Educational level VIII/1	11	1.8 %	11	1.8 %	11
Educational level VIII/2	1	0.2 %	1	0.2 %	1
Total	628	100.0 %	623	100.0 %	622

Labour costs of the company, disclosed on the balance sheet date, the costs of unused annual leave with related benefits in the amount of €675,437 (€559,624 on 31 December 2020). Other labour costs (in the amount of €2,750,738) include €782,846 of costs for food allowance during work, €640,028 of transport costs for employee commuting to and from

work, €1,284,844 of holiday allowances, €17,602 costs for solidarity allowance for death of an employee, and €25,418 of other remuneration.

In 2020, the company changed the method used for recording refunds of benefits which are now booked on a gross basis. The amount of refunded benefits in 2021 amounted to €556,012 (€574,869 for 2020).

2.6.6 Write-offs

Write-offs (in EUR)	2021	2020
Depreciation	18,499,993	17,770,533
Revaluation operating expenses of intangible and tangible fixed assets	202,162	266,492
Revaluation operating expenses of current assets	5,502	10,411
Total	18,707,657	18,047,436

Amortisation and depreciation

Depreciation and amortisation according to asset groups (in EUR)	Intangible fixed assets	Rights in immovable property	Buildings	Equipment	Rights to use equipment	Total
Depreciation and amortisation for 2021	2,208,609	903	9,592,966	6,695,871	1,644	18,499,993
Depreciation and amortisation for 2020	1,661,448	714	9,688,602	6,418,126	1,643	17,770,533

Revaluation of operating expenses

Losses upon the disposal of fixed assets in 2021 amounted to €202,162 (€266,492 in 2020). The majority of revaluation of operating expenses of current assets in the amount of €5,502 (€10,411 in 2020) referred to valuation adjustments of material inventories in the amount of €5,481 (€8,702 in 2020).

2.6.7 Other operating expenses

Other operating expenses in the amount of €277,126 (€286,580 in 2020) included the amounts of compensation for the use of building land in the amount of €164,784 (€171,645 in 2020), the amounts of court fees in the amount of €17,664 (€22,101 in 2020), student remuneration during their work placement including reimbursement of costs and contributions in the amount of €11,258 (€16,459 in 2020), and other operating expenses.

2.6.8 Financial result

The payment received from the sale of the ECE's share amounted to €5,458,008, the payment from the profit-sharing of the company ECE amounted to €371,688 (€49,468 in 2020), and the dividends received from Zavarovalnica Triglav amounted to €5,032. The total financial revenues from shares in 2021 amounted to €5,834,728 (€53,930 in 2020).

The majority of financial revenues from loans (€3,321) referred to accrued contractual interest for payments in instalments of compensation for the value of unjustified electricity consumption in the amount of €3,290 (€7,964 in 2020), which was identified in 2019. Interest from discounting of SODO receivables in the amount of €10,160 was transferred to financial revenues from operating receivables (€32,177) in 2021.

Financial expenses from financial liabilities (€408,643) mainly included interest from bank loans in the amount of €306,508 (€297,912 in 2020), and interest on discounting the preliminary settlement deficit for 2021 in the amount of €101,848.

The net interest (€22,704) determined by actuarial calculation as of 31 December 2021 referred to the expected present value of liabilities from long-service bonuses, severance pay and solidarity aid (€49,599 for 2020) and were included in financial expenses from operating liabilities (€23,441).

Financial revenue and financial expenses (in EUR)	2021	2020
Financial revenue from shares	5,834,728	53,930
Financial revenues from shares in companies within the group	5,829,696	49,468
Financial revenues from shares in associated companies	0	4,462
Financial revenues from shares in other companies	5,032	0
Financial revenue from loans given	3,321	7,997
Financial revenues from loans granted to companies within the group	0	0
Financial revenues from deposit interest	31	33
Financial revenues from loans granted to others	3,290	7,964
Financial revenue from operating receivables	32,177	41,727
Financial receivables from default interest arising from trade receivables	21,823	26,182
- of which for network charges	18,429	24,535
- of which for services	2,748	1,559
- of which for other operating receivables	646	88
Positive exchange rate differences	194	0
Financial revenues from interest of RF settlements	10,160	15,545
Total financial revenue	5,870,226	103,654
Financial expenses from financial liabilities	-408,643	-297,980
Financial expenses from loans granted by the associated companies within the group	-233	0
Financial expenses from loans granted by banks	-306,508	-297,912
Financial expenses from other financial liabilities	-101,902	-68
Financial expenses from operating liabilities	-23,441	-71,048
Financial expenses for regulatory interest to SODO	0	-20,843
Financial expenses for net interest on provisions for severance pays and long-service bonuses	-22,704	-49,599
Financial expenses from other operating liabilities	-737	-606
Total financial expenses	-432,084	-369,028
Total	5,438,142	-265,374

2.6.9 Other revenues

Other revenues (in EUR)	2021	2020
Collected receivables from past periods, previously written off	0	135
Received payments of court fees and compensations	2,844	7,069
Received contractual penalties	0	0
Other Revenue	712	690
Total	3,556	7,894

2.6.10 Other expenditures

Other expenses (in EUR)	2021	2020
Compensations	30,412	90,259
Donations	36,100	26,250
Annuities, reimbursement claims	10,493	10,405
Fines	1,000	3,000
Other expenses	7	44
Total	78,012	129,958

2.6.11 Profit or loss

Net profit or loss (in EUR)	2021	2020
Profit or loss from operating activities	9,874,586	6,463,861
Financial result	5,438,142	-265,374
Result from other revenues and expenses	-74,456	-122,064
Net profit or loss of the period before taxation	15,238,272	6,076,423
Income Tax	1,173,039	473,136
Deferred taxes	81,995	67,998
Net profit or loss of the period	13,983,238	5,535,289

2.6.12 Statement of Comprehensive Income

Total comprehensive income for the accounting period amounted to €13,861,856, and is €121,382 lower than the net operating result of the accounting period (€13,983,238) due to changes in reserves resulting from valuation at fair value (€16,304), and changes in other components of comprehensive income (-€137,686).

2.6.13 Income tax

For the business year 2021, the company disclosed a liability for the payment of corporate income tax in the amount of €1,173,039 (€473,136 as of 31 December 2020), which was identified based on the tax return. The valid corporate income tax rate in Slovenia in 2021 was 19% (the same as in 2020).

2.7 Clarification of Items in the Cash Flow Statement

CASH FLOWS (in EUR)	2021	2020
Inflows from operating activities	96,201,531	103,142,903
Outflows from operating activities	-91,323,139	-89,570,318
Cash flow from operating activities	4,878,392	13,572,585
Inflows from investing activities	9,314,831	454,878
Outflows from investing activities	-10,182,867	-10,543,223
Cash flow from investing activities	-868,036	-10,088,345
Receipts from financing activities	25,677,442	25,391,839
Outflows from financing activities	-28,850,256	-28,692,761
Cash flow from financing activities	-3,172,814	-3,300,922
Cash flow of the period	837,542	183,318
Opening balance	597,812	414,494
Closing balance	1,435,354	597,812

Cash Flow Statement in the period January-December 2021 amounted to €837,542. The opening cash flow balance as of 1 January 2021 amounted to €597,812, and the closing balance as of 31 December 2021 stood at €1,435,354. In 2021, the company generated:

- **€96,201,531 of operating receipts** from network charges (€35,314,681), lease and services under the contract with SODO d.o.o. (€52,704,485), customer services

(€1,920,307), lease payments (€599,115), services to customers under the contract with SODO d.o.o. (€407,760), average connection costs (€3,290,451), corporate income tax refunds (€276,553), salary refunds (€657,859), insurance settlements (€268,581) and other receipts.

- **€9,314,831 of investment receipts** comprising the payment received from the sale of a share of the dependent company ECE (€8,263,530), received payment from a profitsharing of the company ECE in 2019 (€49,468) and in 2020 (€371,688), received dividends of Zavarovalnica Triglav (€5,032), receipts from interest on deposits and the positive cash balance on current accounts (€31), and receipts from the disposal of tangible fixed assets (€625,082).
- **€25,677,442 of receipts from financing**, which include the use of long-term loans from commercial banks to finance investments (€6,600,000), receipts (€17,550,000) of multiple drawing on a long-term revolving credit facility in the amount of €3m, received loan from the company ECE (€1,400,000), and the use of an overdraft (€127,442).

With assets available (€131,193,804), the company financed outflows in the amount of €130,356,262.

- **€91,323,139 of outflows from operating activities**, which include expenditure of materials and services (€61,613,343), salaries including related contributions and taxes (€23,246,551), value added tax (€4,259,184), advances on corporate income tax in 2021 (€561,988), expenditure for Voluntary Supplementary Pension Insurance (€812,513) and others (€829,560).
- **€10,182,867 of outflows from investing activities**, which include expenditure for the acquisition of intangible (€2,082,138) and tangible fixed assets (€8,100,729).
- **€28,850,256 of outflows from financing activities**, which include expenditure for the interest paid on loans and the use of an overdraft (€309,650), repayment of investment loans (€7,721,488), multiple repayment of drawings on the revolving loan (€17,550,000), loan repayment to the company ECE (€1,400,000), repayment of using an overdraft (€127,442) and expenses for paying out dividends (€1,741,676).

2.8 Disclosures of the Items in the Statement of Changes in Equity

In accordance with the rules of the profession, the company Elektro Celje shall provide quality and reliable electricity supply and sustainable operation, maintenance and development of the effective electricity distribution system. Long-term access to the distribution network, sufficient transmission capacity, reliability of the supply, adequate voltage quality, managing short-circuit currents, and safe and reliable operation can only be ensured by continuous investments in the development of the distribution network. Due to the needs to provide resources for the implementation of the planned amount of investments, among which other profit reserves are of high importance, and

in line with the provisions of ZGD-1 and the company's Articles of Association, other profit reserves in the amount of €8,820,852 were formed.

Identification and proposed allocation of distributable profit (in EUR)		2021	2020
a	Net profit or loss of the business year	13,983,238	5,535,289
b	Retained net profit/retained net loss (deductible item)	-55,577	-44,668
c	Increase in profit reserves based on decisions made by the management and supervision boards (legal reserves, reserves for own shares and interests, and statutory reserves)	696,383	274,531
č	Increase in profit reserves based on decisions made by management and supervision bodies (other profit reserves)	8,820,852	3,474,414
DISTRIBUTABLE PROFIT (a + b - c - č)		4,410,426	1,741,676

The Management Board of the Company Elektro Celje proposed the distributable profit of 2021 amounting to €4,410,426 to remain undistributed, as the distribution of such profit in 2022 would increase the company's indebtedness and breach of the company's financial commitment to the permissible financial debt/ EBITDA ratio under the credit contract with the EIB.

2.9 Financial Risk Management

The financial risk management of the company focused on managing credit, capital, liquidity and market risks. Exposure to individual types of risks and measures to control them are assessed and performed on the basis of their effects on cash flows and expenses of financing. The method and methodology of financial risk management are presented in the section [Risk Management of the Company Elektro Celje](#).

2.9.1 Credit risks

Credit Risks arise from trade receivables and mean a risk of not meeting the obligations of the counterparty, due to failure to pay their obligations or late settlement by electricity customers and buyers of services provided.

Management of receivables and debt recovery are performed in line with the provisions of the Energy Act and the Decree on General Conditions for the Supply and Consumption of Electricity. The processes of managing receivables, recovery of debts, responsible individuals and channels and instruments to manage credit risks are defined in the Rules on the financial operations of the company. Risk management activities are focused on continuous monitoring and financial security of receivables, active collection of overdue and unpaid receivables and the charging of default interest in case of late payments, resulting in a low percentage of write-offs (€62,810).

Exposure to credit risks from trade receivables

Age structure of short-term operating trade receivables from buyers (in EUR)	31 December 2021	Structure in %	31 December 2020	Structure in %
Non-matured receivables	9,084,567	93.7	8,893,637	92.2
Receivables overdue less than 30 days	175,203	1.8	254,963	2.6
Receivables overdue 31-60 days	13,857	0.1	13,155	0.1
Receivables overdue 61-90 days	9,393	0.1	3,284	0.0
Receivables overdue 91-180 days	6,395	0.1	1,986	0.0
Receivables overdue 181-365 days	2,930	0.0	7,447	0.1
Receivables overdue more than 365 days	407,080	4.2	469,791	4.9
Total	9,699,425	100.0	9,644,263	100.0

The amount of operating receivables as of the balance sheet date 31 December 2021 increased by 1.4% compared to the end of 2020, and the amount of outstanding receivables increased by 2.2%. For network charges, services, lease payments, average connection costs and default interest, the company had €407,080 of receivables with maturity of over 365 days (bankruptcies, compulsory settlements, lawsuits, and adjustment formed for these receivables), which was 13.3% less than as at 31 December 2020. The maturity profile of receivables considered short-term operating receivables from companies within the group and from buyers, and interest receivables. Valuation adjustments on receivables and advance payments were not included. The percentage of uncollected receivables from the previous year, which were unpaid even after one year of maturity added up to 0.02%. The company's risk to customer non-payment was managed and assessed as low.

The receivables insurance policy in 2021 remained unchanged compared to 2020. The company had no insured trade receivables for network charges, as this is not envisioned by the Decree on General Conditions for the Supply and Consumption of Electricity (orig. SPDOEE). In accordance with the company's risk management system only trade receivables with assessed increased credit risk were insured. According to the balance sheet as of 31 December 2021, €920,192 of receivables were secured by writs of execution (€1.079,335 of receivables as of 31 December 2020).

Adjustments to the company's receivables were at the end of 2021 by 13.8% lower than at the beginning of the year. The impact of impairments and write-offs on the company's final result in 2021 was positive, since the amount of newly formed valuation adjustment of receivables were lower than the reserved valuation adjustments of receivables. The lower amount of write-offs and impairments in 2021 (lower than expected) was also a consequence of the government measures to mitigate the consequences of the epidemic and the ECB's expansionary monetary policy. Liquidity issues of some companies could have otherwise turned into a long-term insolvency, which would have increased the number of insolvency proceedings and bankruptcies. The formation of valuation adjustments of receivables and their write-offs is clarified in the section Significant Accounting Policies (section [2.3.h](#)).

In 2021, €176,977 (€163,203 in 2020) of payments were received from identified unjustified electricity consumption (€154,953 referred to the agreed instalment payment of the identified consumption in 2019). The newly charged identified unjustified electricity consumption in 2021 amounted to €9,590.

Exposure to credit risks from financial investments

The company was also exposed to credit risks from financial investments. Credit risks arising from financial investments mean the risk of significant fluctuations in the value of a financial instrument. Lower creditworthiness impacts the liquidity of a financial instrument and makes more difficult sale of the investment. In the extreme case, credit risks can lead to the situation where an investment remains worthless. Financial assets, of which price is published in an active market and of which fair value can be measured reliably, are valued at fair value (i.e. 2,960 shares of Zavarovalnica Triglav d.d. in the amount of €108,928), and other financial assets are valued at purchase value. The company's management assessed on the balance sheet date if there were objective reasons for impairments of the financial investment in the equity instrument. Exposure to the risk of impairment of long-term financial investments below cost cannot be secured with financial instruments (as clarified in the section Significant Accounting Policies, section [2.3.d](#)).

2.9.2 Liquidity risks

The company Elektro Celje pursues the objective to be able to settle all its due obligations at all times. It maintains its liquidity balance by ensuring consistency between liquidity sources and liquidity needs, and by analysing potential effects of extreme or exceptional circumstances on the company's inflows and outflows.

Exposure to liquidity risk

An important aspect of managing liquidity risks, which was assessed as low, was cash flow planning at different time intervals (daily, monthly, yearly) and under normal and exceptional conditions. Cash flow risk was mainly influenced by the dynamics of investing activity and the extent of invoiced and paid network charges for the distribution network.

Cash flow risk is also affected by the amount of network charges collected, as the deficit in network charges delays the settlement of preliminary settlements in the following regulatory periods, when the Energy Agency includes them in tariff rates for the network charges charged to consumers. Long-term operating receivables from the company SODO bear interest in compliance with the Network Charges Act, until they are included in the Regulatory Framework, when their interest-bearing ceases. Receivables of significant values which do not bear interest are disclosed in the Balance Sheet at discounted value, whereby the interest rate is considered equal to the average interest rate on long-term loans. The receivable from 2015 preliminary settlement will finally be settled in 2022, and the receivables from preliminary settlement of the regulatory year 2021 will be settled only in the regulatory period following RF 2022. The discounted value of a receivable is calculated for the period following the inclusion of the receivable into the Regulatory Framework, when its interest-bearing ceases in compliance with the Network Charges Act.

Received preliminary and final settlements		Value as of 1 January 2021	Value as of 31 December 2021	Payment in the Regulatory Year 2022	Payment in the regulatory period following RF 2022
1	Preliminary settlement of the Regulatory Year 2015	1,237,297	95,161	95,161	0
2	Preliminary settlement of the Regulatory Year 2021	0	3,726,257	334,196	3,392,061
Total deviations from Regulatory Frameworks		1,237,297	3,821,418	429,357	3,392,061

In order to achieve sufficient liquidity in exceptional circumstances some additional security mechanisms and envisaged procedures for actions were set in place (utilisation of the long-term revolving credit facility in the amount of €3,000,000 and a short-term overdraft facility in the amount of €500,000. By ensuring adequate structure of financial sources and favourable values of financial indicators, the company manages risks of meeting financial commitments. Therefore, the risks upon reducing financial investments in 2022 and the transfer of the distributable profit from 2021 was assessed as low. Loan collaterals and financial commitments to banks are clarified in the section Financial Liabilities (section [2.4.12](#)).

Maturity of financial liabilities to banks as of 31 December 2021 (in EUR)		Book value as of 31 December 2021	Maturity after the balance sheet date		
			up to 1 year	from 1 year to 5 years	older than 5 years
1.	Borrowings	37,822,559	8,504,821	24,427,219	4,890,519
2.	Interest	829,794	272,767	510,370	46,657
Total financial liabilities to banks		38,652,353	8,777,588	24,937,589	4,937,176

Maturity of financial liabilities to banks as of 31 December 2020 (in EUR)		Book value as of 31 December 2020	Maturity after the balance sheet date		
			up to 1 year	from 1 year to 5 years	older than 5 years
1.	Borrowings	38,944,047	7,721,488	25,193,230	6,029,329
2.	Interest on loans	934,416	282,508	569,477	82,431
Total financial liabilities to banks		39,878,463	8,003,996	25,762,707	6,111,760

2.9.3 Equity risks

The purpose of equity management is to ensure high credit rating, long-term solvency, equity adequacy and favourable indicators of financing the operations, enabling the company to ensure proper development of its own operations and to maximise the value for its shareholders. The ownership rate of financing in 2021 was 76.8% (75.7% in 2020). When monitoring decisions on equity management, the company also follows other financial commitments from credit agreements, which are described in the section Financial Liabilities (section [2.4.12](#)). The company met all its contractual financial commitments on the balance sheet date.

Changes in equity of the company is monitored by using the financial leverage indicator. The ratio between the disclosed net indebtedness of the company and its equity as of 31 December 2021 was more favourable than on 31 December 2020, mainly due to a lower level of the company's indebtedness. Equity risks was assessed low in the long run.

Financial leverage indicator (in EUR)		31 December 2021	31 December 2020
1.	Loans received and other financial liabilities	37,874,384	39,324,681
2.	Minus cash and cash equivalents	-1,435,354	-597,812
3.	Net financial liabilities	36,439,030	38,726,869
4.	Equity	234,602,568	222,482,388
5.	Net financial liabilities/equity indicator	15.5 %	17.4 %

2.9.4 Market risks

Market fluctuations of interest rates may impact increase or decrease in costs from this perspective and also the amount of financing liabilities. When coordinating contracts of financing current operations and investment activity, the company rejects all contractual provisions allowing the lender to subsequently change its initial interest rate (increased costs clause) due to changed circumstances in the money and capital market, changed regulations and instructions of any government fiscal or monetary authority, changes borrower's credit rating, etc. The weighted average interest rate on loans as of 31 December 2021 added up to 0.738% and was lower than as of 31 December 2020 (0.793%) due to a decrease in bank loans bearing higher interest.

Cash flow sensitivity to changes in interest rate

Exposure to interest rate risks means an (unfavourable) fluctuation of the EURIBOR reference interest rate, whereby the company is at any time in a position to repay or refinance its long-term debts early at any time without additional costs.

Sensitivity to changes in the interest rate was assessed by using sensitivity analysis. Given the extent of borrowing as of 31 December 2021, and the forecast of EURIBOR movements, the change in the interest rate (EURIBOR) by 0.3% (30 basis points) should not result in higher interest expenditure. The likelihood of a major change in EURIBOR was assessed as low. Low sensitivity to changes in interest rates is associated with interest rate clauses in credit agreements, since in the case of a negative EURIBOR value, the value of EURIBOR 0 (zero) is included in the calculation of the interest for the interest period, and also with the extent of fixed interest rate loans (41.9% of loans as of 31 December 2021). The analysis assumes that all other variables remain unchanged.

According to the balance sheet as of 31 December 2021, 58.1% of financial liabilities bore the interest rate linked to EURIBOR and on the basis of the forecast of EURIBOR interest rate fluctuations, the exposure to interest risk was assessed as low. The company does not hedge changes in the EURIBOR interest rate with financial instruments.

2.10 Transactions with Associated Parties

2.10.1 Links to companies within the group and associate companies

Item/year (in EUR)	2021			2020		
	ECE d.o.o.	Elektro Celje OVI, d.o.o.	Informatika d.o.o.	ECE d.o.o.	Elektro Celje OVI, d.o.o.	Informatika d.o.o.
Assets:						
Short-term trade receivables from buyers	11,144	2,151	0	60,903	2,394	0
Total assets	11,144	2,151	0	60,903	2,394	0
Liabilities:						
Short-term operating liabilities	22,170	41,207	230,767	22,843	57,635	308,581
Short-term financial liabilities	0	0	0	0	0	268,995
Long-term financial liabilities	0	0	0	0	0	11,659
Total liabilities	22,170	41,207	230,767	22,843	57,635	589,235
Revenue:						
Net sales revenues	109,940	16,569	0	108,415	40,150	0
Financial expenses	371,688	0	0	49,468	0	4,462
Total revenue	481,628	16,569	0	157,883	40,150	4,462
Costs and Expenses:						
Material costs	126,122	167,566	0	128,820	149,795	0
Costs of services	7,246	39,613	1,063,939	0	47,384	1,024,700
Other costs	32	0	0	0	0	0
Financial expenses	233	0	0	0	0	0
Total costs and expenses	133,633	207,179	1,063,939	128,820	197,179	1,024,700

2.10.2 Transaction with the Management Board and the Supervisory Board

Gross receipts (in EUR)	2021	2020
Member of the Management Board	137,239	131,346
Members of the Supervisory Board and Supervisory Board Audit Committee	142,727	124,339
Total	279,966	255,685

Receipts of Salaries of the Chairman of the Management Board in 2021 (in EUR)

Full Name	Position	Receipts	Salary
Boris Kupec, MSc	Chairman of the Management	Gross receipts	123,581
		Net receipts	57,181

Receipts of benefits and reimbursement of travel expenses (daily allowances, food allowances, expenses on business travel) of the management board chairman arise from, and are calculated in compliance with, the employment contract or corporate collective bargaining agreement. Costs of insurance premiums and the use of company car are considered bonuses of the management board.

Remuneration of benefits and travel expenses of the president of the Management Board in 2021 (in EUR)

Full Name	Total receipts	Reimbursement of labour costs	Insurance premiums	Use of company car	Professional education	Holiday allowance
Boris Kupec, MSc	13,658	1,401	1,256	8,939	0	2,062

Remuneration of the Supervisory Board and Audit Committee of the Supervisory Board

Receipts in 2021 (in EUR)	Receipts (net)	Receipts (gross)	SB meeting fees and reimbursements for performing the SB	Travel expenses	Education/Trainings	Insurance
REPRESENTATIVES OF SHAREHOLDERS						
Drago Štefe, MSc.	12,233	16,820	15,624	501	0	695
Miha Kerin, MSc.	17,408	23,935	22,490	750	0	695
Mirjan Trampuž, MSM, MSc.	9,830	13,396	12,221	162	318	695
MSc Rosana Dražnik, MSc.	15,991	21,987	19,084	2,208	0	695
Boštjan Leskovar, MSc.	5,125	7,047	6,927	120	0	0
MSc Dejan Žohar, MSc.	3,198	4,397	4,385	12	0	0
Marijan Papež	4,479	6,158	5,929	230	0	0
REPRESENTATIVES OF EMPLOYEES						
Miran Ajdnik, B.E.E. member	13,310	18,136	17,002	0	439	695
Janko Čas, electrician - expert in energetics	14,932	20,531	19,836	0	0	695
EXTERNAL EXPERTS, MEMBERS OF SB AC						
Ignac Dolenšek, MSc.	4,054	5,072	3,537	199	1,336	0
Darinka Virant, BA in economics	3,884	5,247	4,790	209	248	0
TOTAL	104,444	142,727	131,825	4,391	2,341	4,170

In addition to meeting fees including travel expenses, remunerations of the supervisory Board members include monthly remuneration for performing their function in the Supervisory Board and its committees, and other reimbursements related to the performance of the supervisory function and the company's operations (trainings, insurance of liability for damage). The basic annual remuneration for the function of the supervisory board chairman is €19,500, for the deputy €14,300, for the supervisory board member €13,000, for the chairman of a supervisory board committee €4,875 and for a committee member €3,250 (resolution No. 21 of the General Meeting as of 1 September 2016). Reimbursement of costs for trainings is considered to be paid out in the amount not exceeding €10,000 in an individual business year.

The company had no receivables from the Management Board, Supervisory Board and Supervisory Board Committees members as of 31 December 2021 in relation to advance payments, guarantees or loans.

Membership in management and supervision bodies	
Miha Kerin, MSc.	Chairman of the Management Board of the company Varnost sistemi, d.o.o.;
Rosana Dražnik, MSc.	Managing director of the company Finera svetovanje d.d.d, sole proprietor, Rosana Dražnik s.p., Intax;
Boštjan Leskovar, MSc.	Member of the Supervisory Board of KAD d.d.;
Marijan Papež	Chairman of the Supervisory Board of Nepremičninski sklad pokojninskega in invalidskega zavarovanja d.o.o. (Pension Real Estate Fund Ltd.)
Boris Kupec, MSc	Member of the Supervisory Board of Stelkom d.o.o., and member of the Council of Elektroinštitut Milan Vidmar, deputy chairman of the supervisory board and chairman of the Audit Committee in the company ECE;

2.10.3 Transactions with employees who are not subject to the tariff part of the Collective Agreement

Remunerations of employees arising from contracts not subject to the tariff part of the Collective Agreement amounted to €504,835 in 2021 (€504,948 in 2020).

3 DISCLOSURES UNDER THE ELECTRICITY SUPPLY ACT

Elektro Celje, d.d. prepares Financial Statements for the company as a whole, and its business segments or activities are disclosed in clarifications to the financial statements in accordance with Art. 107 of The Electricity Supply Act and SAS. The company's activities are the provision of infrastructure and public utility service for the distribution network system operator under contract with SODO d.o.o. and market services.

3.1 Balance Sheet Broken Down by Company's Activities

The company records business events which change the balance of assets and liabilities at the time of their occurrence, whereby the principle of individual valuation of assets and liabilities is taken into account. Balance Sheet broken down by activities - business segments - takes a form of a two-side balance sheet and contains items defined by SAS 20.4. In accordance with the Rules on Criteria for Separate Accounting Monitoring and Reporting by Activities of the company Elektro Celje, assets and liabilities, according to their purpose and use, are allocated to the relevant activity group of the company. The entire distribution network, including supervisions, is directly assigned to the activity of providing electricity distribution infrastructure and performing services for the distribution network operator. Other fixed assets of this segment, which do not refer to only one business segment, are allocated to activities according to the criterion of the number of hours worked for an individual activity. Electricity infrastructure is defined by the Decree on Energy Infrastructure (Official Journal of the RS NO. 22/16).

Short-term and long-term financial liabilities to banks from investment loans, short-term operating liabilities for a third-party account (SODO), and short-term and long-term trade receivables for network charges and receivables from the system operator are also directly allocated to the activity of providing electricity distribution infrastructure and performing services. Long-term investments in the dependent company for the generation of electricity and in the dependent company for marketing electricity are allocated to the marketing activity of the company.

Short-term financial investments and available cash are calculated based on the volume of assets and sources of assets of a certain activity. The amount of the share capital and capital reserves by activities are determined and do not change, while fluctuations of other equity components broken down by activities are disclosed in the Statement of Changes in Equity by activities. Other assets of this business sector, which do not relate to only one specific business segment, are allocated to activities according to the criterion of the number of hours worked for an individual activity.

The following criteria are taken into consideration when allocating assets and liabilities of shared functions:

the account	criterion
007, part of 06, 08, 25, 262, 263, 2650, 2663, 277, 282, 285, 2851 to 2859, 320, 321, 966, 975, 989, part of 95	1
003, 008, 010, 015, 020, 021, 027, 035, 040, 041, 045, 047, 048, 050, 051, 055, 058, 130, 131, 968	2
120, 121, 129, 1321, 133, 150, 151, 155, 159, 160, 161, 164, 165, 169, 190, 191, 192, 195, 260, 290, 291, 295	3
30, 31, 1320	4
2201, 230, 221, 224, 2651 - 6 and 2660 - 2	5
09, 11, 18, 90 - 95, 963, 965, 988	calculation

- **Criterion 1 - Share of hours worked for a particular activity** in the accounting period is used to allocate long-term financial investments not assigned to a particular activity, long-term loans granted, long-term operating receivables, liabilities for salaries payable, short-term liabilities to the State and other institutions, other short-term operating liabilities, inventories of small tools, long-term operating liabilities, long-term liabilities from financial lease and retained contributions for employment of the disabled over the mandatory quota. These assets and liabilities are related by content and amount to the number of hours worked or the number of employees (sales of apartments using instalment payment method, purchase of small tools, salaries of the staff).
- **Criterion 2 - Share of present value of fixed assets** is used in classifying fixed assets used within shared functions that serve both activities. Fixed assets are allocated to the appropriate activity category based on the share of fixed assets pertaining to each activity in the Maintenance and Investment Sector and the Development and Operations Sector.
- **Criterion 3 - Share of total revenue in the accounting period, excluding revenue from shared functions** is used in classifying short-term receivables, VAT payables, short-term accruals and deferrals not assigned to a particular activity. The balance of these assets and liabilities depends on the extent of invoicing and the related total revenue.
- **Criterion 4 - Share of material used in the accounting period by individual activity** (excluding the costs of purchasing electricity to cover losses) is used in classifying the inventories of material. Increased consumption of material requires larger purchases and consequently larger inventories.
- **Criterion 5 - Share of cost of material and services by individual activity** (excluding the costs of purchasing electricity to cover losses) is used in classifying liabilities to suppliers for purchasing fixed and current assets. Since these payables are based in invoices for material and services, which are recorded upon occurrence at the level of shared functions, they are classified based on a combined criterion of used material and services by the activity from which these payables reasonably arise.

BALANCE SHEET BROKEN DOWN BY ACTIVITIES

ACCOUNTING ITEM (in EUR)	Balance as of 31 December 2021			Balance as of 31 December 2020		
	SODO activity	Market activities	Total	SODO activity	Market activities	Total
A. Long-term assets (I. + II. + III. + IV. + V. + VI.)	284,322,231	6,264,882	290,587,113	271,927,271	6,103,789	278,031,060
I. Intangible assets and long-term prepaid expenses and accrued income (1 to 6)	4,200,356	15,236	4,215,592	4,940,157	30,556	4,970,713
1. Long-term property rights	4,173,407	12,958	4,186,365	4,934,820	28,428	4,963,248
4. Intangible assets in development	23,509	812	24,321	0	0	0
6. Other prepayments and accrued income	3,440	1,466	4,906	5,337	2,128	7,465
II. Tangible fixed assets (1 to 4)	275,389,061	1,323,422	276,712,483	265,331,854	1,179,593	266,511,447
1. Land and buildings (a + b)	201,936,322	608,239	202,544,561	195,484,933	522,122	196,007,055
a) Land	6,265,208	45,953	6,311,161	5,969,111	45,708	6,014,819
b) Buildings	195,671,114	562,286	196,233,400	189,515,822	476,414	189,992,236
2. Production facilities and machines	64,549,040	664,293	65,213,333	63,251,570	603,432	63,855,002
3. Other facilities and equipment	24,531	37,920	62,451	19,992	38,977	58,969
4. tangible fixed assets in the course of acquisition (a + b)	8,879,138	12,970	8,892,138	6,575,359	15,062	6,590,421
a) Tangible fixed assets in course of construction and production	8,879,138	12,970	8,892,138	6,575,359	15,062	6,590,421
IV. Long-term financial investments (1 to 2)	225,378	4,706,421	4,931,799	229,781	4,681,890	4,911,671
1. Long-term financial investments apart from loans (a + b + c + c̃)	225,378	4,706,421	4,931,799	229,781	4,681,890	4,911,671
a) shares and shareholdings in the companies within the group	0	1,805,952	1,805,952	0	4,501,454	4,501,454
b) shares and shareholdings in associate companies	145,139	2,757,350	2,902,489	147,975	59,012	206,987
c) other shares and shareholdings	80,239	143,119	223,358	81,806	121,424	203,230
V. Long-term operating receivables (1 to 3)	3,290,359	2,789	3,293,148	122,178	7,583	129,761
2. Long-term operating trade receivables from buyers	3,290,359	0	3,290,359	122,178	0	122,178
3. Long-term operating receivables from others	0	2,789	2,789	0	7,583	7,583
VI. Deferred tax assets	1,217,077	217,014	1,434,091	1,303,301	204,167	1,507,468
B. Short-term assets (I. + II. + III. + IV. + V.)	2,264,093	11,678,053	13,942,146	9,448,551	6,259,686	15,708,237
I. Assets held for sale	311,626	0	311,626	803,951	2,805,522	3,609,473
II. Inventories (1 to 4)	331,826	2,124,997	2,456,823	216,121	1,376,523	1,592,644
1. Material	331,826	2,124,997	2,456,823	216,121	1,376,523	1,592,644
IV. Short-term operating receivables (1 to 3)	9,200,772	537,571	9,738,343	9,284,860	623,448	9,908,308
1. Short-term operating receivables from companies within the group	1,445	706	2,151	9,826	53,470	63,296
2. Short-term operating trade receivables from buyers	8,845,064	465,152	9,310,216	8,719,651	422,847	9,142,498
3. Short-term operating receivable from others	354,263	71,713	425,976	555,383	147,131	702,514
V. Cash	-7,580,131	9,015,485	1,435,354	-856,381	1,454,193	597,812
C. Short-term prepayments and accrued income	691,796	156,865	848,661	73,755	139,557	213,312
TOTAL ASSETS (A + B + C)	287,278,120	18,099,800	305,377,920	281,449,577	12,503,032	293,952,609

ACCOUNTING ITEM (in EUR)	Balance as of 31 December 2021			Balance as of 31 December 2020		
	SODO activity	Market activities	Total	SODO activity	Market activities	Total
A. Equity	221,297,097	13,305,471	234,602,568	214,217,952	8,264,436	222,482,388
I. Called-up capital	144,605,701	6,349,389	150,955,090	144,605,701	6,349,389	150,955,090
1. Share Capital	144,605,701	6,349,389	150,955,090	144,605,701	6,349,389	150,955,090
II. Capital reserves	60,849,175	1,411,142	62,260,317	60,849,175	1,411,142	62,260,317
III. Profit reserves	13,655,614	4,080,868	17,736,482	7,661,450	557,797	8,219,247
1. Legal reserves	4,822,638	618,578	5,441,216	4,384,041	360,792	4,744,833
2. Reserves for own shares and own interests	866,281	20,090	886,371	866,281	20,090	886,371
3. Own shares and own interest	-866,281	-20,090	-886,371	-866,281	-20,090	-886,371
5. Other profit reserves	8,832,976	3,462,290	12,295,266	3,277,409	197,005	3,474,414
IV. Reserves resulting from valuation at fair value	-591,177	-168,570	-759,747	-541,294	-152,648	-693,942
VII. Net profit or loss of the business year	2,777,784	1,632,642	4,410,426	1,642,920	98,756	1,741,676
1. Undistributed profit of the business year	2,777,784	1,632,642	4,410,426	1,642,920	98,756	1,741,676
B. Provisions and long-term accruals and deferred revenue (1 to 3)	16,686,354	2,237,931	18,924,285	17,643,588	2,098,688	19,742,276
1. Provisions for pensions and similar liabilities	4,818,513	2,230,218	7,048,731	4,822,624	2,087,569	6,910,193
2. Other provisions	197,993	0	197,993	193,843	0	193,843
3. Long-term accruals and deferred income	11,669,848	7,713	11,677,561	12,627,121	11,119	12,638,240
C. Long-term liabilities (I. + II. + III.)	29,331,785	5,274	29,337,059	31,276,594	20,609	31,297,203
I. Long-term financial liabilities (1 to 4)	29,320,681	542	29,321,223	31,268,007	17,185	31,285,192
2. Long-term financial liabilities to banks	29,317,738	0	29,317,738	31,222,559	0	31,222,559
4. Other long-term financial liabilities	2,943	542	3,485	45,448	17,185	62,633
III. Deferred tax liabilities	11,104	4,732	15,836	8,587	3,424	12,011
C. Short-term liabilities (I. + II. + III.)	19,426,993	2,333,130	21,760,123	16,749,904	1,973,211	18,723,115
II. Short-term financial liabilities (1 to 4)	8,552,714	447	8,553,161	7,956,161	83,328	8,039,489
2. Short-term financial liabilities to banks	8,504,821	0	8,504,821	7,721,488	0	7,721,488
4. Other short-term financial liabilities	47,893	447	48,340	234,673	83,328	318,001
III. Short-term operating liabilities (1 to 8)	10,874,279	2,332,683	13,206,962	8,793,743	1,889,883	10,683,626
1. Short-term operating liabilities to companies within the group	35,562	5,645	41,207	76,023	4,455	80,478
2. Short-term operating liabilities to suppliers	3,830,572	759,511	4,590,083	2,622,439	683,387	3,305,826
4. Short-term operating liabilities for a third party account	3,522,689	24	3,522,713	3,233,150	0	3,233,150
5. short-term liabilities to employees	2,428,376	930,352	3,358,728	2,294,426	834,293	3,128,719
6. short-term liabilities to State and other institutions	716,002	319,203	1,035,205	212,870	91,858	304,728
7. short-term operating liabilities based on advance payments	8,329	176,049	184,378	837	138,068	138,905
8. Other short-term operating liabilities	332,749	141,899	474,648	353,998	137,822	491,820
D. Short-term accruals and deferred income	535,891	217,994	753,885	1,561,539	146,088	1,707,627
TOTAL LIABILITIES (A to D)	287,278,120	18,099,800	305,377,920	281,449,577	12,503,032	293,952,609

3.2 Income Statement Broken Down by Activities

The Income Statement by activities (business segments) is compiled by using Version I of SAS 21.6. All revenues, expenses and profit or loss are divided into two parts: activities related to providing electricity distribution infrastructure and performing services for SODO, and market activities.

Organisational activities are not separated, however they are performed within the Maintenance and Investments Sector, Development and Operations Sector and Shared Functions. Revenues, costs and expenses of the activities that cannot be attributed directly to a particular activity based on the type of work are classified in the appropriate activity category based on the number of hours spent by the sector working on each activity regularly. When allocating revenues, costs and expenses of shared functions and organisational units within the shared functions, which cannot be attributed directly to a particular activity, the following criteria are taken into account:

group of accounts	criterion
part of 760, 765, 766, 768, 769, 774, 775, 777, 78, 720, 721, 722, 723, 740, 743, 745, 746, 749	Criterion shared functions
40, 41, 47, 48, 75	Criterion individual organisational unit within shared functions
43	Share of the present value of an individual fixed asset for both activities

The criteria of shared functions and individual organisational unit within the shared functions are based on the calculation of the appropriate ponders which include the following categories:

- Activity revenues (the criterion is calculated based on revenue by activity for the accounting period, excluding revenues from shared functions),
- Present value of fixed assets within a particular activity (the criterion is calculated from present value of fixed assets by activity on the last day of the accounting period),
- Consumption or use of material (the criterion is calculated from the amounts of the material used or consumed, excluding the costs for electricity, by activities in the accounting period),
- Number of hours worked by activity (the criterion is calculated based on actual hours worked by the staff per activity in the accounting period),
- Costs of business informatics (the criterion is calculated based on the share of utilising resources according to the price list from the Contract signed by the company Elektro Celje and the company Informatika, d.d.)
- Transport costs (the criterion is calculated from the values of transport performed by activity in the accounting period).

The criterion of a share of present value of an individual fixed asset for both activities is used to classify depreciation of fixed assets used within the shared functions and serve both activities.

INCOME STATEMENT BROKEN DOWN BY ACTIVITY

ACCOUNTING ITEM (in EUR)	2021			2020		
	SODO activity	Market activities	Total	SODO activity	Market activities	Total
1. Net sales revenues	50,413,290	1,955,293	52,368,583	44,834,084	2,238,283	47,072,367
a. on the domestic market	50,413,290	1,955,293	52,368,583	44,834,084	2,238,283	47,072,367
3. Capitalised own products and own services	0	17,493,699	17,493,699	0	16,740,724	16,740,724
4. Other operating revenues (including revaluation operating revenues)	1,857,226	240,188	2,097,414	2,310,480	508,744	2,819,224
5. Costs of goods, material and services (a + b)	6,750,047	11,862,162	18,612,209	6,251,132	11,737,799	17,988,931
a. Purchase value of sold goods and costs of material used	1,598,761	10,792,854	12,391,615	1,348,581	10,457,480	11,806,061
b. Costs of services	5,151,286	1,069,308	6,220,594	4,902,551	1,280,319	6,182,870
6. Labour costs (a + b + c + d)	16,723,260	7,764,858	24,488,118	16,603,789	7,241,718	23,845,507
a. Costs of salaries	12,062,957	5,582,788	17,645,745	11,768,902	5,095,559	16,864,461
b. Pension insurance costs	1,656,512	737,517	2,394,029	1,626,531	681,060	2,307,591
c. Other social insurance costs	884,415	409,415	1,293,830	869,101	377,115	1,246,216
d. Other labour costs	2,119,376	1,035,138	3,154,514	2,339,255	1,087,984	3,427,239
7. Write-offs (a + b + c)	18,485,686	221,971	18,707,657	17,844,638	202,798	18,047,436
a. Amortisation and depreciation	18,300,101	199,892	18,499,993	17,571,977	198,556	17,770,533
b. Revaluation operating expenses of intangible and tangible fixed assets	181,611	20,551	202,162	264,707	1,785	266,492
c. Revaluation operating expenses of current assets	3,974	1,528	5,502	7,954	2,457	10,411
8. Other Operating Expenses	246,106	31,020	277,126	257,955	28,625	286,580
9. Financial revenue from shares (a + b)	0	5,834,728	5,834,728	3,190	50,740	53,930
a. Financial revenue from shares in the companies within the group	0	5,829,696	5,829,696	0	49,468	49,468
b. Financial revenue from shares in other companies	0	5,032	5,032	3,190	1,272	4,462
10. Financial revenue from loans given (a + b)	3,312	9	3,321	7,988	9	7,997
b. Financial revenue from loans granted to others	3,312	9	3,321	7,988	9	7,997
11. Financial revenue from operating receivables	31,205	972	32,177	41,269	458	41,727
b. Financial revenue from operating receivables from others	31,205	972	32,177	41,269	458	41,727
13. Financial expenses from financial liabilities (a + b)	408,570	73	408,643	297,970	10	297,980
a. Financial expenses related to loans from companies within the group	168	65	233	0	0	0
b. Financial expenses related to loans from banks	306,508	0	306,508	297,912	0	297,912
c. Financial expenses from other financial liabilities	101,894	8	101,902	58	10	68
14. Financial expenses from operating liabilities	17,046	6,395	23,441	57,994	13,054	71,048
b. Financial expenses from trade payables and bills of exchange payable	0	61	61	20,843	48	20,891
c. Financial expenses from other operating liabilities	17,046	6,334	23,380	37,151	13,006	50,157
15. Other Revenue	2,844	712	3,556	6,422	1,472	7,894
16. Other expenses	69,028	8,984	78,012	123,495	6,463	129,958
17. NET PROFIT OR LOSS OF PERIOD BEFORE TAXATION (1±2+3+4-5-6-7-8+9+10+11-12-13-14+15-16)	9,608,134	5,630,138	15,238,272	5,766,460	309,963	6,076,423
18. Income tax	709,066	463,973	1,173,039	437,174	35,962	473,136
19. Deferred taxes	92,116	-10,121	81,995	107,857	-39,859	67,998
20. NET PROFIT OR LOSS OF THE PERIOD (1±2+3+4-5-6-7-8+9+10+11-12-13-14+15-16-18+19)	8,806,952	5,176,286	13,983,238	5,221,429	313,860	5,535,289

Sales revenues by activity (in EUR)	2021			2020		
	SODO activity	Market activities	Total	SODO activity	Market activities	Total
Lease and maintenance of infrastructure and the provision of services for SODO	50,030,523	0	50,030,523	44,431,069	0	44,431,069
Sale of services	382,767	1,955,293	2,338,060	403,015	2,238,283	2,641,298
Total	50,413,290	1,955,293	52,368,583	44,834,084	2,238,283	47,072,367

3.3 Cash Flow Statement Broken Down by Activity

The Cash Flow Statement by Activity is a Financial Statement of the company presenting changes in cash broken down by activity fairly and truly. It refers to the business year for which it is compiled. It discloses cash flows generated from operating, investing and financing activities. It is compiled using the direct method, Version I (SAS 26.5) and has the line-by-line form.

The basis for compiling the Cash Flow Statement by Activity are the data obtained from relative underlying documents on cash flows. The allocation of receipts and expenses by activity for the relevant accounting period follows the criteria for allocating assets, liabilities, revenues and expenses.

Cash flows, increasing or decreasing the value of the assets and liabilities of a sector and do not relate to only one specific business segment, are allocated to activities according to the criterion of the number of hours worked by the sector while working on a specific activity. The allocation of receipts and expenses of the shared functions by activity follows the criteria defined in the Rules and regulations on the criteria for separate accounting recording and reporting by the business activities of the company Elektro Celje.

group of accounts	criterion
08, 25, 262, 263, 2650, 2663, 277, 282, 285, 2851 do 2859, 320, 321, 966,97	1
003, 047, 089, 130, 131	2
120, 121, 1321, 133, 150, 151, 155, 159, 160, 161, 164, 165, 169, 190, 191, 192, 195, 260, 290, 291, 295	3
1320	4
220, 230, 221, 224, 2651 - 6 and 2660 - 2	5
11, 18, 90 - 93, 963	calculation

Cash flows which increase or decrease the amount of revenues, costs and expenses of the activities within the Maintenance and Investment Sector as well as the Operation and Development Sector, which cannot directly be attributed to individual activity based on the type of work are classified under the appropriate category on the number of hours worked or spent for a particular activity category. When allocating revenues, costs and expenses of shared functions and organisational units within the shared functions, which cannot be attributed directly to a particular activity, follows the criteria determined in Art. 14 and Art.15 of the Rules:

group of accounts	criterion
77, 78, 7460/1,2	Criterion shared functions
41, 48, 7540, 75	Criterion individual organisational unit within shared functions

The surplus of inflows from operating activity over the outflows from the operating activity in providing electrical distribution infrastructure and performing the activities for the

distribution network operator are the sources of financing the investment activity, payments to suppliers and covering self-made investments in the non-electricity activities of the company.

CASH FLOW BROKEN DOWN BY ACTIVITY

Accounting item (in EUR)	2021			2020		
	SODO activity	Market activities	Total	SODO activity	Market activities	Total
A. CASH FLOWS FROM OPERATING ACTIVITIES						
a. Inflows from operating activities	92,491,852	23,591,928	116,083,780	98,005,563	24,203,684	122,209,247
Inflows from sales of products and services	91,024,691	23,134,466	114,159,157	96,269,828	23,772,736	120,042,564
Other inflows from operating activities	1,467,161	457,462	1,924,623	1,735,735	430,948	2,166,683
b. Outflows from operating activities	-68,329,183	-22,993,956	-91,323,139	-68,053,680	-21,516,638	-89,570,318
Purchase of material and services	-47,171,701	-14,441,642	-61,613,343	-46,168,204	-13,234,048	-59,402,252
Salaries and employees' shares in profit	-16,787,300	-6,459,251	-23,246,551	-16,257,706	-5,939,267	-22,196,973
Duties and taxes (contributions and other taxes)	-3,452,684	-1,735,433	-5,188,117	-4,714,325	-2,007,576	-6,721,901
Other outflows from operating activities	-917,498	-357,630	-1,275,128	-913,445	-335,747	-1,249,192
c. Positive or negative cash flow from operating activities (a + b)	24,162,669	597,972	24,760,641	29,951,883	2,687,046	32,638,929
B. CASH FLOWS FROM INVESTING ACTIVITIES						
a. Inflows from investing activities	554,194	8,760,637	9,314,831	413,859	41,019	454,878
Receipts from obtained interest and dividend relating to investing activities	21	426,198	426,219	3,180	1,315	4,495
Inflows from disposals of tangible fixed assets	554,173	70,909	625,082	410,679	39,704	450,383
Inflows from disposals of financial investments	0	8,263,530	8,263,530	0	0	0
b. Outflows from investing activities	-28,788,212	-1,276,904	-30,065,116	-28,072,865	-1,536,702	-29,609,567
Expenditure for the acquisition of intangible assets	-1,256,171	-825,967	-2,082,138	-2,313,484	-1,095,276	-3,408,760
Expenditure for the acquisition of tangible fixed assets	-27,532,041	-450,937	-27,982,978	-25,759,381	-381,426	-26,140,807
Purchase of financial investments	0	0	0	0	-60,000	-60,000
c. Positive or negative cash flow from investing activities (a + b)	-28,234,018	7,483,733	-20,750,285	-27,659,006	-1,495,683	-29,154,689
C. CASH FLOWS FROM FINANCING ACTIVITIES						
a. Receipts from financing activities	25,677,442	0	25,677,442	25,391,839	0	25,391,839
Receipts from the increase in financial liabilities	25,677,442	0	25,677,442	25,391,839	0	25,391,839
b. Outflows from financing activities	-28,329,843	-520,413	-28,850,256	-27,856,105	-836,656	-28,692,761
Interest paid on financing activities	-309,650	0	-309,650	-326,837	0	-326,837
Repayments of financial liabilities	-26,798,930	0	-26,798,930	-25,431,319	0	-25,431,319
Payments of dividends and other profit shares	-1,221,263	-520,413	-1,741,676	-2,097,949	-836,656	-2,934,605
c. Positive or negative cash flow from financing activities (a + b)	-2,652,401	-520,413	-3,172,814	-2,464,266	-836,656	-3,300,922
Č. CLOSING CASH BALANCE	-7,580,131	9,015,485	1,435,354	-856,381	1,454,193	597,812
Net cash flow for the period (sum of the net cash flows Ac, Bc and Cc)	-6,723,750	7,561,292	837,542	-171,389	354,707	183,318
Opening cash balance	-856,381	1,454,193	597,812	-684,992	1,099,486	414,494

Financial Report of the Elektro Celje Group

Independent Auditor's Report on Consolidated Financial Statements



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INDEPENDENT AUDITOR'S REPORT

to the shareholders of Elektro Celje, d.d.

(Translation of the original report in Slovene language - for information purposes only)

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Elektro Celje Group (the Group), which comprise the consolidated balance sheet as of December 31, 2021, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

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

Capitalised costs of own products and services

Key audit matter

Capitalised costs of own products and services amounted to 17,493,699 EUR in the year ended December 31, 2021 (2020: 16,740,724 EUR).

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

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.

BDO Revizija d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.
Okrožno sodišče v Ljubljani, v.l.št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.

determination of hourly rates for personnel expenses and judgment regarding which types of indirect costs to include in the cost of tangible fixed assets, includes estimation. Estimation of the amounts and structure of own costs of construction is important for the audit as it is linked to material subjective judgments of the management 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 Slovenian Accounting Standards.

Disclosures regarding this matter are included in note 2.3.b) Tangible fixed assets, note 2.3.o) Revenue and note 2.6.2. Capitalised own services.

- Familiarization with the method of recognising fixed assets constructed by the Company.
- 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.
- Review of the disclosures in the financial statements.

Recognition of revenues from sales of electricity included in discontinued operations

Key audit matter

Net sales revenue from sale of electricity, included in discontinued operations (subsidiary ECE d.o.o.), after elimination of intercompany transactions amounted to 137,085,487 EUR in the year ended December 31, 2021 (2020: 171,651,196 EUR), after exclusion of intercompany revenue.

Sale of energy products (electricity, natural gas) is an important activity of the Group. Recording revenue based on sold quantities requires reconciliation of sold quantities with purchased quantities. The subsidiary, which deals with the sale of energy products, set up a customer loyalty programme in 2021. As a result, we identified sales revenues as a key audit matter.

Revenues from sale of energy products are recognised at a point in time, except for performance obligations related to the customer loyalty programme. The Group performs a large number of low-value sales transactions and it is therefore important that their completeness in the reporting period is ensured

We refer to the disclosures in note 5.3.m) Revenue recognition.

Our response

Our audit procedures included:

- testing the design and implementation and the effectiveness of internal controls in the process of revenue recognition.
- assessing the Group's revenue recognition policies, including assessing whether the policies comply with relevant financial reporting standards.
- Assessing the accuracy of prices and quantities on samples of issued invoices and independent confirmations.
- Independent confirmations of sold quantities during the reporting period.
- Testing manual journal entries with emphasis on unusual, one-time entries on revenue accounts and entries after the balance sheet date.

Other information

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



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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with the Audit Committee and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the 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 MATTERS

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 28, 2019 for the financial years 2019 - 2021. The engagement letter for the three years was signed on October 1, 2019. We have been performing the statutory audit of financial statements for seven years without interruption. The audit partner responsible for the audit is Mateja Vrankar.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on April 30, 2021.

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, 26 April 2022

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

(signature on the original issued in Slovene language)

Mateja Vrankar, certified auditor
Managing Partner

4 CONSOLIDATED FINANCIAL STATEMENTS

4.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ACCOUNTING ITEM	Explanatory note	Amount (in EUR)	
		Balance as of 31. 12. 2021	Balance as of 31. 12. 2020
ASSETS			
A Long-term assets (1+ 2+ 3+ 4+ 5+ 6+ 7)		295,155,943	276,137,451
1. Intangible assets	5.6.1	4,321,877	5,051,759
2. Tangible fixed assets	5.6.2	279,073,251	269,044,455
a. Land		6,239,034	5,973,340
b. Buildings		197,477,541	191,288,389
c. Production equipment, machinery and other equipment		66,449,170	65,170,432
č. Tangible fixed assets in course of construction and production		8,907,506	6,612,294
4. Financial Investments	5.6.4	223,359	197,021
5. Investments in the associate companies	5.6.4	6,810,216	206,987
6. Operating receivables	5.6.7	3,293,149	129,761
7. Deferred tax assets	05 August 2010	1,434,091	1,507,468
B Short-term assets (1+ 2+ 3+ 4+ 5+ 6+ 7)		15,394,627	61,160,540
1. Non-current assets held for sale	5.6.5	311,626	48,631,742
2. Inventories	5.6.6	2,542,409	1,641,639
3. Operating trade receivables from buyers	5.6.7	10,043,706	9,340,270
4. Assets from contracts with customers	5.6.8	327,243	114,913
5. Income tax receivables	5.8.10	0	85,304
6. Other operating receivables and other assets	5.6.7	508,268	681,636
7. Cash and cash equivalents	5.6.9	1,661,375	665,036
TOTAL ASSETS (A + B)		310,550,570	337,297,991
LIABILITIES			
A Equity (7 + 8)	5.6.10	239,289,656	236,545,580
1. Share capital		150,955,090	150,955,090
2. Capital reserves		62,260,317	62,260,317
3. Profit reserves		16,328,458	16,370,128
a. Legal reserves		5,445,387	4,747,799
b. Reserves for own shares and own interests		886,371	886,371
c. Own shares and own interest		-886,371	-886,371
č. Other profit reserves		10,883,071	11,622,329
4. Fair value reserves		-759,747	-693,943
5. Fair value reserves of the group held for disposal		0	22,617
6. Net profit or loss		9,681,333	2,502,337
a. Retained profit or loss from past years		767,056	247,880
b. Net profit or loss of the business year		8,914,277	2,254,457
7. Equity of the owners of the controlling company (1+2+3+4+5+6)		238,465,451	231,416,546
8. Non-controlling interests		824,205	5,129,034
9. Total equity		239,289,656	236,545,580
B Long-term liabilities (1+2+3+ 4+ 5)		48,572,437	51,387,375
1. Provisions	5.6.11	7,250,450	7,111,475
2. Long-term deferred revenue	5.6.12	11,677,560	12,108,047
3. Financial liabilities	5.6.13	29,628,591	31,625,649
4. Operating liabilities	5.6.14	0	530,193
5. Deferred tax liabilities	5.8.10	15,836	12,011
c. Short-term liabilities (1+ 2+ 3+ 4+ 5+ 6)		22,688,477	49,365,036
1. Non-current liabilities associated with assets and groups held for dispos	5.6.5	0	28,912,328
2. Financial liabilities	5.6.13	8,612,003	8,109,634
3. Trade payables	5.6.14	4,712,552	4,487,475
4. Liabilities from contracts with customers	5.6.15	187,742	138,905
5. Operating liabilities for a third party account	5.6.14	3,522,713	3,233,150
6. Other operating liabilities	5.6.14	4,913,612	4,483,544
6. Income tax liabilities	5.8.10	739,855	0
TOTAL LIABILITIES (A + B + C)		310,550,570	337,297,991

4.2 CONSOLIDATED INCOME STATEMENT

ACCOUNTING ITEM	Explanatory note	Amount (in EUR)	
		2021	2020
CONTINUING OPERATIONS			
1. Net sales revenues	5.8.1	53,217,389	47,688,885
2. Capitalised own products	5.8.2	17,493,699	16,740,724
3. Other operating income	5.8.3	2,122,016	2,861,020
4. Costs of material used	5.8.4	-12,605,732	-11,956,211
5. Costs of services	5.8.4	-6,414,909	-6,248,229
6. Labour costs	5.8.5	-24,904,947	-24,299,392
7. Depreciation and amortisation	5.8.6	-18,708,278	-17,977,571
8. Write-offs, losses and valuation adjustments of assets	5.8.7	-213,805	-278,130
9. Other operating expenses	5.8.8	-334,476	-433,308
PROFIT OR LOSS FROM CONTINUING OPERATIONS		9,650,957	6,097,788
10. Share in profits (losses) of associate companies	5.8.9	-1,336,222	4,462
11. Financial expenses	5.8.9	40,530	49,725
12. Financial expenses	5.8.9	-439,534	-378,975
PROFIT OR LOSS BEFORE TAXATION		7,915,731	5,773,000
13. Income tax	5.8.10	-1,174,940	-475,780
14. Deferred taxes	5.8.10	-81,995	-67,998
NET PROFIT OR LOSS FROM CONTINUING OPERATIONS		6,658,796	5,229,222
DISCONTINUED OPERATIONS			
15. Profit or loss from discontinued operations after taxation	5.5	3,079,686	1,008,625
TOTAL NET PROFIT OF THE PERIOD		9,738,482	6,237,847
16. The share of equity of the controlling company		8,914,277	6,049,783
17. Non-controlling interests		824,205	188,064
Earnings per share	5.9		
18. Basic earnings per share		0.3736	0.2536
19. Diluted earnings per share		0.3736	0.2536
Earnings per share from continuing operations			
20. Basic earnings per share		0.2791	0.2192
21. Diluted earnings per share		0.2791	0.2192
Earnings per share from continuing operations			
22. Basic earnings per share		0.1291	0.0423
23. Diluted earnings per share		0.1291	0.0423

4.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

ACCOUNTING ITEM	Amount (in EUR)	
	2021	2020
1. Net profit or loss of the period	9,738,482	6,237,847
OTHER COMPREHENSIVE INCOME		
2 Items that will not be reclassified to the profit or loss in the future	-124,495	-52,732
a. Actuarial gains/losses in provisions for severance pays	-155,276	-35,092
- continuing operations	-146,305	-17,225
- discontinued operations	-8,971	-17,867
b. Impact of deferred tax on actuarial gains/losses in provisions for severance pays	8,619	-2,607
- continuing operations	8,619	-2,607
c. Revaluation of financial investments measured at fair value through equity	30,065	-18,559
- continuing operations	20,128	-9,768
- discontinued operations	9,937	-8,791
č. Adjustment to reserves resulting from valuation at fair value for deferred tax liabilities	-7,903	3,526
- continuing operations	-3,824	1,856
- discontinued operations	-4,079	1,670
3. Total other comprehensive income of the year	-124,495	-52,732
4. Total comprehensive income of the period (1 + 3)	9,613,987	6,185,115
of which:		
- equity holders of the controlling company	8,790,581	6,003,467
- non-controlling interests	823,406	181,648

4.4 CONSOLIDATED CASH FLOW STATEMENT

ACCOUNTING ITEM	Amount (in EUR)	
	2021	2020
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a. Inflows from operating activities	315,509,918	365,166,655
Inflows from sales of products and services	313,412,134	361,718,934
Other inflows from operating activities	2,097,784	3,447,721
b. Outflows from operating activities	-309,752,725	-348,393,094
Purchase of material and services	-269,218,188	-306,408,675
Salaries and employees' shares in profit	-26,142,134	-25,358,795
Duties and taxes (contributions and other taxes)	-12,830,284	-15,207,406
Other outflows from operating activities	-1,562,119	-1,418,218
c. Positive or negative cash flow from operating activities (a + b)	5,757,193	16,773,561
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a. Inflows from investing activities	4,796,757	466,524
Inflows from interest and dividends received relating to investing activities	9,576	4,529
Inflows from disposals of tangible fixed assets	625,082	458,783
Inflows from disposal of the discontinued operations	4,162,099	0
Inflows from the acquisition of the dependent company	0	3,212
b. Outflows from investing activities	-10,400,310	-10,730,524
Outflows for the acquisition of intangible assets	-2,082,138	-3,461,910
Outflows for the acquisition of tangible fixed assets	-8,318,172	-7,268,614
c. Positive or negative cash flow from investing activities (a + b)	-5,603,553	-10,264,000
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a. Receipts from financing activities	24,310,051	25,391,839
Receipts from the increase in financial liabilities	24,310,051	25,391,839
b. Outflows from financing activities	-27,706,154	-28,797,290
Interest paid on financing activities	-317,095	-335,539
Repayments of financial liabilities	-25,518,990	-25,510,058
Payments of dividends and other profit shares	-1,870,069	-2,951,693
c. Positive or negative cash flow from financing activities (a + b)	-3,396,103	-3,405,451
Cash assets of the discontinued operations	0	-4,238,802
Č. CLOSING CASH BALANCE	1,661,375	665,036
Net cash flow for the period (sum of the net cash flows Ac, Bc and Cc)	-3,242,463	3,104,110
Opening cash balance	4,903,838	1,799,728
Cash assets of the discontinued operations	0	-4,238,802
Cash assets of the continuing operations	1,661,375	665,036

Explanatory Notes to the Consolidated Cash Flow Statement are presented in the section [5.10](#)

4.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as of 1 January 2021 to 31 December 2021 (in EUR)		Called-up capital	Capital reserves	Profit reserves				Reserves resulting from valuation at fair value	Retained profit or loss		Net profit or loss of the business year	Reserves belonging to the group held for disposal	Total equity of the controlling interests	Equity of non- controlling interests	Total equity
		Share Capital		Legal reserves	Reserves for own shares and interests	Own shares	Other profit reserves		Retained net profit	Retained net loss	Net profit of the business year				
A.1.	Balance at the end of the previous reporting period	150,955,090	62,260,317	4,747,799	886,371	-886,371	11,622,329	-693,943	247,880	0	2,254,457	22,617	231,416,546	5,129,034	236,545,580
A.2.	Balance at the beginning of the reporting period	150,955,090	62,260,317	4,747,799	886,371	-886,371	11,622,329	-693,943	247,880	0	2,254,457	22,617	231,416,546	5,129,034	236,545,580
B.1.	Changes in equity - transactions with owners	0	0	0	0	0	0	0	-1,741,676	0	0	0	-1,741,676	-5,128,235	-6,869,911
b)	Payment of dividends	0	0	0	0	0	0	0	-1,741,676	0	0	0	-1,741,676	-128,393	-1,870,069
c.	Disposal of the dependant company	0	0	0	0	0	0	0	0	0	0	0	0	-4,999,842	-4,999,842
B.2.	Total comprehensive income in the reporting period	0	0	0	0	0	0	-123,696	0	0	8,914,277	0	8,790,581	823,406	9,613,987
a)	Input of the net profit or loss for the period	0	0	0	0	0	0	0	0	0	8,914,277	0	8,914,277	824,205	9,738,482
b)	Changes in reserves resulting from valuation of financial investments at fair value	0	0	0	0	0	0	20,658	0	0	0	0	20,658	1,504	22,162
c.	Other components of comprehensive income of the reporting period	0	0	0	0	0	0	-144,354	0	0	0	0	-144,354	-2,303	-146,657
B.3.	Changes in equity	0	0	697,588	0	0	-739,258	57,892	2,260,852	0	-2,254,457	-22,617	0	0	0
a)	Allocation of the remainder of net profit in the comparative reporting period to other equity components	0	0	0	0	0	232,414	0	2,022,043	0	-2,254,457	0	0	0	0
b)	other equity components in line with the decision of the management and supervisory boards	0	0	697,588	0	0	-971,672	2,315	238,809	55,577	0	-22,617	0	0	0
e)	Other changes in equity	0	0	0	0	0	0	55,577	0	-55,577	0	0	0	0	0
C.	Balance at the end of the reporting period	150,955,090	62,260,317	5,445,387	886,371	-886,371	10,883,071	-759,747	767,056	0	8,914,277	0	238,465,451	824,205	239,289,656

Explanatory Notes to the Consolidated Statement of Changes in Equity are presented in the section [5.6.10.](#)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as of 1 January 2020 to 31 December 2020 (in EUR)		Called-up capital	Capital reserves	Profit reserves				Reserves resulting from valuation at fair value	Retained profit or loss		Net profit or loss of the business year	Reserves belonging to the group held for disposal	Total equity of the controlling interests	Equity of non-controlling interests	Total equity
		Share Capital		Legal reserves	Reserves for own shares and interests	Own shares	Other profit reserves		Retained net profit	Retained net loss					
A.1.	Balance at the end of the previous reporting period	100,953,201	62,260,317	4,471,554	886,371	-886,371	57,917,391	-669,678	1,206,072	0	2,200,338	0	228,339,195	4,964,474	233,303,669
A.2.	Balance at the beginning of the reporting period	100,953,201	62,260,317	4,471,554	886,371	-886,371	57,917,391	-669,678	1,214,561	0	2,200,338	0	228,347,684	4,964,474	233,312,158
B.1.	Changes in equity - transactions with owners	0	0	0	0	0	0	0	-2,934,605	0	0	0	-2,934,605	-17,088	-2,951,693
b)	Payment of dividends	0	0	0	0	0	0	0	-2,934,605	0	0	0	-2,934,605	-17,088	-2,951,693
B.2.	Total comprehensive income in the reporting period	0	0	0	0	0	0	-46,316	0	0	6,049,783	0	6,003,467	181,648	6,185,115
a)	Input of the net profit or loss for the period	0	0	0	0	0	0	0	0	0	6,049,783	0	6,049,783	188,064	6,237,847
b)	Changes in reserves resulting from valuation of financial investments at fair value	0	0	0	0	0	0	-13,205	0	0	0	0	-13,205	-1,828	-15,033
c)	Other components of comprehensive income of the reporting period	0	0	0	0	0	0	-33,111	0	0	0	0	-33,111	-4,588	-37,699
B.3.	Changes in equity	50,001,889	0	276,245	0	0	-46,295,062	22,051	1,967,924	0	-5,995,664	22,617	0	0	0
a)	Allocation of the remainder of net profit in the comparative reporting period to other equity components	0	0	0	0	0	232,413	0	1,967,924	0	-2,200,337	0	0	0	0
b)	other equity components in line with the decision of the management and supervisory boards	0	0	276,245	0	0	3,474,414	0	0	44,668	-3,795,327	0	0	0	0
e)	Other changes in equity	50,001,889	0	0	0	0	-50,001,889	44,668	0	-44,668	0	0	0	0	0
f)	Allocation to non-current liabilities associated with assets and groups held for disposal	0	0	0	0	0	0	-22,617	0	0	0	22,617	0	0	0
C.	Balance at the end of the reporting period	150,955,090	62,260,317	4,747,799	886,371	-886,371	11,622,329	-693,943	247,880	0	2,254,457	22,617	231,416,546	5,129,034	236,545,580

Explanatory Notes to the consolidated Statement of Changes in Equity are presented in the section [5.6.10.](#)

5 EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Reporting Company

The company Elektro Celje is the controlling company of the Elektro Celje Group headquartered at Vrunčeva 2a, 3000 Celje. The main activities of the group are ensuring reliable, high-quality, cost-effective and environment-friendly electricity supply in the distribution area of Elektro Celje, buying and selling electricity and other energy sources to final customers, electricity and heat generation, and investments in renewable energy sources.

The companies within the group were established in Slovenia and also operate in Slovenia. In addition to the parent company, the group consists of the dependent company ECE, energetska družba d.o.o., a company selling electricity and other energy sources, consulting and services (hereinafter: the company ECE) until the disposal of the controlling stake in the company as of 31 October 2021, and the company Elektro Celje OVI, obnovljivi viri in inženiring, d.o.o. (hereinafter: the company Elektro Celje OVI). The group also consists of the associate company Informatika, informacijske storitve in inženiring d.o.o. Since 1 November 2021, also the company ECE has been the associate company of the group.

Consolidated Financial Statements, including the controlling company, its dependent companies and stakes in the associate companies, are compiled for the business year that ended on 31 December 2021. In 2021, the company ECE was for the last time included in consolidation. The equity stake of the controlling company in the company ECE decreased to 36.4195% after its disposal, therefore the company ECE has only been an associate company of the group since 1 November 2021.

5.2 Basis for the Preparation of the Consolidated Financial Statements

a) Declaration of Conformity

The consolidated Financial Statements were prepared and compiled in compliance with the International Financial Reporting Standards (abbr. IFRS) as adopted by the European Union, and Explanatory Notes adopted by the International Financial Reporting Interpretations Committee and also adopted by the European Union, and in accordance with the provisions of the Companies Act. The group did not disclose the data and information for which it reasonably estimated their disclosure could cause significant damage.

b) Basis for measurement

The consolidated Financial Statements were prepared at historical cost, except for financial instruments which were measured at fair value through equity, for which fair value was taken into account. The methods used for measuring fair value are described in the section [Determining Fair Value \(segment 5.4\)](#).

c) Functional and presentation currency

The consolidated Financial Statements are presented in euros (EUR) excluding cents. The euro currency is also a functional and presentation currency. The rounding of the currency

may result in rounding differences between the Financial Statements and the amounts clarified in the Explanatory Notes.

d) Foreign currency conversion

Transactions denominated in a foreign currency are converted into the appropriate functional currency of the group at the exchange rate on the date of the transaction. Positive or negative exchange rate differences between the amortised cost in the functional currency on the date of the transaction and the amortised cost in the foreign currency calculated at the exchange rate upon payment, and are recognised in the Income Statement.

e) Use of estimates and assessments and significant insecurities in operations

Due to insecurities of future business events and their effect on the group, certain items of the Financial Statements items could not be measured accurately, but could only be estimated instead. Therefore, the assessment based on the best knowledge of current and future events, experience, information and anticipation of the likelihood of changes in the business environment was used in the accounting estimates. The preparation of the Financial Statements in line with the IFRS was consequently based on certain estimates and assumptions affecting the carrying amount of assets and liabilities of the group on the reporting date, and the amount of revenues, costs and expenses of the group in the period ending on the balance sheet date.

The estimates and assumptions were regularly reviewed, with changes in the accounting estimates recognised in the period of a particular change and in all future periods which those changes affected. Significant estimates and assumptions were:

- Determining the useful life of depreciable and amortizable assets (Explanatory Notes [5.6.1](#), [5.6.2](#), [5.6.3](#) and Accounting Policies [5.3.a](#), [5.3.b](#), [5.3.d](#));
- Measuring deferred tax assets and liabilities (Explanatory Notes [5.8.10](#) and Accounting Policy [5.3.p](#));
- Estimated value of long-term employee benefits and provisions for lawsuits and the creation and elimination of long-term accruals and deferred income (Explanatory Notes [5.6.11](#), [5.6.12](#) and Accounting Policies [5.3.k](#), [5.3.l](#));
- Valuation of financial investments (Explanatory Note [5.6.4](#) and Accounting Policies [5.3.f](#), [5.3.g](#));
- Measuring valuation adjustments to trade receivables (Explanatory Notes [5.6.7](#) in [5.11.1](#) and Accounting Policies [5.3.f](#), [5.3.g](#));
- Determining the discount rate and duration of leases (Explanatory Note [5.6.3](#) and Accounting Policy [5.3.d](#));
- Determining contingent liabilities (Explanatory Note [5.6.16](#)).

f) Impact of the Covid-19 epidemic on the business year 2021

The operations of the companies within the group were mostly smooth and uninterrupted. No significant uncertainties or doubts in respect of their ability to continue as a going concern were identified. Since there were no risks from its operations, the group applied the provisions of the accounting standards to measure its assets and liabilities.

Assumptions, criteria and estimates of uncertainty were examined in the accounting estimates. There were no changes in leases of business premises due to the Covid-19 epidemic and also no weakening of the rights to use this immovable property. Credit risks on receivables were also examined. Due to changed market conditions no increase in the credit risk and consequently no need for additional impairment of receivables were identified. Also for financial investments which were disclosed at purchase value and were not traded on the stock exchange, there was no objective evidence which would indicate their impairment. Fair value of the shares of Zavarovalnica Triglav, d.d., which is measured at the closing stock exchange rate, was as of 31 December 2021 compared to its value on 31 December 2020, and was higher by €20,128 due to revaluation.

The group regularly monitors its financial commitments set out in loan contracts. Failure to meet the indicators on the balance sheet cut-off date could lead to a change in contractual provisions, such as a change in the repayment period or the interest rate. The Covid-19 epidemic did not affect meeting the group's financial commitments for 2021.

Due to the declared Covid-19 epidemic and the subsequently expected liquidity issues of the economy and the population, the Network Charge Act increased the limit on revaluation of operating expenses referring to trade receivables from customers for network charges in 2020 and 2021, from 0.2% to 0.5% of the billed network charges. These revaluation expenses were part of uncontrolled operating and maintenance costs, and were included in revenues from the lease of electricity infrastructure and the provision of services for SODO. The group did not have higher revenues arising from the change of this limitation rate in 2021, as it would have been the case if there had been no such change (€4,843, which was 0.01% of the billed network charges). With a higher incentive for non-returnable funds from 0.5% to 2%, the company obtained by €6,243 more incentives from this perspective.

Received state subsidies of the group in order to curb and eliminate the consequences of Covid-19 epidemic in the total amount of €66,942 (€908,969 in 2020) included received refunds of sickness allowance from the Health Insurance Institute of Slovenia in the amount and the Employment Service of the RS (Art.56 of ZIUZEOP, Art. 20 and 57 of ZZUOOP, and Art. 13 ZIUPDV). There were no risks of recovering state aid.

g) Basis for consolidation

Consolidated Financial Statements are compiled based on consolidating the original Financial Statements of individual companies within the group, taking consolidation adjustments into account. The Financial Statements of the companies within the group disclosed all significant items, whereby the importance of disclosure was determined by the internal rules of the controlling company.

In the process of preparation of the Consolidated Statement of Financial Position, individual items of assets and liabilities are classified by groups regarding their nature and in order of their realisation or maturity. Additional disclosures present current and non-current assets, and current and non-current liabilities as separate items, depending on whether they are expected to be paid or settled within a maximum of 12 months after the date of the Statement of Financial Position (current) or more than 12 months after the date of the Statement of Financial Position (non-current). Financial assets and liabilities are offset in the Statement of Financial Position only if there is a legal right to do so and if there is a purpose of the net settlement or the simultaneous realisation of an asset and the settlement of liabilities. Revenues and expenses are not offset in the Income Statement, unless otherwise determined by the standards or explanatory notes.

Investments in the dependent company

Dependent companies or subsidiaries are companies controlled by the controlling (parent) company. Control over a company exists when a controlling company is in a position to affect financial and operating decisions of a company within the group, in order to obtain benefits from its operations. In the process of impact assessment, the existence and effect of eventual voting rights are taken into account which can at present be exercised or replaced. The Financial Statements of dependent companies are included in the Consolidated Financial Statements from the date when the control over the company begins to the date when the control ceases.

Investment in the associate company

Associate companies are companies in which the group has a significant influence, but does not control their finances and operating policies. A company is considered to have a significant influence over another if it has at least 20% of the voting rights. When being included in the Consolidated Financial Statements, the controlling company takes into account the significance of the influence or if it can exercise significant influence under other contractual rights.

Transactions excluded from consolidation

Financial investments of the controlling company in the capital of its dependent companies and the related shares of the controlling company in the equity of the dependent companies, as well as all balances, profits and losses, revenues and expenses, inflows and outflows arising from transactions within the group were excluded from the Consolidated Financial Statements.

5.3 Significant accounting policies

The group used the same Accounting Policies for all the periods as presented in the accompanying Consolidated Financial Statements. The Accounting Policies and the calculation methods used were the same as in the previous annual report, with the exception of newly adopted standards and explanatory notes. Both are stated in the following and were considered in the preparation of the Financial Statements.

Amendments to the existing standards valid for the current reporting period

The following amendments to the existing standards, issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the EU, entered into force in

the current reporting period: Amendments to IFRS 9 - Financial instruments, IAS (International Accounting standards) 39 - Financial instruments: Recognition and measurement, IFRS 7 - Financial instruments: Disclosures, IFRS 4 - Insurance contracts and IFRS 16 - Leases (supplements).

The amendments addressed the reform of the reference interest rates (phase 2) and applied to annual periods beginning on or after the 1 January 2021.

The amendments are related to changes in financial assets, financial and lease liabilities, specific hedge accounting requirements and disclosure requirements under IFRS 7, and accompany changes in relation to changing hedge accounting:

- Amendment of financial assets, financial and lease liabilities - IASB have introduced a practical solution for amendments as required by the reform (amendments are necessary directly due to the IBOR reform and are made on an economically equivalent basis). These amendments are calculated by updating the effective interest rate. All other amendments are calculated using current IFRS requirements. A similar practical solution is proposed for calculations on the lessee's side under IFRS 16.
- Hedge accounting requirements - in line with the amendments, the calculation of hedge accounting is not abolished, this is only due to the IBOR reform. The hedging ratios (and the related documentation) need to be amended in the way to reflect changes in the hedged item, the hedging instrument and the hedged risk. Amended hedging ratios must meet all eligibility criteria for hedge accounting, including performance requirements.
- Disclosures - in order for the users to understand the nature and extend of risks to which the company is exposed due to the IBOR reform, how the company manages such risks, how the company progresses in the transition from IBOR to alternative reference interest rates and how the company manages such transition, the company shall disclose information: how it manages the transition to alternative reference interest rates, its progress on the reporting date and the risks to which the company is exposed as a result of the transition, quantitative information on not implemented financial assets, not implemented financial liabilities and not implemented financial instruments, which have not yet been transferred to the alternative reference interest rate (broken down at the significant reference interest rate for which the reference interest rate reform is applied) and if the IBOR reform has led to changes in the company's risk management strategy, a description of such changes and how the company manages such risks.

The IASB has also amended IFRS 4 in a way that insurers applying a temporary exemption from the application of IFRS 9 shall apply the amendments directly required from the IBOR reform. **The group estimated the amendments should not affect future financial statements of the group.**

Amendment IFRS 16 leases

The amendment addresses the adjustment of lease in relation to Covid-19 after 30 June 2021 and has been effective since 1 April 2021 for financial years beginning on or after 1 January 2021. The period of application of the practical solution from IFRS 16 was extended for a year, namely the exemption was extended to cover rental adjustments resulting in a

reduction of those leases that fall due on or before 30 June 2022. **The amendments did not affect the Financial Statements of the group.**

Adopted standards and amendments of the existing standards which will enter into force on a later date

The group did not prematurely apply any standard, amendment of the existing standards and explanatory notes of IFRS, which would be issued but not effective yet.

IFRS 17 - Insurance Agreements (supplements)

With amendments to the standard, issued by the IASB on 25 June 2020, the effective date of IFRS 17 was postponed for two years to annual periods beginning on or after 1 January 2023, with an early use permitted under the condition that the company also reports in line with IFRS 15 Revenue from Contracts with Customers and the standard IFRS 9 Financial Instruments. The amendments or supplements introduce simplifications and interpretations of some of the standard requirements and provide additional assistance in the application of IFRS 17. The new standard requires measuring insurance liabilities at present value of performance and brings a more uniform measurement method and presentation for all insurance contracts. The purpose of the requirements is to ensure consistent and principle-based accounting of insurance contracts. IFRS 17 replaces IFRS 4 - Insurance Contracts and the related Explanatory Notes. The European Union has not approved the standard. **The Supplements shall not affect the group's future Financial Statements.**

IAS 1 - Presentation of the Financial Statements (supplements)

The supplements will be effective for annual periods starting on or after 1 January 2023. An early use of the supplements is allowed. The supplements refer to the classification of liabilities into short-term and long-term ones, and provide a more general approach to the classification of liabilities under IAS 1, based on contractual agreements in effect on the reporting date. **The supplements shall not affect the group's future Financial Statements.**

IAS 16 - Tangible Fixed Assets (supplements)

The supplements are effective for annual periods beginning on or after 1 January 2022. The supplements refer to pre-intended gains and they prohibit that a company could deduct from the purchase value of a fixed asset any gains from the sale generating during the setting an asset in its place and into the state in which the asset can function as expected by the management. The company shall recognise the profits gained from the sale of such assets and the costs of their production. **The supplements shall not significantly affect the group's Financial Statements.**

IAS 37— Provisions, Contingent Liabilities and Contingent Assets (supplements)

The amended standard is effective for annual periods beginning on or after 1 January 2022. The supplements define that the costs of fulfilling the contract comprise the costs directly related to the contract. These can be additional costs of fulfilling the contract or the allocation of other costs referring directly to the fulfilment of the contract. **The amendments shall not significantly affect the group's Financial Statements.**

IFRS 3 - Mergers (supplements)

The supplements are effective for annual periods beginning on or after 1 January 2022. The supplements update IFRS 3 in a way to refer to the conceptual framework issued in 2018 instead of the framework issued in 1989, further adding to IFRS 3 the requirement that

the acquirer of transactions and other business events falling within the scope of IAS 37 and IFRIC 21, applies IAS 37 or IFRIC 21 (instead of the conceptual frame), and defines the liabilities that they take over in a merger and adds an explicit statement in IFRS 3 of not recognising contingent assets acquired with the merger. **The supplements shall not affect the group's Financial Statements.**

Amendments of various standards due to improvements in IFRS (2018-2020 cycle)

The amendments arise from the annual project for IFRS improvements (IFRS 1, IFRS 9, IFRS 16, and IAS 41), mainly with a purpose to eliminate inconsistencies and interpreting the wording, and are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 refers only to an illustrative example, therefore the effective date is not specified. These amendments clarify that a dependent company that applies paragraph D16(a) of IFRS 1, may measure cumulative exchange rate differences with the use of the amounts reported by the controlling company, based on the transition date of the controlling company to IFRS (IFRS 1). It further clarifies which compensations the company includes when performing the 10%-test as specified in paragraph B3.3.6. of IFRS 9 when assessing whether to derecognise a financial liability. The company shall consider only compensations paid or received between the company (borrower) and the lender, including the compensations paid or received by either of them on behalf of the other (IFRS 9). They remove the illustration of the lessor's recovery to improve the leased asset from the example in order to eliminate any confusion about how the lease incentives might be treated, which could result from the illustration of these incentives in the example (illustrative example 13 accompanying IFRS 16). These amendments also remove the requirement in paragraph 22 of IAS 41 that companies in measuring the fair value of a biological asset using the present value method shall not take tax cash flows into account (IAS 41). **The group is still assessing the impact of the Amendments to the Standards on future Financial Statements.**

New standards and changes to the existing standards issued by the IASB, but not yet adopted by the EU

IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associate companies and joint ventures (amendments)

The date of the amendments' entry into force is postponed indefinitely. The amendments refer to the sale or contribution of assets between an investor and its associate company or a joint venture, and further changes, and refer to the divergence of the requirements of IAS 28 and IFRS 10, and clarify that the scope of recognition of profit or loss in business with an associate company or in a joint venture depends on whether sold or contributed funds present a business entity. **The supplements shall not affect the group's Financial Statements.**

IFRS 14 - Regulatory Deferral Accounts

The International Accounting Standards Board (IASB) published the standard on 30 January 2014. The objective of the standard is to enable the first-time users or adopters to continue which such recognition upon their transition to IFRSs. The European Commission has decided not to initiate the procedure of approving this intermediate standard and to wait for its final version to be issued. **The Introduction of the standard shall not impact the Group's Financial Statements.**

Amendments to IAS 1- Presentation of the Financial Statements

Supplements of the standard refer to the classification of liabilities into short-term and long-term ones. The supplements of the standard provide a more general approach to the classification of liabilities under IAS 1, based on contractual agreements in effect on the reporting date. For the amendments to IAS 1, issued by the IASB on 15 July 2020, the effective day is postponed for a year for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1- Presentation of the Financial Statements

The supplements of the standard are effective for annual periods starting on or after 1 January 2023, and refer to disclosures of accounting policies. The Amendments require from companies to disclose their essential accounting policies instead of disclosing their significant accounting policies. They provide guidance and examples to assist the ones in charge of preparing the accounts telling which accounting policies are to be disclosed in their accounts.

Amendments to IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors

The supplements of the standard are effective for annual periods starting on or after 1 January 2023, and refer to the definition of accounting policies. The amendments focus on the accounting estimates and provide guidance on how to differ accounting policies from accounting estimates.

Amendments to IAS 12 - Income Tax

The supplements of the standard are effective for annual periods starting on or after 1 January 2023, and refer to deferred taxes, related to assets and liabilities arising from an individual transaction. In line with the amendments, the exemptions from the use upon initial recognition shall not apply for transactions in which both deductible and taxable temporary differences arise upon initial recognition, resulting in the recognition of deferred tax assets and liabilities in the same amount.

Amendments to IFRS 17 - Insurance contracts

The amendment refers to the initial application of IFRS 17 and IFRS 9 in terms of comparative information. This is a change in a narrow scope of the use of transitional requirements of IFRS 17 for companies using for the first time IFRS 17 and IFRS 9 simultaneously.

The management envisages that the introduction of these new standards and amendments to the existing standards during the period of their initial application should not have a significant effect on the financial statements.

a) Intangible assets

Intangible assets are non-monetary assets without physical existence. The companies within the group recognise them when it is probable that economic benefits associated with such assets will flow into the company. Upon their initial recognition, they are recognised at purchase value, which also includes import and non-returnable purchase taxes after deducting discounts and all directly attributable costs of preparing an asset for its intended use. Subsequent costs related to intangible assets are capitalised only if it is probable that future economic benefit, associated with the work or service using these assets, will arise within the group, and if their purchase value can be measured reliably. All

other costs are recognised in the company's profit or loss as costs upon their occurrence. Recognition is rededuced upon disposal or when no economic benefits are expected from its use or subsequent disposal.

Intangible long-term assets of the group refer to property rights, such assets in their preparation, and to other long-term prepayments and accrued income. Property rights of the group refer to investments in software and real property rights.

Amortisation and Useful Life

All intangible assets are amortizable assets with a finite useful life. The company uses the straight-line amortisation method. Amortisation, calculated for each individual amortisation period is recognised as a cost or operating expense from this amortisation period. The group reviews their useful life in line with IAS 38, and makes adjustments, if needed.

Significant groups of amortizable assets	Estimated useful life Useful life in years	amortisation rate in %	
		Minimum	Maximum
Computer software	2 - 3	33.33	50.00
Rights in rem on immovable property	100	1.00	1.00
Rights to use facilities	30	3.33	3.33

b) Tangible Fixed Assets (Land, buildings and equipment)

Tangible assets owned by a company within the group are recognised if it is probable that any subsequent economic benefit will arise from the asset, and its purchase value can be measured reliably. The groups of tangible fixed assets refer to immovable property (land, buildings), equipment and other tangible fixed assets and investments in acquiring such assets and receivables for other assets under this item. Tangible fixed assets also include small tools of which useful life is longer than one year (convenient tools and devices).

Tangible fixed assets are valued upon their initial recognition at purchase value consisting of the purchase price, import and non-returnable purchase duties and costs that are directly attributable to the activities necessary for the intended use of those assets.

The purchase value under IAS 23 also includes borrowing costs related to the acquisition of a new tangible fixed asset for those fixed assets for which the period from the date of the provision of a service of the first invoice for a construction-assembly service or equipment to bringing the fixed asset into use is longer than one year, for the period from the maturity date of an individual invoice to the date when a fixed asset is put into use, whereby its capitalisation rate is calculated for each individual investment, taking into account the weighted average interest rate of investment loan repayments in the period for which the interest is calculated.

Land is valued at purchase value, including paid real estate transfer tax and fees for Land Registry entry. The purchase value of construction buildings includes expenses for the purchase, construction or extension of facilities, expenses for project and other related documentation on which basis the purchase, construction or extension is carried out, expenses for land management, necessary permits to install connections, and other costs which are directly attributable to bringing an asset into use. Expenses for the acquisition of the land where construction facilities are located are excluded from the purchase value, as well as expenses for the acquisition of the land intended for access to construction

facilities or other needs regarding their use. The purchase value included expenditure for the purchase, manufacture or finishing of equipment, delivery and assembly costs, and other expenses arising from the purchase, manufacture or finishing.

The purchase value of a tangible fixed asset, constructed or produced within the group, consists of costs originating from its construction or manufacture, and indirect costs of its construction or manufacture attributable to the asset. The purchase value of such fixed asset cannot be higher than the value of the same or similar fixed assets available in the market. The investments being implemented in the controlling company are divided into renovations (major repairs of fixed assets due to wear and tear), replacements and capacity increase, (investments in replacing or increasing capacity of the existing fixed assets), and new investments (investments in the acquisition of new fixed assets). Fixed assets acquired free of charge are valued at purchase value and if the latter is not known at fair value, determined in the free acquisition agreement. If the purchase value of a fixed asset is relevant, it shall be divided into its parts. If these parts have a different useful life significant in the relation to the whole purchase value of the tangible fixed asset, each part is dealt with individually.

Land is valued at purchase value, reduced by eventual impairment (section [5.3.\(h\)](#)). Buildings and equipment are valued at purchase value, reduced by calculated depreciation and eventual value impairment (section [5.3.\(h\)](#)). Subsequent repair and maintenance costs associated with tangible fixed assets the group recognises as maintenance costs arising from restoring and maintaining future economic benefits, based on the originally estimated level of the asset's efficiency. The estimated costs of regular inspections or repairs of tangible fixed assets are considered as parts of tangible fixed assets.

Recognition of a tangible fixed asset is derecognised upon its disposal or if no further economic benefits are expected from its use or disposal. Profits and losses from a sale or disposal are determined by way of comparing sales revenues with the book value, and are included in the group's Income Statement.

Depreciation and Useful Life

Significant groups of depreciable assets	Estimated useful life Useful life in years	depreciation rate in %	
		Minimum	Maximum
Electricity infrastructure buildings	20 - 50	2.00	5.00
Other facilities (buildings)	20 - 40	2.50	5.00
Electricity infrastructure equipment	3 - 33.33	3.00	33.33
Other equipment	2 - 33.33	3.00	50.00
Vehicles	5 - 12.5	8.00	20.00
Equipment in SHPPs, SPPPs and CHP	4 - 30	3.33	25.00

The group applies the straight-line method, taking into account the useful life of each individual part of the tangible fixed asset, which depends on the expected physical wear, technical and economic aging and expected statutory, lease and other restrictions of use, taking into account the one that is the shortest. Depreciation is calculated individually, until the amount of an asset replaces fully the value forming the basis for the calculation of depreciation. Valuation adjustments of fixed assets are made for the amount of depreciation, which is determined in the final annual calculation of depreciation. Depreciation is not calculated for land, fixed assets of cultural, historical or

artistic significance, for fixed assets permanently out of use, investments in the acquisition of fixed assets until they are available for use, and other assets for the acquisition of fixed assets.

In line with IAS 16, the group reviews useful life of fixed assets, and depreciation rates are recalculated accordingly, if expectations differ significantly from estimates. Useful life of a fixed asset of the controlling company is determined by the joint commission of electricity distribution companies appointed for this purpose, and for the dependant companies by the commission of the controlling company. The effect of recalculation is considered as a change in an accounting estimate, and is not present in Explanatory Notes. Impairment of assets is described in the section [5.3 \(g\)](#).

c) Investment property

Investment property is property owned by the group for the purpose of generating rent. A business premise is defined as investment property, being leased out in a single or multiple operating lease, or a vacant office building which is available for lease. Upon initial recognition, they are measured at purchase value, including the purchase price and attributable costs. After initial recognition, they are valued at purchase value reduced by the amount of depreciation determined in the final annual calculation of depreciation and eventual value impairment. The group applies the straight-line method of depreciation, taking into account the expected useful life of 50 years. Impairment of assets is described in the section [5.3.\(h\)](#).

d) Leases

The Group as a Lessee

Right-of-use assets

The group recognises assets which have the right of use on the lease date. Right-of-use assets are measured at purchase value, reduced by accumulated depreciation and accumulated impairment losses due and are adjusted for re-measurement of lease liabilities. The value of a right-of-use asset includes: the amount of the initial measurement of the lease liability, the payment of the rent made on or before the lease date, reduced by the amount of received lease incentives, the initial direct costs incurred by the lessee and an estimate of the costs which will be incurred by the lessee when dismantling or removing the leased asset that is the subject of the lease contract.

An asset having the right of use is depreciated from the lease date to the end of its useful life or the end of the lease duration, if it is shorter than the useful life of the asset. The group uses IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

Significant groups of amortizable assets	Estimated useful life Useful life in years	amortisation rate in %	
		Minimum	Maximum
Rights to use equipment	2.17 - 8	12.50	46.15
Rights to use facilities (buildings)	3 - 3.25	30.77	33.33

The right to use a leased asset is reassessed, in case the duration of the lease changes, or the amount of the lease payment (f.e. a change in future payments as a consequence of index or rate of determining the amount of the lease payments) is changed, or the

estimate of the lease termination fee changes, or the lease contract is modified, if such change is not considered and calculated as a separate lease.

Lease Liabilities

On the lease date, the group measures the lease liability at present value of leases not yet paid on the date, reduced by acquired lease incentives and increased by initial direct costs. When calculating present value of lease payments, the interest rate is used accepted upon the lease. If this value is not determinable, then the average weighted interest rate on lease loans after the lease date is used.

After the lease date, the group measures lease liability in the way to increase the book value, which reflects interest on the lease liability, and reduces it due to lease repayment. The book value of the lease liability is reassessed if there are changes in the duration of the lease, the amount of the lease payment, the estimate of the lease termination fee, or the lease contract is modified, if such a change is not considered as a separate lease.

Short-term leases and low-value leases

The group applies the exemption from recognising the liability for short-term leases (on the lease date the duration of lease is 12 months at the maximum, and there is no option of purchase) and for leases for which the leased asset is of low value. The group recognises the costs of such leases (excluding the costs of services, such as insurance, maintenance, etc.) on a straight-line basis in the Income Statement under the item 'costs of services'. The group determines the duration of the lease as the period during which the lease cannot be terminated, together with the periods for which the option to extend the lease applies, provided that it is reasonably certain that the group will utilise this option, and also the periods for which the option to terminate the lease applies, provided that it is reasonably certain that the group will not make use of this option. It also uses a judgement to assess whether it is very likely to make use of the option of extending the lease, or not to make use of the option of terminating the lease. In doing so, the group shall take into account all relevant facts and circumstances that provide an economic incentive to extension or termination of the lease.

The Group as a Lessor

Assets provided for on operating lease by the group are disclosed under its tangible assets, while lease payments reduce the value of receivables. The group recognises lease revenues on a straight-line basis in the Income Statement under operating revenues in the lease period.

e) Non-current assets (or asset groups held for disposal) for sale

Long-term assets (or groups for disposal) are classified into assets intended for sale when their sale is considered very likely. They are disclosed at their book and fair value, whichever is lower, and are reduced by the costs of sales.

f) Financial instruments

Upon initial recognition, the group classifies them into financial assets or financial liabilities measured at fair value through profit or loss, loans given and receivables, financial instruments at fair value through comprehensive income, and financial liabilities measured

amortised cost. Their classification depends on the purpose for which the instrument was acquired.

Financial assets

Financial assets of the group include cash and cash equivalents, receivables and loans given and investments. The group initially recognises loans and receivables, cash and cash equivalents on the date of their creation, while other financial assets are recognised on their trade date or settlement date. The group derecognises a financial asset when it no longer has contractual obligations arising from cash flows, or when it transfers all the risks and benefits related to the ownership of the financial risk to a third party.

Financial instruments at fair value through other comprehensive income are, upon their initial recognition, recognised at fair value and include transaction costs arising directly from the purchase or issue of a financial asset. Investments in shares and equity stakes of companies which are classified as financial instruments at fair value, through other comprehensive income, and which are listed on the Stock Exchange, are disclosed at fair value. It is measured according to the closing Stock exchange rate, with profits or loss from revaluation shown directly in equity (in reserves for fair value) in an amount that has already been reduced for deferred taxes and, and are recognised in other Comprehensive Income. Reversal of investments also mean reversal of losses or profits which were previously recognised in reserves for fair value, and are recognised in the Income Statement if a financial asset is not a capital instrument, or in profit or loss brought forward if a financial asset is a capital instrument. Fair value of financial investments which are not traded on the Stock Exchange cannot be determined reliably. Therefore, they are disclosed at purchase value. On the Balance Sheet date at the end of the year, the group assesses these investments in order to determine whether there is objective evidence for their impairment.

Exposure to various types of risk, especially the risk of value reduction of financial investments below their cost, is not hedged with financial instruments. The value that best represents the maximum exposure to such risk is the total investment value.

Loans given and receivables, assets from contracts with customers are, depending on their maturity, classified as current financial assets (maturity of up to 12 months after the date of the Statement of Financial Position) and long-term financial assets (maturity over 12 months after the date of the Statement of Financial Position). The group recognises them initially at historical cost, increased by direct transaction costs. After initial recognition, receivables and loans are measured at amortised cost, using the method of the applicable interest rate reduced due to impairment or increased due to reversal. The exception are long-term trade receivables from customers undergoing a compulsory settlement and are interest-bearing in line with the Decision on compulsory settlement. Operating receivables from the company SODO in line with the Network Charge Act, and receivables of significant amounts which are not interest-bearing, are disclosed at discounted value.

Cash and cash equivalents include cash on current accounts and deposits at commercial banks (investments which can, in near future, be easily converted into cash, an amount known in advance, and which are subject to an insignificant risk of changing their value).

These assets are disclosed in the amounts arising from adequate relevant documentation, after verification of their nature. Overdrafts on current accounts at banks which can be settled on demand and are an integral part of the group's cash, are disclosed in the Cash Flow Statement under Cash and Cash Equivalents.

Financial liabilities

Among financial liabilities, the group discloses all received loans being recognised when the group enters into a contractual relationship in relation to a financial instrument. The group derecognises such recognition when the obligations specified in the contract or any other legal act are met, annulled or no longer effective. They are recognised initially with the amounts from the relevant documents stating their creation, increased by the costs directly attributable to the transaction. Received loans are measured at amortised cost. Before compiling the company's accounts, the group estimates the fair value of short-term liabilities arising from contracts at least once a year, if the book values are lower than the established fair values, and performs a mandatory adaptation to their amortised cost. Received loans increase by the amount of accrued interest and decrease by repaid amounts or eventual other forms of settlement. Depending on their maturity, they are classified into current financial liabilities (maturity of up to 12 months after the date of the Statement of Financial Position) and long-term financial liabilities (maturity over 12 months after the date of the Statement of Financial Position).

Among financial liabilities the group also discloses liabilities related to the distribution of profit or loss (dividends), which are recognised as a liability in the period and the amount approved by the General Meeting, and financial liabilities for leased assets.

g) Impairment of financial assets

A financial asset is deemed to be impaired if there is objective evidence stating that one or more events have resulted in a decrease in the expected future cash flows from this asset, which can be measured reliably.

Impairment of financial investments at fair value through other comprehensive income

The group revalues its financial investments at fair value at the end of the business year. It also reviews whether the market is operating well for an individual financial investment or whether sufficient transactions have been made to reflect its fair value. If the disclosed carrying amount of a long-term financial investment is higher than its market value calculated at the most recent published Stock exchange rate, impairment is carried out by the group. A proven loss from a change in fair value of a financial asset is recognised for a financial instrument at fair value through other comprehensive income directly in equity, as a reduction of reserves (a loss), resulting from valuation at fair value. Financial investments which are not listed on an active market, are impaired in case their disclosed book value is higher than the proven realisable value. On the balance sheet date, the group assesses whether there are objective reasons for tests assessing impairment of a financial investment if any of the investments is significantly or permanently losing its value, or if there is objective evidence indicating permanent impairment of an investment.

The amount of loss is measured as the difference between the book value of a financial investment on the balance sheet date and the present value of the expected future cash flows of this investment, discounted at the current market return (recoverable amount),

which applies to similar financial assets, and is stated as a financial expense in the Income Statement. Such impairment losses may not be reversed.

Impairment of receivables

The group assesses evidence of impairment of receivables and carries out a valuation adjustment in the total amount of receivables in bankruptcy proceedings, for receivables being a subject of litigation, and receivables being mature for more than 90 days on the balance sheet date. For receivables in compulsory settlement proceedings, the group forms a valuation adjustment depending on the decision of each compulsory settlement or in the amount of 80%, in case a compulsory settlement has not been confirmed yet. Valuation adjustments are reduced by payments and write-offs of receivables based on adequate supporting documentation: court decision, decision on compulsory settlement, decision on bankruptcy proceedings, and other relevant documentation.

Losses due to valuation adjustments or impairment of receivables are recognised in the profit or loss under expenses. When the amount of impairment loss decreases due to later events, this decrease in impairment loss is reversed through profit or loss.

h) Impairment of non-financial long-term assets

The group reviews the book value of significant non-financial long-term assets to determine whether there is any indication of impairment. If such indications exist, the recoverable amount of the asset is estimated. The recoverable amount is considered as fair value, reduced by the costs of sale, or the value in use, whichever is greater. Due to impairment, the group, as a rule, revalues non-financial assets immediately when their book value exceeds recoverable amount. Such impairment is disclosed in the Income Statement.

A substantial change in circumstances of operations regarding tangible fixed assets is such that the assumptions used in estimating the value in use and fair value, reduced by costs of sale, change by more than 5% in a single year. A review in impairment is decided on the basis of a significant asset with the longest useful life; as a significant asset defined by the group is an asset of which purchase value amounts to more than 0.5% of all purchase values of tangible fixed assets. A decrease in value of depreciable assets due to impairment is considered an operating expense.

The value of land, construction facilities, distribution equipment and investment real property are assessed by certified appraisers. For the latter the group determines whether there is any indication of impairment in relation to their fair value resulting from the official assessment made by the Surveying and Mapping Authority of the RS (orig. GURS).

i) Equity

Equity is the liability to the owners of companies within the group, which is due when the company terminates its operations. It is defined in the amounts invested by its owners and the amounts generated during its operations, which belong to the owners. Equity is reduced by an operating loss and paid-out dividends. Total equity consists of share capital, capital reserves, profit reserves, retained net profit, fair value reserves and non-controlling interest.

Called-up or share capital of the group refers to the share capital of the controlling company, which is defined in nominal terms as share capital or equity in the company's Articles of Association (divided into 24,192,425 of freely transferable ordinary shares) and registered in court. All shares are the share of the same class and paid in full. Ordinary shares give their holders the right to participate in the management of the controlling company, to a share in profit and an appropriate share of the remaining assets after the liquidation or bankruptcy of the company. Dividends on ordinary shares are recognised as liabilities in the period in which they were approved by the General Meeting. The group's share capital, which was as of 31 December 2019 in the amount of €100,953,201, was increased in 2020 from the controlling company's assets, based on a resolution of the General Meeting of the controlling company, in the way that other profit reserves in the amount of €50,001,889 were transformed into the share capital. After the increase, the share capital amounted to €150,955,090.

The group's **capital reserves** consist of the amounts of reversal of the general capital valuation adjustment, and are formed in accordance with its purpose, in line with Art. 64 of ZGD-1.

Profit reserves include legal reserves (amounts retained from profit brought forward purposefully, mainly to settle potential future losses), acquired treasury shares, other profit reserves (formed from profit, in the amount of and under conditions stipulated by law and the Articles of Association of the companies within the group), and reserves for treasury shares. The latter are formed in the Statement of Financial Position from net profit of the business year in accordance with the Articles of Association and ZGD-1, provided that the companies within the group buy their treasury shares back. Obtained treasury shares are a constituent part of the total equity and are deducted from it. Reserves for treasury shares are released if treasury shares are alienated or withdrawn.

Profit reserves are formed in the amount and under the conditions laid down in Art. 64 of ZGD-1 and the Articles of Association of the controlling company, from the amounts of the net profit of the financial year and the profit brought forward. Other profit reserves may be used for any purpose under ZGD-1, except in the case of the Art. 64 (5) of ZGD-1 or if the company's Article of Association stipulates otherwise. Pursuant to the ZGD-1, capital and legal reserves may be used to cover net loss of the financial year, if such loss cannot be covered from retained net profit from past years or other profit reserves and for the coverage of the profit brought forward, if it cannot be covered by net profit of the financial year or any other profit reserves. If the total amount of these reserves is higher than the legally prescribed percentage of share capital (10%), they may also be used to increase share capital from the assets of the controlling company and to cover the net and retained loss of the business year.

Reserves for fair value include the effects of valuation of financial instruments at fair value through other comprehensive income and actuarial gains and losses, retained to provisions for post-employment and other long-term employee benefits.

j) Inventories

The group's inventories include materials and small tools with a useful life up to one year, having the nature of material stock, but they may have a useful life more than a year, if their individual purchase price does not exceed €500 (protective equipment and tools). An inventory quantity unit is recognised at purchase value consisting of the purchase price, reduced by discounts obtained, import and other non-returnable purchase duties (excise duties), direct purchase costs (transport costs, the costs of loading, handling and unloading, transport insurance costs, etc.).

Material inventories is valued at purchase value or net realisable value, whichever is lower. The net realisable value is an estimated selling price, reduced by the estimated costs of sale. Consumption of material inventory is valued according to the weighted average price method, while consumption of merchandise inventory in the company ECE, of which operations were included in the group's Consolidated Financial Statements from the period January-October 2021, was estimated at the most recent average price.

The stock of materials and merchandise is due to impairment revalued, if their book value exceeds the net realisable value. Write-offs of damaged or obsolete inventories are performed by the group regularly during the year and during each stock-taking.

k) Provisions

Provisions are recognised when the group has a present obligation arising from a past event (legal or indirect), the amount of which can be estimated reliably, and it is probable that an outflow of the factors providing economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure (including risks and uncertainties) required for the settlement of usually long-term commitments existing on the date of the Statement of Financial Position. If the effect of the time value of money is significant, the expected expenditure is to be discounted to the present value accordingly. The difference resulting from the calculation of the net present value of the provision, is recognised under financial expenses. Provisions are not revalued. At the end of the accounting period they are adjusted in the way that their value is equal to the present value of the expense expected to be necessary to settle the liability.

Provisions for post-employment and other long-term employee benefits of the group are formed for long-service bonuses, severance pay upon retirement and solidarity allowances upon the death of an employee, in the amount of estimated future payments for severance pay, long-service bonuses and solidarity allowance for employees, discounted at the end of the reporting period. In accordance with the statutory regulations, the collective agreement and the internal rules, companies are obliged to pay out long-service bonuses and severance pay upon retirement of their employees. There are no other liabilities arising from post-employment benefits of employees.

An authorised actuary prepares a calculation using the Projected Unit Credit method based on the multiple decrement model, which takes into consideration service costs, interest costs, payments of benefits or earnings, and actuarial gains or losses resulting from changes in actuarial assumptions and adjustments based on experience. Severance pays

upon retirement and long-service bonuses decrease the provisions formed. In its Income Statement, the group recognises revenues or expenses related to the adjustment of provisions for severance pays upon retirement (service costs and interest expenses), while actuarial gains and losses arising from liabilities to retirement benefits are recognised in equity under reserves for fair value. Revenues and expenses related to the adjustment of provisions for long-service bonuses and solidarity allowance payments in death cases of employees (service costs, interest expenses, actuarial gains or losses) are recognised in the Income Statement.

Provisions for lawsuits are formed by the group for lawsuits in which companies within the group act as a defendant. The eligibility of provisions formed regarding the state of the company's pending disputes and the likelihood of their favourable or unfavourable outcome is verified each year. The amount of the provisions is determined on the basis of the known amount of compensation claims, or according to the expected/projected amount, in case the claim amount is yet unknown.

l) Long-term deferred revenue

Long-term deferred revenue for fixed assets acquired free of charge are classified into categories according to the depreciation rate of the acquired assets. Deferred revenue is reallocated into revenue in proportion to the calculated depreciation of those depreciable assets. Fixed assets acquired free of charge also refer to the connections of customers which the controlling company assumed as tangible fixed assets with a commitment to maintain and restore, in accordance with relevant rules (Decree on General Conditions for the Supply and Consumption of Electricity - orig. SPDOEE).

Long-term deferred revenue for charged average connections costs are formed by the group for the calculation of average costs of connections in line with the Decision on determining network charges for the use of the electricity networks of the Energy Agency of the Republic of Slovenia for electricity for the period up to 30 June 2007, and relate to the dedicated payments of connections to the network or the increase in the connected load (financing the investments in the network expansion). Deferred revenue is reallocated to operating revenues in proportion to the depreciation calculated for these depreciable assets, equal to the prevailing level of fixed assets in energy infrastructure, in the amount of 3%.

Long-term deferred revenue for government grants, acquired to cover expenses, are recognised as revenue in the periods in which such expenses occur and should be replaced by these grants.

m) Revenue recognition

REVENUE FROM SALES include revenues from the sale of electricity and other energy products (sale of biomass and natural gas), charged lease payments and maintenance of the infrastructure and provision of services for SODO, revenues from the sale of merchandise (online sales), and revenues from performed services (revenues from performed services to customers, leases). The group also achieves its operating revenue in the segment of electricity and heat generation in SHPPs, SPPPs and CHPPs. Revenue from sales is recognised in the amount that reflects the transaction price that is allocated to a

stand-alone performance obligation. The transaction price is the amount of compensation to which the group is entitled in exchange for the transfer of goods and services to a customer, excluding the amounts collected on behalf of a third party. Compensations include fixed amounts, variable amounts or both.

Revenue from contracts with customers are recognised by the group based on the provisions of each individual sales contract with a customer, when transferring the control of a product or a service to the customer. They are recognised in the amounts reflecting the compensation for a product or a service provided. Control depends on the provision of each individual sales contract, however as a rule, the transfer takes place at the moment the customer takes over a product, or a service is performed for the customer. The revenues are recognised at fair value at the reimbursement of the goods or receivables received taking into account variable compensation, reduced by returns and discounts granted upon sale or later as a result of an earlier payment and excluding value added tax. Where the revenue cannot be measured reliably, the group shall delay the recognition of such revenue until its uncertainty is eliminated. The group estimates the amount of variable compensation in cases where it is very likely that no significant reduction in the amount of recognised total revenues will occur and when the uncertainty is subsequently eliminated. Revenues from the sale of services are recognised based on the conclusion of the transaction, estimated according to the actual performed service. The method of inputs (f.e. assets, car rides, working hours, costs, etc.) which have already been spent by the measuring date is used to measure the performance obligation.

The right to compensation in return for goods or services that are transferred to the customer is an asset from contracts with the customer. Liabilities arising from contracts with customers are the obligations to transfer goods or services to a particular customer in exchange for compensation received by the group from the customer. Liabilities from contract with customers are recognised as revenues when the group fulfils its performance obligation under the contract.

Revenues from lease payments also include revenues from the lease of electricity infrastructure and the provision of services for the activity of SODO (see Explanatory Note in the section Use of Estimates, assumptions and significant insecurities in the operations, section [2.2. e](#)).

Capitalised own services are services provided for the company's own needs and are recognised as tangible fixed assets or intangible long-term assets. The group recognises the revenue in the amount of the costs necessary for the construction or production of such assets, but shall not exceed the purchase value of the same or similar assets which may be bought on the market.

n) Government grants

Government grants are recognised at fair value when there is a reasonable assurance that the group will meet the conditions related to them and receive such grants. Government grants are recognised as revenues in the periods necessary to match them with the related costs, which are intended to compensate. In the event that a government

grant refers to a specific asset, this is classified as a deferred revenue, and recognised in the Income Statement in the period of the expected useful life of the asset.

o) Financial revenue and financial expenses

Financial revenue includes revenues from dividend payments, revenues from disposal of financial assets, received interest on deposits, balances held on current accounts and loans given, positive exchange rate differences, revenues and interest on late payment for electricity, network charges and services. Interest revenues are recognised on the date of their occurrence, using the effective interest rate, revenues from dividend on the date when the shareholder's right to receive payment is exercised, default interest on late payment for electricity generated network charges and services rendered at settlement, when there is no doubt about their amount and maturity date.

Financial expenses include borrowing costs (if not capitalised), expenses due to value impairment and write-offs of financial investments, the interest from operating liabilities and negative exchange rate differences. They are recognised in the Income Statement, if a decrease in economic benefits during the accounting period is linked to the reduction of assets or an increase in debts, and such reduction can be measured reliably. Financial expenses are recognised upon settlement irrespective of the payments associated with them.

Borrowing costs incurred in relation to borrowing financial assets are recognised by the group in its Income Statement using the effective interest method, except for those assets that are capitalised and attributable to tangible fixed assets in construction or in the course of development (clarified in the section Significant Accounting policies, section [5.3.\(b\)](#)).

p) Income tax

Current tax of the group is imposed and payable from its taxable profit for the business year, in line with tax rates in force on the reporting date, and any eventual adjustments to tax liabilities in respect of past business years. Taxable profit differs from the net profit, reported in the Income Statement, since it excludes the items of revenues and expenses which are taxable or deductible in other years, as well as the items which are never taxable or deductible.

Deferred tax assets and liabilities are calculated using the liability method in the Statement of Financial Position, whereby temporary differences are taken into account arising from tax bases of assets and liabilities and their book values in separate Financial Statements of the group. The amount of deferred tax is based on the expected way of reimbursement or settlement of the book value of assets and liabilities using the tax rates which are expected to be applied when the deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised in the amount of the probable available future taxable profit, against which the deferred assets can be used in the future. Deferred tax assets are reduced by the amount for which it is no longer likely that tax relief, associated with an asset, can be claimed.

q) Earnings per share

The group discloses the basic profitability of shares, which is calculated by dividing the profit attributable to the owners of the controlling interest in the net profit by the weighted average number of ordinary shares in the business year, excluding the group's treasury shares.

r) Cash Flow Statement

The group's Cash Flow Statement is made using the direct method, and shows inflows and outflows from operating, investing and financing activities truly and fairly, and clarifies changes in the cash flow.

5.4 Determination of fair value

Fair value is the amount for which an asset could be sold or a liability exchanged with market participants. With regard to the group's accounting policies, in certain cases it is necessary to determine fair value of financial and non-financial assets and liabilities, which the group determines for the purpose of measurement and reporting by using the following methods:

Investment property

In determining fair value of investment property owned by the group, it considers the fair value arising from the official evaluation of GURS.

Investments

Fair value of financial investments listed in the Stock Exchange is determined based on the closing Stock exchange rate on the reporting date. Financial investments not listed on the active market and of which fair value cannot be estimated reliably are assessed by the group on the balance sheet date whether there is objective evidence for their impairment. Impairment of such investments is described in the section Significant Accounting Policies (section [5.3.g](#)).

Operating and other receivables, and operating and other liabilities

Short-term operating receivable and operating and other liabilities are disclosed at amortised cost. Fair value is not disclosed, since in accordance with IFRS 7 this is a good approximation of fair value.

Short-term operating receivable are not discounted due to their short-term nature, but impairment of their value is taken into account. All receivables are interest-bearing, except for receivables from SODO from outstanding preliminary settlements, which are subject to interest only until they are included in the Regulatory Framework. These are receivables of significant value and are disclosed in the Balance Sheet at amortised cost.

5.5 Composition of the Elektro Celje Group

The Elektro Celje Group in 2021 consisted of:

- the controlling company **Elektro Celje** ([Presentation of the company Elektro Celje](#)) and;

- until 31 October 2021, **ECE d.o.o.**, the dependent company, headquartered at: Vrunčeva 2 a, Celje, of which the main activity is the purchase and sale of electricity and other energy products to final customers, households and business customers, users.
- **Elektro Celje OVI, d.o.o.**, the dependent company, headquartered at: Rimska cesta 108, Šempeter v Savinjski dolini, of which main activity involves generation of electricity and heat in SHPPs, SPPPs and CHPs, and engineering of mainly energy facilities.

Item (in EUR)	ECE, d.o.o.		Elektro Celje OVI, d.o.o.	
	31. 10. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Share of ownership(in %)	74.3256 %	74.3256 %	100 %	100 %
Share capital	3,436,768	3,436,768	72,519	72,519
Book value of equity	21,467,553	18,815,157	2,585,312	2,561,220
Value of equity stakes in dependent companies	15,955,888	13,984,478	2,585,312	2,561,220
Value of assets/liabilities	50,386,526	48,194,908	3,134,660	3,132,970
	1 - 10 2021	2020	2021	2020
Profit or Loss	3,210,221	500,081	24,092	34,285
Cash flow from operating activities	557,592	3,433,089	275,173	31,627
Cash flow from investing activities	-145,415	-165,869	-67,515	-72,998
Cash flow from financing activities	-549,549	-280,890	-48,861	-27,379

The Company ECE d.o.o. operated until 31 October 2021 as part of the company Elektro Celje Group. The controlling company, the majority shareholder in line with Art 25 (2) of the Memorandum of Association, appointed and discharged the managing director - the executive of the dependent company. The shareholder as a body influenced the operations of the dependant company, as ZGD-1 does not stipulate that the management of the subsidiary decides independently. The management decisions were tied to the consent of the General Meeting, and the owner as the governing body was in position to issue mandatory instructions to the management of the subsidiary. The majority shareholder managed its investments through the supervisory board by way of arranging coordination meetings with the director of the dependent company, giving binding instructions on current issues in order to enable faster definition of measures for resolving potential problems, and regular and efficient supervision over the operations and the work of the director. The amount of dividends paid to the minority shareholder, the company ECE in 2021 amounted to €128,393 (€17,088 in 2020). Both shareholders, or partners, on 17 May 2021, amended the Memorandum of Association and based on the provisions of ZGD-1, established the Supervisory Board, and thus established a two-tier management system according to Art. 253 of ZGD-1.

Based on the Contract on the sale of equity stakes as of 14 October 2021, the new shareholder HSE d.o.o. entered into the company ECE d.o.o. and became the majority shareholder of the company ECE d.o.o. by purchasing a 51% stake of the company. On 27 October 2021, the amendment of the Memorandum of Association of the company ECE d.o.o. was entered into the competent court register. Since 1 November 2021, the company ECE has been operating as an associate company of the Elektro Celje Group.

The company Elektro Celje is also a controlling company of **the Company Elektro Celje OVI d.o.o.**, based on the rights of its founder and the sole owner, as arising from the Article of Association. The company Elektro Celje OVI, d.o.o. operates as part the Elektro Celje

Group. The risks arising from the operations of the dependent company are uniformly managed. The company Elektro Celje as the sole shareholder, in accordance with the Articles of Association, appoints and discharges the managing director - the executive of the dependant company. The sole shareholder as a body has influence on the operations of the subsidiary, as the management decisions need prior consent of the sole shareholder, as well may the sole shareholder, as a body, issue mandatory instructions to the management of the subsidiary company. The executive of the dependent company also has some restrictions on concluding legal transactions in a value over €50,000, and in doing business in real estate transactions, for which, in line with the Articles of Association, a written consent of the management board of the controlling company is to be obtained. The information right of each shareholder is, irrespective of their ownership share, unlimited in content. The sole shareholder has the option of direct control over the operations of the subsidiary, since no supervisory board has been organised in the subsidiary. The sole shareholder managed its investments through the supervisory board by way of arranging coordination meetings with the executive of the dependent company, giving binding instructions on current issues in order to enable faster definition of measures for resolving potential problems, and regular and efficient supervision over the operations and the work of the director dependent companies.

The company Elektro Celje owns a 16.57% share in the capital of **the company INFORMATIKA d.o.o.**, headquartered at: Vetrinjska ulica 2, Maribor, of which main activity is information services and engineering. Since the company Elektro Celje, based on the Memorandum of Association, has a significant influence on adopting financial and operating orientations of the company INFORMATIKA, d.o.o., based on statutory provisions, the company is considered an associate company of the Elektro Celje Group. The group did not use the equity method, as it is an investment of insignificant value and the non-application of the equity method shall have no significant influence on the group's Consolidated Financial Statements.

Change in the composition of the group

As of 27 October 2021, the controlling company transferred its 37.9% equity stake in the company ECE to the company HSE d.o.o., based on the Contract on the sale of the equity stakes in the company ECE. The purchase price amounted to €8,263,529.80. The purchase and the sale option for the sale of the remaining company share have been established for the period from 1 January 2025 to 31 May 2025. In the Consolidated Financial Statements, they are not disclosed as derivatives, because the conditions of option contracts are such that fair value of options is equal to zero.

The 2021 Consolidated Financial Statements are compiled in the way to take into account the discontinued operations of the dependent company ECE for the period January-October 2021. Since 1 November 2021, the company ECE has operated as an associate company of the group, and on the balance sheet date in the Consolidated Financial Statements it is disclosed using the equity method (increase by a proportionate share of profit or loss and in other comprehensive income for the period 1 November to 31 December 2021). The items of revenues and expenses of the dependent company ECE are disclosed in the Consolidated Income Statement as discontinued operations, namely in the item Profit or loss from discontinued operations after taxation (item No. 15). In compliance with IFRS 5, the group disclosed items related to the discontinued operations

in a separate item in the Income Statement, also for comparative data for the business year 2020.

The net profit of the company ECE in the period January-October 2021 amounted to €3,210,221, and was due to consolidation adjustment in the amount of €204,651 higher from the net profit from the discontinued operations after taxation in the amount of €3,414,872. The net revenues from sales (€99,319), other operating revenues (€60,874), costs of material and services (€270,368), write-offs (€91,762), financial revenues (€233) and financial expenses (€2,947) were excluded in the consolidation process.

Profit or loss of the discontinued operations of the company ECE:

Item (in EUR))	Amount (in EUR)	
	1 - 10 2021	1 - 12 2020
1. Net sales revenues	137,085,487	171,651,196
2. Other operating income	655,640	880,072
3. Costs of material used	-127,769,762	-165,134,133
4. Costs of services	-2,913,229	-2,524,478
5. Labour costs	-2,389,120	-2,997,683
6. Depreciation and amortisation	-166,870	-240,847
7. Write-offs, losses and valuation adjustments of assets	-110,538	-246,676
8. Other operating expenses	-150,232	-296,032
PROFIT OR LOSS FROM OPERATING ACTIVITIES	4,241,376	1,091,419
9. Financial revenues	97,290	180,531
10. Financial expenses	-2,551	-12,504
PROFIT OR LOSS BEFORE TAXATION	4,336,115	1,259,446
11. Income tax	-809,445	-60,325
12. Deferred taxes	-111,798	-190,496
NET PROFIT OR LOSS	3,414,872	1,008,625
13. Loss upon disposal of the discontinued operations	-335,186	-
14. Profit or loss from discontinued operations	3,079,686	-

Profit or loss from the sale of assets and liabilities of the company ECE:

Item (in EUR))	Value of gross assets which belonged to the group
Intangible assets	488,540
Tangible fixed assets	299,238
Other fixed assets	290,187
Short-term assets	18,155,269
- deducted by cash and cash equivalents	1,554,693
TOTAL ASSETS	19,233,234
Long-term liabilities	424,918
Short-term liabilities	10,209,600
TOTAL LIABILITIES	10,634,518
Value of net assets	8,598,716
Compensation received	8,263,530
PROFIT OR LOSS UPON THE SALE OF THE DISCONTINUED OPERATIONS	-335,186

Cash flow of the discontinued operations of the company ECE:

Item (in EUR))	1 - 10 2021	1 - 12 2020
Cash flow from operating activities	751,928	3,169,349
Cash flow from investing activities	-145,415	-165,869
Cash flow from financing activities	-174,428	-17,150
Cash flow of the period 1 - 10 2021	432,085	2,986,330

5.6 Explanatory Note to the Consolidated Statement of Financial Position

5.6.1 Intangible assets

Intangible long-term assets (in EUR)	31 December 2021	31 December 2020
Property rights	4,292,111	5,044,215
Intangible assets in preparation	24,860	79
Long-term prepayments and accrued income	4,906	7,465
Total	4,321,877	5,051,759

The group, as of 31 December 2021, disclosed financial liabilities arising from financial lease for lease, upgrade and provision of software and relevant licences for the operation of information support in the amount of €45,838 (€372,291 as of 31 December 2020), maturing in 2022. After fulfilling the contractual obligations, software will become permanent property of the group.

For the acquisition of intangible assets, the group, as of 31 December 2021, disclosed operating liabilities in the amount of €646,161 (€571,505 as of 31 December 2020). On the balance sheet date, the group had no intangible assets given as security for debt repayment or intangible assets of which property rights were limited, as well as no commitments given for their acquisition.

Changes in intangible long-term assets (in EUR)	Property rights	Intangible assets in preparation	advance payments for intangible fixed assets (FA)	Long-term prepayments and accrued income	Total
Costs of purchase					
Balance as of 1 January 2020	14,052,030	405,459	80,830	88,988	14,627,307
Increase	0	2,416,295	37,400	0	2,453,695
Carry-over from investments in progress	2,884,075	-2,821,675	-62,400	0	0
Decrease	-68,085	0	0	-81,519	-149,604
Transfer to assets held for sale	-1,135,582	0	-55,830	-4	-1,191,416
Balance as of 31 December 2020	15,732,438	79	0	7,465	15,739,982
Balance as of 1 January 2021	15,732,438	79	0	7,465	15,739,982
Increase	0	1,500,077	0	0	1,500,077
Carry-over from investments in progress	1,475,296	-1,475,296	0	0	0
Decrease	-141,699	0	0	-2,559	-144,258
Balance as of 31 December 2021	17,066,035	24,860	0	4,906	17,095,801
Valuation adjustment					
Balance as of 1 January 2020	10,110,200	0	0	0	10,110,200
Amortisation	1,688,254	0	0	0	1,688,254
Rentals for holiday facilities	3,358	0	0	0	3,358
Decrease	-68,085	0	0	0	-68,085
Transfer to assets held for sale	-1,045,504	0	0	0	-1,045,504
Balance as of 31 December 2020	10,688,223	0	0	0	10,688,223
Balance as of 1 January 2021	10,688,223	0	0	0	10,688,223
Amortisation	2,215,381	0	0	0	2,215,381
Decrease	-129,680	0	0	0	-129,680
Balance as of 31 December 2021	12,773,924	0	0	0	12,773,924
Carrying amount					
Balance as of 1 January 2020	3,941,830	405,459	80,830	88,988	4,517,107
Balance as of 31 December 2020	5,044,215	79	0	7,465	5,051,759
Balance as of 1 January 2021	5,044,215	79	0	7,465	5,051,759
Balance as of 31 December 2021	4,292,111	24,860	0	4,906	4,321,877

5.6.2 Tangible fixed assets

Tangible fixed assets (in EUR)	31 December 2021	31 December 2020
Land	6,239,034	5,973,340
Buildings	197,477,541	191,288,389
Equipment	66,449,170	65,170,432
Land, plant and equipment in the course of acquisition	8,907,506	6,597,294
Advance payments for tangible assets	0	15,000
Total	279,073,251	269,044,455

Changes in tangible fixed assets (in EUR)	Land	Buildings	Equipment	Investments in progress	advance payments for tangible fixed assets	Total
Costs of purchase						
Balance as of 1 January 2020	5,993,990	590,003,905	174,883,840	6,957,089	414,032	778,252,856
Obtaining assets by acquisition	0	0	38,383	0	0	
Transfer between assets	0	121,505	-124,042	0	0	-2,537
Increase	0	3,126	40,171	24,121,818	15,000	
Carry-over from investments in progress	21,933	14,378,182	10,026,732	-24,376,975	0	
Decrease	-2,212	-31,577,467	-2,472,380	-75,314	-414,032	-34,541,405
Transfer to assets held for sale	-40,371	-524,385	-965,436	-29,324	0	-1,559,516
Balance as of 31 December 2020	5,973,340	572,404,866	181,427,268	6,597,294	15,000	766,417,768
Balance as of 1 January 2021	5,973,340	572,404,866	181,427,268	6,597,294	15,000	766,417,768
Increase	0	0	71,939	26,578,401	0	26,650,340
Carry-over from investments in progress	271,667	15,870,491	8,126,031	-24,268,189	0	0
Decrease	-5,973	-4,485,556	-2,902,198	0	-15,000	-7,408,727
Balance as of 31 December 2021	6,239,034	583,789,801	186,723,040	8,907,506	0	785,659,381
Valuation adjustment						
Balance as of 1 January 2020	0	401,880,704	112,538,664	0	0	514,419,368
Depreciation	0	9,782,199	6,722,959	0	0	16,505,158
Decrease	0	-30,307,567	-2,267,063	0	0	-32,574,630
Transfer to assets held for sale	0	-238,859	-737,724	0	0	-976,583
Balance as of 31 December 2020	0	381,116,477	116,256,836	0	0	497,373,313
Balance as of 1 January 2021	0	381,116,477	116,256,836	0	0	497,373,313
Depreciation	0	9,644,878	6,848,019	0	0	16,492,897
Decrease	0	-4,449,095	-2,830,985	0	0	-7,280,080
Balance as of 31 December 2021	0	386,312,260	120,273,870	0	0	506,586,130
Carrying amount						
Balance as of 1 January 2020	5,993,990	188,123,201	62,345,176	6,957,089	414,032	263,833,488
Balance as of 31 December 2020	5,973,340	191,288,389	65,170,432	6,597,294	15,000	269,044,455
Balance as of 1 January 2021	5,973,340	191,288,389	65,170,432	6,597,294	15,000	269,044,455
Balance as of 31 December 2021	6,239,034	197,477,541	66,449,170	8,907,506	0	279,073,251

The book value of long-term intangible and tangible fixed assets arising from the Contract on Lease of Electricity Distribution Infrastructure and Provision of Services for the System Operator and related Annexes, given to lease to the company SODO d.o.o., as of 31 December 2021 added up to €270,683,300 (€263,385 as of 31 December 2020).

The costs of in-house construction and manufacture of tangible fixed assets in 2021 amounted to €17,493,699 (€16,740,724 in 2020). Borrowing costs, attributable by the group to newly activated construction facilities amounted to €1,526 (€17,671 in 2020). The investments in progress include interest in the amount of €1,314 (€7,109 in 2020).

For the acquisition of tangible fixed assets, the group, as of 31 December 2021 disclosed liabilities in the amount of €1,812,247 (€903,415 as of 31 December 2020). The group, as of 31 December 2021, had no tangible fixed assets with limited property rights or pledged as a guarantee for its liabilities, and also had no contracts concluded for the purchase of fixed assets, in respect of which liabilities have not yet been recognised (the same as at 31 December 2020).

5.6.3 Leases

As a lessee, the group leases facilities and various equipment. The lease duration differs regarding the type of lease, namely for buildings from 2.2 to 8 years, and for equipment from 3 to 3.3 years. Lease payments are defined by the contract and are fixed for the whole lease period. The possibility to terminate an individual lease contract exists only in

case of a breach of contractual obligations of contracting parties or based on the mutual consensus of termination thereof, while the possibility of lease contract renewal is not specified in the contracts.

Right to use leased assets	Rights to use facilities (buildings)	Rights to use equipment	Total
PURCHASE VALUE			
Balance as of 1 January 2020	150,807	156,044	306,851
Transfer between assets	-2,537	0	-2,537
Transfer to assets held for sale	-148,270	-136,223	-284,493
Balance as of 31 December 2020	0	19,821	19,821
Balance as of 1 January 2021	0	19,821	19,821
Balance as of 31 December 2021	0	19,821	19,821
Valuation adjustments			
Balance as of 1 January 2020	46,642	66,966	113,608
Depreciation	35,861	66,966	102,827
Decrease	-11,204	0	-11,204
Transfer of depreciation to assets held for sale	-71,299	-125,734	-197,033
Balance as of 31 December 2020	0	8,198	8,198
Balance as of 1 January 2021	0	8,198	8,198
Depreciation	0	4,099	4,099
Balance as of 31 December 2021	0	12,297	12,297
CARRYING AMOUNT			
Balance as of 1 January 2020	104,165	89,078	193,243
Balance as of 31 December 2020	0	11,623	11,623
Balance as of 1 January 2021	0	11,623	11,623
Balance as of 31 December 2021	0	7,524	7,524

The total amount of settled lease liabilities in 2021 amounted to €385,584 (€512,000 in 2020), including short-term leases and leases for low-value assets.

Lease costs (in EUR)	2021	2020
Depreciation of rights of use	4,099	4,099
Financing expenses	1,680	2,303
Costs of lease	62,495	51,434
Total	68,274	57,836

Depreciation costs of the rights to use (€36,071), financial expenses (€2,947) and lease costs (€205,153) of the company ECE are included in the Consolidated Income Statement in the item of profit or loss from the discontinued operations after taxation.

As a lessor, as of 31 December 2021, the group stated receivables from operating lease in the total amount of €9,475,525 (rental of apartments, business premises, and mainly electricity infrastructure of the controlling company) with a maturity of up to 3 months following the Balance Sheet, except for the receivables from SODO (from preliminary settlement for the regulatory year 2021) in the amount of €3.726.257 (€334,196 will be settled by the end of 2022, the rest will be settled in the regulatory period from 2023 on). Revenues from leases are disclosed as operating revenues in the Income Statement, and amounted to €50,437,859 in 2021.

5.6.4 Financial investments

Financial investments do not serve as a guarantee for debts and are burden-free. The investments in Informatika d.o.o. and Stelkom d.o.o. are valued at purchase value, as they are not listed on the Stock Exchange. Therefore, the group cannot obtain the information to assess the fair value of these two companies. The group assessed that there were no objective reasons for their impairment.

Changes in financial investments (in EUR)	Shares in the associate companies	Other shares and interests	Long-term financial investments	Total
Carrying amount as of 1 January 2020	206,987	295,501	40,000	542,488
Decrease due to acquisition	0	0	-40,000	-40,000
Adjustment to fair value	0	-18,560	0	-18,560
Transfer to assets held for sale	0	-79,920	0	-79,920
Carrying amount as of 31 December 2020	206,987	197,021	0	404,008
Carrying amount as of 1 January 2021	206,987	197,021	0	404,008
Adjustment to fair value	0	20,128	0	20,128
Transfer to investments in the associate companies	7,939,451	0	0	7,939,451
Increase in the investment value	0	6,210	0	6,210
Attributable gains/losses	-1,336,222	0	0	-1,336,222
Carrying amount as of 31 December 2021	6,810,216	223,359	0	7,033,575

Investments in the associate company

Name of the associate company	Address	Balance as of 31 December 2021		Balance as of 31 December 2020	
		Amount (in EUR)	Share	Amount (in EUR)	Share or number of shares
Informatika d.o.o.	Vetrinjska ulica 2, Maribor	206,987	16.57 %	206,987	2,479
Elektro Celje Energija, d.o.o.	Vrunčeva 2a, Celje	6,603,229	36.42 %	-	-
Total		6,810,216		206,987	

Among investments in the associated companies, the group as of 31 December 2021 stated the fair value of the investment in the associate company Elektro Celje Energija in the amount of €7,939,451 (fair value of the investment on 1 November 2021, upon reallocation of the remaining share into investments in associate companies). Upon the sale of a share in the company ECE, the equity stake of the company Elektro Celje in the company ECE was reduced (from 74.3256% to 36.4195%), so the company ECE has operated as an associate company of the Elektro Celje Group since 1 November 2021. The group also attributed to this investment a proportional share of loss in the amount of €1,336,222 (calculated on the 36.4195% equity stake of the group), which the associate company generated in the period November-December 2021 (in the amount of €3,668,973).

For its investment in the associate company Informatika d.o.o. , as of 31 December 2015, the group made impairment and formed valuation adjustment in the amount of €103,508. The group's share in the profit or loss of the associate company in 2021 amounted to €95,243 (€37,351 in 2020), in other comprehensive income €9,750 (-€11,483 in 2020) and in the total comprehensive income €104,993 (€25,869 in 2020).

Other shares and capital investments

All investments in equity stakes and other shares are according to IFRS 9 classified as financial investments at fair value through other comprehensive income.

Name of the associate company	Address	Balance as of 31 December 2021		Balance as of 31 December 2020	
		Amount (in EUR)	Share or number of shares	Amount (in EUR)	Share or number of shares
Zavarovalnica Triglav d.d.	Miklošičeva cesta 19, Ljubljana	108,928	2,960	88,800	2,960
Stelkom, d.o.o.	Špruha 19, Trzin	114,431	12.64 %	108,221	12.64 %
Total		223,359		197,021	

The amount of investments listed on the Stock Exchange, as of 31 December 2021 added up to €108,928 (€88,800 as of 31 December 2020). The fair value of shares of company Zavarovalnica Triglav, d.d. as of 31 December 2021 compared to its value on 31 December 2020 was higher by €20,128 due to revaluation. The group received dividends in the amount of €5,032 from Zavarovalnica Triglav, d.o.o. in 2021.

5.6.5 Non-current assets held for sale and related non-current liabilities

Nekratkoročna redstva za prodajo (v EUR)	31. 12. 2021	31. 12. 2020
Opredmetena osnovna sredstva, prerazvrščena za prodajo	311.626	803.951
Sredstva skupine za odtujitev, povezana z družbo ECE	0	47.827.791
Skupaj	311.626	48.631.742

In 2020, the group reallocated public and street lighting (in the amount of €803,951) and assets related to the sale of an equity stake in the company Elektro Celje Energija (in the amount of €47,827,791) in their book value from tangible fixed assets into non-current assets held for sale.

Changes in non-current assets held for sale (in EUR)	Tangible fixed assets reclassified for sale	Assets of disposal group, associated with the company ECE	Total
Balance as of 1 January 2020	0	0	0
Formation	803,951	47,827,791	48,631,742
Withdrawal	0	0	0
Balance as of 31 December 2020	803,951	47,827,791	48,631,742
Balance as of 1 January 2021	803,951	47,827,791	48,631,742
Formation	0	0	0
Sale	-492,325	-47,827,791	-48,320,116
Balance as of 31 December 2021	311,626	0	311,626

With the sale of the equity stake in the company ECE in 2021, the group no longer disclosed non-current assets held for sale in relation to the company ECE, and it disclosed the value of public and street lighting in the amount of €311,626 on the balance sheet date.

In 2021, the group reallocated liabilities, at book value, from the sale of the equity stake in the company Elektro Celje Energija (in the amount of €28,912,328) into non-current liabilities, related to assets and groups held for sale. With the sale of the equity stake in the company ECE, the group no longer disclosed on the balance sheet date non-current liabilities related to assets and groups held for sale.

5.6.6 Inventories

Inventories (in EUR)	31 December 2021	31 December 2020
Material	2,435,588	1,545,394
Material in processing	4,757	2,970
Small tools	102,064	93,275
Total	2,542,409	1,641,639

In 2021, the group identified a deficit of €3,687 (€3,069 in 2020) and a surplus of €6,510 (€7,426 in 2020) in the material stock, which was settled within the company's expenses and revenues. Due to obsolescence or changes in the material quality, inventories in the amount of €5,481 were written off in 2021 (€8,702 in 2020). The group does not hold inventories pledged as a security for its liabilities.

5.6.7 Operating receivables

Information on the group's exposure to credit and market risks and losses due to impairment of receivables from customers is presented in the sections Credit risks and Market risks (sections [5.11.1](#) and [5.11.2](#)).

Long-term operating receivables

Long-term operating receivables (in EUR)	31 December 2021	31 December 2020
Operating trade receivables from buyers	3,429,302	173,967
Valuation adjustments to trade receivables from buyers	-37,094	-51,040
Discounting of receivables	-101,848	-749
Long-term operating trade receivables from buyers	3,290,360	122,178
Long-term operating receivables from others	2,789	7,583
Total	3,293,149	129,761

Long-term trade receivables from customers as of 31 December 2021 amounted to €3,290,360 and included €147 of operating receivables after compulsory settlements, being due for repayment in a period longer than a year, and long-term receivables from 2021 preliminary settlement in the amount of €3,290,213, of which the discounting of receivables added up to -€101,848. The receivables from the company SODO from preliminary settlement for the regulatory year 2021 were no longer interest-bearing after their inclusion in the Regulatory Framework, but they were disclosed at discounted value using the weighted average interest rate of investment loan repayments of the controlling company in 2021, namely the interest rate of 0.738%.

Long-term receivables are not collateralised, nor pledged for liabilities of the group.

Short-term operating trade receivables from buyers

Short-term operating receivables from buyers (in EUR)	31 December 2021	31 December 2020
Operating trade receivables from foreign buyers	1,200	1,050
Operating trade receivables from domestic buyers	10,412,956	9,800,859
Valuation adjustments to trade receivables	-417,608	-477,671
Discounting of receivables	-697	-10,109
Receivables for interest	20,986	26,298
Valuation adjustments to receivables for interest	-18,955	-24,242
Advance payments given	47,372	25,633
Valuation adjustments to advance payments given	-1,548	-1,548
Total	10,043,706	9,340,270

Other operating receivables and other assets

Other operating receivables and other assets (in EUR)	31 December 2021	31 December 2020
Other operating receivables and other assets	515,952	689,930
Valuation adjustments to short-term receivables from others	-7,684	-8,294
Total	508,268	681,636

The majority of other operating receivables in the amount of €508,268, as of 31 December 2021, the group disclosed from state institutions, with receivables for input VAT amounted to €264,878, and receivables from state institutions amounted to €131,581. Items in the Statement of Financial Position are realistic and contain no hidden reserves.

5.6.8 Assets from contract with customers

Assets from contracts with customers (in EUR)	31 December 2021	31 December 2020
Accrued projects from services performed for customers	327,243	114,913
Total	327,243	114,913

Uncharged projects from the provision of services to customers are short-term deferred revenues in the amount of €327,243, and are to be charged in 2022 in line with the contractual provisions.

5.6.9 Cash and cash equivalents

The group had a contract concluded with a commercial bank on the use of an overdraft facility on its current accounts in 2021 in the amount of €500,000 (the same as in 2020), valid until 31 December 2021.

Cash and cash equivalents (in EUR)	31 December 2021	31 December 2020
Cash in current accounts with banks	1,661,375	665,036
Total	1,661,375	665,036

5.6.10 Equity and reserves

Equity (in EUR)	31 December 2021	31 December 2020
Equity of the owners of the controlling company	238,465,451	231,416,546
Share capital	150,955,090	150,955,090
Capital reserves	62,260,317	62,260,317
Profit reserves	16,328,458	16,370,128
Legal reserves	5,445,387	4,747,799
Reserves for own shares and interests	886,371	886,371
Own shares	-886,371	-886,371
Other profit reserves	10,883,071	11,622,329
Fair value reserves	-759,747	-671,326
Reserves resulting from valuation at fair value	-759,747	-693,943
Reserves resulting from valuation at fair value of the group held for sale	0	22,617
Net profit or loss	9,681,333	2,502,337
retained net profit or loss from past years	767,056	247,880
net profit or loss of the current year	8,914,277	2,254,457
Non-controlling interests	824,205	5,129,034
Total	239,289,656	236,545,580

The balance and changes in equity items in 2021 are described in the spreadsheet [4.5](#) and clarified in the section Significant Accounting Policies (section [5.3.i](#)).

Share capital

Ownership structure	31 December 2021		31 December 2020	
	Number of shares	Share in %	Number of shares	Share in %
Republic of Slovenia	19,232,978	79.50 %	19,232,978	79.50 %
Kapitalska družba, d.d.	192,429	0.80 %	192,429	0.80 %
Financial corporations, insurance companies	1,331,142	5.50 %	1,419,435	5.87 %
Other domestic legal persons	1,093,945	4.52 %	1,025,728	4.24 %
Foreign legal persons	1,351,167	5.59 %	1,440,136	5.95 %
Natural persons	656,915	2.72 %	547,870	2.26 %
Own shares	333,849	1.38 %	333,849	1.38 %
Total	24,192,425	100.00 %	24,192,425	100.00 %

The group's share capital in the amount of €150,955,090 was distributed on 24,192,425 no par-value freely transferable ordinary shares, of which nominal value amounted to €6.24. There were no changes in the amount of the group's share capital and the number of shares issued in 2021.

Reserves

Formation, purpose and use of individual reserves is described in the section Significant Accounting Policies (section [5.3.i](#)).

Capital reserves of the group included a general capital revaluation adjustment in the amount of €62,260,317.

Profit reserves included:

- **Legal reserves**, formed from the net profit of the business year, and as of 31 December 2021 amounted to €5,445,387, which was 697,588 EUR more than the value on 31 December 2020.
- **Reserves for treasury shares** were formed from the net profit of past years in the amount of the purchase of treasury shares, and as of 31 December 2021, they amounted to €886,371.
- **Other profit reserves**, as of 31 December 2021, amounted to €10,883,071 and were in 2021 lower by €739,258.

Reserves for fair value, which as of 31 December 2021 amounted to -€759,747, and compared to the year before were lower by €65,804, included:

- **Reserves for fair value of financial instruments**, which as of 31 December 2021 amounted to €67,510 and included an increase in fair value of financial assets measured at fair value through other comprehensive income by €20,128, and a reduction in the impact of deferred taxes arising from the change in the value of these investments by €3,824.
- **Reserves for actuarial deficits and surpluses**, which as of 31 December 2021 amounted to -€827,257 and included an increase in post-employment benefits by €146,305 and deferred taxes due to the recalculation of post-employment benefits by €8,619 and the transfer of actuarial gain to retained profit or loss in the amount of €55,578.

Retained net operating result and dividend per share

Retained net operating result in the amount of €9,681,333 included profits brought forward from past years (€767,056) and net operating result of the current year (€8,914,277). The shareholders of the controlling company as of 30 June 2021 adopted the decision for the distributable profit determined as of 31 December 2020 in the amount of €1,741,676.05 to be intended for the payment of dividends to the company's shareholders, in the value of € 0.073 per share. In 2020, the dividends were paid out for the business year 2019 in the amount of €2,934,604.85, which was €0.123 per share.

The Management Board of the controlling company Elektro Celje proposed the distributable profit of 2021 in the amount of €4,410,426 to remain undistributed, since the payment of the distributable profit in 2022 would increase indebtedness of the company and thus it would breach the company's financial commitment regarding the financial debt/EBITDA ratio under the loan agreement with the EIB.

5.6.11 Provisions

Provisions (in EUR)	31 December 2021	31 December 2020
Liabilities for post-employment employee benefits	7,048,732	6,910,193
Other provisions	201,718	201,282
Total	7,250,450	7,111,475

Changes in provisions (in EUR)	Liabilities for post-employment benefits and other benefits	Other provisions	Total
Balance as of 1 January 2020	7,412,840	197,734	7,610,574
Utilisation	-320,829	-3,725	-324,554
Formation	551,134	64,266	615,400
Withdrawal	0	-56,993	-56,993
Transfer to liabilities associated with assets and groups held for disposal	-732,952	0	-732,952
Balance as of 31 December 2020	6,910,193	201,282	7,111,475
Balance as of 1 January 2021	6,910,193	201,282	7,111,475
Utilisation	-434,246	-3,714	-437,960
Formation	572,785	24,000	596,785
Withdrawal	0	-19,850	-19,850
Balance as of 31 December 2021	7,048,732	201,718	7,250,450

Provisions for lawsuits

Other provisions, as of 31 December 2021, in the amount of €201,718 also included provisions for lawsuits in the amount of €197,993, which were formed by the controlling company of the group to the debit of operating expenses. With the court ruling in favour of the company Elektro Celje in 2021, provisions in the amount of €19,850 were eliminated (such provisions were formed in 2015 due to an action for damages). There were newly formed provisions in the amount of €24,000 (TS land ownership lawsuit).

Provisions for post-employment benefits and other employee benefits

Liabilities related to long-term employee benefits (in EUR)	Long-service bonuses	Severance pays	Death allowance	Total
Balance as of 1 January 2020	1,961,532	5,265,564	185,744	7,412,840
Current service costs	139,181	225,113	12,717	377,011
Interest costs	14,122	39,695	1,373	55,190
Payments of benefits	-146,841	-164,665	-9,323	-320,829
Actuarial surplus/deficit	89,541	35,091	-5,699	118,933
Transfer to liabilities associated with assets and groups held for disposal	-206,548	-510,259	-16,145	-732,952
Balance as of 31 December 2020	1,850,987	4,890,539	168,667	6,910,193
Balance as of 1 January 2021	1,850,987	4,890,539	168,667	6,910,193
Current service costs	139,650	259,598	13,123	412,371
Interest costs	6,280	15,848	576	22,704
Payments of benefits	-135,912	-296,453	-1,881	-434,246
Actuarial surplus/deficit	-58	146,305	-8,537	137,710
Balance as of 31 December 2021	1,860,947	5,015,837	171,948	7,048,732

The group formed provisions in the amount of the estimated future payments for long-service bonuses, severance pays upon retirement and solidarity allowances in case of death, discounted at the end of the reporting year. The actuarial calculation of the group as 31 December 2021 took into account the following assumptions: actual mortality and disability rates until retirement, the retirement process in accordance with the law, and staff turnover (2.5% in the age group under 40, 1% in the 41-50 age group, 0% in the age group over 51), 0.9852% of discount rate, 2.9% of sales growth in the Republic of Slovenia in the electricity industry and the company, applicable employer's contribution rates in the amount of 16.1%, and 0.25% of growth in the amounts from the Decree on tax treatment of reimbursement of costs and other income from employment relationship.

Sensitivity analysis	Discount rate		Salary growth		Staff turnover		Life expectancy	
Changes in the percentage point	0.50	-0.50	0.50	-0.50	1.00	-1.00	+ 1 year	- 1 year
Impact on the balance of liabilities (in EUR)	-315,308	343,611	346,092	-321,260	-617,257	275,239	8,090	-8,860

5.6.12 Long-term deferred revenue

Long-term deferred revenue (in EUR)	31 December 2021	31 December 2020
For State and EU grants	798,187	934,585
For fixed assets acquired free of charge	8,961,014	9,147,110
For assets received from connection fees	1,918,359	2,026,352
Total	11,677,560	12,108,047

In 2021, the group generated €357,080 of long-term deferred revenues from fixed assets acquired free of charge (€337,397 in 2020), and from elimination of long-term deferred revenues from fixed assets acquired free of charge and the average connection costs in the amount of €651,168 (€640,728 in 2020). The elimination of long-term deferred revenues from the use of government subsidies for the purchase of fixed assets amounted to €98,026 (€97,463 in 2020). In 2021, the group received EU non-returnable funds in the amount of €28,105 (€289,471 in 2020) to cover the incurred costs and expenses of pilot projects; their consumption amounted to €89,539 (€26,747 in 2020).

Changes in long-term deferred revenue (in EUR)	Amount
Balance as of 1 January 2020	12,259,197
Utilisation	-768,798
Formation	795,279
Transfer to liabilities associated with assets and groups held for disposal	-177,631
Balance as of 31 December 2020	12,108,047
Balance as of 1 January 2021	12,108,047
Formation	385,184
Withdrawal	-815,671
Balance as of 31 December 2021	11,677,560

5.6.13 Loans granted and other financial liabilities

Financial liabilities (in EUR)	31 December 2021	31 December 2020
Long-term financial liabilities to banks	29,593,610	31,539,807
Long-term lease liabilities	34,981	85,842
Long-term financial liabilities	29,628,591	31,625,649
Short-term financial liabilities to banks	8,546,665	7,779,759
Short-term lease liabilities	64,486	328,303
Short-term liabilities for dividends paid out	852	1,572
Short-term financial liabilities	8,612,003	8,109,634
Total	38,240,594	39,735,283

Changes in financial liabilities (in EUR)	Loans received	Finance leases	Other financial liabilities	Total
Value as of 1 January 2020	38,983,526	603,640	2,631	39,589,797
Changes in cash	336,040	0	-2,934,249	-2,598,209
Non-cash changes	0	-189,495	2,933,190	2,743,695
Value as of 31 December 2020	39,319,566	414,145	1,572	39,735,283
Value as of 1 January 2021	39,319,566	414,145	1,572	39,735,283
Changes in cash	-1,179,291	0	-1,742,769	-2,922,060
Non-cash changes	0	-314,678	1,742,049	1,427,371
Value as of 31 December 2021	38,140,275	99,467	852	38,240,594

Bank loans

To finance investments in the period 2015-2017, the controlling company concluded a Loan Agreement in the amount of €28,000,000 with the European Investments Bank in 2015, with the credit conditions determined upon disbursement of individual tranches (moratorium of 2 to 36 months, maturity up to 15 years, the interest rate, etc.) To finance its investments, it concluded credit agreements with commercial banks in the amount of €20.8m (with repayment period of up to 5 years and one-year moratorium) in 2018 and 2019, and in the amount of €21.1m (with a repayment period of up to 6 years and one-year moratorium) in 2020 and 2021. To finance occasional liquidity deficit, it used a long-term revolving credit facility of up to €3,000,000, which as of 31 December 2021 was not utilised. In 2018 and 2019, also the dependent company ECE OVI took out two long-term loans in the total amount of €494,206 for the renovation of SHPP Majhen and SHPP Rastke.

In 2021, the group repaid €7,663,774 of principals and €303,660 interest on their investment loans. The principals and interest on the loans were paid in due time. The group's loans are collateralised with bills of exchange and assignments of receivables. The value of the

principals which fall due after five years from the balance sheet date amounts to €5,000,887.

The group's accepted commitments to taking out long-term loans refer to following indicators: financial debt/EBITDA (lower than 2.5), financial debt/ equity (lower than 0.3) and EBITDA/financial expenses from financial liabilities (higher than 12). On the balance sheet date, the group fulfilled all contractual financial commitments.

Exposure to interest rate risks and maturity of financial liabilities are presented in the sections Market risks (section [5.11.2](#)) and Liquidity risks (tč. [5.11.3](#)).

Lease liabilities

Lease liabilities mainly relate to the accrued part under the contract on lease, upgrade and provision of software and relevant licences necessary for the operation of information support of the controlling company, in the total value of €45,838. These liabilities are to be settled in 2022 on the basis of issued invoices. Among other lease liabilities, the group disclosed liabilities arising from concluded contracts for leased assets, of which value was calculated in line with IFRS 16.

5.6.14 Operating liabilities

Operating liabilities (in EUR)	31 December 2021	31 December 2020
Long-term operating liabilities to suppliers	0	530,193
Long-term operating liabilities	0	530,193
Short-term liabilities to suppliers	4,712,552	4,487,475
Short-term operating liabilities for a third party account	3,522,713	3,233,150
Short-term liabilities to employees	3,376,431	3,165,612
Short-term liabilities to state and other institutions	307,198	317,871
Other short-term operating liabilities	1,229,983	1,000,061
Short-term operating liabilities	13,148,877	12,204,169
Total	13,148,877	12,734,362

Short-term operating liabilities mainly refer to operating liabilities for a third party (liabilities to SODO d.o.o. for the use of the network under the contract), and liabilities to suppliers for the purchase of fixed assets, materials and services. Short-term liabilities to employees also included accrued labour costs for unused annual leave of employees for 2021 (€675,437).

5.6.15 Liabilities from contract with customers

Liabilities from contracts with customers (in EUR)	31 December 2021	31 December 2020
Short-term operating liabilities based on advances	187,742	138,905
Total	187,742	138,905

5.6.16 Contingent liabilities and other off-balance record

Contingent liabilities and other off-balance record (in EUR)	31 December 2021	31 December 2020
Litigation proceedings pending	8,489	64,769
Other off-balance records	13,814	33,353
Total	22,303	98,122

Contingent liabilities in the amount of €22,303 did not meet the conditions to be recognised under the balance sheet items. The amount of contingent liabilities arising from pending litigations, where the group acted as a defendant, was due to completed proceedings of actions for damages in favour of the group and were by €64,769 lower, and newly initiated litigations were lower by €8,469. The rest of the off-balance sheet record referred to the bank guarantee in the amount of €13,814, which was given to eliminate failures within the warranty period. The group did not have other off-balance sheet potential liabilities as defined by ZGD-1.

5.6.17 Contingent assets and other off-balance-sheet records

Claims on insurance companies, which were not settled to date in full and were therefore, before liquidation of the claim by the insurance company, disclosed as off-balance items in the amount of €118,989, and receivables from partners of deleted companies amounted to €166,506. The rest of the off-balance sheet record of the group, as of 31 December 2021, included received bank guarantees for good performance of contractual obligations, seriousness of the offer and elimination of failures within the warranty period (€3,387,044), tax relief for employment of the disabled (€111,575), and the carrying amount of fixed assets financed from the assets of average connection costs and transferred to SODO d.o.o., and are disclosed by the group in off-balance sheet record (€2,847,536).

Potential assets and other off-balance-sheet records (in EUR)	31 December 2021	31 December 2020
damage claims	118,989	641,735
Receivables from partners in companies deleted from the register	166,506	193,989
Other off-balance records	6,346,155	5,988,883
Total	6,631,650	6,824,607

5.6.18 Determination of fair value

Book value and fair value of financial instruments (in EUR)	31 December 2021		31 December 2020	
	Book value	Fair value	Book value	Fair value
Financial investments at fair value through other comprehensive income	108,928	108,928	88,800	88,800
Financial liabilities to banks	-38,140,275	-38,140,275	-39,319,566	-39,319,566
Financial liabilities from lease	-99,467	-99,467	-414,145	-414,145
Total	-38,130,814	-38,130,814	-39,644,911	-39,644,911

The table included assets and liabilities measured at fair value and of which fair value was also disclosed. The group did not include in the table cash and cash equivalents, and operating receivables and liabilities, as they are considered a good approximation of fair value according to IFRS 7. The table also does not include financial investments which the group estimates at purchase value, since fair value cannot be measured reliably.

Assets and liabilities with respect to the determination of their fair value

Financial instruments measured at fair value (in EUR)	31 December 2021				31 12 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments at fair value through other comprehensive income	108,928	0	0	108,928	88,800	0	0	88,800

Depending on the determination of their fair value, they are classified into the following levels:

- Level 1 - includes assets at market value;

- Level 2 - includes assets of which value is determined directly or indirectly from comparable market data;
- Level 3 - includes assets and liabilities of which value cannot be obtained from market data.

Financial instruments where fair value is disclosed (in EUR)	31 December 2021				31 12 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities to banks	0	0	-38,140,275	-38,140,275	0	0	-39,319,566	-39,319,566
Financial liabilities from lease	0	0	-99,467	-99,467	0	0	-414,145	-414,145
Total	0	0	-38,239,742	-38,239,742	0	0	-39,733,711	-39,733,711

Financial Instruments by Categories

Financial liabilities measured at amortised cost (in EUR)	31 December 2021	31 December 2020
Financial liabilities	38,240,594	39,735,283
Operating liabilities	13,336,619	12,873,268
Total	51,577,213	52,608,551

Financial Assets by Categories

Financial assets (in EUR)	31 December 2021		31 December 2020	
	Financial instruments measured at amortised cost	Financial investments at fair value through other comprehensive income	Loans and receivables	Financial investments at fair value through other comprehensive income
Financial Investments	0	108,928	0	88,800
Operating Receivables	10,879,217	0	10,136,819	0
Minus cash and cash equivalents	1,661,375	0	665,036	0
Total	12,540,592	108,928	10,801,855	88,800

5.7 Significant Events after the Date of the Group's Statement of Financial Position

There were no events from the date of the Statement of Financial Position to the date of issuing the Auditor's Report, which would significantly influence the balance of assets and liabilities of the group and impair the users of the Statement of Financial Position the ability to perform an adequate evaluation and to reach informed decision.

The government of the Republic of Slovenia as of 22 February 2022 adopted the Emergency Measures Act to mitigate the consequences. In order to mitigate the consequences of the impact of high energy prices, the government also reduced the tariff rates of electricity operators for capacity charge and delivered active energy for all consumer groups in the period from 1 February 2022 to 30 April 2022, namely to the value of zero euros. As a result, due to the loss of quarterly revenues from connected load and network charges, revenues from the recognised regulatory return on assets in 2022 will be lower than planned, namely by 12.1 million euros. The enactment of this act will also negative influence other indicators of indebtedness and meeting the group's financial commitments to lenders.

The company EC OVI is going to discontinue in 2022 with its activity of the construction of solar power plants and installation of heat pumps, which is also related to a reduction in the number of employees and the sale of a larger amount of material stock and fixed assets which were intended for this activity.

5.8 Clarification of Items in the Group's Income Statement

5.8.1 Sales revenues

Sales revenue (in EUR)	2021	2020
Revenues from contracts with buyers	2,779,530	2,844,885
-revenues from the sale of services	2,578,445	2,676,042
- revenues from the sale of electricity and heat generated	201,085	168,843
Lease revenues	50,437,859	44,844,000
- Revenues from lease of electricity infrastructure and provision of services for SODO	50,030,523	44,431,069
- Lease revenues	407,336	412,931
Total	53,217,389	47,688,885

Revenues from the lease and maintenance of the infrastructure and the provision of services for SODO d.o.o. in the amount of €50,030,523 also included deviations from past years identified in the final preliminary calculation of the Regulatory Framework (surplus of the final settlement for 2019 in the amount of €92,251, and a deficit of the final settlement for 2020 in the amount of €9,450) and also not yet charged revenues from measuring-communication equipment which was installed by the group in 2021 for the distribution system users (in the amount of €241,451).

5.8.2 Capitalised own products

Capitalised own products and services (in EUR)	2021	2020
In-house construction of electricity infrastructure	17,493,699	16,740,724

Services provided by the group for its own use and capitalised among tangible fixed assets or intangible assets include the value of the work performed (€6,636,653) and used material (€ 9,659,090), and the costs of car rides (€1,197,956). The company did not state profit from the in-house construction of electricity infrastructure.

5.8.3 Other operating income

Other operating revenue (in EUR)	2021	2020
Revenues from reversal and utilisation of provisions	19,712	56,993
Revenues from reversal of long-term deferred revenues	653,419	640,728
Profits from the sale of tangible fixed assets and dismantled material	214,983	146,299
Other revenues associated with business effects	287,235	223,599
State aid	66,942	908,969
Refunds of sickness allowance	566,055	575,447
Compensations received	286,708	235,708
Other operating income	26,962	73,277
Total	2,122,016	2,861,020

Clarifications of the reversal of provisions and long-term deferred revenues are shown in the sections [5.6.11](#) and [5.6.12](#). The types of government aid received in 2021, arising from the measures taken by the Republic of Slovenia to curb the Covid-19 epidemic are clarified in the section [5.2.\(f\)](#).

5.8.4 Costs of material and services used

Material costs (in EUR)	2021	2020
Material costs for investments performed in-house	9,659,090	9,438,484
Material costs for the provision of services to customers	1,184,881	1,108,201
Material costs for maintenance	611,739	586,134
Costs of fuel and energy	487,052	367,135
Material costs for damage repair	84,048	162,414
Costs of small tools	240,324	174,157
Other material costs	338,598	119,686
Total	12,605,732	11,956,211

Costs of services (in EUR)	2021	2020
Costs of services for maintenance	2,089,338	1,983,458
Costs of intellectual and personal services	380,617	336,879
Costs of insurance premiums and payment transactions	1,046,612	1,116,219
Costs of transport services	330,166	270,508
Costs of fairs, advertising and representation	60,020	38,145
Costs for the provision of services to customers	268,814	428,660
Costs of services for damage repair	98,643	90,261
Lease costs	48,710	51,434
Costs of labour contracts	213,027	188,285
Costs of other services	1,878,962	1,744,380
Total	6,414,909	6,248,229

5.8.5 Labour costs

Labour costs (in EUR)	2021	2020
Salaries	17,957,534	17,196,012
Costs of supplementary pension insurance for employees	820,420	801,920
Costs of employer's contributions and other levies on salaries	2,922,131	2,809,662
Other labour costs	2,801,086	3,022,021
Post-employment and other long-term employee benefits	403,776	469,777
Total	24,904,947	24,299,392

Retirement and disability insurance costs in 2021 amounted to €2,425,620, and other costs of social security insurance amounted to €1,316,931. Labour costs include labour costs accrued for unused annual leave of the group's employees in 2021 in the amount of €675,437 (€559,624 in 2020) and post-employment benefits and other long-term employee benefits in the amount of €403,776 (€469,777 in 2020).

The number of employees by education in the controlling company and the company EC OVI:

Number of employees by educational structure	Number of employees as of 1 January 2021	Share (in %)	Number of employees as of 31 December	Share (in %)	Average number of employees:
Educational level I	2	0.3 %	2	0.3 %	2
Educational level II	3	0.5 %	2	0.3 %	3
Educational level III	18	2.8 %	16	2.5 %	17
Educational level IV	171	26.8 %	167	26.4 %	168
Educational level V	240	37.6 %	226	35.8 %	231
Educational level VI/1	76	11.9 %	82	13.0 %	78
Educational level VI/2	63	9.9 %	67	10.6 %	66
Educational level VII	54	8.5 %	58	9.2 %	56
Educational level VIII/1	11	1.7 %	11	1.7 %	11
Educational level VIII/2	1	0.2 %	1	0.2 %	1
Total	639	100.0 %	632	100.0 %	632

5.8.6 Amortisation and depreciation

Depreciation and amortisation according to asset groups (in EUR)	Intangible assets	Buildings	Equipment	Rights to use equipment	Total
amortisation for 2021	2,215,381	9,644,878	6,843,920	4,099	18,708,278
amortisation for 2020	1,668,350	9,739,426	6,565,696	4,099	17,977,571

5.8.7 Losses, write-offs and valuation adjustments

Losses, write-offs and value adjustments (in EUR)	2021	2020
Losses from the disposal/retirement of tangible fixed assets	202,162	267,283
valuation adjustments to assets	11,643	10,847
Total	213,805	278,130

Valuation adjustments of assets mainly include adjustments of trade receivables to customers in lawsuits and bankruptcy proceedings, and compulsory settlement proceedings for receivables being mature for more than 90 days on the balance sheet date.

5.8.8 Other operating expenses

Other operating charges (in EUR)	2021	2020
Costs of charges for the use of land	164,854	171,669
Compensations and annuities	40,905	100,618
Costs of court fees and administration fees	17,664	22,101
Donations and solidarity allowance	36,100	26,250
Environmental protection expenditure and environmental charges	1,292	2,168
Other operating expenses	73,661	110,502
Total	334,476	433,308

5.8.9 Financial revenue and financial expenses

The group attributed to the investment in the associate company a proportional share of loss in the amount of €1,336,222 (36.4195%), which the associate company generate in the period November-December 2021, and was allocated to financial profit of loss of the group.

Dividends received by the group amounted to €5,032 (€4,462 in 2020). Financial revenues from interest on loans given to others referred mainly to accrued contractual interest in the

amount of €3,290 (€7,964 in 2020), charged for instalment repayment of unjustified consumption identified in 2019.

Financial expenses also include interest on loans received from banks in the amount of €312,416 and financial expenses from other financial liabilities in the amount of €103,528 (interest arising from leased assets in the amount of €1,680 and the interest from the discounting of the preliminary calculation deficit for 2021 in the amount of €101,848). Financial expenses for net interest arising from actuarial calculation of the expected present value of liabilities from long-service bonuses, severance pay and solidarity allowance were calculated in the amount of €22,704 (€49,599 in 2020), and were allocated to financial expenses from other operating liabilities.

Financial revenues and expenses and share in the profit or loss of the associate companies (in EUR)	2021	2020
Share in profits (losses) of associate companies	-1,336,222	4,462
Financial revenues from shares in other companies	5,032	0
Financial revenues from loans granted to others	3,321	7,998
Financial revenues from the accounts receivable to other companies	32,177	41,727
Total financial revenue	40,530	49,725
Financial expenses from loans granted by banks	-312,416	-305,108
Financial expenses from other financial liabilities	-103,528	-2,303
Financial expenses from trade payables	-155	-21,359
Financial expenses from other operating liabilities	-23,435	-50,205
Total financial expenses	-439,534	-378,975
Financial result	-1,735,226	-324,788

5.8.10 Income tax

Income tax (in EUR)	2021	2020
Income tax for the current year	-1,984,385	-536,105
Deferred tax	-193,793	-258,494
Income tax	-2,178,178	-794,599
Profit before taxation	19,395,728	6,864,254
Tax levied theoretically (19%)	-3,685,188	-1,304,208
Tax on increase in expenses	10,585	120,116
Tax on non-deductible expenses	-199,244	-374,582
Tax on tax relief	1,277,500	912,826
Tax on revenues reducing the tax base	653,885	109,802
Tax on revenues increasing the tax base	-29,957	-59
Changes in temporary differences	-193,793	-258,494
Tax on other items	-11,966	0
Income tax	-2,178,178	-794,599
Tax from continuing operations	-1,256,935	-543,778
Tax from discontinued operations	-921,243	-250,821
Effective tax rate of continuing operations	6.5 %	7.9 %

The applicable corporate income tax rate in the territory of the Republic of Slovenia was 19% in 2021. The group disclosed a liability for corporate income tax in the amount of €739,855 for the business year 2021, as determined on the basis of the tax return.

Income tax (in EUR)	31 December 2021	31 December 2020
Income tax receivables	0	148,273
Income tax liabilities	-739,855	-62,969
Total	-739,855	85,304

Deferred tax assets

Deferred tax assets (in EUR)	31 December 2021	31 December 2020
Revaluation of operating receivables	90,916	106,636
Provisions for post-employment benefits and other employee benefits	653,294	640,445
Financial assets measured at purchase value	19,667	19,667
Long-term deferred revenue	670,214	740,720
Total	1,434,091	1,507,468

Changes in deferred tax assets (in EUR)	Operating receivables	Provisions for post-employment benefits and other employee benefits	Deferred tax assets for tax loss	Financial investments	Long-term deferred revenues for fixed assets acquired free of charge	Total
Balance as of 1 January 2020	720,703	686,575	115,182	19,667	811,225	2,353,352
Recognised in the Income Statement	0	25,263	0	0	0	25,263
Reversed in the Income Statement	-22,756	0	0	0	-70,505	-93,261
Reversed in the Statement of Comprehensive Income	-133,710	-3,296	-56,097	0	0	
Transfer to assets held for sale	-457,601	-68,097	-59,085	0	0	
Balance as of 31 December 2020	106,636	640,445	0	19,667	740,720	1,507,468
Balance as of 1 January 2021	106,636	640,445	0	19,667	740,720	1,507,468
Recognised in the Income Statement	0	4,230	0	0	0	4,230
Recognised in the Statement of Comprehensive Income	0	8,619	0	0	0	8,619
Reversed in the Income Statement	-15,720	0	0	0	-70,506	-86,226
Balance as of 31 December 2021	90,916	653,294	0	19,667	670,214	1,434,091

Deferred tax liabilities

Deferred tax liabilities (in EUR)	31 December 2021	31 December 2020
Financial Investments	15,836	12,011
Total	15,836	12,011

Changes in deferred tax liabilities (in EUR)	Amount
Balance as of 1 January 2020	28,530
Eliminated in the Statement of Comprehensive Income	-3,526
Transfer to liabilities associated with assets and groups held for disposal	-12,993
Balance as of 31 December 2020	12,011
Balance as of 1 January 2021	12,011
Recognised in the Statement of Comprehensive Income	3,825
Balance as of 31 December 2021	15,836

Deferred tax liabilities referred to changes in the value of financial investments measured at fair value through other comprehensive income.

5.9 Earnings per share

Basic earnings per share was calculated by dividing the net profit of the accounting period attributable to owners of the controlling company (€8,914,277) by the weighted average number of ordinary shares outstanding in the accounting period (€23,858,576). Treasury shares were excluded from this calculation. The basic earnings per share in 2021 was €0.3736 per share and was by €0.1200 higher than in 2020, when it was 0.2536 per share.

5.10 Clarifications of Items in the Consolidated Cash Flow Statement

CASH FLOWS (in EUR)	2021	2020
Cash balance at the beginning of the year	665,036	1,799,728
Cash balance of the discontinued operations at the beginning of the year	4,238,802	0
Cash flow from operating activities	5,757,193	16,773,561
Cash flow from investing activities	-5,603,553	-10,264,000
Cash flow from financing activities	-3,396,103	-3,405,451
Net cash flow of the period	-3,242,463	3,104,110
Cash from discontinued operations	0	-4,238,802
End-year cash balance	1,661,375	665,036

Cash flow statement of the Group in the period January-December 2021 amounted to - €3,242,463. The group received €8,263,530 for the sale of the share in the company ECE. Upon disposal, cash of the company ECE amounted to €4,101,431, and the group generated the net receipt in the amount of €4,162,099 upon the disposal of its share in ECE. Cash balance of the group, as of 31 December 2021 amounted to €1,661,375.

The group generated in 2021:

- **€315,509,918 of operating receipts**, which mainly referred to receipts from the sale of electricity and other energy products, receipts for lease and services under the contract with SODO d.o.o., and receipts from the use of the network;
- **€4,796,757 of receipts from investing**, which included receipts from interest received and profit shares acquired from others (€9,576), receipts from the disposal of tangible fixed assets (€625,082), and the purchase price from the sale of the controlling company's share in the company ECE (€8,263,530), reduced by the disposed ECE funds (€4,101,431);
- **€24,310,051 of receipts from financing**, which included the use of long-term loans from commercial banks to finance investments (€6,632,609), receipts (€17,550,000) of multiple drawing of long-term revolving credit facility in the amount of €3 million euros, and the use of an overdraft (€127,442).

With assets available (€344,616,726), the group financed outflows in the amount of €347,859,189;

- **€309,752,725 of outflows from operating**: mainly outflows for the purchase of material and services, and salaries, for duties (contributions and taxes), and other outflows;
- **€10,400,310 of outflows from investing activities**, which include outflows for the acquisition of intangible and tangible fixed assets;
- **€27,706,154 of outflows from financing activities**, which include outflows for the interest paid (€317,095), repayment of investment loans (€7,779,202), multiple repayment of drawings on the revolving credit facility (€17,550,000), repayment of using an overdraft (€127,442) and outflows for paying out dividends (€1,870,069) and payment of financing leases (€62,346).

5.11 Financial Risk Management

In the group of financial risks, the exposure to individual types of risks and measures for their management are assessed and performed based on the effects on cash flows and financial expenses, and they are regularly assessed and the adequacy of management

measures is checked. The method and methodology of managing financial risks are described in detail in the section [Risk Management of the Elektro Celje Group](#).

5.11.1 Credit risks

Credit risks from operating trade receivables refer to the risk of not meeting the obligations of the counterparty (non-payment of obligations or late settlement by electricity customers and buyers of services provided by the group). Management of receivables and debt recovery are performed in line with the provisions of the Energy Act, the Decree on General Conditions for the Supply and Consumption of Electricity and the provisions of the Rules on Financial Operations of the controlling company. Risk management activities are focused on continuous monitoring and financial security of outstanding receivables, and active recovery of overdue and unpaid receivables and the charging of default interest in case of late payments. Short-term operating receivables of the group, referring to the receivables from certain critical business customers were secured by enforcement order (for €920,192). Other receivables the were not secured by the group, since this is not provided for in the Decree on General Conditions for the Supply and Consumption of Electricity.

Exposure to credit risk

Age structure of short-term operating trade receivables from buyers (in EUR):

Age structure of short-term operating trade receivables from buyers (in EUR)	31 December 2021	Structure in %	31 December 2020	Structure in %
Non-matured receivables	9,149,915	93.5	8,930,186	91.3
Receivables overdue less than 30 days	181,691	1.9	256,259	2.6
Receivables overdue 31-60 days	16,707	0.2	78,630	0.8
Receivables overdue 61-90 days	16,538	0.2	3,718	0.0
Receivables overdue 91-180 days	10,773	0.1	32,156	0.3
Receivables overdue 181-365 days	3,387	0.0	7,703	0.1
Receivables overdue more than 365 days	407,348	4.2	470,088	4.8
Total	9,786,359	100.0	9,778,740	100.0

Group receivables which were according to the Balance Sheet disclosed among short-term operating receivables from customers (for network charges, services, lease payments, average connection costs, electricity and heat energy and default interest) included receivables in the amount of €410,735 with maturity over 181 days (bankruptcy, compulsory settlement, lawsuits and property manager debt under the Housing Act and valuation adjustment recognised for these receivables), which were 14% lower than on 31 December 2021. The share of outstanding receivables on the balance sheet date was 93.5%, and was higher by 2.2 percentage points than on 31 December 2021. Short operating trade receivables from customers and receivables from interest (excluding adjustments) were taken into account in the age structure.

Table of changes in value adjustments to short-term receivables for 2021 (in EUR)	Balance as of 1 January 2021	Write-offs	Harmonisation		Balance as of 31 December 2021
			Formation	Reversal	
Adjustments to receivables - network charges	443,117	-57,267	0	-3,639	382,211
Adjustments to receivables - SODO services	18,172	-1,128	1,617	0	18,661
Adjustments to receivables - services	16,382	-309	4,378	-3,715	16,736
A Total adjustments- receivables	477,671	-58,704	5,995	-7,354	417,608
Adjustment to receivables from default interest - network charges	21,379	-2,926	0	-2,922	15,531
Adjustments to receivables from default interest - SODO services	798	-37	909	0	1,670
Adjustment to receivables from default interest - services	2,065	-208	0	-103	1,754
B Total adjustments- interest	24,242	-3,171	909	-3,025	18,955
Adjustment of various short-term receivables	8,294	-936	326	0	7,684
C Adjustment of various short-term receivables	8,294	-936	326	0	7,684
D Valuation adjustments to advance payments given	1,548	0	0	0	1,548
TOTAL (A + B + C)	511,755	-62,811	7,230	-10,379	445,795

The consolidated balance of valuation adjustments of short-term receivables of the controlling company and the company EC OVI, as of 31 December 2021 also included receivables in bankruptcy proceedings, compulsory settlement proceedings, receivables as the subject of litigation, and receivables which were more than 90 days due on the balance sheet date. The valuation adjustment of receivables in 2021 was formed in the amount of €7,230, and its reversal amounted to €10,379. The total adjustment of the group's receivables amounted to €445,795 on the balance sheet date. The formation of valuation adjustments of receivables is described in the section Significant Accounting Policies (section [5.3.g](#)). €9,590 of unjustified electricity consumption (€1,753 in 2020) were charged in 2021, and payments received in this regard amounted to €176,977 (€163,203 in 2020).

Table of changes in value adjustments to short-term receivables for 2020 (in EUR)	Balance as of 1 January 2020	Write-offs	Harmonisation			Transfer to assets held for sale	Balance as of 31 December 2020
			Formation	Transfer between accounts	Reversal		
Adjustments to receivables - energy products	2,674,720	-493,158	255,185	106,985	-298,551	-2,245,181	0
Adjustments to receivables - network charges	541,403	-50,525	0	0	-47,761	0	443,117
Adjustments to receivables - SODO services	19,202	-1,787	757	0	0	0	18,172
Adjustments to receivables - services	15,660	-1,768	2,412	0	0	0	16,304
Adjustments to receivables - other	329	-208	0	0	-43	0	78
A Total adjustments- receivables	3,251,314	-547,446	258,354	106,985	-346,355	-2,245,181	477,671
Adjustment to receivables of default interest - network charges	24,941	-2,035	0	0	-1,527	0	21,379
Adjustment to receivables of default interest - SODO	560	-33	271	0	0	0	798
Adjustment to receivables of default interest - services	1,587	-141	0	0	-27	0	1,419
Adjustment to receivables of default interest - others	84,187	-16,665	2,684	-4,416	1,626	-66,770	646
B Total adjustments- interest	111,275	-18,874	2,955	-4,416	72	-66,770	24,242
Adjustment of various short-term receivables	93,672	-11,413	1,086	7,199	0	-82,250	8,294
C Adjustment of various short-term receivables	93,672	-11,413	1,086	7,199	0	-82,250	8,294
D Valuation adjustments to advance payments given	0	0	1,548	0	0	0	1,548
TOTAL (A + B + C + D + E)	3,456,261	-577,733	263,943	109,768	-346,283	-2,394,201	511,755

Credit risks arising from financial investments mean the risk of significant fluctuations in the value of a financial instrument. Lower creditworthiness impacts the liquidity of a financial instrument and makes a more difficult sale of investment. In the extreme case, credit risks can lead to the situation where an investment remains worthless. Financial assets, for which price is published on an active market and of which fair value can be measured reliably, are valued at fair value, and other financial assets are valued at purchase value. The management of the companies within the group assessed on the balance sheet date if there were objective reasons for impairments of a financial investment in the equity instrument. The value that best represents the maximum exposure to such risk is the total investment value. Exposure to the risk of impairment of long-term financial investments below purchase value cannot be secured with financial instruments (as clarified in the section [5.4.g](#)).

5.11.2 Market risks

Relating to market risks, the group may be exposed to the risk of changes in interest rates on loans received. Exposure to interest rate is reflected through (un)favourable changes in EURIBOR reference interest rate. The group did not secure changes in EURIBOR interest rate with financial instruments, since the exposure to interest rate risk was assessed as low. The weighted average interest rate on the group's loans as of 31 December 2021 amounted to 0.745%. In 2022, the group does not expect a major increase in EURIBOR rates, which is forecast to remain negative.

Cash flow sensitivity analysis

Sensitivity to changes in the interest rate was assessed by using sensitivity analysis. Given the extent of borrowings as of 31 December 2021, and the forecast of EURIBOR negative trend movements, the change in the interest rate (EURIBOR) by 0.3% (30 basis points) should not result in higher interest expenditure. The likelihood of a major change in EURIBOR is assessed as low. The analysis assumes that all other variables will remain unchanged.

As a precaution, the group rejects all provisions from contracts that would subsequently allow the lender to change the interest rate (increased costs clauses) due to changed conditions in the money and capital markets, changes in regulations and instructions adopted by any governmental, fiscal or monetary authority, changes in the borrowers' credit rating, etc. The controlling company operates in accordance with the Decree on the Conditions and Procedures of Borrowing by Legal Entities from Article 87 of The Public Finance Act. In line with the Decree, the consent of the Ministry of Finance is required for the commencement of any and each borrowing procedure and for signing contracts with banks.

5.11.3 Liquidity risks

Financial instruments based on maturity as of 31 December 2021 (in EUR)	Book value as of 31 December 2021	maturity		
		up to 1 year	from 1 year to 5 years	older than 5 years
1. Bank loans	38,139,807	8,546,197	24,592,723	5,000,887
2. Interest on loans	850,814	277,884	523,718	49,212
3. Financial liabilities from lease	99,467	64,486	34,981	0
4. Trade payables	4,712,552	4,712,552	0	0
Total financial liabilities to banks	43,802,640	13,601,119	25,151,422	5,050,099

Financial instruments based on maturity as of 31 December 2020 (in EUR)	Book value as of 31 December 2020	maturity		
		up to 1 year	from 1 year to 5 years	older than 5 years
1. Bank loans	39,319,009	7,779,202	25,358,734	6,181,073
2. Interest on loans	961,346	288,417	587,943	84,986
3. Financial liabilities from lease	414,145	328,303	85,842	0
4. Trade payables	5,017,668	4,487,475	530,193	0
Total financial liabilities to banks	45,712,168	12,883,397	26,562,712	6,266,059

The Elektro Celje Group measures exposure to liquidity risks based on the balance of inflows and outflows, while an important aspect of managing risks is cash flow planning. The group's cash flow risks were also affected by the amount of the network charge collected for the distribution network, since due to the deficit of the network charge in 2015, the preliminary settlement for contractual obligations to the company SODO, in the amount of €3,390,061, will only be settled fully in the regulatory period following the regulatory period 2022.

To ensure daily liquidity and for the event of unplanned increase in liquidity demand, the controlling company concluded a long-term credit facility for a revolving credit amounting to 3 million euros, and long-term solvency is provided through investment loans. In 2015, it signed a contract with the EIB for 28 million euros to finance investments in the period 2015-2017, and for the period 2018-2021 it concluded contracts with commercial banks in the amount of €41.9m. The risk of long-term creditworthiness is provided with an adequate structure of financial sources and favourable values of financial indicators

5.11.4 Equity risk

The Republic of Slovenia has a 79.5% stake in the controlling company, which also provides a public utility service of electricity distribution, and it defined the investment as strategic. Equity risk would imply acquiring 100% of the State's ownership by subsequent purchasing treasury shares.

In line with the provisions of the loan contracts with the EIB, Elektro Celje shall comply with values of the financial commitments from the loan contracts, whereby failure to meet the contract values in the future could be a reason for early maturity of the loans (financial debt/capital<0.3, financial debt/EBITDA<2.5). In 2021, the group fulfilled all its financial commitments to the banks and achieved a net return on equity (ROE) of 6.59%. Equity risk of the controlling company was assessed as low.

Financial leverage indicator (in EUR)		31 December 2021	31 December 2020
1	Loans received and other financial liabilities	38,240,594	39,735,283
2	Equity	239,289,656	236,545,580
Debt to equity ratio		0.160	0.168

5.12 Transactions with Associated Parties

5.12.1 Transactions with owners

The largest owner of the controlling company is the Republic of Slovenia (a 79.5% share). The investment is considered strategically important, since the company Elektro Celje performed a public utility service of electricity distribution. It received dividends from the controlling company in 2021 in the amount of €1,404,007.

In transactions with state-related companies and the ones owned by at least 20% of the Republic of Slovenia, the controlling company generated €50,307,433 of revenues in 2021 (€48,227,963 in 2020), of which 99.4% from leasing electricity infrastructure and performed services for the company SODO. The costs realised through business relations with affiliated companies amounted to €1,412,296 (€1,451,661 in 2020). On the Balance Sheet date, it also disclosed receivables from affiliated company in the amount of €5,756,153 (€5,674,040 from the company SODO) and €3,603,415 of operating liabilities (€3,494,766 to the company SODO).

5.12.2 Transactions with associate companies

The controlling company cooperated with the associate companies (Informatika d.o.o. and the company ECE in the period November -December 2021) based on the concluded sales contracts (lease of business premises, supply of energy products, provision of services). Market prices of services, materials and merchandise, insurances,

and settlement methods commonly used for typical market conditions were used in trading within these companies.

The amount of material costs in trading with the associate company ECE in the period November-December 2021 amounted to €28,545, service costs amounted to €246, and operating revenues amounted to €19,659. As of the balance sheet date, 31 December 2021, the group disclosed €22,170 of operating liabilities for energy products to the associate company, and lease receivables amounted to €11,144.

The amount of service costs in 2021 performed by the associate company Informatika in transactions within the affiliated companies amounted to €1,063,939 (€1,024,700 of service costs and €4,462 of financial revenues in 2020). As of 31 December 2021, the group disclosed operating liabilities to the associate company for maintenance, consultancy services and provision of IT support in the amount of €230,767 (€308,581 of operating liabilities and €280,654 of financial liabilities as of 31 December 2020).

5.12.3 Data on groups of persons

Gross receipts of groups of persons (in EUR)	2021	2020
Member of Management Board	137,239	131,346
Directors of both dependent companies	169,587	195,803
Procurator	55,729	59,994
Members of Supervisory Board and Supervisory Board Audit Committee	172,833	124,339
Total	535,388	511,482

Remunerations of the Management Board Member, management, procurator in the Elektro Celje Group:

Full name	Position	Receipts (in EUR)	Total
Boris Kupec, Msc (since 1 May 2016)	Chairman of the Management Board of Elektro Celje, d.d.	Gross receipts	123,581
		Net receipts	57,181
Sebastijan Roudi, MSc. (since 12 August 2016)	Director of the company ECE	Gross receipts	93,537
		Net receipts	47,401
Srečko Mašera, BSEE (since 1 February 2017)	Director of the company Elektro Celje OVI	Gross receipts	60,313
		Net receipts	33,973
Karmen Šmon, BA - economics (since 12 August 2018)	Procurator of the company ECE	Gross receipts	50,407
		Net receipts	29,500
Total		Gross receipts	327,838
		Net receipts	168,055

Remunerations granted and reimbursement of costs related to work, arising from the employment contracts and remunerations of professional trainings in 2021 were as follows:

Full name	Total receipts (in EUR)	Reimbursement of labour costs	Insurance premiums	Use of company car	Professional education	Holiday allowance
Boris Kupec, MSc	13,658	1,401	1,256	8,939	0	2,062
MSc Sebastijan Roudi	9,459	1,047	1,007	5,282	61	2,062
Srečko Mašera, BSEE	6,278	1,420	776	2,020	0	2,062
Karmen Šmon, BA - economics	5,322	2,253	1,007	0	0	2,062
Total	34,717	6,121	4,046	16,241	61	8,248

Remuneration of the Supervisory Board Members and Audit Committee of the Supervisory Board Members in the controlling company:

Receipts in 2021 (in EUR)	Receipts (net)	Receipts (gross)	SB meeting fees and reimbursements for	Travel expenses	Trainings	Insurance
REPRESENTATIVES OF SHAREHOLDERS						
Drago Štefe, MSc.	12,233	16,820	15,624	501	0	695
Miha Kerin, MSc.	17,408	23,935	22,490	750	0	695
Mirjan Trampuž, MSM, MSc.	9,830	13,396	12,221	162	318	695
Rosana Dražnik, MSc.	15,991	21,987	19,084	2,208	0	695
Boštjan Leskovar, MSc.	5,125	7,047	6,927	120	0	0
MSc Dejan Žohar, MSc.	3,198	4,397	4,385	12	0	0
Marijan Papež	4,479	6,158	5,929	230	0	0
REPRESENTATIVES OF EMPLOYEES						
Miran Ajdnik, B.E.E., member	13,310	18,136	17,002	0	439	695
Janko Čas, electrician - expert in energetics	14,932	20,531	19,836	0	0	695
EXTERNAL EXPERTS, MEMBERS OF SB AC						
Ignac Dolenšek, MSc.	4,054	5,072	3,537	199	1,336	0
Darinka Virant, BA in economics	3,884	5,247	4,790	209	248	0
TOTAL	104,444	142,727	131,825	4,391	2,341	4,170

Remuneration of the Supervisory Board and Audit Committee of the Supervisory Board members in the company ECE:

Receipts 1 - 10 2021 (in EUR)	Receipts (net)	Receipts (gross)	SB meeting fees and reimbursements for performing the SB function
REPRESENTATIVES OF SHAREHOLDERS			
Kupec Boris	7,878	10,832	10,832
Šmon Ivan	7,332	10,082	10,082
REPRESENTATIVES OF EMPLOYEES			
Kupčič Marija	5,338	7,559	7,559
EXTERNAL EXPERT MEMBER			
Virant Darinka	1,187	1,633	1,633
TOTAL	21,735	30,106	30,106

Membership in management and supervision bodies	
Miha Kerin, MSc.	Chairman of the Management Board of the company Varnost sistemi, d.o.o.;
Rosana Dražnik, MSc.	Managing director of the company Finera svetovanje d.d.d, sole proprietor, Rosana Dražnik s.p., Intax;
Boštjan Leskovar, MSc.	Member of Supervisory Board of KAD d.d.;
Marijan Papež	Chairman of the Supervisory Board of Nepremičninski sklad pokojninskega in invalidskega zavarovanja d.o.o. (Pension Real Estate Fund Ltd.)
Boris Kupec, MSc.	Member of the Supervisory Board of Stelkom d.o.o., and member of the Council of Elektroinštitut Milan Vidmar, deputy chairman of the supervisory board and chairman of Audit Committee in the company ECE;

The group did not approve loans or guarantees to Supervisory Board Members, Audit Committee of the Supervisory Board members or the Management Board, and as of 31 December 2021 did not disclose any receivables from them.

Employee remunerations based on the contracts for which the tariff part of the Collective Agreement did not apply amounted to €504,835 gross in 2021 or €269,188 net.

5.13 Cost of Audit

The contract value of auditing services of annual reports for 2021, performed for the group by the audit firm BDO Revizija, d.o.o., amounted to €17,974, excluding VAT (€17,460 in 2020), with the value of assurance services and other audit-related services in the amount of €1,550, excluding VAT (the same amount in 2020). The audit firm did not provide any other services for the group and the companies within the group in 2020 and 2021.

SUPERVISORY BOARD REPORT

INTRODUCTION

In 2021, the Supervisory Board provided responsible supervision of the company's operations, in line with the adopted strategy and long-term interests of the company. The Supervisory Board carried out its work in accordance with the powers and competences, laid down in legislative regulations, the Articles of Association, the Rules of Procedure of the Supervisory Board, the Code of Corporate Governance of companies with State Capital Investment, and other recommendations of good practice of corporate governance. It addressed various aspects of operations and took decisions in this regard, monitored their implementation and cared for sociably responsible increase in the economic efficiency of the company Elektro Celje and the Elektro Celje Group.

The composition of the Supervisory Board and its Committees changed in 2021, since the four-year term of office of three Supervisory Board Members expired. The Supervisory Board Members, who are representatives of the shareholders, were elected by the General Meeting, and employee representatives were elected by the company's Works Council.

The work of the Supervisory Board was professionally supported by the Audit Committee and Personnel Committee. The Audit Committee of the Supervisory Board consists of three members. In 2021, initially there were two external members of the Audit Committee, but in September its composition changed. The Audit Committee Chairman and one member are Supervisory Board Members, and another member is an external member who significantly contributes to the successful work of Audit Committee and Supervisory Board with their expertise and competences. The Personnel Committee of the Supervisory Board consists of three members, who are at the same time also Supervisory Board Members. Two Personnel Committee Members are representatives of the shareholders in the Supervisory Board, and one member is an employee representative. The composition of the Personnel Committee also changed in September 2021.

The composition of the Supervisory Board and its committees are presented in detail in the Annual Report in the section Corporate Governance.

The operating costs of the Supervisory Board, Personnel Committee and Audit Committee include remunerations for performing their positions, meeting fees, training and travel expenses. They are paid in accordance with the resolutions of the General Meeting and are disclosed in the section 2.10.2 of the company's Annual Report. A contract on cooperation was signed with the independent expert members of the Audit Committee, taking into account the criteria and recommendations of the Capital Assets Management Agency of the Republic of Slovenia.

SUPERVISION OF OPERATIONS AND MANAGEMENT OF THE COMPANY

In accordance with its fundamental function of responsible supervision of the company's management and operations, the Supervisory Board monitored the implementation of the set goals and the efficiency of the company's operations with the purpose of ensuring the company's stable operations and development orientation.

The Supervisory Board held nine regular meetings and one constitutive meeting in 2021. There were no correspondence meetings. The meetings were adapted to the epidemiological situation, therefore some meetings were held remotely using information and communication technology. The work of the Supervisory Board and its committees has become digitalised, and the material for meetings is now prepared in electronic version and safely deposited in an application. All members of the Supervisory Board are involved in the work and functioning of the Supervisory Board. By participating in the meetings regularly, being actively involved in discussions and taking decisions, they contribute to a more efficient implementation of the tasks within the competence of the Supervisory Board. The Supervisory Board members regularly attended their regular meetings and prepared for the topics covered carefully, which enabled a professional and constructive debate. Based on prepared reports and oral and written information provided by the Management Board, they competently took decision and effectively performed the control over the company's operations. The Supervisory Board, along with the Management Board and the support of the professional committees of the Supervisory Board, endeavoured to adequately manage risks and searched for opportunities to improve business performance. The Management Board accepted and implemented the recommendations and decisions made by the Supervisory Board. In compliance with the provisions of the Article of Association, the Supervisory Board gave necessary consent for the operations of the Management Board. At its meetings, the Supervisory Board focused on the following tasks and individual areas of the company's operations:

Supervision of the operations:

- It was regularly acquainted with the measures taken by the company Elektro Celje due to the epidemiological situation, with the aim of managing risks and preventing the spread of the infection with Covid-19 among the employees, and consequently potential disruptions in the work process, which is even more important since the company ensures the operation of critical infrastructure for the economy and the population.
- It was regularly acquainted with quarterly reports on the operations of the company Elektro Celje and dependent companies ECE and Elektro Celje OVI, with risk management, litigation matters, and it particularly carefully monitored the company's business performance indicators.
- It monitored the realisation of investments, while focusing more on significant investment projects.
- It monitored the realisation of strategic objectives defined in the company's Strategic Business Plan for the period 2021-2025.
- It monitored the functioning of individual business processes and recommended improvements and warned against potential risks.
- It monitored particularly carefully the area of security culture and staffing, and got acquainted with the results of SiOK analysis.
- It gave consent to the contents of the Business Plan of the company Elektro Celje and the Elektro Celje Group for 2022, along with baselines for 2023 and 2024.
- It gave consent to the Plan of the Functioning of the Internal Audit Activity for 2022 and monitored the activities and findings within the internal audit activity.

The General Meeting:

- It approved the Annual Report of the company Elektro Celje for 2020 and the Consolidated Annual Report of the Elektro Celje Group, and adopted the Report on the Annual Report Audit.
- It presented the election proposal for the election of the Supervisory Board members for the new 4-year term of office.
- It proposed to the company's General Meeting to adopt a decision on granting a discharge to the Management Board and The Supervisory Board for 2020, and supported the Management Board's proposal on the distribution of the distributable profit.
- Along with the Management Board it proposed amendments to the company's Articles of Association.

Corporate Governance:

- It acquainted the General Meeting of the company Elektro Celje with the remuneration policy and the rules on determining other rights from the employment contract of the management bodies of the company Elektro Celje.
- It confirmed the content of the Succession Policy of the Management Board Chairman with the competence profile of the Management Board Chairman, the content of the competence profile of the Supervisory Board members and the amendment of the content of the Management Policy.
- It got acquainted with the situation of the project and the final activities of the vertical integration of the company ECE d.o.o.
- It got acquainted with the procedure of the new Regulatory Framework and the procedure of adopting new laws of the Network Charge Act (ZOEE) and the Act on the Promotion of the Use of Renewable Energy Sources (ZOVE).
- It got acquainted with the reports on the implementation of the Corporate Integrity, the report of the Corporate Integrity Officer, and the communication plan for the promotion of the Code of Ethics.

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee of the Supervisory Board held seven regular meetings. Prior to the Supervisory Board meetings, it reviewed the reports on the company's operations for the reporting period, and prepared its opinion for the Supervisory Board and Recommendations for the Management Board. By doing so, it worked closely with the internal audit of the company. At the meetings, the committee regularly discussed the areas of financial reporting, the internal control system, the risk management system and Corporate Integrity. It addressed individual reports of the internal audit and reviewed in more detail some key processes. It got acquainted with the proposed Corporate Integrity Annual Plan for 2022 and made some proposals for improvement. The Audit Committee Chairman regularly reported to the Supervisory Board at their meetings.

Based on the presentation and report of the BDO external auditor, guidelines made by the Slovenian Directors' Association for monitoring the quality of external auditing, and own assessment of the quality of the external auditor of the financial statements, including

assessments of individual employees of the company Elektro Celje, who directly worked with the external auditor, the Audit Committee gave a positive assessment for the work performed.

Regarding the audit of the Financial Statements, the Audit Committee interviewed the external auditor, reviewed the unaudited and audited Annual Report of the company Elektro Celje and the Consolidated Annual Report of the Elektro Celje Group, and provided the opinion for the Supervisory Board.

The Audit Committee carried out a self-appraisal for the work in 2021, and while doing so, it defined goals and activities set for the next period.

PERSONNEL COMMITTEE

The Personnel Committee held three regular meetings in 2021. The Personnel Committee Chairman regularly reported to the Supervisory Board at their meetings. With its work, the Personnel Committee provided the Supervisory Board with expert assistance in evaluating the work of the Management Board, or on assessing and rewarding the Management Board, and prepared a proposal for the amendment of performance criteria for determining the variable part of the performance payment (variable remuneration) for the Chairman of the Management Board for each individual business year. The Personnel Committee addressed the HR report of the company Elektro Celje, and prepared for the Supervisory Board a Succession Proposal of top management and the competence profile of the Chairman of the Management Board and the competence profile for the Supervisory Board members. In 2021, the committee also prepared twice a proposal for the amendment of the management policy.

COMPOSITION OF THE SUPERVISORY BOARD AND SELF-APPRAISAL

The Supervisory Board estimates its composition in 2021 was appropriate in terms of size, activity of the company and expertise of its members. Although its composition changed in 2021, the work of the Supervisory Board continued smoothly and three new SB members received relevant material and information from the company as part of their introduction programme. In addition to the legal criteria, all Supervisory Board members met the requirements of the Code of Corporate Governance of companies with state capital investment, and were not in any potential conflict of interest with the company. The composition of the Supervisory Board ensured the representation of various professional competences and complementarity of knowledge. Heterogeneity of knowledge and skills of the Supervisory Board members represented an important mutual complementarity in their functioning, giving rise to a much better result. The members responsibly and professionally supervised the work of the Management Board and were personally engaged in doing so. The employee representatives also made a special contribution to the functioning of the Supervisory Board with their experiences and specific knowledge in the field of electricity distribution and their knowledge about the company's position.

In performing their function, the SB members were independent, objective and autonomous, taking into account the company's interests and following the principles of Corporate Governance, ethical principles of corporate culture and good practice. They were distinguished by personal integrity and business ethics. They followed contemporary

trends and current events in the business world, and took care of their personal and professional development. All SB members signed declarations of independence and absence of conflicts of interests, which are available on the company's website.

The Supervisory Board, as before, carried out a self-appraisal or assessment of its work efficiency in order to improve the quality of the work done by the Supervisory Board and its Committees. The methodology of the Slovenian Directors' Association was applied. The results show that the Supervisory Board operated well.

SUPERVISION OF THE COMPANY'S AND GROUP'S OPERATIONS AFTER THE END OF THE BUSINESS YEAR

Following the conclusion of the business year 2021, a special attention of the Supervisory Board was put to reviewing the company's Annual Report for 2021, and to supervising the final phase of auditing the Financial Statements for 2021. The Supervisory Board members also supervised the measures adopted by the company Elektro Celje, along with both dependent companies, due to the epidemiological situation, aiming at managing risks and preventing the spread of Covid-19 infection.

AUDIT AND APPROVAL OF THE ANNUAL REPORT

The Supervisory Board reviewed the audited Annual Report of the company Elektro Celje and the Elektro Celje Group for 2021 at its third regular meeting as of 16 May 2022. The Supervisory Board notes that the company met most of its economic and technical objectives in 2021, despite the extraordinary epidemiological situation.

The Annual Report of the company Elektro Celje and the Elektro Celje Group, and of the dependent company ECE was audited by the audit company BDO Revizija, d.o.o., which also gave a favourable opinion on the Annual Report of the company Elektro Celje, as well as on the Consolidated Annual Report of the Elektro Celje Group for 2021.

The Supervisory Board noted that the Annual Report of the company Elektro Celje for 2021 was compiled in compliance with the provisions of ZGD-1 and the Slovenian Accounting Standards that apply to the company Elektro Celje, and in compliance with the International Financial Reporting Standards that apply to the Elektro Celje Group. The Supervisory Board was of the opinion that the Annual Report of the company Elektro Celje and the Elektro Celje Group gave a credible reflection of the company's operations in the past business year, and provided a true and fair view of the financial position of the company Elektro Celje and the Elektro Celje Group as of 31 December 2021, its profit or loss and cash flows for 2021.

Upon adopting the Annual Report, the Supervisory Board also took a stance on the Corporate Governance Statement and the Declaration of Conformity, which are included in the Business Report of the Annual Report of the company Elektro Celje for 2021, and the Statement on Non-Financial Operations, and assessed they all reflected the actual corporate governance state of the company in 2021.

After the final audit of the Annual Reports and Financial Statements with Explanatory Notes, the audit of the Management Board's proposal for the distribution of the

distributable profit and the report of the authorised auditor, the Supervisory Board had no comments and approved the Annual Report of the Company Elektro Celje and the Consolidated Annual Report of the Elektro Celje Group for 2021.

Celje, 16 May 2022

Chair of the Supervisory Board
MSc Boštjan Leskovar

A handwritten signature in black ink, appearing to read 'Boštjan Leskovar', is centered below the printed name.

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LIST OF ABBREVIATIONS

ADI	Annual Development Interview	EBIT	Earnings before Interest and Taxes
ADMS	Advanced Distribution Management System	EMS	Environmental Management System
ADS	Anomaly Detection System	EIA	Economic Interest Association of the Electricity Distribution
AMP	Annual Management Plan	EIB	European Investment Bank
AX	Information system for Comprehensive Management of Operations	ELES	Elektro – Slovenija, d.o.o. (Electricity Transmission System Operator, Ltd.)
BIA analy:	Business Impact Analysis	ERP	Enterprise Resource Planning
BSC	Balanced Scorecard	ESS	Electricity system of Slovenia
CAPEX	Capital expenditures	EU3, EU4	Electric Utilities (Disclosures for Energy Companies)
CD	Conceptual design	FAT	Factory Acceptance Test
CHP	Combined heat and power generation	FS	Fire safety
COVID-19	Coronavirus disease Covid-19	GDP	Gross Domestic product
CRM	Customer Relationship Management	GHG	Greenhouse gases
DC	Electricity distribution company	GIS	Geographic Information System
DCC	Distribution Control Centre	GRI	Global Reporting Initiative - International Guidelines for Sustainable Reporting
DGD	Documentation for Obtaining Building Permit	GWh	Gigawatt Hour
DMS	Distribution Management System	G4-DMA	Disclosures on Management Approach
DNZO	Documentation for Obtaining a Building Permit for Non-Complex Construction	HPP	Hydro power plant
DP	Design project	HV	High voltage
DS	Distribution substation	HVCL	High voltage cable line
DTS	Distribution Transformer Substation	IASB	International Accounting Standards Board
DU	Distribution unit	IBOR	Interbank Offered Rates
DV	Power line	ICES	Energy System Educational Centre
EA	Energy Act	IFRIC	International Financial Reporting Interpretations Committee
EBITDA	Earnings before Interest and Taxes, Depreciation and Amortisation	IFRS	International Financial Reporting Standards

ISO	International Organization for Standardization	RCS	Remotely controlled switchgears
IT	Information technology	ROA	Return on assets
IP	Internet protocol	ROE	Return on Equity
km	Kilometre	RS	Republic of Slovenia
kV	Kilovolt	RUPS	Rotary Uninterruptible Power Supply
kW	Kilowatt	SA	Slovene Accreditation
kWh	Kilowatt	SAIDI	System Average Interruption Duration Index
Ltd.	Limited liability company	SAIFI	System Average Interruption Frequency Index
LVCL	Low voltage cable line	SAS	Slovenian Accounting Standards
LW	Low voltage	SAT	Site Acceptance Test
MAIFI	Momentary Average Interruption Frequency Index	SCADA	Supervisory Control and Data Acquisition
MV	Medium voltage	SHPP	Small hydro power plant
MW	Megawatt	SiOK	Slovenian Organisational Climate and Employee Satisfaction
MWh	Megawatt Hour	SOC	Security Operations Centre
MX	Asset Management Information System	SODO	Electricity Distribution Network System Operator
NECP	National Energy and Climate Plan	SONDSEE	Rules on the System Operating Instructions for the electricity distribution network
NSP	National Spatial Plan	SPDOEE	General Conditions for the Supply and Consumption of Electricity
OHS	Occupational Health and Safety	SPPPs	Small photovoltaic power plants
OMS	Outage Management System	SSH	Slovenian Sovereign Holding
OPEX	Operating expenses	SWOT analysis	Analysis of Strength, Weaknesses, Opportunities and Threats
OT	Operational Technology	TK	Telecommunications
PLC	Public Limited Company	TS	Transformer substation
PPA	Public Procurement Act	UCL	Underground cable line
P2P	Peer-to-Peer	ZIntPK	Act on Integrity and Prevention of Corruption
PRESAT	Site Acceptance Test	ZIUZEOP	Act on Detreming the intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy
PRSP0	Slovenian Business Excellence Prize	QMS	Quality Management System
PSI	Software Solution for Distribution Control Centres	WOM	Word Order Management
PZI	Project for Implementation		