

2022 ANNUAL REPORT



Ljubljana, April 2023

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Significant information and performance indicators of the Company

	YEAR 2022	YEAR 2021	YEAR 2020	YEAR 2019
DISTRICT HEATING SYSTEM				
Length of hot water network with connections in km	275.0	273.9	273.2	271.1
Length of steam network in km	7.7	7.7	7.7	8.5
Connected load - hot-water system in MW	1,187.8	1,187.9	1,189.5	1,187.8
Number of connected heat substations	5,016	4,984	4,948	4,920
Number of connected steam substations	17	17	18	20
Heat production (hot water and steam) in MWh	1,292,696	1,417,359	1,269,764	1,290,092
Heat sales (hot water and steam) in MWh	1,126,778	1,251,512	1,112,800	1,141,895
Heat losses in the hot water network in %	15.3	13.4	14.2	13.4
GAS SUPPLY SYSTEM				
Length of the gas network with connections in km	1,283.0	1,199.8	1,163.3	1,147.8
Connected load - gas pipeline system in MW	1,709.0	1,723.2	1,703.6	1,693.3
Number of connected gas meters	57,132	57,600	57,371	57,172
Distributed quantities of natural gas in MWh	810,009	907,954	799,824	809,680
Sold quantities of natural gas - distr. network in MWh	645,575	756,943	686,866	658,274
Sold quantities of CNG in MWh	50,841	44,541	35,987	43,601
ELECTRICITY				
Production of electricity, total, in MWh	324,967	377,840	343,806	370,990
Electricity purchase in MWh	49,834	155,603	144,973	134,349
<i>Total electricity production and purchase in MWh</i>	<i>374,802</i>	<i>533,443</i>	<i>488,779</i>	<i>505,339</i>
Net electricity sales in MWh	145,320	294,220	325,545	338,140
Electricity sales to end users and others in MWh	166,111	166,685	93,130	95,971
Own electricity consumption in MWh	63,371	72,538	70,104	71,228
<i>Total sales and own electricity consumption in MWh</i>	<i>374,802</i>	<i>533,443</i>	<i>488,779</i>	<i>505,339</i>
FROM THE BALANCE SHEET AS AT 31 DECEMBER (in EUR)				
Total assets	406,087,887	351,824,406	301,765,861	288,217,009
Intangible assets and property, plant and equipment, investment property	315,569,729	273,076,379	237,823,533	216,902,012
Investments	3,635,727	4,602,233	4,493,294	4,958,050
Receivables	58,977,052	59,980,778	33,038,771	35,344,447
- of which operating receivables due from the controlling company under the Controlling Contract	0	6,523,744	0	0
Inventories, cash and short-term deferred costs and accrued revenue	27,905,379	14,165,016	26,410,263	31,012,500
Equity	198,042,616	203,158,569	203,002,428	200,448,353
Provisions and long-term accrued costs and deferred revenue	6,265,148	7,146,619	10,742,805	8,280,889
Long-term and short-term liabilities:	190,223,420	138,225,981	86,065,995	74,442,132
- Financial liabilities - banks	125,040,080	91,344,006	59,815,237	43,226,936
- Financial liabilities - from fixed asset leases	131,655	180,092	220,976	252,621
- Other liabilities (operating, other)	65,051,685	46,701,883	26,029,782	30,962,575
Short-term accrued costs and deferred revenue	11,556,703	3,293,237	1,954,633	5,045,635
FROM THE INCOME STATEMENT FOR THE YEAR (in EUR)				
Operating revenue (excl. revenue under the Controlling Contract)	241,602,969	170,860,393	143,356,586	146,248,309
Operating expenses under the Controlling Contract	0	6,523,744	0	0
Operating expenses	243,884,950	178,086,580	137,429,523	145,682,426
Operating profit (EBIT)	-2,281,981	-702,443	5,927,063	565,883
Amortisation and depreciation	12,912,146	13,577,330	13,915,508	14,249,623
- Amortisation and depreciation of own fixed assets	12,869,121	13,534,976	13,875,020	14,249,623
- Amortisation and depreciation of leased fixed assets	43,025	42,354	40,488	0
Operating profit before depreciation/amortisation (EBITDA)*	10,587,140	12,832,533	19,802,083	14,771,930
Result from financial and extraordinary operations	3,317,832	702,443	382,350	-349,298
Net profit or loss for the period	837,485	0	5,705,116	216,585
LABOUR AND PAYROLL COSTS				
Labour costs in EUR	25,945,237	24,049,995	25,577,150	23,202,464
Payroll costs in EUR	18,285,907	17,632,815	17,170,410	16,797,111
Average number of employees per hour	558.36	559.92	565.05	552.85
Average gross salary from hours in EUR	2,729.11	2,624.31	2,532.28	2,456.48
Average level of education	5.4	5.4	5.4	5.3
INVESTMENTS DURING THE YEAR (in EUR)				
	62,826,036	52,577,055	39,508,901	23,910,422
PERFORMANCE INDICATORS OF THE COMPANY				
Operating efficiency ratio	0.99	1.00	1.04	1.00
Net return on equity in %	0.0	0.0	3.0	0.0
NUMBER OF EMPLOYEES AT YEAR-END				
	559	560	565	569
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR				
	555.5	557.5	566.4	575.2
NUMBER OF HIRED WORKERS AT YEAR-END				
	9	12	17	12

* EBITDA is EBIT plus the amortisation/depreciation of the assets not recognised based on leases.

1 INTRODUCTION

1.1 Company profile

Company:	JAVNO PODJETJE ENERGETIKA LJUBLJANA d.o.o. (abbreviated name: ENERGETIKA LJUBLJANA, d.o.o.)
Address:	Verovškova ulica 62, 1000 Ljubljana
Phone:	01 588 90 00
Email:	info@energetika.si
Website:	www.energetika.si
Registration No.:	5226406000
Tax number:	SI23034033
Code of activity:	35.300 Steam and hot water supply
Share capital:	€57,602,057

Register entry number at the District Court of Ljubljana: 1/01757/00

➤ Establishment and status changes of the Company

The Company was founded in 1981 following the merger of the activities and know-how of two companies, Plinarna and Komunalna Energetika Ljubljana. Until that time, Plinarna pursued the activity of gas distribution, while Komunalna Energetika Ljubljana supplied the city through its hot water system. The legal form of reorganisation into JAVNO PODJETJE ENERGETIKA LJUBLJANA d.o.o. (hereinafter "Energetika Ljubljana") was executed in 1991.

Since 1994, Energetika Ljubljana operates as a subsidiary of JAVNI HOLDING Ljubljana d.o.o., which is owned by the City of Ljubljana and six neighbouring municipalities (Medvode, Brezovica, Dobrova - Polhov Gradec, Škofljica, Dol pri Ljubljani and Horjul). Through the Founders Council of the public undertakings associated in JAVNI HOLDING Ljubljana d.o.o., local communities exercise their founders' rights in relation to the Company and coordinate the decisions made by local communities in relation to the provision of services of general economic interest in the relevant area.

On 31 January 2014, the merger of TERMOELEKTRARNA TOPLARNA LJUBLJANA d.o.o. into Energetika Ljubljana was entered into the register of companies.

With the enforcement of the Act Amending the Companies Act (hereinafter: amended ZGD-1) in February 2021, the Company has become a public-interest entity. The amended ZGD-1 lays down that public-interest entities must appoint supervisory boards and these must appoint audit committees, except in case of subsidiaries which are associated by way of the controlling contract where this obligation does not yet apply. To this end and with the purpose to ensure that efficient business decisions are made in order to maximise business results of all group companies together and separately and, on this basis, to connect the companies holding capital ties into a contractual group of companies, Javni holding has drawn up a Controlling Contract which, after having received a positive opinion from the Supervisory Board and consent from the General Meeting, was concluded between Javni holding as the controlling company and Energetika Ljubljana, VOKA SNAGA and LPP as subsidiaries on 5 May 2021 and entered into effect with the entry into the register of companies on 13 May 2021. The Company has thus become a part of the contractual group of companies. The Audit Committee of the Supervisory Board of Javni holding was appointed in accordance with the amended ZGD-1 and it also acts

as the audit committee for Energetika Ljubljana, which is a subsidiary in the group of companies.

➤ **Company activity**

Energetika Ljubljana's mission is to provide reliable, safe, environmentally friendly and economically efficient supply of heat and cooling to the population of Ljubljana and business users, produced in an efficient energy use way, to supply natural gas and other energy products to business users in Ljubljana and neighbouring municipalities at competitive prices and electricity from highly-efficient co-generation and renewable energy sources on the market.

Energetika Ljubljana produces, distributes and supplies heat (hot water, steam and cooling), distributes and supplies natural gas, compressed natural gas (CNG) and liquefied natural gas (LNG), and produces and supplies electricity.

Energetika Ljubljana provides comprehensive supply of heat and natural gas to the City of Ljubljana (MOL) and gas to municipalities Medvode, Dol pri Ljubljani, Dobrova–Polhov Gradec, Škofljica, Brezovica, Ig, Log – Dragomer, and Grosuplje.

Pursuant to municipal ordinances, the Company renders optional services of general economic interest, i.e. heat distribution and supply, and natural gas distribution (or the activity of a distribution system operator). The distribution of natural gas in Log–Dragomer Municipality is rendered on the basis of a concession contract that was signed in March 2010, and in Grosuplje Municipality based on a concession contract signed in November 2017. Energetika Ljubljana started distributing natural gas and supplying LPG in Grosuplje Municipality in December 2018, but after the consent received from the Energy Agency in September 2021 and the implemented connection of the distribution system in Grosuplje municipality to the distribution system in Škofljica Municipality on 1 November 2021, Energetika Ljubljana started rendering the activities of distribution system operator (DSO).

In the context of rendering optional services of general economic interest, Energetika Ljubljana holds public authorisations for issuing project conditions and consents for the planned interventions into the distribution network buffer zone area, constructing utility infrastructure and issuing consents for the connection of buildings to the distribution network (hot water, steam and gas pipelines). The Company also generates revenue from other services that are not directly linked to the provision of services of general economic interest or energy activities, such as: heat and steam station maintenance services, measuring equipment maintenance and other custom ordered services.

The vision set by the Company in its Strategic Plan for 2022-2027 is: Clean energy for green future. The most important strategic goals and policies pursued by the Company are: decarbonisation of production sources and district heat supply, decarbonisation of the natural gas distribution system, ensuring high reliability of production sources and remote heating and natural gas distribution networks, mitigating a drop in consumption, and developing and enhancing hot water network utilization, developing and enhancing gas network utilization by expanding the use in transport, green electricity generation and supply, providing ancillary services for the power system and connecting products and services into new attractive packages, and hence offering a comprehensive energy service.

➤ **Governing bodies**

Company management

The Company is managed and represented by one director who also realises the Company's adopted business policy.

Samo Lozej took over the position of Company Director in 2014 and was reappointed for another 5-year period starting on 1 February 2019 by the General Meeting of JAVNI HOLDING Ljubljana, d.o.o. held on 3 October 2018.

Company Member

The sole Company Member of Energetika Ljubljana is JAVNI HOLDING Ljubljana, d.o.o. (hereinafter also "Javni holding"). The competences of the Company Member are laid down in the Memorandum of Association, and they cover the following: adoption of the Company's annual report and proposal for the appropriation of distributable profit, adoption of a business plan and written reports on Company operations at the end of each half-year, decision-making regarding payments of subscribed contributions, return of subsequent payments, distribution and termination of shareholdings, measures to review and supervise the work performed by the manager, appointing the procurator holder and proxy, and decisions about other matters pursuant to the law or Memorandum of Association that are not explicitly conferred to the Founders Council for decision-making.

In 2022, the Company Member, *inter alia*, adopted the Annual Report of Energetika Ljubljana for 2021 with the Independent Auditor's Report, adopted the half-year report on the operations of the Javni holding Group companies, and discussed the Company's Natural Gas Procurement and Sales Analysis.

Founders Council

In 2004, the City Council of the City of Ljubljana and the municipal councils of Brezovica, Dobrova – Polhov Gradec, Dol pri Ljubljani, Horjul, Ig, Medvode, Škofljica and Velike Lašče Municipalities adopted a Memorandum of Founders' Rights and Incorporation of a Council of Founders of Public Undertakings Associated in Holding Ljubljana, d.o.o.

With the Memorandum, the municipal councils established a common body, the Council of Founders of Public Undertakings Associated in Holding Ljubljana d.o.o., with the registered office in Ljubljana, Mestni trg 1, to execute the founders' rights in public undertakings associated in Javni holding and to harmonise decisions related with the provision of obligatory and optional services of general economic interest. In 2008, an amendment was made to the Memorandum due to the transfer of a shareholding in Javni holding from Ig and Velike Lašče Municipalities to the City of Ljubljana which renamed the body into the Council of Founders of Public Undertakings Associated in JAVNI HOLDING Ljubljana d.o.o. (Founders Council).

The Founders Council comprises current mayors of the founding municipalities. Within the scope of exercising founders' rights, the Founders Council is competent for making decisions on prices or tariffs for the use of the public goods provided by the Company, granting consent to the purchase or sale of a shareholding in another company, granting consent to hire loans and borrow otherwise and to encumber real estate over 5% of the Company share capital.

In 2022, the Founders Council met at two regular meetings where it gave its consent to Energetika Ljubljana to raise short-term and long-term loans; moreover, it was regularly informed about the information regarding the loan conditions.

➤ Information about the Javni holding Group

Energetika Ljubljana is fully owned by Javni holding and is included in a group of companies owned by the controlling company.

The Javni holding Group comprises:

- controlling company JAVNI HOLDING Ljubljana, d.o.o.,
- subsidiary JAVNO PODJETJE VODOVOD KANALIZACIJA SNAGA d.o.o.,
- subsidiary JAVNO PODJETJE ENERGETIKA LJUBLJANA d.o.o.,

- subsidiary JAVNO PODJETJE LJUBLJANSKI POTNIŠKI PROMET, d.o.o.

The consolidated annual report is available at the registered office of the controlling company JAVNI HOLDING Ljubljana, d.o.o., Verovškova 70, Ljubljana.

1.2 Corporate Governance Statement

Pursuant to the provision of paragraph 5 of Article 70 of the Companies Act, the management of Energetika Ljubljana hereby declares that the Company was managed in line with the law, Memorandum of Association of JAVNO PODJETJE ENERGETIKA LJUBLJANA d.o.o. (Memorandum of Association) and other applicable regulations throughout the 2021 financial year.

Pursuant to Article 60.a of the Companies Act, the management of Energetika Ljubljana declares that the Annual Report with all its component parts, including the Corporate Governance Statement, was compiled and published in line with the Companies Act and the Slovenian Accounting Standards.

Pursuant to paragraph 5 of Article 70 of the Companies Act laying down minimum contents of a corporate governance statement, Energetika Ljubljana hereby provides the following explanations:

- Corporate Governance Code

Energetika Ljubljana declares that it operates in line with the applicable legislation and actively strives for responsible management and transparent communication with all stakeholders. In 2017, the Corporate Governance Code of JAVNI HOLDING Ljubljana d.o.o. and its subsidiaries (hereinafter "Code") was adopted and published at www.energetika-lj.si. The Code lays down uniform criteria for attaining high management and control standards for all companies in the Group, while setting up a transparent and comprehensible system of corporate governance.

The Company observes the mentioned Code in its operations, taking into account special features of the Company deriving from its Memorandum of Association, particularly in the part referring to the General Meeting of Shareholders and everything therewith related, since the Company, as a single-member company with Javni holding as the sole Company Member holding a 100% share, holds no General Meeting of Shareholders, and in the part referring to the Supervisory Board and its Members and everything therewith related, as it, according to its Memorandum of Association, the Company has no Supervisory Board, which, pursuant to the Companies Act, is not obligatory for public-interest entities, if these are subsidiaries connected by means of the controlling contract and, for the same reason, the audit committee is also not obligatory.

- Description of the main features of the internal control and risk management systems at the Company in relation to the financial reporting procedure

The internal control system is set up as a system of accounting and other controls, including the organisational structure, methods and procedures established by the management within the scope of its common goals in order to carry out activities economically, efficiently and successfully.

Internal controls hold an important role in the identification and prevention of fraud and protection of Company property and reputation. The purpose of internal controls is to provide efficient and successful operations, correct, complete and true financial reports, and compliance with the applicable legislation and other external and internal regulations, which the Company strives to achieve primarily with the following measures and internal controls:

- development of an efficient and transparent organisational structure,
- development of clear and standardised accounting policies and their consistent application,
- control of data capture completeness that includes checking whether all business events are undisputed, whether they have been approved by an authorised period, whether all transactions have been entered into books in due time and amount and under the correct accounts,
- control of the regularity of accounting data, which includes checking monthly consolidations of turnover and balances between subsidiary books of account, analytical records and the general ledger, controlling the annual inventory listing of assets and liabilities, and the consolidation of book balances with the actual balance identified in the listing,
- control of the delineation of duties and responsibilities covering the separation of tasks, e.g. recording transactions from managing Company finances (payments),
- control of the responsibility of persons in charge of assets, asset protection against theft, loss, ineffective use,
- control of access restriction – a uniform accounting and business information system at the controlling company Javni holding and its subsidiaries provides appropriate restrictions on access to the network, applications and data and access control, and has integrated control of data capture and processing completeness and consolidation of turnover in analytical records with the general ledger or, rather, the transfer of turnover data is controlled where necessary,
- control is also carried out in a manner verifying the regularity of accounting data within the scope of the reporting function or analysing and examining deviations from the planned or previous turnovers and balances (regular monthly and occasional periodic reports on Company operations).

We believe that the internal control system provides suitable assurances to attain goals in compliance with the law, regulations, adopted Company by-laws and other instructions; in business performance and provision of quality services; protection of assets against loss due to negligence, abuse, poor management, errors, embezzlements and other irregularities; development and preservation of reliable accounting and other data, and their correct disclosure in the financial statements, and the use of uniform work methodology, including standard sample forms and documents.

Continuous and comprehensive verification of regularity and legality, economy and organisation of operations is also the concern of the Internal Audit Service as an independent unit of organisation at Javni holding. It carries out independent and objective auditing within the Company and the Javni holding Group.

Internal auditors check compliance with the law and other regulations, compliance with policies and plans, compliance of internal control, accounting information and property protection, economical and efficient use of factors, and the attainment of goals and purposes related with business operations.

The Internal Audit Service pursues its mission in line with the basic document of the Internal Audit Service and the Internal Auditing Rules at Javni holding. Internal auditing was carried out in line with the international standards of due diligence in internal auditing, code of internal auditing principles and the code of ethics of internal auditors.

The added value of internal auditing was achieved through counselling and in the form of recommendations proposed after audits, the realisation of which is regularly checked. The Internal Audit Service makes regular interim and annual reports on its work to the Company management and other supervisory bodies.

In order to ensure transparency, efficient and responsible operations, Energetika Ljubljana has established a system of internal controls and risk management by way of the Company's organisational structure, i.e. the ISO 9001:2015 quality control system, the ISO 14001:2015 environmental management system, the SIST EN ISO/IEC 17025:2005 and SIST EN ISO/IEC 17020:2012, standards, type C, at the fuel and measuring equipment laboratory, and Company by-laws with a detailed reporting system by organisational unit. The internal control system is supported with an IT control system, which is also used to provide adequate restrictions and control over the network and detailed, updated and complete data processing.

- Data on the operations of the Founders Council of public undertakings associated in JAVNI HOLDING Ljubljana d.o.o. and its key competences

The competences and operations of the Founders Council are laid down in the Memorandum of Association. The Founders Council comprises the mayors of the founding municipalities of the public undertakings associated in Javni holding and has the following competences:

- making decisions on prices or tariffs for the use of public goods provided by the Company, unless they are adopted in the form of an ordinance,
 - granting consent to the purchase or sale of a shareholding in another company,
 - granting consent to raising loans or other borrowing exceeding 5% of the Company share capital,
 - granting consent to encumbering real estate exceeding 5% of the Company share capital.
- Data on the operations and competences of the Company Member

The sole Company Member of Energetika Ljubljana is Javni holding, which holds a 100% shareholding in the Company. The Company Member's competences are laid down in the Memorandum of Association and are:

- adopting the Company's annual report and proposal for the distribution of available profit,
- adopting the Company's business plan,
- adopting written reports on Company operations at the end of every half-year,
- appointing and dismissing the Company Director,
- making decisions on a request for the payment of subscribed contributions,
- making decisions on the reimbursement of subsequent payments,
- making decisions on the division and termination of shareholdings,
- making decisions on measures to review and supervise the work performed by managers,
- making decisions on the appointment of a procurator holder and proxy,
- making decisions on the enforcement of Company claims against managers or company members in relation to the reimbursement of damages incurred during establishment or management,
- making decisions on other matters as laid down by the law or Memorandum that are not expressly conferred to the Founders Council for decision-making.

- Data on the composition and operations of management bodies

The Company has one manager with the title of the Director. The Director is appointed and dismissed by the sole-member General Meeting for a 5-year term of office and may be reappointed after its expiry. The Company Director runs regular transactions deriving from the nature of Company activities, realises the adopted business policy of the Company and, particularly:

- organises and runs the work process, draws up basic business policies and the Company business plan, putting it forth to the Company Member for adoption,

- compiles the annual report with all financial statements and other components, including a proposal for the distribution of available profit, putting it forth to the Company Member for adoption,
- lays down the internal organisation and job classification at the Company,
- appoints managers and concludes employment contracts with them,
- executes the resolutions adopted by the Company Member and Founders Council,
- prepares reports on operations at the Company Member's request,
- keeps the Company Member and Founders Council informed and proposes resolutions for adoption,
- performs other tasks pursuant to applicable regulations and Company by-laws.

The Director requires the consent of the Founders Council for the following types of transactions:

- the purchase or sale of a shareholding in another company,
 - raising loans or borrowing otherwise in an amount exceeding 5% of the Company share capital,
 - encumbering real estate in an amount exceeding 5% of the Company share capital.
- Description of the diversity policy

In accordance with point 7 of the fifth paragraph of Article 70 of the Slovenian Companies Act (ZGD-1) in respect to representation in the management and supervisory bodies in terms of gender and in other respects, such as age or education and professional experience, the Company does not carry out the diversity policy because it does not have an influence over the appointment of the management body since this is the partner's right.

- Statement on non-financial operations

In accordance with the sixth paragraph of Article 70.c of the ZGD-1, the Company will include the statement on non-financial operations in the consolidated annual report for 2022.



Samo Lozej
Direktor

energetika ljubljana

Energetika Ljubljana, d.o.o.
Verovškova 62, 1001 Ljubljana

1.3 Report by the management

The business year 2022 was marked by the complex and volatile situation on the energy markets. The increased uncertainty caused by the war in Ukraine globally affected the security of supply and resulted in a surge in energy prices. The world was faced with unprecedented soaring prices of natural gas, electricity and energy in general. The government adopted many measures to tackle the situation regarding the high energy prices and ensure smooth supply of energy by temporarily capping electricity and gas prices for households and other protected consumers, reducing the VAT rate on energy for heating, ensuring alternative supply of gas to consumers in case their suppliers terminated the supply agreements, and the like.

At the Company, we paid a lot of attention to ensuring a smooth operation and reliable and secure supply to all our users. Despite the extremely unfavourable situation, we provided our services – the supply of heat, electricity and gas – to each and every one of our customers. At Energetika Ljubljana, we endeavour every day to cost-optimize our production as regards the range of energy commodities and their use in our production plants, in order to stay one of the affordable and reliable heat suppliers, thereby protecting especially the most vulnerable segments of users (households and small businesses). Because of the high price of natural gas which is used as the primary energy commodity at the TOŠ unit (the Šiška production site), production increased at the TE-TOL unit in 2022. Due to the high prices and the disrupted supply of natural gas, the alternative energy commodity, extra-light fuel oil, was used for the operation of peak load sources. This was enabled by the change in legislation published in May 2022 which allowed exceeding the BAT emission limit values for certain plants due to the extraordinary geopolitical situation.

The variable part of the price of heat for the hot water system was regularly adjusted in accordance with the Act on heat supply pricing methodology, whereas the fixed part of the price for hot water and steam was adjusted on 1 April 2022. Pursuant to the same Act, the variable price for both steam piping systems was adjusted until April and since then it has been determined freely by way of a contract between the distributor and end user. The selling prices of gas were adjusted to the purchasing prices only until 1 September 2022 when the regulation of the retail prices of natural gas was adopted for certain segments of users; it will stay in force until 31 August 2023. The price of heat has not changed since 1 November 2022.

In 2022, we generated 1,292.7 GWh of heat and 325.0 GWh of electricity. We sold 1,126.8 GWh of heat, 311.4 GWh of electricity and 696.4 GWh of natural gas, of which 50.8 GWh at CNG filling stations, and distributed 810.0 GWh of natural gas in the gas network.

Despite the challenges brought about by the unfavourable situation on the energy market, Energetika Ljubljana generated a net profit of €837,485 in 2022.

Compared to the year before, the Company's result was better, mainly because of the extra sales of electricity on the market. The Company's result from the sales of electricity to buyers was also better, primarily because of the slightly more volumes sold and the higher prices.

The majority of the operating loss was generated in the segment of gas supply, most of all because of the aforementioned regulation of natural gas prices for various groups of users, although they consumed less natural gas due to the higher prices and energy saving. The majority part of the loss incurred due to the capped prices in 2022 will not be reimbursed based on the Decree on setting gas prices from the system which was adopted in January 2023, because the Decree only foresees compensation for the loss to new users, not the already existing ones.

At the Company, we abide by the European Green Deal commitments on reducing emissions, achieving climate neutrality and sustainable energy development. The setting up of a gas and steam unit (PPE-TOL), which is currently our first and foremost investment and represents an

important step on the way towards decarbonising district heating, is almost completed. In 2022, we completed setting up the gas co-generation at the TOŠ site, which started operating on 1 January 2023. We also have other projects underway which follow the commitments to increase the share of renewable energy use, namely the project to replace the current coal boilers with biomass boilers, the project to set up the waste-to-energy facility, the sustainability project of constructing navigable infrastructure and small hydro power plants for the energy use of the Ljubljanica river at the level of the City of Ljubljana, and the project to extract biomethane to decarbonise the natural gas distribution system.

In the discussed year, we spent a total of €62,826,036 for investments (plan: €83,337,475). The deviation from the plan is largely a result of the time delay in the construction of PPE-TOL, which will be completed in 2023. The investment is presented in detail in the investment activity report. A total of €11,562,619 was spent on the hot water and gas network renovation and construction in 2022. The majority of investments in the network were implemented together with parallel constructions of sewerage or road infrastructure where deviations from the planned time schedules are common.

We also operated successfully in the fields related to assessing laboratory accreditations and quality management systems, environmental management, inspections and user satisfaction. Questionnaire respondents rated their satisfaction with services provided by Energetika Ljubljana in 2022 with an average score of 3.58 out of 5.

The high prices of energy and the related extraordinary situation and legislation change also affected the way we communicate with our users. Users started being more interested in the costs of energy commodities; therefore, we provided them with information about the market situation on our website and on the back of the bills and provided them with advice for efficient energy use to help them cut down on costs. The change of the bill template was completed at the end of 2022 and the first batch of new bills was sent at the start of 2023.

We have joined the four-year development and innovation EU project SENERGY NETS, which aims to demonstrate the technical and economic potential to decarbonise the existing energy systems. By developing software tools in the project, we will check the options to relieve the heat and electricity distribution infrastructure, especially at peak times, and the options to increase synergies between the district heating and electricity distribution systems in order to boost energy efficiency. The software tools could then be used or offered to distribution and transmission system operators.

Despite the challenges brought about by the unexpected situation on the energy market, we have been able to provide services to our users smoothly and well. At the same time, we have endeavoured to keep Ljubljana's district heating system one of the affordable district heating systems. With determination and optimism and equipped with new knowledge and experience, we are facing challenges of the future in the field of climate change. Our development path has stayed clear: to decarbonise district heating and increase energy self-sufficiency to 70% by 2030.



Samo Lozej
Direktor



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2 BUSINESS REPORT

2.1 Company operations

2.1.1 Analysis of business performance

Energetika Ljubljana is an energy company pursuing energy activities which, on one hand, depend on the regulations enforced by the Energy Agency and, on the other hand, on the competitiveness of supply on natural gas and electricity markets. The adopted government decrees have capped the prices of natural gas and electricity for individual protected groups of consumers for a limited period of time.

Energy sales

Hot water sales and natural gas supply and distribution are largely affected by changes in ambient air temperatures and the number of heating days. Compared to the plan and the previous year, the volumes of energy sold for heating are lower, especially because of the higher temperatures in the autumn heating months (October to December).

Steam sales are largely intended for technological processes, which is why the planned and the actual volume of sales is determined based on consumer forecast.

➤ **Company's profit or loss**

Operating revenue to cover the loss is presented separately in the table.

	YEAR 2022	PLAN 2022	YEAR 2021	Index Y22/P22	Index Y22/Y21
Operating revenue	241,602,969	182,470,773	170,860,393	132.4	141.4
Operating expenses	243,884,950	181,173,538	178,086,580	134.6	136.9
Result from operations, excluding revenue to cover the loss	-2,281,981	1,297,235	-7,226,187	-	31.6
Revenue from financing and other revenue	6,536,292	50,000	1,033,125	-	-
Expenses from financing and other expenses	3,218,460	383,088	330,682	-	-
Profit before tax	1,035,851	964,147	-6,523,744	107.4	-
Tax on profit	198,366	67,780	0	292.7	-
Net loss prior to being covered by the controlling company	837,485	896,367	-6,523,744	93.4	-
Revenue to cover the loss	0	0	6,523,744	-	0.0
Net profit	837,485	896,367	0	93.4	-

Notes:

Operating revenue includes items 1, 2, 3 and 4 (except the item Revenue to cover the loss – item 4.3) from the Income statement.

Operating expenses include items 5, 6, 7 and 8 from the Income statement.

Revenue from financing and other revenue include items 9, 10, 11 and 15 from the Income statement.

Expenses from financing and other expenses include items 12, 13, 14 and 16 from the Income statement.

Compared to 2021, the Company's operating result in 2022 was better, especially because of the additional sales of electricity on the market and sales of electricity to end users. In the segment of gas supply, the Company's result was negative, mostly because of the steep increase in the cost on the natural gas market and the adopted government decree which capped the prices of natural gas for households and other protected consumers for one year starting on 1 September 2022.

A detailed explanation of revenue and expenses is presented below.

➤ Revenue

Total revenue in 2022 amounted to €248,139,261.

Operating revenue

Operating revenue includes net sales revenue (energy, network charges and services), revenue from capitalised own products or services and other operating revenue.

	In EUR				
	YEAR 2022	PLAN 2022	YEAR 2021	Index Y22/P22	Index Y22/Y21
Operating revenue	241,602,969	182,470,773	177,384,137	132.4	136.2
Net sales revenue	237,391,819	180,167,138	166,862,741	131.8	142.3
- hot water sales	96,990,647	84,137,626	78,869,874	115.3	123.0
- steam sales	24,669,695	18,075,269	13,182,813	136.5	187.1
- network charges revenue	13,595,195	13,977,197	14,960,454	97.3	90.9
- gas and CNG sales	43,121,414	26,537,256	20,819,062	162.5	207.1
- LNG sales Grosuplje	0	0	130,580	-	0.0
- electricity sales (baseload)	21,123,520	24,112,313	19,365,977	87.6	109.1
- electricity sales to customers	28,228,113	8,539,169	13,720,083	330.6	205.7
- services	9,663,235	4,788,308	5,813,897	201.8	166.2
Capitalised own products or services	1,921,646	1,754,500	2,029,194	109.5	94.7
Other operating revenue	2,289,504	549,135	8,492,202	416.9	27.0
- Other revenue from state/municipality aid:	731,787	400,000	539,649	182.9	135.6
- State aid to cover labour costs	731,787	400,000	539,649	182.9	135.6
- Operating revenue to cover the loss	0	0	6,523,744	-	0.0
- Revenue from long-term provision use and reversal	293,868	0	765,965	-	38.4
- Remaining other operating revenue (with reval. oper. rev.)	1,263,849	149,135	662,844	-	190.7

In 2022, the Company's net sales revenue was higher than planned and also higher than that from the previous year. The majority of revenue was generated from the sales of energy, which was affected by both the volume of energy sold and the selling prices.

Compared to the plan for 2022, higher revenue was achieved in all sales segments, except the sales of baseload electricity where the Company sold all electricity volumes agreed in the concluded contracts, but recorded lower revenue from the state aid for the electricity generated from wood chips than planned. The income from the natural gas network charge was also lower as a result of the lower distributed volumes than planned. Revenue from hot water sales was above the plan, mostly due to the increased variable price which was harmonised with the variable costs on several occasions in 2022, in accordance with the Act on heat supply pricing methodology. Furthermore, the fixed part of the hot water price increased by 4.5% on 1 April 2022. Revenue from steam sales is also higher than planned, mostly because of the higher variable prices which were adjusted to the costs of energy commodities; the fixed price for both steam systems was also harmonised on 1 April 2022. The Company generated higher revenue from gas sales than planned because of the higher selling prices which were increased several times until 1 September 2022 when the gas supply price was regulated pursuant to the Decree on setting gas prices from the system. The higher revenue from the sales of electricity to buyers is especially a result of the higher selling prices as a result of the market situation.

In 2022, the Company generated higher sales revenue in all segments compared to 2021, except from the natural gas network charge, which is attributable to the fewer distributed volumes compared to the previous year. The higher revenue was mostly affected by the higher selling prices. The Company sold a lower volume of baseload electricity under contracts for 2022 (because of environmental restrictions connected to generation at the TE-TOL site), but

it achieved a higher average price (€138.646 EUR/MWh) than in 2021 (€50.448 EUR/MWh) and realised an additional sales of electricity on the market which was not planned. Revenue from the id received for electricity generated from wood chips was lower (in 2022, support amounted to 14.56 EUR/MWh, while in 2021 it was 81.41 EUR/MWh).

Compared to the plan and last year, revenue from the sales of services also increased: it is made up of revenue from engineering services (the issue of consents, the implementation of supervision), maintenance services on hot water and gas network and services of internal gas installation for natural gas users.

Capitalised own products or services represent costs for the hours worked directly by employees on individual investment projects and that can be recognised as an increase in the value of assets (attributed primarily to the PPE-TOL investment activities).

Other operating revenue was lower in 2022 compared to 2021, mainly because of the operating revenue to cover the loss in 2021.

Other operating revenue from state or municipal aid includes reimbursements for sickness benefits and other salary and contribution reimbursements in the amount of €696,136 and state aid referring to the adopted intervention acts during the COVID-19 epidemic in the amount of €35,651.

Remaining other operating revenue in the amount of €1,263,849 includes revenue from grants and donations (in the amount of the amortisation and depreciation expense), revenue from the emission allowances received from the state, (unplanned) revenue from insurance indemnity, revenue from reversal of long-term provisions, other revenue related with business performance, and operating revenue from the revaluation of receivables and sale of fixed assets.

Selling prices

The formation and changing of the network charge prices for the natural gas distribution system and heat prices for the hot water and steam systems TE-TOL and TOŠ, fall within the competence of the Energy Agency.

In 2022, the Company regularly adjusted the variable price of heat for the hot water system in accordance with the Act on heat supply pricing methodology, whereas for the steam systems, the variable price was adjusted only until April pursuant to the same Act because the Heat Supply from Distribution Systems Act (ZOTDS) entered into force on 13 April 2022; it sets forth that the price of heat for steam distribution and remote cooling is no longer regulated, but rather determined freely based on a contract between the distributor and end user.

The fixed part of heat price was also adjusted for all three systems on 1 April 2022.

The Energy Agency confirmed the network charges for the natural gas distribution system for the 2022–2024 regulatory period in December 2021. In the light of the regulatory restrictions related to the amount of eligible costs for natural gas distribution, the average network charge in 2022 was slightly higher than in 2021.

The baseload electricity selling prices are based on the signed contracts of purchase and acceptance of baseload electricity from high-efficiency co-generation for 2022.

The Company receives support from Borzen for the electricity generated from wood chips and solar power.

The regulation of retail prices which has been in effect since 1 September 2022 does not enable adjusting retail prices of natural gas supply and electricity to the market situation.

The Company sets prices of natural gas and electricity supply to customers who are not subject to the price regulation, and prices of CNG supply based on the market conditions and the estimated changes in purchase prices.

Revenue from financing and other revenue

In EUR

	YEAR 2022	PLAN 2022	YEAR 2021	Index Y22/P22	Index Y22/Y21
Revenue from financing activities and other revenue	6,536,292	50,000	1,033,125	-	-
Revenue from financing activities	3,047,191	50,000	425,000	-	-
Other revenue	3,489,101	0	608,125	-	-

In 2022, the majority of revenue from financing activities was represented by revenue from financing activities based on futures (futures contracts for the purchase of coal) and financing expenses in the same amount. Revenue from financing activities also includes interest on finance lease and default interest charged.

In 2022, other revenue amounted to €3,489,101, of which the majority (in line with the Agreement to implement the LOT 1 works on the PPE-TOL project) was accounted for by the indemnity in the amount of the cost of paid network charge for the transmission system for natural gas for 2022. Other revenue, which the Company does not plan, includes revenue from reimbursed legal fees, enforcement costs and enforcement officers' fees.

➤ **Expenses**

Total expenses in 2022 amounted to €247,103,410, up by 36.1% compared to the plan and 38.5% year-on-year. The majority part of total expenses is accounted for by the cost of goods and materials, which increased in 2022 compared to both the plan and 2021, primarily on account of higher costs of fuel resulting from higher cost.

Operating expenses

Operating expenses include costs of goods, material and services used, labour costs, write-downs, and other operating expenses.

The majority of the **cost of goods and material used**, which accounts for 61.3% of total expenses, refers to the cost of fuel for heat and electricity production and the purchase of natural gas and electricity for resale. For production in the TOŠ unit, it involves primarily the cost of natural gas and heating oil (ELKO) and, in the TE-TOL unit the cost of coal and wood chips. Variable costs or, rather, costs of fuel also include the cost of ash and slag disposal and the consumption of electricity, process water and chemicals.

In EUR

	YEAR 2022	PLAN 2022	YEAR 2021	Index L22/N22	Index L22/L21
Cost of goods and materials used	151,460,247	90,185,319	99,623,112	167.9	152.0
Cost of fuel for production – TE-TOL unit	47,227,096	29,858,344	33,056,929	158.2	142.9
Cost of fuel for production – TOŠ unit	23,597,358	21,303,269	20,283,483	110.8	116.3
Purchase of natural gas	64,618,073	35,390,998	32,209,368	182.6	200.6
Purchase of electricity	13,927,469	830,357	11,571,308	-	120.4
Material costs for maintenance	1,657,433	2,071,132	1,720,406	80.0	96.3
Cost of material covered with service revenue	397,094	417,500	405,606	95.1	97.9
Other material costs	35,724	313,719	376,012	11.4	9.5

The deviation of fuel costs from the comparative periods is especially a result of the changes in the cost of energy products and the volume of energy generation. Compared to the plan, the cost of fuel is also affected by the heat production structure at TE-TOL and TOŠ, since optimal heat and electricity co-generation options are identified on an ongoing basis, while taking into account changes in ambient air temperatures, need for heating, and market prices of electricity.

In the spring part of the heating season, generation of heat and electricity in coal blocks of the TE-TOL unit (where wood chips are also used besides coal) increased, mostly because of the high prices of natural gas and low outdoor temperatures; this was supplemented with peak production of extra-light fuel oil in the TE-TOL unit and the TOŠ unit, which affects the cost of fuel in both units. In the autumn part of the heating season 2022, generation was lower in the TOŠ unit due to the favourable temperatures; extra-light fuel oil was used instead of the natural gas, while generation in the TE-TOL was on a par with the plan.

Compared to last year, the cost of fuel for generation in the TE-TOL unit was higher, primarily because of the higher contractual price of coal and wood chips in 2022, and compared to the plan it was also higher because of the higher production in coal block units (and consequently higher coal use) in the spring part of the heating season.

Despite the lower volume of generation compared to last year and to the plan, the higher cost of fuel for generation in the TOŠ unit is affected the most by the high cost of natural gas. In 2022, the average daily price of natural gas on exchange stood at 126.03 EUR/MWh, while in 2021 it was 46.59 EUR/MWh. Due to the high prices of natural gas, the alternative energy commodity – extra-light fuel oil – was used for the operation of peak load boilers at the end of the year.

The higher cost of natural gas purchase for resale is also mainly a result of the higher average purchase price of natural gas.

Electricity was purchased on the market to be sold to end users. Compared to 2021, the cost of electricity purchase was higher especially because of the higher purchase prices and the higher purchased volumes due to the increased sales to end customers. The contractual obligations from annual contracts on the supply of baseload electricity were mainly covered by own generation.

The Company uses Indonesian coal supplied by Vitol S.A. to produce heat and electricity at TE-TOL. The purchase price of coal in USD is annually corrected based on NEX index trends over a certain period of time; further, port fee, coal control fee and rail transport fee is added to the cost of coal. In 2022, 263,410.12 mt of coal was used. In a combination with coal, block B3 also uses wood chips. Suppliers of wood chips are selected based on public tender procedures. In 2022, the Company had contracts concluded with nine suppliers with whom it entered into framework agreements for the supply of wood chips in 2021 for the period of January 2022 – May 2023. In total, the Company accepted and used 122,801.86 t of wood chips in 2022.

Energetika Ljubljana has umbrella contracts concluded for natural gas supply with several established Slovenian and international natural gas suppliers via which it purchased 887,251,061 MWh of natural gas for heat and electricity generation and re-sale in 2022. Access to the district gas network is provided by Plinovodi d.o.o., and the price is set pursuant to the Act on Determining the Network Charge for the Natural Gas Transmission Network and it is changed solely based on the consent by the Energy Agency.

Costs of material related to maintenance are incurred in line with the needs for Company's asset maintenance and they are lower both compared to the planned amount and the amount of the previous year.

The cost of material covered directly with revenue from services is the cost related with the provision of custom services as per the buyers' order. Other cost of material includes the cost of office supplies, small tools, purchase of expert literature and other small tools, which are incurred in line with the employees' needs.

The cost of services accounted for 7.5% of total expenses and exceeded the previous year's cost of services by 4.2%.

The cost of material covered directly with revenue is the cost related with the provision of custom services as per the buyers' order where we recorded a lower number of concluded contracts for internal gas installation packages in 2022. This item also includes costs of repair covered by the insurance company based on insurance policies. These are unforeseeable costs that are not included in the Company's plan of costs and revenue.

Among service costs, the cost of maintenance that is planned based on the Company's asset maintenance needs is one of the higher costs. A large portion of the maintenance costs related to age and wear of the production machinery and equipment is incurred at Moste. In 2022, maintenance costs were slightly below last year's and lower than planned for 2022 because the volume of these services provided by outsourcers was lower.

The amount of insurance premiums in 2022 was planned as per contract values, whereas the actual cost was lower because of the higher bonus awarded under the insurance premiums than in 2021.

The increase in advisory and other intellectual service costs in 2022 was affected primarily by an increased volume of services related to the completion of the PPE-TOL investment, which requires cooperation of various experts.

Due to the exacerbated situation on the energy markets and its effect on the Company's operations and results, all non-urgent operating expenses of the Company were limited, including costs of fairs, advertising, sponsorships and entertainment, hence the lower result in this segment compared to the previous year.

The costs of education, business travel and tuition fees were higher compared to the previous year when the organisation of education events was still limited for a few months. Compared to the plan, these costs were lower because we did not plan the epidemic-related restrictions.

In EUR

	YEAR 2022	PLAN 2022	YEAR 2021	Index Y22/P22	Index Y22/Y21
Cost of services	18,567,376	19,975,324	17,814,691	93.0	104.2
Cost of services covered with service revenue	860,542	524,000	1,170,520	164.2	73.5
Cost of post and telephone services	526,791	604,258	490,635	87.2	107.4
Cost of services associated with transport, water and sewer charge	170,095	100,476	201,586	169.3	84.4
Cost of services related to maintenance	4,571,234	5,003,206	4,556,383	91.4	100.3
- cost of maintenance	3,734,851	4,024,355	3,795,706	92.8	98.4
- computer equipment maintenance	836,383	978,851	760,677	85.4	110.0
Cost of rents and licenses	618,780	557,596	480,975	111.0	128.7
Cost of payment transactions	1,582,401	2,100,688	1,915,049	75.3	82.6
- payment transactions	189,265	130,665	107,539	144.8	176.0
- insurance premiums	1,393,136	1,970,023	1,807,510	70.7	77.1
Cost of intellectual services	6,479,175	6,359,553	5,201,353	101.9	124.6
- expert services	5,539,201	5,551,518	4,517,871	99.8	122.6
- professional training, business travel, tuition	139,009	191,275	114,498	72.7	121.4
- advising, studies, lawyer fees and other intellectual services, audit fees	771,999	557,360	531,929	138.5	145.1
- health services	28,966	59,400	37,055	48.8	78.2
Cost of fairs, advertising and entertainment	214,366	898,392	600,404	23.9	35.7
Cost of workforce hiring services	458,995	510,000	519,642	90.0	88.3
Cost of services by individuals (work contracts, authors fees, attendance fees, student work)	52,452	52,600	45,995	99.7	114.0
Cost of other services	3,032,545	3,264,555	2,632,149	92.9	115.2
- protection of property, fire safety	1,083,805	1,405,200	1,049,601	77.1	103.3
- debt recovery services – managers	945,561	700,000	688,393	135.1	137.4
- fees, court costs and executor costs	74,053	45,000	56,293	164.6	131.5
- cleaning and utility services	274,385	390,700	383,945	70.2	71.5
- cost of printing and enveloping of bills	57,771	96,055	54,532	60.1	105.9
- media monitoring, market research and analyses	342,472	172,000	151,574	199.1	225.9
- other	254,498	455,600	247,811	55.9	102.7

By hiring workers with the help of the Employment Agency, Energetika Ljubljana covers for longer absenteeism of its workers (sick leave and maternity leave), and the same applies in cases of temporarily increased volume of work. At the end of 2022, 9 workers were employed via the employment agency, which is 3 less than at the end of the previous year. The cost of hiring the labour force is lower this year compared to the plan and last year because the need for hiring workers was reduced.

Major "costs of other services" include costs of property protection and fire safety, which were higher in 2022 because of the new PPE-TOL construction site protection. Moreover, the services of collecting payment from obligors, which the Company pays under contract to managers to cover their costs of collection were higher in 2022 and the amount of cost is related to revenue from the sale of energy in multi-apartment buildings. The cost of keeping up-to-date with the media, research and analyses are higher due to the costs of research that was not planned by the Company (the cost is related to the project of renovating block 1 from coal to biomass unit in the amount of €176,450 and satellite recording for the heat network in the amount of €34,200).

The last item in the table, "other", includes costs related to SIQ accreditation maintenance, maintenance of holiday properties, submission of ARSO data, and other.

Labour costs are accounted for in line with the effective collective agreements and acts of the Company.

	In EUR				
	YEAR 2022	PLAN 2022	YEAR 2021	Index Y22/P22	Index Y22/Y21
Labour costs	25,945,237	25,305,066	24,049,995	102.5	107.9
Payroll costs	18,285,907	18,322,835	17,632,815	99.8	103.7
Social security costs	3,939,105	3,915,915	3,730,990	100.6	105.6
- pension insurance costs	2,575,342	2,574,895	2,446,284	100.0	105.3
- other social security costs	1,363,763	1,341,020	1,284,706	101.7	106.2
Other labour costs	3,720,225	3,066,316	2,686,190	121.3	138.5
- commuter reimbursement	744,712	695,075	716,901	107.1	103.9
- meal allowance	792,020	688,124	737,661	115.1	107.4
- holiday allowance	1,186,768	1,159,925	1,146,991	102.3	103.5
- other employee receipts	615,005	153,671	84,637	400.2	-
- provisions for long-service bonuses and severance pay	381,720	369,521	0	103.3	-

In 2022, payroll costs were on a par with the plan, whereas compared to 2021, they were 3.7% higher, mostly due to increased salaries. In 2022, the Company increased base salaries per pay grades, namely in January by 3%, in May by 2% and in September by 5%.

In addition to pension and disability insurance, the cost of pension insurance includes supplementary pension insurance premiums paid monthly by the Company for its employees in the amount of 5.844% gross base salary per employee, however not exceeding €149.85.

In addition to the increase in the base salaries, the labour costs were higher year-on-year mostly because of the higher costs of meal allowance which increased from €6.12 to €7.96 per employee per day as of 1 September 2022, and the higher other employee receipts.

In line with the collective agreement, the Company paid holiday allowance in 2022 in the amount of 70% of the average pay per employee in the electricity sector over the last three months or in the amount of €2,140.57 per employee (in 2021: €2,060.00).

Other employee receipts include the payment of the annual bonus to employees in the amount of €397,273 (€700 gross per employee), accrued costs of unutilised annual leave in the amount of €138,078, costs of collective accident insurance for employees in the amount of €58,627 and the payment of social assistance and solidarity in the amount of €21,027.

In 2022, the average gross pay of employees in terms of hours worked amounted to €2,729.11 and in 2021 it was €2,624.31. The average number of employees in terms of hours stood at 558.36 in 2022 and 559.92 in 2021.

Write-downs accounted for 5.9% of total expenses in 2022.

	In EUR				
	YEAR 2022	PLAN 2022	YEAR 2021	Index Y22/P22	Index Y22/Y21
Write-downs	14,559,104	14,372,093	14,163,183	101.3	102.8
Depreciation and amortisation expense	12,912,146	13,772,093	13,577,330	93.8	95.1
Revaluation operating expenses associated with intangible assets, property, plant and equipment	621,675	0	215,325	-	288.7
Revaluation operating expenses associated with current operating assets	1,025,283	600,000	370,528	170.9	276.7

Operating expenses from the revaluation of intangible assets and property, plant and equipment include primarily write-offs due to obsolescence or replacement with new assets.

Operating expenses from the revaluation of current assets mainly refer to the revaluation of trade receivables. As at the end of 2022, receivables accounted for 20.7% of the total invoiced realisation (in 2021: 26.3%). As at the end of December 2022, trade receivable past due stood at €10.3 million, accounting for 3.5% of total invoiced realisation. Compared to the end of 2021, past due receivables were 106.4% higher at the end of 2022. Allowances for receivables at the end of 2022 decreased with respect to the previous year and accounted for 35.5% of the Company's past due receivables (63.1% at the end of 2021). The Company makes sure that debts are recovered promptly by issuing late payment notices and filing legal actions.

Other operating expenses, accounting for 13.5% of total expenses were higher compared to the plan for 2022 and compared to 2021, mainly as a result of the higher cost of the missing emission allowance purchase, which accounts for the majority share in this section.

	YEAR 2022	PLAN 2022	YEAR 2021	Index Y22/P22	Index Y22/Y21
Other operating expenses	33,352,986	31,335,736	22,435,599	106.4	148.7
Emission allowances	32,157,113	30,035,267	21,234,974	107.1	151.4
Environmental analyses, audits, measurements	435,623	561,000	274,184	77.7	158.9
Charge for the use of construction land	233,715	228,240	228,206	102.4	102.4
Water use fees	179,090	176,626	89,695	101.4	199.7
Efficient use of energy	117,472	130,000	495,027	90.4	23.7
Membership fees	68,601	78,700	78,303	87.2	87.6
Other business expenses	161,372	125,903	35,210	128.2	458.3

In EUR

The actual expenses for emission allowances for 2022 amounted to €32,157,226, and the expenses recorded stood at €32,157,113, as a result of the over-accrued allowance of €113 in 2021.

The actual emission allowance expense for 2022 includes the value of the purchase of the missing allowances in the amount of €32,088,128 and the emission allowances granted by the State in the amount of €69,098, which are fully disclosed in the heat production activity. Compared to the plan and 2021, the expense in 2022 was higher despite the slightly lower use of the emission allowances in the relevant period, especially because of the high average purchase price of the missing emission allowances which stood at €72.32 per allowance (the plan was €65.00 per allowances and in 2021 the price per allowance was €41.81).

Environmental analyses, inspections and measurements include expenses for carrying out emission monitoring, servicing measuring equipment and reviewing reports by verifiers. Costs are affected by different reporting and measurements periods (monthly, annually, every two years, and every three years).

Incentives for efficient energy use represent expenses related to the allocated grants for the implementation of measures aimed to increase energy efficiency in households and other consumers of heat and gas from Energetika Ljubljana's network. The cost relating to this is lower because it was not necessary to co-finance the additional energy efficiency measures to achieve the required energy savings because of the construction of CHP at the TOŠ site.

Other operating expenses include expenses for student scholarships, costs of prevention for employees and other costs. In 2022, they were higher mostly because of the cost for the unfulfilled quota concerning the employment of disabled workers (€49,639 in 2022, €9,321 in 2021) and the performance of construction works to arrange the roadway in the area of the CNG filling stations on Letališka cesta (€67,293).

➤ Expenses for financing and other expenses

In EUR

	YEAR 2022	PLAN 2022	YEAR 2021	Index Y22/P2 2	Index Y22/Y21
Expenses for financing and other expenses	3,218,460	383,088	330,682	-	-
Expenses for financing	3,198,976	323,088	258,926	-	-
Other expenses	19,484	60,000	71,756	32.5	27.2

The majority of expenses for financing were accounted for by expenses for financing based on futures (futures contracts for the purchase of coal) in 2022, and revenue from financing in the same amount. Expenses for financing also include interest on loans received from banks, which were higher year-on-year because of the increased short-term borrowing, net interest expenses based on actuarial calculation and interest expenses for supplier payables.

Other expenses included especially donation and indemnity expenses.

➤ Borrowing

At the end of 2022, the Company's debt comprised loans raised from banks in the amount of €125,040,080 (including the accrued and the yet unpaid interest), of which long-term amounted to €87,011,592 and short-term to €38,028,488.

The long-term loan raised in 2013 to acquire shares in the subsequently merged company TE-TOL will be finally repaid in 2023 (as at 31 December 2022, the balance of the unpaid part including the accounted and unpaid interest was €63,317). In 2019, the Company entered into a long-term syndicated loan contract to finance the PPE-TOL investment in the amount of €120,000,000. The long-term loan drawdown period is progressive, in line with the investment realisation. By the end of 2022, the Company drew €83,732,757 of the relevant loan (as at 31 December 2022, the balance of the drawn loan with accounted and unpaid interest was €83,748,426). The principal repayment period will be between 30 June 2023 and 31 March 2031. At the end of December 2021, the Company entered into an agreement for taking up a long-term loan to finance the construction of the TOŠ CHP co-generation aggregate in the amount of €3,400,000; the loan was drawn in February 2022. The balance of the unpaid part of the loan including the accounted and unpaid interest stood at €3,199,849 as at 31 December 2022. The loan repayment period is seven years with the last instalment falling due for payment on 30 June 2029. In 2022, the Company repaid €1,452,381 of long-term loan principals.

The year-end balance of long-term loans was €86,992,876 without interest or €87,011,592 with interest, of which the short-term part represented €11,816,931.

In order to ensure financial liquidity, the Company raised short-term loans from banks in the total amount of €69,000,000 in 2022, of which €59,000,000 short-term revolving loans. At the end of the year, the utilised short-term loans in total amounted to €38,000,000 (including the accounted and unpaid interest of €38,028,488).

In addition to the indicated financial liabilities for borrowings, the 2022 balance sheet includes long-term and short-term financial liabilities for right-of-use assets from lease in the total amount of €131,655.

2.1.2 Key performance and financial position indicators

	YEAR 2022	PLAN 2022	YEAR 2021
Basic financing state ratios			
Equity financing rate	48.8%	46.6%	57.7%
Long-term financing rate	68.9%	74.6%	74.4%
Financial debt to equity ratio	0.63	0.81	0.45
Basic investment ratios			
Fixed assets rate	77.2%	81.2%	77.1%
Long-term assets rate	78.3%	82.5%	78.7%
Basic horizontal financial structure ratios			
Equity to fixed assets ratio	0.63	0.57	0.75
Immediate solvency ratio	0.04	0.01	0.01
Quick ratio	0.55	0.41	0.70
Current ratio	0.76	0.69	0.86
Basic efficiency ratios			
Operating efficiency ratio	0.99	1.01	1.00
Basic profitability ratios			
Net return on equity ratio – ROE	0.0%	0.0%	0.0%

The Company uses the financing state ratios to determine the structure of liabilities. The equity financing rate was lower compared to the previous year because the Company's liabilities increased significantly at the end of 2022, especially because of the drawdown of the long-term loan for PPE-TOL and liabilities for coal and natural gas supply. At the end of 2022, the share of long-term financing was lower compared to the previous year, especially because of the already mentioned increase in short-term trade payables. At year-end, the Company's equity accounted for 48.8% of total liabilities and in total, long-term sources of finance accounted for 68.9%. Financial debt represented 63% of the Company's equity and was higher compared to the previous year, especially because of the aforementioned long-term loan drawdown for PPE-TOL.

Investment ratios enable the Company to determine the structure of its assets. These ratios are affected by both the volume of investment activities and the change in the amount of short-term assets. Despite the value of fixed assets having increased by 15.7% in 2022, the fixed-to-total assets ratio stayed on a par with that from the previous year (77.2%), because due to coal supply the value of inventories increased substantially in the last quarter of 2022 and as a result also the amount of short-term assets.

Equity to operating fixed assets ratio is a ratio between equity and the carrying amount of fixed assets. It shows the equity financing rate. Compared to the previous year, it decreased because investments are largely financed from loans. The other horizontal financial structure ratios show the Company's financial solvency. The values of ratios for 2022, with the exception of the immediate solvency ratio, show that the Company's liquidity as at the last day of the year was weaker compared to the previous year, primarily because of the increased short-term operating and financial liabilities. Liquid assets were lower than short-term liabilities; together with short-term receivables, the Company did not cover short-term liabilities in 2022. It drew short-term revolving loans for the needs of regular operations and financial liquidity balancing.

2.2 Investment Activity Report

In 2022, Energetika Ljubljana's investment plan was realised in the amount of €62,826,036, representing 75.4% of the value planned. Investments in renovation works and replacements stood at €17,239,522 and in development at €45,586,514. Taking into consideration principal repayment in the amount of €1,452,381, the total amount of investment expenses in 2022 stood at €64,278,417. The Company ensured the funds required for investments in 2022 from the Company's liquid assets, by progressively drawing the long-term loan raised for the deployment of the PPE-TOL gas and steam unit in 2019 (the contractual amount of €120,000,000), and by drawing the loan for the overhaul of the TOŠ CHP in the amount of €3,400,000, which the Company raised at the end of December 2021.

In the context of development, an extensive investment in the TE-TOL unit, that is, the construction of the PPE-TOL gas and steam unit is monitored; it is scheduled to be completed in 2023. According to the prepared investment scheme (April 2019), the investment value is estimated at €132,642,500, without taking into consideration the funds already invested by the end of 2018 and the costs of financing. At the start of 2023, a new investment value estimate was prepared based on the situation known at that time which, given the same assumptions as the previous estimate, amounts to €142,540,753. In 2022, a major deviation was recorded in this investment than planned (€35,099,386 was realised compared to the planned €60,700,000), which is a result of a time delay in construction works.

The investment is explained in detail in the continuation of the report, under Construction of energy sources.

➤ Overview of the planned and realised investments owned by the Company

	PLAN 2022		YEAR 2022		Index Y22/P22
	Value in EUR	Struc. in %	Value in EUR	Struc. in %	
Renovation works and replacements	16,175,525	19.4	17,239,522	27.4	106.6
Development tasks	67,161,950	80.6	45,586,514	72.6	67.9
TOTAL	83,337,475	100.0	62,826,036	100.0	75.4

The Company implemented investments in renovation works, replacements and development by pursuing the goal to keep ensuring a reliable, safe and eco-friendly heat and electricity co-generation, district supply of heat and gas, and energy services at competitive prices.

In implementing hot water and gas network renovation or construction works, the Company was included in parallel construction works and agglomerations (the construction of gas pipeline in parallel with the sewerage network) where other providers who cooperate in parallel construction often cause delays in scheduled deadlines.

Detailed overview of the renovation and replacement plan realisation and the development of district supply of heat and gas for the discussed period is provided in the continuation.

➤ Investments in renovation works and replacements

In the period concerned, the Company spent €17,239,522 (including the items from the plan for previous years and non-planned items) for renovation works and replacements of intangible assets and property, plant and equipment ("fixed assets"), which is 6.6% more than planned.

➤ Overview of the realisation of the renovations and replacements investment plan by segments

Seq. No.	Investment in renovation and replacements	PLAN 2022	YEAR 2022	In EUR Index L22/N22

1.	Energy source renovation	12,665,297	13,113,681	103.5
2.	Network renovation	2,160,300	2,596,884	120.2
2.1.	<i>District heating – renovation of network</i>	<i>1,413,000</i>	<i>1,967,351</i>	<i>139.2</i>
2.2.	<i>Gas pipeline system – renovation of network, regulating stations</i>	<i>747,300</i>	<i>629,533</i>	<i>84.2</i>
3.	Other renovation works and replacements	1,349,928	1,528,957	113.3
TOTAL		16,175,525	17,239,522	106.6

Renovation of energy sources

In 2022, investments in energy source renovation stood at €13,113,681, up by 3.5% compared to the plan.

For the TE-TOL unit at Moste, the Company planned 17 investments in energy source renovation in the total amount of €2,105,847. By the end of 2022, 10 investments were completed in the total amount of €877,031. The completed high-value investments are: replacement of heating elements in the K3 air heater, replacement of the electrical protection system for the block system 3, general overhaul of the secondary cooling system pump, upgrade of the heating substation for the TE-TOL unit buildings, general overhaul of the NTK chimney and general overhaul of the chain transporter EAC64.

In the TOŠ unit in Šiška, works were carried out on four investments; other investments will be performed in 2023. The total planned value of investments stood at €10,559,450, whereas €11,668,883 was used. Four investments were completed by the end of 2022, of which the major two are Renovation (construction) of CHP at the TOŠ site and Construction of MV equipment for the connection of a new CHP, which were joined during implementation and kept under the investment Renovation (construction) of CHP at the TOŠ site. At the same time, investment in the rearrangement of the 0.4 kW switchyard TP 612 TOŠ was completed.

Network renovation

In 2022, investments in the renovation of hot water, steam and gas pipeline stood at €2,596,884 EUR, which is 20.2% more than planned (€2,160,300). In addition to urgent repairs of leakage, systematic investments in the renovation of the hot water network are essential to ensure a reliable supply and reduction of costs caused by substituting the loss of the chemically prepared hot water from the network. The higher volume of activities is a result of the inclusion of hot water and gas network into parallel constructions with the City of Ljubljana and other investors. Urgent renovations were also implemented on distribution network sections where critical situations in the existing distribution network were found during the year and required immediate action to prevent the damage resulting from network leakage or distribution system failure during the heating season. All renovations (except one in Škofljica Municipality) were implemented in the City of Ljubljana.

In 2022, €1,967,351 (together with items not included in the plan and the plans of previous years) was spent on hot water network renovation, of which the highest value planned in 2022 is accounted for by the start of the renovation of hot water system in the area of Kuhljeva ulica – Cesta v Kleče-JA 367 section, and hot water system together with gas pipeline system on Trdinova, Cigaletova and Čufarjeva ulica (€637,065).

In the item Outside the plan and the plan of previous years, €1,117,634 was spent on investments, of which the majority for the renovation of the hot water system, gas pipeline system on Trdinova, Cigaletova and Čufarjeva (€433,956) where works were completed on the renovation of the hot water system in 2022, while a new arrangement is still under construction and will be completed in 2023. The second major investment outside the plan in 2022 was the renovation of the T2600 hot water system and the N13130 gas pipeline system in the area of Rožičeva ulica (€338,148), which was finalised before the reconstruction of the road.

In 2022, €629,533 was spent for renovation works of the gas network, which is 15.8% less than planned. The deviation is primarily a result of the parallel constructions of other investors that are not yet started. In the context of the planned investments, the renovation of the gas network on Kamnogiška cesta and on Ulica bratov Učakar – the section in the Koseško okno compound, and relocations of gas networks N33000 – Cesta pod Kamno gorico, JE200 under the platform by Smrtnikova ulica, S1200 and N10000 in the area of the Ilirija swimming pool complex and N18105 in the area of the Rožna dolina cesta VIII 5 building, were completed.

In the item Outside the plan and the plan of previous years, €111,737 was spent on investments, of which the majority for the renovation of the N15050 gas pipeline system and the P1559 connection, which was held simultaneously with the construction of the hot water system for the supply to the DSU building in Trnovo (€39,706), and renovation of the gas pipeline system in the area of Sajovčeva ulica (€28,870), as construction in parallel with the water network renovation.

Other renovation works and replacements

The total realised value of other renovation works and replacements in 2022 stood at €1,528,957, which is 13.3% more than planned.

Computer hardware and software was purchased in the amount of €455,344. A total of €101,642 was spent for the purchase of computer hardware (PCs and laptops, monitors, manual terminals for field work, work stations, multifunction devices, active network equipment, servers and memory data systems), whereas the plan was €329,940. Purchases were made based on the actual need, and a part of purchases will be realised at the start of 2023. The updating of the computer software amounted to €353,702 (the plan was €34,907), most of all for the SAP CRM Billing – implementation of additional modules and functionalities, and for the update of the “bivanjudajemoutrip” web portal.

The item Outside the plan and plan of previous years includes the use of assets in the amount of €875,603. The majority part of purchases is accounted for by the purchase of computer hardware and software (€216,719), the purchase of servers (€98,171), SAP CRM BILLING – implementation of additional modules and functionalities (€82,688), USFF computer (€68,295), the purchase of fixed assets for mechanical maintenance (€59,651) and the purchase of fixed assets for electrical maintenance (€43,310). Other purchases outside the plan were of minor values. The item includes purchases for which public procurement procedures were implemented in 2022 and deliveries will be realised in 2023.

➤ **Development of district heating and gas supply**

The Company spent a total of €45,586,514 for the realisation of development tasks in 2022 (including items from the plan of previous years and outside of the plan), accounting for 67.9% of the value planned for 2022.

➤ **Overview of the realisation of the plan of investments in development by sets**

		In EUR		
Seq. No.	Investments in development	PLAN 2022	YEAR 2022	Index Y22/P22
1.	Energy source construction	61,788,550	36,620,779	59.3
2.	Network construction	5,373,400	8,965,735	166.9
2.1.	<i>District heating – netw. construction and connection of boiler rooms</i>	<i>216,000</i>	<i>3,403,866</i>	<i>-</i>
2.2.	<i>Gas pipeline system – construction of network, RS and conn. of facilities</i>	<i>5,157,400</i>	<i>5,561,869</i>	<i>107.8</i>
TOTAL		67,161,950	45,586,514	67.9

Construction of energy sources

Investments in the construction of energy sources stood at €36,620,779 or 59.3% of the value planned for 2022. The major deviation from the plan was recorded in the PPE-TOL investment where €35,099,386 was spent in 2022 (the plan was €60,700,000).

Two other investments were planned for the TE-TOL unit in the relevant year, both of which were related to the updating of the low-pressure boiler room. In the Supply, Installation of Burners and VKL 1 and 2 Equipment investment, €1,233,826 was spent in 2022 compared to the planned €465,300; the investment is scheduled to be completed in 2023.

The Company has partnered up with VOKA SNAGA Ljubljana on a joint project called "Setting up a waste-to-energy facility", which is included in the concept of the circular economy and the sustainable development of the area of the City of Ljubljana. The report for Phase 1 of the public tender is prepared. In cooperation with the urbanism department of the City of Ljubljana, the investors are looking into the option of setting up the waste-to-energy facility at the Barje location.

Construction of the gas and steam unit PPE-TOL

The investment in the construction of the gas and steam unit called PPE-TOL is the main project of Energetika Ljubljana in terms of production sources. The operation of the device will meet all environmental requirements, and the existing coal blocks 1 and 2 will be replaced. At the same time, a high share of heat generated in highly-efficient co-generation will be preserved in the district heating system.

The Company received a decision from the Energy Agency confirming the inclusion of investment in the support scheme for electricity produced from high-efficiency co-generation. The receipt of support is subject to the submission of a declaration for the production plant within the determined deadline.

For the planned PPE-TOL investment, Energetika Ljubljana obtained an updated energy permit in 2019 and a renewed building permit in September 2020. Investment implementation is planned by sets of works or LOTs, of which LOT 1, that is, the supply of main technological equipment accounts for the major part. Based on the prepared investment scheme (April 2019), the implementation of the main part of the investment is planned in the period of 2019–2021 and the start of operation in 2022. The PPE-TOL investment value from 2019 and until the construction, without taking into account the funds already invested by the end of 2018 and the cost of financing, is estimated at €132,642,500. A new investment value estimate was prepared at the start of 2023 based on the situation known thus far; based on the same assumption as the previous estimate, it amounts to €142,540,753.

In April 2019, a contract for the delivery and installation of two gas turbo generator sets and two heat recovery steam generators in the amount of €118,000,000 (excluding VAT) was signed for LOT 1 with the provider, MYTILINEOS S.A., and a contract of long-term gas turbo generator repairs in the amount of €15,968,897 (excluding VAT) with Siemens d.o.o. Due to problems in the implementation of works in the context of LOT 1, which arose in during the COVID-19 epidemic period, and the resulting deviations from the contractual deadlines, in September 2020, the Company signed Annex No. 2 to the contract with MYTILINEOS S.A., extending the implementation deadline for a temporary facility takeover with TOC certificate issue from 17 November 2021 to 31 May 2022. Due to the delayed final deadline for implementation by the provider, the building acceptance from the provider for LOT 1 is also delayed.

The Company raised a long-term loan to finance the PPE-TOL investment and signed a loan agreement in the amount of €120,000,000 in August 2019. The long-term loan drawdown is progressive and corresponds to the investment implementation timeline. The first instalment

falls due on 30 June 2023 and the last one on 31 March 2031. A mortgage or corresponding lien is entered on the fixed assets owned by Energetika Ljubljana to secure the long-term loan. After the conclusion of annex with MYTILINEOS S.A., the Company concluded Annex No. 1 to the loan agreement with the syndicate of banks in December 2020, extending investment completion until the end of May 2022 and the drawdown period until the end of July 2022 with an option of extension; it was extended until 30 April 2023 with annexes. Based on the investment implementation status, another annex to the loan agreement is in preparation for deadline extension.

As at 31 December 2022, the value of the PPE-TOL investment, which is monitored and recorded in the context of property, plant and equipment and intangible assets under construction, stood at €108,429,093. This amount includes borrowing costs (interest for the drawn and undrawn part of the loan, cost of approval and loan keeping), which is attributed to the investment up to its availability for use or activation in accordance with the accounting standards. Once the investment is completed, the borrowing costs will be recorded as financial expenses in the Company's income statement. The Company drew a long-term loan in the amount of €83,732,757 on 31 December 2022 to finance the investment and covered the difference with other liquid assets of the Company. In May 2019, Energetika Ljubljana used its own resources to make an advance payment of €11,800,000, incl. VAT, to MYTILINEOS S. A. (recorded in the item advances on property, plant and equipment) and settled it in the amount of €11,744,000, incl. VAT, by the end of 2022.

Site insurance is arranged by the contracting entity (Energetika Ljubljana); it is taken out with Allianz under the concept Munich RE EAR – Erection All Risk. The contracting entity, all contractors, subcontractors, building designers and suppliers are insurance holders under the policy.

In 2023, the operational status of the new production units needs to be established before the heating season. When the cold start-up tests and electrical installation works are completed, the initial launch of the gas turbines could be implemented, followed by other start-up tests, hot tests, contractual warranty measurements, and a one-month contractual trial operation, technical inspection under the administrative procedure and possibly also a temporary takeover of the power plant so that it would be operational by the heating season 2023/2024. The technical inspection under the administrative procedure is followed by up to a 12-month trial operation where the first emissions measurements are made after three months and the operating permit is obtained at the end of the trial period.

Investments in network construction

The investments in the construction of the hot water and gas network amounted to €8,965,735 or 66.9% more than planned. The construction of the new network mainly starts after the conclusion of the spring heating season and often runs in parallel with the construction of municipal and road infrastructure. For 2022, 17 investments were planned where Energetika Ljubljana participated in parallel constructions and agglomerations. Realisation of investments is also affected by the costs incurred in 2022 and related to the completion of investments in the previous year.

In 2022, activities were continued in the field of increasing consumption and replacing inadequate heat stations in the existing hot water network and connection of buildings in the area of the existing gas network. The adoption of the new Network Code for the Heat Distribution System in the Municipality of Ljubljana (SON) in 2020 enables Energetika Ljubljana to finance connections. The total number of connections built by Energetika Ljubljana solely in the context of increasing consumption in the existing gas network reached 126 in 2022. The increasing consumption without investments in network expansion is a result of the new system operating instructions which enables constructing connections as Energetika

Ljubljana's investment based on the signed contract of connection which ensures immediate natural gas offtake.

An additional incentive for the use of natural gas is the offered services of constructing gas boilers with internal gas installation with which the Company facilitates connecting new gas customers in the areas where it already has the gas network constructed and, by providing replacements with more energy acceptable and efficient devices, it at the same time reduces environmental impacts on natural gas supply activities. Users can pay for the service by utilising finance lease. In 2022 (investment under code 30I-71-00000), a total of €235,316 was spent (the plan was €62,000), of which by municipalities: City of Ljubljana €188,638, Medvode €10,659, Grosuplje €14,746, Brezovica €11,207 and Škofljica €10,066.

Use exceeded the plan under the investment code 30II-144-000, where funds are anticipated for the connection to the gas system. This includes investment projects resulting from unexpected need for natural gas supply or unannounced parallel construction in 2022. In total, €334,086 was spent (plan: €90,000), of which by municipalities: City of Ljubljana €255,071, Log – Dragomer €34,523, Brezovica €12,948, Škofljica €7,809, Medvode €7,163, Ig €6,443, Dobrova – Polhov Gradec €5,115, Grosuplje €2,586 and Dol pri Ljubljani €2,428.

➤ **Investments in hot water network construction in the City of Ljubljana**

The investments in the construction of the hot water network stood at €3,403,866 in 2022, of which €2,477,838 was accounted for by the purchase of land in the area of the heating plant in Moste for the purpose of setting up a waste-to-energy facility, which was not included in the plan for 2022.

A major deviation of the realised value from the plan (realised: €878,453, plan: €90,000) was recorded in the context of the investment and technical documentation preparation and the construction of the hot water network in the field of the existing facility for the connection to the district heat supply system (investment under code 30III-434-00). District heating system expansion is currently limited to the equipment in the new planning areas and the increase of consumption in the existing distribution network where the intensity of investments depends on the investors in new buildings and the owners of the existing buildings.

➤ **Investments in gas network construction in the City of Ljubljana**

Investments in the construction of the gas network in all municipalities in 2022 totalled €5,561,869 (including investments outside the plan and plan of previous years), of which €3,922,861 was spent in the City of Ljubljana. The values include funds for connection to the gas pipeline system in the existing facilities and assets for the construction and renovation of internal gas pipeline installations for the existing residential and other buildings (investment codes: 30I-71-00000 and 30II-144-000).

In the City of Ljubljana, 10 investments were completed until the end of 2022. Notes to an individual planned investment are provided in Table Realisation of investments in development.

In the context of investments outside the plan and plan of previous years, a total of €709,998 was spent in the City of Ljubljana. Two major values refer to the completion of the construction of the V402 high-pressure gas pipeline system in Stanežiče and a redundancy CNG filling station by Letališka cesta; the construction of gas pipeline system in the area of Cesta na Brinovec is completed.

➤ **Implementation of planned investments in other municipalities**

The gas network is also being extended in other municipalities where Energetika Ljubljana, in line with the decrees and the concession agreement, is carrying out the activities of a distribution network system operator. In 2022, €1,639,731 EUR, was spent in these municipalities, including investments outside the plan and plan of previous years (costs of

concluding investments from previous periods). The upper values include assets for connection to the gas pipeline system in the existing distribution network (investment codes: 30I-71-00000 and 30II-144-000). In 2022, the gas network length was extended by 14,765 m.

Use of funds by municipalities:

Grosuplje Municipality	€328,103,
Log – Dragomer Municipality	€490,539,
Medvode Municipality	€423,801,
Ig Municipality	€57,840,
Škofljica Municipality	€38,377,
Brezovica Municipality	€217,665,
Dol pri Ljubljani Municipality	€44,066,
Dobrova – Polhov Gradec Municipality	€39,340.

In Grosuplje Municipality, the construction of the gas pipeline section Sončni dvori – Brezje and Partizanska cesta – Smarje Sap was completed in 2022. The gas pipeline along Cesta na Krko, section Župančičeva ulica Cesta na Krko 32, and the gas network in the area of Tlake are under construction. In 2022, the gas network length was extended by 1,374 metres.

The gas network construction in a wider area of Log–Dragomer Municipality (Jordanov kot, Kačja vas, Mole) continued in 2022 as construction in parallel to the other municipal and road infrastructure. The parallel construction is planned to be completed in the second half of 2022. The construction of the Dragomer–Log gas network and the parallel construction of the Dragomer–Pot ob Snežaku, Na Polane gas network are underway. Documentation to obtain the building permit was submitted for the gas network in the area of the Pot za Stan streets. In 2022, the gas network length was extended by 4,010 metres.

In Medvode Municipality, the Zbilje – zahod gas network was in the final phase of construction as parallel construction with Medvode Municipality in 2022. The construction of gas pipelines in the Zgornje Pirniče 6 – 45N section and the Ladje area is in the final phase. In 2022, the length of the gas network was extended by 2,474 metres.

In the Ig Municipality, the main gas network from the Ig Business Zone to Zavod Štefke Boštjančič for the supply to the entire complex with natural gas was completed in 2022. Furthermore, the existing buildings were connected to the gas network (use of funds in the context of the investment codes 30I-71-00000 and 30II-144-000). In 2022, the length of the gas network was extended by 175 m.

In the Brezovica Municipality, the construction of the gas network was in progress in the area of Žabnica and Brezovica zahod (from Drobtiška to Podpeška ulica); both investments are implemented as parallel constructions with the construction of other municipal infrastructure. In 2022, the investment and technical documentation was prepared for the extension of the gas network in the area of Brezovica – station; the parallel construction is expected to be implemented in 2023. The documentation for the building permit to start constructing the Notranje gorice – Podpeč and Podpeč – Jezero gas pipeline is in the process of preparation, but it depends on the potential for natural gas connection and offtake of the existing structures. In 2022, the length of the gas network was extended by 1,478 m.

In Škofljica Municipality, the construction of the gas network in the area of the Škofljica Business Zone was completed and is currently waiting to receive the operating permit for the entire municipal arrangement of the area. Furthermore, the existing buildings were connected to the gas network (use of funds in the context of the investment codes 30I-71-00000 and 30II-144-000). In 2022, the length of the gas network was extended by 26 m.

In Dol pri Ljubljani Municipality, the gas network was constructed in the area of Videm – Dol as parallel construction with the road and municipal infrastructure of Dol Municipality. In 2022, the length of the gas network was extended by 281 m.

In Dobrova–Polhov Gradec Municipality, the documentation for the building permit for partial parallel construction of the gas network in Gabrje was in preparation in 2022; the construction of the Šujica – area subject to the municipal spatial plan regulation VS 8/6-T1 Šujica gas network was started in July 2022. Furthermore, the existing buildings were connected to the gas network (use of funds in the context of the investment codes: 30I-71-00000 and 30II-144-000). In 2022, the length of the gas network was extended by 201 m.

The situation on the natural gas market which was marked especially by the volatility of the natural gas prices in 2022 has raised mistrust among building owners as regards the natural gas supply. As a result, the interest in connection and use of this energy commodity has dropped in the areas anticipated for natural gas distribution network expansion. Since the ensured volume of natural gas distribution is the key element in calculating the economic viability of investments in the expansion of the gas network, the volume of the planned and implemented expansions of the gas network is being reduced to the point where investments are completed, partly or fully, without the implementation phase.

Financial resources

The Company provided for the necessary funds for investments in 2022 from the Company's liquid assets and by progressively drawing the long-term loan which the Company raised to construct the PPE-TOL gas steam unit in 2019 (contractual amount of €120,000,000). To renovate TOŠ CHP, the Company raised a loan in the amount of €3,400,000 at the end of December 2021, which was fully drawn in 2022.

2.3 Research and Development

The development activities of the Company are related to the optimisation of the natural gas and heat supply system operation and the implementation of new services. In order to streamline system operation and reduce operating expenses, we look for new technical solutions to connect new facilities and make analyses of the gas pipeline and hot water network.

We include new developments in the energy segment and development policies in major projects by cooperating with municipalities, state bodies and other entities. At the moment, the major project is PPE-TOL, which is in the final phase. Two important projects are underway, namely the energy use of the Ljubljanica river with the simultaneous setting up of a circular navigable channel and the setting up of a waste-to-energy facility, which is an important development project at the level of the City of Ljubljana; its goal is to introduce a comprehensive and sustainable solution for the use of the unrecyclable municipal waste that is left after the mechanical and biological processing of mixed waste at RCERO Ljubljana. In the City of Ljubljana, we will continue the sustainability project involving the construction of the navigable infrastructure and small hydro power plants for the energy use of the Ljubljanica River with the goal to set up a circular channel on the Ljubljanica River in cooperation with other partners.

Ljubljana is one of the pilot sites of the European project SENERGY-NETS (the others are Milan, Paris, Cordoba and Västerås) where new concepts of power grid and heat system integration will be tested with an emphasis on synergies and increasing their resilience to the green technologies. In Ljubljana, emphasis will be put on a so-called virtual district heating plant where we will test the concept of direct heating offtake control at customers.

Energetika Ljubljana is a member of the Energy Industry Chamber of Slovenia, Economic Interest Grouping of Natural Gas Distributors, Slovenian District Energy Association, and the international association Euroheat & Power, CIGRE and COGEN¹. We make regular appearances in conferences in the field of district heating and natural gas supply in Slovenia and abroad.

The Company has obtained the quality management system certificates SIST EN ISO 9001:2015 and SIST EN ISO 14001:2015 and accreditations and appointments in the field of compliance and certification of criteria for heat meters, water meters and fuel laboratory (SIST EN ISO/IEC 17020:2012, type C and SIST EN ISO/IEC 17025:2005). Annual internal and external controls are implemented to preserve the certificates and accreditations, which helps to improve the quality of the Company's operations.

2.4 Environmental Protection

Energetika Ljubljana has adopted the environmental policy and environmental objectives, and prepared programmes for successful operation. Through a comprehensive system approach, the Company ensures sustainable adaptation of production to the increasingly stringent environmental requirements. To achieve the high environmental standards, it is necessary to invest in upgrading the existing production facilities and devices to reduce emissions, increase safety in terms of managing major accidents and improve the efficient use of energy.

The environmental performance of both locations, Moste and Šiška, is further managed with the environmental management system in accordance with SIST EN ISO 14001:2015, which is integrated with the SIST EN ISO 9001:2015 quality management system.

➤ Environmental permit - IED installations

Energetika Ljubljana's both sites fall into the group of so-called IED installations that carry a high risk of causing environmental pollution, which requires us to obtain the environmental permit for their operation. In accordance with legal obligations and determined deadlines, the annual activities relate to operational monitoring and environmental taxes and reporting to competent authorities and other institutions.

Energetika Ljubljana's PPE-TOL investment is in the final phase. A new TOŠ CHP received the operating permit in mid-December 2022. Both production sources at the Moste and Šiška sites will enable energy efficient operation with minor environmental impacts.

Pursuant to the new ZVO-2, which has been in force since April 2022, we were obliged to file an application to harmonise the IED permit in line with the BAT conclusions for both IED installations (the TOŠ unit and the TE-TOL unit) by 13 August 2022. The contents of the applications where we also included the new PPE-TOL and TOŠ CHP installations needed to comply with the requirements of the Instructions for the presentation of plant compliance with BAT conclusions for large combustion plants, as prepared by the Ministry of the Environment and Spatial Planning. As a result of changes in legislation published in May 2022, which allowed exceeding BAT emission limit values for certain plants due to the geopolitical situation, we reintroduced the use of extra-light fuel oil in the installations at both sites, even though we exceed the limit values of BAT conclusions by using extra-light fuel oil. To improve the security of heat supply to the City of Ljubljana (due to the natural gas supply disruption), we included an increase of the input thermal power of the main propulsion plant based on legislation

¹ CIGRE – Conseil International Des Grands Reseaux Electriques, COGEN – The European Association for The Promotion of Cogeneration

change in our application. In 2021, we decreased the power to 297 MW in order to comply with the BAT limit values, but in the relevant application, we again increased it to 481 MW. We have not yet received a reply to our application, but we expect to be invited to provide further supplements and clarification. If we receive permission to deviate from the BAT conclusion limit values, the operations will be both economically and technically more acceptable.

In the context of the environmental permit requirements (requirement for reporting about exceeded emission limit values for non-validated measured values), we reported about the exceeded emission limit values at the main propulsion plant and as a result we were subject to an inspection. The procedure will be completed when the certified operational monitoring provider will evaluate the data about exceedances in accordance with legislation (exceedances are defined based on the validated values and other legislative requirements).

At the TOŠ unit site, we submitted an application for a change of the IED permit. In addition to a new TOŠ CHP, we also submitted an application for changes in the context of A, B and E container de-registration, removal from the operation of VKLM3 and other changes (such as NaOH and HCl containers).

Based on a call from the state, we withdrew our application to stop using container A or REZ A in 2022 (in 2021, we submitted an application for de-registration of containers A and E), which is to be used for national reserves.

Due to the ZVO-2 requirements which set forth that the Baseline Report needs to be prepared for both IED locations of the Company, we submitted the reports to the competent ministry. Energetika Ljubljana is required to demonstrate a high level of underground water and soil protection both by implementing technical measures of soil and underground water pollution protection as well as by monitoring the soil and underground water status.

At the end of December, we implemented periodic noise monitoring (which is performed every three years) at the TE-TOL unit site in line with legislative requirements and IED permit, which was carried out by an appointed authorised entity. The noise pollution measurement report shows that the source of noise does not exceed the legally determined limit noise indicators in the environment at any measuring point.

In December, we received a notice from the Slovenian Inspectorate of Environment and Spatial Planning, inviting us to submit a written clarification regarding the issue of the occurrence of benzotriazoles in Ljubljana's central water system's drinking water. We sent them answers in due time and were subject to an inspection at both sites at the start of January.

➤ **Environmental permit - SEVESO² plant**

The SEVESO permit defines the use of hazardous substances with the goal to prevent accidents and mitigate consequences thereof.

To re-include REZ A into the IED permit, we will need to update the Environmental Risk Mitigation Concept and submit an application for a change of the SEVESO permit for the TOŠ unit. If the REZ A volume is such that the quantities of the hazardous substance at the plant site reach the quantities set for categorising the plant as a major environmental risk plant, we will need to prepare a safety report which is highly technically complex.

² SEVESO is the name given to a Directive; the main objectives of the SEVESO Directive are: to prevent major accidents involving dangerous substances and to manage and mitigate the consequences of major accidents on people and the environment.

Due to the changes on the LOT3 project, we started preparing an amendment to the Environmental Risk Mitigation Concept for the TE-TOL unit; activities were focused on obtaining data on changes due to the conversion of seasonal containers at ELKO/D2.

In November 2022, we had an inspection at a low environmental risk plant of the TE-TOL unit where no irregularities were identified.

➤ **Permit for GHG emissions and CO₂ tax**

Energetika Ljubljana is included in the European Emissions Trading Scheme with its TE-TOL and TOŠ units. The monitoring of greenhouse gas emissions is performed on an annual basis in line with the requirements of the approved greenhouse gas emissions monitoring plan. Emissions are monitored by an external accredited provider.

In 2022, we emitted 512,958 tons of CO₂, a year-on-year decrease of approximately 10%. Compared to the previous year, the reduced CO₂ emissions are primarily a result of the lower heat (compared to 2021, the year 2022 was by 0.88°C warmer) and electricity generation.

For the period concerned, Energetika Ljubljana will partly (13.5%) cover CO₂ emissions with the quota of emission allowances awarded by the state and the remaining part with purchases on the market. For the TOŠ unit, we obtained a new Decision on free emission allowances for the 2021–2025 period in 2022, based on which we obtained additional free quantities of emission allowances. In February 2023, we obtained a decision on a further increase of the quantity of free emission allowances for the TOŠ unit.

Every year, the Company is subject to high costs related to the purchase of the needed emission allowances on the market. The average purchase price of an emission allowance which has a significant impact on operating costs, amounted to €72.32 in 2022, almost double the average purchase price in 2021 (€41.81).

➤ **CO₂ tax**

The Company is obliged to pay a CO₂ tax for heat in the form of the minimum taxation level. To this end, we have obtained decisions for both sites which apply until the end of 2023; for the period after this year, we have not yet received any information from the state as to whether the minimum taxation levels will apply to us. We pay excise duties for the heat not produced as co-generation.

In order to keep the decisions or entitlement to the minimum taxation level, we are obliged to present the required evidence every year within the legally determined period, which is by the end of February.

In order to be exempt from the environmental tax on air pollution from carbon dioxide emissions, the Company is obliged to report the minimum taxation level. In 2022, the amount paid for the minimum taxation level was €83,031 lower than in 2021 when it stood at €568,192. The difference between the minimum taxation level and fully paid CO₂ tax is the state aid. In 2022, the amount of the minimum taxation level paid was lower for two reasons: a change of the heat generation at the TOŠ unit because the latter did not operate, hence there was no natural gas consumed for the purpose of co-generation for which the minimum taxation level is paid; and because the state adopted exemption from the payment of the CO₂ tax as one of the measures to mitigate the cost of living crisis, as a result of which the minimum taxation level is not paid for certain fuels (it is, however, paid for coal).

➤ **Water permit**

The water permits for both sites and the water permit for the Verovškova 70 location are very important to the Company because they allow using water there. Based on a partial water

permit, the use of water from the public water system is allowed at two offtake points at the Siška location, while at the Moste location, the partial water permit enables water offtake from the Ljubljanica River and two wells, V-1 and V-2. At the Verovškova 70 location, the water permit allows using water from the public water system at one offtake point.

By the end of January every year, the Company submits a water refund announcement and groundwater monitoring data, offtake diagrams and surface level diagrams.

Ensuring an ecologically acceptable water flow as required in the water permit for the TE-TOL unit constitutes an operational risk during long-lasting dry periods.

2.5 Corporate Social Responsibility

Corporate social responsibility is closely integrated into the primary processes of the Company's work and the brand itself. The success of such activity is shown both through the generation of good results and the motivation of employees, as well as through finding and pursuing new opportunities to ensure a socially responsible growth in the direct environment; in the time of the energy crisis, this applies especially to providing a secure and reliable supply of the needed energy. A socially responsible relationship between a person and the society is open, dynamic and geared towards sustainable improvement of the quality of life at all levels.

Responsibility to employees

Motivating employees and retaining committed and competent colleagues is an on-going concern and responsibility of the Company. Nevertheless, we occasionally face a shortage of certain technical profiles. Creating a positive working environment for colleagues therefore represents an additional incentive to achieve the Company's objectives and strengthen common values. We also provide additional education and, in addition to periodic medical examinations, a programmed active rest for everyone who is exposed to greater workload and, thus, health risks. We provide transparent and regular information about current events in the Company via e-mail, intranet and an internal magazine.

Responsibility to service users

As a comprehensive provider of energy services, we provide for the quality of our users' lives and also positively affect their living environment with our activities in the broader sense. We develop environmentally responsible services and promote sustainable behaviour of our users. We also actively promote the efficient use of energy among our end users and the use of natural gas in transport.

We conduct regular panel satisfaction surveys among the users of our Company's services.

Responsibility to environment

We also demonstrate our corporate social responsibility in the field of environmental protection. We pursue the high environmental standards and always act responsibly and transparently to the interested public, also via the mobile portal m.te-tol.si where we provide comprehensive information about air quality and the effect of TE-TOL unit's operation on the environment.

Additional information about the activities in the field of environmental protection is presented in chapter Environmental Protection.

Responsibility to various publics

In the context of our corporate social responsibility, we actively cooperate with various publics. We are enhancing our socially responsible role in the environment in which we work as an energy company and on which we have the greatest impact through our activities.

We actively support various projects of societies or organisations which make a significant contribution to the improvement of social conditions, especially in the local environment. These include guided expert tours of production processes which we provide to the interested target groups for educational purposes, and annual meetings with representatives of the Moste district community and operators. We organised a few of such tours in 2022, but to a limited extent both due to safety measures to prevent the spread of the coronavirus and due to the construction of the gas and steam unit.

As a company, we participate in the projects of the City of Ljubljana that refer to the field of energy and sustainable development. For a number of years now, we have also been focused on raising awareness about safe and efficient energy use among children in the creative children's city Minicity where Javni holding Ljubljana and related companies have set up a small children's house called "Happy town".

We provided sponsorships and donations to various sports clubs and associations which work in the area of the City of Ljubljana and its surrounding area.

2.6 Development Strategy

Energetika Ljubljana's development activities pursue the Company's commitments to fulfil its mission; moreover, they comply with the energy legislation and the state's guidelines and international commitments, in particular in the field of greenhouse gas emission reduction, and the vision of the City of Ljubljana until 2045. The main strategic goals of the Company are related to decarbonising production sources, district heat supply and the natural gas distribution system, ensuring high operational reliability of production sources and district heating and natural gas distribution networks, developing and expanding the hot water and gas network by expanding the use in transport, and producing and supplying clean electricity.

In the field of the decarbonisation of production sources and district heat supply, an investment relating to the PPE-TOL construction is already underway. In 2022, we built a new co-generation plant with a gas turbine at the Šiška location, which substitutes the previous plant; it started operating on 1 January 2023. With the aim to actively stop using coal, the Company will replace the coal boilers K1 and K2 with biomass boilers. Setting up a waste-to-energy facility is a large-scale project which is scheduled for the next years and where Energetika Ljubljana cooperates with other stakeholders.

To ensure a high operational reliability of production sources and district heating and natural gas distribution networks, it is necessary to ensure flawless maintenance of the base and peak load sources through the constant control, maintenance and overhaul of the district heating network.

In the context of network development and expansion, we will continue to follow the path we have set. We will connect new or existing unconnected facilities to the remote heat supply system in the area of the City of Ljubljana. Network will only be expanded in cases of large-scale new constructions in the City of Ljubljana where this will be permitted by the already built primary hot water network. In order to optimise network operation and reduce heat loss, we will expand the low pressure part of the district heating network. We will replace the gas pipeline system with the hot water system in those areas of the City of Ljubljana where this

will be reasonable and justifiable. Any expansion of the gas network is planned only for the areas where adequate offtake is ensured in advance.

Based on a decision to introduce hydrogen as fuel for buses in the urban public transport, we launched a project to set up a hydrogen fuelling station at the P&R Stanežiče location. We continue carrying out the project of producing and injecting biomethane into the natural gas distribution network and the further introduction of hydrogen technologies.

We plan to increase the share of the generation and supply of clean energy from wood chips by constructing a small hydro power plant on the Ljubljanica River and by setting up small solar power plants on building rooftops in the City of Ljubljana. In the segment of households and small businesses we plan to start installing small solar power plants and enter the energy flexibility market via the self-supply system and by including other dispersed power sources (battery storage, biogas CHP, etc.) and consumers (e-charging stations, compressors, etc.).

3 FINANCIAL REPORT

3.1 Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT to the owners of ENERGETIKA LJUBLJANA d.o.o.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the company Energetika Ljubljana d.o.o. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2022, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Deloitte revizija d.o.o. - The company is registered with the Ljubljana District Court, registration no. 1647105 - VAT ID S162560085 - Nominal capital EUR 74,214.30.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenues from sales

Key audit matter	How our audit addressed the key audit matter
<p>As disclosed in Note 3.3.1. "Accounting policies", point k) and 3.3.3.1 "Revenues from sales" Company discloses Revenue from sales in the amount of 237.382 EUR as of 31 December 2022. Additional information on Revenue from sales is included in the abovementioned notes.</p> <p>Revenue from sales is recognized in line with SRS 15, when control over goods or services is transferred to the buyer.</p> <p>Revenues are one of the important indicators of the company's performance. Due to the importance of the item in the financial statements, and the risk related to the adequacy of revenue recording, we identified this area as a key audit matter.</p>	<p>As part of the implementation of audit procedures, we assessed the adequacy of the company's accounting policies regarding the recognition of Revenue from sales and their compliance with SRS 15, and performed the following audit procedures:</p> <ul style="list-style-type: none"> - we checked the design and implementation of internal controls related to the recognition of revenues, - we checked the adequacy of internal controls, including automated controls relevant to the audit, - we perform detail testing procedures related to revenue recognition on selected sample. <p>We also reviewed the information in the financial statements to assess whether the disclosures regarding Revenue from sales are appropriate.</p>

Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed, we conclude that other information include material misstatement we need to report such circumstances.

In relation to this and based on our procedures performed, we report that:

- other information is, in all material respects, consistent with the audited financial statements.
- other information is prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving 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 International Standards on Auditing and EU Regulation 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 International Standards on Auditing and EU Regulation, 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 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 controls.

- 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 organization 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 25 February 2022. Our total uninterrupted engagement has lasted six years.

Confirmation to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 21 April 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company, and which have not been disclosed in the Annual Report.

The auditor's report on the adequacy of the criteria used and the correctness of their use

We have performed reasonable assurance engagement as to whether the criteria used to allocate direct and indirect assets and liabilities, costs, expenses and revenues that entity takes into account when keeping separate statements for energy activities, and which are used in the preparation of the disclosure 3.3.6.5. "Additional disclosures in line with the legislation requirements and SRS 32" for the financial year that ended on 31 December 2022, were appropriate and properly used, all in accordance with the Act on Transparency of Financial Relations and Separate Recording of Various Activities (ZPFOLERD-1), Heat Supply Act from distribution system (ZOTDS), Electricity Supply Act (ZOEE) and Gas Supply Act (ZOP).

Responsibility of management and those charged with governance

The management is responsible for the adoption of appropriate criteria and for their correct use in the preparation and presentation of the disclosure of the "Additional disclosures in line with the legislation requirements and SRS 32" in accordance with the requirements of ZPFOLERD-1, ZOEE, ZOTDS and ZOP, as well as for such internal control as management determines is necessary to enable the preparation of such statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for supervising the preparation of the report.

Auditor's responsibility

Our responsibility is to carry out reasonable assurance engagement and conclude whether the criteria used to allocate direct assets and liabilities, costs, expenses and income on individual activities in the preparation of the disclosure 3.3.6.5 "Additional disclosures in line with the legislation requirements and SRS 32" for the financial year that ended on 31 December 2022, were appropriate and properly used. Our reasonable assurance engagement was carried out in accordance with *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, issued by the International Auditing and Assurance Standards Board. Pursuant to the standard, the auditor shall plan and perform the engagement in the way that will allow the auditor to obtain reasonable.

We performed our work in accordance with independence and ethical requirements of EU Regulation no. 537/2014 and the IESBA Code. The Code is prepared based on the principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

As a part of its compliance with International Standard on Quality Management (ISQM) 1, our company maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Criteria used

When assessing the suitability of the internal regulations used by the company to allocate direct assets and liabilities, costs and expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE, ZOTDS and ZOP, we checked whether assets, liabilities, costs and expenses and revenues are allocated directly related to the activity to which they are assigned.

When assessing the suitability of the criteria used by the company to allocate indirect assets and liabilities, costs and expenses and income to individual activities in accordance with ZPFOLERD-1, ZOEE, ZOTDS and ZOP, we took into account whether the criteria were determined on the basis of activities that these assets and liabilities, costs and expenses and revenues cause. If these activities cannot be determined, the rules for dividing indirect costs based on the proportion of direct costs are used.

Summary of work done

Within the scope of the work performed, we carried out procedures of an audit nature, namely:

- We obtained and reviewed the internal regulations that the company uses in connection with the allocation of direct and indirect assets and liabilities, costs and expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE, ZOTDS and ZOP.
- We have checked whether the internal regulation mentioned under first paragraph are approved by supervisory board in accordance with Article 8 of the ZPFOLERD-1 and if criteria as described in internal regulation are consistently used every financial year in accordance with Article 107 of the ZOEE, ZOTDS and Article 102 of the ZOP.
- For the criteria used by the company to allocate indirect costs, we have checked whether they are based on the activities that cause these costs; if these activities cannot be determined, the rules for dividing indirect costs based on the share of direct costs are used.
- We inquired with the management and professional services regarding the method, procedures and controls established in the context of cost accounting and the allocation of costs and expenses to individual activities.
- Through additional data testing, we verified whether the rules, as adopted in accordance with Article 8 of ZPFOLERD-1, were correctly applied for keeping separate accounting records for individual activities.
- We checked whether in the annual report, together with the separate financial statements for energy activities for which separate disclosure is required, the company also fully disclosed the judgments in accordance with ZOEE, ZOTDS and ZOP.

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

Conclusion

On the basis of the procedures carried out and the evidence obtained, in our opinion, the judgments used for the allocation of direct and indirect assets and liabilities, costs and expenses and income, which the company takes into account when keeping separate accounting records and when compiling separate financial statements for energy activities, and which were used in the preparation of chapter 3.3.6.5. of the annual report "Additional disclosures in line with the legislation requirements and SRS 32" for the financial year that ended on 31 December 2022, appropriate and correctly used according to the requirements of ZPFOLERD-1, ZOEE, ZOTDS and ZOP.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Tina Kolenc Praznik.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 21 April 2023

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

3.2 Financial statements

3.2.1 Financial statements

	Notes	31 Dec 2022	31 Dec 2021	Index 22/21
In EUR				
ASSETS		406,087,887	351,824,406	115.4
A. LONG-TERM ASSETS		318,122,235	276,714,727	115.0
I. Intangible assets and long-term deferred costs and accrued revenue				
	3.3.2.1	3,637,206	3,497,528	104.0
1. Long-term property rights		3,637,206	3,497,528	104.0
II. Property, plant and equipment	3.3.2.2	310,014,450	267,608,421	115.8
1. Land and buildings		136,741,190	133,470,889	102.5
a) Land		15,837,986	13,392,751	118.3
b) Buildings		120,903,204	120,078,138	100.7
2. Production plant and machinery		48,114,628	41,795,314	115.1
3. Other plant and equipment		6,367,009	4,857,954	131.1
4. Property, plant and equipment being acquired		118,791,623	87,484,264	135.8
a) Property, plant and equipment under construction		118,735,623	81,037,904	146.5
b) Advances for acquisition of property, plant and equipment		56,000	6,446,360	0.9
III. Investment property	3.3.2.3	1,918,073	1,970,430	97.3
IV. Long-term investments	3.3.2.4	2,552,159	3,638,348	70.1
1. Long-term investments, excluding loans		1,456,838	2,500,045	58.3
c) Other shares and interests		1,456,838	2,500,045	58.3
2. Long-term loans		1,095,321	1,138,303	96.2
b) Long-term loans to others		1,095,321	1,138,303	96.2
V. Long-term operating receivables		347	0	-
3. Long-term operating receivables to others		347	0	-
VI. Deferred tax assets		0	0	-
B. SHORT-TERM ASSETS		87,635,715	74,786,111	117.2
II. Inventories	3.3.2.5	24,136,569	13,620,047	177.2
1. Material		24,136,569	13,618,849	177.2
4. Advances for inventories		0	1,198	-
III. Short-term investments		1,083,568	963,885	112.4
2. Short-term loans		1,083,568	963,885	112.4
b) Short-terms loans to others		1,083,568	963,885	112.4
IV. Short-term operating receivables		58,976,705	59,980,778	98.3
1. Short-term operating receivables due from group companies	3.3.2.6	3,026,236	7,537,913	40.1
2. Short-term operating receivables	3.3.2.6	53,747,950	47,366,722	113.5
3. Short-term operating receivables due from others	3.3.2.7	2,202,519	5,076,143	43.4
V. Cash	3.3.2.8	3,438,873	221,401	-
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE		329,937	323,568	102.0

In EUR

	Notes	31 Dec 2022	31 Dec 2021	Index 22/21
LIABILITIES		406,087,887	351,824,406	115.4
A. EQUITY	3.3.2.9	198,042,616	203,158,569	97.5
I. Called-up capital		57,602,057	57,602,057	100.0
1. Share capital		57,602,057	57,602,057	100.0
II. Capital surplus		81,601,109	81,601,109	100.0
III. Revenue reserves		31,545,545	51,503,671	61.2
1. Legal reserves		4,719,392	4,677,518	100.9
5. Other profit reserves		26,826,153	46,826,153	57.3
V. Revaluation surplus		-484,161	-871,548	55.6
VI. Retained earnings		26,982,455	13,323,280	202.5
VII. Net profit or loss for the period		795,611	0	-
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	3.3.2.10	6,265,148	7,146,619	87.7
1. Provisions for pensions and similar liabilities		5,145,127	5,945,307	86.5
3. Long-term accrued costs and deferred revenue		1,120,021	1,201,312	93.2
C. LONG-TERM LIABILITIES		75,303,594	51,291,403	146.8
I. Long-term financial liabilities	3.3.2.11	75,288,510	51,229,287	147.0
2. Long-term financial liabilities to banks		75,194,661	51,085,891	147.2
4. Other long-term financial liabilities		93,849	143,396	65.4
II. Long-term operating liabilities		15,084	7,734	195.0
5. Other long-term operating liabilities		15,084	7,734	195.0
III. Deferred tax liabilities		0	54,382	-
Č. SHORT-TERM LIABILITIES		114,919,826	86,934,578	132.2
II. Short-term financial liabilities	3.3.2.12	51,196,782	40,294,811	127.1
2. Short-term financial liabilities to banks		49,845,419	40,258,115	123.8
4. Other short-term financial liabilities		1,351,363	36,696	-
III. Short-term operating liabilities		63,723,044	46,639,767	136.6
1. Short-term operating liabilities to group companies	3.3.2.13	89,238	48,639	183.5
2. Short-term trade payables	3.3.2.13	58,189,943	37,663,897	154.5
4. Short-term receivables for advances		292,572	157,143	186.2
5. Other short-term operating liabilities	3.3.2.14	5,151,291	8,770,088	58.7
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	3.3.2.15	11,556,703	3,293,237	350.9

The financial statements should be read together with notes to the financial statements.

3.2.2 Income statement

				In EUR	
	Notes	2022	2021	Index 22/21	
1. Net sales	3.3.3.1	237,391,819	166,862,741	142.3	
a) Net sales on domestic market achieved with Group companies by performing public utility services		551,606	563,208	97.9	
b) Net sales on domestic market achieved with others by performing public utility services		25,598,148	26,883,607	95.2	
c) Net sales on domestic market achieved with Group companies by performing other activities		11,147,899	4,111,185	271.2	
č) Net sales on domestic market achieved with others by performing other activities		200,033,311	135,274,056	147.9	
d) Net sales abroad		60,855	30,685	198.3	
3. Capitalised own products and own services		1,921,646	2,029,194	94.7	
Other operating revenue (including revaluation operating revenue)		2,289,504	8,492,202	27.0	
4.1. Income from state/municipal aid		1,340,131	648,704	206.6	
a) Donation from municipality for acquisition of fixed assets		36,688	42,971	85.4	
b) Other income from state/municipal aid		1,303,443	605,733	215.2	
4.2. Other operating revenue (incl. revaluated operating revenue)		949,373	7,843,498	12.1	
5. Costs of goods, material and services		170,027,623	117,437,803	144.8	
a.1) Cost of goods, material and services sold and cost of materials used, achieved with Group companies	3.3.3.2	91,693	112,368	81.6	
a.2) Cost of goods, material and services sold and cost of materials used, achieved with others	3.3.3.2	151,368,554	99,510,744	152.1	
b.1) Cost of services achieved with group companies	3.3.3.3	5,663,535	4,646,284	121.9	
b.2) Cost of services achieved with other companies	3.3.3.3	12,903,841	13,168,407	98.0	
6. Labour costs	3.3.3.4	25,945,237	24,049,995	107.9	
a) Payroll costs		18,285,907	17,632,815	103.7	
b) Social security costs		3,939,105	3,730,990	105.6	
b.1) Pension insurance costs		2,575,342	2,446,284	105.3	
b.2) Other social security costs		1,363,763	1,284,706	106.2	
c) Other labour costs		3,720,225	2,686,190	138.5	
7. Write-downs		14,559,104	14,163,183	102.8	
a) Depreciation and amortisation expense	3.3.3.5	12,912,146	13,577,330	95.1	
b) Revaluation operating expenses associated with intangible assets and items or property, plant and equipment	3.3.3.5	621,675	215,325	288.7	
c) Revaluation operating expenses associated with current assets		1,025,283	370,528	276.7	
8. Other operating expenses		33,352,986	22,435,599	148.7	
a) Other operating expenses achieved with Group companies		1,201	688	174.6	
b) Other operating expenses achieved with other companies	3.3.3.6	33,351,785	22,434,911	148.7	
9. Financial revenue from shares and interests		369,479	239,025	154.6	
c) Financial revenue from shares and interests in other companies		0	48,192	-	
č) Financial revenue from other investments		369,479	190,833	193.6	
10. Financial revenue from loans		180,334	81,778	220.5	
b.1) Financial revenue from loans to others, related with performance of public utility services		102,281	48,236	212.0	
b.2) Financial revenue from loans to others, related with other activities		78,053	33,542	232.7	
11. Financial revenue from operating receivables		2,497,378	104,197	-	
Financial revenue from operating receivables due from group companies		7,382	0	-	
b) Financial revenue from operating receivables due from others		2,489,996	104,197	-	
13. Financial expenses from financial liabilities		2,747,839	99,298	-	
b) Financial expenses for loans received from banks		180,090	94,382	190.8	
č) Financial expenses for other financial liabilities		2,567,749	4,916	-	
14. Financial expenses for operating liabilities		451,137	159,628	282.6	
Financial expenses from operating receivables due from Group companies		3,284	0	-	
b) Financial expenses for trade payables and bills payable		376,467	146,838	256.4	
c) Financial expenses for operating liabilities		71,386	12,790	558.1	
15. Other revenue		3,489,101	608,125	573.7	
16. Other expenses		19,484	71,756	27.2	
17. Income tax	3.3.3.7	198,366	0	-	
19. NET PROFIT OR LOSS FOR THE PERIOD		837,485	0	-	
(1+3+4-5-6-7-8+9+10+11-13-14+15-16-17)					

The financial statements should be read together with notes to the financial statements.

3.2.3 Statement of other comprehensive income

			In EUR
	2022	2021	Index 22/21
19. Net profit or loss for the period	837,485	0	-
21. Changes in revaluation surplus of financial assets available for sale	-231,841	-156,141	148.5
23. Other components of comprehensive income	802,147	0	-
24. Total comprehensive income for the period (19+21+23)	1,407,791	-156,141	-

The financial statements should be read together with notes to the financial statements.

3.2.4 Cash flow statement

In EUR

	2022	2021
A. CASH FLOW FROM OPERATING ACTIVITIES		
a) Items from income statement	45,951,744	30,846,752
Operating revenue (except from revaluation) and financial revenue from operating receivables	242,579,850	174,785,501
Operating expenses excl. depreciation (except from revaluation) and financial expenses for operating liabilities	-197,182,045	-142,780,513
Profit tax and other taxes not included in operating expenses	553,939	-1,158,236
b) Changes in net operating assets in balance sheet items including accruals and deferrals, provisions and deferred taxes and liabilities	-2,182,045	-8,664,518
Opening less closing operating receivables	-6,605,748	-29,668,798
Opening less closing accrued costs and deferred revenue	-6,369	-20,437
Opening less closing inventories	-10,516,522	10,839,734
Closing less opening operating liabilities	15,990,927	10,537,878
Closing less opening accrued costs and deferred revenue and provisions	-1,044,333	-352,895
c) Net cash from operating activities (a + b)	43,769,699	22,182,234
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a) Cash receipts from investing activities	1,510,661	858,785
Interest and dividends received from investing activities	0	48,194
Cash receipts from disposal of property, plant and equipment	2,290	1,057
Cash receipts from disposal of investments	1,508,371	809,534
b) Cash payments from investing activities	-69,257,801	-55,793,930
Cash payments to acquire intangible assets	-16,908,124	-16,377,711
Cash payments to acquire property, plant and equipment	-51,701,923	-38,772,288
Cash payments to acquire investments	-647,754	-643,931
c) Net cash from investing activities (a + b)	-67,747,140	-54,935,145
C. CASH FLOW FROM FINANCING ACTIVITIES		
a) Cash receipts from financing activities	84,367,928	121,782,791
Cash receipts from paid-up capital	258,562	0
Cash proceeds from increase in financial liabilities	84,109,366	121,782,791
b) Cash payments from financing activities	-57,173,015	-90,455,454
Interest paid on financing activities	-158,168	-106,375
Cash repayments of financial liabilities	-50,491,103	-90,349,079
Dividends and other profit shares paid	-6,523,744	0
c) Net cash from financing activities (a + b)	27,194,913	31,327,337
Č. CLOSING BALANCE OF CASH	3,438,873	221,401
x) Cash for the period (sum of surpluses Ac, Bc and Cc)	3,217,472	-1,425,574
+		
y) Opening balance of cash	221,401	1,646,975

The financial statements should be read together with notes to the financial statements.

3.2.5 Statement of changes in equity

➤ Statement of changes in equity for 2022

In EUR

	Called-up capital	Capital surplus	Revenue reserves		Fair value reserves	Retained earnings	Net profit or loss for the period		Total
	Share capital		Legal reserves	Statutory reserves		Retained net profit	Net profit for the year	Net loss for the year	
A.1. Balance at the end of previous reporting period	57,602,057	81,601,109	4,677,518	46,826,153	-871,548	13,323,280	0	0	203,158,569
A.2. Opening balance for the reporting period	57,602,057	81,601,109	4,677,518	46,826,153	-871,548	13,323,280	0	0	203,158,569
B.1. Changes in equity – transactions with owners	0	0	0	0	0	-6,523,744	0	0	-6,523,744
g) Share-based payment	0	0	0	0	0	-6,523,744	0	0	-6,523,744
B.2. Total comprehensive income for the reporting period	0	0	0	0	387,387	182,919	837,485	0	1,407,791
a) Entry of net profit for the reporting period	0	0	0	0	0	0	837,485	0	837,485
c) Changes in surplus from revaluation of investments	0	0	0	0	-231,841	0	0	0	-231,841
č) Other components of comprehensive income for the reporting period	0	0	0	0	619,228	182,919	0	0	802,147
B.3. Changes in equity	0	0	41,874	-20,000,000	0	20,000,000	-41,874	0	0
c) Allocation of a part of the net profit for the reporting period to other equity components as per the resolution by management and supervisory bodies	0	0	41,874	0	0	0	-41,874	0	0
f) Other changes in equity	0	0	0	-20,000,000	0	20,000,000	0	0	0
D. Closing balance for the reporting period	57,602,057	81,601,109	4,719,392	26,826,153	-484,161	26,982,455	795,611	0	198,042,616

➤ Statement of changes in equity for 2021

In EUR

	Called-up capital	Capital surplus	Revenue reserves		Fair value reserves	Retained earnings	Net profit or loss for the period		Total
	Share capital		Legal reserves	Statutory reserves		Retained net profit	Net profit for the year	Net loss for the year	
A.1. Balance at the end of previous reporting period	57,602,057	81,601,109	4,677,518	54,826,153	-1,062,678	0	5,358,269	0	203,002,428
A.2. Opening balance for the reporting period	57,602,057	81,601,109	4,677,518	54,826,153	-1,062,678	0	5,358,269	0	203,002,428
B.1. Changes in equity – transactions with owners	0	0	0	0	0	0	0	0	0
B.2. Total comprehensive income for the reporting period	0	0	0	0	191,130	-34,989	0	0	156,141
c) Changes in surplus from revaluation of investments	0	0	0	0	156,141	0	0	0	156,141
č) Other components of comprehensive income for the reporting period	0	0	0	0	34,989	-34,989	0	0	0
B.3. Changes in equity	0	0	0	-8,000,000	0	13,358,269	-5,358,269	0	0
a) Allocation of other parts of net profit comparable for the reporting period to other equity components	0	0	0	0	0	5,358,269	-5,358,269	0	0
f) Other changes in equity	0	0	0	-8,000,000	0	8,000,000	0	0	0
D. Closing balance for the reporting period	57,602,057	81,601,109	4,677,518	46,826,153	-871,548	13,323,280	0	0	203,158,569

In the statement, the term dividend is replaced with share-based payment pursuant to the Company by-laws. The financial statements should be read together with notes to the financial statements.

3.2.6 Statement of available profit

		In EUR
		2022
a)	Net profit or loss for the period	837,485
b)	+ Retained net profit	26,982,455
d)	- Increase in profit reserves pursuant to the decision of the Management Legal reserves	41,874 41,874
g)	= Available profit (a+b-d)	27,778,066

The financial statements should be read together with notes to the financial statements.

The 2022 available profit for appropriation of JAVNO PODJETJE ENERGETIKA LJUBLJANA d.o.o. amounting to €27,778,065.84 EUR comprises retained net profit from the previous years in the amount of €26,982,454.76 and net profit for the financial year 2022 in the amount of €837,485.35, reduced by the formation of statutory reserves of €41,874.27.

3.2.7 Proposal for the distribution of available profit

As at 31 December 2022, the available profit JAVNO PODJETJE ENERGETIKA LJUBLJANA d.o.o. in the amount of €27,778,065.84 shall stay undistributed.

➤ Balance sheet by segments as at 31 December 2022

In EUR

	Heat distribution and supply	Electricity distribution operator	Production of heat	Production of electric energy	Natural gas supply	Electric energy supply	Other activities
ASSETS	52,911,722	75,852,516	161,866,433	87,520,718	15,891,704	9,363,684	2,681,110
A. LONG-TERM ASSETS	49,431,296	72,477,744	113,117,113	78,710,849	2,581,526	8,411	1,795,296
I. Intangible assets and long-term deferred costs and accrued revenue	557,985	494,396	1,809,551	619,761	19,362	5,036	131,115
II. Property, plant and equipment	48,140,638	69,760,028	110,699,703	77,829,740	2,442,844	3,340	1,138,157
III. Investment property	0	1,918,073	0	0	0	0	0
IV. Long-term investments	732,656	305,226	607,697	261,311	119,248	0	526,021
V. Long-term operating receivables	17	21	162	37	72	35	3
B. SHORT-TERM ASSETS	3,464,226	3,354,646	48,595,437	8,774,665	13,242,343	9,321,718	882,680
I. Available-for-sale assets	0	0	0	0	0	0	0
II. Inventories	156,888	258,261	19,125,817	4,433,888	2,414	0	159,301
III. Short-term investments	269,959	101,304	227,093	52,566	100,327	49,623	282,696
IV. Short-term operating receivables	2,868,530	2,785,310	27,638,637	3,921,283	12,432,570	8,922,362	408,013
V. Cash	168,849	209,771	1,603,890	366,928	707,032	349,733	32,670
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	16,200	20,126	153,883	35,204	67,835	33,555	3,134
LIABILITIES	52,911,722	75,852,516	161,866,433	87,520,718	15,891,704	9,363,684	2,681,110
A. EQUITY	49,733,995	70,817,002	68,240,669	26,068,375	20,545,098	1,763,306	1,964,367
I. Called-up capital	10,107,731	18,413,549	19,867,239	7,073,080	472,590	0	1,667,868
II. Capital surplus	6,188,390	25,142,586	32,421,502	12,830,148	2,429,480	0	2,589,003
III. Revenue reserves	19,065,170	18,992,391	5,878,745	-1,957,497	-8,059,379	-1,384,086	-989,799
V. Revaluation surplus	-90,151	-109,081	-173,378	-86,520	-2,179	-387	-22,465
VI. Retained earnings	13,138,797	8,691,227	6,349,655	2,527,260	-1,109,282	-1,046,608	-1,568,594
VII. Net profit or loss for the period	1,324,058	-313,670	3,896,906	5,681,904	-14,276,328	4,194,387	288,354
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE	1,048,474	2,187,759	1,842,691	919,434	23,153	4,116	239,521
C. LONG-TERM LIABILITIES	26,776	21,843	37,881,331	37,349,647	20,381	3,502	114
I. Long-term financial liabilities	26,437	21,293	37,875,687	37,348,172	15,014	1,894	13
II. Long-term operating liabilities	339	550	5,644	1,475	5,367	1,608	101
III. Deferred tax liabilities	0	0	0	0	0	0	0
Č. SHORT-TERM LIABILITIES	1,930,782	2,613,360	45,648,203	20,551,652	36,205,151	7,536,870	433,808
II. Short-term financial liabilities	926,064	1,394,986	21,218,900	9,811,820	13,534,709	4,053,840	256,463
III. Short-term operating liabilities	1,004,718	1,218,374	24,429,303	10,739,832	22,670,442	3,483,030	177,345
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	171,695	212,552	8,253,539	2,631,610	188,117	55,890	43,300

➤ Income statement by segments for 2022

In EUR

	Heat distribution and supply	Electricity distribution operator	Production of heat	Production of electric energy	Natural gas supply	Electric energy supply	Other activities
	Service of general economic interest			Other activities			
1. + Net sales	11,662,769	14,191,934	110,712,533	25,335,309	48,798,407	24,139,810	2,251,058
3. + Capitalised own products and own services	605,063	1,073,154	685,954	11,579,289	3,574,706	0	741,623
4. + Other operating revenue (including revaluation operating revenue)	260,460	313,096	824,513	640,976	171,949	5,527	72,982
5. - Cost of goods, materials and services	4,200,912	6,794,735	69,746,352	18,234,738	66,316,743	19,861,126	1,211,161
a. Cost of goods and materials sold and cost of materials used	495,035	2,942,925	63,043,405	14,308,463	66,079,553	19,846,456	342,020
b. Cost of services	3,705,877	3,851,810	6,702,947	3,926,275	237,189	14,670	869,141
6. - Labour costs	4,681,509	6,053,330	9,260,733	4,538,292	116,329	21,845	1,273,199
a. Payroll costs	3,281,307	4,248,949	6,544,311	3,208,139	84,351	15,170	903,678
b.1 Pension insurance costs	475,861	599,149	915,521	447,667	10,927	2,195	124,023
b.2 Other social security costs	245,324	317,303	488,027	239,364	5,855	1,142	66,747
c. Other labour costs	679,017	887,929	1,312,873	643,122	15,196	3,338	178,751
7. - Write-downs	2,343,462	3,195,404	5,971,619	2,372,645	310,384	6,465	359,125
a. Depreciation and amortisation expense	2,290,533	3,118,935	4,809,494	2,162,268	238,930	1,285	290,699
b. Revaluation operating expenses associated with intangible assets and property, plant and equipment	34,106	44,791	269,252	209,574	6	1	63,946
c. Revaluation operating expenses associated with current operating assets	18,823	31,677	892,873	802	71,449	5,179	4,480
8. - Other operating expenses	137,230	155,418	25,172,858	7,843,524	32,026	7,343	4,586
9. + Financial revenue from shares and interests	0	0	273,525	95,954	0	0	0
10. + Financial revenue from loans	86,666	15,615	591	125	345	0	76,992
11. + Financial revenue from operating receivables	72,525	6,699	1,758,298	613,753	33,334	10,912	1,857
12. - Financial expenses due to impairment and write-offs of investments	0	0	0	0	0	0	0
13. - Financial expenses for financial liabilities	19,204	11,707	1,988,218	686,186	39,570	0	2,955
14. - Financial expenses for operating liabilities	2,833	4,377	285,349	92,750	65,271	1	556
15. + Other revenue	43,329	1,936	2,137,683	1,275,380	30,255	428	90
16. - Other expenses	921	1,134	10,211	2,027	5,001	20	170
17. Income tax	17,079	0	50,246	73,256	0	54,074	3,709
19. NET PROFIT OR LOSS FOR THE PERIOD (1+3+4-5-6-7-8+9+10+11-12-13-14+15-16-17)	1,327,662	-313,671	3,907,512	5,697,368	-14,276,328	4,205,803	289,139

The income statement by segment discloses internal revenue and expenses due to the services rendered within the scope of individual activities for other activities at the Company.

➤ Cash flow statement by segments for 2022

In EUR

	Heat distribution and supply	Electricity distribution operator	Production of heat	Production of electric energy	Natural gas supply	Electric energy supply	Other activities
A. CASH FLOW FROM OPERATING ACTIVITIES							
a) Items from income statement	3,387,252	2,916,793	37,717,035	3,496,797	-13,194,415	4,799,607	6,828,676
Operating revenue (except from revaluation) and financial revenue from operating receivables	11,977,962	14,875,884	112,974,090	26,267,162	49,657,101	24,485,454	2,342,197
Operating expenses excl. depreciation (except from revaluation) and financial expenses for operating liabilities	-8,638,404	-11,959,091	-75,397,368	-22,974,935	-62,851,516	-19,836,851	4,476,120
Income tax and other tax not included in operating expenses	47,694	0	140,313	204,570	0	151,004	10,359
b) Changes in net operating assets in balance sheet items including accruals and deferrals, provisions and deferred taxes and liabilities	-240,919	-222,569	-5,155,977	2,257,828	1,633,377	-371,184	-82,601
Opening less closing operating receivables	-321,293	-311,972	-3,095,695	-439,209	-1,392,523	-999,357	-45,699
Opening less closing accrued costs and deferred revenue	-313	-389	-2,971	-680	-1,309	-648	-59
Opening less closing inventories	-68,358	-112,527	-8,333,292	-1,931,885	-1,052	0	-69,408
Closing less opening operating liabilities	164,560	221,526	7,021,820	4,867,410	3,045,260	633,873	36,478
Closing less opening accrued costs and deferred revenue and provisions	-15,515	-19,207	-745,839	-237,808	-16,999	-5,052	-3,913
c) Net cash from operating activities (a + b)	3,146,333	2,694,224	32,561,058	5,754,625	-11,561,038	4,428,423	6,746,075

Pursuant to the law, Energetika Ljubljana prepared the cash flow statement by segments or activities at the level of cash flow from operating activities.

3.3 Statement of the Management

The Management of the Company hereby confirms that appropriate accounting policies were applied consistently in the preparation of the financial statements ended on 31 December 2022 and that the financial statements have been prepared in accordance with the Companies Act (ZGD-1), the Slovenian Accounting Standards (2016), and notes and the opinion of the Slovenian Institute of Auditors.

The Management of Energetika Ljubljana hereby states that it fully endorses the Annual Report for 2022 and hence the business report for 2022, the financial statements disclosed in the annual report and the relevant notes on pages 66 to 112.

Ljubljana, 21 April 2023



Samo Lozej
Direktor

 **energetika ljubljana**

Energetika Ljubljana, d.o.o.
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