

# ANNUAL REPORT 2019



**Co-financed by the European Union**

European Energy Programme for Recovery  
Trans-European Energy Network  
Connecting Europe Facility

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# BUSINESS REPORT



# ABOUT THE COMPANY



## Management Review for 2019

In the company Plinovodi d.o.o. (hereinafter referred to as: “the company Plinovodi”, “the company”, “Transmission System Operator” or “TSO”), we have continued with our responsible work to enable successful business operation. We have performed the natural gas transmission through the transmission system for domestic and foreign users reliably, and we were efficient and effective in responding to particularities. Our activities have been marked by our participation in the preparation of the National Energy and Climate Plan (NEPN) and the monitoring and response to the activities of the European institutions, including the European Green Deal, as they will have a significant impact on the company's operations in the future.

Network users have continued with the booking of short-term transmission capacity products, and through their transactions with natural gas volumes at the virtual point greatly optimised their bookings of transmission capacity.

Transactions with natural gas at the virtual point and the trading platform are regular activities of both the network users and the transmission system operator. Compared to the previous year, more volumes of natural gas was exchanged in 2019.

The maintenance work on the transmission system was performed in accordance with planned works calendar and current needs.

During the implementation of investments, special attention was devoted to connecting new users. We have connected a larger user (MRS Knauf) to the transmission system, new industrial users to MRS Metalna and for the needs of household users to MRS Zalog, MRS Škofja Loka and MRS Šmarje pri Jelšah. The Government of the Republic of Slovenia has adopted the Decree on the national spatial plan for transmission pipeline R51c Kozarje - Vevče.

In autumn, we have successfully organised a workshop with the users of the transmission system entitled "The Natural Gas Market in Slovenia", where special attention was paid to modern technologies. In order to promote natural gas and increase general awareness on the topic, we have actively participated at various expert meetings.

The result of a successful business operation in 2019 was a reported net profit in the amount of EUR 5.8 million, which was for 73 percent higher than in 2018. With net sales revenue at EUR 43.5 million, the planned value for 2019 was exceeded by 1.5 percent. Our continued economical business operations are reflected in the operating expenses, which were for 1.5 percent lower than in 2018.

Total assets at the end of 2019 are at a similar level as on the first day of this year and amount to EUR 316.5 million.

Because The company Plinovodi is embedded into the broader business environment, we are closely monitoring the economic situation in the country, as well as the region, and we timely follow and if necessary participate in the envisaged legislative changes that could affect our operations. We cooperated with the Energy Agency (hereinafter referred to as: “the Agency”) in transferring the requirements of the Commission Regulation establishing a

network code on harmonised transmission tariff structures for gas (hereinafter referred to as: “the TAR NC”) to the legislation of the Republic of Slovenia (hereinafter referred to as: “the RS”), which was concluded with the consent to the regulatory framework for transmission system operator for natural gas for the regulatory period from 1 January 2020 to 31 December 2021 and responded to a public consultation on establishing a market with the flexibility of active consumption in Slovenia.

We have devoted close attention to the future operations of the company and the transfer of new energy and gas technologies to the Slovenian market and to our society. Reducing the number of employees is accompanied by the optimisation and digitisation of processes, as well as the education and professional training of employees.

The company Plinovodi remains a reliable business partner, which was confirmed by the Bisnode Certificate of credit rating Platinum Class AAA, which we have received and which is acquired by 1.2% of companies in Slovenia. We will continue to strengthen our values and mission in the future with our dedicated and committed colleagues with plenty of knowledge about the natural gas transmission and the preparation and implementation of infrastructure projects.

## Governance Statement

In accordance with the provisions of the fifth paragraph of Article 70 of the Companies Act (Official Gazette of RS, No. 65/09 - OCT 33/11, 91/11, 100/11 - res. CC, 32/12, 57/12, 44/13 - Dec. CC, 82/13, 55/15, 15/17, and 22/19, hereinafter referred to as: "the ZGD-1"), the company Plinovodi d.o.o., as part of the business report, hereby makes the following

### CORPORATE GOVERNANCE STATEMENT

Governance of the company Plinovodi d.o.o. is consistent with the ZGD-1, the Slovenian Sovereign Holding Act (hereinafter referred to as: "the ZSDH-1"), the Energy Act, and other applicable regulations. Governance of the company Plinovodi d.o.o. is based on statutory provisions and implementing regulations, Articles of Association of the limited liability company, Decision on Certification for Transmission System Operator for Natural Gas No. 533-100/2011-20/134 of 11 July 2012 issued by the Energy Agency, good business practice, Corporate Governance Policy of the company Plinovodi d.o.o. and Code of Conduct of the company Plinovodi d.o.o., both available on the website of the company Plinovodi d.o.o. (<http://www.plinovodi.si/>), Corporate Governance Code for State-Owned Enterprises, recommendations and expectations of the Slovenian Sovereign Holding, available on the website of the Slovenian Sovereign Holding, d.d. (<http://www.sdh.si/>), and the Slovenian Corporate Integrity Guidelines.

#### **Governance of the Company and Compliance with the Corporate Governance Code for State-Owned Enterprises and the Recommendations and Expectations of the Slovenian Sovereign Holding**

As a subsidiary of a state-owned enterprise, the company Plinovodi d.o.o. is subject to the Corporate Governance Code for State-Owned Enterprises. The company observes the code and complies with its provisions. The company partially deviates from the code in the items specified below, mainly as a result of carrying out the transmission of natural gas in the Republic of Slovenia as a public service that is regulated by the Energy Agency, and the company's position as an independent natural gas transmission system operator. The deviations by item are as follows:

- Point 3.1: The objectives of the company are clearly defined in the Articles of Association and the energy legislation. The maximum income that the company can generate for the owners is determined by the regulatory authority in accordance with the EZ-1.
- Point 3.5: Based on the ZGD-1 and the Articles of Association of the limited liability company Plinovodi d.o.o., the only shareholder of the company Plinhold d.o.o. did not envisage granting discharge to members of the management and supervisory body.
- Point 3.6.2: The company Plinovodi d.o.o. has not yet adopted a special act in 2019 to formulate and adopt a policy of diversity in relation to representation in management and supervisory bodies. The company operates in accordance with the direction and principle of diversity and recognises the objectives of diversity as achievements in improving the effectiveness of management and supervisory bodies.

In October 2018, the company signed the Slovenian Diversity Charter, confirming that values of inclusion and equality are driving the growth of the company.

- Point 6.6.1: The special position of the company as a transmission system operator also defines additional requirements for fulfilling the condition of independence, which is why it is essential that the legislation governing companies, and the management of investments owned by the SDH, d.d., and the Republic of Slovenia, as well as the energy legislation are taken into account. The independence statement is therefore different than in Annex 4 of the Code. Upon taking office, the members of management and supervisory bodies sign a declaration on the basis of Article 196 and in conjunction with Article 195 of the EZ-1, as well as on the basis of Article 255 in conjunction with Article 273 of the ZGD-1, and on the basis of Article 59 of the ZSDH-1. The statement also needs to satisfy the requirements for independence in accordance with the energy legislation; therefore, the content of the statement is somewhat different than the statement form in Annex 4 of the Code. Considering the requirements for independence and taking into account the energy legislation and legislation governing companies, and the management of investments owned by the SDH, d.d., and the Republic of Slovenia, the content of the statement in the Annex of the Code is also satisfied. The independence of the members of management and supervisory bodies of the company, which is a natural gas transmission system operator, is assessed by the regulatory authority in accordance with the EZ-1.
- Point 6.12: The Supervisory Board examined the recommendations and good self-assessment practices and plans to perform the first self-assessment in 2020. After the self-assessment, potential suggestions for further work will follow.
- Point 6.13: The Supervisory Board established the Audit Committee, which became operational on 1 January 2020.
- Point 8.2: The company's Annual Report does not disclose memberships in management or supervisory bodies of related and unrelated companies held by members of management or supervisory bodies, due to the fact that pursuant to the ZGD-1 and the EZ-1, members of the Management Board and members of the Supervisory Board inform the Supervisory Board or regulatory authority about possible conflicts of interest and about independence.
- Point 8.5: Each year, the company prepares the company's Financial Calendar. The company is a one-person limited liability company; therefore, the company's Financial Calendar is not published on the company's website.
- Point 9.2.3: In accordance with the ZGD-1 and the EZ-1, due to the conditions and restrictions imposed by the energy legislation, the company has established an internal control function (the area of risk management, internal controls, integrated reporting and compliance). The contents of internal control follow the needs of the company in terms of activity, size and organisation in order to ensure compliance with provisions of the energy legislation, while at the same time meeting the conditions for effective operation of the entire internal control.

As a subsidiary of a state-owned enterprise, the company Plinovodi d.o.o. is subject to the recommendations and expectations of the Slovenian Sovereign Holding. The company observes them and complies with their provisions. The company deviates from the recommendations and expectations in the points listed below. The two deviations are as follows:



- Point 3.7: When concluding business transactions, the company regularly publishes the values and types of transactions in accordance with the ZDIJZ and the ZJN-3.
- Point 5: In the context of the assessment in connection with the awarding of the "Business Excellence Prize of the Republic of Slovenia" for the year 2017, the company Plinovodi d.o.o. got familiar with the EFQM Excellence Model. Prior to the implementation of the EFQM Excellence Model, the process of assessing the appropriateness and effectiveness of its implementation should be performed, especially in view of the company performing the activity of natural gas transmission in the Republic of Slovenia as a public service and activity regulated by the Energy Agency. The management system and corporate governance of the company is a means to achieve the long-term strategic objectives of the company. Its tenets are modern principles of management and corporate governance, introduced by advanced domestic and foreign practices. The management system and corporate governance of the company determines the distribution of rights and responsibilities among the management and supervisory bodies, establishes the rules and procedures for making decisions regarding corporate issues, provides a framework for setting, achieving and monitoring the accomplishment of business objectives, and establishes values, principles and standards of fair and responsible decision making and conduct in all areas of the company's operation.

On 2 July 2015, the company Plinovodi d.o.o. acceded to the Slovenian Corporate Integrity Guidelines, clearly and publicly expressing its commitment to the implementation and compliance with the principles of corporate integrity and accepted the lead in the pursuit of an effective corporate integrity system. On 26 October 2018, the company signed the Slovenian Diversity Charter, and on 25 May 2019 the Commitment to Respecting Human Rights in Business, making a responsible decision, placing values of inclusion and equality, as well as respect for human rights among the fundamental principles or values of the company. In its operations, the company and its employees are also bound by good business practices, high ethical standards and principles, pursuant to the Code of Conduct of the company Plinovodi d.o.o.

The Management Board of the company leads by example and encourages the employees to act in a way that allows further improvements to the corporate integrity system. The company periodically monitors compliance with the guidelines and recommendations of the Slovenian Corporate Integrity Guidelines, and then prepares a report that acts as a basis for the decisions and measures for the development of the system.

### **Description of the Key Characteristics of Internal Control and Risk Management Systems**

An internal control and risk management system is a component of the company's corporate governance and lines of defence in the context of the modern arrangement of management and control system established within the company.

A methodology based on expert groundwork and good practice allows the company to establish a risk management process. Risks are identified, assessed, managed, and monitored. A control environment is established and shaped by the factors: enforcement of integrity and ethical values, commitment to competences, the Management Board's way of thinking and their operating style, the cooperation of responsible persons for management,

organisational structure, assignment of competences and responsibilities, guidelines and procedures.

Identification and assessment of risks is a process of discovering and assessing risks that affect the achievement of objectives. The risk register is the starting point for decisions regarding their treatment and internal controls and measures to achieve the objectives and ensure consistency of operations.

The company identifies and assesses risks on all levels within all organisational units, functions and processes. Monitoring activities and other mechanisms are developed proactively in conjunction with all major risks. The internal control system is verified, and measures are taken to manage the risks in due time.

The activities of internal control are organised and take place on all levels of modern arrangement of the company's control system; namely, on the level of internal control system, the level of compliance and risk management, and the level of advisory internal control function.

The Risks chapter of this annual report describes the risk management and the introduced control mechanisms in greater detail.

### **Operation of the General Meeting of the Company, Its Main Competences and Description of Owner's Rights and the Manner in Which They Are Exercised**

The General Meeting of the company is represented by the sole shareholder Plinhold d.o.o. which has voting right and decides on:

- The increase or reduction in equity of the company at the proposal of the Supervisory Board, while taking into account the provisions of the EZ-1 and the decisions of the Energy Agency regarding the provision of resources for the implementation of investments envisaged in the 10-year network development plan,
- The division, termination or transfer of shares,
- Changes in the company's activities, changes of the Articles of Association and the joining of new shareholders,
- Other matters determined by the Articles of Association and the applicable legislation.

When exercising his rights and obligations under the ZGD-1 and in accordance with the EZ-1, the shareholder may not interfere in the Management Board's independence regarding the Management Board's decisions in relation to the company's day-to-day operations and especially regarding the management of the transmission system and activities related to the preparation and implementation of the 10-year network development plan. All decisions must be entered into the register of decisions by the shareholder and certified by a notary; otherwise, they have no legal effect.

The shareholder usually makes decisions on the basis of the draft of decisions submitted by the Management Board.

## **Composition and Operation of Management and Supervisory Bodies and Their Committees, and Authorisations of Management Board Members**

The company Plinovodi d.o.o. is managed by a Management Board of two members - the General Manager and the Deputy General Manager, who represent the company together. The Management Board makes all decisions within its competence unanimously. The Management Board represents the company on its own responsibility.

The Management Board manages the company's operations in accordance with the applicable legislation, the Articles of Association of the limited liability company and the Rules of Procedure of the Management Board of the company Plinovodi d.o.o.

The Supervisory Board of the company has six members. Four members of the Supervisory Board have been appointed by the shareholder, while two members of the Supervisory Board are representatives of the workers and have been appointed in accordance with the law governing employee participation in corporate governance.

The Supervisory Board operates in accordance with the applicable legislation, the Articles of Association of the limited liability company and the Rules of Procedure of the Management Board of the company. The Supervisory Board established the Audit Committee, which became operational on 1 January 2020. The decisions of the Supervisory Board may not include decisions related to regular operations and day-to-day activities of the transmission system operator and network management, including the conclusion of legal transactions in this context and decision-making for their implementation. Moreover, the Supervisory Board may not adopt decisions that would influence activities required for the preparation of the ten-year network development plan or would be related to those activities.

In a company operating according to the model of an independent natural gas transmission system operator, the Supervisory Board appointed the Compliance Officer on the basis of the EZ-1. The approval to the decision on the appointment of the Compliance Officer was given by the Energy Agency. The Compliance Officer is in charge of continuous surveillance over the fulfilment of the requirements of European and national energy legislation in relation to ensuring the independence of the transmission system operator and non-discriminatory treatment of all users of the gas transmission network.

## **Company Regulations for Appointing and Replacing Members of Management and Supervisory Bodies and for Amending the Articles of Association**

In addition to the conditions set out in the ZGD-1 and the conditions regarding education and experience set out in the Articles of Association, each Management Board member must meet the conditions determined by the Energy Agency. Each Management Board member, as well as persons answerable directly to the Management Board and responsible for the operation, maintenance and development of the transmission network, must also meet all conditions determined by the EZ-1.

Management Board members are appointed and recalled by the company's Supervisory Board. The Supervisory Board is obliged to comply with the provisions of the EZ-1 and decisions of the Energy Agency in the appointment and dismissal of Management Board members. An employment contract with a Management Board member is concluded by the Chairman of the Supervisory Board on behalf of the company for a five-year term of office.

In accordance with the EZ-1, the Supervisory Board must notify the Energy Agency in writing about every appointment, termination of appointment, or other decision regarding the terms of office of a member of the Management Board of the transmission system operator and persons responsible for executive management, its duration and termination, and reasons for every proposal for termination of the term of office of those persons. The decision of the Supervisory Board is effective in the event that the Energy Agency does not object within three weeks of receiving the notification about the decision.

When appointing Supervisory Board members, the shareholder must observe the provisions of the EZ-1 and the decisions of the Energy Agency. The provisions of the EZ-1 regarding the independence of individual Supervisory Board members must be fulfilled so that at least one chairman, deputy chairman and two more Supervisory Board members are independent in terms of the provisions of the EZ-1. Supervisory Board members are appointed for a four-year term of office. Members may be reappointed.


A Supervisory Board member may be recalled by the body that appointed him, but the body must observe the provisions of the EZ-1 and the decisions of the Energy Agency while appointing and dismissing members. Supervisory Board membership may also be terminated before the expiry of the term of office, either at the request of the member or due to a recall. In accordance with the EZ-1, the Supervisory Board must notify the Energy Agency in writing about every appointment, termination of appointment, or other decision regarding the terms of office of a member of the Supervisory Board of the transmission system operator, its duration and termination, and reasons for every proposal for termination of the term of office of persons that fulfil the provisions of the EZ-1 regarding the independence of members. The decision is effective in the event that the Energy Agency does not object within three weeks of receiving the notification about the decision.

Compliance Officer must meet all conditions determined by the EZ-1. The Supervisory Board is obliged to comply with the provisions of the EZ-1 and decisions of the Energy Agency in the appointment and dismissal of Compliance Officer. The terms and conditions applicable to the terms of office and the appointment of the Compliance Officer shall be adopted by the supervisory body upon the prior consent of the Energy Agency. Compliance Officer is appointed for a four-year term of office.

In accordance with the Articles of Association of the limited liability company, the sole shareholder of the company Plinovodi d.o.o. shall be the one to decide on the changes to the Articles of Association.



General Manager  
Marjan Eberlinc, BSc in Mech. Eng.

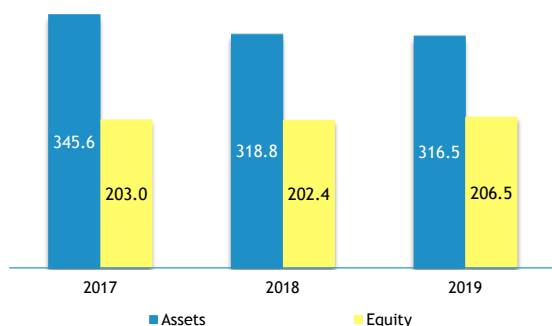


Deputy General Manager  
Sarah Jezernik, MSc in E.

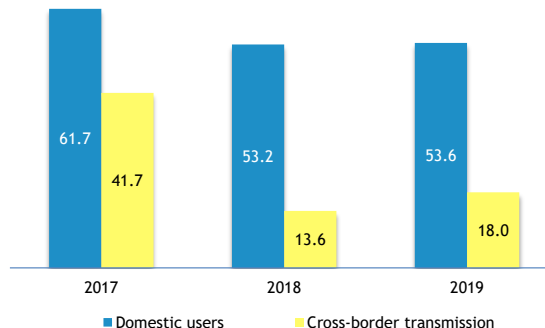
## Financial Highlights

Data / Indicator	Unit / Criterion	2017	2018	2019
Booked border entry capacities	MWh/day	83,381	46,524	52,235
Booked exit capacities in Slovenia	MWh/day	61,719	53,222	53,589
Transmitted quantities	GWh	22,745	13,246	15,953
- of which domestic transmission	%	42.4	71.3	60.3
Net sales revenue	EUR million	52.4	43.8	43.5
Gross profit or loss	EUR million	46.3	36.2	38.6
Amortisation and Depreciation	EUR million	15.4	15.5	15.6
Net profit	EUR million	7.9	3.3	5.8
Investments in intangible assets/tangible fixed assets	EUR million	10.8	7.1	4.6
Total assets at the end of the period	EUR million	345.6	318.8	316.5
Regulatory asset base	EUR million	263.0	258.7	246.7
Employees at the end of the period	number	150	145	143
Value added per employee	EUR thousand	276.2	221.6	240.1
EBIT	EUR million	14.4	7.2	9.7
EBITDA	EUR million	32.5	23.9	25.4
Net debt/EBITDA	< 4.0	2.1	2.6	1.8
EBITDA/interest	< 3.0	6.6	7.1	9.1
Debt/assets	< 50%	24.9	20.8	20.1

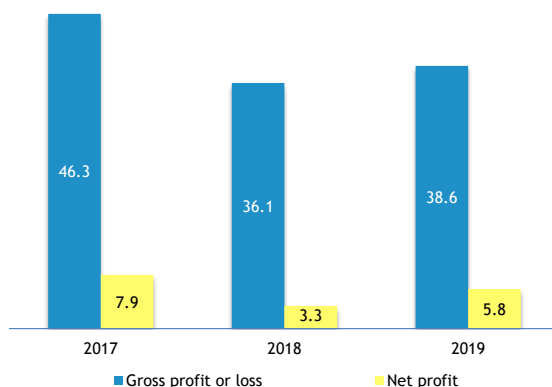
Balance sheet (in EUR million)



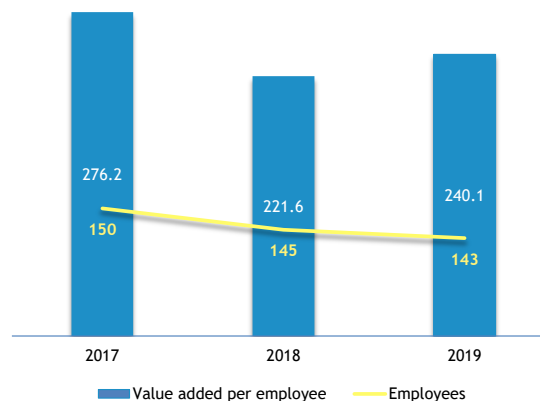
Booked exit capacities (in GWh/day)



Profit and loss account (in EUR million)

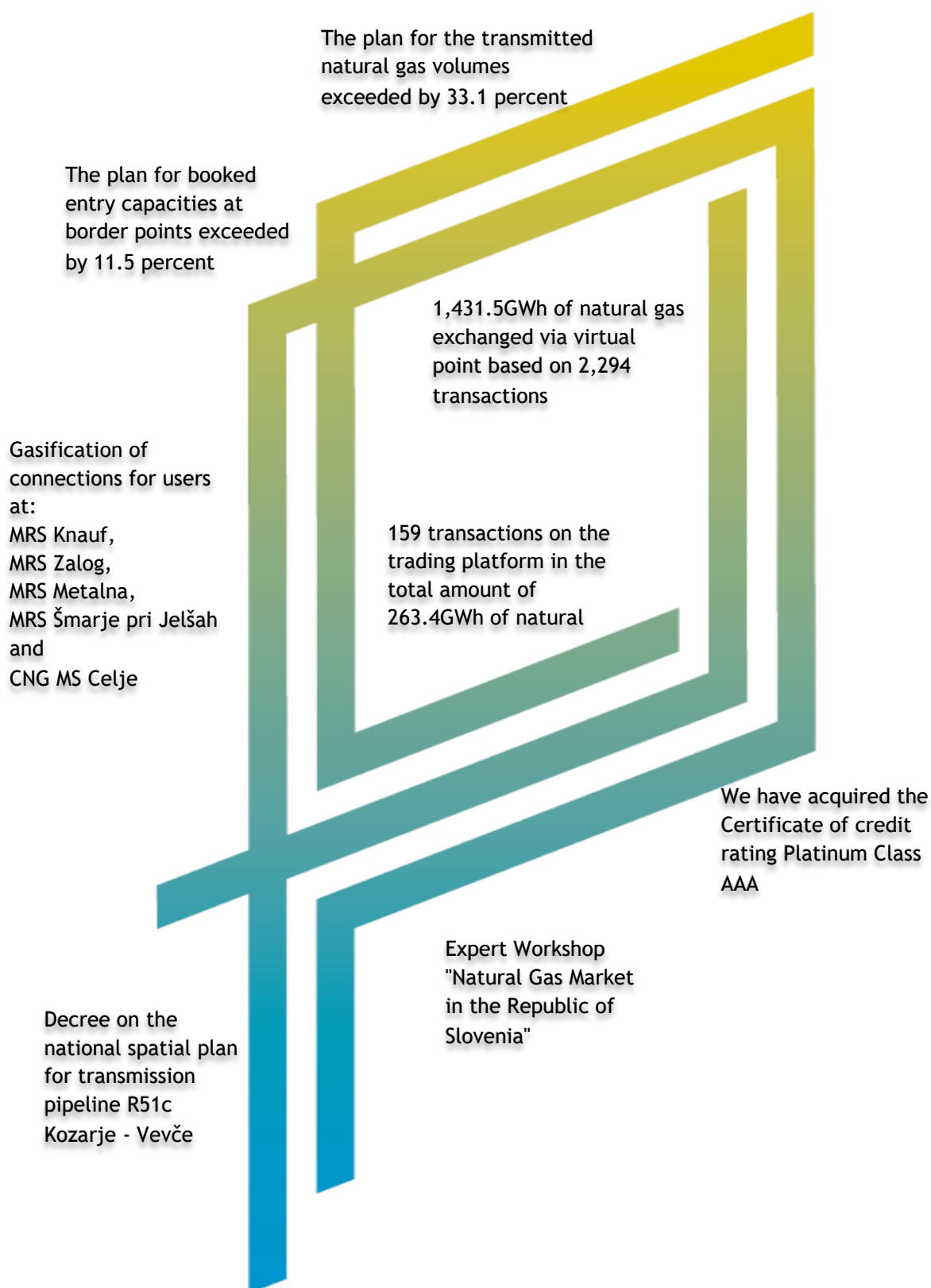


Added value and employees (in EUR thousand)





## Significant Events in the Year 2019



## Our Values, Mission and Vision

### VISION

A growing gas infrastructure pillar, connected with the environment and integrated into the international space, providing efficient energy solutions for people's needs.

### MISSION

We provide energy transmission and opportunities for energy supply.

We are committed to reliability, safety and expertise, and strive for technological and social advancement.

We create space for synergy between the people, industry and environment.

***We are passionate in bringing people and energy together.***

### VALUES

**KNOWLEDGE AND EXPERTISE** - We appreciate and develop the knowledge and expertise of our employees as the cornerstone of our operation.

**DEDICATION** - We are dedicated and efficient in our work.

**CREATIVITY** - We listen to inspiration, encourage creativity and openly accept improvements and innovations.

**RESPONSIBILITY** - We take responsible care for the reliable operation of our systems, the health and safety of people and the preservation of nature. We assume responsibility for our work and our actions.

**RESPECT** - We cultivate respectful relationships and value diversity and open communication.

**TRUST** - We build and maintain a high level of mutual trust, generating trust in others through our actions.

**INTEGRITY** - We are honest and unbiased.

**SELF-INITIATIVE** - We encourage and strengthen self-initiative, thus contributing to personal development and progress within the company.

## PRESENTATION

**Company name:** Plinovodi, Družba za upravljanje s prenosnim sistemom, d.o.o.

**Short name:** Plinovodi d.o.o.

**Address:** Cesta Ljubljanske brigade 11b, 3720, 1001 Ljubljana, Slovenia

**Telephone:** +386 (0)1 5820 700

**Fax:** +386 (0)1 5820 701

**E-mail:** [info@plinovodi.si](mailto:info@plinovodi.si)

**Website:** [www.plinovodi.si](http://www.plinovodi.si)  
[www.linkedin.com/company/plinovodi-d.o.o.](https://www.linkedin.com/company/plinovodi-d.o.o.)

**Registration number:** 1954288000

**Tax number:** SI 31378285

**Established on:** 1 January 2005

**Court register:** District Court in Ljubljana

**Certificate:** Decision on Certification for Transmission System Operator for Natural Gas  
 No. 533-100/2011-20/134, issued by the Energy Agency

**Company size  
 under ZGD-1** Large company

**Activity code:** H 49.500 Pipeline transport

**Management Board:** Marjan Eberlinc, General Manager  
 Sarah Jezernik, Deputy General Manager

**Supervisory Board:** Tibor Šimonka, Chairman

**Share capital:** EUR 98,733,790.00

**Shareholder:** Plinhold d.o.o, Mala ulica 5, 1000 Ljubljana, Slovenia  
 100-percent shareholder

**Bank account:** SI56 02923-0254424156 Nova Ljubljanska banka d.d., Ljubljana  
 SI56 03100-1002465515 SKB d.d., Ljubljana

**Environmental  
 certificate:** ISO 14001:2004 for environmental management

**Accreditation  
 document:** No. K-010 and Supplement No. 3150-0048/10-008  
<http://www.slo-akreditacija.si/accreditation/plinovodi>

# **SUSTAINABLE DEVELOPMENT**

## Development Guidelines and Objectives

The company's development orientations and objectives are based on its core activities, namely:

- The development, construction and operation of the transmission system and the implementation of natural gas transmission, and
- The extension of the system by allowing connections and access to the transmission system to all interested users.

Plinovodi is aware that the efficient functioning of the internal energy market, as well as security and reliability of energy supply should be developed through modern approaches to the operation of the natural gas market with suitable development, construction and maintenance of the energy infrastructure in general. We therefore wish to preserve the achieved high level of reliability and operational security of the transmission system and strengthen the role of the natural gas transmission system in Slovenia and in connection with the neighbouring transmission systems with an expansion plan. By introducing information technologies, we are improving our responsiveness to the needs of the users and offer them additional information to make their operation even more successful. In this way, we wish to contribute as much as possible towards an efficient energy supply in the country, with the objective of increasing the share of natural gas in the energy balance to a level comparable to the European one. This objective will be possible by further increasing the use of natural gas in general consumption and electricity generation by using state-of-the-art cogeneration technologies, by preserving the level of industry supply and through territorial coverage of all Slovenian regions with transmission lines. We see great development potential in this course of action.

Strategic objectives - guidelines of the company are:

- Increasing the consumption and transmission of natural gas,
- Sustainable growth and development,
- Establishing and strengthening international connections,
- Integration within the value chain,
- Introduction of modern energy solutions.

### Increasing the Consumption and Transmission of Natural Gas

The activities to achieve this group of objectives will aim for optimal utilisation of available transmission system capacities, while maintaining the competitiveness of the energy product throughout the supply chain. By using natural gas over coal, it is possible to achieve environmental goals set to the Republic of Slovenia by international commitments in terms of reducing CO<sub>2</sub>, SO<sub>2</sub>, particulate matter, and other harmful emissions. The company will actively seek to gradually integrate renewable and CO<sub>2</sub> neutral gases into the transmission system. In this way, the gas transmission system will become one of the carriers of renewable energy. In the activities, the company is going to cooperate with all other participants in the industry that are also interested in achieving a suitable position (share) of gas in primary energy (mainly natural gas suppliers, distribution companies, etc.).

### Sustainable Growth and Development

The company's activities must enable sustainable growth and development, which means that we must remain competitive, economically stable and successful. Growth should be



provided for and based on deliberate measures that ensure long-term success. Growth must be responsible towards social and natural environment.

### **Establishing and Strengthening International Connections**

This strategic group of objectives comprises several dimensions of operation. On the one hand, strong proactivity of the company is needed in the area of planning and construction according to the needs of international connections, both in terms of physical connections of pipeline networks and international cooperation between companies in the gas industry. On the other hand, strong activity of the company's employees in international organisations and associations is needed to further increase the company's visibility, its influence in the industry, and follow the trends and innovations on an international scale.

### **Integration Within the Value Chain**

Plinovodi closely monitors and analyses the options for integration within the value chain in the industry. An important criterion here is the achievement of synergies and the consequent reduction in costs, optimisation of operations throughout the chain, thereby increasing revenue.

### **Introduction of Modern Energy Solutions**

The experts in the company are actively involved in the analysis of options for using modern solutions in the field of gas technology in the Republic of Slovenia in such a way that they will contribute as much as possible to the promotion and introduction of these solutions in everyday life. The company actively incorporates modern technologies (digitisation, smart grids, etc.) into its operations.

We adapt the scope of activities to changes in the environment and to the availability of the financial and human resources.

### **Key Business Objectives in 2020:**

- Average volume of booked entry capacities at the border in the amount of 46.8GWh/day,
- Average volume of booked exit capacities in Slovenia of 55.1GWh/day,
- Net sales revenue in the amount of EUR 46 million,
- Investments in development and modernisation of the transmission system and other intangible / tangible fixed assets of EUR 34.3 million,
- Net profit in the amount of EUR 3.5 million,
- EBITDA of EUR 22.9 million,
- Added value per employee in the amount of EUR 216,500,
- Fulfilment of financial covenants,
- 145 employees with the preservation of high educational structure.

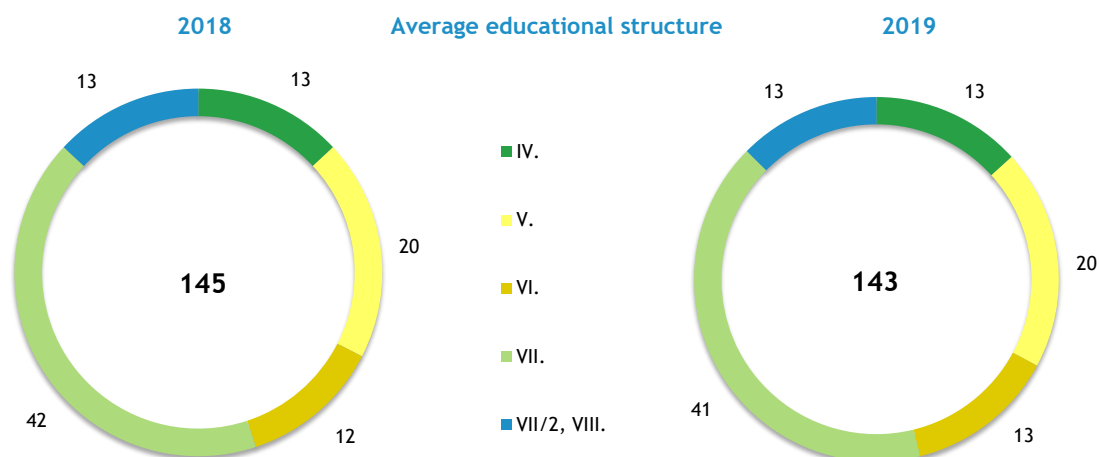
## **Employees and Internal Communication**

At the company Plinovodi, we are aware that a major building block of the company's performance undoubtedly are the people - the employees. Therefore, we take care of their personal and professional development. We strive towards creating a work environment in which work requirements and results are combined with satisfaction, motivation, loyalty and good relationships.

The organisation chart of Plinovodi reflects the activity of the transmission system operator for natural gas, where the technical section is the largest and very extensive, with 71 percent of employees. At the end of December 2019, our company had 143 employees, 83 percent of them at the company headquarters in Ljubljana. The remaining workers are employed in three separate units; 19 of them at the maintenance centre in Maribor, three at the compressor station in Kidričevo, and two at the compressor station in Ajdovščina. One worker worked only part-time due to disability.

Throughout the year, we have followed the already established careful management of the company by carefully assessing the replacement of employees who have retired. Retired employees were largely replaced by internal redeployments.

The gender structure of the employees in our company reflects the expressed interest of the potential candidates for the vacancies over a longer period: 81 percent of employees are men and 19 percent are women. The largest share of employees is in the age group from 51 to 55 years, namely 23 percent, which suggests that we value experience.



We ensure high-quality and professional business operations with a favourable educational structure. The share of employees with at least higher professional or level 6 education amounts to 67 percent. Despite the high educational structure of our workers, we encourage every employee to take part in education and training throughout their career path. In 2019, 66 percent of employees engaged in various forms of acquiring knowledge and further increased their skills. 3,357 hours were spent on this, approximately 60 percent of it in the professional and technical fields, which reflects our commitment to ensure the safe and reliable operation of the transmission system through properly trained staff. Moreover, the business training also has a high share of education, approximately 20 percent.

Due to the nature of the activity associated with danger presented by the possible presence of natural gas, it is a priority of the company to constantly ensure a high level of health and safety at work. Risks are assessed periodically and kept at an acceptable level by the implementation of safety measures. Contractors are informed about safety instructions, as well.

One of the prerequisites for achieving good results is working in a safe and encouraging environment; we therefore provide suitable working premises, as well as appropriate and

safe work equipment for our employees who are familiar with safe work procedures and also undergo regular preventive medical examinations.

We know that balancing work and family life is nowadays a growing challenge; therefore, we have in the year 2014 acquired the basic certificate of the Family-Friendly Enterprise, and in June 2017 a full certificate of the Family-Friendly Enterprise. The effects of participating in the Family-Friendly Enterprise project are also evident in the lower employee turnover rate.

In 2019, we continued with the implementation of the Leadership Academy, which was named "I, the Leader" and includes young and potential leaders. These are promising employees who have not yet had the opportunity to participate in the leadership programme. In addition to new knowledge and skills, the programme also provides monitoring for the direct transfer of what has been learned into practice, better mutual understanding, encourages cross-departmental collaboration, and provides participants with a safe environment to address personal leadership challenges.

We believe that good inter-network communication is important, as well as good communication within various departments; therefore, special attention is paid to communication with and between the employees. The employees are promptly informed about the developments in the company via the intranet, e-mail, a variety of formal and informal meetings, and the Plinovodnik internal newsletter of the company.

The company Plinovodi has a positive attitude to the policy of diversity. We operate in accordance with the direction and principle of diversity and recognise the objectives of diversity as achievements in improving the effectiveness of management and supervisory bodies, and all the employees.

## **Communication with the External Public**

We pay as much attention as possible to external entities, as well as stakeholders within the company. Through appropriate communication with our suppliers, customers, regulators, national and supranational organisations, we aim to maintain a fair, mutually respectful and sustainable business relationship. In accordance with a good business practice and personal data protection, we are carefully protecting commercially sensitive information, and our communication is based on transparency and impartiality.

We have also established the Plinovodi d.o.o. profile on the online social network LinkedIn, which helps us expand the network and increase the visibility on the natural gas market.

### **Customers**

In line with the trend of computerisation and digitisation of business processes, intensive communication with the users of the pipeline system takes place via the company website [www.plinovodi.si](http://www.plinovodi.si), where (potential) network users can obtain all the information about the procedures for concluding contractual arrangements and the legislative regulations in the natural gas transmission activity. We ensure that up-to-date information on the amount and structure of transmission capacity booking at cross-border interconnection points is always available to the interested public. All information is publicly available on our website and we are available for any clarifications.

In September, we have organised the 8th well-attended meeting workshop entitled "Natural Gas Market in the Republic of Slovenia". In addition to the internal lecturers, almost 100 participants of the meeting also listened to the expert representatives of the GIZ DZP, the Faculty of Mechanical Engineering, University of Ljubljana, and the company Adriaplin d.o.o.

In 2019, we continued the successful practice of visiting our customers. Through weekly informative visits, we inform the users of the gas transmission system about all new and emerging developments in the natural gas market.

Every month, we enclose to the invoices for the network charges a printed leaflet to inform the users about news in various areas: the possibility of concluding electronic transmission contracts, workshops, changes in the various legislative acts and the introduction of electronic invoices.

### **Suppliers**

Efficient procurement is one of the conditions for successful business operations. Notwithstanding the fact that we have to follow legislation on public procurement in the purchasing process, we strive towards the highest possible quality of the procurement process. At all stages of procurement / ordering, our employees strictly follow the legislation and internal regulations. We make sure that the procurement of the material and services is efficient and we strive towards establishing a fair, long-term and sustainably-oriented business relationship with our suppliers. We settle all obligations on their maturity, which resulted in our acquired Bisnode Certificate of credit rating Platinum Class AAA, awarded exclusively to companies with the highest credit rating Golden Class AAA for three consecutive years. For all business partners, companies that demonstrate the platinum credit rating represent the most reliable, credible and low-risk business entity to cooperate with. In 2019, only 1.2 percent of companies in the Slovenian market received a platinum credit rating.

### **Financial, National and Supranational Institutions**

Due to our business operations in regulated activity, ownership structure, and our commitments in regard to financing, Plinovodi is obliged to report to financial, national and supranational institutions monthly, quarterly and annually. In addition to regular periodic reporting in the form of standardised forms known in advance, we respond to each data submission request quickly, effectively and in a user-friendly manner. We are in regular contact with financial institutions in order to keep up with their offer and maintain their high level of readiness for cooperation.

## **Environmental Responsibility**

### **Natural Environment**

Because we understand that our business activities have consequences, we have integrated environmental care into our mission and vision. In addition to supplying a substantial part of Slovenian population and key industrial consumers with the cleanest form of fossil fuel, we strive to improve the results in the use of natural resources and environmental management through the use of the most advanced technologies and our own innovations. One of the

eight values of our company (responsibility) is the concern for health and safety of people, and the preservation of nature.

With the environmental certificate ISO 14001 - environmental management system, we are committed to the continuous reduction of all our environmental impacts. The system enables the comprehensive management of environmental concerns caused by the activity of natural gas transmission. It encompasses compliance with legal requirements, as well as cost control, efficient use of resources, pollution prevention and response to the demands and expectations of business partners, shareholders and other interested public.

We have successfully passed the regular annual audit of the requirements of the new ISO 14001-2015 standard. The auditors made two recommendations that will be fully summarised and implemented in our system, thus further improving the company's environmental friendliness. We have also performed all other activities necessary for maintaining the environmental management system.

When performing the activity of natural gas transmission through the pipeline system, the transmission system operator requires natural gas for his own use in order to power the compressors and for technical gas for the heating of metering and regulation stations (MRSs).

Natural gas consumption for own use of MRSs was approximately at the same level in 2019 as in 2018, with slightly more gas being transmitted. The KPK operated several hours more in 2019 than in 2018, while the KPA operated less time than the year before. As a result, less natural gas was used to power the gas turbines. Compared to the previous year, the consumption of natural gas for the purpose of heating and cooling of business premises was reduced by 10 percent.

Although water consumption increased there due to a longer drought and consequently a greater need for watering the KPA area, we reduced our overall water consumption by 5 percent. Moreover, we have also managed to reduce electricity consumption by one percent, the most in Ljubljana, by 7 percent.

In comparison with the year 2018, the total mileage was reduced by 6 percent. The share of CNG vehicles with improved fuel efficiency, low maintenance costs and certain environmental benefits, such as virtually zero particulate matter, continues to increase.

In 2019, we had 16 environmental objectives. An oil trap was installed at the MRS Ljubljana and parking spaces were arranged. With this we completed the project of installing oil traps and arranging parking spaces at MRSs located in water protection areas. An active fire protection system for fire control was installed in the canopy located in the parking area. We have continued with the modernisation of gas boiler systems and with the replacement of windows in the KPK with modern gas thermopane windows with the improved heat transfer factor.

## **Social Environment**

Physical or natural environment is not the only aspect of our concerns. With limited resources we try as much as possible to respond to a call for financial aid from various humanitarian organisations. For many years, we have also supported various interest and sports associations, as well as cultural events and activities.



The natural gas transmission through underground pipelines is regarding the use of space, safety, energy efficiency and environmental impact the most optimal form of energy transport. Nevertheless, we are especially careful when laying the pipes and in the framework of the preparation of the national spatial plans, we are ensuring that any potential sites are properly treated with the preliminary archaeological research of the terrain.

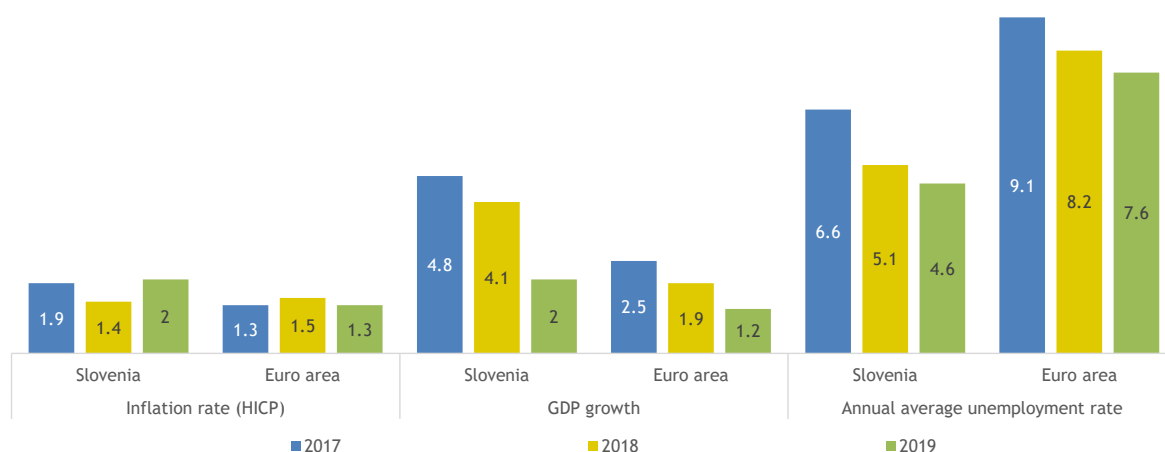
**BUSINESS**

## Business Environment

Economic growth in the euro area continued with the same moderate pace in the third quarter of 2019 as in the previous quarter. Domestic demand contributed significantly to the 0.2% increase in real GDP of the euro area (Economic Bulletin, Issue 8/2019) in the third quarter, while on the production side, economic growth was mainly supported by services and the recovery of the construction sector. With a weak international trade due to persistent uncertainty, a slight negative impact on growth was recorded in net exports. The added value in the industry has also been further reduced, with the exception of the construction sector.

Despite the slowdown in Slovenia's economic growth, it was still relatively high (0.8 percent) in the third quarter of 2019, compared to the euro area as a whole, with only Estonia having higher growth in this period (1 percent). The growth in the third quarter was mainly due to strong private consumption, which was the result of rapid growth in real wage bill and growth in the added value in the industry, as opposed to the euro area where the added value in the industry has been declining year-on-year since the end of 2018. Exports increased by 4.5 percent in the third quarter of last year compared to the same period in 2018, while imports increased by 6.7 percent, a significant increase over the previous quarters. On the production side of the GDP, a decrease was observed in the construction sector in the third quarter.

### Comparison of the main economic indicators in %



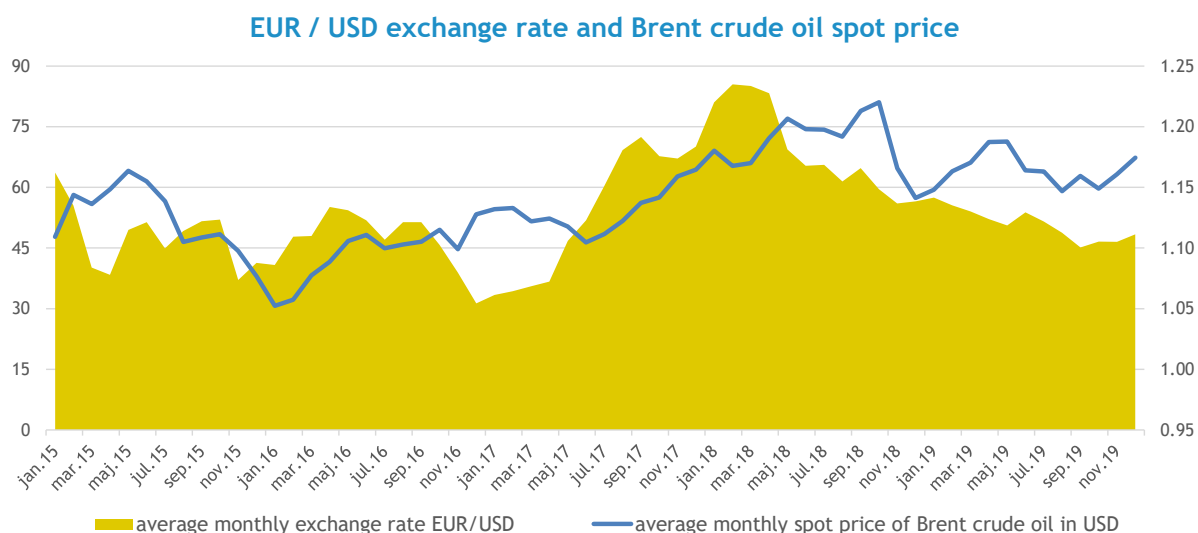
The euro area recorded 1.3% inflation in 2019 as measured by internationally comparable HICP, a slight decline from 2018. According to Eurostat (13/2020), the December inflation rate was mainly driven by the rise in the prices of services, namely 0.8 percentage point, food, alcohol and tobacco (0.38 percentage point), and commodity prices (0.12 percentage point).

Annual price growth in Slovenia, also measured by the HICP, was two percent in December 2019, 0.6 percentage point more than in December of previous year. The Statistical Office of the Republic of Slovenia, which is responsible for price statistics in Slovenia, recorded a 2.8% increase in prices of services and a 1.3% increase in prices of goods in the past year.

(First Release, 30 December 2019). Prices increased the most in education, by 4.8 percent, while prices decreased only in the communication group, by 1.3 percent.

Although in the third quarter, only a slight increase (0.1 percent) in employment was observed in the euro area, it was recorded in all sectors and countries, which means that the employment rate in the euro area was as high as 3.9% above the highest pre-crisis value since the beginning of 2008. The unemployment data have also improved for the euro area, with a further decline of 0.1 percentage point from the unchanged 7.6% in the third quarter of 2019 in November last year, remaining at its lowest level since July 2008 (Eurostat news release 4/2020 - 9 January 2020).

Compared to other euro area countries, employment growth in Slovenia is still high, despite a slowdown in the last quarter of last year (a 0.3% decrease from the previous period), at 2.3%. The gradual decline in year-on-year growth in employment, and the number and rate of job vacancies thus indicate a decline in labour demand. In the same period, the survey unemployment rate was 4.8 percent (First Release, 29 November 2019), a slight increase over the second quarter, but still 0.2 percentage point less than in the same period in 2018. Moreover, the number of registered unemployed persons is also falling in Slovenia, but at a declining rate.



The US Energy Information Administration estimates (Short-Term Energy Outlook, January 2020) that in 2019, the global oil market was largely in equilibrium, with global oil consumption rising at its lowest rate since 2011, and on the other hand, the global supply has even fallen slightly. The December average spot price of North Sea Brent oil was USD 67 per barrel, an increase of USD 4 from the previous month and USD 10 compared to December 2018.

The average exchange rate in 2019 was USD 1.1195 for EUR 1 (the Bank of Slovenia, website), while the lowest value exchange was USD 1.0889 (30 September) and the highest USD 1.1535 (10 January). On the last day of the year, 3M EURIBOR amounted to -0.390 percent, while the reference rate has remained in negative since April 2015.

## Use of Transmission Capacities

As a transmission system operator, Plinovodi provides statutory ancillary and other services and offers natural gas transmission capacities through the gas transmission network on the territory of the Republic of Slovenia on the primary market. A fully open natural gas market in the Republic of Slovenia gives all natural gas users the freedom to select the suppliers of natural gas and independently arrange their access to the transmission system, which can be ensured either directly on the basis of transmission agreement concluded with the transmission system operator, or through an authorisation via the a natural gas supplier or other balancing group leaders. A transmission system operator examines the applications and approves booking of transmission capacities to the interested users in a transparent and non-discriminatory way.

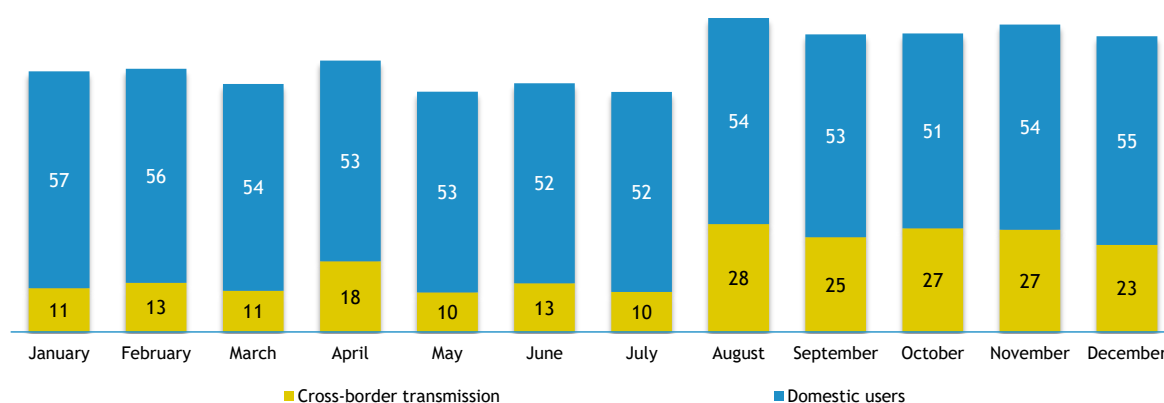
By expanding the gas transmission network based on the implemented investments envisaged in the Development Plan, we have been gradually increasing the available transmission capacities in recent years. As a result, the marketing of transmission capacities, which is due to the nature of Plinovodi's activities largely limited to announcing free capacities for the transmission of natural gas and valid prices for transmission, gained in importance. It is focused on communication with the existing and potential new users and other stakeholders, and lately also increasingly on promoting and encouraging the use of natural gas.

In accordance with the Network Code for the natural gas transmission system, the VPG (Virtualna točka za plin - Virtual Point for Gas, VPG) allows the realisation of natural gas transactions, services of Bulletin board and trading platform for the operation of the balancing market of balancing group leaders.

### Booking of Transmission Capacities

In 2019, 914 transmission agreements were carried out on all border entry points and 641 transmission agreements on exit points in Slovenia with users of the system. The agreements concern different services and have different periods of validity. Some transmission agreements were concluded by foreign companies, particularly for the needs of cross-border transmission of natural gas.

Booked exit transmission capacities (in GWh/day)



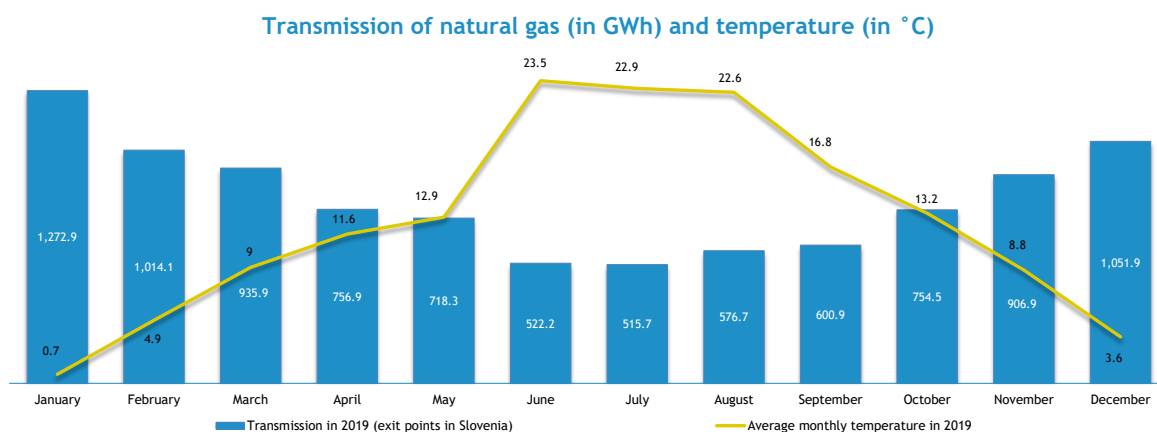


The total average booked transmission capacity at border entry points in 2019 amounted to 52.235MWh/day.

The average booking of transmission capacity in 2019 at the border entry points is higher than planned and achieved in the previous year. The increase in booking is mainly due to the increase in short-term bookings of cross-border transmission capacity.

## Transmission of Natural Gas

The transmitted natural gas reflects the demands of users in Slovenia and those of foreign contracting partners (in case of cross-border transmission) and influence the utilisation of transmission system capacities. The transmission of natural gas was performed in accordance with the plans, without disturbance of the operation or supply of natural gas. At the end of 2019, there were fifteen balancing groups active in Slovenia, nine of which were also suppliers of natural gas to Slovenian users. Compared to 2018, we had two more active balancing groups.



The total transmitted annual quantity of 15.953GWh of natural gas exceeds the planned volume for the year 2019. 9,627GWh of natural gas was transmitted to users in Slovenia, which is 60 percent of total natural gas transmitted in 2019. The temperature conditions in the first and second quarters, as well as economic growth affected the transmission for domestic users in 2019, which exceeded the planned quantities. Cross-border transmission amounted to 6,326GWh in 2019, despite unfavourable conditions in the regional gas market, exceeding the one achieved in 2018 by 67 percent.

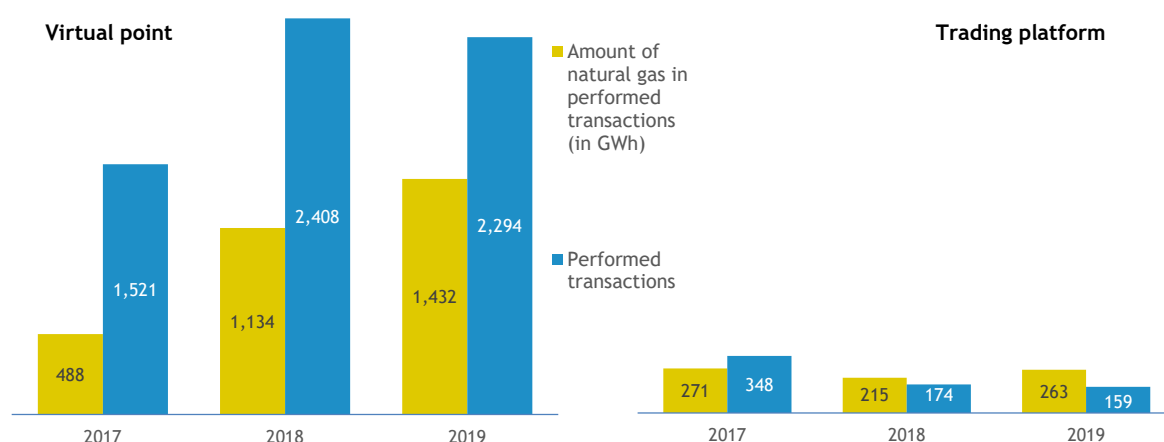
## Functioning of the Transmission System

The company Plinovodi regulates the level of natural gas in the transmission system with the purpose of balancing the transmission system by following daily transmission plans and buying or selling appropriate quantities of natural gas in accordance with the requirements to ensure optimum operational states of the system on a daily basis.

## Transmission System Balancing

The virtual point (VP) enables the execution of natural gas transactions on a daily basis between the members of the VPG. Transactions are carried out in the free market, where the participants in the transaction are registered members of the VPG, and in the balancing market, where the participants in the transaction can only be the balancing group leaders and the TSO. Transactions in the free and the balancing markets are carried out via a web application, Virtual Point for Gas. On the trading platform, trading with natural gas quantities takes place daily in a transparent and non-discriminatory fashion. In addition to the balancing group leaders, who are VPG members, the TSO participates also with purchases and / or sales of natural gas quantities for balancing purposes.

### Review of transactions and exchanged quantities of natural gas (in GWh) in VT and TP



The first volume transaction between the VPG users was carried out in January 2016. In 2019, we observed market stabilisation on the basis of transactions performed in the free market in comparison with the year 2018. In the 2,294 completed transactions in the year 2019, 1,432GWh of natural gas were exchanged, which is almost 1TWh more than in 2017 and 300Gwh more than in 2018.

By the end of 2019, we have bought or sold as the TSO in the TP 263GWh of natural gas for the balancing of the transmission system. Compared to the previous year, we have balanced 48GWh more natural gas and executed five transactions less. During the reporting period, the users of the transmission system supplied more natural gas to the transmission system than was taken from the transmission system for the purpose of transmission to end users in Slovenia and for cross-border transmission.

## Transmission System Maintenance

For a safe and reliable operation of pipelines, facilities and equipment, preventive maintenance activities are vital to ensure constant availability and high operability of the pipeline infrastructure. In 2019, we performed 2,804 MRS inspections and 1,644 route control trips. During periodic activities, we carried out 2,561 inspections of electrical installations, 87 control examinations and 199 visual examinations of Ex-equipment, and 280 inspections of cathodic protection. Maintenance requires handling of advanced technical equipment, nitrogen inertisation of certain sections of the pipeline system to ensure safe maintenance works and connections of newly constructed pipeline facilities. The company's expert

maintenance teams carry out the works independently or, if necessary, together with external contractors. Outsourcing of maintenance services and the necessary purchases of material and resources took place in accordance with the public procurement legislation. Public procurement procedures did not influence the safety and operability of the gas transmission system.

### **Information System**

Maintenance and support of information systems has become more than simply ensuring functionality for internal users of the company Plinovodi, it also increasingly includes the support for external users. We therefore devote a great deal of attention to the maintenance of information systems, since a failure of certain information systems can cause financial damage to the company, as well as to external users of our IT solutions. This has increased the need for the availability of information systems of the company and emphasised the importance of providing comprehensive and high-quality maintenance of all components of a computer network and the information systems at all company locations.

In 2019, we have performed transfer to the new version of the SCADA system, completed the security review of the company's information system, started introducing the Information Management and Security System, upgraded and maintained our existing application software solutions, and adopted company-wide documents entitles "Mandatory Contents of Own Development of IT Solutions" (Slo. Obvezne vsebine lastnega razvoja informacijskih rešitev) and "Assessment of Exposure of Information Systems to Outsourcers" (Slo. Ocena izpostavljenost informacijskih sistemov do zunanjih izvajalcev).

Information security is becoming an increasingly important dimension of the IT. In the recent years, we have made a major step forward in the normative part of information security, in the organisation of information security, and adopted strategic documents for the further development of security and reliability of information systems.

## **Development of the Transmission System**

### **Research and Development**

As a transmission system operator, the company Plinovodi manages and adapts to a number of changes that affect the operation of the gas transmission infrastructure, the maintenance of existing and construction of new transmission capacities, including investments, and the planning and implementation of strategic activities. In the field of research and development, we also cooperate with external research organisations, among them the Faculty of Mechanical Engineering in the field of metrology and risk analysis, the Faculty of Electrical Engineering in the field of applications for internal training and the Jozef Stefan Institute in the field of analysis and forecasting of natural gas consumption. The extensive spectrum of development activities is directed through the preparation of ten-year network development plans, investment plans and annual financial plans.

In 2019, with the appointment of the Innovation Council, we have upgraded the innovation identification and collection system. We have collected eight submissions that were diverse, with various areas of our activity, properly defined by the method of introduction, and the presentation of expected results.

## Investments in Intangible / Tangible Assets

In 2019, investment activities included the construction of transmission pipelines and MRS for the connection of new users and the preparation of documentation for the implementation of projects in the coming years.

The development of the transmission system in 2019 was particularly marked by the following activities and events:

- Gasification of connections for users at MRS Knauf, MRS Zalog, MRS Šmarje pri Jelšah and CNG MS Celje,
- Completion of works on the MRS Škofja Loka facility,
- Obtaining a building permit and commencing construction of the MRS Dobruška vas facility,
- Extension of the validity of environmental consent for the transmission pipeline M6 Ajdovščina - Lucija for the section Ajdovščina - Osp until 6 July 2025,
- Public presentation of the Study of the Variants with justification of the solution and environmental report in the process of preparation of the NSP for the transmission pipeline M1A/1 Interconnection Rogatec,
- Public presentation of the NSP draft and environmental impact report for the transmission pipeline R15/1 Pince - Lendava,
- Preparation of an initiative for the start of the process of preparation of the NSP for the transmission pipeline R15/1 Ljutomer - Kidričevo,
- Obtaining a positive opinion on the Hydrological and Hydraulic Analysis by the Slovenian Water Agency in the process of obtaining a positive opinion about the environmental report during the approval phase of the Study of the Variants at the Government of the Republic of Slovenia within the planning of the transmission pipeline R15/1 for the section Lendava - Ljutomer,
- We have started with the preparation of project documentation for the transmission pipeline M6 Ajdovščina - Lucija and prepared a draft DGD project documentation for the section Ajdovščina - Sežana,
- Adoption of the Regulation on the national spatial plan for transmission pipeline R51c Kozarje - Vevče,
- We have prepared the Ten-Year Gas Transmission Network Development Plan for the 2020 – 2029 Period and the Investment Plan for the 2020 - 2022 Period,
- Registration of six projects on the 2019 PCI list.

## Easements

The natural gas transmission system consists of more than one thousand kilometres of pipelines and more than 300 facilities connected with the operation of the gas network and natural gas transmission. We secure appropriate property and obligation rights for the construction, management and maintenance of the pipeline infrastructure by concluding contracts for the establishment of easement rights, purchase or lease of land, establishment of building title on land for the existing and new facilities of the pipeline infrastructure, and agreements for compensations for activities in the pipeline infrastructure safety zone. In 2019, there were 78 such legal acts, and the acquired rights have been proposed for entry into the Land Register.

## Investment Financing

Plinovodi finances a large part of investments from own resources and successfully obtains grants from the European Commission. We utilised the European Energy Programme for Recovery (EEPR) funds in the total amount of EUR 37 million from 2010 - 2012 for investments in essential transmission system infrastructure realised by the end of 2014. The European Commission granted us altogether EUR 4.2 million in grants for the purpose of promoting investments approved by the PCI list in the framework of TEN-E and CEF-E. The funds are spent on up to 50 percent co-financing of the preliminary works on the reported / registered projects that are in the design phase.

For past investment cycle and the large scope of completed investments, we also managed to obtain a long-term investment loan from the European Investment Bank (EIB). The successful operations and optimisation of the dynamics of investments enabled us to draw only 70 percent of the granted loan, which has had a positive effect on expenditure for financing activities.

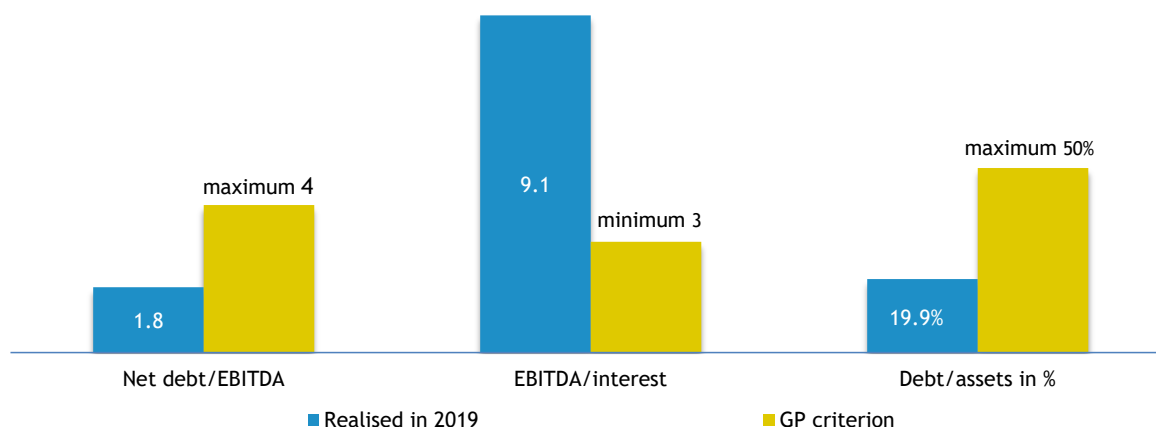
All investments in 2019 were financed with our own funds. It was not necessary to draw on a new commercial bank loan.

## Analysis of Business Operations

### Business Results

The financial results for the year 2019 reflect the successful business operations. The net sales revenue amounting to a total of EUR 43.5 million is at the level of the previous year. About 10 percent of net sales revenue consists of revenue charged to network users established outside Slovenia. Net profit for the year 2019 is reported in the amount of EUR 5.8 million, which represents 13 percent of net sales revenue. It was generated entirely from operations and exceeds what has been achieved in 2018. At the end of 2019, all indicators of financial covenants, including the level of indebtedness, meet the criteria laid down in the Guarantee Facility Agreement and were more favourable than those planned for 2019.

### Financial covenants



As at the end of 2019, total assets amounted to EUR 316.5 million, which was at a similar level to the beginning of the year. The structure of assets and sources of financing has not changed significantly.

Key highlights of Plinovodi's operations in 2019 are presented below, while more detailed information is included in the accounting part of the Annual Report.

## Assets

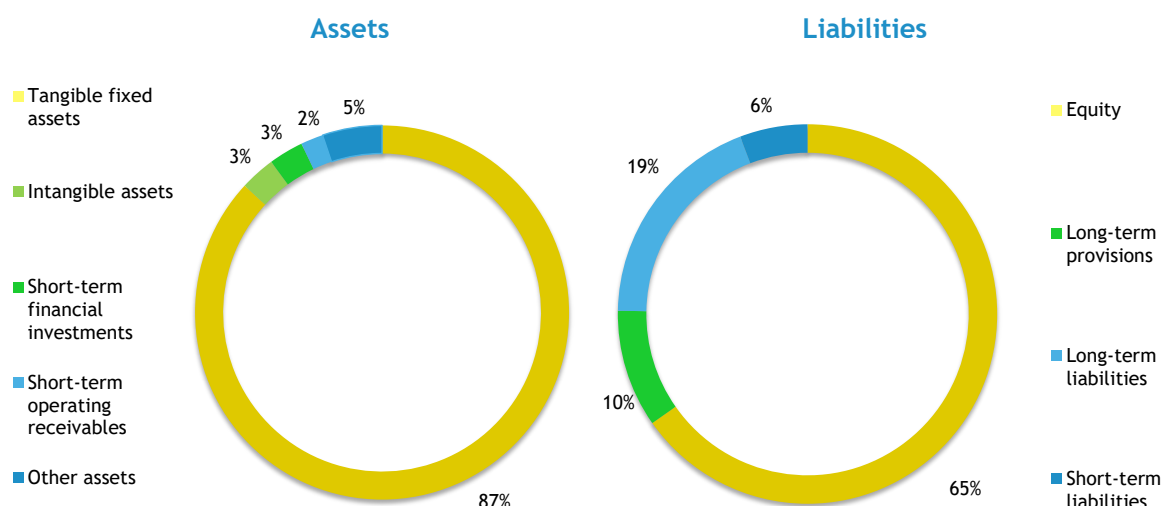
Long-term assets, which almost entirely consist of tangible long-term fixed assets, decreased by 4 percent in 2019 due to subdued investment activity.

### Review of assets

in EUR thousand

Assets	As at 1.1.2018	As at 1.1.2019	As at 31.12.2019	Index 31.12.2019 / 1.1.2019
<b>A S S E T S</b>	<b>345.608</b>	<b>318.804</b>	<b>316.476</b>	<b>99</b>
A. LONG-TERM ASSETS	308.085	298.330	284.931	96
I. Intang. ass. and LTM def. costs and accr. rev.	13.421	11.958	9.630	81
II. Tangible fixed assets	294.241	285.952	274.893	96
IV. Long-term financial investments	43	43	43	100
VI. Deferred tax assets	380	377	365	97
B. CURRENT ASSETS	37.214	20.300	31.434	155
II. Inventories	1.288	1.460	1.410	97
III. Short-term financial investments	17.200	800	9.500	1.188
IV. Short-term operating receivables	8.903	8.419	6.144	73
V. Cash	9.823	9.620	14.380	149
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE	308	174	111	64

Current assets increased by EUR 11.1 million, mainly due to increase in short-term financial investments. Financial assets are increased by the deposits in a special account earmarked for security for auction capacities and balancing contracts.



## Equity and Liabilities

Company's equity has not changed significantly since the beginning of the year. It is affected by the net profit for the year and the payment of the share in profits for the year 2018.

### Review of equity and liabilities

in EUR thousand

Equity and liabilities	As at 1.1.2018	As at 1.1.2019	As at 31.12.2019	Index 31.12.2019 / 1.1.2019
<b>EQUITY AND LIABILITIES</b>	<b>345.608</b>	<b>318.804</b>	<b>316.476</b>	<b>99</b>
A. EQUITY	202.956	202.427	206.544	102
I. Called-up capital	98.734	98.734	98.734	100
II. Capital reserves	8.152	8.152	8.152	100
III. Revenue reserves	88.141	92.180	93.909	102
V. Reserves arising from valuation at fair value	41	33	-20	-62
VI. Net profit or loss from previous periods	7.889	0	0	0
VII. Net profit	0	3.329	5.771	173
B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEF	36.497	35.314	31.714	90
1. Long-term provisions	1.175	952	1.000	105
2. Long-term accrued costs and deferred revenue	35.322	34.362	30.714	89
C. LONG-TERM LIABILITIES	81.365	63.454	59.985	95
I. Long-term financial liabilities	81.365	63.454	59.985	95
C. SHORT-TERM LIABILITIES	22.315	15.184	15.837	104
II. Short-term financial liabilities	4.646	2.719	3.469	128
III. Short-term operating liabilities	17.669	12.465	12.368	99
D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE	2.475	2.425	2.396	99

The balance of long-term accrued costs and deferred revenue at the end of 2019 has been reduced. A part of the accrued costs and deferred revenue in the proportionate amount of the depreciation of fixed assets financed with the European Commission grants within EEPR and TEN-E was transferred to the revenue.

Since the beginning of the year, the long-term financial liabilities have been reduced by 5 percent on account of repayment of instalments of the long-term EIB loan. Short-term financial liabilities include instalments of long-term loans that fall due within a year.

Short-term operating liabilities include short-term operating liabilities to the state, suppliers, employees and others. At the end of 2019, their situation was at a similar level as at the beginning of the year.

## Operating Revenue

The majority part of EUR 43.5 million in net sales revenue was generated by the charging for the access to the transmission system, the access to the transmission system for cross-border transmission of natural gas, and from the sale of natural gas for daily balancing of deviations and balancing of the transmission system. The share of revenue charged to network users outside Slovenia stood at 10 percent.

Net sales revenues were at the level achieved in 2018, but exceeded those planned due to higher short-term bookings of transmission capacities and 1.98% higher tariffs for interconnection points, as well as 3.94% higher tariff for exit points in the Republic of



Slovenia. The cost of gas sold represents the value of natural gas sold for the purpose of daily balancing of deviations and balancing of the transmission system. Compared to the previous year, the purchase price of the sold quantities of natural gas was 35 percent lower, amounting to 55 percent of the annual planned value. The gross profit from sale thus amounts to EUR 38.6 million, 14 percent more than planned.

## Review of Operating Revenues

in EUR thousand

Item	2017	2018	2019	Index 2019/2018
Revenue on domestic market	44,117	39,047	39,033	100
Network charge	38,168	32,346	34,134	106
Sale of gas for balancing and offsetting	5,871	6,503	4,638	71
Sale of material, services and other	78	198	262	132
Revenue on foreign market	8,304	4,796	4,478	93
Network charge	7,944	3,598	4,113	114
Sale of gas for balancing and offsetting	309	1,135	292	26
Sale of services and other	51	63	73	115
Total net sales revenue	52,421	43,843	43,511	99
Cost of gas sold	6,169	7,618	4,924	65
Gross profit or loss from sale	46,252	36,225	38,587	107
Other operating revenues	1,449	1,722	1,376	80

The gross profit from sale is increased by other operating revenue in the amount of EUR 1.4 million. Other operating revenue mostly includes revenue from reversal of short-term accrued costs and deferred revenue due to the European Commission grant, reimbursement of damages by the insurance company, as well as recovered claims that were subject to value adjustments in previous years.

## Operating Expenses and Costs

Operating expenses and costs excluding the cost for natural gas sold amounted to EUR 30.2 million in 2019 and are lower than those realised in the previous year. They represent the costs of material, services and labour, other costs and expenses, as well as depreciation. With 52 percent, depreciation / amortisation represents the largest share of the operating expenses.

## Review of the Operating Expenses and Costs

in EUR thousand

Item	2017	2018	2019	Index 2019/2018
Costs of material and services	5,111	4,246	4,649	109
Labour costs	8,482	8,190	8,199	100
Amortisation and Depreciation	15,446	15,544	15,595	100
Revaluation expenses	2,579	1,108	60	5
Other operating expenses	1,638	1,617	1,733	107
Total	33,256	30,705	30,236	98

The costs of material and services are five percent lower than planned and deviate from those achieved in 2018. Labour costs are as planned and do not deviate from those achieved in 2018. Revaluation operating expenses are formed for accounts receivable from customers

involved in judicial proceedings or insolvency proceedings, from impairment of intangible and tangible fixed assets. In accordance with the law, other operating expenses include contributions and membership fees.

## Financial Revenue and Expenses

Financial revenue in the amount of EUR 22,000 consists of interest received from time deposits, default interest on customers and the repayment from the period of the compulsory composition. There was no negative interest on funds in banks.

Due to the repayment of the principal of the EIB long-term loan, financial expenses were decreasing and amounted to EUR 2.8 million in 2019, which is EUR 0.6 million less than the year before.

## Profit or Loss

In 2019, our total profit before taxes amounted to EUR 6.9 million. Income tax burdening the profit in 2019 amounted to EUR 1.1 million and was charged at 19 percent tax rate of the profit taking account of tax relief, expenses that are not recognised for tax purposes, and deferred taxes.

The reported net profit for the financial year 2019 amounted to EUR 5.8 million, which accounted for 13 percent of total net sales revenue. The profit was entirely generated from operations and exceeded the plan.

## Cash Flows

The cash flow statement shows changes in cash on hand and in bank accounts, and the breakdown of cash flows generated from operating activities, investing activities and financing activities.

### Review of the Cash Flow

in EUR thousand

Type of cash flow	2017	2018	2019
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
a. Profit and loss account items	30,986	23,193	23,264
b. Changes in net current assets	-77	-2,073	1,498
c. Net cash from operating activities (a+b)	30,909	21,120	24,762
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
a. Cash receipts from investing activities	11,574	18,213	800
b. Cash disbursements from investing activities	-28,556	-12,479	-13,685
c. Net cash from investing activities (a+b)	-16,982	5,734	-12,885
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
a. Cash receipts from financing activities	0	0	0
b. Cash disbursements from financing activities	-13,042	-27,057	-7,117
c. Net cash from financing activities (a+b)	-13,042	-27,057	-7,117
<b>C. CLOSING BALANCE OF CASH</b>	9,823	9,620	14,380
x. Net cash inflow or outflow for the period	885	-203	4,760
y. Opening balance of cash	8,939	9,823	9,620

In 2019, cash flows from operating activities were positive and stood at EUR 24.8 million, primarily due to successful operations in the period. The influence of the changes in net current assets was EUR 1.5 million. The cash flow statement shows changes in cash on hand and in bank accounts, and the breakdown sufficient to cover investment expenditure,

payment of interest and repayment of instalments of long-term loans. Cash flows from investing activities were negative in the amount of EUR 12.9 million. In 2019, expenditures for investments amounted to EUR 13.7 million. The closing balance of cash was higher than the opening balance due to lower financing expenditure compared to the previous year.

### **Statement by the Management Board in Accordance with Article 545 of the Companies Act (ZGD-1)**

In the business year 2019, the company Plinovodi d.o.o. was a subsidiary of the company Plinhold d.o.o.

In 2019, the company Plinovodi d.o.o. has not concluded any business transaction with the company Plinhold d.o.o.

In 2019, the company Plinovodi d.o.o. has not concluded any legal transaction with the parent company or its associated company or at the instigation or in the interest of these companies, which would lead to the deprivation of the company. Moreover, the company has not received any compensation for the deprivation.

In 2019, the company Plinovodi d.o.o. has not performed or omitted any act on the initiative or in the interest of the parent company or its associated companies, which would lead to the deprivation of the company. Moreover, related to this, the company has not received any compensation for the deprivation.

## **Risks**

Through the capital management process, the company ensures a high level of security and reliability of the transmission system operation, as well as adequate security and profitability of business operations. The aim of the process is to efficiently use available capital for the long-term and stable profitability of the company on the basis of predefined criteria and subject to regulatory restrictions.

The key conditions for the implementation of these objectives are comprehensive identification, measurement, monitoring and management of assumed and potential risks, as well as continuous self-assessment of risks and solvency. Comprehensive risk management enables regular measurement and monitoring of the amount, return and consumption of economic capital.

The response to the awareness of economic uncertainty and the variability of operating conditions is, among other things, strengthening control awareness and developing risk management as an integral part of the business strategy, which contributes to the stable operation and achievement of objectives. Risk management means that we respond to risks and opportunities in an increasingly demanding economic environment in a timely and correct manner. The established organisation, process and methodology of risk management ensure that we are aware of risks and opportunities at all times, that we are well aware of and understand them, as well as are committed to constantly monitoring the changes in the risk structure and the adequacy of the measures.

An established risk management system, ERM, is an integral part of corporate governance, which also gives importance to perceived opportunities. We have established a solid and reliable ERM system, which is understandably defined and proportionate to the characteristics, extent and complexity of transactions, which the company performs. A process in place and the organisation of risk management, but above all their development, are an integral part of the company's business strategy. We are systematically engaging in risk management through appropriate organisation and a clear definition of powers and responsibilities, definition of policies and the catalogue of risks.

Risk managers are the Management Board of the company for strategic risks, and executive directors and heads of organisational units or functions for all other risks. The risk management system is the responsibility of the Risk Management Group (hereinafter referred to as: "the Group"), whose members are the managers and owners of the identified risks. The task of the Group is to establish guidelines and a model for risk management in the way that it is developing in accordance with the needs and objectives of the company, preparing inspections of the identified risks or the catalogue of the most significant risks with the established controls and measures for their control and identification of representative areas of risk, the definition of reporting and handling of progress reports on the risk management, as well as monitoring of the functioning and development of the ERM. The Group regularly reports to the Management Board of the company.

The process is periodically checked in the light of the methodological approach, the adequacy of identified risks, the identification of new risks and opportunities, and the adequacy of the risk assessment system, taking into account the business objectives set within the current and foreseeable business conditions. Changes in the structure and significance of risks are closely related to the type of activities, changes in the way the company operates, regulatory and legislative changes, the expansion of the gas system in the country and in connection with the neighbouring countries. The objective is to take exactly the right measure of appropriate risks, so that the company can effectively pursue its strategic objectives.

An important part of the risk management system is internal controls that point to the possibility of realising risks, and the measures by which controls are strengthened, new risks or changes in the intensity of already identified risks are revealed, risks are minimised, we safeguard ourselves from them or constantly monitor them. The implementation of internal controls is ensured by continuously adapting work processes and internal acts to individual types of risks and legislative changes, by appointing expert commissions and teams (project management teams, public procurement committee, liquidity committee, environmental team and work groups which operate in their specific fields of work), with the in-depth analysis of selected types of risks, monitoring of risk indicators and the effectiveness of implementation of measures, as well as with finding new solutions. Timely preparation of relevant information for the needs of the company's Management Board increases the effectiveness of decision-making activities and strengthens the contribution to high-quality risk management. The risk management process was supplemented with a plan for an in-depth analysis of selected types of risks, which we attach special importance to, and is complemented according to the risks that newly appear.

The Compliance Officer performs tasks as provided for by the EZ-1 and advocates the effective implementation of measures to achieve the objectives of the Compliance

Programme, which lead to a decrease in regulatory risk and to ensuring the actual independence of the transmission system operator.

Risk management, in addition to strategic risks that are in a certain range of environmental risks and which have decisive consequences for achieving strategic objectives and the company's core business, as well as for the company's business operations and results, also includes operational risks. The strategic risk, with its diversity and limited impact, remains a significant risk.

In 2019, despite the stabilisation of the situation in the regional natural gas market, we paid particular attention to the developments in the region, and in particular to the forecasts for the use of transmission routes for the supply of natural gas from Russia to the region and alternative sources such as the LNG and natural gas from the Caspian Basin, due to the fact that the changes in this area can have a significant impact on the volume of transmission capacity booking at cross-border interconnection points and thus on the company's revenues. Moreover, the marketing aspect of strategic risk is also managed with a competitive tariff policy, enriched marketing activities for identifying natural gas as a suitable energy source on the way to a low carbon society, and action plans to increase the transmission capacity booking in the country, as well as with the connection of new users.

We pay great attention to the risk of regulation and legislation, the risk of the political and economic environment, with the emphasis on the importance of natural gas, and to the development of the natural gas market and transmission capacities. We carefully follow all the changes in the European and national energy policies and regulations, as well as in the laws and regulations, we are involved in their preparation and we timely include them into our procedures and operations.

The project risks involve the risks associated with the preparation of projects and the procedures for the selection of contractors, as well as the timeliness of the completion of the implementation. In order to manage the risks arising from the procurement procedures, we have involved additional legal experts in the preparation of tenders and the implementation of the procedure itself. With new development plans, project risks will be strengthened. By ensuring the coherence of development plans within the country and the region, timely spatial placement of projects, detailed preparation of the implementation of planned projects as regards time, selection of the most suitable contractor, careful monitoring of the implementation of projects and timely action in case of possible deviations, we manage such risks at an acceptable level.

Purchasing risks were mainly limited to the compliance risks with the public procurement rules. In order to implement the current legislation in a consistent manner, it is necessary to monitor the changes and ensure effective internal communication in the preparation of the tender documentation. We are managing the entire procurement process with the proper management and timely decision making. The risk of non-fulfilment of non-monetary liabilities by suppliers is managed by means of appropriate contractual provisions, the provision of appropriate insurances and administration of contracts.

We pay a lot of attention to the main activity risk, for which due to the specificity and possible consequences, specific scenarios for action are made for the safety and reliability of the system operation, even in case of extraordinary events. The operational reliability of

the gas transmission system is ensured with suitable double monitoring system, as well as regular maintenance and improvement of facilities and devices. Quality of our services is assured by consistent and systematic implementation of documented control procedures in all fields, keeping track of the development of gas technologies, and remedial and protection activities. Risks associated with the natural environment protection are managed by technical assurance of safety and implementation of the environmental management system in accordance with the requirements of the ISO 14001 standard, and above all, by separate collection of waste, monitoring and improving of environmental indicators, emissions and waste. In order to reduce the risks arising from the activities and assets of a transmission system operator, we have concluded adequate insurance contracts, which include, in particular, liability insurance against third parties, fire and machinery insurance, as well as insurance against terrorism.

We pay particular attention to financial risks: credit risk and a wider counterparty default risk, liquidity risk, interest rate risk and investment risk. Financial risks are managed through the established system of managing cash and receivables, and through the appropriate structure of financial resources within the borrowing policy and optimisation of financing sources. Long-term debt does not affect appropriate capital adequacy. On the basis of the company's successful operations, stable cash flows from operation and growth financing from own resources and ensured earmarked long-term resources, the liquidity risk in 2019 was low. The exposure to interest rate risk has not changed significantly; most of the loans are with a fixed interest rate, while the remaining part is tied to the EURIBOR reference rate of interest. The exposure to currency risk is low and short term, since in 2019, less than 1 per mille of turnover of suppliers was executed in other currencies, predominantly in British pounds and Swiss francs.

On the side of customers, it is important to manage the risk which is a result of the payment (in)ability and financial indiscipline. The credit risk is reduced by the dispersion of customers, financial guarantees, monitoring the creditworthiness of materially important customers, regular dynamic analysis of payment discipline and prompt action in the case of unpaid receivables due.

Within the framework of operational risks, we are carefully analysing the risks of information technology in business processes, telecommunications and information security risks. Such risks are being actively managed with the introduction of additional and the improvement of existing measures of data and access protection, backup locations, provision of suitable computer capacities, regular control, maintenance and investments in improvements, updates and upgrades of IT systems and, finally, by ensuring ongoing education and training of employees. We regularly analyse the exposure to individual IT suppliers, identify changes in risks and adjust measures to be taken, accordingly.

We are aware of the risk connected with ensuring key and competent staff, human resource management and encouraging innovation. The competence of employees in accordance with the requirements of international standards that apply to gas activity, maintenance of a high level of professional, specialised and general knowledge, target management and development of employees' potential, promotion of knowledge transfer, long-term planning and selection of personnel, as well as the development of the internal communication system are key measures for risk management in the field of human resources management. Based on the implementation of these measures, stable management and key employees, the

situation on the labour market, low fluctuation and favourable results of measuring employee satisfaction, we assess this type of risk as low and well-managed.

The risk response is an established risk management system designed from the top down in line with the company's activities and needs, and with the strong support of the Management Board that manages strategic risks. Further development of efficient and effective risk management is ensured by a uniform methodology and process that is constantly reviewed and developed. At the company Plinovodi, we are thus committed to continually upgrading our risk management system and strengthening its use, both in the strategic planning process and in making current business decisions. In the coming years, we will continue to upgrade our risk management culture in the company.

### **Events after the Balance Sheet Date**

There were no events between the balance sheet date and the financial statements endorsement date that would require an adjustment of the financial statements to the balance sheet date or any special disclosure in the financial statements.

In January 2020, the Regulation on the national spatial plan for transmission pipeline R51c Kozarje - Vevče entered into force; consequently, the company will be able to continue with the planning of the project.

The company successfully completed the public procurement contract for the construction of the transmission pipeline from Vodice to TE-TOL and signed a contract with the selected contractor in February.



# ACCOUNTING REPORT



## STATEMENT BY THE MANAGEMENT BOARD

The Management Board adopts and approves the Annual Report of the company Plinovodi d.o.o. for the year 2019 which consists of the Business Report and the Accounting Report.

The Management Board hereby confirms that appropriate accounting policies were applied consistently when preparing the financial statements, that accounting estimates were made on the basis of the principle of prudence and good management, and that the financial statements give a true and fair view of the company's assets and its economic outcome for 2019.

The Management Board is also responsible for proper keeping of financial statements, for the adoption of appropriate measures to insure the property and other assets, as well as to prevent and detect misuses and other irregularities. The Management Board hereby confirms that the financial statements along with the explanatory notes were based on the principle of going concern, and are in conformity with the legislation in force in the Republic of Slovenia and with the Slovenian Accounting Standards (2016).

Ljubljana, 11 March 2020



General Manager  
Marjan Eberlin, BSc in Mech. Eng.



Deputy General Manager  
Sarah Jezernik, MSc in E.

## Balance sheet on 31 December 2019

in EUR

Item	Notes	As at 31 Dec 2019	As at 31 Dec 2018
<b>ASSETS</b>		<b>316,475,693</b>	<b>318,803,497</b>
<b>A. Long-term assets</b>		<b>284,931,121</b>	<b>298,329,736</b>
<b>I. Intangible assets and long-term deferred costs and accrued revenue</b>	<b>2.1.1</b>	<b>9,629,794</b>	<b>11,957,984</b>
1. Long-term property rights		9,495,266	11,797,434
5. Other long-term deferred costs and accrued revenue		134,528	160,550
<b>II. Tangible fixed assets</b>	<b>2.1.2</b>	<b>274,893,383</b>	<b>285,952,101</b>
1. Land and buildings		231,834,396	240,062,887
a) Land		23,397,737	24,098,037
b) Buildings		208,436,659	215,964,850
3. Other plant and machinery		38,691,890	42,196,631
4. Tangible fixed assets under construction		4,367,097	3,692,583
a) Tangible fixed assets in the course of construction		4,367,097	3,692,583
<b>IV. Long-term financial investments</b>	<b>2.1.3</b>	<b>42,949</b>	<b>42,949</b>
1. Long-term financial investments, excl. loans		42,949	42,949
c) Other shares and interest		42,949	42,949
<b>VI. Deferred tax assets</b>	<b>2.1.4</b>	<b>364,994</b>	<b>376,702</b>
<b>B. Current assets</b>		<b>31,433,843</b>	<b>20,299,923</b>
<b>II. Inventories</b>	<b>2.1.5</b>	<b>1,410,037</b>	<b>1,460,302</b>
1. Material		1,341,222	1,116,840
3. Products and merchandise		68,815	343,462
<b>III. Short-term financial investments</b>	<b>2.1.6</b>	<b>9,500,000</b>	<b>800,000</b>
2. Short-term loans		9,500,000	800,000
b) Short-term loans to others		9,500,000	800,000
<b>IV. Short-term operating receivables</b>	<b>2.1.7</b>	<b>6,143,892</b>	<b>8,419,313</b>
2. Short-term accounts receivable		5,827,682	7,021,768
3. Other short-term receivables		316,210	1,397,545
<b>V. Cash</b>	<b>2.1.8</b>	<b>14,379,914</b>	<b>9,620,307</b>
<b>C. Deferred costs and accrued revenue</b>	<b>2.1.9</b>	<b>110,729</b>	<b>173,838</b>

## Balance sheet on 31 December 2019

in EUR

Item	Notes	As at 31 Dec 2019	As at 31 Dec 2018
<b>EQUITY AND LIABILITIES</b>		<b>316,475,693</b>	<b>318,803,497</b>
<b>A. Equity</b>	<b>2.1.10</b>	<b>206,544,336</b>	<b>202,426,934</b>
I. Called-up capital		98,733,790	98,733,790
1. Share capital		98,733,790	98,733,790
II. Capital reserves		8,151,515	8,151,515
III. Revenue reserves		93,908,720	92,179,784
1. Statutory reserves		1,933,169	1,933,169
5. Other revenue reserves		91,975,551	90,246,615
V. Reserves arising from valuation at fair value		-20,314	32,910
VI. Net profit or loss from previous periods		0	356
VII. Net profit or loss for the period		5,770,625	3,328,580
<b>B. Provisions and long-term accrued costs and deferred revenue</b>	<b>2.1.11</b>	<b>31,713,849</b>	<b>35,313,788</b>
1. Employee benefit provisions		797,864	732,949
2. Other provisions		202,169	218,619
3. Long-term accrued costs and deferred revenue		30,713,817	34,362,219
<b>C. Long-term liabilities</b>		<b>59,984,568</b>	<b>63,453,704</b>
I. Long-term financial liabilities	<b>2.1.12</b>	<b>59,984,568</b>	<b>63,453,704</b>
2. Long-term financial liabilities to banks		59,984,568	63,453,704
4. Other long-term financial liabilities		0	0
<b>C. Short-term liabilities</b>		<b>15,836,790</b>	<b>15,184,129</b>
II. Short-term financial liabilities	<b>2.1.13</b>	<b>3,469,136</b>	<b>2,719,136</b>
2. Short-term financial liabilities to banks		3,469,136	2,719,136
3. Other short-term financial liabilities		0	0
III. Short-term operating liabilities	<b>2.1.14</b>	<b>12,367,654</b>	<b>12,464,994</b>
2. Short-term accounts payable		4,140,565	4,272,290
4. Short-term operating liabilities for advances		199,800	21,385
5. Other short-term operating liabilities		8,027,290	8,171,319
<b>D. Short-term accrued costs and deferred</b>	<b>2.1.15</b>	<b>2,396,150</b>	<b>2,424,942</b>

Profit and loss account has been compiled in accordance with the Companies Act and SAS 21 - version I. Individual items of the profit and loss account are interpreted in breakdowns and notes to financial statements.

## Profit and Loss Account for 2019

in EUR

	Item	Notes	2019	2018
1.	<b>Net sales revenue</b>	2.2.1	43,510,855	43,843,350
4.	<b>Other operating revenue (with reval. op. revenue)</b>	2.2.2	1,376,410	1,722,316
5.	<b>Costs of goods, material and services</b>	2.2.3	-9,572,277	-11,864,510
a)	Cost of goods and material sold and cost of material used		-6,215,182	-8,635,848
b)	Costs of services		-3,357,095	-3,228,662
6.	<b>Labour costs</b>	2.2.4	-8,199,068	-8,189,685
a)	Cost of wages and salaries		-6,158,019	-6,228,292
b)	Costs of social security		-1,238,750	-1,240,601
c)	Other labour costs		-802,300	-720,792
7.	<b>Write-downs</b>	2.2.5	-15,655,283	-16,652,154
a)	Amortisation and Depreciation		-15,594,946	-15,544,495
b)	Impairment of intangible assets and tang. fixed assets FA		-53,491	-1,099,940
c)	Impairment of current assets		-6,845	-7,719
8.	<b>Other operating expenses</b>	2.2.6	-1,733,239	-1,617,252
9.	<b>Financial revenue from holdings</b>		0	0
c)	Financial revenue from holdings in other companies		0	0
10.	<b>Financial revenue from loans granted</b>		13,111	10,876
b)	Financial revenue from loans to others		13,111	10,876
11.	<b>Financial revenue from operating receivables</b>		8,388	11,257
b)	Financial revenue from operating rec. due from others		8,388	11,257
12.	<b>Financial expenses from impairment and write-downs of financial investments</b>	2.1.3	0	0
13.	<b>Financial expenses for financial liabilities</b>	2.2.8	-2,776,258	-3,368,683
a)	Financial expenses for loans from Group companies		0	0
b)	Financial expenses for loans from banks		-2,776,258	-3,205,783
d)	Financial expenses from other financial liabilities		0	-162,900
14.	<b>Financial expenses for operating liabilities</b>	2.2.9	-13,739	-10,023
b)	Financial expenses for accounts payable and bills payable		-551	-221
c)	Financial expenses for other operating liabilities		-13,188	-9,802
15.	<b>Other revenue</b>		171	2,049
16.	<b>Other expenses</b>		-59,770	-14,503
17.	<b>Income tax</b>		-1,121,997	-541,944
18.	<b>Deferred Taxes</b>	2.1.4	-6,350	-2,514
19.	<b>NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD</b>		5,770,954	3,328,580

## Statement of Other Comprehensive Income for 2019

in EUR

	Item	2019	2018
19.	<b>Net profit for the period</b>	<b>5,770,954</b>	<b>3,328,580</b>
20.	Changes of revaluation reserves from revaluation of tangible fixed assets	0	0
21.	Changes in reserves arising from valuation at fair value	0	0
22.	Profit and loss originating from the conversion of accounting statements of companies abroad (impacts of changes in foreign	0	0
23.	Actuarial profit / loss	-53,224	-8,432
24.	<b>Total comprehensive income for the period</b>	<b>5,717,730</b>	<b>3,320,148</b>

The cash flow statement has been compiled in accordance with the Companies Act and SAS 22 - version II.

## Cash Flow Statement for 2019

in EUR

Item	2019	2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>a) Profit and loss account items</b>	<b>23,264,461</b>	<b>23,193,054</b>
Operating revenue (excluding for revaluation) and financial revenue from operating receivables	43,474,268	44,123,722
Operating expenses excluding depreciation (excluding for revaluation) and financial expenses from operating liabilities	-19,081,459	-20,386,209
Income taxes and other taxes not included in operating expenses	-1,128,348	-544,458
<b>b) Changes in net oper. assets (and accruals and deferrals, provisions and deferred tax assets and liabilities) in balance sheet items</b>	<b>1,497,519</b>	<b>-2,073,035</b>
Opening less closing operating receivables	2,283,129	473,551
Opening less closing short-term deferred costs and accrued revenue	63,109	134,572
Opening less closing deferred tax assets	11,708	3,215
Opening less closing inventories	48,575	-172,105
Opening less closing operating costs	-422,269	-2,198,818
Closing less opening accrued costs and deferred revenue, and provisions	-486,733	-313,450
<b>c) Net cash from operating activities (a+b)</b>	<b>24,761,980</b>	<b>21,120,019</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>a) Cash receipts from investing activities</b>	<b>800,249</b>	<b>18,213,277</b>
Cash receipts from interest and dividends of others pertaining to investing activities	249	13,277
Cash receipts from disposal of financial investments	800,000	18,200,000
<b>b) Cash disbursements from investing activities</b>	<b>-13,685,368</b>	<b>-12,479,143</b>
Cash disbursements to acquire intangible assets	-1,034,532	-2,108,975
Cash disbursements to acquire tangible fixed assets	-3,150,836	-8,570,169
Cash disbursements to acquire financial investments	-9,500,000	-1,800,000
<b>c) Net cash from investing activities (a+b)</b>	<b>-12,885,119</b>	<b>5,734,134</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>a) Cash receipts from financing activities</b>	<b>0</b>	<b>0</b>
Cash proceeds from increase in financial liabilities	0	0
<b>b) Cash disbursements from financing activities</b>	<b>-7,117,254</b>	<b>-27,057,101</b>
Cash disbursements on interest paid on financing activities	-2,798,118	-3,368,683
Cash repayments of financial liabilities	-2,719,136	-19,838,418
Cash disbursements for payment of dividends	-1,600,000	-3,850,000
<b>c) Net cash from financing activities (a+b)</b>	<b>-7,117,254</b>	<b>-27,057,101</b>
<b>C. CLOSING BALANCE OF CASH (x+y)</b>	<b>14,379,914</b>	<b>9,620,307</b>
<b>x) Net cash inflow and outflow for the period (Ac+Bc+Cc)</b>	<b>4,759,607</b>	<b>-202,948</b>
<b>y) Opening balance of cash</b>	<b>9,620,307</b>	<b>9,823,255</b>



## Audited Statement of Changes in Equity for 2019

in EUR

Item	Called-up capital	Share capital	Capital reserves	Revenue reserves	Statutory reserves	Other revenue reserves	Reserves arising from valuation at fair value	Net profit or loss from previous periods	Net profit or loss for the period	Total capital
	I	I/1	II	III	III/1	III/5	V	VI	VII	VIII
<b>A.1. Closing balance as at 31 Dec 2018</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>92,179,784</b>	<b>1,933,169</b>	<b>90,246,615</b>	<b>32,910</b>	<b>356</b>	<b>3,328,580</b>	<b>202,426,934</b>
<b>A.2. Opening balance as at 1 Jan 2019</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>92,179,784</b>	<b>1,933,169</b>	<b>90,246,615</b>	<b>32,910</b>	<b>356</b>	<b>3,328,580</b>	<b>202,426,934</b>
<b>B.1. Changes in equity capital - transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,600,000</b>	<b>0</b>	<b>-1,600,000</b>
g) Payment of the share in profits	0	0	0	0	0	0	0	-1,600,000	0	-1,600,000
<b>B.2. Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-53,552</b>	<b>0</b>	<b>5,770,954</b>	<b>5,717,402</b>
a) The entry of the yearly results	0	0	0	0	0	0	0	0	5,770,954	5,770,954
Other elements of comprehensive income	0	0	0	0	0	0	-53,552	0	0	-53,552
<b>B.3. Movement within equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,728,936</b>	<b>0</b>	<b>1,728,936</b>	<b>328</b>	<b>1,599,644</b>	<b>-3,328,908</b>	<b>0</b>
a) Allocation of a part of net profit of the reporting period to other elements of equity	0	0	0	1,728,936	0	1,728,936	0	-1,728,936	0	0
c) Allocation of a part of net profit to other elements of equity based on a resolution of the General Meeting	0	0	0	0	0	0	0	3,328,580	-3,328,580	0
č) Settlement of loss as a deductible equity component	0	0	0	0	0	0	0	0	0	0
f) Other movement within equity	0	0	0	0	0	0	328	0	-328	0
<b>C. Closing balance as at 31 Dec 2019</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>93,908,720</b>	<b>1,933,169</b>	<b>91,975,551</b>	<b>-20,314</b>	<b>0</b>	<b>5,770,625</b>	<b>206,544,336</b>

## Audited Statement of Changes in Equity for 2018

in EUR

Item	Called-up capital	Share capital	Capital reserves	Revenue reserves	Statutory reserves	Other revenue reserves	Reserves arising from valuation at fair value	Net profit or loss from previous periods	Net profit or loss for the period	Total capital
	I	I/1	II	III	III/1	III/5	V	VI	VII	VIII
<b>A.1. Closing balance as at 31 Dec 2017</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>88,141,069</b>	<b>1,933,169</b>	<b>86,207,900</b>	<b>41,342</b>	<b>0</b>	<b>7,888,715</b>	<b>202,956,430</b>
<b>A.2. Opening balance as at 1 Jan 2018</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>88,141,069</b>	<b>1,933,169</b>	<b>86,207,900</b>	<b>41,342</b>	<b>0</b>	<b>7,888,715</b>	<b>202,956,430</b>
<b>B.1. Changes in equity capital - transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,850,000</b>	<b>0</b>	<b>-3,850,000</b>
g) Payment of the share in profits	0	0	0	0	0	0	0	-3,850,000	0	-3,850,000
<b>B.2. Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,432</b>	<b>356</b>	<b>3,328,580</b>	<b>3,320,504</b>
a) The entry of the yearly results	0	0	0	0	0	0	0	0	3,328,580	3,328,580
Other elements of comprehensive income	0	0	0	0	0	0	-8,432	356	0	-8,075
<b>B.3. Movement within equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,038,715</b>	<b>0</b>	<b>4,038,715</b>	<b>0</b>	<b>3,850,000</b>	<b>-7,888,715</b>	<b>0</b>
a) Allocation of a part of net profit of the reporting period to other elements of equity	0	0	0	4,038,715	0	4,038,715	0	-4,038,715	0	0
c) Allocation of a part of net profit to other elements of equity based on a resolution of the General Meeting	0	0	0	0	0	0	0	7,888,715	-7,888,715	0
č) Settlement of loss as a deductible equity component	0	0	0	0	0	0	0	0	0	0
f) Other movement within equity	0	0	0	0	0	0	0	0	0	0
<b>C. Closing balance as at 31 Dec 2018</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>92,179,784</b>	<b>1,933,169</b>	<b>90,246,615</b>	<b>32,910</b>	<b>356</b>	<b>3,328,580</b>	<b>202,426,934</b>

## Profit for Appropriation on 31 Dec 2019

		in EUR	
	Item	2019	2018
a)	Net profit or loss for the period	5,770,954	3,328,580
b)	Retained net earnings / Retained net loss	-328	356
g)	<b>PROFIT FOR APPROPRIATION</b>	<b>5,770,625</b>	<b>3,328,936</b>

## 1. Summary of Significant Accounting Policies

### Basis for the Preparation of the Financial Statements

The financial statements are presented in euro. Minor differences may occur when adding up values due to the rounding of amounts.

The financial statements in this report have been prepared in accordance with the Companies Act and the Slovenian Accounting Standards published by the Slovenian Institute of Auditors and applicable since 1 January 2016.

The balance sheet has been adjusted to the presentation under SAS 20.4, Profit and Loss Account under SAS 21.6. - version I, Cash Flow Statement under SAS 22.9. - version II, and Statement of Changes in Equity under SAS 23.2. Only the items whose value is greater than zero in the current and previous year are shown.

In accordance with Article 255 of the Energy Act (EZ-1), the company is obliged as a transmission system operator to disclose in notes to the financial statements any deviation from the regulatory framework for the financial year, which is reflected in surplus or deficit of network charges.

The financial statements for the year that ended on 31 December 2019 have been endorsed at the 12th meeting of the Management Board of the company on 11 March 2020.

### Exchange Rate and Method of Translation into Domestic Currency

Assets and equity and liabilities originally expressed in a foreign currency have been translated into the local currency at the exchange rate of the European Central Bank on the last day of the accounting period.

### Data About the Managing Company

On 31 December 2019, Plinhold d.o.o. was the managing company and a 100-percent owner of the company Plinovodi d.o.o. The company Plinovodi d.o.o. was in indirect majority state ownership, i.e. 60.10 percent (this percentage represents a direct share of the shareholder Republic of Slovenia in the company Plinhold d.o.o.).

The financial statements of the company Plinovodi d.o.o. are included in the consolidated financial statements of Plinhold d.o.o. Ljubljana, published on the website [www.ajpes.si](http://www.ajpes.si).

### Changes in Accounting Policies and Estimates

The SAS 15 - Revenue was published in the Official Gazette of the RS, No. 57/2018. The standard has been in force since 1 January 2019 and could have already been applied for 2018. In accordance with the provisions of the SAS 15, the company recognises revenue in the amount that reflects the amount of purchase that the company considers to be its revenue from the transfer of goods and the provision of services to the customer. The new standard replaces the SAS 15 (2016). The revised standard does not have a material impact on the company's financial statements.

In accordance with the amendment of the SAS 2016, published in the Official Gazette of the RS, No. 81/2018, effective from 1 January 2019, the company must for the first time in this financial year recognise the right to use the leased asset and the lease obligation. The right-of-use asset is depreciated and the lease obligation accrues interest. The usage right needs not be calculated only for those leases that expire earlier than 12 months from the date of initial application of the standard. Because the company does not disclose the leased assets, the said amendment to the standards has no effect on the financial statements of the company.

The company's basic accounting policies and significant accounting estimates have not changed compared to the previous year.

### **Important accounting policies**

#### **Intangible assets and long-term deferred costs and accrued revenue**

The company's assets comprise intangible assets, which represent investments in other property rights (computer software, investments in network development plans, project and spatial documentation), studies and analyses that generally refer to several pipelines and are applicable for more than a year, and so on. Intangible assets being acquired are presented separately.

Intangible assets are valued at cost model and they have a finite useful life. An intangible asset is initially recognised at cost, which includes import duties and non-refundable purchase taxes.

The rights over immovable property and other rights are recognised and quantified as intangible assets within the accounting records, and reported under the item land and buildings within the balance sheet.

Intangible fixed assets being acquired are impaired in the part of the investments in network development plans in projects whose planning is temporarily on standby and there are no significant prospects that it will continue. The value adjustment is charged to impairment expenses.

The company also separately discloses long-term deferred costs and accrued revenue. Long-term deferred costs and accrued revenue comprise the long-term deferred initial costs of obtaining the EIB loan.

#### **Tangible fixed assets**

Tangible fixed assets of the company include land, easement and surface rights, pipelines, natural gas in the transmission system for basic filling, buildings and other facilities, equipment, objects of artistic value, spare parts of high value and fixed assets under construction or realisation.

Tangible fixed assets are valued at cost model. A tangible fixed asset is initially recognised at cost, which includes the asset's purchase price, import duties and non-refundable purchase taxes, and costs directly attributable to bringing the asset to the condition necessary for the intended use, especially transportation and installation costs.

If the cost of a tangible fixed asset is high, it is distributed to its parts. If such parts have different useful lives and / or patterns of use that are significant in comparison with the total cost of the asset, each part is treated separately.

The difference between the net sales value and the carrying amount of a disposed tangible fixed asset is transferred to revaluation operating revenue if the net sales value exceeds the carrying amount, or to impairment expenses if the carrying amount is higher than the net sales value.

#### **Subsequent Expenditures Related to Tangible Fixed Assets**

Subsequent expenditures related to tangible fixed assets are shown as:

- Maintenance costs, or
- Increased cost of asset.

The criteria used by the company in determining subsequent expenditures related to tangible fixed assets:

- Maintenance costs include the costs necessary for the maintenance of fixed assets over their useful lives (the amount of the works performed solely to renovate the existing situation or replace the already existing parts),
- Expenditures that increase the future benefits from an asset beyond those assessed during the purchase of such an asset are expressed as an increase in the cost of such an asset: easier handling of an asset (electronic operation, etc.) and consequent cost reduction associated with handling and control; in the case of investments in buildings, an increase in the cost of purchase is represented by the investments used to build something (extend, produce, etc.) that did not exist before the beginning of works and increases the useful life of a building or pipeline.

### **Amortisation and Depreciation**

Amortisation and depreciation decrease the carrying amount of intangible fixed assets and tangible fixed assets. Depreciation of a tangible fixed asset starts on the first day following the month when the asset is commissioned.

Amortisation and depreciation of intangible and tangible fixed assets are accounted for using the straight-line amortisation/depreciation method over the useful life of such assets. Estimated residual value is not used, except with natural gas for basic filling.

The amortisation rates for intangible assets range from 2.5 percent for the typing of buildings to 33 percent or 50 percent for specific software and licences. For investments in network development plans, the amortisation rate is related to the duration of concession relationship for the performance of public service activity of natural gas transmission system operator.

The main depreciation rates for tangible fixed assets are: from 2 percent to 5 percent for buildings, 2.86 percent for pipelines, 6.67 percent for metering devices, 10 percent for furniture, 20 percent for passenger cars and 33 percent or 50 percent for computers and computer equipment.

### **Financial investments**

In the balance sheet, financial investments are presented as long-term and short-term financial investments. Long-term financial investments are held in possession by the company in a period longer than one year; they are not held for trading.

Financial investments include interests in the jointly controlled company, placing of financial assets to deposits in banks and other financial investments. Deposits with a maturity of more than 31 days but less than 1 year are considered as short-term financial investments.

Equity investment in jointly controlled company is valued at cost in financial statements. The transferred shares in profit increase financial revenue. If there is impartial evidence that such an asset has been impaired in the long term, the impairment is recognised in the profit or loss account as a financial expense.

Financial investments in equity, equity securities of other companies or debt securities of other companies or the state are initially valued at cost which equals the paid amount of cash.

Financial investments related to loans given are valued at measured amortised cost and on initial recognition they are presented as the principal of loans.

## **Inventories**

Inventories include inventories of material, spare parts and small tools, as well as inventories of natural gas in the transmission system for balancing and inventories of natural gas in the transmission system for the OBA.

Natural gas in the transmission system for balancing is natural gas intended for the balancing of daily deviations between intake and offtake of natural gas, balancing of the transmission system and systemic differences. Natural gas in the transmission system for the OBA is intended to manage the differences arising between the measured energy and energy envisaged for transmission by the system users on different sides of the transmission system border point (Operating Balancing Account, OBA) where this is carried out in cash.

The quantity unit of the inventory is valued at cost which consists of the purchase price, import duties and other direct costs of purchasing. Discounts granted are deducted from the purchase price.

Moving average cost method is applied to the presentation of inventories.

## **Receivables**

Initially, receivables of all kinds are recognised at amounts recorded in the relevant documents, assuming they will be repaid. Original receivables can later on increase or, according to a received payment or other settlement, decrease for each amount justified with a contract.

The receivables that the company has reason to believe will not be settled or will not be settled in the full amount are considered as doubtful or disputable receivables; their value adjustment is charged to impairment expenses.

Impairment of receivables due from individual domestic and foreign customers is made for individual receivables taking account of the recovery of individual receivables.

## **Cash**

Cash consists of cash on hand, cash in transaction and other accounts in banks, cash in overnight bank deposits, immediate call deposits and shorter than 31 days, and cash set aside for the purchase of foreign currency or other purposes.

Initially, cash is recognised at amounts recorded in the relevant documents. Cash expressed in a foreign currency is calculated into the local currency at the exchange rate prevailing on the date of receipt.

Cash expressed in a foreign currency is revalued on the balance sheet date. Cash is translated using the ECB reference exchange rate. Revaluation of cash is expressed as financial income or expense.

## **Short-Term Accrued and Deferred Items**

Short-term deferred costs and accrued revenue consist of short-term deferred costs (expenses), previously accrued revenue and VAT on advances received. They include prepaid insurance premiums, subscriptions, membership fees and other expenditure of substantial value, as well as other accrued and deferred items.

Short-term accrued costs and deferred revenue consist of a portion of deferred revenue from disproportionate connection charges and obtained grants to be transferred to income within one year of the balance sheet date, accrued performance-related wages and salaries for the current year, wage compensations for employees from unused annual leave and VAT on advances given.



## Equity

Total equity of the company comprises called-up capital, capital reserves, revenue reserves, reserves arising from valuation at fair value (related to the disclosure of actuarial profit / loss arising from actuarial calculations of provisions for severance pays on retirement), retained earnings and net profit or loss for the accounting period.

In financial statements, payment of the share in profits is recognised in the period in which the shareholder adopted the decision on the payment.

## Long-Term Provisions and Long-Term Accrued Costs and Deferred Revenue

Long-term provisions include provisions for accrued costs for jubilee awards and severance pays on retirement, provisions for enforced easements and provisions for other purposes, in accordance with the SAS.

Provisions are created in the amount of the estimated future payments for severance pays and jubilee awards from long-term accrued costs or expenses discounted on the balance sheet date. The calculation using the projected unit is prepared by a certified actuary.

Long-term accrued costs and deferred revenue include deferred revenue from covering disproportionate connection charges by the customers and obtained grants. They are earmarked to cover the amortisation costs of such assets and are disbursed through the transfer to income at the applicable depreciation rate for tangible fixed assets and intangible assets of the energy infrastructure.

## Debts

Debts are classified as financial and operating debts, and short-term and long-term.

On initial recognition, all debts are recognised at amounts recorded in the relevant documents evidencing their coming into existence and proving a receipt of cash or repayment of an operating debt in the case of financial liabilities, and in the case of business debts the receipt of a product or goods or a service or work performed or accrued expense, expenditure or share in profit or loss, as well as the receipt of tangible fixed assets with long-term repayment.

Long-term debts refer to long-term loans received from banks and other legal entities. On initial recognition, debts are measured at their amortised cost using the method of applicable interest rates.

Short-term debts include liabilities to suppliers, advances and securities received, operating liabilities for the account of third parties, liabilities to employees, liabilities to state authorities, other short-term operating liabilities, short-term financial liabilities and the part of long-term liabilities that falls due no later than within a year of the balance sheet date.

Upon initial recognition, short-term debts are recognised at amounts recorded in the relevant documents evidencing their coming into existence and the receipt of goods or services or work done.

Short-term debts bear interest under the terms and conditions agreed in agreements with creditors.

Accrued interest represents financial expenses.

After the end of the limitation period or when a creditor gives waiver, short-term debts are credited to company revenue.

## Revenue Recognition

Revenue is recognised if the increase of economic benefits in the accounting period is associated with an increase of an asset or decrease of debt and if the increase can be measured reliably.

Revenues are recognised when it is legitimately expected that they are going to lead to remunerations if they have not already been realised at their appearance.

### Operating revenue:

Operating revenue includes revenue generated from charges for the use of the transmission system by domestic and foreign users, revenue from the sale of natural gas for balancing the transmission system and daily levelling of deviations, revenue generated from systemic differences, revenue generated from annual virtual point registrations, revenue generated from transactions at the virtual point, revenue from the sales of material and electricity and revenue generated from the rendering of other services related to the basic activity.

Revenue from services rendered, excluding those services that result in financial revenue, are recognised at selling prices of finished services less any discounts granted.

Other operating revenue includes revenue from received grants, connection fees and contractual penalties, and revaluation operating revenue.

Revaluation operating revenue results from the disposal of tangible fixed assets and intangible assets as surplus of their disposable value over the carrying amount, from reversal of accrued salaries and from reversal of impairment of receivables.

### Financial revenue:

Financial revenues are revenues from investing activities. They are associated with short-term financial investments and receivables.

Financial revenue is recognised when accounted for regardless of receipts, provided that there is no doubt about its volume, maturity and recoverability.

Interest is accounted for in proportion to the elapsed period and according to the unpaid part of the principal and the applicable interest rate.

Revaluation financial revenue occurs on: the increase of fair value of financial assets measured at fair value through profit or loss, the disposal of financial investments when their disposable value exceeds the carrying amount or in the event of financial investments available for sale, measured at fair value, on account of the surplus of their disposable value over the carrying amount, adjusted by the reserve arising from valuation at fair value of these assets, and the reversal of impairment of financial investments, if the reversal of impairment is admissible.

### Other revenue:

Other revenue consists of extraordinary items and other revenue that increases profit. It is presented in the actual amounts.

## Expense Recognition

Expenses are recognised if the decrease of economic benefits in the accounting period is associated with a decrease of an asset or an increase of debt and can be measured reliably. They affect the size of the capital through profit or loss.

**Operating expenses:**

Operating expenses are generally equal to incurred costs within the accounting period, increased by the cost of natural gas sold, revaluation operating expenses that are not costs, and other operating expenses.

Revaluation operating expenses incurred in connection with tangible fixed assets, intangible assets and current assets due to their revaluation to lower value.

**Financial expenses:**

Financial expenses are expenses from financing activities and expenses from investing activities.

Expenses from financing activities include default interest on late payments to suppliers, financial discounts granted upon delivery and other financial expenses related to liabilities to suppliers. Expenses from investing activities consist of expenses for interest on loans received for current operations and for investment loans after the assets have been capitalised, other expenses related to financial investments and debts, and revaluation financial expenses which represent the impairment of financial investments.

Financial expenses are recognised when accounted for, regardless of payments associated with them.

Revaluation financial expenses result from the impairment of financial investments, sale or other disposal or derecognition of financial investments, or sale of receivables as a negative differential between the sales value and the carrying amount.

**Other expenses:**

Other expenses include donations and extraordinary items. It is presented in the actual amounts.

**Tax Liabilities**

The company charges and deducts value added tax, corporate income tax and duties charged on import (customs duty and import duties) or related to natural gas (ecological tax).

All taxes and other duties are charged and paid in accordance with the applicable legislation.

**Deferred Taxes**

The company's long-term assets or long-term liabilities include the receivable or liability balance of deferred assets and deferred liabilities for income tax.

Only the receivables or liabilities for deferred taxes arising from temporary differences are recognised. They are recognised only when it becomes probable that sufficient taxable profit will be available, against which such deferred assets can be offset.

Deferred tax liabilities or assets are measured on the basis of tax rates which are expected to be applied when the asset is realised or the liability paid.

Deferred tax is charged or credited directly to equity when it refers to items charged or credited directly to equity.

**Cash-flow Statement**

The cash flow statement has been prepared according to the indirect method using data from the profit and loss account for the period January - December 2019, data from the balance sheet as at 31 December 2019 and 31 December 2018 or 1 January 2019 and other necessary data.

## 2. Breakdown and Notes

### 2.1 Balance Sheet

#### 2.1.1 Intangible Assets and Long-Term Deferred Costs and Accrued Revenue

Overview of changes in intangible assets and long-term deferred costs and accrued revenue

in EUR

Item	Long-term ownership rights	Other intangible assets	Long-term deferred expenses (DC&AR)	Intangible assets being acquired	Total
<b>Cost</b>					
As at 31 Dec 2018	9,056,822	9,967,384	160,550	8,193,435	27,378,190
Addition	0	0	0	855,068	855,068
Commissioning	557,406	23,160	0	-580,566	0
Transfer between	0	0	0	-8,900	-8,900
Transfer to STM DC&AR	0	0	-26,022	0	-26,022
Write-downs	-1,676,232	-123,220	0	-2,309,337	-4,108,789
As at 31 Dec 2019	7,937,995	9,867,324	134,528	6,149,699	24,089,547
<b>Value adjustment</b>					
As at 31 Dec 2018	8,138,335	2,750,561	0	4,531,310	15,420,206
Write-downs	-1,676,232	-123,220	0	0	-1,799,452
Impairment	0	0	0	0	0
Amortisation and Depreciation	440,154	398,844	0	0	838,998
As at 31 Dec 2019	6,902,257	3,026,186	0	4,531,310	14,459,752
<b>Carrying amount</b>					
As at 31 Dec 2018	918,486	7,216,822	160,550	3,662,126	11,957,984
As at 31 Dec 2019	1,035,738	6,841,138	134,528	1,618,390	9,629,794

Long-term property rights include software and licences, rights to use transport capacity and other projects.

Other intangible assets include investments in network development plans, accreditation of the metering facility and typing of metering and regulation stations. The value of activated other intangible assets amounts to EUR 23,160.

Intangible assets being acquired are stated in the amount of EUR 1,618,390 and relate mainly to investments in network development plans. In 2019, long-term accrued costs and deferred revenue (EU funds) were reduced by EUR 2,309,337, as part of investments in network development planning for projects where activities for completion are temporarily dormant and for which we estimate that there is no greater possibility that they are going to be completed.

Long-term deferred expenses include the deferred initial costs for the EIB loan in the total amount of EUR 134,528.

On 31 December 2019, the amount of financial liabilities under two concluded investment contracts for the acquisition of intangible assets stood at EUR 307,106.

## 2.1.2 Tangible Fixed Assets

### Overview of changes in tangible fixed assets

in EUR

Item	Land	Easement and surface rights	Buildings	Pipelines	Equipment	Spare parts	Tang. assets under construction	Tang. fixed assets	Total
<b>Cost</b>									
As at 31 Dec 2018	7.234.072	23.693.747	50.637.619	535.731.855	126.631.853	760.140	3.916.192		748.605.478
Addition	0	0	0	0	0	0	3,793,615		3,793,615
Commissioning	43,261	28,819	200,175	833,766	1,991,206	0	-3,097,227		0
Transfer between accounts	0	0	0	0	0	0	8,900		8,900
Transfer to TFA	0	0	0	0	4,639	-4,639	0		0
Accrued forced easement	0	0	0	0	0	0	-5,000		-5,000
Sales	0	0	0	0	0	0	0		0
Write-downs	-212	0	-37,467	-106,062	-778,521	-4,639	-25,774		-952,673
As at 31 Dec 2019	7,277,122	23,722,565	50,800,328	536,459,559	127,849,176	750,863	4,590,706		751,450,320
<b>Value adjustment</b>									
As at 31 Dec 2018	0	6.829.781	24.716.692	345.687.932	84.920.426	274.937	223.609		462.653.377
Transfer to TFA	0	0	0	0	4,305	-4,305	0		0
Write-downs	0	0	-13,300	-101,227	-739,651	-4,331	0		-858,509
Impairment	0	0	0	6,120	0	0	0		6,120
Amortisation and Depreciation	0	772,168	1,193,468	7,333,543	5,421,766	35,003	0		14,755,948
As at 31 Dec 2019	0	7,601,949	25,896,860	352,926,367	89,606,847	301,303	223,609		476,556,935
<b>Carrying amount</b>									
As at 31 Dec 2018	7,234,072	16,863,966	25,920,928	190,043,923	41,711,426	485,203	3,692,583		285.952.101
As at 31 Dec 2019	7,277,122	16,120,616	24,903,468	183,533,192	38,242,329	449,560	4,367,097		274,893,385

In 2019, six lands were acquired and activated.

The construction of the MRS Knauf, the associated transmission pipeline and MRS Škofja Loka, in which EUR 925,678 were invested in 2019, the construction of the MRS Šmarje pri Jelšah, in which EUR 102,736 were invested, the construction of the MRS Zalog, in which EUR 93,995 were invested, and the modification of the MRS Titan, in which EUR 102,278 were invested, were completed. In the ECDA inspections and rehabilitation of damages to the pipeline system, EUR 596,579 was invested and EUR 399,998 in the SCADA system upgrade. We have invested EUR 200,000 to acquire the system type element.

EUR 3,097,227 of fixed assets were transferred to use, including the MRS Knauf, MRS Škofja Loka, MRS Šmarje pri Jelšah, MRS Zalog, upgrades of the pipeline system and other equipment.

No items of tangible fixed assets are pledged as security for debts.

On 31 December 2019, the amount of financial liabilities under five concluded investment contracts for the acquisition of tangible fixed assets stood at EUR 520,795.

### 2.1.3 Long-Term Financial Investments

			in EUR	
			31 Dec 2019	31 Dec 2018
Item				
Investment in jointly controlled company Južni tok Slovenija			28,681	28,681
Investment in PRISMA European Capacity Platform GmbH			14,268	14,268
<b>Total long-term financial investments</b>			<b>42,949</b>	<b>42,949</b>

Company	Equity shareholding of company	Activity of company	Company's equity as at 31 Dec 2018 in EUR	Profit or loss in 2019 in EUR
Južni tok Slovenija d.o.o. Cesta Ljubljanske brigade 11b, 1000 Ljubljana, Slovenia	50%	Pipeline transport H 49 500	1,130,521	-1,508

In 2012, the company co-founded the jointly controlled company Južni tok Slovenija d.o.o. together with the Russian company Gazprom in accordance with the intergovernmental agreement. Each company has a 50-percent shareholding of the undertaking. The newly-founded undertaking was entered into the Court Register on 5 September 2012 with Decision No Srg 2012/34248. In 2019, the company remained dormant and only fulfilled the necessary statutory activities with minimal operating costs. The company did not receive any official statement from Gazprom regarding a final decision about the project until the endorsement of the Annual Report. Discussions between both partners are conducted within the concluded agreements.

Company	Equity shareholding of company	Activity of company
PRISMA European Capacity Platform GmbH Schillerstraße 4 04109 Leipzig, Germany	5.45%	J 62 090 Other information technology and computer service activities

The PRISMA European Capacity Platform GmbH was established on 1 January 2013 by European natural gas transmission system operators with the aim of establishing a web-based booking platform for the allocation of transmission capacity through auctions. The company made a capital investment in the PRISMA European Capacity Platform GmbH in 2015.

## 2.1.4 Deferred tax assets

in EUR

Item	
<b>Total deferred tax assets as at 31 Dec 2018</b>	<b>376,702</b>
Changes to the deferred tax assets	-11,708
<b>Total deferred tax assets as at 31 Dec 2018</b>	<b>364,994</b>

in EUR

Breakdown	31 Dec 2018	Increase	Decrease	31 Dec 2019
Operating receivables	304,663	0	7,805	296,859
Provisions for jubilee awards	17,675	1,086	0	18,761
Provisions for severance pays on retirement	51,595	0	4,076	47,520
Tangible fixed assets	2,768	0	913	1,855
<b>Total</b>	<b>376,702</b>	<b>1,086</b>	<b>12,793</b>	<b>364,994</b>

Long-term assets include deferred tax assets, i.e. income tax on expenses not recognised for tax purposes and deferred revenue for the accounting year in the amount of EUR 364,994. Deferred tax assets were calculated using the 19-percent tax rate.

The company records deferred tax assets that are charged on the basis of temporary differences, in the amount for which it is estimated according to expected future tax bases that it will be reversed in the foreseeable future.

## 2.1.5 Inventories

Natural gas in the pipeline system is owned by the company. The movement in the amounts of natural gas in the transmission system depends on the daily requirements for system balancing and levelling of deviations for individual system users.

in EUR

Item	31 Dec 2019	31 Dec 2018
Material - Natural gas	215,108	0
Other materials and spare parts	1,118,184	1,097,720
Small tools	7,930	19,120
Merchandise - natural gas	68,815	343,462
<b>Total inventories</b>	<b>1,410,037</b>	<b>1,460,302</b>

Material - natural gas is a natural gas reserve intended to cover systemic differences, which were paid monthly by system users in accordance with the regulation until 2019, and from 2019 onwards, they enter the regulatory framework as an uncontrolled expense.

No item of inventory is pledged as security for liabilities. On the balance sheet date, the carrying value of inventories does not exceed the net realisable value. In 2019, the company did not impair inventories.

No variances were identified during the inventory count.

## 2.1.6 Short-Term Financial Investments

in EUR

Item	31 Dec 2019	31 Dec 2018
Short-term deposits in banks	9,500,000	800,000
<b>Total short-term financial investments</b>	<b>9,500,000</b>	<b>800,000</b>



Short-term financial investments include short-term deposits on call over 31 days in domestic currency at Slovenian banks.

### 2.1.7 Short-Term Operating Receivables

Accounts receivable for the lease of auction capacities at border points are secured with financial guarantees, namely with assets deposited on a special account (notes 2.1.8 and 2.1.14) or guarantees (note 2.1.16) in the determined amount.

99 percent of the receivables for securities is made up of securities for forced easements on transmission system lines built from 2012 - 2014.

#### Short-term operating receivables

in EUR

Item	31 Dec 2019	31 Dec 2018
<b>Short-term operating receivables due from customers</b>	<b>5,827,682</b>	<b>7,021,768</b>
Short-term receivables due from domestic customers	5,254,368	6,739,132
- receivables due from jointly controlled undertaking	122	305
- receivables arising from connection charge	4,967,423	6,438,094
- receivables arising from services rendered	56,866	70,776
- doubtful and disputable receivables	1,792,370	1,833,447
- allowance for receivables	-1,562,413	-1,603,490
Short-term accounts receivable on foreign market	573,314	282,637
<b>Other short-term receivables</b>	<b>316,210</b>	<b>1,397,545</b>
Collaterals	65,241	73,817
Interest receivables	12,888	26
Input VAT assets	229,222	291,590
Income tax receivables	0	998,776
Receivables from the state for other charges	8,653	28,239
Other short-term receivables	207	5,096
<b>Total short-term operating receivables</b>	<b>6,143,892</b>	<b>8,419,313</b>

#### Short-term operating receivables by maturity on 31 December 2019

in EUR

Item	Non-past due	Past due up to 30 days	Past due from 30 to 90 days	Past due more than 90 days	Total
Gross accr. receivable	5,434,929	163,344	1,021	1,790,801	7,390,095
Allow. for receivables	428	417	845	1,560,723	1,562,413
<b>Net accounts receivable</b>	<b>5,434,501</b>	<b>162,927</b>	<b>176</b>	<b>230,078</b>	<b>5,827,682</b>

The difference between gross receivables due from customers and the allowance for receivables, for receivables more than 90 days past due, represents the amount of VAT received from impairment of receivables of transmission system user in bankruptcy, in the amount of EUR 229,957, which the company will return to the tax authority upon a possible repayment of receivables from the bankruptcy estate.

## 2.1.8 Cash

in EUR

Item	31 Dec 2019	31 Dec 2018
Cash on hand	118	159
Cash in banks	33,058	359,909
Call deposits up to 31 days	8,880,000	3,700,000
Cash on special bank accounts for special purposes (note 2.1.14)	5,466,737	5,560,239
<b>Total cash</b>	<b>14,379,913</b>	<b>9,620,307</b>

Cash on special bank accounts represents cash from securities for auction capacities and balance contracts.

Cash also includes a call deposit up to 31 days in domestic currency at one Slovenian bank.

## 2.1.9 Deferred Costs and Accrued Revenue

in EUR

Item	31 Dec 2019	31 Dec 2018
Prepaid costs	25,469	115,293
VAT on received advances	35,421	3,856
Other accruals and deferrals	49,839	54,689
<b>Total deferred costs and accrued revenue</b>	<b>110,729</b>	<b>173,838</b>

### Movements of deferred costs and accrued revenue

in EUR

Item	As at 31 Dec 2018	Formation	Use	Reversal	As at 31 Dec 2019
Prepaid costs	115,293	550,860	-640,683	0	25,469
VAT on received advances	3,856	90,643	-59,078	0	35,421
Other accruals and deferrals	54,689	8,307,629	-8,312,480	0	49,839
<b>Total</b>	<b>173,838</b>	<b>8,949,132</b>	<b>-9,012,241</b>	<b>0</b>	<b>110,729</b>

## 2.1.10 Equity

The share capital of the company amounts to EUR 98,733,790.

The profit of 2018 stood at EUR 3,328,936; in accordance with the resolution by the Supervisory Board, EUR 1,600,000 of the profit was used for payment of the share in profits, while EUR 1,728,936 was allocated to other capital reserves. The Management Board of the company proposes that the accumulated profit of the year 2019 in the amount of EUR 5,770,625 is allocated to other revenue reserves, and the Supervisory Board may decide otherwise.

As at 31 December 2019, the company's capital reserves stood at EUR 8,151,515, statutory reserves at EUR 1,933,169 and other revenue reserves at EUR 91,975,551. Capital reserve refers to additional paid-in capital, which was created upon the payment of cash by the sole owner, i.e. the parent company, on 1 January 2005 when the activity of the system operator was transferred from the parent company to the subsidiary.

Reserves arising from valuation at fair value in the amount of EUR -20,314 refer to actuarial loss or changes in the current value of liabilities to employees from severance pays on retirement due to changes in actuarial assumptions and based on experience adjustments.

## 2.1.11 Provisions and Long-Term Accrued Costs and Deferred Revenue

in EUR

Item	As at 31 Dec 2018	Formation	Use	Reversal	Transfer to STM AC&DR	As at 31 Dec 2019
<b>Provisions for term. ben. and jub. awards</b>	<b>732,949</b>	<b>105,371</b>	<b>-40,456</b>	<b>0</b>	<b>0</b>	<b>797,864</b>
- jubilee awards	186,054	27,546	-16,118	0	0	197,482
- severance pays	546,895	77,825	-24,338	0	0	600,382
<b>Other provisions</b>	<b>218,619</b>	<b>0</b>	<b>-11,450</b>	<b>-5,000</b>	<b>0</b>	<b>202,169</b>
- enforced easement	218,619	0	-11,450	-5,000	0	202,169
<b>Public support</b>	<b>32,429,725</b>	<b>53,167</b>	<b>0</b>	<b>-2,309,337</b>	<b>-1,264,499</b>	<b>28,909,056</b>
- grants	32,429,725	53,167	0	-2,309,337	-1,264,499	28,909,056
<b>Other LTM AC&amp;DR</b>	<b>1,932,494</b>	<b>0</b>	<b>-12,734</b>	<b>0</b>	<b>-114,999</b>	<b>1,804,761</b>
- connection charges	1,921,995	0	-2,235	0	-114,999	1,804,761
- other LTM AC&DR	10,499	0	-10,499	0	0	0
<b>Total</b>	<b>35,313,787</b>	<b>158,538</b>	<b>-64,640</b>	<b>-2,314,337</b>	<b>-1,379,498</b>	<b>31,713,849</b>

The state aid received is mainly a grant from the European Commission under the EEPR, TEN-E and CEF-E programmes. In 2019, the acquisition of intangible assets (investments in network development planning) was reduced by EUR 2,309,337, as part of the grants received to invest in network development planning for projects where activities for completion are temporarily dormant and for which we estimate that there is no greater possibility that they are going to be completed.

### Sensitivity analysis in the actuarial calculation

Item	Assumption	Deviation	Long-term liabilities in EUR	Severance pays on retirement in EUR	Jubilee awards in EUR
<b>Liab. (DBO)</b>	<b>Central scenario</b>	<b>0.00%</b>	<b>797,864</b>	<b>600,382</b>	<b>197,482</b>
Liab. (DBO)	Discount inter. rate	-0.50%	841,156	634,537	206,619
Liab. (DBO)	Discount inter. rate	0.50%	758,078	569,102	188,976
Liab. (DBO)	Growth of salaries	-0.50%	758,313	569,254	189,059
Liab. (DBO)	Growth of salaries	0.50%	840,442	634,009	206,433
<b>Duration (DBO)</b>			<b>10.5</b>	<b>11.0</b>	<b>9.0</b>

Provisions for forced easement were formed in the amounts contained in appraisal records, i.e. EUR 202,169. The decrease in provisions in the amount of EUR 11,450 was the result of forced easements becoming final in 2019 and the amount being paid out to the beneficiaries.

Long-term accruals and deferrals associated with connection charges were formed in the amount of the partial payment of costs of the network connection construction by the final users. Provisions for severance pays on retirement and jubilee awards were formed based on the actuarial calculation,

using the discount rate of 0.97 percent, long-term growth of salaries 2 percent, while the employee turnover rate was accounted for considering age intervals and stood between 0 percent and 3 percent.

### 2.1.12 Long-Term Financial Liabilities

in EUR		
Item	31 Dec 2019	31 Dec 2018
<b>Long-term financial liabilities to banks</b>	<b>59,984,568</b>	<b>63,453,704</b>
Long-term loans from foreign banks	63,453,704	66,172,840
Short-term part of long-term loans from foreign banks	-3,469,136	-2,719,136
<b>Total long-term financial liabilities</b>	<b>59,984,568</b>	<b>63,453,704</b>

in EUR	
<b>Maturity of received loans on 31 Dec 2019</b>	
- due in up to 1 year	3,469,136
- due in 1 to 2 years	3,469,136
- due in 2 to 5 years	10,407,407
- due in more than 5 years	46,108,025
<b>Total</b>	<b>63,453,704</b>

Lender	Security	Repayment deadline
EIB	Guarantee of the SID Bank - bills of exchange	2039

At the end of 2019, the interest rates for received loans ranged between 2.81 and 3.99 percent annually.

### 2.1.13 Short-Term Financial Liabilities

in EUR		
Item	31 Dec 2019	31 Dec 2018
Short-term part of long-term loans from foreign banks	3,469,136	2,719,136
<b>Other short-term financial liabilities</b>	<b>3,469,136</b>	<b>2,719,136</b>

## 2.1.14 Short-Term Operating Liabilities

in EUR		
Item	31 Dec 2019	31 Dec 2018
<b>Short-term accounts payable</b>	<b>4,140,565</b>	<b>4,272,290</b>
Short-term operating liabilities to domestic suppliers	4,045,673	4,066,621
Short-term operating liabilities to foreign suppliers	94,892	205,669
<b>Short-term operating liabilities on the basis of advances</b>	<b>199,800</b>	<b>21,385</b>
<b>Other short-term operating liabilities</b>	<b>8,027,290</b>	<b>8,171,319</b>
Short-term securities received	5,451,842	5,561,342
Other short-term operating liabilities for foreign account	319,457	376,947
Short-term liabilities to employees	703,276	637,966
Short-term liabilities for VAT	675,107	708,955
Short-term liabilities for income tax	625,215	128,393
Other liabilities to state and other institutions	4,413	3,518
Other short-term operating liabilities	247,980	754,198
<b>Total short-term operating liabilities</b>	<b>12,367,654</b>	<b>12,464,994</b>

Short-term securities received include deposits associated with the lease of auction capacities and balance contracts (note 2.1.8).

Short-term liabilities to employees refer to liabilities for gross wages for December 2019, which were paid out in 2020, and liabilities for awards of past years with deferred maturity due to decisions of the Supervisory Board.

Other short-term operating liabilities include the transfers of trade receivables to third parties.

## 2.1.15 Short-Term Accrued Costs and Deferred Revenue

in EUR		
Item	31 Dec 2019	31 Dec 2018
Accrued costs of services	11,125	12,905
Accrued labour costs from unused annual leave	213,443	212,441
Accrued labour costs from performance in the current year	480,000	510,000
Short-term deferred rev. from grants and paid connection charges	1,379,497	1,390,666
Short-term deferred revenue from virtual point services	82,125	68,625
VAT refund	229,957	229,957
Other short-term accrued costs and deferred revenue	3	348
<b>Total accrued costs and deferred revenue</b>	<b>2,396,150</b>	<b>2,424,942</b>

Short-term deferred revenue related to grants and connection fees represent a part of the long-term accrued costs and deferred revenue from connection fees or obtained European Commission grants, which are transferred to other operating revenues within one year after the balance sheet date. A part of the accrued costs and deferred revenue in the proportionate amount of the depreciation of tangible fixed assets and intangible assets financed with the European Commission grant funds within EEPR and TEN-E and with connection fees was transferred to the revenue. Accrued personnel costs from performance in the current year are accrued in accordance with the Salary Policy; namely, on the basis of the reached operating results of the company.

## 2.1.16 Off-Balance-Sheet Assets / Liabilities

in EUR

Item	31 Dec 2019	31 Dec 2018
Performance guarantees received	322,400	211,716
Warranty guarantees received	12,736,045	12,693,633
Payment guarantees received	0	6,310,000
Auction capacities guarantees received (note 2.1.8)	6,915,000	5,695,000
Balance contracts guarantees received (note 2.1.8)	968,000	803,000
Bills of exchange received	80,820	80,820
Non-utilised part of long-term credit	17,800,000	17,800,000
Non-utilised limit	48,796	49,033
Border operational balancing accounts	977	-466
<b>Total off-balance-sheet assets / liabilities</b>	<b>38,872,038</b>	<b>43,642,736</b>

## 2.2 Profit and Loss Account

### 2.2.1 Net Sales Revenue

in EUR

Item	2019	2018
<b>Revenue on domestic market</b>	<b>39,033,218</b>	<b>39,047,820</b>
- revenue from transmission services - network charge	34,133,619	32,346,203
- revenue from gas sales for balancing and levelling of deviations	4,637,989	6,503,471
- revenue from the sale of services to the jointly controlled	600	600
- accrued revenue from connection charges received	115,110	99,594
- revenue from sale of services	141,343	93,452
- revenue from rents	4,557	4,500
<b>Revenue on foreign market</b>	<b>4,477,637</b>	<b>4,795,530</b>
- revenue from transmission services - network charge	4,113,017	3,597,368
- revenue from gas sales for balancing and levelling of deviations	291,953	1,135,133
- revenue from sale of services	72,667	63,029
<b>Total net sales revenue</b>	<b>43,510,855</b>	<b>43,843,350</b>

### 2.2.2 Other Operating Revenues (with Revaluation Operating Revenue)

in EUR

Item	2019	2018
<b>Revenue from reversal of provisions</b>	<b>13,938</b>	<b>12,842</b>
- reversal of AC&DR	13,938	12,842
<b>Other revenue associated with business effects</b>	<b>1,326,094</b>	<b>1,679,374</b>
- accrued revenue from EEPR grant	1,157,262	1,157,262
- accrued revenue from TEN-E grant	42,505	55,498
- revenue from contractual penalties	32,741	46,707
- revenue from free acquisitions	64,732	64,732
- other revenue associated with business effects	28,854	355,175
<b>Revaluation operating revenue</b>	<b>36,378</b>	<b>30,100</b>
- reversal of impairment of receivables	22,166	6,305
- profit from the sale of fixed assets	14,212	23,795
<b>Total other operating revenue (with rev. operating revenue)</b>	<b>1,376,410</b>	<b>1,722,316</b>

## 2.2.3 Costs of Goods, Material and Services

in EUR		
Item	2019	2018
Costs of goods sold - natural gas	4,923,683	7,618,135
Costs of material	1,291,499	1,017,713
Costs of services	3,357,095	3,228,662
<b>Total costs of goods, material and services</b>	<b>9,572,277</b>	<b>11,864,510</b>

in EUR		
Item	2019	2018
Costs of maintenance	1,782,693	1,702,667
Rental costs	102,998	104,218
Work reimbursement to employees	144,411	126,147
Costs of payment services, banking services, transaction costs, insurance premiums	652,076	645,272
Intellectual and personal services	186,195	182,152
Cost of fairs, advertising and representation	95,985	84,738
Costs of services provided by natural persons not performing business activities	119,076	112,481
Costs of other services	273,661	270,987
<b>Total costs of services</b>	<b>3,357,095</b>	<b>3,228,662</b>

## 2.2.4 Labour Costs

in EUR		
Item	2019	2018
Cost of wages and salaries	5,944,575	6,015,851
Cost of pension insurance	736,131	734,256
- of which: voluntary supplementary pension insurance	203,832	202,484
Cost of other social insurance	502,619	506,345
Provisions for jubilee awards and severance pays on retirement	43,988	23,941
Provisions for unused annual leave	213,443	212,441
Other labour costs	758,312	696,851
<b>Total labour costs</b>	<b>8,199,068</b>	<b>8,189,685</b>
<b>Average number of employees by calculated hours</b>	<b>139.86</b>	<b>144.81</b>

## 2.2.5 Write-Downs

in EUR		
Item	2019	2018
<b>Amortisation and Depreciation</b>	<b>15,594,946</b>	<b>15,544,495</b>
Amortisation of intangible fixed assets	838,998	887,685
Depreciation of tangible fixed assets	14,755,948	14,656,810
<b>Impairment expenses</b>	<b>60,336</b>	<b>1,107,659</b>
Impairment of intangible assets and tangible fixed assets (note 2.1.1 and 2.1.2)	53,491	1,099,940
Impairment of current assets	6,845	7,719
<b>Total write-downs</b>	<b>15,655,283</b>	<b>16,652,154</b>



## 2.2.6 Other Operating Expenses

in EUR

Item	2019	2018
<b>Charges not dependant on labour costs or other types of costs</b>	<b>1,678,873</b>	<b>1,555,699</b>
- contribution for building land	35,265	33,635
- contribution to the Energy Agency	1,020,800	1,003,084
- contribution to ENTSOG	205,061	193,257
- contribution for auction platform	406,379	310,242
- contribution to the EKO fund	10,752	11,926
- other charges	616	3,555
<b>Expenditures for environmental protection</b>	<b>26,036</b>	<b>18,831</b>
<b>Scholarships and awards to students</b>	<b>1,514</b>	<b>316</b>
<b>Other expenses</b>	<b>26,816</b>	<b>42,406</b>
<b>Total other operating expenses</b>	<b>1,733,239</b>	<b>1,617,252</b>

## 2.2.7 Costs by Functional Group

in EUR

Item	2019	2018
Costs of goods sold - natural gas	4,923,683	7,618,135
Costs of the main activity of transmission system operator	26,984,911	27,441,694
Costs of general, administrative and sales activities	3,251,273	3,263,771
<b>Total costs by functional group</b>	<b>35,159,867</b>	<b>38,323,600</b>

## 2.2.8 Financial Expenses from Financial Liabilities

in EUR

Item	2019	2018
Interest and expenses from loans from banks	2,776,258	3,205,783
Interest and expenses from other financial liabilities	0	162,900
<b>Total financial expenses from financial liabilities</b>	<b>2,776,258</b>	<b>3,368,683</b>

## 2.2.9 Financial Expenses from Operating Liabilities

in EUR

Item	2019	2018
Interest from actuarial calculation	13,188	9,802
Other expenses from operating liabilities	551	221
<b>Total financial expenses from operating liabilities</b>	<b>13,739</b>	<b>10,023</b>

### 3. Other Disclosures

#### Data on Categories of Persons

##### Structure and amount of remuneration of Management Board in financial year 2019

in EUR

Name and surname	Function	Fixed remuneration - gross (1)	Variable remuneration based on qualitative criteria (2)	Deferred revenue (3)	Bonus (4)	Benefits (5)	Gross total (1+2+3+4+5)	Net total
Marjan Eberlinc	General Manager	160,883	10,800	10,800	1,210	4,614	188,307	83,632
Sarah Jezernik	Deputy General Manager	131,670	9,894	9,877	1,210	3,897	156,548	73,197

##### Structure and amount of remuneration of supervisory bodies in financial year 2019

in EUR

Name and surname	Function	Fixed remuneration - gross (1)	Variable remuneration based on qualitative criteria (2)	Deferred revenue (3)	Bonus (4)	Benefits (5)	Gross total (1+2+3+4+5)	Net total
Dejan Koletnik	Compliance Officer	113,729	0	0	1,210	4,720	119,659	56,788

##### Structure and amount of remuneration of Supervisory Board members in financial year 2019

in EUR

Name and surname	Function	Payment for performing (1)	Attendance fees (2)	Benefits (3)	Travel expenses (4)	Gross total (1+2+3+4)	Net total
Tibor Šimonka	Chairman	16,950	1,375	49	124	18,498	13,405
Peter Grašek	Deputy Chairman	12,430	1,375	49	568	14,422	10,440
Jože Dimnik	Member	7,321	825	49	168	8,363	6,033
Alojz Kovše	Member	11,300	1,375	49	676	13,400	9,697
Hinko Šolinc	Member	3,979	550	0	100	4,630	3,367
Aleš Šuštar	Member	11,300	1,375	49	0	12,724	9,205
Rok Vozel	Member	11,300	1,375	49	0	12,724	9,205

The company did not grant any advance payments, loans or securities to these categories of persons in 2019. The company had no long-term nor short-term debts nor significant operating receivables to these categories of persons. In 2019, remuneration from employment of Supervisory Board members, who represent the employees, amounted to EUR 120,677, together with attendance fees and fees for performing a function.

#### 3.2 Audit Fees

in EUR

Item	2019	2018
Audit of annual report	14,000	7,667
Other auditing services	2,200	1,922
<b>Total audit fees for the company</b>	<b>16,200</b>	<b>9,589</b>

### 3.3 Transactions with Related Companies in 2019

in EUR

Item	Plinhold d.o.o.	Južni tok Slovenija d.o.o.
<b>Net sales revenue</b>	<b>0</b>	<b>600</b>
Net revenue from the sale of services	0	600
<b>Closing balance of receivables and liabilities</b>	<b>0</b>	<b>122</b>
Receivables due from related parties for goods and services	0	122
<b>Distribution of profits</b>	<b>1,600,000</b>	<b>0</b>

### 3.4 Transactions with companies directly or indirectly owned by the Republic of Slovenia

The volume of transactions and balances arising from these transactions of the company Plinovodi d.o.o. with companies with more than 20 percent ownership in the company Plinhold d.o.o., as a 100 percent owner of the company Plinovodi d.o.o., and companies that are majority-owned by such owners of the company Plinhold d.o.o., according to activities is presented.

in EUR

Partner	Share in %	Outstanding receivables as at	Turnover of receivables	Outstanding liabilities as at	Turnover of liabilities
<b>Activity 10 Food production</b>					
Partner 1	At least 66	17,053.05	142,987.72	0	0
<b>Activity 20 Manufacture of chemicals and chemical products</b>					
Partner 2	At least 44	40,755.08	492,052.86	0	0
Partner 3	At least 24	13,655.11	158,112.38	0	0
<b>Activity 21 Manufacture of pharmaceutical raw materials and preparations</b>					
Partner 4	At least 26	71,666.01	764,258.22	0	0
<b>Activity 24 Manufacture of basic metals</b>					
Partner 5	25	105,613.83	1,337,053.36	0	0
Partner 6	25	96,307.92	1,166,438.10	0	0
Partner 7	At least 91	76,665.25	907,528.92	0	0
<b>Activity 25 Manufacture of fabricated metal products, except machinery and equipment</b>					
Partner 8	At least 40	39,262.38	230,767.00	0	0
Partner 9	100	11,293.15	128,764.94	0	0
<b>Activity 35 - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>					
Partner 10	100	38,291.26	628,067.88	0	0
Partner 11	100	348,916.50	4,103,880.29	0	0
Partner 12	At least 79	17,798.14	186,090.83	32,277.21	244,431.69
Partner 13	At least 80	154.31	935.21	11,711.34	146,234.54
Partner 14	At least 50	121,208.44	1,015,259.93	45,746.49	522,635.66
<b>Activity 46 - Wholesale trade, except of motor vehicles and motorcycles</b>					
Partner 15	At least 48	601,157.25	8,238,780.46	383,868.30	4,103,413.71
<b>Activity 47 Retail trade, except of motor vehicles and motorcycles</b>					
Partner 16	At least 31	269,190.75	2,887,445.62	47,620.51	194,277.82

Partner	Share in %	Outstanding receivables as at 31 Dec 2019	Turnover of receivables In 2019	Outstanding liabilities as at 31 Dec 2019	Turnover of liabilities In 2019
<b>Activity 55 Accommodation</b>					
Partner 17	At least 46	6,241.50	69,375.20	0	0
Partner 18	100	7,611.56	82,747.50	0	103.60
<b>Activity 64 Financial service activities, except insurance and pension funding</b>					
Partner 19	At least 99	0	0	38,905.04	464,435.90
<b>Activity 65 Insurance, reinsurance and pension funding, except compulsory social security</b>					
Partner 20	At least 62	0	0	40,496.63	543,713.46
<b>Activity 84 Public administration and defence, compulsory social security</b>					
Partner 21	100	0	0	862,020.07	3,433,131.83
Partner 22	100	0	0	85,066.67	1,020,800.04
<b>Activity 85 Education</b>					
Partner 23	100	0	0	1,061.40	60,194.38
<b>Activity 86 Human health activities</b>					
Partner 24	100	5,171.69	54,146.54	70.19	426.91
Partner 25	100	6,309.84	67,028.93	51.20	51.20
Partner 26	100	18,257.09	212,905.42	0	0

Transactions were performed in the same manner as with other unrelated parties.

### 3.5 Disclosures Pursuant to the Energy Act

The Act Determining the Methodology for the Calculation of Network Charge enables the company to compensate itself accordingly for the high expenses (negative settlements) from the past by increasing future tariffs or to refund the too high income (positive settlements) from the past by decreasing future tariffs.

On the basis of the available data for 2019, the company found deviations from the regulatory framework for the period from 1 January 2019 to 31 December 2019 that were reflected in the network charge deficit, in a true and fair manner. The deficit stood at EUR 5,910,826 and was not included in the financial statements.

### 3.6 Events after the Balance Sheet Date

There were no events between the balance sheet date and the financial statements endorsement date that would require an adjustment of the financial statements to the balance sheet date or any special disclosure in the financial statements.

In January 2020, the Regulation on the national spatial plan for transmission pipeline R51C Kozarje-Vevče entered into force. As a result, the impairment of an ongoing investment of EUR 422,231 will be eliminated in 2020.

## SIGNATURE OF THE ANNUAL REPORT FOR 2019 AND ITS INTEGRAL PARTS

The undersigned, General Manager and Deputy General Manager of Plinovodi d.o.o., are familiar with the contents of the integral parts of the Annual Report for the year 2019, as well as with the complete report of the company. We agree thereto and confirm this with our signatures.

General Manager  
Marjan Eberlinc, BSc in Mech. Eng.

Deputy General Manager  
Sarah Jezernik, MSc in E.



## Independent Auditor's Report

To the owner of Plinovodi d.o.o.

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### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PLINOVODI d.o.o. (the "Company") as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Slovene Accounting Standards.

### What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the statement of changes in equity for the year then ended;
- the notes to the financial statements, which include summary of significant accounting policies and other explanatory information

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Slovenia. We have fulfilled our other ethical responsibilities in accordance with those requirements and with the IESBA Code.

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PricewaterhouseCoopers d.o.o.,  
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Matriculation No.: 5717159, VAT No.: SI35498161

The company is entered into the company register at Ljubljana District Court under Insert no. 12156800 per resolution Srg. 200110427 dated 19 July 2001 and into the register of audit companies at the Agency for Public Oversight of Auditing under no. RD-A-014/94. The registered share capital is EUR 34,802. The list of employed auditors with valid licenses is available at the company's registered office.



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### Other information

Management is responsible for the other information. The other information comprises the *Management report*, which is a constituent part of the annual report of the Company (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

In addition to our responsibilities and reporting in accordance with ISAs, with respect to the other information, we also performed procedures required by the Slovenian Companies Act. Those procedures include assessing whether the other information is consistent with the financial statements for the same financial year and whether the other information was prepared in accordance with valid legal requirements.

Based on the described procedures, we report that:

- the other information is in all material respects consistent with those audited financial statements; and
- the other information has been prepared in accordance with the requirements of the Slovenian Companies Act.

Based on the knowledge and understanding of the entity and its environment, which we have obtained in the course of the audit, in relation to the other information, we have not identified any material misstatements.

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### 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 the Slovene Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.





### Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with 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.

PricewaterhouseCoopers d.o.o.

Jasmina Mandžuka, Certified Auditor

Ljubljana, March 11, 2020

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

# MISCELLANEOUS



## Legislative Framework

### Regulations of the European Parliament and Council

- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (OJ L211/2009)
- Directive (EU) 2019/692 of the European Parliament and of the Council of 17 April 2019 amending Directive 2009/73/EC concerning common rules for the internal market in natural gas
- Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 (OJ L 211/2009)
- Commission Regulation (EU) 312/2014 of 26 March 2014 establishing a network code on balancing of transmission networks (OJ L 91/2014)
- Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules (OJ L 113/13)
- Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (OJ L 72/2017)
- Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and repealing Regulation (EU) No 984/2013 (OJ L 72/2017)
- Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard security of gas supply and repealing the Regulation (EU) 994/2010 (OJ L 280/2017)
- Commission Decision of 10 November 2010 amending Chapter 3 of Annex I to Regulation (EC) No. 715/2009 of the European Parliament and the Council on conditions for access to the natural gas transmission networks (OJ L 293/2010)
- Commission Decision of 24 August 2012 amending Annex I to Regulation (EC) No. 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks (OJ L 231/2012)

### Acts

- Energy Act (EZ-1) (Official Gazette of RS, Nos. 17/2014, 81/2015, 43/2019)

### Implementing regulations

- Decree on functioning of the natural gas market (Official Gazette of RS, No. 61/2016)
- Resolution on the National Energy Programme (ReNEP) (Official Gazette of RS, No. 57/2004)
- Decree on energy infrastructure (Official Gazette of RS, No. 22/2016)
- Rules on technical conditions for the construction, operation and maintenance of gas pipelines with the maximum working pressure of up to 16 bar (Official Gazette of RS, Nos. 26/2002, 54/2002, 17/2014)
- Rules on technical requirements for construction, operation and maintenance of gas pipelines with operating pressure above 16 bar and on conditions for the interventions in the areas of their protective zones (Official Gazette of RS, Nos. 12/2010, 45/2011, 17/2014)
- Decree on the method of implementing public service obligation relating to the activity of transmission system operator in the field of natural gas (Official Gazette of RS, Nos. 97/2004, 8/2005, 8/2007, 17/2014)

- Decree on the concession for performing public service obligation relating to the activity of transmission system operator in the field of natural gas (Official Gazette of RS, Nos. 109/2004, 73/2008, 111/2008, 17/2014)

#### **Acts of the Energy Agency of the Republic of Slovenia and the System Operator**

- Act determining the methodology for charging for the network charge for the gas transmission network (Official Gazette of RS, Nos. 77/2015, 21/2018, and 86/2018)
- Act determining the methodology for setting the regulatory framework for system operator for natural gas (Official Gazette of RS, No. 21/2018)
- Act determining tariff rates for network charges for the natural gas transmission system (Official Gazette of RS, No. 37/2018)
- System operating instruction for natural gas transmission network (Official Gazette of RS, Nos. 55/2015 and 80/2017)
- Rules on terms and conditions for capacity allocation mechanisms at interconnection points of the transmission system through auctions (Official Gazette of RS, Nos. 67/2014 and 79/2016)
- Rules on the procedure for the allocation of capacity on the transmission system for the entry and exit points in the Republic of Slovenia, the congestion management procedure and capacity trading on the secondary market (Official Gazette of RS, Nos. 80/2014, 81/2014 and 62/2016)
- Regulation on the preventive action plan for natural gas supply (Official Gazette of RS, Nos. 2/2015, 9/2017, and 41/2018)
- Regulation on the emergency plan for natural gas supply (Official Gazette of RS, Nos. 43/2014, 2/2015, and 41/2018)
- Legal act on the method for the submission of data and documents by providers of energy sector activities (Official Gazette of RS, No. 98/2014)

## List of Abbreviations Used

DC&AR	Deferred costs and accrued revenue
BDP	Gross Domestic Product
CEF	Connecting Europe Facility
DBO	Defined Benefit Obligation
VAT	Value-added tax
DEBT	The sum of long-term and short-term financial liabilities
NSP	National spatial plan
FFEC	Family Friendly Enterprise
ECB	European Central Bank
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECDA	External Corrosion Direct Assessment
EEPR	European Energy Programme for Recovery
EIB	European Investment Bank
ENTSO	European Network of Transmission System Operators for Gas
ERM	Enterprise Risk Management
EU	European Community
EURIBOR	Euro InterBank Offered Rate
EZ-1	Energy Act
GIZ DZP	Economic Interest Association for Natural Gas Distribution
HICP	Harmonised Index of Consumer Prices
LNG	Liquefied Natural Gas
BMCS	Border metering and control station
MS	Metering station
MRS	Metering and regulation station
NET DEBT	Debt less short-term financial investments and financial assets
SB	Intangible fixed assets
OBA	Operating Balancing Account
INTEREST	Interest and other financing costs
DSO	Distribution system operator
TFA	Tangible fixed assets
TSO	Transmission system operator
FA	Fixed assets
PCI	Projects of Common Interest
ACDR	Accrued costs and deferred revenue
SCADA	Supervisory Control And Data Acquisition
SAS	Slovenian Accounting Standards
CNG	Compressed natural gas
TEN-E	Trans-European Networks - Energy
TS	Trading platform
VPG	Virtual Point for Gas
ZGD-1	Companies Act

## Who is Who

### MANAGEMENT

Deputy General Manager  
Sarah Jezernik

General Manager  
Marjan Eberlinc

### COMPLIANCE OFFICER

Dejan Koletnik

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