

# ANNUAL REPORT





## BUSINESS REPORT

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# BUSINESS REPORT



**Plinovodi**  
Povezani z energijo





## Management Review for 2022

In 2022, the Plinovodi d.o.o. company (hereinafter referred to as: Plinovodi, the Company or Transmission system operator or TSO) continued its stable operation and viability despite the war in Ukraine. The Company continued with reliable and normal transmission of gas through the transmission system for domestic and foreign users and provided for a balanced system.

The year 2022 was marked by the war in the territory of Ukraine. Since the first day of the military invasion, we monitor the information on the operation of European gas transmission systems at the regular meetings of the European Network of Transmission System Operators for Gas (ENTSOG). ENTSOG also regularly reports to the European Commission on the developments in transmission systems, and, at its request, prepares additional analyses in the event of reducing or complete suspension of delivering Russian gas to Europe. The situation in all European transmission systems were stable, the gas transmission in the systems meets the benchmarked gas volumes. Gas consumption decreased, the gas storage fill was above-average at the end of the year.

Changes on regional gas markets, over which the Company has no influence, including the war in Ukraine, caused the rapid change in transit flows and consequently the scope of booking of transmission capacity at interconnection points and the cross-border transmission of gas volumes. The volumes transferred to Croatia exceeded the volumes of the previous year by 190 percent, while the volumes transferred to Italy amount to 58 percent of the volumes of the previous year. The commercial gas transmission from Slovenia to Austria intensified in the second half of the year. The total gas transmission to Austria was 527 GWh, i.e. nine-times the volume of 2021.

Gas transmission for domestic users was conditioned by weather. Compared to the previous year, more gas was transmitted in January, while in the following course of the year the volume was lower. The total volume is by 11 percent lower than that of 2021. The reduction of consumption by the end of 2022 of 13.9 percent followed the EU objective of reducing the consumption by 15 percent in the period from August 2022 to March 2023 compared to the average of the past 5 years. By using short-term products of transmission capacity and transactions of gas volume at virtual point, system users optimise their needs to book transmission capacity. No transactions were made on the secondary market of transmission capacity.

Concluding transactions with gas volumes at the virtual point and trading platform is a part of regular activities of system users and transmission system operator. The volume of exchanged gas quantities at the virtual point increased by 63 percent compared to the previous year.

In terms of realising the investments, the period was marked by the activities to obtain rights in rem and rights to build the M6 Ajdovščina - Lucija transmission pipeline and the supply of pipes for the first section from Ajdovščina to Sežana. In this period, the construction of MRS Stanežiče, MRS Jelovškova, MRS Starošinci and MRS Črenšovci buildings was completed. The building permit was obtained for the Arrangement of alternative premises and access project, the contractor was selected, the project is under construction. To expand the CS

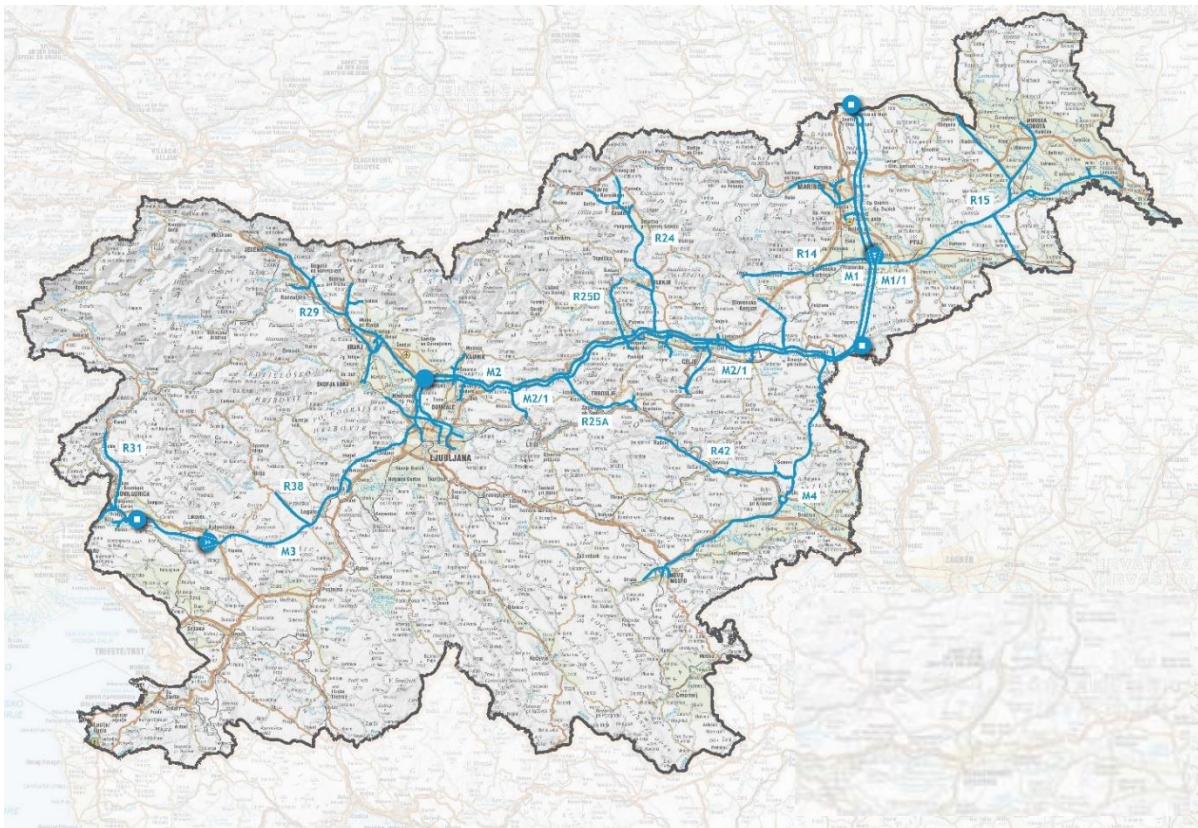
Ajdovščina, a contract for delivery of a new compressor unit with the relevant equipment and services as well as a construction contract were signed.

With optimisations, we completed the upgrade of the BMCS Šempeter and increased the transmission capacity of the interconnection point with Italy. The project to improve the R29 gas transmission pipeline in the area of Jesenice, including the MRS Bela and MRS Levi breg is completed and the operating permit has been acquired.

In view of providing seamless operation of the transmission system and early identification of any deviations, we carry out regular controls of metering and regulation stations and pipeline routes, and also perform regular replacements of hardware and updates of process and information systems.

Due to continued coronavirus infections the Company consistently complied with all applicable safety and preventive measures in the first quarter. Through adjusted operations and adopted measures to protect employees, the Company provided continuous operation of the transmission infrastructure and successfully managed risks. In the second quarter, the situation stabilised and since then only basic preventive measures were carried out.

Plinovodi is integrated in a wider business environment and carefully monitors the economic situation in the country as well as in the region and, if necessary, cooperates in discussions associated with envisaged legislative changes that may affect its operation. The Company actively monitors the preparation of proposals and adoption of acts of the European Union in the field of energy, puts forward proposals, and cooperates in the European Network of Transmission System Operators for Gas (ENTSO-G) in preparing responses to the proposals of the European Union with the framework of "REPowerEU". The Company is involved in the work of the crisis group with the ministry responsible for the energy sector and regularly and



timely completes the assignments imposed by the decisions of the Government of the Republic of Slovenia and the line ministry. Through our proposals, we participate in public consultations for proposals regarding new or amended acts and regulations. In order to promote gas and education, the Company actively participated in various expert meetings, mainly convened on-line.

## Management declaration

Pursuant to provisions of paragraph 5 of Article 70 of the Companies Act (Official Gazette of the Republic of Slovenia, Nos. 65/09 - official consolidated text, 33/11, 91/11, 100/11 - decision of the Constitutional Court, 32/12, 57/12, 44/13 - decision of the Constitutional Court, 82/13, 55/15, 15/17, 22/19 - Trade Secrets Act (ZPosS), 158/20 - Integrity and Prevention of Corruption Act (ZIntPK-C), 175/20 and 18/21, hereinafter referred to as: ZGD-1), the Plinovodi d.o.o. Company, as a part of its Management Report, hereby makes the following

### COMPANY MANAGEMENT DECLARATION

The management of Plinovodi d.o.o. complies with the Companies Act (ZGD-1), Slovenian Sovereign Holding Act (hereinafter referred to as: ZSDH-1), Gas Supply Act (hereinafter referred to as: ZOP) and other applicable regulations. The management of Plinovodi d.o.o. is based on legislative and regulatory provisions, Act establishing the limited liability company, certification decision for gas transmission system operator No. 533-100/2011-20/134 of 11 July 2012 issued by the Energy Agency, good business practice, Management Policy of Plinovodi d.o.o. and Code of Conduct of Plinovodi d.o.o. (both available on the Plinovodi d.o.o. website <http://www.plinovodi.si/>), Slovenian Corporate Governance Code for Listed Companies, Recommendations and expectations of the Slovenian Sovereign Holding (available on the website of the Slovenian Sovereign Holding d.d. <http://www.sdh.si/>), Slovenian corporate integrity guidelines, Diversity Charter and Guiding Principles on Business and Human Rights. On 1 January 2020, Plinovodi d.o.o. became a public-interest entity.

### Company management and compliance with the Slovenian Corporate Governance Code for Listed Companies, Recommendations and expectations of the Slovenian Sovereign Holding

Plinovodi d.o.o. is a subsidiary of the company with the State capital investment and thus subject to the Slovenian Corporate Code for Listed Companies (hereinafter referred to as: the Code). The Company complies with and partially deviates from the Code only in terms of points provided below. Deviations by points are as follows:

- Point 3.5: Based on the Companies Act (ZGD-1) and the Act establishing the limited liability company Plinovodi d.o.o., discharging the members of management and control body is not foreseen.
- Point 8.2: In its annual report and on the website, the Company publicly declares data and information on the composition of the Management and Supervisory Board, while it does not disclose the membership in management and control bodies of other companies taken by the members of management and control bodies, since these

data and information are also publicly available on the AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) website.

- Point 8.5: The Company as a single-shareholder company is not bound to publicly announce the Financial Calendar. The Supervisory Board and the Shareholder are notified on the prepared Financial Calendar.
- Point 9.2.3: Pursuant to the Companies Act (ZGD-1) and Gas Supply Act (ZOP), the Company established a function of internal control (field of risk management, internal controls and compliance) due to specificities laid down by the energy legislation. The substantive matter of the internal control follows the needs of the Company according to the activity, site and organisation with a view to providing compliance with the provisions of energy legislation while meeting the conditions for efficient operation of the entire internal control system.

Plinovodi d.o.o. is a subsidiary of the company with the State capital investment, and therefore subject to the recommendations and expectations of the Slovenian Sovereign Holding. The Company complies with said recommendations and expectations, except in points provided below, where the Company partially deviates from the said recommendations and expectations. The deviations are as follows:

- Point 3.7: Upon concluding transactions, the Company regularly publishes values and types of transactions in line with the Public Information Access Act (ZDIJZ) and Public Procurement Act (ZJN-3).
- Point 3.11: After an informed consent of the Slovenian Sovereign Holding (SSH) disclosing the Company's intent to strengthen a positive image of the Company in the general public with a view to supporting the preparation and implementation of numerous development projects, the Company also earmarked assets for sponsorships and donations, i.e. 0.18% of the Company revenue in the previous year.
- Point 5: Plinovodi d.o.o. has taken note of the EFQM Excellence Model. The Company pursues the activity of gas transmission in the Republic of Slovenia as public service and the activity regulated by the Energy Agency (and not as a usual market economic activity). Its operation has embedded various safeguards (at all levels) providing quality operation since a safe and stable environment is a basis for Company operation. The level of achieving quality objectives is also verified by numerous external auditors. The company governance and management established in the Company is a tool to achieve long-term strategic objectives of the Company. This follows the modern principles of governance and management as introduced by advanced domestic and foreign practices. The governance and management system of the Company lays down the allocation of rights and responsibilities between governance and control bodies, provides rules and procedures related to decision-making in corporate matters of the Company, ensures a framework for setting, achieving and monitoring the business objectives, and introduces values, principles and standards of fair and responsible decision-making and conduct in all fields of Company operation. That is why the Company has not decided to implement the EFQM Excellence Model for the time being.
- Point 9.14: Plinovodi d.o.o. has taken note of the updated recommendations relating to the complexity criteria, based on which the basic part of the remuneration is determined, and will address the assessment of the need to supplement the already adopted remuneration policy.



On 2 July 2015, Plinovodi d.o.o. acceded to the Slovenian Corporate Integrity Guidelines and thus clearly and publicly expressed its commitment to introducing and respecting the principles of corporate integrity and adopted the Company's principle in its endeavours to establish an efficient system of corporate integrity. On 26 October 2018, the Company signed the Slovenian Diversity Charter and, on 25 May 2019, Guiding Principles on Business and Human Rights, and thus made a responsible decision and included the values of integration and equality and respect of human rights in its basic principles or values. In conducting business, the Company and its employees are bound by honest business practices, high ethical standards and principles, as apparent from the Code of Conduct of Plinovodi d.o.o.

The Management of the Company is leading by example and promotes this conduct in its employees to provide further improvements in the system of corporate integrity. The Company regularly plans, monitors and draws up a report on the fulfilment of guidelines and recommendations of the Slovenian corporate integrity guidelines and the Guiding Principles on Business and Human Rights and makes decisions and adopts measures for system development on this basis.

### **Descriptions of the main features of internal control systems and risk management**

The system of internal controls and risk management is an integral part of the Company corporate management and an integral part of the management and control system established in the Company.

Based on the methodology which draws on expert bases and good practice, the Company established risk management process. Risks are identified, assessed, managed and monitored. The established control environment is formed by factors, such as: introduction of integrity and ethical values, commitment to competencies, mindset of the Management and style of operating, cooperation of persons responsible for management, organisational structure, assigning of competencies and responsibilities, guidelines and procedures.

Risk identification and assessment is a procedure to identify and assess the risks affecting the achievement of objectives. The risk catalogue is a starting point to make decisions on their handling as well as internal controls and measures to achieve objectives and to provide the compliance of operation.

The Company regularly identifies and assesses risks at all levels within the scope of all organisational units, functions and processes. Control activities and other mechanisms are proactively formed in relation to all key risks. The system of internal controls is checked and risks are managed through timely actions.

Internal control activities are organised and executed at all levels of the Company, namely at the level of internal control system, at the level of compliance and risk management and at the level of advisory internal control function.

In the chapter *Risks* of this Annual Report, the risk management system and the introduced control mechanisms are presented in detail.

The Company has adopted the Code of Conduct and the Compliance Programme that define also the reporting of infringements of the Code or Compliance Programme and protection of whistle-blowers.

### **Operation of the General Meeting and its key competencies and description of the rights of the owner and way of their exercise**

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

- the appointment and dismissal of members of Supervisory Board of the Company, representative of the shareholder;
- at the proposal of the Supervisory Board, on the increase or decrease of Company's capital, whereby it must comply with the provisions of the Gas Supply Act and the decisions of the Energy Agency associated with the provision of assets to implement investments foreseen in the 10-year system development plan;
- the division, cessation or transfer of business shares;
- the change of Company activities, change of the Articles of Association, and the new shareholders;
- other matters, as laid down by the Articles of Association and the applicable legislation.

In implementing its rights and obligations as per the Companies Act (ZGD-1) and in accordance with the Gas Supply Act, the shareholder must not interfere in the autonomy of the Company Management with regard to the decisions made by the Management associated with the Company operation, and in particular it must not interfere in the management of transmission system, and must act according to the activities to prepare and execute the 10-year system development plan. The Compliance officer carries out the control of providing the autonomy of the transmission system operator pursuant to the Gas Supply Act.

The shareholder must record all decisions in the document of decisions certified by the notary. Without the record, they have no legal effect.

The shareholder usually decides on the basis of the decision proposals submitted by the Management.

### **Composition and operation of management and control bodies and their committees and powers of the Management members**

Plinovodi d.o.o. is led by the Management consisting of one or two members. Until 24 October 2022, the Management comprised the Managing Director and the Deputy Managing Director, who jointly represented the Company, and since 24 October 2022, the Management has one member, i.e. the Managing Director, representing the Company independently. The Management represents the Company under its own responsibility.

It manages the business of the Company in accordance with the applicable legislation, the Act establishing the limited liability company and Rules of Procedure of the Management of Plinovodi d.o.o.

The Supervisory Board comprises six members. Four members of the Supervisory Board are appointed by the shareholder, while two members are employees' representatives and are appointed in accordance with the law governing employee participation in company management. Since 1 January 2020, the Audit Committee operates within the Supervisory Board; the Committee consists of three members, one of them being an external expert in the field of accounting and auditing. On 24 March 2022, the Supervisory Board established the Staff Committee of the Supervisory Board consisting of three members.

The Supervisory Board, the Audit Committee and the Staff Committee operate in accordance with the applicable legislation, the Act establishing the limited liability company and the Rules of Procedure of the Supervisory Board of the Company.

Decisions of the Supervisory Board must not include decisions associated with regular operation and day-to-day activities of the transmission system operator and network management, including the conclusion of legal transactions and making of decisions related to their enforcement. The Supervisory Board must also not make decision that would have an impact on the activities necessary for or associated with drawing up a ten-year network development plan.

In the Company, which operates according to the model of independent gas transmission system operator, the Supervisory Board appointed the Compliance officer pursuant to the energy legislation. The Energy Agency gave its consent to the decision of appointing the Compliance officer. The Compliance officer is responsible for constant supervision of the fulfilment of requirements of European and national energy legislation related to the provision of independence of the transmission system operator and unbiased treatment of all users of transmission system.

### **Report on the implementation of the diversity policy and its achieved results in the reporting period**

In addition to different age structure and continuity of the work and interdisciplinary knowledge, the composition and efficiency of the operation of the Supervisory Board as a whole takes into account professional diversity of the members, in particular in that all members of the Supervisory Board have collective knowledge and experience in the field of economy, law, mechanical engineering and construction. Thus, the objective to provide complementarity and diversity of the Supervisory Board is achieved by taking into account different types of knowledge, skills, experience, professional qualifications, age and working methods defined in Diversity Policy of the management and control bodies of Plinovodi d.o.o. There are no women in the Supervisory Board, but all the above provides for a prudent and close supervision of the Company and thus the realisation of its strategic objectives, successful performance and sustainable operation. The Supervisory Board does not carry out nomination procedure for candidates for new members of the Supervisory Board, since the Company has only one shareholder who appoints a new configuration of the Supervisory Board. Regardless of the above, the professional autonomy of newly appointed members of



the Supervisory Board following the appointment is verified by the national regulatory authority pursuant to the provision of the Gas Supply Act.

In addition to different age and gender structure, the composition and the efficiency of the operation of the Management comprising two members also took into account the variety of different types of knowledge, skills, experience, professional qualification and working methods, as defined in the Diversity Policy of the management and control bodies of Plinovodi d.o.o. Since 24 October 2022, the Management comprises one member.

### **Company rules on the appointment and replacement of members of management and control bodies and on the changes to the Articles of Association**

In addition to conditions laid down in the Companies Act (ZGD-1) and conditions on education and experience stipulated by the Articles of Association, each member of the Management must meet the requirements defined by the Energy Agency. Each member of the Management as well as persons directly responsible to the Management for the operation, maintenance and development of the transmission network must also fulfil all conditions laid down in the Gas Supply Act.

Members of the Management are appointed and dismissed by the Supervisory Board of the Company. In appointing and dismissing a member of the Management, the Supervisory Board must comply with the provisions of the Gas Supply Act and decisions made by the Energy Agency. The chairperson of the Supervisory Board of the Company concludes an employment contract with a member of the Management on behalf of the Company for the term of office of five years.

In accordance with the Gas Supply Act, the Supervisory Board must inform the Energy Agency in writing of any appointment, termination of the term of office or other decisions associated with the term of office of the Management member of transmission system operator and persons responsible for executive management, their duration and expiry as well as the reasons for each proposal to terminate the term of office of the said persons. The decision of the Supervisory Board takes effect, if the Energy Agency raises no objections in three weeks after receiving the notification on the decision.

In appointing members of the Supervisory Board, the shareholder must comply with the provisions of the Gas Supply Act and decisions made by the Energy Agency. Provisions of the Gas Supply Act relating to the independence of individual members of the Supervisory Board must be complied with as to provide the independent operation of at least the chairperson, the deputy and two members of the Supervisory Board within the meaning of the provisions of the Gas Supply Act. Members of the Supervisory Board are appointed for the term of office of four years. Members can be reappointed.

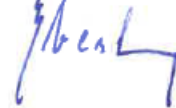
The member of the Supervisory Board may be dismissed by the body appointing them, whereby, in appointing and dismissing a member, it must comply with the provisions of the Gas Supply Act and decisions made by the Energy Agency. The membership in the Supervisory Board may cease also before the expiration of the term of office, namely at the wish of the member or due to dismissal. In accordance with the Gas Supply Act, the Supervisory Board must inform the Energy Agency in writing of any appointment, termination of the term of office or other decisions associated with the term of office of the member of the Supervisory Board of the transmission system operator, its duration and expiry as well as the reasons for each proposal to terminate the term of office of the said persons meeting the provisions of

the or Gas Supply Act regarding the independence of the members. The decision takes effect, if the Energy Agency raises no objections in three weeks after receiving the notification on the decision.

The Compliance officer must meet the requirements laid down in the Gas Supply Act. In appointing and dismissing a compliance officer, the Supervisory Board must comply with the provisions of the Gas Supply Act and decisions made by the Energy Agency. Conditions applicable to the term of office and the employment of the Compliance officer are adopted by the supervisory body with the prior consent of the Energy Agency. The Compliance officer is appointed for the term of office of four years.

In accordance with the Act establishing the limited liability company, the sole shareholder of Plinovodi d.o.o. shall decide on amendments to the Articles of Association.

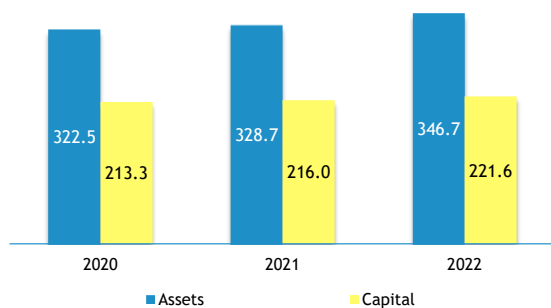
General Manager  
Marjan Eberlinc, BSc in Mech. Eng.



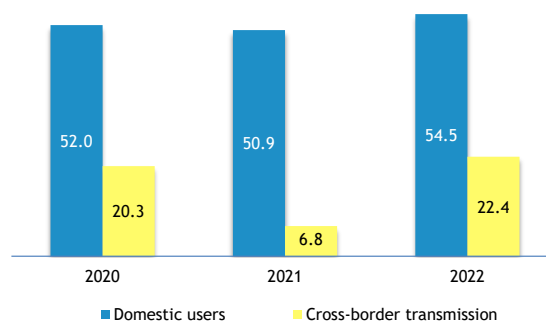
## Financial Highlights

Data / indicator	Unit / criterion	2020	2021	2022
Booked entry capacities at cross-border points	MWh/day	54,576	42,139	55,625
Booked exit capacities in Slovenia	MWh/day	52,036	50,915	54,490
Transmitted quantities	GWh	16,751	12,227	14,491
- of which domestic transmission	%	57.4	82.8	62.0
Net sales revenues	mio EUR	45.1	58.8	100.0
Gross profit or loss	mio EUR	41.2	40.6	47.3
Depreciation	mio EUR	15.5	15.9	16.5
Net profit	mio EUR	8.8	4.7	5.5
Investment in (in)tangible fixed assets	mio EUR	22.9	11.4	23.5
Total assets	mio EUR	322.5	328.7	346.7
Regulatory assets base	mio EUR	236.6	235.9	240.5
Employees at the end of period	number	145	148	148
Added value per employee	EUR '000	264.3	226.0	242.2
EBIT	mio EUR	13.2	8.1	9.0
EBITDA	mio EUR	28.7	24.2	25.8
Net debt/EBITDA	< 4.0	1.5	1.7	1.4
EBITDA/interest	> 3.0	10.8	9.5	10.9
Debt/assets	< 50 %	18.6	17.2	15.3

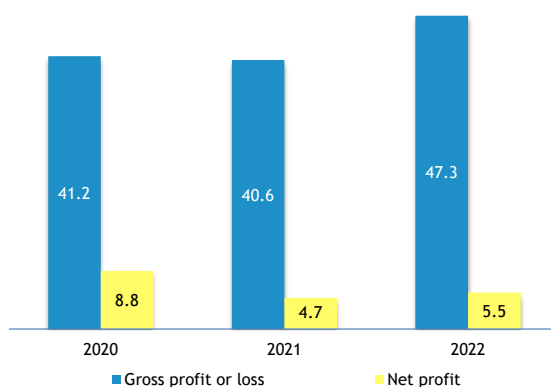
Balance Sheet ( in EUR million)



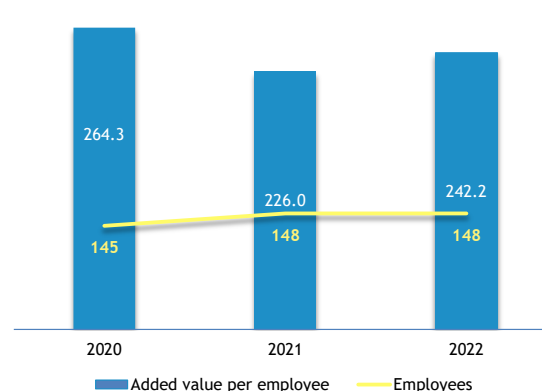
Booked exit capacities (in GWh/day)



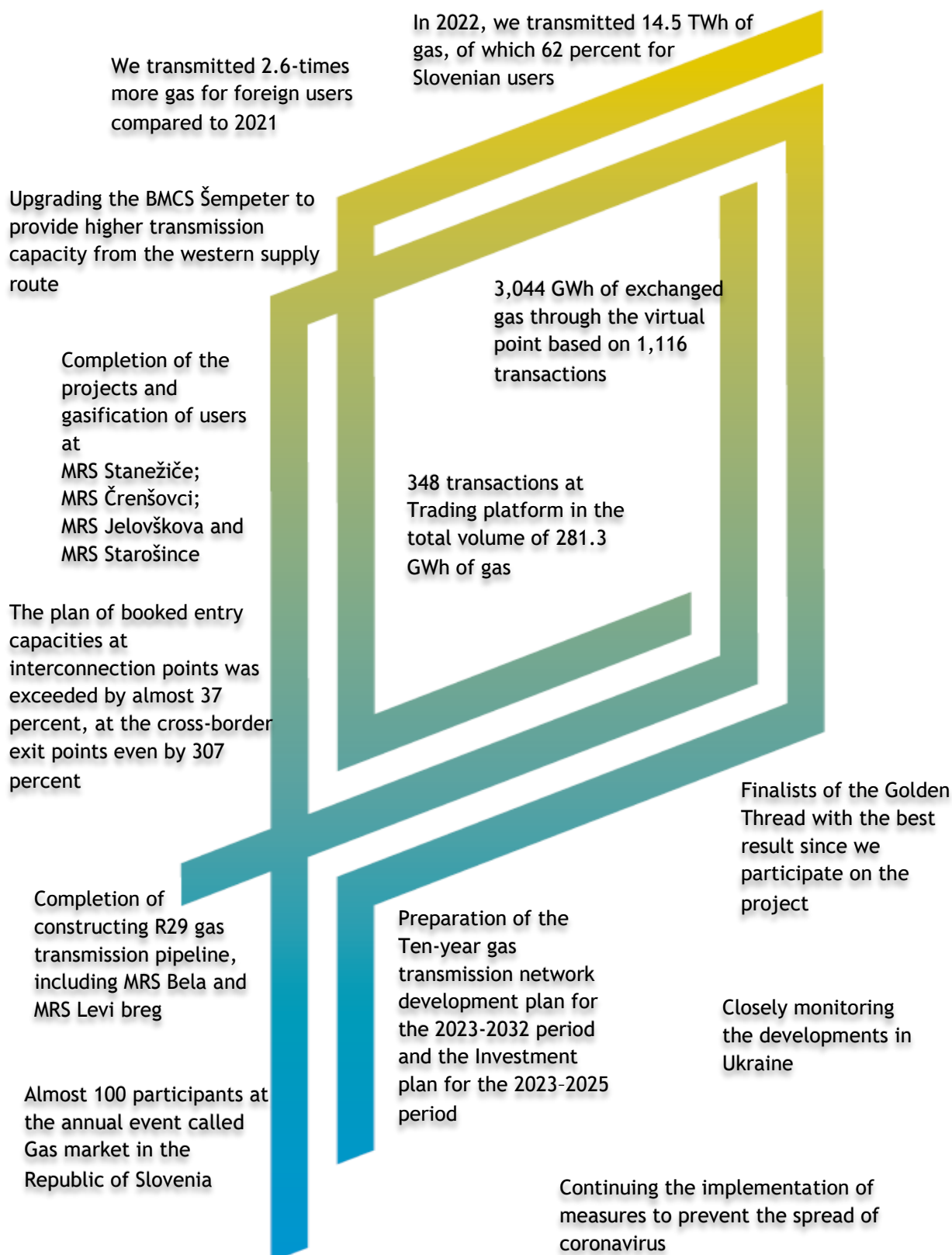
Income statement (in EUR million)



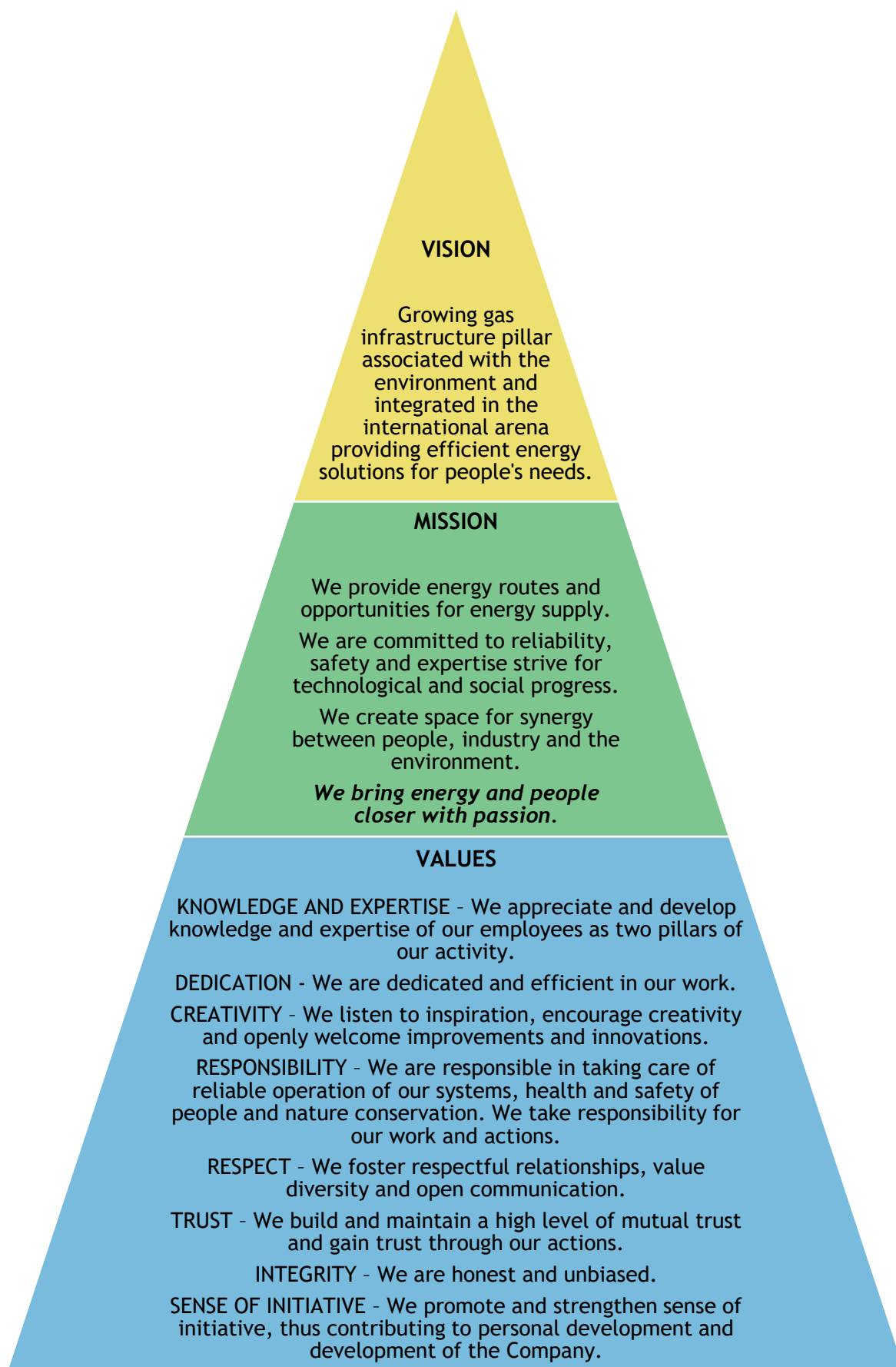
Added value and employees (in EUR '000)



## Major Developments in 2022



## Our values, mission and vision



## Presentation

<b>Company name:</b>	Plinovodi, Družba za upravljanje s prenosnim sistemom, d.o.o.
<b>Short company name:</b>	Plinovodi d.o.o.
<b>Address:</b>	Cesta Ljubljanske brigade 11b, p.p. 3720, 1001 Ljubljana, Slovenia
<b>Telephone:</b>	+386 (0)1 5820 700
<b>Fax:</b>	+386 (0)1 5820 701
<b>E-mail address:</b>	<a href="mailto:info@plinovodi.si">info@plinovodi.si</a>
<b>Web-page:</b>	<a href="http://www.plinovodi.si">www.plinovodi.si</a> <a href="https://www.linkedin.com/company/plinovodi-d.o.o.">www.linkedin.com/company/plinovodi-d.o.o.</a>
<b>Registration number:</b>	1954288000
<b>VAT ID no. :</b>	SI 31378285
<b>Date of incorporation:</b>	1 January 2005
<b>Court register:</b>	Ljubljana District Court
<b>Certificate:</b>	Certification decision for gas transmission system operator No. 533-100/2011-20/134, issued by the Energy Agency
<b>Size of the company as per Companies Act (ZGD-1):</b>	Large company:
<b>Activity code:</b>	H 49.500 Transport via pipeline
<b>Management Board:</b>	Marjan Eberlinc, Managing Director
<b>Supervisory Board:</b>	Tibor Šimonka, the Chair
<b>Share capital:</b>	EUR 98,733,790.00
<b>Shareholder:</b>	Plinhold d.o.o., Mala ulica 5, 1000 Ljubljana, Slovenia 100% share
<b>Bank account:</b>	SI56 02923-0254424156 Nova Ljubljanska banka d.d., Ljubljana SI56 03100-1002465515 SKB d.d., Ljubljana
<b>Environmental certification:</b>	ISO 14001:2004 for environmental management
<b>Accreditation document:</b>	No. K-010 and Annex No. 3150-0048/10-008 <a href="http://www.slo-akreditacija.si/accreditation/plinovodi">http://www.slo-akreditacija.si/accreditation/plinovodi</a>



## Development and sustainability

Plinovodi d.o.o. is driven by its vision of a growing gas infrastructure pillar linked to the environment and integrated into international arena with a view to providing efficient energy solutions for human consumption.

The Company's development policies and objectives stem from the core activities, namely:

- Development, construction and management of the transmission system and carrying out gas transmission (including recoverable and carbon-neutral gas); and
- Expansion of the system by providing connections and access to the transmission system to all interested users.

In carrying out its activities, the Company pursues a set of strategic objectives which are provided below. Strategic objectives include efforts of the Company in terms of introducing renewable and carbon-neutral gases into the gas transmission system, while focusing also on digitalisation or active introduction of modern information and technology solutions into the Company's operation.

Strategic sets of objectives - guidelines of the Company are as follows:

- Sustainable development;
- Increase in the use of transmission system;
- Expansion and strengthening international connections;
- Integration within the value chain of sectors;
- Introduction of energy solutions of the future.

### Sustainable development

Sustainable development of the Company is ensured by providing the access to clean energy. Sustainability is based on ensuring professional qualification and development of employees, corporate integrity and respect for human rights and diversity. Our commitment to sustainable development is also reflected in pursuing the 2030 Agenda of the United Nations, in particular the following objectives: accessible and clean energy; industry, innovations and infrastructure, and quality education. In addition, the Company significantly contributes to the following objectives: partnerships for the goals, health and well-being; responsible consumption and production, and decent jobs and economic growth.





**Increase in the use of transmission system**

Activities to achieve the respective objective are aimed at optimum use of available transmission system capacity and connecting new users. Our aim is to ensure competitiveness of the activity and socially responsible presence in the region. We strive to gradually include renewable gases into the transmission system, thereby making it a carrier and reservoir of energy. We operate with probity and promote the role of the transmission system in the transition to environmentally neutral society.

**Expansion and strengthening international connections**

We plan and build necessary international connections and introduce new technologies in the field of integrating energy sectors. By participating in international organisations and associations, we share knowledge and experience and increase the Company's visibility, influence and reputation.

**Integration within the sectors' value chain**

We carefully monitor the possibilities and work toward the integration within the sectors' value chain. In this context, it is important to achieve synergies and create higher added value, provide sustainable products and optimise the operation throughout the chain.

**Introduction of energy solutions of the future**

We introduce the solutions of the future to provide a balanced and gradual transformation of the transmission system. We increase energy efficiency and reduce environmental burden. We will provide transmission of renewable gases and integration of energy sectors. The objectives set will be achieved through innovation, research and advanced approaches in the field of digitalisation.

## **Sustainable management of the Company**

Despite operating in a regulated activity, which, as such, limits the scope of the desired participation in sustainable projects in certain segments, we strive to achieve as sustainable operation in business and social environment as possible. We identified three lines of action of our sustainable operation in the Commitments to the Sustainability of Plinovodi d.o.o.:

- Environmental aspect;
- Social aspect;
- Aspect of management;

Given the fact that the Corporate Sustainability Reporting Directive (CSRD) was adopted in December 2022 introducing more detailed reporting requirements and providing that large companies should report the sustainability issues, e.g. environmental, social and human rights and governance factors, in future years we will report in line with the respective directive in way to publish the information in a special section of the business report, which will provide for better availability of information.

**Environmental aspect**

We follow a holistic approach to the environmental impact and risks in pursuing the activity and business processes within Plinovodi d.o.o. as well as in working with external stakeholders and in terms of wider social environment.

In this regard we pursue the following objectives:

- In carrying out activities and business processes within the Company, we strive to find sustainable solutions with an emphasis on the efficient use of energy, water and other sources, and to reduce pollution (reduction of carbon footprint, use of energy efficient lighting, reduction of paper use, reduction of water consumption, waste separation, improvements in the fleet structure, energy-efficient management of business premises where Company activities take place). We prove our responsibility to the environment through the introduced system of environmental management ISO 14001, thereby recognising, managing and monitoring the environmental aspect of the Company.
- In conducting business with external stakeholders, we take into account the direct and indirect impact of business relationships on the environment as well as associated risks, and strive to achieve the adopted environmental goals and realise our environmental commitments at the local and global level. We have a pro-active approach to tackling challenges, such as climate change.
- In a wider sphere, we carry out activities and support the incentives with a view to providing lasting preservation of the natural environment and biodiversity. The Company supports development of knowledge in the field of development of new technologies to reduce negative impacts of economic and social activities on the environment. In placing, building and managing energy infrastructure, we operate according to the principle of promoting sustainable spatial development, identity of the locality, expertise and commitment to technological progress.

We also monitor the carbon footprint of the Company within the scope of the environmental management system. In the recent years, we realised a series of measures to reduce carbon footprint by implementing environmental objectives in the field of operation and maintenance of the transmission system.

We carried out the reporting for **Scope 1** and **Scope 2** in accordance with the GRI (Global Reporting Initiative) as required in Chapter 305:1-3:

- **Scope 1** addresses direct emissions including combustion in stationary plants, such as gas heating installations in metering and regulation stations and gas turbines in compressor stations. Regarding the gas transmission system, Scope 1 also deals with methane emissions.
- **Scope 2** focuses on indirect emissions from the production of purchased or generated electric energy, heating, cooling and steam used.

In 2022, we set the baseline for greenhouse gas emissions according to the Greenhouse Gas Protocol (GHG) for Plinovodi d.o.o., namely it is set for 2021 and amounts to 5,810.4 tCO<sub>2</sub>e (carbon footprint expressed in metric tonnes of CO<sub>2</sub>e equivalent).

Based on the baselines for 2021, direct emissions in Scope 1 and emission in Scope 2 will be addressed as the basic indicators of carbon footprint in the following years. Given the type of required interventions on the transmission system and relatively favourable flow and pressure conditions at the connections with neighbouring transmission systems, the Company registered the footprint of 4,537.7 tCO<sub>2</sub>e in 2022.

The gas consumption for own use at metering and regulation stations and compressor stations will be dealt in relation to the transferred quantity of gas, since the emissions due to gas

heating in metering and regulation stations as well as emissions due to operation of compressor stations may depend on the volume of transmitted quantities. As an example of such approach, we provide the carbon footprint indicator taking into account the volume of transmitted quantities: specific value of carbon footprint per transmitted quantity of gas for 2020 was 4.26 tCO<sub>2</sub>e/mioNm<sup>3</sup>, for 2021 it was 4.19 tCO<sub>2</sub>e/mioNm<sup>3</sup> and for 2022 it amounted to 3.84 tCO<sub>2</sub>e/mioNm<sup>3</sup>.

On the transmission system, the direct emissions of Scope 1 depend very much on the need for gas compression, which, in addition to the mere gas transmission, is determined also by the flow and pressure conditions in the region and boundary pressure conditions at the connections with neighbouring countries (Austria, Italy, and Croatia). Pressure conditions on transmission systems of neighbouring countries are periodically changing according to the volume and direction of transmissions in the region and also depending on the maintenance works. The emergence of war in Ukraine and envisaged changes in transmission routes will be followed by the change in the flow and pressure conditions in the region, which is gradually already reflected in the Slovenian gas transmission system through the increase in the transmission from the western supply route.

Changes in operating parameters of neighbouring transmission systems would thus have an impact mainly on the part of direct emissions in Scope 1 that are generated at the circulator gas turbine in compressor stations. In the next period, we will have to adequately take into account the potential major change in flow and pressure conditions in our comparisons of the carbon footprint indicator with the baseline. In terms of reporting in the following years, we also consider a possibility of formulating an indicator by taking into account the impact of maintenance interventions in transmission systems.

In terms of emissions in Scope 2, we do not expect such significant periodic changes. We also review the data for reporting in Scope 3 that deals with greenhouse gas emissions resulting from the activities of the organisation but nevertheless emerging from sources not owned or under control of the organisation.

In 2022, we had 15 environmental objectives. We continued to modernise boiler rooms at metering and regulation stations and carried out a large-scale modernisation of the heating system at the Kidričevo compressor station. Within the environmental objective to reduce methane emissions, we replaced gas powered units of control valves with the electrical drives at the border metering and control station in Rogatec. The replacement of lights with LED units continued. Within the scope of modernising the fleet, we purchased one electric vehicle and two gas-powered vehicles (CNG) in 2022. In the field of emissions into the atmosphere and noise emissions, we carried out all statutory monitoring procedures, and found no deviations from the applicable norms.

In gas transmission through the pipeline system we also require gas for our own use, i.e. gas to power compressors, and technological gas for heating at metering and regulation stations. In 2022, gas consumption for own use at metering and regulation stations was 7 percent lower than in 2021, whereby, in 2022, 8,980 GWh of gas was transmitted for Slovenian users, i.e. 11.3 percent less than in 2021. The transmission for Slovenian users was lower in particular in the last quarter of 2022 as a result of relatively high temperatures in the respective period and high gas price on European markets. In 2022, the total realisation of

the cross-border transmission was 5,511 GWh and was by 162 percent higher than the cross-border transmission in 2021.

In total, the transmission for Slovenian users and cross-border transmission in 2022 was 14,491 GWh, which is 18.5 percent more than in 2021 (12,227 GWh). Despite the higher total transmitted quantity, the gas consumption to power compressor units in 2022 (2,212 MWh) was by 53 percent lower than in 2021 (4,706 MWh) due to favourable pressure conditions at border handover points.

### **Social aspect**

We act responsibly in relation to our employees and wider community. In this regard, we pursue the following objectives:

- Our employees are the most important asset of the Company. Through our values (knowledge and expertise, commitment, creativity, responsibility, trust, integrity and sense of initiative) we strive to provide work culture and workplace environment that attract and maintain top employees with a view to being one of the best and most reputable employers.
- We aim to achieve a high level of commitment of our employees and their satisfaction through activities and projects. The Company is based on the principle of equality of all employees, regardless of their gender, race, religion and other personal matters. Through numerous activities we ensure continued growth and development of expert qualifications of our employees and provide them with stimulant and safe work environment with an emphasis on health and well-being. In addition, the Company significantly contributes to the following objectives: partnerships for achieving goals, health and well-being; responsible consumption and production, and decent jobs and economic growth.
- In terms of a wider social environment, we carry out a series of preventive actions to reduce environmental risks and support activities in the field of sports, culture, education, health and charity.

### **Aspect of management**

In our operations, we provide a high level of corporate management and act toward the following objectives:

- We strive to achieve the highest level of compliance with legislation, internal rules and adopted commitments, thereby providing fair and legal operation. Our underlying principles include, inter alia, zero tolerance to criminal offences, prevention of money laundering and terrorist financing, prevention of corruption, respect for human rights and fundamental freedoms, management of conflicts of interest, high level of personal data protection, complying with business ethics principles and care for information security. We provide for the quality of external audit of our operation and ensure the development of corporate culture, also through memberships in respective associations and organisations.
- We ensure the high quality of corporate management in the two-tier system of the Company, while taking into account the Slovenian Corporate Governance Code for Listed Companies, Recommendations and expectations of the Slovenian Sovereign Holding, d.d. and consistently follow best practices. The Company has undertaken and develops the fields of corporate integrity, diversity, internal succession and pursues the adopted methodology of awarding the members of Management.

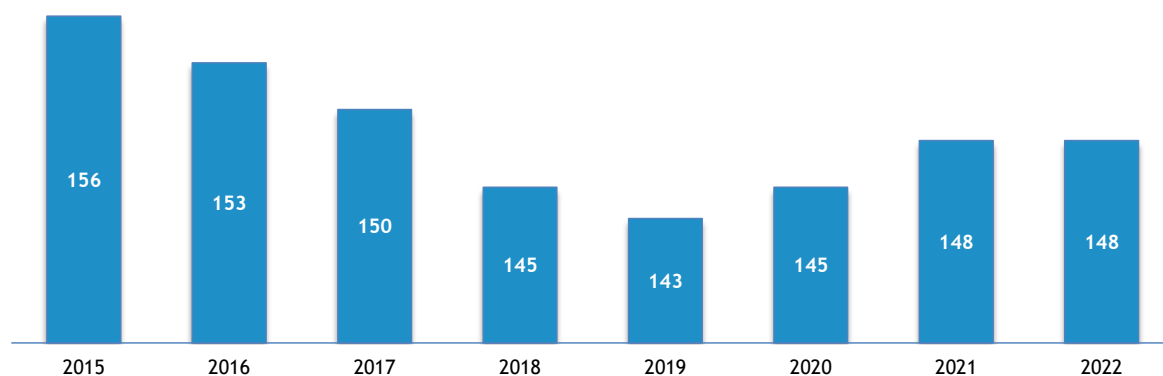
## Employees and internal communication

Plinovodi understands that employees are an important building block of the Company success. Thus, we take care of their personal and professional development. We strive to create work environment which combines operating requirements and results with satisfaction, motivation, affiliation, respectable and good interrelations.

The Plinovodi organisational scheme reflects the activity of the transmission system operator, with technical field (71 percent of employees) being the largest. At the end of 2022, the Company employed 148 people, of which 83 percent worked at the registered office in Ljubljana. Other employees worked at three remote units, 19 in the maintenance centre in Maribor, four at the Kidričevo compressor station and two at the Ajdovščina compressor station. One employee worked only part time due to disability.

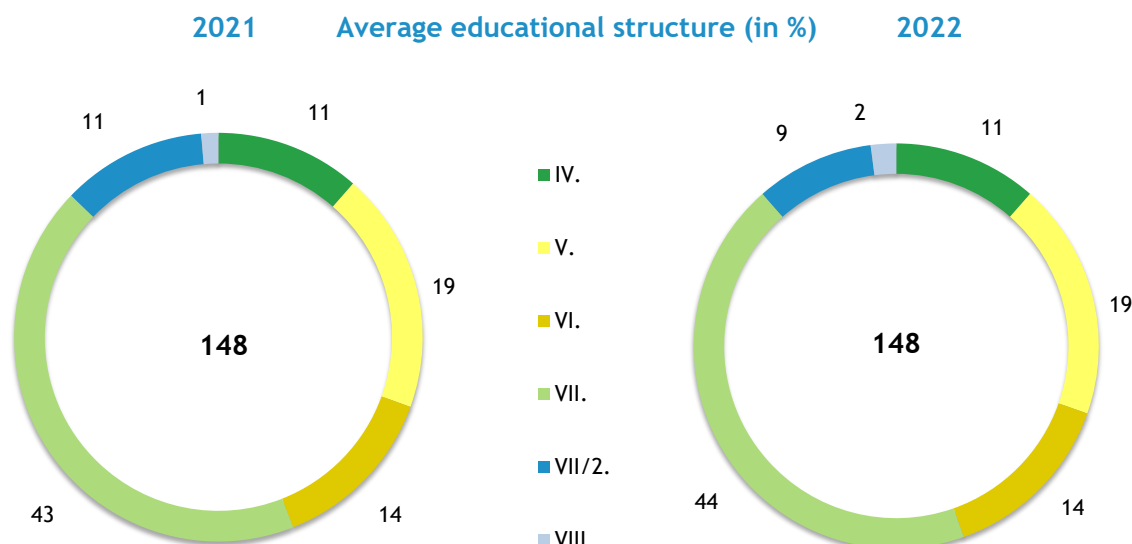
For some time, we have been pursuing due diligence of the Company through precise assessment of labour replacement due to retirements. With new colleagues we filled part of vacancies, while a part of new employees was employed in the fields with staff shortage.

### Company employees in the 2015-2022 period



Gender structure of our employees reflects demonstrated interest of female and male candidates in vacancies through a longer period and specificity of our activities: as at 31 December 2022, we employed 82 percent men and 18 percent women. The highest share of employees falls under the age class of 51-55 years, namely just below 23 percent.

We ensure quality and technically sound operation through good education structure. The share of employees having at least higher level or level VI of education was 70 percent. Despite high educational structure of our employees, we still encourage all to participate in additional education and training programmes. In 2022, there were 3,919 realised hours (499 working days) intended to education, which already exceeds the hours realised in the “pre-coronavirus” year. 81 percent of employees (120 people) attended various forms of education. Given the needs and provided content, the main focus was on professional and technical education, followed by business education. The education includes the attendance at seminars, conferences, courses, specialised workshops, on-line training and other forms of training.



Due to the nature of the activity associated with risk posed by the presence of gas, the provision of high safety and health at work level is a constant priority of the Company. Risks are regularly assessed and kept at the acceptable level by applying safety measures. External contractors are provided with safety instructions as well.

Work in safe and stimulant environment is one of the building blocks to achieve good results, and, for this reason, employees are provided appropriate working premises, we provide safe working equipment and understanding of the working procedures and organise regular preventive medical examinations. During the coronavirus situation, we continue to pay special attention to measures for preventing infections at work, and urge employees to comply with protective measures also outside workplace, and promote vaccination.

We understand that the balance between professional and family life today is becoming a challenge, and for this reason we managed to obtain a basic Family-friendly Enterprise certificate in 2014 and full Family-friendly Enterprise certificate in June 2017. In the 2020-2023 period, we carry out the activities to maintain the full certificate. The full certificate is renewed every three years from the date it was obtained. The execution of activities is verified by an auditor every three years, and the condition to maintain the full certificate depends on a positive assessment of the board of auditors. The indicators of fluctuation levels and absenteeism and sick leave increased somewhat in comparison to 2021.

We believe that inter-level communication and quality communication within different departments is important, and for this reason we pay special attention to this field. Employees are regularly informed on the developments in the Company through Intranet, e-mail, various formal and informal meetings and internal newsletter of the Company, called Plinovodnik.

Plinovodi is receptive to diversity policy. We operate in accordance with the Diversity policy of the management and control bodies of Plinovodi d.o.o. The Management comprising two members leading the Company until 24 October 2022 was diversified in terms of gender, age, education and experience. Since 24 October 2022, the Company is led by the Management comprising one member. Diversity of members of the Supervisory Board is reflected through the aspects of age, education and experience.



## Communication with external audiences

We pay as much attention as possible to the stakeholders within the Company as well as external entities. Through appropriate communication with our suppliers, customers, regulators, national and super national organisations we wish to maintain correct, mutually respectful and sustainable business relation. In accordance with good business practice and personal data and trade secret protection, we carefully protect commercially sensitive information, while our communication is based on the transparency and impartiality.

We have Plinovodi d.o.o. profile on the LinkedIn social network which helps us to spread the network and increase our visibility on the gas market.

### Customers

In line with the trend of computerisation and digitalisation of business processes, there is intensive communication with gas transmission system users via our website [www.plinovodi.si](http://www.plinovodi.si), where a (potential) system user may obtain all information on the procedures to conclude contractual relationships, and legal provisions in the gas transmission activity. We ensure that the interested public always has up-to-date information on the volume and structure of bookings of transmission capacity at cross-border interconnection points. All information is publicly available on the website of the transmission system operator, with additional explanations provided as well.

In May 2022, after two years of hiatus, we organised the traditional expert workshop “Natural gas market in the Republic of Slovenia”, which was attended by approximately 100 people.

Every month, we inform users of our system through e-mail message in the Slovenian and English language on the news in different fields: options of electronic conclusion of transmission contracts, organisation of expert workshops, changes in different legislative acts, introduction of e-invoices and new developments in gas markets.

### Suppliers

Due to the specificity of the activity, in which we operate, a substantial portion of income is outside our control, and for this reason extensive oversight of the costs is all the more important. Efficient procurement is therefore one of the prerequisites of successful operation. Notwithstanding that we must comply with the legislation in the field of public procurement, we strive to perform contracts in the most quality way. In all phases of procurement, our employees comply with legislation as well as internal regulations. We ensure efficient purchase of material and services, and strive to establish a correct and sustainable business relationship with our suppliers. We settle all liabilities at the maturity date, which again granted us the Bisnode Platinum Certificate of Excellence awarded exclusively to companies with the highest creditworthiness of Gold AAA for three consecutive years. Companies demonstrating Platinum creditworthiness are the most reliable, credible and low-risk business entities for conducting business with all business partners.

### Financial, national and supernational institutions

Due to operating in a regulated activity, ownership structure and financing-related commitments given, Plinovodi have undertaken to provide monthly, quarterly and annual reports to financial, national and other institutions. In addition to regular reports in the form of pre-defined and standardised forms, we respond quickly, efficiently and in user-friendly

way to any requirements after the submission of data. We are in regular contact with financial institutions, within the scope of which we check their offer and maintain their high willingness for cooperation.

### **Social environment**

Sustainability-oriented operation of the Company calls not only to care for natural, but also social and cultural environment in which we operate. Using limited assets, we wish to respond as much as possible also to calls for financial aid of various humanitarian organisations. For several years, we support different interest and sports associations and cultural events and activities within our possibilities.

Although the gas transmission through underground pipelines is the most optimum form of energy product transport in terms of the use of space, safety, energy efficiency and environmental impact, we pay special attention to laying gas pipes and within the preparation of national spatial plans with prior archaeological research we ensure that all sites are suitably addressed.

## **Decarbonisation Plan**

**Defining objectives to reduce carbon footprint at the level of Plinovodi d.o.o.**

### **Short-term objectives (by 2025):**

- Maintaining the environmental management system and the ISO 14001 environmental system certificate  
Every year, we elevate our objectives according to the ISO 14001 environmental management standard and carry out environmentally sustainable projects and operational business activities to monitor and reduce carbon footprint of the Company and additionally increase the efficiency of the transmission system.
- Comprehensive management of environmental aspects and decarbonisation in the field of gas transmission  
By using environmental indicators, we monitor and plan environmental and economic efficiency of the transmission system and Company operations. Already since the introduction of certification under the ISO 14001 environmental management system, in terms of annual environmental objectives, we regularly determine and implement projects to reduce carbon footprint and thus achieve a good position with regard to fulfilling environmental commitments and commitments relating to green transition.
- Transition of company fleet to alternative fuels  
We carry out a systemic approach in the transition of company fleet to alternative fuels (CNG, electricity) at the annual level and within the vehicle purchase procedure.
- Modernising the gas heating systems in metering and regulation stations  
We modernise the gas heating systems in metering and regulation stations by regulating the gas outlet temperature according to the dew point temperature of the ambient air and minimising the energy consumption for gas heating.
- Introducing gas heating with co-generation of heat and electricity and utilising excessive heat from processes



By continuing the introduction of co-generation of thermal and electric energy (CHP), we ensure that the generated heat from the CHP unit is used as technological heat, and the generated electricity is partly used to cover our own needs and partly delivered to the power distribution network under the contract on providing support. The project of combining the CHP unit for gas heating and the expansion turbine to use pressure energy of gas in pressure reduction is under preparation.

➤ Optimising the operation of compressor stations and balancing the transmission system

We provide better energy efficiency in optimising the operation of compressor stations and balancing the transmission system. By remote starting of back-up diesel generators, the system is able to respond to the demand for electricity generation to regulate the frequency in the electricity network.

➤ Expanding the capacity of photovoltaic modules for the Company own requirements

To increase the level of energy independence and perform green transition of the Company, we will also carry out projects to expand the photovoltaic power plant at the registered office in Ljubljana in addition to the existing small photovoltaic power plant operating under the contract to provide support and established purchase of electricity from renewable energy sources, and to construct a small photovoltaic power plant at the maintenance centre in Maribor.

### Medium-term objectives (by 2030):

➤ Further transition of company fleet to alternative fuels

We will continue with the electrification of the company fleet at the annual level and within the vehicle purchase procedure. Vehicles that cannot be electrified will be equipped with the hydrogen or biomethane drive units in the medium term.

➤ Generating green electricity at transmission system locations

The locations of transmission system that can be used to place photovoltaic power plants will be used and thus the share of electricity from renewable sources will be increased.

➤ Pilot generation of green hydrogen for own use

We will strive to achieve the self-generation of green hydrogen from the surplus electricity for the purpose to inject it into the gas transmission system and to increase the share of renewable energy sources for our own use of green gas.

➤ Projects to reduce methane emissions in the transmission system operation and maintenance

We will carry out projects to reduce the methane emissions in the transmission system during regular operation as well as measures to minimise the emissions in carrying out ordinary and extraordinary maintenance on the transmission system.

➤ Preparing the transmission system on the injection of green gases and using added green gases for own use

We will carry out projects to prepare the transmission system for the efficient injection of green gases, such as biomethane, synthetic methane and hydrogen). We will provide a safe and reliable transmission and transmission system operation to achieve the medium-term objective of introducing green gases in gas distribution networks by 2030.

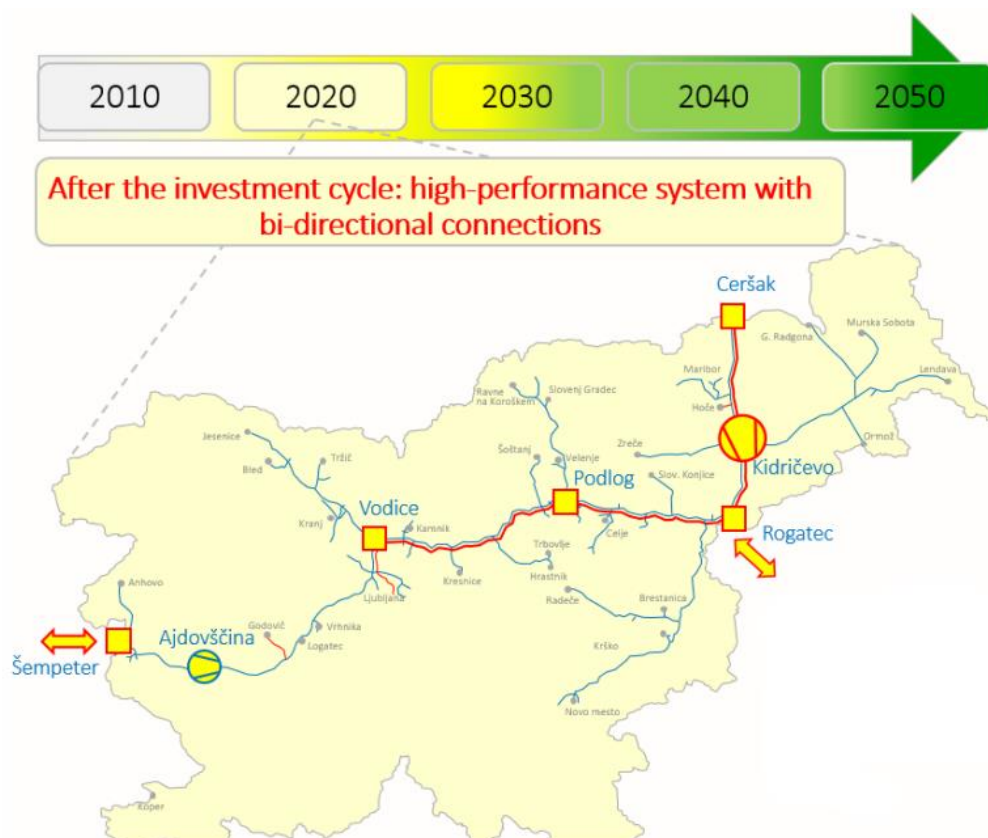
### Long-term objectives (by 2050):

- Replacing own use of fossil gas fuels with green gas fuels, biomethane and hydrogen  
We will completely transfer to green gases for own use.
- Transmitting alternative green gas fuels (hydrogen, synthetic methane, biomethane) through the gas pipeline network.  
We will finish the projects and the transmission system will operate on green gases.
- Decarbonising the transmission system operation where the use of green gases is not possible  
The transmission system will be adopted as to replace parts of the system with other forms of decarbonisation at points where transition to green gas is not possible.

### Definition of objectives to reduce carbon footprint and steps towards green gas transmission system

#### Situation in 2022 with the parallel gas backbone and key new buildings

Gas transmission system is operating well, it is safe and reliable, it operates without interruptions and with the capacity that enables further development of the existing or new energy locations. Good cross-border connection with gas sources was established.



### Short-term objectives (by 2025):

- Increasing the cross-border connectivity of transmission system to provide reliable gas supply and green transition  
By building a gas transmission connection to Hungary, the cross-border connectivity of the system will be rounded off with the neighbouring transmission systems. The

construction of the connection will enable the transfer of green gas and hydrogen. Increasing the capacity thresholds from the western supply direction at the interconnection with the Italian system will provide for a greater reliability of supply and dispersion of supply sources and the future green transition.

- Providing the gas supply to regions not yet covered to expand and increase the reliability of supply of the existing gas system

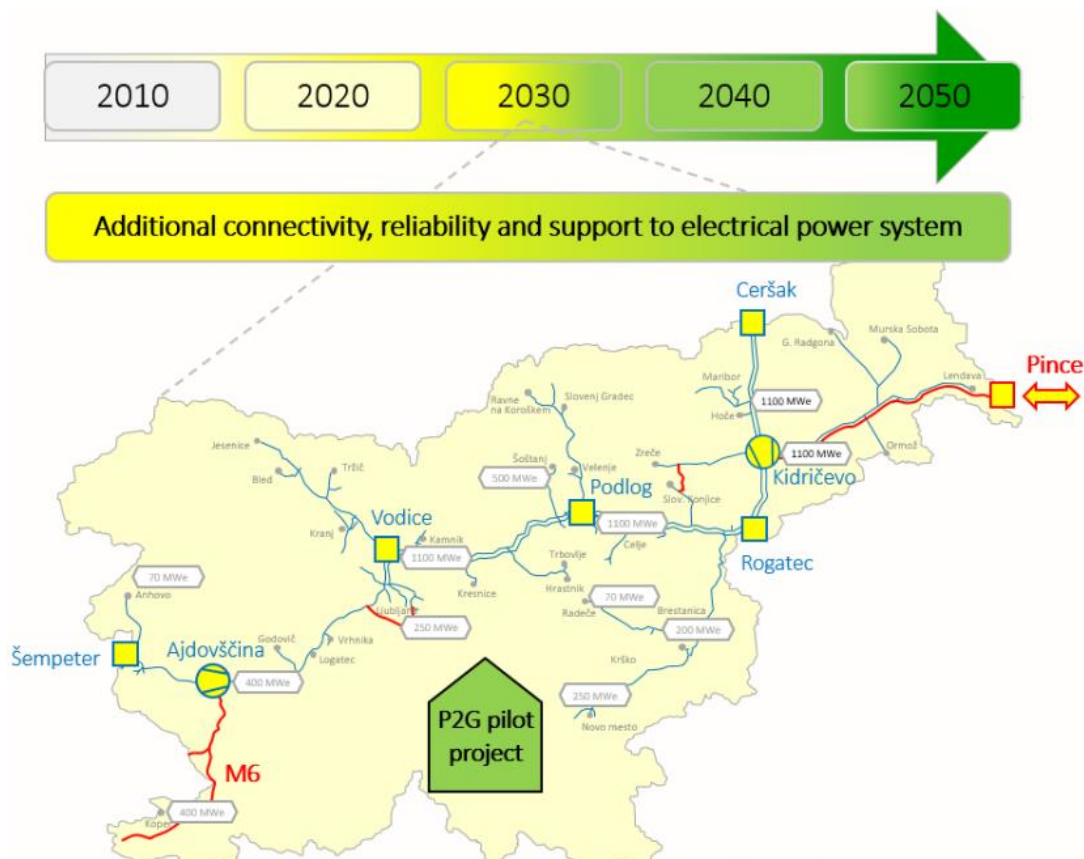
We will establish supply of the Obalno-Kraška region with gas transmission system from Ajdovščina to Lucija and upgrade the reliability of supply (the Ljubljana loop, the Zreče loop, and other investments to increase the operational capacity). Our development plans include also an option to expand the transmission system to Bela Krajina and build a new connection between Ljubljana and Novo mesto.

- Sector consolidating projects to provide higher reliability of the electricity system operation

The gas supply system enables a transition of large energy buildings using gas and thus supports the reliable operation of electric and energy system in the process of abandoning coal technologies and introducing RESs. In addition to the existing gas production facilities in Brestanica, Šoštanj and Ljubljana (TE-TOL), the current transmission system may be connected to additional 1,100 MWh gas production units.

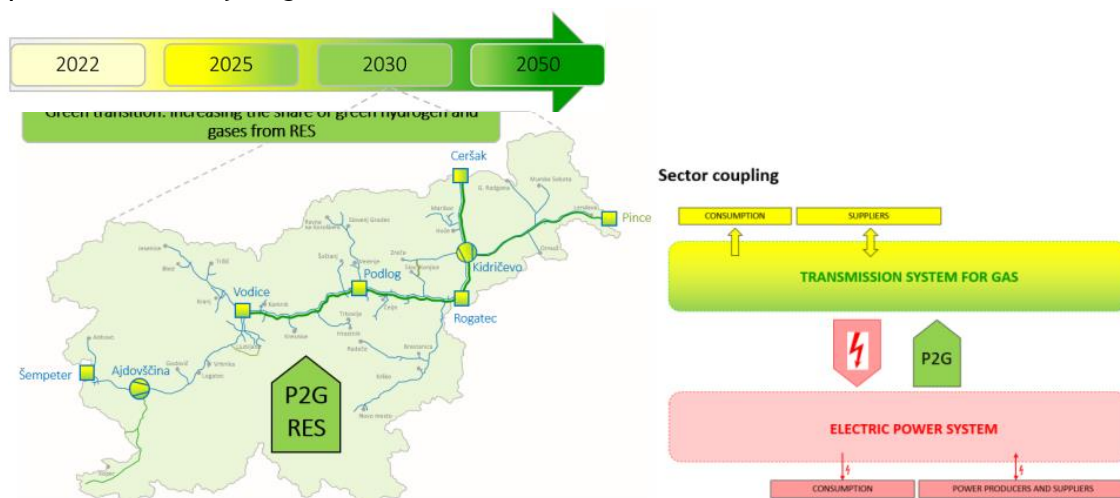
- Projects preparing the gas transmission system to the introduction of new gases, such as green hydrogen and biomethane

We will carry out a gradual preparation of sections of the transmission system to use new, green gases. The project includes a development plan of the transmission system operator, an ENTSG development plan as well as active involvement in the activities of the European Hydrogen Backbone.



## Medium-term objectives (by 2030):

- Implementation of the pilot project to inject hydrogen into the gas transmission pipeline  
For the transition to RES and making the gas supply system greener by 2030, we will carry out a pilot project of injecting green hydrogen as the first step in introducing green gases and adapting the system and with regard to users.
- Gradual transition to renewable gases from cross-border supply or the injections up to 20 per cent.  
A joint project of the Slovenian P2G initiative with the production of green hydrogen and its application for gas transmission system operator's own use and PCI green projects to adjust the use of buildings for adding green hydrogen and transport of gas with different percentage of green hydrogen.
- Constructing new pipeline buildings with elements and materials enabling the operation with 100% hydrogen  
All new projects will be designed and implemented in a way and using elements and procedures enabling the hydrogen transmission through the pipeline system by 2030.
- Implementing the change in use of sections of gas transmission system to operate with 100% hydrogen to be included in hydrogen corridors and EHB  
We will provide a gradual transition to renewable gases. By changing the use of a part of transmission system, we will provide the users of the transmission system to start using green gases, including hydrogen. By 2030, we will establish a support to deliver alternative fuels at the Ceršak-Ljubljana section by supplying the traffic, gradual greening the industry and production of electricity with mixtures of natural gas and green gases. We anticipate the integration of interested hydrogen users and producers into hydrogen clusters.



## Long-term objectives (by 2050):

- The Slovenian transmission system is a part of the European Hydrogen Backbone (EHB)

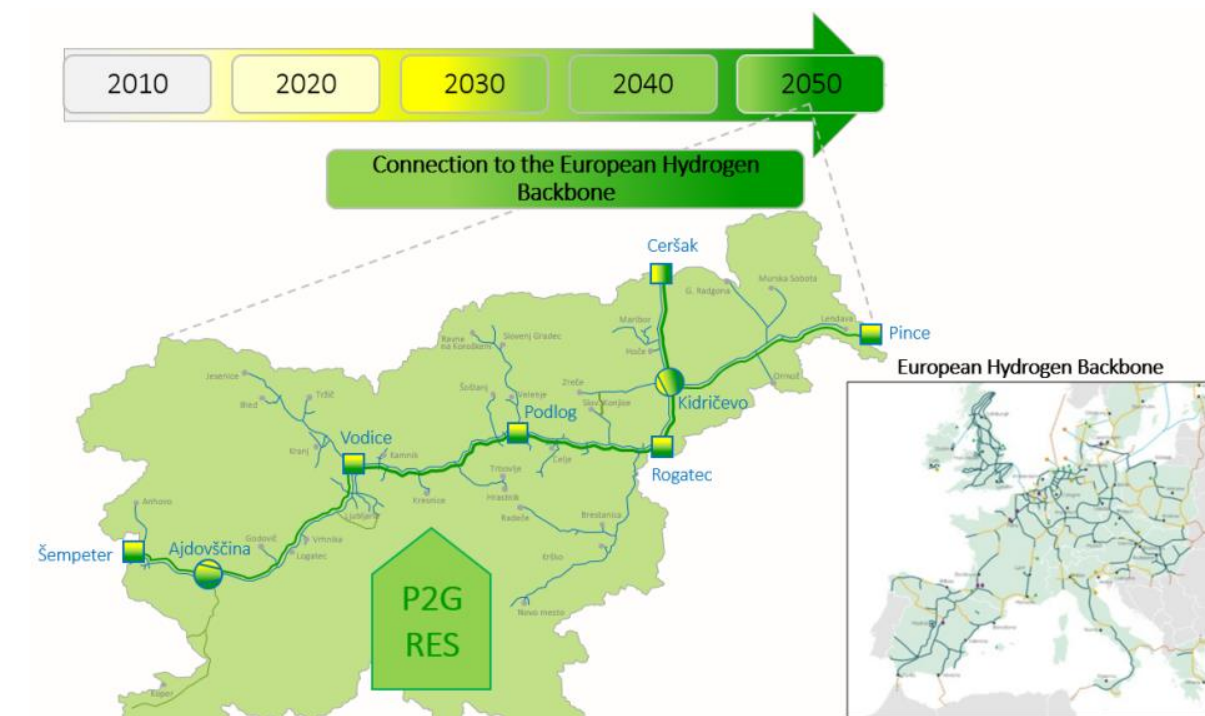
By 2050, the Slovenian gas system will become a part of the European Hydrogen Backbone in the Ceršak - Rogatec - Ljubljana - Šempeter corridor with the Pince - Kidričevo connection. Two interconnected system will operate, namely the system for hydrogen and system for mixture of hydrogen, renewable gases and natural gas.

- The transmission system acts as a long-term storage of surpluses of renewable electricity sources - combining sectors

At the common point with the electricity system, the transmission system also provides a possibility to store surpluses of the renewable electricity sources through the production of hydrogen and its injection into the gas transmission system.

- Hybrid gas energy system

The transmission system will provide hybrid operation of users of renewable energy sources, alternative and distributed generation of electricity and self-supply. A cross-border role of the transmission system and connections with neighbouring transmission system will be significant for harmonised operation.







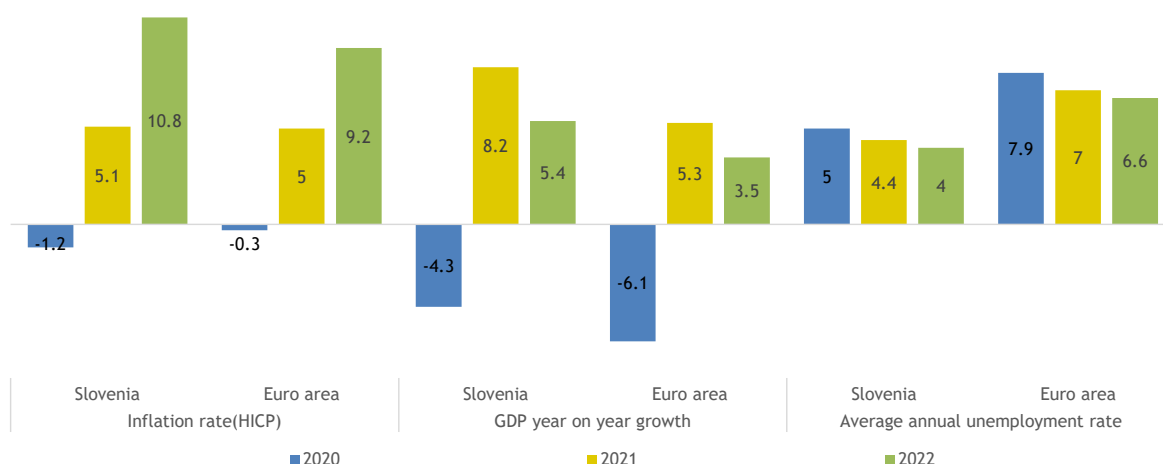
## Business environment

Developments in the business environment at the start of 2022 were still affected by the coronavirus pandemics, and from February on in particular the Russian Federation aggression with the military action against Ukraine, followed by the deteriorated global economic prospects in the light of increasing political uncertainty, inflation and tight financial market conditions.

According to the Eurostat preliminary assessments ([Newsrelease, 15/2023](#)), the growth of GDP in the eurozone was 0.1 percent in the last quarter, while the growth stagnated in the European Union as a whole. For 2022, Eurostat assesses 3.5 percent annual growth of GDP for the eurozone and 3.6 percent growth in the European Union as a whole.

In 2022, the gross domestic product of Slovenia increased by 5.4 percent ([First publication, 14 February 2023](#)), or by 5.7 percent with the seasonal and calendar correction. In the same period, the gross investments increased by 12.4 percent and the domestic consumption by 8 percent. In the last quarter of 2022, the import (by 1.5 percent) as well as the export (by 2.5 percent) reduced, while the contribution of the foreign trade balance to the GDP growth was negative throughout the year (-2.1 percent).

Comparison of main economic indicators in %

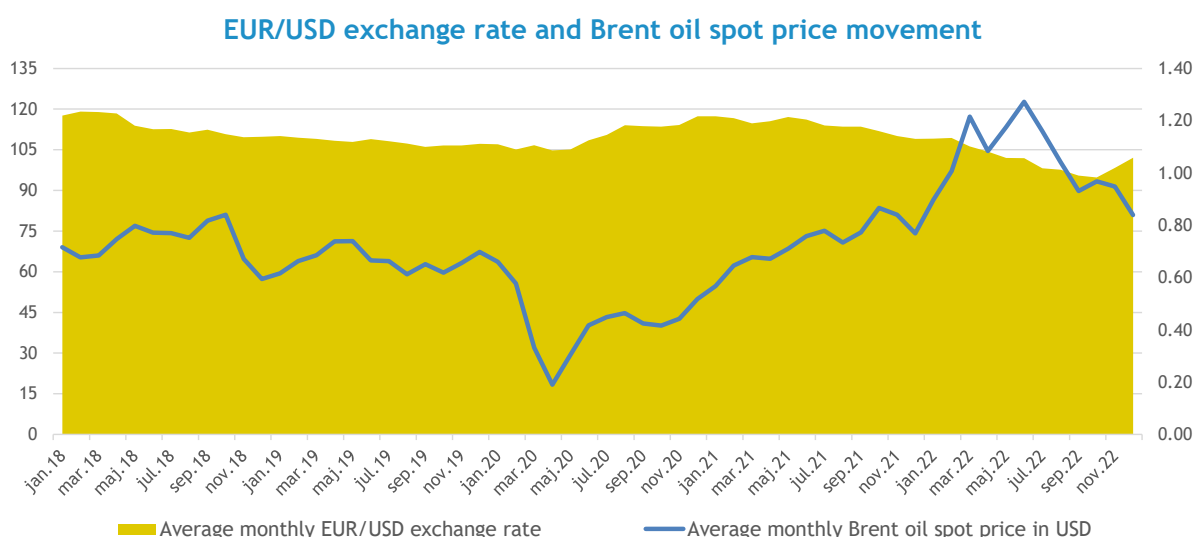


According to the most recent data of Eurostat ([Newsrelease, 17/2023](#)), after the coronavirus leap in the 2020-2021 period, the unemployment rate is continuously dropping in the eurozone as well as through the European Union. In December 2022, the unemployment rate in the eurozone was 6.6 percent, while throughout the European Union it was 6.1 percent, meaning that the unemployment rates for both areas are lower compared to the “precoronavirus” values. In December 2022, the highest unemployment rates were recorded by Spain (13.1 percent) and Greece (11.6 percent), while the Czech Republic (2.3 percent) and Germany and Poland (both 2.9 percent) had the lowest rates. The data on the unemployment rate for Slovenia was also close to the lowest value from 2019, namely 4 percent in December 2022.

Compared to the third quarter of 2021, the third quarter of 2022 saw the hourly labour costs in the eurozone increased by 2.9 percent, and in the European Union as a whole by 3.4 percent ([Newsrelease 141/2022](#)). Thus, both in the eurozone and in the European Union as

a whole, both components of labour costs increased, i.e. wages and salaries per hour worked and non-wage part. According to the most recent available data of the Statistical Office ([First publication 23 January 2023](#)), the Slovenian average gross salary was EUR 2,244.35 in November, which represents a nominal increase by 10.9 percent but real increase by 9.9 percent compared to October 2022. In November, the average salary significantly increased compared to the previous month, namely due to higher exceptional payments (the 13th salary and Christmas bonuses).

The annual inflation of the eurozone, measured with the harmonised Consumer price index, stood at 9.2 percent in December 2022 ([Newsrelease, 10/2023](#)), and 10.4 percent throughout the European Union. In December, food, alcohol and tobacco (2.88 percentage point), energy products (2.79 percentage point), services (1.83 percentage point) and non-energy industrial products (1.7 percentage point) contributed to the annual price growth in the eurozone. The lowest annual growth rate was recorded by Spain and Luxembourg, namely 5.5 percent and 6.2 percent respectively, while the highest was recorded by Hungary (25 percent) and Latvia (20.7 percent). According to the data of the Statistical Office ([First publication, 30 December 2022](#)), Slovenia had 10.8 percent price growth in 2022, measured with the harmonised Consumer price index. In one year, the prices of goods increased by 12 percent in average, while the prices of services were by 8.2 percent higher in average.



Source: Banka Slovenije - Averažne monhtly exchange rate and U.S. Energy Information Administration

After the average monthly spot price of Brent North Sea oil reached the lowest value since 1999 (USD 18/barrel) in April 2020, it started to increase in the second half of the year and continued to increase until June 2022, when it achieved the highest value of USD 123/barrel. As at the last day of December 2022, the Brent oil price was almost USD 83/barrel, while its average price in the whole 2022 was USD 101/barrel ([U.S. Energy Information Administration - Short-Term Energy Outlook, January 2023](#)).

Economic movements in the world, the EU and Slovenia are monitored with the purpose to evaluate their possible impact on the Company operation in the current and the next period, thereby determining that the respective movements in the period considered have not negatively affected the Company operation.



## Activities associated with coronavirus

In the first quarter of 2022, the measures to prevent COVID 19 infections applied in the Company and included a mandatory use of protective mask in common enclosed business premises, disinfection, social distancing of at least 1.5 meters and regular ventilation of offices and meeting rooms. Additionally, also a temporary measure was adopted and prohibited internal meetings and meetings with external partners with physical presence of employees and/or external partners. In January and February, we organised voluntary vaccination against COVID 19 with first, second or booster dose of vaccine for employees. All employees not fulfilling the R (Recovered) or V (Vaccinated) condition continued with self-testing three times a week. In January and February, we also dealt with a significant number of infections with the coronavirus disease and also several cases of close contacts of employees with the infected persons from the same household.

In accordance with the Government Decree, at the end of February, employees and visitors did not have to comply with the RVT rule in the business premises of the Company, and also the self-testing of employees with HAG tests in the Company was abolished.

In mid-April, due to the generally improved epidemiological situation in the Republic of Slovenia (hereinafter referred to as: RS), the Company also adopted individual less stringent measures including the use of company vehicles by several employees and a possibility to convene meetings with physical presence of the employees, provided that the face mask is used. Since the epidemiological situation significantly improved in May, the decision was made to abolish the measuring of temperature of employees and visitors at the start of work or upon entering the business premises, and that the use of protective mask for employees of the Company is not mandatory but only recommended in the enclosed business premises of the Company.

In the second half of 2022, the said recommendation of using protective mask still applied in the Company. In that period, no additional measures and activities related to the prevention of COVID 19 were carried out at the Company level.

## Activities associated with the war in Ukraine

The Russian invasion of Ukraine is one of the major security crises in Europe in the past decades. The war is expected to have long-term consequences on the global economy, in particular given the role of Russia as the biggest non-European country producing gas and liquid fuel and the key supplier to Europe. The Russian invasion created high risk of suspending gas supply from Russia to Europe due to potential damage to the infrastructure, intentional suspension of supply by Russia or a potential embargo on the supply of Russian gas to Europe imposed by the European countries within the scope of sanctions against Russia.

Since the first day of the military invasion, we have been monitoring the information on the operation of European gas transmission systems at daily meetings of the European Network of Transmission System Operators for Gas (ENTSOG). Given the situation, the meetings under the "ENTSOG Regional Coordination" (ReCo) system were held on a daily basis. Since 25 May 2022, the frequency of meetings has been reduced to three regular meetings per week and additionally convened meetings as necessary. ENTSOG regularly reports the European

Commission on the situation in the transmission systems. The Slovenian transmission system, as a part of the European transmission system, constantly operated with stability and without any major issues in terms of providing reliably supply.

Since the beginning of the crisis, Russia reduced the gas supply to the EU countries. Due to the issues related to making payments in roubles, it suspended the supply to several countries, and on 27 April 2022, completely stopped the transmission through the Yamal pipeline to Poland and onwards to Germany. By reference to the difficulties related to the maintenance of the compressor station, Russia reduced and on 31 August 2022 also completely suspended the transmission through the Nord Stream pipeline to Germany. Of four main Russian supply routes, only the transmission corridor through Ukraine and the Turkish Stream gas pipeline remained in operation with reduced capacity. The Ukrainian operator adjusted and provided the transmission system management according to the situation and the Ukrainian transmission system has operated continuously since the start of the invasion.

According to the assessment of risks associated with maintenance works and suspension of the transmission through the Nord Stream pipeline, the Energy Agency, as an authority competent for providing the reliable supply to Slovenia, declared the early warning level on 12 July 2022. During the early warning level, the Company as the transmission system operator regularly published information on the reliability of supply on our web-page, sent daily reports to the Energy Agency as the authority competent for providing the reliability of supply in accordance with the Legal Act on the emergency plan for natural gas supply, and reported on the situation in transmission systems at regular meetings of the crisis group of the competent authority. Slovenia declared the early warning level, as the first level of crisis under the Regulation EU 2017/1938, as the 11th EU country. Before Slovenia, 10 EU countries declared the early warning level: in Italy, Latvia and Croatia it was declared with a view to accelerating the filling of storages, in Germany, Austria and Finland due to the issues related to the payments of Russian gas in roubles, and in Estonia, the Netherlands, Denmark and Sweden with the purpose to implement additional preventive measures.

During the crisis, the Company constantly monitors the market response to the reduction in Russian supply and the impact on the filling of European gas storage facilities, which has been very intensive since spring. From the start of invasion on, the flow and pressure conditions in all European transmission systems remained stable and suppliers were able to carry out necessary adjustments to supply sources on the market. The intensity of filling the storage facilities was occasionally affected by maintenance works on transmission pipelines, terminals of liquefied natural gas and gas platforms. The total storage filling levels in the EU countries, on 13 November 2022 before the shift to emptying the storage facilities, reached the level of 95.64% (1,069 TWh), and thus the filling level was significantly higher from the level required under the Regulation EU 2022/1032 of the European Parliament and of the Council prescribing at least 80 percent filling level of European storage facilities by 1 November 2022. Due to warm weather in November and December, the total filling level of storage facilities in the EU countries at the end of 2022 was only 83.5 percent (932.8 TWh).

On 23 June 2022, Germany moved from the early warning level to the alert level. The declaration of alert level was explained as a preventive measure to enable relaunching of some coal-fired power stations and initiatives to reduce gas demand.

European operators maximise the gas transmission from the west to the east. French and German operators prepared systems for transmitting odourised gas from France to Germany, the “Baltic pipeline” project for transmitting gas from Norway via Denmark to Poland (full capacity 30 November 2022) and the “Gas Interconnection Poland-Lithuania (GIPL)” project were completed. A new connecting pipeline between Greece and Bulgaria started to operate; it connects Bulgaria with the gas pipeline leading from Azerbaijan through Turkey and Greece to Italy and may fully meet the requirements of Bulgaria which has the Russian supply route suspended since April 2022.

During summer, Slovenia also carried out an upgrade of the Šempeter border metering and control station and increased its technical transmission capacity from Italy to Slovenia on 1 October 2022, i.e. from 2.5 million Nm<sup>3</sup>/day to 3.4 million Nm<sup>3</sup>/day. Some suppliers to Slovenian users established a partial gas transmission also from Italy to Slovenia, and since the early March, the transmission of small volumes of gas from Italy was provided and even increased in autumn. As at 1 January 2023, the gas transmission started through the connection in Šempeter in accordance with the long-term contract to supply the Algerian gas.

We assess that short-term risks due to potential full disruption of supply from Russia are associated mainly with managing temporary price-related situation, during which the price would likely significantly increase and followed by Slovenian suppliers. The Company as the transmission system operator may in the first days only contribute to a small extent to balancing potential deviations between input and off-take through gas stocks in the transmission system. During the testing of “ENTSOG ReCo” system, the situation in the event of total suspension of the Russian supply for operating conditions on a specific day was addressed several times. The results of technical and operational considerations showed that technical capacities of transmission systems in the EU countries would provide physical balancing of transmission systems.

At the end of September, 2022, the exercise under the “Legal Act on the emergency plan for natural gas supply” was performed in Slovenia and also included the suppliers and operators of distribution systems. The exercise scenario enabled a simulation and handling of emergency situation to test the readiness for implementing the restricted consumption and communication between all stakeholders. With regard to data flow from distribution systems operators to suppliers and the crisis group of the competent authority, a need for additional information support was identified and will be provided within the framework of the Unified Information System (UIS). In accordance with the Act amending the Gas Supply Act (ZOP-A), in coordination with the stakeholders (distribution system operators, suppliers, the Energy Agency and the Ministry of Infrastructure), the Company prepared UIS within the deadline of three months, i.e. on 22 December 2022.

In early December 2022, the “Stress Test” exercise of the European Commission (DG, ENER, JRC) was carried out in Ispra, Italy. In its second phase, the scenario of the exercise also included the activation of intergovernmental solidarity mechanisms. In cooperation with the Italian participants, the Slovenian representatives (the Energy Agency, the Ministry of Infrastructure and Plinovodi) demonstrated the implementation of the envisaged steps according to the Italy-Slovenia solidarity agreement which is in terms of procedure supported in Slovenia also by the Legal Act on the emergency plan.

Based on the changed situation and a realistic possibility of suspending the gas supply from Russia, the Company also studied a possibility to improve the reliability of supply of the Slovenian gas transmission system by increasing the transmission capacity for the supply from the western direction (Italy). For this purpose, we prioritised the immediate realisation of investments to provide additional transmission capacity to cover the Slovenian demand in the event of a shortfall in gas supply from the eastern supply direction, and also to harmonise with the operating parameters of the Italian transmission system. By realising the said investments, the level of provided capacity from the western supply route will be increased at the Slovenian part of the transmission system, which would be necessary in the event of the lengthy suspension of supply from the eastern supply direction and during the periods of increased consumption in Slovenia. The investments include the construction of new BMCS Vrtojba, additional compressor unit in CS Ajdovščina and the upgrade of the M3 gas transmission pipeline.

## **Use of transmission capacity**

As a TSO, Plinovodi provides system and other services prescribed by acts and offers capacity for gas transmission through gas transmission network in the territory of the Republic of Slovenia on the primary market. A completely open gas market in the Republic of Slovenia enables all gas customers to freely choose their supplier as well as independent arrangement of access to transmission system that can be provided directly through the transmission contract conducted with TSO or via an authorisation through gas suppliers or other balancing group leaders. TSO examines applications and confirms the booking of transmission capacity to interested users in a transparent and non-discriminatory manner.

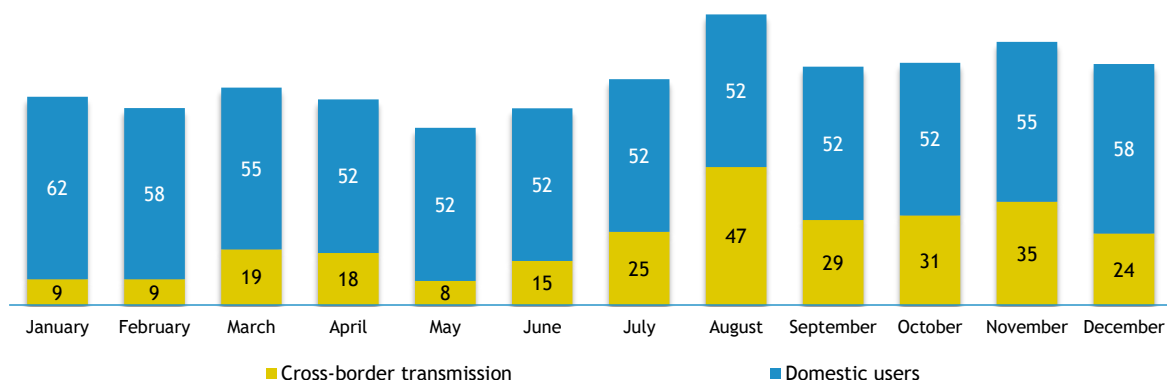
By expanding the gas transmission network based on the investments carried out, foreseen in the development plan, the Company managed to gradually increase the available transmission capacity in recent years. In this way, the marketing of transmission capacity gained on importance, and, due to the nature of Plinovodi activity, it is largely limited to publishing free capacity for gas transmission and applicable transmission tariffs. It is focused on communication with the existing and potential new users and with other interested public, and also increasingly on the promotion of gas use.

In accordance with the Network Code for the natural gas transmission system, the Virtual Gas Point enables gas transactions, bulletin board service and trading platform for the operation of balancing market of balancing group leaders.

### **Booking of transmission capacity**

In 2022, , we implemented 1,486 transmission contracts at all cross-border entry points, and 879 transmission contracts of different maturity and different types of services at the exit points in Slovenia. Transmission contracts were concluded also by foreign companies, in particular for the needs of cross-border transmission.

### Booking of exit transmission capacities (in GWh/day)



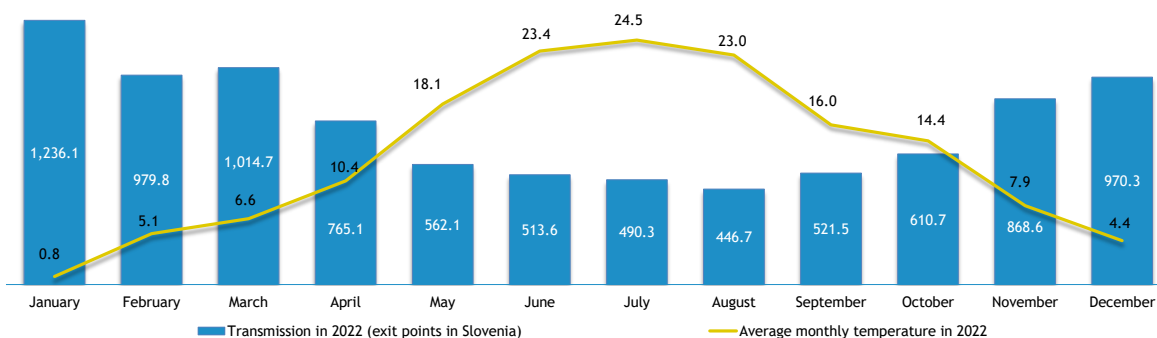
In 2022, total average booking of transmission capacity at cross-border entry points was 55,625 MWh/day.

The total average of transmission capacity in 2022 at cross-border entry points exceeded the capacity anticipated in our yearly plan.

### Gas transmission

Transmitted gas volumes reflect the needs of users in Slovenia and those of foreign contractual partners (in case of cross-border transmission) and affect the utilisation of transmission system capacity. Gas transmission was carried out according to plans, without any interruptions in operation or gas supply. At the end of 2022, there were 20 Balancing groups active in Slovenia, of which 8 were also suppliers of gas to Slovenian users.

### Gas transmission (in GWh) and temperature (in °C)



A total transmitted annual volume of 14,491 GWh exceeded the level planned for 2022. 8,980 GWh of gas were transmitted to users in Slovenia, i.e. 62 percent of all gas transmitted in 2022. In 2022, the transmission for domestic users was by 11.3 percent lower than a year before. In 2022, the cross-border transmission increased by 162 percent, in particular as a result of the considerable increase of cross-border transmission in the transmission routes Austria - Slovenia - Croatia and Italy - Slovenia - Austria/Croatia. The total realisation of the cross-border transmission was 5,511 GWh in 2022.

## Transmission system operation

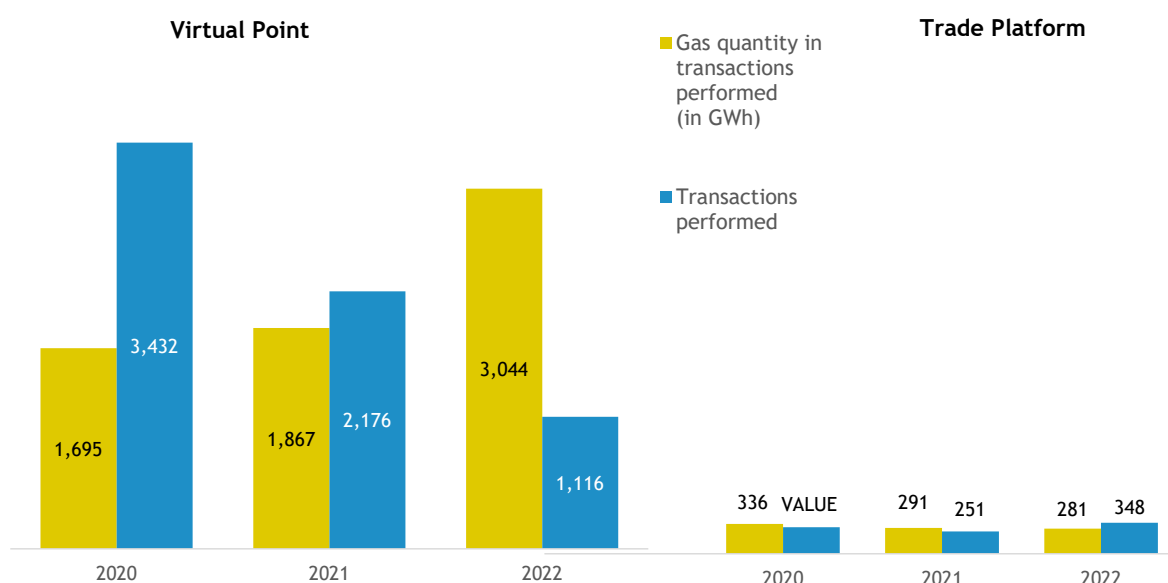
By adjusting the volume of gas in the transmission system, Plinovodi constantly provides for balancing of the transmission system by following daily plans of transmission and purchases or sells appropriate volumes of gas according to the needs of providing optimum operational statuses of the system at the daily level.

### Balancing of the transmission system

The Virtual Point enables daily gas transactions among the Virtual Gas Point members. Transactions are carried out on the free market, where participants to transaction may be all registered Virtual Gas Point members, and on the balancing market, where participant to transaction can only be Balancing group leaders and TSO. Transactions on free and balancing market are carried out through the Virtual Gas Point on-line application. On the Trading platform, daily trading with gas volumes is conducted in a transparent and impartial manner, where, in addition to Balancing group leaders that are members of the Virtual Gas Point, also TSO participates through purchase and/or sale of gas volumes for the needs of balancing.

The first transaction between Virtual Gas Point members was conducted in January 2016. In 1,116 transactions performed in 2022, 3,044 GWh of gas were exchanged, i.e. 1,349 GWh more than in 2020 and 1,177 GWh more than in 2021.

### Review of transactions and exchanged gas quantities (in GWh) at VP and TP



In 2022, we as a TSO purchased or sold 281 GWh of gas for balancing of the transmission system. In the respective period, users of transmission system supplied less gas to the transmission system as they took over from the transmission system for the purpose of delivering it to end users in Slovenia and for cross-border transmission.

### Maintenance of the transmission system

To provide safe and reliable operation of gas pipelines, buildings and equipment, preventive maintenance activities are crucial since they provide constant availability and high



operational capacity of gas pipeline infrastructure. In 2022, we carried out 2,821 MRS controls and 1,722 route controls. Within the framework of periodical activities, we carried out 2,634 inspections of electrical installations, 307 inspections of Ex-equipment and 348 controls of cathodic protection. Maintenance interventions require use and operation of complex technical equipment and inertisations of individual sections of gas pipeline system with nitrogen for safe execution of maintenance works and connections of newly built gas pipeline buildings. Professional maintenance teams of the Company carry out works independently and cooperate also with external contractors, if required. Maintenance service contracts with external contractors and required procurement of material and assets were carried out in accordance with the public procurement legislation and Company procurement rules.

### **Information system**

Maintenance and support to information systems does not only mean providing operation for internal users of Plinovodi, but, recently, also increasing support to external users as well. That is why we pay great attention to maintenance of information systems, since non-operation of certain information systems may cause financial loss to the Company as well as to the external users of our information solutions. This also increased the need for availability of information systems of the Company, while the importance of providing comprehensive and quality maintenance of all components of computer and information systems at all Company locations was identified as well.

In 2022, we carried out activities within the framework of the connection with the Security Operation Centre and upgraded and maintained our own existing applied computer solutions. With the purpose to reduce the dependence on external contractors, we started using our own IT solutions for managing contractual relationships and network charges and the system for validating, allocating and levelling of deviations of transmitted gas volumes. In order to provide the uninterrupted operation of the central data platform, we carried out a transfer of the existing service to the PDPA platform thereby ensuring a maximum robustness of the platform operation and data resilience against potential shut-downs of primary locations, and improved operation security. In accordance with the amendments of the Gas Supply Act, we managed to develop, establish and prepare the unified information system in three months, i.e. by the end of 2022. The system is designed to receive the data on configurations of all consumption points in the Republic of Slovenia and the data on the consumption per hour for each consumption point in Slovenia, and is necessary for the operation of gas market and provision of reliable gas supply.

Information security is extremely important for the Company and therefore one of the focuses of our attention. Through different upgrades and configurations of information systems we reduce potential vulnerabilities and thus also risks identified during the security inspection of the Company. The Company constantly follows the most recent guidelines and technologies to provide information security. For this reason, the Company implements the Modern concept of cyber security project, which includes a comprehensive review of cyber security using the globally established methodology with a view to drawing up a strategy of specific improvements with their implementation in the next three years. We also put considerable emphasis on additional configuration of the internal firewall (between IT business and OT process environment), all aiming to reduce cyber risks.



## Transmission system development

### Research and development

As a TSO, Plinovodi manages and adjusts to numerous changes that affect the operation of the gas pipeline infrastructure, maintenance of existing and construction of new transmission capacity, including investments, and planning and implementing strategic activities. In the field of development and research we also work with external and in particular domestic research organisations, including the Faculty of Mechanical Engineering in the field of metrology and risk analyses, the Faculty of Electrical Engineering in the field of applications for internal training, and the Jožef Stefan Institute in the field of analyses and forecasts of gas consumption. A wide range of development activities are included by drawing up ten-year development plans, investment plans and annual financial plans.

In 2022, as in previous years, the company's Innovation Board addressed innovation contributions of our employees and monitored the effects of the implemented innovation contributions. Innovation contributions have a positive effect on the development of the Company and enable the use of more advanced approaches in different fields of gas transmission system operations, i.e. in terms of technical aspect, labour organisation, providing reliability and reducing the risks identified.

In 2022, employees prepared three new innovation contributions. Two are intended to manage specific challenges with which we are faced in our work, while the third outlined the guidelines for developing electric equipment for buildings on the gas transmission system.

The first contribution improves the recording of work processes in the Company and increases the availability of information in terms of substance and time. By addressing and implementing the contribution, the Company also stimulated other activities in the field of records of work time, meaning that the innovation contribution has additionally promoted the development in the respective field.

The second contribution successfully and in a clever way addressed the issue of cable sealing at metering points of the cathodic protection which we were dealing with for a long period. The specific value of the contribution is indicated in the persistence of the employee to find a solution, while the simplicity of executing the solution and the minimum financial investment add additional value to the contribution. The innovation confirmed that efficient solutions are sometimes possible also without major investments if the right approach is used.

The third contribution is directed to the new approach to electrical equipment of transfer system buildings. It takes into account and includes the current technical development, while at the same time it considers the technical approach already present in other, less complex applications and is started to be thoughtfully and gradually used also in more complex applications, including gas supply. The new approach is also a contribution oriented to the streamlining the use of energy at the metering and regulation stations and provides employees with safer work and better insight into the operation of buildings. The innovation proposal also meets all current requirements related to the protection and providing safe operation of building on the gas transmission system.

Plinovodi gives the field of innovation an important role, since we understand that the previous 24 innovation contributions have a positive effect on the operation of the company in terms of developing competencies of our associates as well as the optimisation of the gas transmission system operation and achieving environmental objectives.

### **Investments in (in)tangible assets**

Investment activity in 2022 comprised construction of transmission pipelines and MRSs to connect new users, and drawing up documentation for implementing the projects in the years to come.

In the field of transmission system development in 2022, we would like to point out the following activities and events:

- Supply of pipes and arches for M6 transmission pipeline at the section from CS Ajdovščina to the Sežana junction;
- Drawing up the project documentation of the first stage of the Zreče loop project, which is the R21AZ Konjiška vas - Oplotnica gas transmission system; in November, we submitted a request with the Ministry of Natural Resources and Spatial Planning for issuing the building permit;
- On the project to expand CS Ajdovščina, a contract for delivery of a new compressor unit with the relevant equipment and services as well as a construction contract was signed;
- The conclusion of MRS Stanežiče, MRS Črenšovci, MRS Jelovškova and MRS Starošince projects, for which the operating permit was acquired and the user gasification was executed;
- The building permit was obtained for the MRS Zadobrova project;
- The building permit was obtained for the Arrangement of alternative premises and access project, the contractor was selected, the project is in progress;
- The completion of constructing R29 Jesenice - Kranjska Gora gas transmission pipeline, including MRS Bela and MRS Levi breg;
- Designing MRS Vransko - all opinions on the project documentation were obtained, the right to build was arranged, and the application for issuing the building permit was lodged;
- On the R25A/1 Trojane - Hrastnik project - Second stage: Trbovlje - Hrastnik, there are opinions on project documentation being acquired, the appraisals are in their arrangement phase, and rights in rem are being obtained;
- Preparation of changes and amendments to the Ten-year gas transmission network development plan for the 2022-2031 period and the Investment plan for the 2022-2024 period;
- Preparation of the Ten-year gas transmission network development plan for the 2023-2032 period and the Investment plan for the 2023-2025 period.

### **Easements**

The gas transmission system comprises some 1,200 km of gas pipelines and over 300 buildings connected with the operation of gas network and gas transmission. For construction, management and maintenance of gas pipeline infrastructure we obtain adequate rights in rem and entitlements, namely by concluding contracts to establish easements, acquisition or lease of land, and obtaining the right to build for the existing and new buildings of gas

pipeline infrastructure, as well as agreements for compensation for interventions in the buffer zone of the gas pipeline infrastructure. In 2022, there were 934 such instruments, and the obtained rights in rem were lodged to be entered in the Land Register.

### Financing investment

A large part of our investments is financed through own means and we successfully obtain grants with the European Commission. In the 2010-2012 period, we used EEPR grants in the total amount of EUR 37 million for realised investments of essential transmission system infrastructures by the end of 2014. The European Commission has so far awarded us a total of EUR 3.9 million of grants with the purpose to stimulate investments approved on the PCI list, within TEN-E and CEF-E. We allocate the respective assets for up to 50 percent co-financing of previous works on notified projects that are in the planning phase.

According to the investment cycle in the 2009 - 2014 period and large level of investments implemented, we obtained a long-term EIB investment loan in the amount of EUR 100 million. Through successful operation and by optimising dynamics of implementing investments, we managed to achieve only 70 percent of awarded funds to be absorbed and for utilising the available loan.

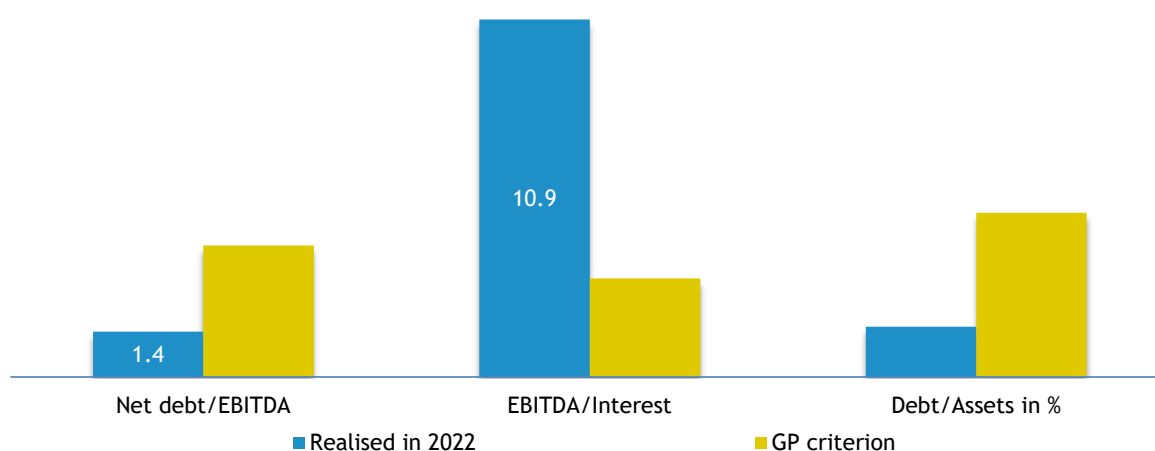
All investments in 2022 were financed with our assets.

## Business analysis

### Business results

Financial results of 2022 demonstrate successful operation. Net sales revenues in the total amount of EUR 100 million exceed the planned amount by almost 17 percent. Around 8 percent of net sales revenues are revenues charged to network users with their registered office outside Slovenia. The net profit for 2022 is reported in the amount of EUR 5.5 million, which is 5.5 percent of the net sales revenues. It is fully generated from operation. At the end of 2022, all indicators of financial covenants, including the level of indebtedness, comply with the Guarantee Facility Agreement criteria and are more favourable than projected values for 2022.

### Financial covenants



The balance sheet total was EUR 347 million at the end of December 2022, and is by EUR 18 million higher than at the start of the year. The asset and sources of finance structure did not change significantly.

Below are essential highlights from the Plinovodi operation in 2022, while more detailed data are indicated in the accounting part of the Annual Report.

## Assets

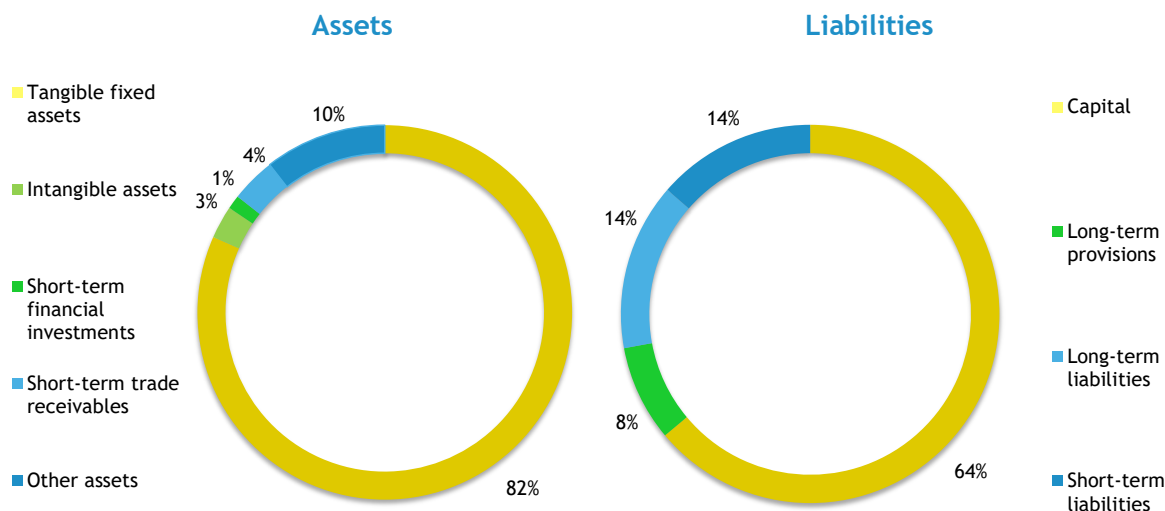
The long-term assets which are almost entirely long-term tangible fixed assets increased by 2 percent in 2022 due to the increase in investment activities.

### Asset review

in EUR '000

Assets	Balance as at 1.1.2021	Balance as at 1.1.2022	Balance as at 31.12.2022	Index 31.12.22/1.1.22
<b>A S S E T S</b>	<b>322,534</b>	<b>328,695</b>	<b>346,727</b>	<b>105</b>
A. LONG-TERM ASSETS	290,551	286,195	292,696	102
I. Intangible assets and long-term deferred costs and accrued revenues	9,999	10,350	9,812	95
II. Tangible fixed assets	280,142	275,396	282,630	103
IV. Long-term financial investments	43	43	43	100
VI. Deferred tax assets	368	406	212	52
B. SHORT-TERM ASSETS	31,914	42,395	53,937	127
I. Assets (for disposal groups) as held for sale	2,075	0		
II. Stocks	1,547	3,667	4,109	112
III. Short-term financial investments	6,000	3,500	0	0
IV. Short-term operating receivables	7,034	16,198	13,347	82
V. Cash	15,258	19,029	36,481	192
C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES	68	105	94	89

The status of short-term assets increased due to cash, increased by deposits on a special account earmarked for security for auction capacities and balancing contracts.. The high value of stocks results from the high gas price.



## Equity and liabilities

The amount of equity did not change significantly from the start of the year. It is affected by the net profit of the current year and the decision of the Supervisory Board on the distribution of part of profits of 2021 to the sole shareholder.

Long-term financial liabilities decreased by 7 percent from the start of the year due to payment of instalments of the long-term EIB loan. In short-term financial liabilities, instalments of long-term EIB loan, due for payment in one year, are disclosed.

In short-term operating liabilities, short-term operating liabilities to suppliers, state, employees and others are disclosed. Their status was by 70 percent higher at the end of 2022 compared to the start of the year due to the increase in liabilities based on sureties.

#### Review of asset liabilities

in EUR '000

Liabilities from asset sources	Balance as at 1.1.2021	Balance as at 1.1.2022	Balance as at 31.12.2022	Index 31.12.22/1.1.22
<b>LIABILITIES FROM ASSET SOURCES</b>	<b>322,534</b>	<b>328,695</b>	<b>346,727</b>	<b>105</b>
<b>A. CAPITAL</b>	<b>213,316</b>	<b>216,034</b>	<b>221,585</b>	<b>103</b>
I. Called-up capital	98,734	98,734	98,734	100
II. Capital reserves	8,152	8,152	8,152	100
III. Reserves from profit	97,679	104,437	109,060	104
V. Fair value reserves	-7	-11	101	883
VI. Retained net profit or loss	3	0	0	
VII. Net profit	8,755	4,723	5,538	117
<b>B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES</b>	<b>30,665</b>	<b>29,426</b>	<b>28,395</b>	<b>96</b>
1. Long-term provisions	1,015	1,014	1,449	143
2. Long-term accrued costs and deferred revenues	29,650	28,412	26,946	95
<b>C. LONG-TERM LIABILITIES</b>	<b>56,515</b>	<b>53,046</b>	<b>49,577</b>	<b>93</b>
I. Long-term financial liabilities	56,515	53,046	49,577	93
<b>D. SHORT-TERM LIABILITIES</b>	<b>19,591</b>	<b>27,846</b>	<b>44,875</b>	<b>161</b>
II. Short-term financial liabilities	3,469	3,469	3,469	100
III. Short-term operating liabilities	16,122	24,376	41,406	170
<b>E. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES</b>	<b>2,446</b>	<b>2,342</b>	<b>2,295</b>	<b>98</b>

#### Operating income

The main portion of the net sales revenues of EUR 100 million is realised through a charged access to transmission system, access to cross-border transmission system and through the gas sale for levelling of daily deviations and balancing the transmission system. The share of revenues that are charged to users of gas pipeline system with their registered office outside Slovenia was 8 percent.

#### Review of operating income

in EUR '000

Item	2020	2021	2022	Index 2022/2021
<b>Revenues on the domestic market</b>	<b>40,877</b>	<b>56,110</b>	<b>90,152</b>	<b>161</b>
Network charges	36,925	37,797	38,708	102
Gas sale for balancing and leveling of deviations	3,710	18,041	51,132	283
Sale of material, services and other	242	272	313	115
<b>Revenues on the foreign market</b>	<b>4,251</b>	<b>2,669</b>	<b>9,855</b>	<b>369</b>
Network charges	3,946	2,444	7,986	327
Gas sale for balancing and leveling of deviations	229	141	1,773	1,256
Sale of material, services and other	76	84	96	115
<b>Net sales revenues in total</b>	<b>45,128</b>	<b>58,779</b>	<b>100,007</b>	<b>170</b>
<b>Purchase value of natural gas sold</b>	<b>3,937</b>	<b>18,155</b>	<b>52,704</b>	<b>290</b>
<b>Gross selling profit or loss</b>	<b>41,191</b>	<b>40,624</b>	<b>47,303</b>	<b>116</b>
<b>Other operating income</b>	<b>2,227</b>	<b>1,563</b>	<b>1,783</b>	<b>114</b>

Net sales revenues exceed the amount achieved in 2021 by 70 percent and the planned amount by 30 percent. The gas purchase/acquisition value is represented by the value of gas sold due to levelling of daily deviations in volume and balancing the transmission system. Compared to the previous year, the purchase/acquisition value of gas volume sold is by 190 percent higher and reaches 120 percent of annual planned value. Gross selling profit or loss is thus disclosed in the amount of EUR 47.3 million and exceeds the projected profit and loss by 13 percent.

Gross selling profit and loss is increased by other operating income in the amount of EUR 1.8 million. Other operating income disclosed include in particular the income from the reduction of short-term accrued costs and deferred revenues arising from the European Commission grants.

### Operating expenses and expenditure

Operating expenses and expenditure without the purchase value of the gas sold amounted to EUR 40 million in 2022. They are costs of material, services and labour, other costs and expenditure and depreciation expense. Individually, the largest share in operating expenditure is depreciation with 41 percent.

#### Review of operating costs and expenditure

in EUR '000

Item	2020	2021	2022	Index 2022/2021
Costs of material and services	4,471	7,323	12,160	166
Labour costs	8,501	8,796	9,210	105
Depreciation	15,530	15,904	16,511	104
Expenses from revaluation	16	212	268	126
Other operating expenses	1,743	1,842	1,899	103
Total	30,260	34,077	40,048	118

Costs of material and services reach 107 percent of the planned costs for 2022, and deviate by 66 percent from the costs achieved in 2021. The main reason for the respective deviation is increase the in gas price. The average gas price on CEGH was 125.7 EUR/MWh in 2022, while it amounted to 46.3 EUR/MWh in 2021. Operating expenses from revaluation are formed for account receivables from customers in judicial proceedings or insolvency proceedings. According to the legislation, other operating expenses comprise contributions and membership fees.

### Financial income and expenses

Finance income includes revenue from loans granted which represent the received interest on deposits with banks and revenue from commercial receivables. Finance expenses are at the level of those planned for 2022 and are a result of long-term dedicated indebtedness for the investments implemented in previous years.

Due to repayment of principals of the long-term EIB loan, finance expenses are decreasing and were EUR 2.4 million in 2022, which is 6.5 percent less than a year before.

### Profit and loss

In 2022, the Company achieved a total of EUR 6.7 million of earnings before taxes. Income tax that is charged to profit and loss of 2022 in the amount of EUR 1.1 million is calculated

according to the tax rate of 19 percent from the profit and loss and takes into account tax relief, non-deductible costs and deferred taxes.

The net profit for 2022 is disclosed in the amount of EUR 5.5 million. It is fully generated from operation and exceeds the projected amount by 175 percent.

### Cash flows

Cash flow statement shows the change in cash in hand and on the bank accounts with the breakdown of cash flows in operation, investment and financing.

In 2022, the cash flow from operating activities was positive, amounting to EUR 37.7 million, mostly due to successful operation in this period. The impact of changes in net current capital is EUR 13.1 million. The positive result of cash flow from operating activities was earmarked to cover investment expenditure, pay interest and pay the instalments of long-term loans. Cash flow from investment is negative and amounts to EUR 14.3 million. The investment expenditure decreased by EUR 22.8 million in 2022.

#### Overview of cash flow

in EUR '000

Type of cash flow	2020	2021	2022
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
a. Items of income statement	25,266	23,249	24,610
b. Change in net current assets	3,003	-2,430	13,116
c. Net operating receipts (+)/expenditures (-) a+b	28,269	20,819	37,725
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
a. Investment receipts	21,850	5,022	8,510
b. Investment expenditure	-41,125	-14,059	-22,842
c. Net investment receipts (+)/expenditures (-) a+b	-19,275	-9,037	-14,332
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
a. Cash receipts from financing activities	0	0	0
b. Cash disbursements from financing activities	-8,117	-8,011	-5,942
c. Net financing receipts (+)/expenditures (-) a+b	-8,117	-8,011	-5,942
<b>D. CLOSING BALANCE OF CASH</b>	15,258	19,030	36,481
x. Cash flow for the period	878	3,772	17,452
y. Opening balance of cash	14,380	15,258	19,030

### Management Declaration in accordance with Article 545 of Companies Act (ZGD-1)

In the 2022 financial year, Plinovodi d.o.o. was a subsidiary of Plinhold d.o.o.

Plinovodi d.o.o. concluded no transactions with Plinhold d.o.o. in 2022.

In 2022, Plinovodi d.o.o. concluded no legal transaction with the controlling undertaking or its related company or at the initiative or in the interest of the respective companies that would mean disadvantage to the company. The Company also did not receive any disadvantage compensations.

In 2022, Plinovodi d.o.o. also conducted or omitted no action at the initiative or in the interest of the controlling undertaking or its related companies that would mean disadvantage to the company. In this regard, the Company also did not receive any disadvantage compensations.



## Risks

A risk is an uncertain event that may endanger or even prevent the planned objectives to be achieved. Strategically focused investments eliminate, minimise or even take advantage of risks. Each operation is faced with risks, and it is no different in the case of our Company, therefore a comprehensive risk management system is an integral and indispensable part of the Company management system.

Risk management is important to fulfil the mission and the business performance of the Company. One of the answers to understanding economic uncertainties and changing nature of the operation conditions is to strengthen the control of understanding and develop risk management as an integral part of the business strategy that contributes to stability of operation and achieving goals. Risk management means that risk and opportunities in an increasingly complex economic and social environment are responded to in a timely and correct manner. The established organisation, process and methodology of risk management ensure us to be aware of risks and opportunities at all times, know and understand them and to be committed to constant monitoring of changes in the risk structure and the appropriateness of measures.

The established risk management system (ERM) is an integral part of corporate management that also focuses on identifying opportunities. We have established a solid and reliable ERM system which is intelligible and proportional to the characteristics, scope and complexity of transactions we perform as a company. The established process and organisation of risk management, in particular their development, are integral parts of the Company business strategy. We approach risk management in a systematic way through appropriate organisation and clear definition of competencies and responsibilities, definition of policies and risk catalogue. In doing so, we also adapt to changed circumstances, such as coronavirus in 2020 and 2021 and the energy crisis in 2022. It is the rapidly changing circumstances in last three years that requires agile adaptation systems, including the prompt detection of risks as well as timely adoption of risk management measures.

Risk management falls under the responsibility of the Company Management Board for strategic risk, while all other risks are managed by directors of sectors and heads of organisational units or functions. Risk Management Group (hereinafter referred to as: Group) is in charge of the risk management system which comprises managers and owners of the risks identified. The Group's task is to develop guidelines and a model for risk management in a manner that it develops according to the needs and objectives of the Company, prepare reviews of recognised risks or a catalogue of the most important risks with established controls and measures for risk management, define the reporting process and address the reports on the progress in terms of risk management, and monitor the ERM operation and development. The Group regularly reports to the Company Management Board.

The process is periodically checked in terms of methodological approach, appropriateness of the identified risks, identification of new risks and opportunities, adequacy of the risk evaluation system, while taking into account the operation goals set within the scope of current and foreseen operating conditions. Changes in the structure and significance of risks are closely related to the type of activity, changes in the way of Company operation, regulatory and legislative changes, expansion of gas pipeline system in the country and in

connection to neighbouring countries. The aim is to assume the right amount of appropriate risks and thus enable the Company to follow its strategic goals.

An important part of risk management system are internal controls that draw attention to the possibility of materialisation of risks, as well as measures to strengthen the controls, identify new risks or changes in the intensity of already identified risks, minimise risks and protect the Company against the risks or only monitor them constantly. The internal controls are provided through constant adaptation of work processes and internal acts to individual types of risks and legislative changes, appointment of expert commissions and groups (groups managing individual projects, public procurement commission, liquidity commission, crisis group for coordinating activities related to the coronavirus epidemics, team for the environment and work groups operating in their specific fields), detailed analysis of the selected types of risks, monitoring the risk indicators and efficiency of implementing measures and searching new solutions. Through timely provision of relevant information for the needs of Management Board, the decision-making efficiency is increased, thereby enhancing the contribution to quality risks management. The risk management procedure is complemented with monthly reviews of thirty most significant risks and activities of the Company related to them. If necessary, the list is promptly supplemented with newly emerged risks and evaluation of the existing risks is regularly updated.

The Compliance Officer carries out tasks laid down in the Energy Act or Gas Supply Act, and promotes efficient implementation of measures to achieve objectives defined in the Compliance Programme that reduce regulatory risk and provide actual independence of the transmission system operator.

In addition to strategic risks, which are to some extent environmental risks and have certain consequences on the achievement of strategic objectives and core activity of the Company as well as business operation and results of the Company, the risk management also comprises operational risk. Strategic risks with their diversity and limited possibility of impact remain a significant risk.

The main focus is constantly on the risk of core activity, for which we have made special action scenarios due to the specificity and potential consequences and which provide safety and reliable operation of the system, also in the event of emergency. The reliability of the gas transmission system operation and gas supply is provided through an adequate and doubled control system and regular maintenance and upgrade of buildings and devices. The quality of our services is a result of consistent systematic implementation of prescribed control procedures in all fields, monitoring the development of gas technologies and rehabilitation and protection activities. Risks associated with the environmental protection are managed by technical provision of safety and implementing the system of environmental management in accordance with the requirements of the ISO 14001 standard, in particular through waste separation, monitoring and improving environmental indicators and controlling the emissions and waste. We have concluded relevant insurance contracts to reduce risks arising from the TSO activity and assets and which include in particular the insurance of third-party liability, professional indemnity and insurance of property (fire insurance, earthquake insurance, machinery break-down insurance, computer insurance and motor insurance).

Risks associated with drawing up projects and selection procedures of contractors and timeliness of the conclusion of execution prevail in the field of project risks. In order to manage risks arising from the public procurement procedures, where required, we included additional legal experts in the implementation of the procedure. With new development plans, project risks will increase. By providing compliance of development plans within the scope of the country and region, timely spatial placement of projects and acquisition of permits and consents, detailed preparation of the timeline of the planned projects, selection of the most suitable contractor, close monitoring of project implementation and timely responses in the event of any deviates, we manage these risks at the acceptable level.

We put considerable emphasis on regulatory and legislative risks, risks associated with political and economic environment with a focus on the importance of gas and development of gas market as well as transmission capacity. We closely monitor all changes in European and national energy policy and regulations and codes, participate in their preparations and adopt them in our procedures and operation.

In 2022, we also focused on alternative sources, such as LNG and gas from the Caspian Basin, since the changes in this field may significantly affect the volume of booking of transmission capacity at cross-border interconnection points and thus the Company income. The LNG terminal on the Island of Krk has an impact especially on the flows between Croatia and Hungary and less on the flows between Slovenia and Croatia already reduced in recent periods. The market aspect of the strategic risk is also managed through competitive tariff policy, focused marketing activities to recognise gas as a primary energy product on the path to low-carbon society, and action plans to increase the booking of transmission capacity in the country and connection of new users.

Increasing gas prices from the second half of 2021 continued also in 2022. In addition to the increase in prices, a lot of uncertainty was also caused by extreme price volatility. The Company responded to the increase of profit and loss fluctuation risk due to higher costs of own use and systemic differences by drawing up a rebalancing scheme of the Financial plan. The Company also mitigated the risk by exceeding the objectives in other fields, while at the same time a legislative solution addressing system differences was adopted at the end of the year and significantly reduced the respective risk.

In 2022, the Company continued to closely monitor geostrategic risks which materialised with the Russian invasion of Ukraine in February 2022, and continued throughout the year with the war in Ukraine. The Company responded to the changed conditions by intensifying its engagement in the Regional Cooperation coordination group (ReCo) of ENTSOG that daily monitors and analyses the events in the European transmission systems and supply routes from Russia to the EU. The Company was immediately engaged in the activities to provide additional capacities from the western supply direction and by early October increased the transmission capacity from Italy to Slovenia and thus significantly minimised consequences of any potential interruptions of gas supply from Russia to the EU. We also contributed to the drafting and implementation of measures of the Government crisis group.

Within the scope of purchase risks, the Company is mainly exposed to risks in providing compliance with the regulations for public procurement. To ensure sound implementation of the applicable legislation, it is necessary to regularly monitor changes and perform efficient internal communication in drawing up tender documentation. Through proper

management and timely decision-making, we control the whole process of public procurement. In 2022, as a consequence of the war in Ukraine, the previously established supply chains were interrupted with regard to specific raw materials and products from Ukraine and Russia which affected the supply of equipment and increased prices for individual technological equipment for executing investments and upgrades. Also an additional impact on the increase of prices in individual technological equipment required in executing investments and upgrades on the transmission system of Plinovodi was noted.

The risk of non-fulfilment of non-monetary liability of contractors is managed by appropriate contractual provisions, providing adequate collateralisation and contract management.

We also pay attention to financial risks: credit risk and wider risk of non-fulfilment of obligations by counterparty, liquidity risk, interest rate risk and investment risk. Financial risks are aligned through an established system of cash management, management of claims and a proper structure of financial sources within the scope of the borrowing policy and optimisation of sources of finance. Long-term indebtedness has no impact on sound and suitable capital adequacy. Based on the successful operation of the Company, stable cash flow from operating activities and financing growth from own means as well provided long-term assets earmarked, the liquidity risk was low in 2022. The exposure to interest rate risk did not significantly change and remains negligible; all loans have fixed interest rate. The exposure to foreign-exchange risk is low and short-termed since, in 2022, less than 0.1% of turnover with suppliers was generated in other (other than EUR) currencies, mainly in US dollars.

On the customers' side, it is important to manage risk arising from (in)solvency and lack of financial discipline. Credit risk is reduced by dispersion of customers, financial guarantees, monitoring the credit rating of material customers, regular dynamic analyses of payment discipline and prompt actions in the event of non-paid revenue due. Despite the continuation of the tough situation due to energy crisis in 2022, the exposure did not increase.

In the field of operational risks, we perform careful analyses of information technology risks in business processes, telecommunications and risks of information security. These risks are actively managed by introducing additional and improved existing data protection and access controls, a backup location providing appropriate computer capacities, regular control, maintenance and investments in improvements, updates and upgrades of information systems, as well as through constant education and training of employees. We regularly analyse the exposure of individual IT suppliers, identify changes in risks and adopt suitable measures according to the findings.

We are aware of the risk associated with the provision of key and professionally trained personnel, human resources management and the promotion of innovations. Qualification of employees in line with the requirements of international standards applicable to gas operations, maintaining high level of professional, special and general knowledge, targeted management and development of employee potential, promoting knowledge transfer, long-term planning and recruitment and development of internal communication system are key measures for managing risks in the field of human resources. Based on the implementation of the above-stated measures, stable management and key employees, labour market conditions, low fluctuation and favourable employee satisfaction; we assess this risk as well managed.

In the last three years, the importance of being active in risk management has been more than evident: a well-established system of risk management - designed according to the top-to-bottom principle in accordance with the activity and needs of the Company and with a strong support of the Management Board - is a prerequisite enabling the Company to efficiently and successfully face new situations also in a fast-changing environment. Therefore, Plinovodi is committed to perform constant upgrades of the system of risk management and strengthen its use in the process of strategic planning as well as making current business decisions. In the following years, we will continue to upgrade the culture of risk management in the Company.

In accordance with findings and proposal of the Group, we will also pay special attention to an ever faster changing environment or business-related circumstances, and thus focus on the range of identified risks which in turn influences the appropriate behaviour and efficient actions of the Company. We will continue to perform close monitoring and management of risks associated with gas price fluctuations on the futures market, regulations, information security risks, coronavirus, changes for decarbonisation of the environment and geopolitical developments. With the aim of becoming a flexible company that is able to timely and adequately respond to challenges and related risks of tomorrow, we will review and upgrade the risk catalogue and management.

We will continue to develop the importance of management and security culture, thereby providing that employees understand the risks and operate in the range of reasonable risks and point out any deviations. By upgrading the component "Information, communication and reporting", we will ensure quick identification of risks, early detection of changes in the environment and thus draw up proper measures and responses to risks. Due to detected change in intensity related to personnel-related risks, we will focus on the personnel development with an emphasis on preserving and replacing key personnel and reducing their workload.

Although the risk management system of the Company is established and operating, the Group will continue to adopt guidelines for risk management in line with the development of experts and good practice, and develop a risk management model in a way which best responds to needs and goals of the Company.

## **Events after the Balance Sheet date**

Between the Balance Sheet date and the date of approval of financial statements there were no events that would require the correction of financial statements to the Balance Sheet date or specific disclosure in the financial statements.

In accordance with the Act Amending the Government of the Republic of Slovenia Act (Official Gazette of the Republic of Slovenia, No. 163/2022 of 27 December 2022, ZVRS-J) there was a reorganisation of the Government of the Republic of Slovenia on 24 January 2023. Some fields of work were transferred between the ministries, and three new ministries were established. Within the scope of changes, on 24 January 2023, the field of energy was transferred from the Ministry of Infrastructure to the Ministry of the Environment, Climate and Energy, which is the new line ministry for the field of operation of Plinovodi d.o.o.

On 16 January 2023, the Decision of the final distribution estate was published on the AJPES website with regard to the bankruptcy proceedings of Nafta Petrochem d.o.o. Based on the final distribution estate in the amount of EUR 2,777,031.53, receivables amounting to EUR 10,659,587.88 are taken into account and paid in the share of 26.052% of the recognised ordinary claims. Upon the final distribution of general distribution estate, Plinovodi d.o.o. received the amount of EUR 480,840.10 in February.

# ACCOUNTING REPORT



**Plinovodi**  
Povezani z energijo



## STATEMENT BY THE MANAGEMENT BOARD

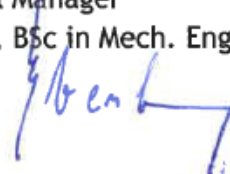
The Management adopts and confirms the Annual Report of Plinovodi d.o.o. for 2022 which consists of Business Report and Financial Report.

The Management confirms that relevant accounting policies were consistently used in drawing up financial reports, that accounting estimates were prepared according to the precautionary principle and the principle of good governance, and that financial statements present a true and fair financial situation and results of operation in 2022.

The Management is responsible also for the proper management of accounting, adopting adequate measures for protecting property and other assets, and preventing and detecting abuse and other misconduct. The Management also confirms that financial statements together with respective notes were drawn up on the basis of the assumptions of further operation of the Company and in accordance with the applicable legislation and Slovenian Accounting Standards (2016).

Ljubljana, 9 March 2023

General Manager  
Marjan Eberlinc, BSc in Mech. Eng.



**Balance Sheet as at 31. 12. 2022**

in EUR

Item	Notes	Balance	Balance
		31. 12. 2022	31. 12. 2021
<b>ASSETS</b>		<b>346,726,630</b>	<b>328,694,687</b>
<b>A. Long-term assets</b>		<b>292,695,905</b>	<b>286,194,559</b>
<b>I. Intangible assets and long-term deferred costs and accrued revenues</b>	<b>2.1.1</b>	<b>9,811,776</b>	<b>10,349,705</b>
1. Long-term property rights		9,745,046	10,265,020
5. Other long-term deferred costs and accrued revenues		66,730	84,685
<b>II. Tangible fixed assets</b>	<b>2.1.2</b>	<b>282,629,506</b>	<b>275,396,240</b>
1. Land and buildings		227,286,784	231,857,813
a) Land		24,298,242	24,305,790
b) Buildings		202,988,542	207,552,023
3. Other devices and equipment		36,879,356	36,199,901
4. Tangible fixed assets in obtaining		18,463,366	7,338,526
a) Tangible fixed assets under construction or in production		18,463,366	7,338,526
<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, excluding loans		42,949	42,949
<b>VI. Deferred tax assets</b>	<b>2.1.4</b>	<b>211,674</b>	<b>405,665</b>
<b>B. Current assets</b>		<b>53,937,005</b>	<b>42,394,766</b>
<b>II. Inventories</b>	<b>2.1.5</b>	<b>4,109,326</b>	<b>3,666,933</b>
1. Materials		2,376,826	1,333,370
3. Goods and merchandise		1,732,500	2,333,563
<b>III. Short-term financial investments</b>	<b>2.1.6</b>	<b>0</b>	<b>3,500,000</b>
2. Short-term loans		0	3,500,000
<b>IV. Short-term operating receivables</b>	<b>2.1.7</b>	<b>13,346,703</b>	<b>16,198,391</b>
2. Short-term trade receivables		11,450,077	13,754,183
3. Short-term operating receivables from others		1,896,626	2,444,208
<b>V. Cash</b>	<b>2.1.8</b>	<b>36,480,976</b>	<b>19,029,442</b>
<b>C. Deferred costs and accrued revenues</b>	<b>2.1.9</b>	<b>93,720</b>	<b>105,362</b>

**Balance sheet as at 31. 12. 2022**

in EUR

			Balance 31. 12. 2022	Balance 31. 12. 2021
Item		Note		
<b>EQUITY AND LIABILITIES</b>			<b>346,726,630</b>	<b>328,694,687</b>
<b>A. Equity</b>		<b>2.1.10</b>	<b>221,584,751</b>	<b>216,034,270</b>
<b>I. Called-up capital</b>			<b>98,733,790</b>	<b>98,733,790</b>
1. Share capital			98,733,790	98,733,790
<b>II. Capital reserves</b>			<b>8,151,515</b>	<b>8,151,515</b>
<b>III. Reserves from profit</b>			<b>109,060,351</b>	<b>104,437,456</b>
1. Legal reserves			1,933,169	1,933,169
5. Other reserves from profit			107,127,182	102,504,287
<b>V. Fair value reserves</b>			<b>100,590</b>	<b>-11,386</b>
<b>VI. Retained net profit or loss</b>			<b>335</b>	<b>0</b>
<b>VII. Net profit or loss for the financial year</b>			<b>5,538,170</b>	<b>4,722,895</b>
<b>B. Provisions and long-term accrued costs and deferred revenues</b>		<b>2.1.11</b>	<b>28,395,004</b>	<b>29,426,081</b>
1. Provisions for retirement allowances and jubilee benefits			655,237	819,213
2. Other provisions			793,421	194,577
3. Long-term accrued costs and deferred revenues			26,946,346	28,412,291
<b>C. Long-term liabilities</b>		<b>2.1.12</b>	<b>49,577,160</b>	<b>53,046,296</b>
<b>I. Long-term financial liabilities</b>			<b>49,577,160</b>	<b>53,046,296</b>
2. Long-term financial liabilities to banks			49,577,160	53,046,296
<b>D. Short-term liabilities</b>			<b>44,874,684</b>	<b>27,845,595</b>
<b>II. Short-term financial liabilities</b>		<b>2.1.13</b>	<b>3,469,136</b>	<b>3,469,136</b>
2. Short-term financial liabilities to banks			3,469,136	3,469,136
<b>III. Short-term operating liabilities</b>		<b>2.1.14</b>	<b>41,405,548</b>	<b>24,376,459</b>
2. Short-term operating liabilities to suppliers			20,586,956	14,477,784
4. Short-term operating liabilities from advance payables			155,041	158,095
5. Other short-term operating liabilities			20,663,551	9,740,580
<b>E. Short-term accrued costs and deferred revenues</b>		<b>2.1.15</b>	<b>2,295,031</b>	<b>2,342,445</b>

The income statement is drawn up in accordance with the Companies Act and SAS 21 - Version I. Individual items of the income statement are explained in breakdowns and notes to financial statements.

### Income statement for 2022

				in EUR
	Item	Notes	2022	2021
1.	Net sales revenues	2.2.1	100,007,424	58,778,656
4.	Other operating income (with operating revenue from revaluation)	2.2.2	1,783,294	1,563,080
5.	Costs of goods, material and services	2.2.3	-64,863,864	-25,478,024
a)	Purchase/acquisition value of goods and material sold and costs of material used		-61,113,496	-21,964,577
b)	Cost of services		-3,750,368	-3,513,447
6.	Labour costs	2.2.4	-9,209,746	-8,795,680
a)	Wages and salaries		-6,850,035	-6,536,404
b)	Social security costs		-1,320,858	-1,295,664
c)	Other labour costs		-1,038,853	-963,613
7.	Write-offs	2.2.5	-16,779,003	-16,115,975
a)	Depreciation		-16,510,703	-15,903,629
b)	Operating expenses from revaluation in intangible assets and tangible fixed assets		-268,244	-26,032
c)	Operating expenses from revaluation of current operating assets		-56	-186,314
8.	Other operating expenses	2.2.6	-1,899,081	-1,842,050
9.	Financial revenues from stakes		0	0
10.	Financial revenue from loans granted		2,619	7,181
b)	Financial revenue from loans granted		2,619	7,181
11.	Financial revenues from operating receivables		16,217	9,470
b)	Financial revenues from operating receivables from others		16,217	9,470
12.	Financial expensses from impairment and financial investment write-offs		0	0
13.	Finance expenses from financial liabilities	2.2.8	-2,372,779	-2,541,424
b)	Finance expenses from bank loans		-2,330,015	-2,499,521
d)	Finance expenses from other financial liabilities		-42,764	-41,903
14.	Finance expenses from operating liabilities	2.2.9	-8,243	-4,158
b)	Finance expenses from liabilities to suppliers and notes payables		-1,510	-605
c)	Finance expenses from other operating liabilities		-6,733	-3,553
15.	Other income		26,007	65,180
16.	Other expenses		-20,211	-34,645
17.	Income tax		-950,473	-925,756
18.	Deferred taxes	2.1.4	-193,991	37,555
19.	NET PROFIT OR LOSS FOR THE PERIOD		5,538,170	4,723,410

### Other comprehensive income statement for 2022

				v evrih
	Item		2022	2021
19.	Net profit or loss for the period		5,538,170	4,723,410
23.	Actuarial profit/loss		111,976	-4,348
24.	Other components of comprehensive income statement of the reporting period		335	0
25.	Total comprehensive income for the period		5,650,481	4,719,062

The cash flow statement is drawn up in accordance with the Companies Act and SAS 22 - Version II.

### Cash flow statement for 2022

in EUR

Item	2022	2021
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>a) Items of income statement</b>	<b>24,609,761</b>	<b>23,249,036</b>
Operating income (except for from revaluation) and financial revenues from operating receivables	101,716,113	60,280,692
Operating expenses excl. depreciation (except for from revaluation) and financial expenses from operating liabilities	-75,961,888	-36,105,389
Income taxes and other taxes not included in operating expenses	-1,144,464	-926,267
<b>Changes in net current capital (And deferred costs and accrued revenues and deferred tax assets and liabilities) operating items of Balance Sheet</b>	<b>13,115,507</b>	<b>-2,429,794</b>
Opening less closing operating receivables	2,877,239	-9,163,945
Opening less closing short-term deferred costs and accrued revenues	29,597	-12,352
Opening less closing assets (for disposal groups) as held for sale	0	2,074,885
Opening less closing deferred tax assets	193,991	-4,863
Opening less closing inventories	-442,393	-2,306,288
Closing less opening operating liabilities	11,378,909	8,254,169
Closing less opening accrued costs and deferred revenues and provisions	-921,836	-1,271,400
<b>c) Positive or negative cash flow from operating activities (a+b)</b>	<b>37,725,268</b>	<b>20,819,242</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>a) Investing receipts</b>	<b>8,509,905</b>	<b>5,022,464</b>
Cash receipts from interest and profit share of others associated with investment	2,619	7,181
Cash receipts from disposal of tangible fixed assets	7,286	15,283
Cash receipts from financial investment	8,500,000	5,000,000
<b>b) Investment expenditure</b>	<b>-22,842,059</b>	<b>-14,059,322</b>
Expenditure on the acquisition of intangible assets	-354,638	-1,162,727
Expenditure on the acquisition of tangible assets	-17,487,421	-10,396,595
Expenditure on the acquisition of short-term financial investments	-5,000,000	-2,500,000
<b>c) Positive or negative cash flow in investments (a+b)</b>	<b>-14,332,154</b>	<b>-9,036,858</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>a) Cash receipts from financing activities</b>	<b>335</b>	<b>0</b>
Cash receipts from paid-in capital	335	0
<b>b) Cash disbursements from financing activities</b>	<b>-5,941,915</b>	<b>-8,010,560</b>
Interest paid on financing activities	-2,372,779	-2,541,424
Expenditures from repayment of financial liabilities	-3,469,136	-3,469,136
Expenditures from payment of profit shares	-100,000	-2,000,000
<b>c) Positive or negative cash flow from financing activities (a+b)</b>	<b>-5,941,580</b>	<b>-8,010,560</b>
<b>D. CLOSING BALANCE OF CASH (x+y)</b>	<b>36,480,976</b>	<b>19,029,442</b>
<b>x) Cash flow for the period (Ac+Bc+Cc)</b>	<b>17,451,534</b>	<b>3,771,824</b>
<b>y) Opening balance of cash</b>	<b>19,029,442</b>	<b>15,257,618</b>

## Statement of changes in equity for 2022

in EUR

Item	Called-up capital	Share capital	Capital reserves	Reserves from profit	Legal reserves	Other reserves from profit	Fair value reserves	Net profit or loss from previous period	Net profit or loss for the financial year	Equity in total
	I	I/1	II	III	III/1	III/5	V	VI	VII	VIII
<b>A.1. Balance as at 31.12.2021</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>104,437,456</b>	<b>1,933,169</b>	<b>102,504,287</b>	<b>-11,386</b>	<b>0</b>	<b>4,722,895</b>	<b>216,034,270</b>
<b>A.2. Balance as at 1.1.2022</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>104,437,456</b>	<b>1,933,169</b>	<b>102,504,287</b>	<b>-11,386</b>	<b>4,722,895</b>	<b>0</b>	<b>216,034,269</b>
<b>B.1. Changes in equity - 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>-100,000</b>	<b>0</b>	<b>-100,000</b>
g) Payment of the profit share	0	0	0	0	0	0	0	-100,000	0	-100,000
<b>B.2. Total comprehensive income of the financial year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>111,976</b>	<b>335</b>	<b>5,538,170</b>	<b>5,650,481</b>
a) Entry of the yearly results	0	0	0	0	0	0	0	0	5,538,170	5,538,170
d) Other components of comprehensive income statement of the reporting period	0	0	0	0	0	0	111,976	335	0	112,311
<b>B.3. Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,622,895</b>	<b>0</b>	<b>4,622,895</b>	<b>0</b>	<b>-4,622,895</b>	<b>0</b>	<b>0</b>
a) Allocation of the part of net profit of comparable reporting period to other equity components	0	0	0	4,622,895	0	4,622,895	0	-4,622,895	0	0
d) Settlement of loss as deducted equity component	0	0	0	0	0	0	0	0	0	0
<b>C. Balance as at 31.12.2022</b>	<b>98,733,790</b>	<b>98,733,790</b>	<b>8,151,515</b>	<b>109,060,351</b>	<b>1,933,169</b>	<b>107,127,182</b>	<b>100,590</b>	<b>335</b>	<b>0</b>	<b>216,046,581</b>

## Statement of changes in equity for 2021

in EUR

Item	Called-up capital	Share capital	Capital reserves	Reserves from profit	Legal reserves	Other reserves from profit	Fair value reserves	Retained net profit or loss	Net profit or loss for the financial year	Equity in total
	I	I/1	II	III	III/1	III/5	V	VI	VII	VIII
<b>A.1. Balance as at 31.12.2020</b>	<b>98,733,790</b>	98,733,790	8,151,515	97,679,345	1,933,169	95,746,176	-7,038	2,842	8,755,269	213,315,722
<b>A.2. Balance as at 1.1.2021</b>	<b>98,733,790</b>	98,733,790	8,151,515	97,679,345	1,933,169	95,746,176	-7,038	8,758,111	0	213,315,722
<b>B.1. Changes in equity - transactions with owners</b>	<b>0</b>	0	0	0	0	0	0	-2,000,000	0	-2,000,000
g) Payment of the profit share	0	0	0	0	0	0	0	-2,000,000	0	-2,000,000
<b>B.2. Total comprehensive income of the financial year</b>	<b>0</b>	0	0	0	0	0	-4,348	-515	4,723,410	4,718,547
a) Entry of the yearly results	0	0	0	0	0	0	0	0	4,723,410	4,723,410
d) Other components of comprehensive income statement of the reporting period	0	0	0	0	0	0	-4,348	-515	0	-4,863
<b>B.3. Changes in equity</b>	<b>0</b>	0	0	6,758,111	0	6,758,111	0	-6,757,596	-515	0
a) Allocation of the part of net profit of comparable reporting period to other equity components	0	0	0	6,758,111	0	6,758,111	0	-6,758,111	0	0
d) Settlement of loss as deducted equity component	0	0	0	0	0	0	0	515	-515	0
<b>C. Balance as at 31.12.2021</b>	<b>98,733,790</b>	98,733,790	8,151,515	104,437,456	1,933,169	102,504,287	-11,386	0	4,722,895	216,034,270



**Balance sheet profit as at 31. 12. 2022**

Item	in EUR	
	2022	2021
a) Net profit or loss for the financial year	5,538,170	4,723,410
b) Net profit/loss brought forward	335	-515
<b>g) BALANCE SHEET PROFIT</b>	<b>5,538,505</b>	<b>4,722,895</b>

## 1. Summary of relevant accounting policies

### Basis for drawing up financial statements

Financial statements are presented in euros. Rounding may result in minor differences during addition.

Financial statements in this report are drawn up on the basis of the Slovenian Accounting Standards applicable as of 1 January 2016 issued by the Slovenian Institute of Auditors including the amendments of SAS adopted after 1 January 2016, and in accordance with the Companies Act.

The balance sheet is adjusted to indication as per SAS 20.4., and Income statement as per SAS 21.6. - Version I, cash flow statement as per SAS 22.9. - Version II, and statement of changes in equity as per SAS 23.2. Only items are indicated, the value of which is more than zero in the current and previous year.

Pursuant to Article 255 of the Energy Act or Article 109 of the Gas Supply Act, the Company, as the transmission system operator, must disclose in notes to financial statements any deviation from the regulatory framework for the financial year reflected in the surplus or deficit in network charges.

Financial statements for the year ended on 31 December 2022 were confirmed by the Management at the 12th managers' meeting of 9 March 2023.

### Rate and the method of conversion to domestic currency

Assets and liabilities expressed in foreign currency are recalculated in domestic currency using ECB reference rate as at the last day of the accounting period.

### Information on the controlling undertaking

As at 31 December 2022, the controlling undertaking is Plinhold d.o.o., which is the sole shareholder of Plinovodi d.o.o. Plinovodi d.o.o. is in the indirect State's majority ownership, namely 60.10 percent (the percentage indicated represents a direct share of the shareholder (the Republic of Slovenia) in Plinhold d.o.o.).

Financial statements of Plinovodi d.o.o. are included in the consolidated financial statements of Plinhold and published on the website [www.ajpes.si](http://www.ajpes.si). Consolidated financial statements of the Plinhold Group at the day of confirming the Plinovodi d.o.o. Annual reports have not been drawn up; they are expected to be prepared in April 2023.

### Important accounting policies

#### Intangible assets and long-term deferred costs and accrued revenues

The assets include intangible assets that are investments in other property rights (computer software, investment in network development planning, project and spatial documentation, studies and analyses that usually relate to several gas pipelines and the use of which is longer than a year, etc.). Intangible assets in obtaining are disclosed separately.

At the initial recognition, the intangible asset is evaluated at purchase/acquisition price and has the defined final useful life. The purchase/acquisition value also includes import duties and non-refundable purchase taxes.

Rights related to immovable property and other rights are recognised and measured in accounting records as intangible assets, while in the balance sheet they are disclosed as Land and Buildings items.

Intangible assets in obtaining are impaired in part of investments in network planning on projects where the activities for completion are temporary at the standstill and it is highly unlikely that they will continue. The adjustment is calculated to the debit of operating expenses from revaluation.

The Company separately discloses also long-term deferred costs and accrued revenues. Long-term deferred costs and accrued revenues include long-term deferred initial costs for obtaining a long-term EIB investment loan and initial costs of obtaining a SID bank guarantee.

### **Tangible fixed assets**

Tangible fixed assets of the Company are land, easement and building rights, gas pipelines, buildings and other facilities, equipment, items of artistic value, replacement parts of high value and property, plant and equipment under construction or in production.

Tangible fixed assets also comprise all types of small tools with the useful life longer than a year and the individual value of which exceeds EUR 500 according to the supplier's invoice. Regardless of the limit set, it applies that equal assets (assets of the same type or similar purpose) are treated equally.

After the initial recognition, the tangible fixed asset is evaluated according to the purchase/acquisition value. It consists of its purchase price and all costs required for bringing the asset to its working condition.

The tangible fixed asset obtained free-of-charge is disclosed at purchase/acquisition value of the assets of same type, and if this is not known, the fair value is used.

The difference between the net sales value and carrying amount of the disposed tangible fixed asset is carried over to operating revenue from revaluation, if the first is higher than the second, or in operating expenses from revaluation, if the second is higher than the first.

### **Costs incurred subsequently related to property, plant and equipment**

Costs incurred subsequently related to tangible fixed asset may be disclosed as:

- Maintenance costs; or
- Increase in purchase/acquisition value of the asset, if conditions from SAS 1.7 are met.

Criteria used by the Company to define the costs incurred later in relation to the tangible fixed assets:

- As maintenance costs, the costs are disclosed which are needed for maintaining fixed assets in the useful life (value of works performed only to re-establish the existing situation or replace already existing parts);

- As increase in purchase/acquisition value of the tangible fixed asset, the costs are disclosed which increase future benefits of the assets compared to those assessed upon the purchase: easier management of the asset (electronic management, etc.) and thus reducing the costs of management and control; in the case of investments in buildings, those investment are disclosed as increase in purchase/acquisition value, which are used to be built on (completed, produced etc.), which has not been possible before the start of works and increase the utility value of the building or gas pipeline.

## Depreciation

Net carrying amount of the tangible fixed asset and intangible asset are reduced through depreciation. The tangible fixed asset and intangible asset begin to be depreciated on the first day of the next month after the fixed asset is available for use.

Intangible and tangible assets are depreciated in the useful life according to the method of straight line depreciation. Depreciation is calculated separately.

Depreciation rate of intangible assets ranges from 2.5 percent to 33 percent for typing of buildings or to 50 percent for specific software and licences. For investing in network development planning, the depreciation rate is associated with the duration of concession relationship for pursuing the public service of natural gas transmission system operator, i.e. 35 years.

Main depreciation rates of the tangible fixed assets are as follows: from 2 percent to 5 percent for buildings, 2.86 percent for gas pipelines, 6.67 percent for metering devices; 10 percent for furniture; 20 percent for passenger vehicles and 33 percent or 50 percent for computers and computer equipment, respectively.

Depreciation rates remained unchanged in 2022.

## Financial investments

In the Balance Sheet, financial investments are disclosed as long-term and short-term financial investments. Long-term financial investments are investments that the Company possesses in the period longer than one year and are not possessed for trading.

Shares together with the controlled company, placements of financial assets in deposits with banks, and other financial investments are disclosed under financial investments. Deposits over 31 days, but not longer than 1 year, are deemed short-term financial investments.

Capital investment in joint venture is evaluated at purchase/acquisition value in financial statements. Remitted share in profit increase financial revenue. If there exist objective evidence that the respective asset is impaired in long term, the impairment is recognised in the income statement as financial expenditure.

Financial investment in capital, equity securities of other companies or debt securities of other companies or the state are evaluated at purchase/acquisition value upon the initial recognition, which equals the account of cash paid.

Financial investments relating to loans granted are evaluated at the measured amortised costs, whereby they are indicated as the principal of loans after the paid amount upon the initial recognition.

### **Inventories**

Inventories of material, replacement parts and small tools, inventories of gas for system differences, inventories of gas for own use, inventories of gas in the transmission system for balancing and inventories of gas in the transmission system intended for managing the differences between the measured energy and energy intended for transmission by systems users at different sides of the cross-border point of the transmission system (OBA), if it is carried out in cash, are disclosed as stocks.

Gas in the transmission system for balancing is gas intended for balancing daily deviations between the takeover and delivery of natural gas, balancing the system and gas for losses and does not include gas for basic filling.

The stock unit of quantity is valued at purchase price comprising purchase price, import duties and direct costs of purchase. The purchase price is reduced by approved discounts.

In evaluating the utilisation of stocks, the Company uses the method of weighted average prices.

### **Receivables**

The Company discloses regular operating receivables, receivables related to revenues from financing and deferred tax assets. According to their maturity, it divides them into long-term and short-term receivables.

Upon initial recognition, the receivables are disclosed with amounts that stem from the relevant accounting documents on the assumption they will be paid.

All receivables under the litigation proceedings, trade receivables for which compulsory settlement proceedings or bankruptcy proceedings is brought forward, and trade receivables in poor financial state and for which it is reasonably foreseen that they will not be settled in full or establish the inability to pay confirmed by the Management of the Company are transferred to doubtful and disputed receivables. At the same time, the adjustments of the value of receivables to the debit of operating expenses from revaluation are made in the same amounts.

Trade receivable value adjustments are made for individual receivables after the assessment of recoverability of individual receivables.

### **Cash and cash equivalents**

Cash in hand, cash in bank, bank balance committed overnight, deposits redeemable immediately and at notice not longer than 31 days and credit balance on special account for special purposes.

Upon initial recognition, cash is disclosed in the amount stemming from the respective document. Cash expressed in foreign currency is converted in domestic currency according to the exchange rate on the day of receipt.

Revaluation of cash expressed in a foreign currency is carried out on the day of Balance Sheet. The reference ECB rate on the last day of the period is used for conversion. Conversion of cash is disclosed as financial revenue or expense.

### **Short-term deferred costs and accrued revenues**

Short-term deferred costs and accrued revenues comprise short-term deferred costs (expenses), accrued revenues and VAT from the advances received. Prepaid insurance premiums, subscriptions, membership fees and other accrued and deferred items are disclosed under deferred costs and accrued revenues.

Accrued costs, accrued expenses and deferred revenues comprise part of deferred revenues from disproportionate costs of connections and obtained grants that will be carried over to the revenues in the period of one year from the balance sheet date, accrued salaries from the operation performance of the current year and accrued compensation of employee salaries from the untaken leave and VAT from advances provided.

### **Equity**

The total equity of the Company consists of called-up capital, capital reserves, reserves from profit, fair value reserves (related to disclosing actuarial profits/losses from actuarial calculations of provisions for retirement allowances rendered), retained net profit or loss and net profit or loss for the financial year.

Payment of the profit share is disclosed in financial statements in the period when the decision of the shareholder on the payment has been adopted.

### **Long-term provisions and long-term accrued costs and deferred revenues**

Provisions for accrued costs for severance payment and anniversary bonuses, provisions for easements to the public benefit within the procedure to restrict the on right property (enforced easements), and provision for any other purposes in accordance with SAS provisions are disclosed under long-term provisions.

Provisions are formed in the amount of estimated future payments for severance payment and anniversary bonuses, at the expense of long-term accrued costs or expenses, discounted at the day of Balance Sheet. The method of book reserve method based on actuarial calculation or assessment is used.

Deferred revenues from covering disproportionate costs of connections by contracting entities and grants obtained are disclosed under long-term accrued costs and deferred revenues. They are intended to cover depreciation costs of these assets and used by transferring to revenues at the prevailing depreciation rate of the tangible fixed assets and intangible assets of energy infrastructure.

### **Debts**

The Company discloses operating and financial liabilities under the debts. According to their maturity, it divides them into long-term and short-term receivables.

Debts are initially disclosed in actual amounts arising from respective accounting documents. The interest rate is applied in accordance with conditions agreed in contracts with creditors.

Long-term debts relate to long-term loans received from banks and other legal persons. After the initial recognition, they are measured according to the amortised cost using the applicable interest rate method. The interest is demonstrated in the amount calculated in the same accounting period. Accrued interest from financial debts are finance expenses from financial liabilities, or in terms of financial debts they are financial expenses from financial liabilities.

Liabilities to suppliers, received advances and sureties, liabilities from operating on behalf of others, liabilities to employees, liabilities to state and other authorities, other short-term operating liabilities, short-term financial liabilities and that part of long-term liabilities that is due for payment no later than a year from the balance sheet date are disclosed under short-term debts.

Short-term debts are written off to the revenue of the Company after the expiry of limitation period, if the creditor waives them.

### **Recognition of revenues**

The revenues are recognised if the increase of economic benefits in the period is related to the increase of the asset or the reduction of the debt, and this increase/reduction can be reliably measured.

The revenues are recognised when they are legitimately expected that they will lead to earning, if these were not realised at the time of occurrence.

The Company recognises the sales from revenue when it meets (or is meeting) contractual obligation. The contractual obligation is a performance obligation of the Company to deliver or perform contractual agreed goods or services. Performance obligation is fulfilled (or being fulfilled) by the Company through a transfer of contractually agreed goods or services to the customer.

The Company breaks down the income to operating, finance and other income.

Operating income includes revenue from the charged use of the transmission system from domestic and foreign users, gas sales income for balancing daily deviations in volume and balancing of the transmission system, revenue accruing from system differences, revenue accruing from annual registration at the virtual point, revenue accruing from transactions at the virtual point, revenue accruing from connection charges, sales revenue of material and electricity and revenue accruing from selling other services associated with the performance of the activity.

Revenue accruing from services rendered, except for the services rendered that lead to finance income, are measures at selling prices of completed services reduced by any approved discounts.

Revenue accruing from grants received and contractual penalties and operating income from revaluation are disclosed under other operating revenue.

Under the operating revenue from revaluation, the Company discloses revenues accruing from disposal of tangible fixed assets and intangible long-term assets and elimination of the impairment of assets and receivables.



Financial revenues are revenues from financial investments, revenues from operating receivables, revenues from the reversal of impairment of investments and other financial revenues.

Financial revenues are recognised if there is no doubt concerning their size and payability.

Financial revenues from revaluation occur in the following cases: upon the increase of fair value of financial assets measured at fair value through the profit and loss, upon the disposal of financial investments when their selling prices exceeds the carrying amount or in the case of financial investments available for sale measured at fair value, from the excess of their sales value over the carrying amount adjusted for the reserve due to evaluation at fair value arising from the respective assets, upon the elimination of impairments of financial investments, if the said elimination is allowed.

Other revenues comprise extraordinary items and other revenues that reduce profit and loss in the respective period.

### **Recognition of expenses**

The expenses are recognised if the reduction of economic benefits in the period is related to the reduction of the asset or the increase of the debt, and this reduction or increase can be reliably measured. They have impact on the capital size through profit and loss.

The Company breaks down the expenses to operating, finance and other expenses.

Operating expenses are divided into purchase/acquisition value to the gas sold, operating expenses from revaluation and other operating expenses.

Operating expenses from revaluation occur in relation to tangible fixed assets, intangible long-term assets and current assets due to their revaluation to a lower value.

Finance expenses are expenses from financing and expenses from investments.

Default interest for late payments to suppliers, recognised financial discounts of deliveries and other finance expenses related to liabilities to suppliers are disclosed under finance expenses. Interest-rate costs from loans received, other expenses related to financial investments and debts, and finance expenses from revaluation that represent an impairment of financial investments, sale or any other disposal or elimination of the recognition of financial investments or selling accounts receivable are disclosed under investment expenses. They are a negative difference between the sales value and the carrying amount.

Finance expenses are recognised after the calculation, regardless of the payment related to them.

Other expenses comprise items and other expenses that reduce profit and loss in the respective period.

### **Tax liabilities**

The Company charges and remits value added tax, corporate income tax and duties linked to natural gas (contribution for ECO Fund).

The Company charges and pays all taxes and other duties in accordance with the applicable legislation.

### **Deferred taxes**

Balance of receivables or liabilities between deferred tax assets and deferred tax liabilities is disclosed under long-term assets or long-term liabilities for corporate income tax.

Only those liabilities are recognised under deferred tax assets or liabilities that arise from temporary differences. They are recognised only where there is a possibility that taxable profit will be available in the future, against which differed tax assets can be settled.

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

Deferred tax is recognised as directly debited or credited capital, if it refers to items recognised as directly debited or credited capital.

### **Cash flow statement**

The cash flow statement was drawn up using the indirect method by taking into account the data from the income statement for the January - December 2022 period, data from the balance sheet as of 31 December 2022 and 31 December 2021 or 1 January 2022, and other relevant data.

## 2. Breakdowns and explanations

### 2.1 Balance Sheet

#### 2.1.1 Intangible assets and long-term deferred costs and accrued revenues

in EUR

Item	Long-term property rights	Other intangible assets	Deferred costs and accrued revenues (DCAR)	Intangible assets in obtaining	Total
<b>Cost of purchase/acquisition</b>					
Balance as at 31. 12. 2021	8,711,470	10,921,464	84,685	6,007,395	25,725,015
Acquisitions	0	0	0	602,138	602,138
Transfer to use	345,652	132,831	0	-478,483	0
Transfer to short-term DCAR	0	0	-17,955	0	-17,955
Write-offs	0	0	0	0	0
Balance as at 31. 12. 2022	9,057,122	11,054,295	66,730	6,131,050	26,309,198
<b>Value adjustment</b>					
Balance as at 31. 12. 2021	7,520,226	3,866,217	0	3,988,866	15,375,310
Write-offs	0	0	0	0	0
Impairment	0	0	0	247,500	247,500
Depreciation	425,512	449,100	0	0	874,612
Balance as at 31. 12. 2022	7,945,738	4,315,317	0	4,236,366	16,497,422
<b>Net carrying amount</b>					
Balance as at 31. 12. 2021	1,191,244	7,055,247	84,685	2,018,529	10,349,705
Balance as at 31. 12. 2022	1,111,384	6,738,978	66,730	1,894,684	9,811,776

Computer programs and licences, rights-of-use of transport capacity and other projects are disclosed under long-term property rights.

Major investments in computer equipment or licences in 2022 are investments in the Enterprise Asset Management system, ERP Microsoft Dynamics 365 BC, the Cortex system, the Autocad system and the upgrade of the document system in the total amount of EUR 190,613.

Impairment amounting to EUR 247,500 is associated with the investment in network development plan or the documentation for the grant application for grants for gas transmission system Hungary-Slovenia-Italy.

Deferred initial costs for the EIB loan and initial costs for obtaining SID Bank guarantee in the total amount of EUR 66,730 are disclosed under long-term deferred expenses.

Intangible assets in obtaining are disclosed in the amount of EUR 1,894,684 and mainly refer to investments in the network development planning.

As at 31 December 2022, the financial liabilities under 12 signed investment contracts to obtain intangible assets amount to EUR 2,099,604.

## 2.1.2 Tangible fixed assets

### Table of movement of tangible fixed assets

in EUR

Item	Land	Building and easement rights	Buildings	Gas pipelines	Equipment	Replacement parts	Tangible fixed assets in obtaining	Advances for fixed assets	Total
<b>Cost of purchase/acquisition</b>									
Balance as at 31. 12. 2021	7,128,009	26,174,998	50,402,792	552,853,380	134,533,184	750,863	7,562,135	0	779,405,361
Acquisition	0	0	0	0	0	0	22,897,050	0	22,897,050
Transfer to use	72,179	642,385	1,506,531	2,955,639	6,595,476	0	-11,772,210	0	0
Transfer to tangible fixed assets	0	0	0	0	0	-6,808	0	0	-6,808
Write-offs	0	0	-5,200	-40,072	-780,245	-14,050	0	0	-839,567
Prenos na sredstva za prodajo									0
Balance as at 31. 12. 2022	7,200,188	26,817,383	51,904,123	555,768,947	140,348,415	730,005	18,686,975	0	801,456,036
<b>Value adjustment</b>									
Balance as at 31. 12. 2021	0	8,997,216	27,925,757	367,778,394	98,727,004	357,141	223,609	0	504,009,121
Write-offs	0	0	-1,040	-38,987	-757,797	-14,050	0	0	-811,874
Transfer to tangible fixed assets	0	0	0	0	0	-6,808	0	0	-6,808
Depreciation	0	722,113	1,191,258	7,829,146	5,872,548	21,026	0	0	15,636,091
Balance as at 31. 12. 2022	0	9,719,329	29,115,975	375,568,553	103,841,755	357,309	223,609	0	518,826,530
<b>Net carrying amount</b>									
Balance as at 31. 12. 2021	7,128,009	17,177,782	22,477,035	185,074,987	35,806,180	393,721	7,338,526	0	275,396,240
Balance as at 31. 12. 2022	7,200,188	17,098,054	22,788,148	180,200,394	36,506,660	372,696	18,463,366	0	282,629,506

In 2022, land plots for the project MRS Črenšovci, MRS Zadobrova, MRS Sežana, TRTP Oplotnica (transmitting/receiving treatment plant), R51C Kozarje – Vevče gas pipeline. The value of costs incurred while arranging the entries of land plots into the Land Register was increased on 14 land plots.

The more significant capitalisations of gas pipelines and buildings by individual investments: capitalisation at R29 Jesenice - Kranjska Gora, MRS Jesenice, MRS Levi breg, and MRS Bela, and reviews and strengthening to provide safe and reliable operation, which includes inspection of individual parts of the transmission system and elimination of identified inadequacies, in a total amount of EUR 4,054,841.

The more significant capitalisations of the equipment by individual investments: capitalisation at R29 Jesenice - Kranjska Gora, MRS Jesenice, MRS Levi breg, MRS Bela, MRS Črenšovci, MRS Lesce, MRS Kozarje, MRS Jelovškova, MSR Stanežiče, MRS IGM, the upgrade of metering points and the upgrade of the KPA control system and the purchase of computer equipment in a total amount of EUR 3,975,678.

The following fixed assets in obtaining are disclosed the most:

- Costs of the M6 Ajdovščina - Lucija project, which represents costs of gasification of the Obalno-kraška region in a total amount of EUR 8,248,037, of which EUR 6,013,777 in 2022. These are the costs for drawing up project documentation, supplying pipes and arranging the rights in rem in individual sections;
- Costs of alternative premises including the premises for storage and technical equipment and other alternative premises in the amount of EUR 3,743,202;
- Costs of the project to extend CS Ajdovščina comprising the costs of an additional unit in the Ajdovščina compressor station in the total amount of EUR 2,659,000 to provide a possibility of the parallel operation of two compressor units and thus the increase of the transmission capacity at the Šempeter-Gorica interconnection entry point or the transmission of has to supply the Slovenian market;
- Costs of the group of project of Ljubljana energy loop: R51a Jarše-Sneberje, R51b TE-TOL - Fužine/Vevče and R51c Kozarje-Vevče in a total amount of EUR 1,539,563, of which EUR 631,024 in 2022.

None of the tangible fixed assets was pledged as security for liabilities.

As at 31 December 2022, the financial liabilities under 13 signed investment contracts to obtain tangible fixed assets amount to EUR 12,077,045.

### 2.1.3 Long-term financial investments

#### Long-term financial investments

	in EUR	
Item	31. 12. 2022	31. 12. 2021
Investment in joint venture Južni tok Slovenija	28,681	28,681
Investment in PRISMA European Capacity Platform GmbH	14,268	14,268
<b>Long-term financial investments in total</b>	<b>42,949</b>	<b>42,949</b>

Company	Capital Share of the Company	Activity of the Company	Amount of the Company capital as at 31. 12. 2022 in EUR	Profit and loss of 2022 in EUR
Južni tok Slovenija d.o.o. Cesta Ljubljanske brigade 11b, 1000 Ljubljana, Slovenia	50 %	Transport via pipeline H 49 500	1,126,237	-1,617

In 2012, together with Gazprom from the Russian Federation, the Company established a jointly controlled entity Južni tok Slovenija d.o.o. in accordance with the intergovernmental agreement, where each company has a 50 percent share. The established company was entered in the Commercial register with the Decision Srg 2012/34248 of 5 September 2012. The company is dormant since 2015 and fulfilled only statutory activities with minimum operating costs in 2022. Južni tok Slovenija d.o.o. has no impact on the Company operation. By the time of adopting the Annual Report, the Company has not received any official position on changing the project status from Gazprom.

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

PRISMA European Capacity Platform GmbH was established on 1 January 2013 by European gas transmission system operators with the aim of establishing an on-line booking platform to allocate transmission capacity through auctions. The Company entered the PRISMA European Capacity Platform GmbH with its capital in 2015.

## 2.1.4 Deferred tax assets

Item	in EUR
Deferred tax assets in total as at 31. 12. 2021	405,665
Changes in deferred tax assets	-193,991
31. 12. 2022	211,674

Breakdown	31. 12. 2021	Increase	Decrease	31. 12. 2022
Operating receivables	333,799	0	189,754	144,045
Provisions for jubilee benefits	19,425	0	1,765	17,660
Provisions for retirement allowances	48,884	0	3,640	45,244
Tangible fixed assets	3,557	1,168	0	4,725
<b>Total</b>	<b>405,665</b>	<b>1,168</b>	<b>195,159</b>	<b>211,674</b>

Deferred tax assets are disclosed under long-term assets, namely income tax for non-deductible expenses and accrued income of the accounting year in the amount of EUR 211,674. The applied tax rate for calculating deferred taxes is 19 percent.

The Company records deferred tax assets calculated on the basis of temporary differences in the amount, for which it assesses that they will be eliminated in the near future while taking into account foreseeable future tax bases.

### 2.1.5 Inventories

Registered gas inventories as a trade commodity in the gas pipeline system are owned by the Company. The movement of gas quantities in the transmission system depends mainly on daily needs for balancing the system and quantity variations of individual system users.

The material - gas inventories represent gas inventories to cover system differences and gas inventories for own use.

in EUR		
Item	31. 12. 2022	31. 12. 2021
Material - gas	1,091,453	177,963
Other material and replacement parts	1,253,922	1,127,856
Small tools	31,451	27,551
Merchandise - gas	1,732,500	2,333,563
<b>Stocks in total</b>	<b>4,109,326</b>	<b>3,666,933</b>

The inventories in no part represent security for liabilities. At the balance cut-off date, the carrying amount of inventories does not exceed the net realisable value. The Company did not impair inventories in 2022.

The annual inventory of gas, other material, replacement parts and small tools did not establish any inventory differences.

### 2.1.6 Short-term investments

in EUR		
Item	31. 12. 2022	31. 12. 2021
Short-term bank deposits	0	3,500,000
<b>Short-term financial investments in total</b>	<b>0</b>	<b>3,500,000</b>



## 2.1.7 Short-term operating receivables

in EUR

Item	31. 12. 2022	31. 12. 2021
<b>Short-term trade receivables</b>	<b>11,450,077</b>	<b>13,754,183</b>
Short-term trade receivables domestic	10,640,288	13,078,557
- receivables from the joint venture	122	732
- receivables from network charges	10,446,375	12,788,534
- receivables from services performed	108,423	59,334
- doubtful and disputed receivables	988,091	1,986,794
- trade receivables allowance	-902,723	-1,756,837
Short-term trade receivables foreign	809,789	675,626
<b>Short-term operating receivables from others</b>	<b>1,896,626</b>	<b>2,444,208</b>
Advances provided short-term	0	1,230
Sureties provided short-term	890,099	59,193
Short-term receivables from interest	0	8,927
Receivables from input VAT	979,172	1,672,931
Tax on income receivables	0	680,294
Receivables other taxes/social institutions	27,259	21,274
Other short-term receivables	96	359
<b>Short-term operating receivables in total</b>	<b>13,346,703</b>	<b>16,198,391</b>

Trade receivables from booking auction capacities at cross-border points are covered by financial guarantees, namely with funds deposited on a special account (Note 2.1.8 and Note 2.1.14) or guarantees (Note 2.1.16) in the prescribed amount.

Receivable from short-term sureties granted comprise sureties for enforced easements on the routes of transmission system.

### Short-term trade receivables due as at 31.12.2022

in EUR

Item	Not past due	Past due up to 30 days	Past due from 30 to 90 days	Past due over 90 days	Total
Gross trade receivables	10,924,439	427,560	795	1,000,006	12,352,800
Trade receivables allowance	0	0	0	902,723	902,723
<b>Net trade receivables</b>	<b>10,924,439</b>	<b>427,560</b>	<b>795</b>	<b>97,283</b>	<b>11,450,077</b>

The difference between gross trade receivables amount and the trade receivables allowance for trade receivables past due over 90 days is mainly the received amount of VAT from impairment of receivables of the transmission system user in liquidation in the amount of EUR 85,368, which the Company will return to the tax authority upon a potential payment of the receivable from the insolvency estate.

## 2.1.8 Cash and cash equivalents

in EUR

Item	31. 12. 2022	31. 12. 2021
Cash in hand	78	98
Cash in bank	12,383,529	248,170
Deposits redeemable at notice of 31 days	5,000,000	11,880,000
Credit balance on the special account for special purposes (Note 2.1.14)	19,097,369	6,901,174
<b>Cash in total</b>	<b>36,480,976</b>	<b>19,029,442</b>

Net credit on a special account is net credit from sureties for auction capacities and balancing agreements.

In cash and cash equivalents, also deposits redeemable at notice of 31 days in the national currency with Slovenian banks are disclosed.

## 2.1.9 Deferred costs and accrued revenues

in EUR

Item	31. 12. 2022	31. 12. 2021
Prepaid expenditure	47,909	52,298
VAT from advances received	27,856	28,509
Other long-term deferred costs and accrued revenues	17,955	24,555
<b>Deferred costs and accrued revenues in total</b>	<b>93,720</b>	<b>105,362</b>

in EUR

Item	Balance as at 31. 12. 2021	Addition	Expense	Balance as at 31. 12. 2022
Prepaid expenditure	52,298	513,875	518,264	47,909
VAT from advances received	28,509	15,001	15,654	27,856
Other long-term deferred costs and accrued revenues	24,555	17,955	24,555	17,955
<b>Total</b>	<b>105,362</b>	<b>546,831</b>	<b>558,473</b>	<b>93,720</b>

## 2.1.10 Equity

The Company's share capital is EUR 98,733,790.

Of the balance sheet profit of EUR 4,722,895 in 2021, EUR 100,000 were used in profit share in accordance with the decision of the Supervisory Board, while EUR 6,622,895 were allocated in other reserves from profit.

The Management proposes to the Supervisory Board to allocate the balance sheet profit of 2022 in the amount of EUR 5,538,505 to other reserves from profit.

As at 31 December 2022, the Company discloses capital reserves in the amount of EUR 8,151,515, legal reserves in the amount of EUR 1,933,169 and other reserves from profit in the amount of EUR 107,127,182. Capital reserves are share premium accounts. They were generated on 1 January 2005 by means of cash payment of the sole shareholder at that time - the parent company - upon transferring system operator activity from the parent company to the subsidiary.

Fair value reserves in the amount of EUR 100,590 are actuarial surplus or changes of the current value of liabilities to employees from retirement allowances due to changes in the actuarial assumptions and on the basis of experience adjustments.

### 2.1.11 Provisions and long-term accrued costs and deferred revenues

in EUR

Item	Balance as at 31. 12. 2021	Addition	Expense	Elimination	Transfer to short-term ACDR	Balance as at 31. 12. 2022
<b>Provisions for severance payments and anniversary bonuses</b>	<b>819,213</b>	<b>45,990</b>	<b>166,793</b>	<b>43,173</b>	<b>0</b>	<b>655,237</b>
- anniversary bonuses	204,473	16,561	52,482	6,858	0	161,694
- severance payment	614,740	29,429	114,311	36,316	0	493,543
<b>Other provisions</b>	<b>194,577</b>	<b>599,993</b>	<b>1,149</b>	<b>0</b>	<b>0</b>	<b>793,421</b>
- enforced easements	194,577	599,993	1,149	0	0	793,421
<b>Government grants received</b>	<b>26,380,059</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,264,498</b>	<b>25,115,561</b>
- grants	26,380,059	0	0	0	1,264,498	25,115,561
<b>Other long-term accrued costs and deferred revenues</b>	<b>2,032,232</b>	<b>59,311</b>	<b>2,497</b>	<b>123,750</b>	<b>134,510</b>	<b>1,830,786</b>
- connection charges paid	1,879,441	0,000	348	0	124,432	1,754,661
- GSM devices paid	391	2,011	0	0	1,484	918
- grants	152,400	57,300	2,149	123,750	8,595	75,206
<b>Total</b>	<b>29,426,081</b>	<b>705,294</b>	<b>170,439</b>	<b>166,923</b>	<b>1,399,009</b>	<b>28,395,004</b>

The grants received are mainly European Commission grants within the EEPR, TEN-E and CEF-E programmes.

in EUR

Item	Assumption	Deviation	Provisions in total	Severance payment	Anniversary bonuses
<b>Statement of liabilities (DBO)</b>	<b>Central scenario</b>	<b>0,00 %</b>	<b>655,237</b>	<b>493,543</b>	<b>161,694</b>
Statement of liabilities (DBO)	Discount interest rate	-0,50 %	681,208	513,451	167,757
Statement of liabilities (DBO)	Discount interest rate	0,50 %	631,058	475,069	155,989
Statement of liabilities (DBO)	Salary growth	-0,50 %	630,375	474,490	155,885
Statement of liabilities (DBO)	Salary growth	0,50 %	681,727	513,914	167,813
<b>Duration (DBO)</b>			<b>8,0</b>	<b>8,1</b>	<b>7,6</b>

Provisions for enforced easements are formed in amounts according to appraising records in the amount of EUR 793,421.

Long-term accrued and deferred items from connection charges are formed in the amount of partial payment of costs for connection construction to the network by end users. Provisions for retirement allowances and jubilee benefits were formed on the basis of actuarial calculation. A discount rate of 3.91 percent and long-term salary growth of 1 percent were used in calculation, while employee fluctuation rate was taken into account according to age intervals and ranges from 0 percent to 3 percent.

## 2.1.12 Long-term financial liabilities

in EUR		
Item	31. 12. 2022	31. 12. 2021
<b>Long-term financial liabilities to banks</b>	<b>49.577.160</b>	<b>53.046.296</b>
Long-term loans granted, received with banks abroad	53.046.296	56.515.432
Transfer to short-term part	-3.469.136	-3.469.136
<b>Long-term financial liabilities in total</b>	<b>49.577.160</b>	<b>53.046.296</b>

in EUR	
<b>Maturity of loans granted as at 31. 12. 2022</b>	
- due to 1 year	3.469.136
- due from 1 year to 2 years	3.469.136
- due from 2 years to 5 years	10.407.407
- due over 5 years	35.700.617
<b>Total</b>	<b>53.046.296</b>

Lender	Insurance	Repayment deadline
EIB	SID Bank guarantee - bills of exchange	2039

At the end of 2022, interest rates for loans received were on an annual basis between 2.81 percent and 3.99 percent.

## 2.1.13 Short-term financial liabilities

in EUR		
Item	31. 12. 2022	31. 12. 2021
Short-term part of long-term loans granted with banks abroad	3.469.136	3.469.136
<b>Short-term financial liabilities in total</b>	<b>3.469.136</b>	<b>3.469.136</b>

## 2.1.14 Short-term operating liabilities

in EUR

Item	31. 12. 2022	31. 12. 2021
<b>Short-term operating liabilities to suppliers</b>	<b>20,586,956</b>	<b>14,477,784</b>
Short-term operating liabilities to domestic suppliers	16,727,948	14,141,312
Short-term operating liabilities to suppliers abroad	3,859,008	319,652
Short-term operating liabilities to suppliers for goods not invoiced	0	16,820
<b>Short-term operating liabilities from advance payables</b>	<b>155,041</b>	<b>158,095</b>
<b>Other short-term operating liabilities</b>	<b>20,663,551</b>	<b>9,740,580</b>
Sureties received short-term	19,126,692	6,907,942
Other short-term liabilities from operating on behalf of others	274,385	344,662
Short-term liabilities to employees	797,722	712,337
Short-term liabilities for VAT charged	0	1,143,754
Short-term liabilities for corporate income tax	101,864	0
Other liabilities to state and other institutions	46,569	4,080
Other short-term operating liabilities	316,319	627,805
<b>Short-term operating liabilities in total</b>	<b>41,405,548</b>	<b>24,376,459</b>

Short-term received sureties are deposits from booking auction capacities and balancing agreements (Note 2.1.8).

Short-term liabilities to employees are liabilities for gross salaries written for the month of December 2022 that were paid in 2023, and liabilities for bonuses of previous years with the deferred maturity according to the decisions of the Supervisory Board.

In other short-term operating liabilities, two assignments of receivables to third party suppliers are documented.

### 2.1.15 Short-term accrued costs and deferred revenues

in EUR

Item	31. 12. 2022	31. 12. 2021
Accrued costs of services	10,835	15,770
Accrued labour costs arising from untaken leave	258,569	249,871
Accrued labour costs arising from the performance in the current year	467,000	375,000
Deferred revenues from grants, salaries Network charges and GSM devices	1,399,009	1,390,847
Deferred revenues from virtual point services	74,250	81,000
VAT refund	85,368	229,957
<b>Accrued costs and deferred revenues in total</b>	<b>2,295,031</b>	<b>2,342,445</b>

in EUR

Item	Balance as at 31. 12. 2021	Addition	Expense	Elimination	Balance as at 31. 12. 2022
Accrued costs of services	15,770	36,797	41,732	0	10,835
Accrued labour costs arising from untaken leave	249,871	258,569	237,603	12,268	258,569
Accrued labour costs arising from the performance in the current year	375,000	467,000	372,939	2,061	467,000
Deferred revenues from grants, salaries Network charges and GSM devices	1,390,847	1,399,009	1,390,847	0	1,399,009
Deferred revenues from virtual point services	81,000	98,419	105,169	0	74,250
VAT refund	229,957	0	0	144,589	85,368
<b>Total</b>	<b>2,342,445</b>	<b>2,259,794</b>	<b>2,148,290</b>	<b>158,918</b>	<b>2,295,031</b>

Deferred revenues from grants and connection charges paid as well as GSM devices are a part of long-term accrued costs and deferred revenues from connection charges or European Commission grants received, which are transferred to other operating income in one year after the Balance Sheet date. A part of accrued costs and deferred revenues was transferred to the income in a proportional amount of depreciation of tangible fixed assets and intangible assets that were financed through European Commission grants within the EEPT and TEN-E, connection charges and through employees. Accrued labour costs from the performance of the current year are included in accordance with the Rules on wages and salaries, namely on the basis on the achieved operating results of the Company.

## 2.1.16 Off-balance sheet assets/liabilities

in EUR

Item	31.12.2022	31. 12. 2021
Guarantees received for good and timely performance of work	956,589	632,997
Guarantees received for elimination of faults in guarantee period	5,571,461	8,530,393
Guarantees received for payment insurance	1,408,000	0
Guarantees received for repayment of advance	1,408,000	0
Guarantees received for auction capacities (Note 2.1.8)	7,155,000	4,630,000
Guarantees received for balancing agreements (Note 2.1.8)	6,005,000	1,855,000
Bills of exchange received	0	56,820
Unused limit	49,280	49,784
Operating balancing accounts at the border	16,190	11,628
<b>Off-balance sheet assets/liabilities in total</b>	<b>22,569,520</b>	<b>15,766,622</b>

## 2.2. Income statement

### 2.2.1 Net sales revenues

in EUR

Item	2022	2021
<b>Revenues on the domestic market</b>	<b>90,151,998</b>	<b>56,110,124</b>
- revenues from transmission services - network charges	38,707,534	37,797,093
- gas sale revenues for stabilisation and compensations	51,131,654	18,041,403
- service sale revenues from joint venture	600	600
- accrued revenues from connection charges received	126,504	127,463
- revenues from the sale of material and services	180,729	138,925
- revenues from rents	4,977	4,640
<b>Revenues on the foreign market</b>	<b>9,855,426</b>	<b>2,668,532</b>
- revenues from transmission services - network charges	7,986,416	2,443,864
- gas sale revenues for stabilisation and compensations	1,773,321	141,147
- revenues from the sale of services	95,689	83,521
<b>Net sales revenues in total</b>	<b>100,007,424</b>	<b>58,778,656</b>

The increase of net sales revenues in 2022 compared to 2021 is mainly a result of the increase in gas sales revenues for stabilisation and compensations that completely depend on gas prices formed on the market. These were significantly higher in 2022 compared to 2021. Gas prices on the market also affected the purchase value of a sold commodity, i.e. gas, thereby increasing the costs of goods, material and services (Disclosure 2.2.3).

### 2.2.2 Other operating income (with operating income from revaluation)

in EUR

Item	2022	2021
<b>Revenues from reversal of provisions</b>	<b>98,265</b>	<b>30,643</b>
- reversal of accrued costs and deferred revenues	14,329	20,395
- reversal of provisions	83,936	10,248
<b>Other revenues associated with business effects</b>	<b>1,652,136</b>	<b>1,396,744</b>
- accrued revenues from EEPR grants received	1,157,262	1,157,261
- accrued revenues from TEN-E grants received	42,505	42,505
- revenues from insurance company transfers	85,189	0
- revenues from contractual penalties	48,131	43,845
- revenues from free acquisitions	66,880	64,732
- other revenues associated with business effects	219,746	51,401
- other revenues, COVID 19 State aid	32,423	37,000
<b>Operating income from revaluation</b>	<b>32,893</b>	<b>135,693</b>
- receivables impairment reversal	25,607	199
- profit from selling fixed assets	7,286	15,282
- investment in-progress impairment reversal	0	120,212
<b>Other operating income in total (with operating income from revaluation)</b>	<b>1,783,294</b>	<b>1,563,080</b>



## 2.2.3 Costs of goods, material and services

in EUR

Item	2022	2021
Purchase value of goods sold - gas	52,704,144	18,154,688
Costs of material	8,409,352	3,809,889
Cost of services	3,750,368	3,513,447
<b>Costs of goods, material and services in total</b>	<b>64,863,864</b>	<b>25,478,024</b>

in EUR

Item	2022	2021
Cost of services related to maintenance	1,926,816	1,906,584
Rental costs	153,961	103,333
Reimbursement of work-related costs	103,778	50,845
Costs of payment transaction services, bank services, business, insurance premium	597,459	569,454
Costs of intellectual and personal services	182,773	174,894
Costs of fairs, advertisements and representation	144,794	97,462
Costs of services rendered by natural persons not pursuing the activity	167,494	155,361
Cost of other services	473,293	455,514
<b>Cost of services in total</b>	<b>3,750,368</b>	<b>3,513,447</b>

## 2.2.4 Labour costs

in EUR

Item	2022	2021
Wages and salaries	6,591,466	6,286,532
Pension insurance costs	780,482	772,480
- incl. voluntary additional pension scheme	219,361	212,007
Social security costs	540,376	523,184
Provisions for jubilee benefits and retirement allowances	39,257	49,168
Provisions for untaken leave	258,569	249,871
Other labour costs	999,596	914,445
<b>Labour costs in total</b>	<b>9,209,746</b>	<b>8,795,680</b>
<b>Average number of employees according to calculated hours worked</b>	<b>144,61</b>	<b>146,11</b>

## 2.2.5 Write-offs

in EUR

Item	2022	2021
<b>Depreciation</b>	<b>16,510,703</b>	<b>15,903,629</b>
Depreciation of intangible assets	874,612	787,513
Depreciation of tangible fixed assets	15,636,091	15,116,116
<b>Operating expenses from revaluation</b>	<b>268,300</b>	<b>212,346</b>
Operating expenses from revaluation of intangible assets and tangible fixed assets (Note 2.1.1 and 2.1.2)	268,244	26,032
Operating expenses from revaluation of current assets	56	186,314
<b>Write-offs in total</b>	<b>16,779,003</b>	<b>16,115,975</b>

## 2.2.6 Other operating expenses

in EUR		
Item	2022	2021
<b>Duties independent of labour costs and other types of costs</b>	<b>1.820.998</b>	<b>1.810.265</b>
- building land tax	31.956	29.218
- Energy Agency fee	1.262.381	1.262.381
- ENTSO, ACER association fee	236.817	236.809
- on-line booking platform fee	279.384	265.740
- ECO Fund fee	9.668	12.364
- other duties	792	3.753
<b>Environmental protection expenditure</b>	<b>36.528</b>	<b>16.595</b>
<b>Scholarships and awards for secondary and university students</b>	<b>2.433</b>	<b>0</b>
<b>Other costs</b>	<b>39.122</b>	<b>15.190</b>
<b>Other operating expenses in total</b>	<b>1.899.081</b>	<b>1.842.050</b>

## 2.2.7 Costs by functional groups

in EUR		
Item	2022	2021
Purchase value of goods sold - gas	52.704.144	18.154.688
Costs of the main activity of the transmission system operator	36.618.005	30.801.959
Costs of selling and general activity	3.429.545	3.275.082
<b>Costs by functional groups in total</b>	<b>92.751.694</b>	<b>52.231.729</b>

## 2.2.8 Finance expenses from financial liabilities

in EUR		
Item	2022	2021
Interest and expenses from bank loans	2.330.015	2.499.521
Interest and expenses from other financial liabilities	42.764	41.903
<b>Finance expenses from financial liabilities in total</b>	<b>2.372.779</b>	<b>2.541.424</b>

## 2.2.9 Finance expenses from operating liabilities

in EUR		
Item	2022	2021
Interest from actuarial calculation	6.733	3.553
Finance expenses from operating liabilities in total	1.510	605
<b>Skupaj finančni odhodki iz poslovnih obveznosti</b>	<b>8.243</b>	<b>4.158</b>

### 3. Other disclosures

#### 3.1 Information on groups of persons

##### Structure and amount of emoluments of the Management in the 2022 financial year

in EUR

Name and surname	Function	Fixed emoluments - gross	Variable emoluments - gross on the basis of quality criteria	Deferred remuneration	Recourse and Christmas bonus	Benefits	Gross total	Net total
		(1)	(2)	(3)	(4)	(5)	(1+2+3+4+5)	
Marjan Eberlinc	General Manager	179,311	13,321	12,066	3,224	10,684	218,606	95,116
Sarah Jezernik Konovšek	Deputy General Manager	117,836	19,703	19,775	1,924	6,006	165,244	77,030

##### Structure and amount of emoluments of supervisory bodies in the 2022 financial year

in EUR

Name and surname	Function	Fixed emoluments - gross	Variable emoluments - gross on the basis of quality criteria	Deferred remuneration	Recourse and Christmas bonus	Benefits	Gross total	Net total
		(1)	(2)	(3)	(4)	(5)	(1+2+3+4+5)	
Dejan Koletnik	Compliance Officer	107,877	0	0	3,224	10,089	121,190	54,809

##### Structure and amount of emoluments of members of the Supervisory Board in the 2022 financial year

in EUR

Name and surname	Function	Payment for the performance of function	Supervisory Board meeting allowances	Benefits	Travel expenses	Gross total	Net total
		(1)	(2)	(3)	(4)	(1+2+3+4)	
Tibor Šimonka	Chair of the Supervisory Board	16,950	1,375	91	39	18,455	13,331
Žarko Furman	Deputy Chair of the Supervisory Board	12,430	1,375	91	614	14,510	10,553
Janez Žlak	Member of the Supervisory Board	11,300	1,375	91	220	12,986	9,354
Boštjan Napast	Member of the Supervisory Board	11,300	1,375	91	781	13,547	9,762
Aleš Šuštar	Member of the Supervisory Board	11,300	1,375	91	0	12,766	9,194
Rok Vozel	Member of the Supervisory Board	11,300	1,375	91	0	12,766	9,194

### Structure and amount of emoluments of members of the Audit Committee of the Supervisory Board in the 2022 financial year

in EUR

Name and surname	Function	Payment for the performance of function	Supervisory Board meeting allowances	Benefits	Travel expenses	Gross total	Net total
		(1)	(2)	(3)	(4)	(1+2+3+4)	
Žarko Furman	Chair of the Audit Committee	4,238	1,320	0	726	6,284	4,570
Aleš Šuštar	Member of the Audit Committee	2,825	1,320	0	0	4,145	3,015
Marko Hočevar	Audit Committee, external member	11,300	1,650	0	28	12,978	9,439

### Structure and amount of emoluments of members of the Staff Committee in the 2022 financial year

in EUR

Name and surname	Function	Payment for the performance of function	Staff Committee meeting allowances	Benefits	Travel expenses	Gross total	Net total
		(1)	(2)	(3)	(4)	(1+2+3+4)	
Tibor Šimonka	Chair of the Staff Committee	2,918	660	0	15	3.593	2,613
Žarko Furman	Member of the Staff Committee	1,945	660	0	242	2.847	2,071
Rok Vozel	Staff Committee, external member	1,945	660	0	0	2.605	1,895

In 2022, the Company did not approve any advances, loans or guarantees to these groups of persons. The Company has no long-term or short-term debts and operating receivable towards the said groups of persons. Remuneration from the employment relationship of the members of Supervisory Board and a member of the Audit Committee, and a member Staff Committee, employees' representatives amounted to EUR 145,438 in 2022, including meeting allowances and remuneration for the performance of function.

### 3.2 Amounts for auditors

in EUR

Item	2022	2021
Auditing the Annual Report	13,585	13,585
Other assurance services	2,185	2,185
<b>Total Company auditing costs</b>	<b>15,770</b>	<b>15,770</b>

### 3.3 Disclosure of items relating to related companies in the financial statements for 2022

in EUR

Item	Plinhold d.o.o.	Južni tok Slovenija d.o.o.
<b>Net sales revenues</b>	<b>0</b>	<b>600</b>
Net revenue from the sale of services	0	600
<b>Statement of receivables and liabilities at the end of financial year</b>	<b>0</b>	<b>122</b>
Receivables to related companies for goods and services	0	122
<b>Profit distribution</b>	<b>100,000</b>	<b>0</b>

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

The scope of transactions and balances arising from these transactions of Plinovodi d.o.o. with companies having more than 20 percent share in Plinhold d.o.o., as a sole shareholder of Plinovodi d.o.o., and the company's majority owned by these owners of Plinhold d.o.o. are shown by activities.

in EUR					
Partner	Share in%	Outstanding receivables as at 31. 12. 2022	Receivables turnover in 2022	Outstanding liabilities as at 31. 12. 2022	Liabilities turnover in 2022
<b>C 10.110 - Processing and preserving of meat</b>					
Partner 1	min. 70	14,500	153,776	0	0
<b>C 20.120 - Manufacture of dyes and pigments</b>					
Partner 2	min. 44	41,042	522,051	0	0
<b>C 21.200 - Proizvodnja farmaceutskih preparatov</b>					
Partner 3	min. 26	54,972	681,945	0	0
<b>C 24.100 - Manufacture of basic iron and steel and of ferro-alloys</b>					
Partner 4	25	102,572	1,393,021	0	0
Partner 5	25	93,308	1,261,982	0	0
<b>C 24.420 - Aluminium production</b>					
Partner 6	95	74,966	1,010,579	0	0
<b>C 25.500 - Forging, pressing, stamping and roll-forming of metal, powder metallurgy</b>					
Partner 7	min. 45	14,123	186,883	0	0
<b>C 25.620 - Machining</b>					
Partner 8	100	8,003	110,947	0	0
<b>D 35.112 - Production of electricity in thermal power stations</b>					
Partner 9	100	376,066	4,679,457	0	0
Partner 10	100	40,253	437,442	0	0
<b>D 35.120 - Transmission of electricity</b>					
Partner 11	100	0	79,702	0	0
<b>D 35.140 - Trade of electricity</b>					
Partner 12	min. 70	171,181	4,823,754	600,603	6,566,362
Partner 13	min. 89	45,068	1,171,209	116,255	375,760
Partner 14	min. 92	64,363	560,015	70,401	713,766
Partner 15	min. 31	0	0	22,446	122,232
<b>F 43.990 - Other specialised construction activities</b>					
Partner 16	min. 72	0	0	48,885	203,994
<b>G 46.710 - Wholesale of solid, liquid and gaseous fuels and related products</b>					
Partner 17	min. 48	5,650,700	51,408,816	3,136,216	40,356,095
<b>G 47.301 - Retail sale of own automotive fuel in specialised stores</b>					
Partner 18	min. 31	303,983	3,386,865	18,419	126,610
<b>I 55.100 - Hotels and similar accommodation</b>					
Partner 19	100	6,003	75,810	0	0
Partner 20	min. 85	5,558	66,468	0	0
<b>J 61.100 - Wired telecommunications activities</b>					
Partner 21	min. 47	0	0	0	185,333
Partner 22	min. 72	0	0	14,530	120,277
<b>K 64.190 - Other monetary intermediation</b>					
Partner 23	99	0	0	33,093	399,874
<b>K 65.120 - Non-life insurance</b>					
Partner 24	min. 62	0	0	41,643	532,838
<b>O 84.110 - General public administration activities</b>					
Partner 25	100	0	0	487,149	3,116,182
<b>O 84.130 - Regulation of and contribution to more efficient operation of businesses</b>					
Partner 25	100	0	0	105,198	1,262,381
Partner 26	100	0	0	0	143,071
<b>P 85.422 - Third stage of tertiary education</b>					
Partner 27	100	0	0	48,247	83,670
<b>Q 86.100 - Hospital activities</b>					
Partner 28	100	18,565	231,923	0	0
Partner 29	100	4,660	51,109	43	43

Transactions were conducted in the same way as with other unrelated parties.

### 3.5 Disclosures under Energy legislation

The Legal Act determining tariff rates for network charges enables that the Company adequately reimburses its past higher costs (negative settlements) by increasing the future tariff rates, or returns past over-registered income (positive settlements) by reducing tariff rates in the future.

Based on available data and in a fair and realistic way, the Company identified deviations from the regulatory frame work for the period from 1 January 2022 to 31 December 2022, which are reflected in the deficit in network charges. The established deficit in network charges amounts to EUR 7,130,760 and is not reported in the financial statements. The deficit in network charges will be taken into account in determining regulatory framework in the next years.

### 3.6 Events after the Balance Sheet date

Between the Balance Sheet date and the date of approval of financial statements there were no events that would require the correction of financial statements to the Balance Sheet date or specific disclosure in the financial statements.

In accordance with the Act Amending the Government of the Republic of Slovenia Act (Official Gazette of the Republic of Slovenia, No. 163/2022 of 27 December 2022, ZVRS-j) there was a reorganisation of the Government of the Republic of Slovenia on 24 January 2023. Some fields of work were transferred between the ministries, and three new ministries were established. Within the scope of changes, on 24 January 2023, the field of energy was transferred from the Ministry of Infrastructure to the Ministry of the Environment, Climate and Energy, which is the new line ministry for the field of operation of Plinovodi d.o.o.

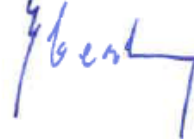
On 16 January 2023, the Decision of the final distribution estate was published on the AJPES website with regard to the bankruptcy proceedings of Nafta Petrochem d.o.o. Based on the final distribution estate in the amount of EUR 2,777,031.53, receivables amounting to EUR 10,659,587.88 are taken into account and paid in the share of 26.052 percent of the recognised ordinary claims. Upon the final distribution of general distribution estate, Plinovodi d.o.o. received the amount of EUR 480,840.10 in February.



## SIGNING THE ANNUAL REPORT FOR 2022 AND ITS INTEGRAL PARTS

The Managing Director of Plinovodi d.o.o. is informed of the content of integral parts of the Annual Report for 2022 and thereby with the whole report of the Company. He hereby confirms the report with his signature.

General Manager  
Marjan Eberlinc, BSc in Mech. Eng.



**INDEPENDENT AUDITOR'S REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

To the owners of Plinovodi d.o.o.

**Report on the audit of the separate financial statements****Opinion**

We have audited the separate financial statements of Plinovodi d.o.o. (hereinafter 'the Company'), which comprise the separate balance sheet as at 31 December 2022, and the separate profit or loss statement, the separate statement of other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with Slovene Accounting Standards (SAS).

**Basis for opinion**

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



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In Slovenia the services are provided by Deloitte revizija d.o.o. and Deloitte svetovanje d.o.o. (jointly referred to as "Deloitte Slovenia") which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Slovenia is one of the leading professional services organizations in the country providing services in audit and assurance, consulting, financial advisory, risk advisory, tax and related services, through over 160 national and foreign professionals.

Deloitte revizija d.o.o. - The company is registered with the Ljubljana District Court, registration no. 1647105 - VAT ID SI62560085 - Nominal capital EUR 74,214.30.

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

### Key audit matters

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

Key audit matter	How it was addressed
<p>In order to ensure efficient, safe and reliable operation, the company builds gas pipelines, which are represented by gas pipelines and buildings and equipment connected to gas pipelines. The company capitalizes the costs of construction of gas pipelines, which are recognized as property, plant and equipment at the time of construction. As stated in disclosure 2.1.2 Tangible fixed assets, in 2022 the company transferred EUR 2,956 thousand of gas pipelines from tangible fixed assets under construction. The balance of property, plant and equipment under construction as at 31 December 2022 is EUR 18,463 thousand.</p> <p>Capitalization of costs and transfer of assets from fixed assets in use depends on taking into account the nature of costs and other conditions for recognition and transfer, in accordance with SAS 1, which is subject to significant judgments and estimates.</p> <p>Due to the judgments and estimates present in the process and the importance of the item in the financial statements, we have identified this area as a key audit matter.</p>	<p>As part of our audit procedures, we assessed the adequacy of the company's accounting policies regarding the recognition of gas pipelines, buildings and equipment related to gas pipelines and their compliance with SAS.</p> <p>We checked the design and implementation of internal controls related to recognition.</p> <p>Based on the selected sample of fixed assets transferred from assets under construction to use in 2022 and selected new acquisitions, we checked the adequacy of capitalization and the adequacy of transfers from tangible fixed assets under construction to tangible fixed assets (pipelines, buildings and equipment). We checked:</p> <ul style="list-style-type: none"> <li>- the adequacy of the methodology used by management for recognition;</li> <li>- the correctness of the input data, which are the basis for the transfer of assets into use;</li> <li>- compliance of asset recognition with SAS.</li> </ul> <p>We also reviewed the information in the financial statements to assess whether the disclosures in respect of property, plant and equipment are appropriate.</p>

### Other information

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

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



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

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

#### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

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



As part of an audit in accordance with International Standards on Auditing and EU Regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### **Report on other legal and regulatory requirements**

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





#### Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 25 August 2021. Our total uninterrupted engagement has lasted two years.

#### Confirmation to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 9. marec 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

#### Provision of Non-audit Services

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

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. Is Yuri Sidorovich.

DELOITTE REVIZIJA d.o.o.

Yuri Sidorovich

Certified auditor

*For signature please refer to the original Slovenian version.*

Ljubljana, 9<sup>th</sup> March 2023

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

# MISCELLANEOUS



**Plinovodi**  
Povezani z energijo

## Legislative framework

### European Union Law

- Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders (Official Journal of the European Union, No. L 335/2022)
- Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas (Official Journal of the European Union, No. 206/2022)
- Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No. 715/2009 with regard to gas storage (Official Journal of the European Union, No. 173/2022)
- Council Regulation (EU) 2022/2578 of 22 December 2022 establishing a market correction mechanism to protect Union citizens and the economy against excessively high prices (Official Journal of the European Union, No. L 335/2022)
- Regulation (EU) of the European Parliament and of the Council of 30 May 2022 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No. 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No. 347/2013 (Official Journal of the European Union, No. L 52/2022)
- The 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 (Official Journal of the EU, No. L 211/2009)
- 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 (Official Journal of the EU, No. L 211/2009).
- Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (Official Journal of the EU, No. 91/2014)
- Commission Regulation (EU) No 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules (Official Journal of the EU, No. 113/13)
- Commission Regulation (EU) No 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (Official Journal of the EU, No. 72/2017)
- The 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 (Official Journal of the EU, No. L 72/2017)
- The 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 (Official Journal of the EU, No. 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 of the Council on conditions for access to the natural gas transmission networks (Official Journal of the EU, No. 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 (Official Journal of the EU, No. L 231/2012)

### Acts

- Gas Supply Act (Official Gazette of the Republic of Slovenia, Nos. 204/21, 29/22 - ZUOPVCE, 122/22)



- Energy Act (Official Gazette of the Republic of Slovenia, Nos. 60/19 - official consolidated text, 65/20, 158/20 - ZURE, 175/20 - ZIUOPDVE, 121/21 - ZSROVE, 172/21 - ZOEE, 204/21 - ZOP)
- Act on Measures for Management of Crisis Conditions in the Field of Energy Supply (Official Gazette of the Republic of Slovenia, No. 121/22)

### By-laws

- Resolution on the National Energy Programme (Official Gazette of the Republic of Slovenia, No. 57/2004)
- Resolution on the Slovenian climate long-term strategy 2050 (Official Gazette of the Republic of Slovenia, No. 119/21)
- Decree on the operation of the natural gas market (Official Gazette of the Republic of Slovenia, No. 61/16 in 204/21 - ZOP)
- Decree on the energy infrastructure (Official Gazette of the Republic of Slovenia, No. 22/16 in 173/21)
- Rules on specifications for the construction, operation and maintenance of pipelines of operating pressure up to and including 16 bar (Official Gazette of the Republic of Slovenia, Nos. 26/2002, 54/2002, 17/2014)
- Rules on specifications for the construction, operation and maintenance of pipelines of operating pressure over 16 bar and on conditions for spatial intervention in their protected zones (Official Gazette of the Republic of Slovenia, Nos. 12/2010, 45/2011, 17/2014)
- Decree on the method of provision of a gas TSO service of general economic interest (Official Gazette of the Republic of Slovenia, Nos. 97/04, 8/05, 8/07, 17/14 - EZ-1 and 204/21 - ZOP)
- Decree on the concession of a gas TSO service of general economic interest (Official Gazette of the Republic of Slovenia, Nos. 109/04, 73/08, 111/08, 17/14 - EZ-1 and 204/21 - ZOP)
- Decree on the implementation of the Regulation (EU) on appliances burning gaseous fuels (Official Gazette of the Republic of Slovenia, No. 41/18)
- Regulation on the determination of the compensation to natural gas suppliers (Official Gazette of the Republic of Slovenia, No. 4/23)

### Acts of the Energy Agency and system operator

- Legal Act on the methodology for determining network charges for the natural gas transmission system (Official Gazette of the Republic of Slovenia, Nos. 20/19, 8/20, 85/20, 48/21, 204/21 - ZOP and 146/22)
- Legal Act on the methodology for determining the regulatory framework of the natural gas transmission system operator (Official Gazette of the Republic of Slovenia, Nos. 21/18, 48/21, 204/21 - ZOP, and 136/22)
- Legal Act determining tariff rates for network charges for the natural gas transmission system (Of the Republic of Slovenia, No. 90/21);
- Network code for the natural gas distribution system (Official Gazette of the Republic of Slovenia, Nos. 55/15, 80/17, 152/20, 204/21 - ZOP and 136/22)
- Rules on terms and conditions for capacity allocation mechanisms at interconnection points of the transmission system through auction, congestion management procedure and capacity trading on the secondary market (Official Gazette of the Republic of Slovenia, Nos. 152/20 and 204/21 - ZOP)
- Rules on the procedure for the allocation of capacity on the transmission system for the entry and exit points in the Republic of Slovenia (Official Gazette of the Republic of Slovenia, Nos. 152/20 and 204/21 - ZOP)
- Legal Act on preventive action plan for the natural gas supply (Official Gazette of the Republic of Slovenia, Nos. 97/20 in 204/21 - ZOP)
- Legal Act on the emergency plan for gas supply (Official Gazette of the Republic of Slovenia, No. 136/22)

- Legal Act on the emergency plan for natural gas supply (Official Gazette of the Republic of Slovenia, No. 97/20 in 204/21 - ZOP)
- Legal Act on the method for the submission of data and documents by providers of energy sector activities (Of the Republic of Slovenia, No. 98/14);
- Legal Act on the mandatory content of the network code for the natural gas distribution system (Official Gazette of the Republic of Slovenia, Nos. 17/15, 66/17, 204/21 - ZOP)
- Legal Act on the rules for monitoring the quality of natural gas supply (Official Gazette of the Republic of Slovenia, Nos. 28/15 in 204/21 - ZOP)
- Legal Act on the methodology for the preparation and evaluation of investment plans of the natural gas transmission system operator (Official Gazette of the Republic of Slovenia, Nos. 9/15, 16/18 and 204/21 - ZOP)
- Legal Act on the methodology for the calculating compensation in the event of involuntary reduction or interruption of gas consumption (Official Gazette of the Republic of Slovenia, No. 136/22)
- Legal Act on the methodology for the calculating price in the event of involuntary reduction or interruption of gas consumption (Official Gazette of the Republic of Slovenia, No. 136/22)

## List of abbreviations

ACER	Agency for the Cooperation of Energy Regulators
DCAR	Deferred costs and accrued revenues
GDP	Gross domestic product
BRP	Balance responsible party
CEF-E	Connecting Europe Facility - Energy
CEGH	Central European Gas Hub
CNG	Compressed natural gas
DBO	Defined Benefit Obligation
VAT	Value Added Tax
DEBT	Sum of long-term and short-term financial liabilities
NSP	National spatial plan
FU	Family-friendly Undertaking
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
ECB	European Central Bank
EEPR	European Energy Programme for Recovery
EFQM	European Foundation for Quality Management
EHB	European Hydrogen Backbone
EIB	European Investment Bank
ENTSO-G	European Network of Transmission System Operators for Gas
ERM	Enterprise risk management
ERP	Enterprise resource planning
EU	European Union
EURIBOR	Euro Inter Bank Offered Rate
EZ-1	Energy Act
BP	Building permit
LNG	Liquefied Natural Gas
MS	Metering station
MRS	Metering and regulation station
NET DEBT	Debt reduced by short-term financial investments and cash
NS	Supervisory Board
OBA	Operating Balancing Account
INTEREST	Interest and other costs of financing
OS	Fixed assets
DSO	Distribution system operator
TSO	Transmission system operator
OPZP	Account for natural gas transmission
OS	Fixed assets
RES	Renewable Energy Sources
PCI	Project of Common Interest
P2G	Power to Gas
RS	Regulation station
RS	Republic of Slovenia
SCADA	Supervisory Control And Data Acquisition
SDH	Slovenian Sovereign Holding
SON	System Operating Instructions
SAS	Slovenian Accounting Standards
TEN-E	Trans-European Networks - Energy
TP	Trading platform
VTP	Virtual Gas Point
ZDIJZ	Public Information Access Act
ZGD-1	Companies Act
ZIUZEOP	Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy
ZJN	Public Procurement Act
ZOP	Gas Supply Act

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