hse Group

Power
of energy

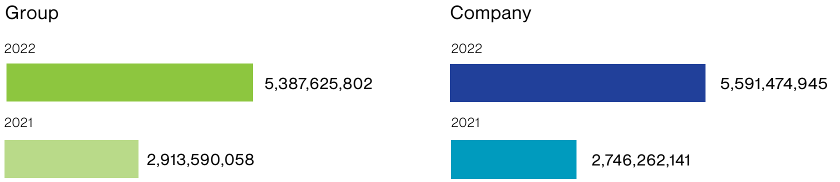
Annual
report 2022
HSE Group
and Company

Contents

Introduction

1.1 Operating highlights of the HSE Group and the HSE Company [1]

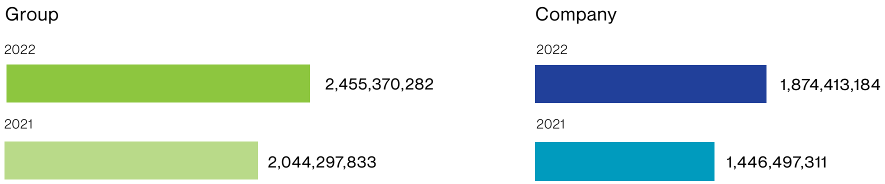
Revenue
in EUR



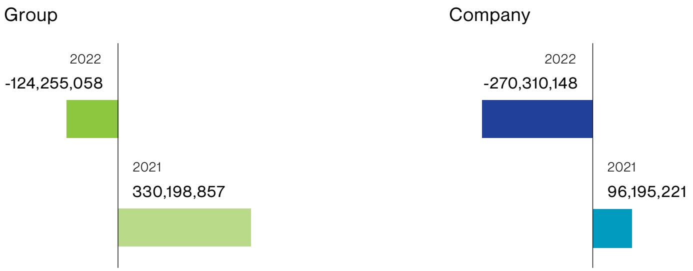
Net profit or loss
in EUR

Generated electricity
(excluding 49% HESS) in GWh

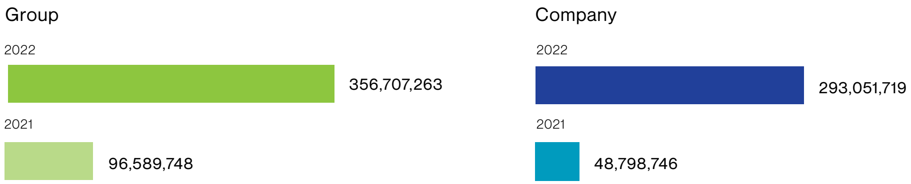
Assets
in EUR



EBITDA
in EUR

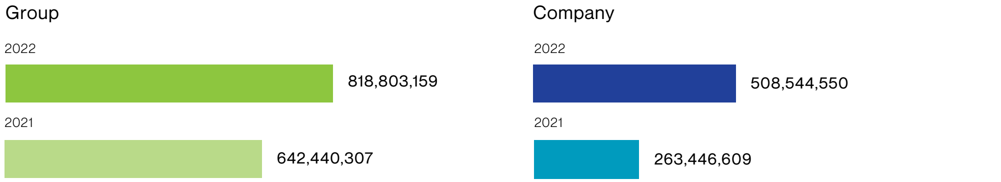


Cash
in EUR

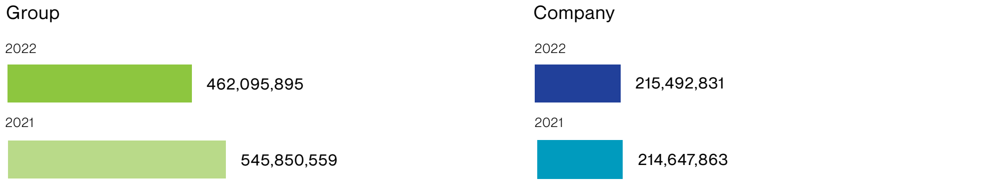


1 When using addition, insignificant rounding errors in individual sections of the annual report of the Group and Company may occur.
GRI: 102-7; 201-1.

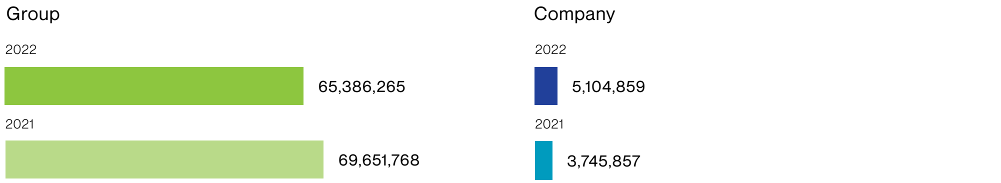
Total financial liabilities
in EUR



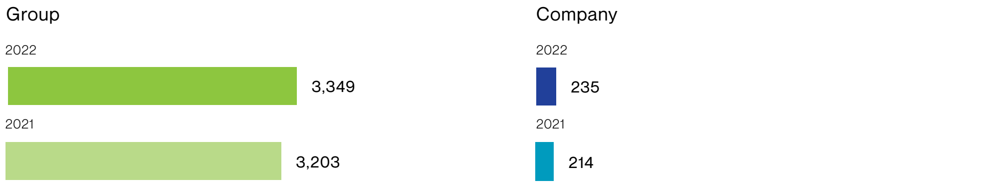
Net financial liabilities
in EUR



Investments
in EUR



Employees



1.2 Statement from the management board

A year of major challenges

2022 marked the toughest year in the entire twenty-one years of existence and operation of the HSE Group. In spite of unfavourable natural conditions which impacted the electricity generated by our power plants and harsh conditions on the European electricity markets reflected primarily in the extreme volatility of electricity, all our efforts were focused on the stable operation of HSE on the one hand and on the provision of a safe and reliable supply of the country with electricity on the other. Moreover, the Group also carried out several high-profile energy projects in 2022. We are particularly proud of those which irrevocably pave the way towards a zero-carbon future of Slovenia.

HSE's power plants generated 5,079 GWh of electricity or 26 per cent less than planned in 2022. The lower than planned levels of generated electricity were primarily driven by the poor hydrology of Slovenian rivers which was reflected in a 35 per cent lower level of generated hydro-electric power plants of HSE and challenging geological conditions in the Velenje Coal Mine which extracted 14 per cent less coal than planned. In view of lower quantities of coal available and harsh market conditions, resulting in the need to build up sufficient coal reserves before winter, the Šoštanj Thermal Power Plant, which, in normal conditions, provides as much as a third of all electricity in Slovenia, generated 19 per cent less electricity than planned. The loss of self-generated electricity resulted in the purchase of substitute electricity precisely at the time when the prices of electricity were at record high levels due to the Russian invasion of Ukraine.

In 2022, the extraordinary circumstances in our electricity-generation companies had over EUR 420 million of a negative effect on the operation of the HSE Group which could not be compensated by successful trading operations. The HSE Group ended the year of 2022 with EUR 5.4 billion or more than 30% more in revenue than planned and a negative EBITDA amounting to EUR 124.3 million.

With a view to overcoming liquidity gaps caused by extraordinary circumstances affecting our operations, the Slovenian Sovereign Holding as the founder adopted the decision on a subsequent capital increase of EUR 492 million in December 2022. This allowed the HSE Group to be able to independently and effectively manage its self-generated electricity and, as a result, provide a reliable and competitive supply of the economy and households with electricity even during an energy crisis and in light of increased financial coverage requirements. Despite extraordinary conditions, the HSE Group was thus able to remain the biggest generator of electricity and of electricity from RES in Slovenia for the twenty-first year in a row. The latter accounted for 49 per cent of the electricity generation portfolio of the HSE Group, whereas, on the level of Slovenia, the Group generated more than two thirds of the total generated 'green' electricity: from the Drava, Soča, and Sava rivers and the sun. It gives us great pride that the biggest Slovenian solar power plant, Prapretno, began operating on 8 April 2022. During only eight months of last year it managed to generate as many as 3 GWh in electricity, exceeding the generation levels foreseen in the investment documentation by 8 per cent. On 28 September 2022, the Maribor Drava Power Plants officially started segment 5 of the Zlatoličje solar power plant.

The exploitation of solar energy will increasingly contribute to both the energy balance of the Republic of Slovenia and the RES generation portfolio of the HSE Group in the future. During the last decade, the HSE Group has significantly reduced its carbon dioxide (CO_2) emissions. Last year's CO_2 emissions fell as much as by a fifth compared to 2021, primarily in view of the conditions in the Velenje Coal Mine and a resulting lower electricity generation level in TEŠ. The Group has also been successfully reducing the emissions of other gases. During the last decade, it has significantly, by 75 per cent, reduced the emissions of sulphur dioxide (SO_2) in nitrogen oxides (NO_x), thus contributing to a significantly cleaner environment in the Šalek Valley.

The gradual green transition of the HSE Group and also the entire country was confirmed on 13 January 2022 by the Government of the RS which confirmed 2033 as the complete coal phase-our year. The transformation of the coal-mining region in compliance with Just Transition principles, the Group will focus mainly on investments in the introduction of greenhouse gas emission reduction and circular economy promoting technologies, while simultaneously creating jobs, transitioning towards the climate neutral economy no later than 2050 and providing for a reliable supply and energy self-sufficiency. One of the solutions offered are also hydrogen-related projects: HSE is namely the lead partner in the North Adriatic Hydrogen Valley Project, which was tendered at the Horizon Europe call for tenders on 20 September 2022. The ultimate target of the project is the de-carbonisation of significant industrial

Tomaž Štokelj, Ph.D.
CEO of HSE

Uroš Podobnik
CBO of HSE

2 GRI: 102-14.

sectors, such as the production of steel and cement, and sustainable traffic solutions, related to reducing the carbon footprint. Our tender was successful and the project was awarded as much as EUR 25 million in grants.

2022 also saw the growth of the HSE Group, which became the majority, 51-per cent owner of Energija plus (as of 1 of June), which is our already fourteenth company in Slovenia. The HSE Group has been enriched by Energija plus especially in terms of its extensive experience in the supply of electricity and other energy products on the retail market and a portfolio of loyal customers. In addition to ECE, Energija plus nowadays constitutes a link between HSE's electricity generation and trading activities on the one hand and the end customers of electricity on the other. Both retail companies are important from the viewpoint of developing competitive energy services and products for both the economy and households.

Last but not least, 2022 also marked the year of round-number anniversaries of two of our companies: the seventieth anniversary of the Maribor Drava Power Plants, which is the largest generator of electricity from water, in September, and the twentieth anniversary of HSE Invest in June. To this day, the latter has completed as many as almost eight hundred energy projects, enriching the Slovenian electricity system with 1,200 MW in power.

While you are reading this annual report, the HSE Group has already embarked on a comprehensive investment cycle. It will be distinguished primarily by investments in RES, which constitute the basis of the green transformation of the Slovenian energy sector. The achievement of this objective will require all the know-how accumulated throughout the years, plenty of goodwill, perseverance, and persistence and, most of all, dedication of everyone connected with the HSE Group in order to achieve our common target. Without our professional and dedicated employees, a tough owner who expects nothing less than excellence, our business partners who constitute the core of our existence, and all key stakeholders who have been involved in our operations one way or the other, the power boasted by our slogan - The Power of Energy - would be nothing but words on the page. But due to the above, it is the total sum of the powers of every single one of us. Without your contribution, we wouldn't be able to be what we are: the largest Slovenian energy group paving the way of Slovenia towards a zero-carbon future. Thank you for determinedly sticking with us also in 2022 - a year marked by truly extreme challenges.

Tomaž Štokelj, Ph.D.
CEO of HSE

Uroš Podobnik
CBO of HSE

1.3 Report of the Supervisory Board[3]

Pursuant to the Companies Act, the Articles of Association of the limited liability company HSE d.o.o., the Rules of Procedure of the Supervisory Board of HSE d.o.o., and the Corporate Governance Code for Companies with State Capital Investments, the Supervisory Board of HSE d.o.o. hereby issues the 2022 Report of the Supervisory Board of HSE d.o.o.

1.3.1 Mode and scope of reviewing the management and operations of HSE in the 2022 financial year

In 2022, the Supervisory Board held eighteen sessions in total, out of which ten ordinary, five extraordinary, and three correspondence sessions. The participation of Members of the Supervisory Board of HSE can be seen in the table included in the Statement on corporate governance. With one exception, all sessions were attended by all members. On a proposal of the Audit Committee of HSE (hereinafter also referred to as the AC of HSE), the Supervisory Board confirmed the 2021 Annual report of the HSE Group and HSE and consented to the 2023 Business Plan of the HSE Group and HSE with an additional indicative 2024 and 2025 plan in addition to the Development plan for the HSE Group for the period between 2022 and 2027.

The Supervisory Board of HSE received regular updates to the operating results of the HSE Group and HSE, deliberated on legal transactions and business matters of subsidiaries, for which prior consent from the Supervisory Board of HSE was required under the Articles of Association, the legal transactions between HSE and its subsidiaries that required the permission of the Supervisory Board of HSE in compliance with the Slovenian Sovereign Holding Act (ZSDH-1) and other business and strategically important areas with a material effect on the medium-term and long-term interests of the HSE Group and HSE. All decisions at the sessions of the Supervisory Board were adopted unanimously, except for when there was or there could be a justified reason for a sustained vote of any Member of the Supervisory Board or their exclusion from voting due to a conflict of interest.

The Management Board of HSE kept the Supervisory Board of HSE regularly apprised of indebtedness, receivables, risk management reports for the HSE Group and the commitments of HSE and other HSE Group companies subject to bank contracts. In view of adverse operating conditions, as explained in the Opinion on the operations of the HSE Group and HSE in 2022, the Supervisory Board of HSE intensively focused its activities on controlling the liquidity and borrowing of the HSE Group and HSE, whereby special attention was paid to monitoring the conditions in the 'thermal energy division', i.e. of PV (Velenje Coal Mine) Group companies and in TEŠ. It demanded the Management Board to draw up short- and medium-term measures (for a period of three years) in addition to short-, medium-, and long-term PV operation scenarios (until 2033) including an assessment of the impacts thereof on the HSE Group and HSE. It deliberated on the scenario analysis of key influence factors on the future cash flows of the HSE Group several times. It also demanded the upgrade of the risk management system in compliance with the recommendations of the founder and of the HSE Group company liquidity monitoring system.

On a proposal by the AC of the SB of HSE, the Supervisory Board of HSE confirmed the long--term and Annual Internal Audit Department 2022 Work Plan. It was also apprised of the Report on the work of the Internal Audit Department for 2021 and was regularly appraised of internal audits and quarterly reports on the work of the Internal Audit Department. It also deliberated on the payment of a bonus to the Head of Internal Audit Department for 2021.

3 GRI: 102-28.

In 2022, the Supervisory Board of HSE was regularly apprised in 2022 of the vertical integration project and consented to the acquisition of a 36.4195% shareholding of ECE d.o.o. by taking into account the maximum purchase price.

The Supervisory Board of HSE consented to the simplified reduction of the share capital of TEŠ d.o.o. and to the subsequent capital increase of PV d.o.o. in addition to the amended investment programme - Optimisation of mine ventilation in PV.

Subject to the opinion of the AC of the SB, the Supervisory Board of HSE proposed that the founder commissions Deloitte revizija d.o.o. as the auditor of the financial statements of the HSE Group and HSE for 2022-2024.

Upon the replacement of the Members of the SB on 22/09/2022 (as presented in further detail in the Composition of the Supervisory Board and its Committees in 2022 table in the Statement on corporate governance), the Supervisory Board elected a president and deputy president amongst its members in addition to appointing members of its individual committees. After the resignation of the CEO who assumed another executive position in the Group, it carried out the procedure of appointing a new CEO who assumed his duties on 08/11/2022.

The Supervisory Board of HSE estimates that it operated to the benefit of the HSE Group and HSE, on the basis of the information and reports submitted to it by the Management Board, within the scope of its powers and responsibilities laid down by law and the Articles of Association and taking into consideration the Reference Corporate Governance Code for Companies with State Capital Investments (March 2021 and June 2022 versions). The Management Board of the Company kept the Supervisory Board of HSE regularly apprised of the decisions of the founder, important projects, important court/arbitration proceedings and other key events in HSE and the HSE Group. In autumn, the Supervisory Board worked in critical conditions in light of the need to provide for liquidity funds required for the normal operation of the HSE Group and HSE on time and the appointment of a new CEO which was also reflected in its frequent sessions. It also attended (either in its entire composition or through the President of the SB) periodic meetings of the founder with the Management Board of HSE.

At the beginning of 2022, the Supervisory Board reviewed its work to date and the adoption of improvements for its work in the future by means of a self-assessment for 2021 and adopted relevant decisions. Given that the Supervisory Board only operated for a good three months in its new composition in 2022, a self-assessment in compliance with the Supervisory Board Operation Plan is yet to be performed (it is foreseen in December 2023).

1.3.2 Operation of the Audit Committee (AC) of the Supervisory Board of HSE Company

The Audit Committee of the SB of HSE operated in 2022 in the compositions shown in the table contained in the Statement on corporate governance.

In 2022, the AC held seven ordinary and three extraordinary sessions, attended by all Members of the AC of the SB of HSE in person or they voted by presenting the President of the AC with their respective ballot. The Members of the Supervisory Board who are not Members of the AC were kept apprised of the work of the AC by being granted access to the minutes of its session. In addition, the President of the AC also regularly reported on the work and findings of the AC at the sessions of the Supervisory Board. The AC deliberated on issues in compliance with the Companies Act (ZGD-1), Work Recommendations for Audit Committees, Rules of Procedure of the Audit Committee, the 2022 Work Plan of the Audit Committee of the Supervisory Board, and decisions of the Supervisory Board of HSE.

The AC was regularly apprised of the quarterly reports of the operations of the HSE Group and HSE Group companies, the assessments of the interim operations of the HSE Group and HSE, paying particular attention to financial and accounting data, liquidity, indebtedness, and the meeting of commitments made to banks, in addition to monitoring periodic risk management reports for HSE and the HSE Group.

In 2022, the AC was apprised of the Annual Report of the Internal Audit Department for 2021, its planned activities for 2022, in addition to being regularly apprised of the quarterly reports of the work of the Internal Audit Department, internal audit reports, and recommendation implementation reports throughout the year.

In 2022, the AC carried out several meetings with the auditors of the Deloitte revizija d.o.o. audit company both prior to the audit and during the audit of financial statements, during which it actively participating in specifying areas to be included in the audit. It reviewed the quality of the work of the statutory auditor, was apprised of the course and key findings of the pre-audit/audit of the financial statements of the HSE Group and HSE. It reviewed the non-audited and audited 2021 Annual Report of the HSE Group and HSE including the opinion of the statutory auditor. It drew up a report on its work in 2021 including an assessment of the 2021 Annual Report of the HSE Group and HSE. It was apprised of the findings and recommendations of the auditor contained in the Letter to the Management Board and the response thereto of the latter.

The AC participated in drawing up technical specifications with an emphasis on transparent and non-discriminatory criteria for selecting the joint public procurement for the rendering of services related to auditing the financial statements and annual report of the HSE Group and individual HSE Group companies for the 2022, 2023, and 2024 financial years. It proposed that the Supervisory Board proposes to the founder to commission Deloitte revizija d.o.o. to audit the financial statements of the HSE Group and HSE for 2022, 2023, and 2024. The audit company Deloitte revizija d.o.o., commissioned by the General Meeting, provided an independence declaration which was monitored and verified by the AC on a periodic basis via a reporting system as laid down in detail in the Rules of Procedure of the AC. In 2022, the Deloitte revizija d.o.o. Audit company performed allowed non-audit services to a very small extent in terms of value in the HSE Group. No audit services which are not allowed were performed thereby. The AC believes that its objectivity and autonomy were not at risk.

The AC was also apprised of the 2023 Business Plan for the HSE Group and HSE. It adopted a plan of activities of the Audit Committee for 2023 and carried out a self-assessment of its work for the previous year in addition to laying the foundations for its work in the following year.

1.3.3 Operation of the HR Committee of the Supervisory Board of HSE Company

The permanent HR Committee of the Supervisory Board of HSE operated in 2022. It held four sessions, out of which three ordinary and one extraordinary. It deliberated on issues in compliance with its Rules of Procedure and the decisions of the Supervisory Board. It proposed the adoption of Rules of Procedure of the HR Committee to the Supervisory Board of HSE and was apprised of the amendments to the Recommendations of SDH: Management Body Remuneration Policy, the Manual of SDH: Corporate Culture Governance and Analysis of the Media Image of the HSE Group in 2022. It proposed 2022 Criteria for the calculation of variable remuneration of the Management Board of HSE d.o.o., the Managerial function replacement policy in HSE Group companies to the Supervisory Board of HSE and reviewed the meeting of the adopted Management Board criteria for 2021. It assessed the realisation of the performance criteria of the Management Board for 2021 and proposed the payment of the variable part of their remuneration. It drew up a proposed Annual Work Plan of the HR Committee of the Supervisory Board of HSE and reviewed corporate culture governance measures in HSE. It provided expert assistance to the Supervisory Board in HR matters - primarily in the appointment of a new CEO of the Company. Subject to a mandate by the SB of HSE and in collaboration with the HR Management Department (HRMD), it reviewed the meeting of conditions by the candidates who consented to running for CEO, appointed a recruitment agency to review the suitability and integrity of the candidates, carried out interviews with the candidates and made a proposal to the SB of HSE on the appointment of one of the candidates as the CEO.

1.3.4 Operation of the Marketing and Investment Committee of the Supervisory Board of HSE Company

In 2022, the permanent Marketing and Investment Committee of the Supervisory Board of HSE operated. It held three ordinary and one extraordinary session. The Committee served as marketing and investment expert support to the Supervisory Board of HSE. It deliberated on issues in compliance with its Rules of Procedure and the decisions of the Supervisory Board. It was apprised of the amendments to the contractual relations related to the IP – 'Investing in increasing the efficiency and raising the availability of Block 6' and to the INP – 'Regular and investment maintenance of Block 6 of TEŠ, included in the long-term prevention maintenance of LTSA with a HMI upgrade of the DCS management system for the 2021–2027 period'. It gave its opinion on the amended investment programme - Optimisation of mine ventilation in PV. Later on, it was apprised of the draft Development Plan for the HSE Group for the period 2022-2027 and the draft Business Plan for the HSE Group in 2023. It was also apprised of the measures carried out to protect self-generated electricity in 2022, the planned changes to the sales of self-generated electricity, and the reorganisation of the sales and trading sector. It was also apprised of the 2022 trading balance, risk management measures in a time of growth and of the increased volatility of prices of electricity in addition to the proposed upgrading of the risk management and reporting system.

1.3.5 Operation of the Restructuring Committee of the Supervisory Board of HSE Company

In 2022, the permanent Restructuring Committee of the Supervisory Board of HSE operated. However, it is yet to meet in its current composition.

1.3.6 Opinion on the work of the Management Board in 2022

In accordance with the law and good practice, the Supervisory Board of HSE comprehensively supervised the management and operations of the HSE Group and HSE in 2022. Members of the Management Board participated in the meetings of the Supervisory Board of HSE, extensively reported on each item in cooperation with the heads of professional departments of HSE and answered additional questions of Members of the Supervisory Board. The Management Board and the President of the Supervisory Board also regularly communicated outside the sessions of the Supervisory Board of HSE. Professional departments of HSE organised meetings, introduced real-time technical improvements and provided administrative and organisational support to the Supervisory Board of HSE. The Supervisory Board regularly monitored and assessed the work of the Management Board when deliberating on periodic business results and project implementation, compared the operations of the HSE Group and HSE d.o.o. with past operations and planned objectives. The Supervisory Board believes that the Management Board was faced with tough operating conditions in 2022 which it strove to resolve in a way that would allow it to achieve the set operating and optimum economisation in HSE Group companies targets. There were, however, some gaps (monitoring liquidity, the risk management system, a systematic and transparent monitoring of operations by area) that the Supervisory Board in its new composition drew attention to and the bridging of which should have been pursued prior in a faster and more active manner.

1.3.7 Opinion on the operations of the HSE Group and HSE Company

The SB is of the opinion that 2022 was extremely challenging for the operation of the HSE Group and HSE due to many reasons which led to a high negative net loss of HSE and the HSE Group. 2022 was also one of the driest years. The HSE Group generated only 5,079 GWh or 26% or 1,799 GWh less electricity in 2022 than in 2021. As a result of below average precipitation, hydro-electric power plants generated 35% or 1,199 GWh less electricity; the Avče pump-fed hydro-electric power plant generated 11% or 32 GWh less electricity. Only the solar power plants generated more electricity - 6 GWh or 5 GWh compared to the year before. Our largest solar power plant, Prapretno, began operating in 2022 in addition to Segment 5 of the Zlatoličje 3 Solar Park. In 2022, our thermal power plants generated 18% or 573 GWh less electricity than in 2021. The Šoštanj Thermal Plant generated 20% or 634 GWh less electricity as the Velenje Coal Mine was facing extremely challenging geo-mechanical mine conditions. The production of coal fell by 9% of 2,655 TJ. In part, this was caused by a pillar burst, issues at the k.-110D heading, there was increased pressure in the mine in addition to the sealing of one part of the disposal roadway and the entrapment of the disposal machines. 205% or 60 GWh more electricity was generated from the gas generators of the Šoštanj Thermal Power Plant. After two years, the gas generators in Trbovlje which generated 2 GWh in electricity resumed their operation.

In line with the sales strategy, a large share of the planned hydro- and thermal-electricity generation for 2022 had been sold during the preceding years at significantly lower sales prices. The replacement volumes for the missing generated electricity were acquired by the HSE Group/HSE on the market under conditions when purchase prices of electricity amounted to as much as EUR 500/MWh. Due to a gap between the achieved low sales prices and high purchase prices, the gross margin from the sales of electricity of the HSE Group was lower by EUR 214.4 million compared to 2021.

Under the conditions of an energy crisis with an exceptional growth of electricity, natural gas, and other energy product prices, the HSE Group was able to continuously provide electricity to its customers. The Group generated a net revenue from sales amounting to more than EUR 5.3 billion or 110% more than in 2021, accompanied by 14% lower quantitative sales, taking into account financial transactions. The revenue from sales of electricity accounted for 98% of net revenue from sales or 1 percent more than in the year before.

The HSE Group realised a negative EBITDA of EUR 124.3 million, whereas it has achieved an EBITDA of EUR 330.2 million in 2021. In the preceding year, the EBITDA of the HSE Group had been exceptionally high, caused primarily by extraordinary revenue resulting from the EUR 231.8 million out-of-court settlement with the GE Group. Based on the assessments made by the Management Board, the HSE Group recognised EUR 18.3 million in impairment of assets. In 2022, HSE generated an operating loss amounting to EUR 238.3 million and a negative financial result amounting to EUR 25.5 million (impairments of non-current financial investments in subsidiaries amounting to EUR 272.0 million).

HSE generated the highest net revenue from sales in its entire existence. It amounted to EUR 5.5 billion or as much as 112% more than in 2021. More than 99% of the net revenue from sales was generated by the Company from the sales of electricity. It increased in view of higher average sales prices and was accompanied by else 23% lower quantitative sales. HSE assumes all market and volume risks of the HSE Group. In the segment of self-generated electricity, the achieved purchase prices of electricity exceeded the sales prices. In light of the above, a negative gross margin in the sales of electricity amounting to EUR 248.4 million was generated, lower by as much as EUR 364.4 million compared to 2021. In 2022, HSE generated an operating loss amounting to EUR 271.9 million and a negative financial result amounting to EUR 47.5 million (impairments of non-current financial investments in subsidiaries amounting to EUR 44.9 million) and ended 2022 by posting a loss of EUR 319.7 million.

In 2022, the HSE Group and HSE recorded higher costs of materials, services, and labour compared to 2021. Costs of materials in the HSE Group increased by 37% (primarily gas costs as a result of a higher generation and in part as a result of a higher price) and costs of services by 2% (primarily insurance premium, banking services, costs and costs associated with the incorporation of Energija plus in the HSE Group). The incorporation of ECE and Energija plus in the HSE Group primarily affected higher labour costs (2%). These also increased as a result of bringing wages in line with the collective and enterprise agreements. Concession costs fell by EUR 16.7 million as a result of lower generation levels and prices set subject to the provisions of the Act on Measures for Management of Crisis Conditions in the Field of Energy Supply (ZUOKPOE). Despite lower generation levels, emission allowance costs increased by EUR 11.2 million compared to 2021, resulting from higher emission allowance costs.

In HSE, costs of materials increased by 7%, primarily due to higher prices, and costs of services by 4%, primarily due to higher insurance premium costs. An increase in base gross salaries and a higher average number of employees by 12% caused a 5% increase in labour costs of HSE.

As a result of poor hydro-electric generation, expensive purchases of electricity at exchanges, and the extremely high volatility of electricity prices, the Initial Margin (IM) and Variation Margin (VM) requirements were increased, resulting in high liquidity needs of HSE. Other companies also trading in organised electricity markets both domestically and abroad also found themselves in a similar situation. Liquidity challenges were also faced in the Velenje Coal Mine Group, primarily during the second half of 2022, in light of a coal sales shortfall. The state adopted a guarantee act in order to help bridge liquidity issues.[4] As a result of high indebtedness of the HSE Group resulting from the investment in Block 6 of TEŠ, HSE was able to be granted only EUR 185 million in loans with Slovenian banks despite a EUR 800 million state guarantee. The liquidity provision issues that arose were bridged by the founder, the Slovenian

4 Act on the Guarantee of the Republic of Slovenia for the Obligations from Credits Taken Out to Ensure Liquidity on the Organized Electricity Markets and Emission Coupons and Obligations from the Purchase Additional Quantities of Natural Gas Outside the European Union Market (ZPKEEKP).

Sovereign Holding, namely by means of a subsequent capital increase amounting to EUR 492 million in December 2022. At the same time, HSE had to undertake to use the funds for their intended purpose, to regular monthly liquidity reports, and to appoint an authorised person to supervise the use of the funds for their intended purposes. The subsequent capital increase allowed the HSE Group and HSE to be able to continuously ensure a reliable and competitive electricity supply.

At the end of 2022, the total indebtedness of the HSE Group increased by 27% and of HSE by 93% compared to 31 December 2021. Bank indebtedness of the HSE Group increased by 28% and of HSE by 81%. In July 2022, HSE concluded a non-current EUR 100 million revolving loan contract to provide for liquidity reserves which was not drawn in December 2022. In July 2022, a non-current loan contract with the bank trade union amounting to EUR 350 million was also concluded by HSE, namely in the form of a non-current EUR 250 million fixed loan. The purpose of refinancing was the repayment of the existing non-current EUR 135 million fixed loan of HSE, the replacement of EUR 140 million revolving loans whose maturity was in 2022, and the provision of an additional liquidity reserve. As already mentioned, in October 2022, HSE received a current EUR 185 million revolving loan with a guarantee by the Republic of Slovenia subject to the intervention act. The loan was drawn in full at the end of December 2022. Other HSE Group companies repaid their debts in compliance with their repayment schedules.

At the end of 2022, the assets of the HSE Group increased by 20% compared to the end of 2021. Current trade receivables increased the most due to higher prices, in addition to cash as a result of subsequent capital increases of HSE received on our account, and inventories (the HSE Group increased its coal reserves due to import and in compliance with the call of the government to have management bodies of state-owned companies managing system electricity supply generation sources ensure a sufficient and timely availability of system sources and inventories for operations in critical conditions). Even though the loss of the HSE Group in 2022 reduced its capital value, the capital of the HSE Group at the end of 2022 was 25% higher than in 2021 as a result of subsequent capital increases by the founder.

As at 31 December 2022, the balance sheet total of HSE was 30% higher than the year before. Non-current assets increased by 4%. Investments exceeded depreciation. A 51% share of Energija plus and 12.58% share of ECE were acquired. In December 2022, subsequent capital increases amounting to EUR 30 million of PV were carried out. Subject to an appraisal by the Management Board, non-current investments in subsidiaries were impaired in the amount of EUR 44.9 million.

Current assets of HSE increased by 84%. Current trade receivables due to higher electricity prices and cash due to subsequent capital increases increased the most.

At the end of 2022, capital of HSE increased by 23% compared to the balance as at 31 December 2021. It fell as a result of the 2022 loss and the hedging reserve which primarily derive from futures for hedging purposes and increased as a result of subsequent capital increases.

HSE's investments amounted to EUR 65.4 million. The majority of funds were spent on investing in reliable generation of HSE Group companies. Two investments in solar panels constituting the realisation of the strategic focus of the HSE Group and HSE in RES need to be highlighted in terms of investments. The biggest solar plant in Slovenia with a power of 3 MW, Prapretno, was opened in April 2022. In May, the Segment 5 Zlatoličje 3 Solar Park segment began operating. As a result, the total power of production units of the Drava River Power Plants increased by 1.16 MW.

The Supervisory Board believes that in the 2022 the HSE Group and HSE were able to overcome severe liquidity issues, caused by unforeseeable events, especially in terms of a reduced level of self-generated electricity and high and volatile electricity prices, with the help of the state. Nevertheless, a high loss could not be avoided.

1.3.8 Determining balance sheet loss

According to audited data, HSE generated EUR 717,289,200 in total balance sheet loss in the 2022 financial year. The total balance sheet loss increased by EUR 319,673,940 million compared to 2021.

1.3.9 Review and confirmation of the 2022 Annual Report of HSE Company and the HSE Group including the opinion on the Auditor's report and the Auditor's letter to the Management Board

Pursuant to paragraph 3 of Article 272 of the Companies Act (ZGD-1), the Management Board of HSE submitted to the Supervisory Board of HSE the 2022 Annual Report of the HSE Group and HSE, including the auditor's 2022 reports, deliberated on by the Supervisory Board of HSE at the twelfth regular session of the Supervisory Board of HSE held on 12/05/2023.

The 2022 financial statements of the HSE Group and HSE were audited by the Deloitte revizija d.o.o. audit company, which issued an unmodified opinion on 20 April 2023 that the financial statements of the HSE Group and HSE give, in all material aspects, a true and fair view of the financial position of the HSE Group and the Company as at 31 December 2022, and their financial performance and cash flows for 2022 in accordance with the International Financial Reporting Standards as adopted by the European Union. At its 7th regular meeting, held on 11/05/2023, the Audit Committee of the Supervisory Board of HSE deliberated on the audited 2022 Annual Report of the HSE Group and HSE, and established that the annual report was prepared in a timely manner, was compiled clearly, transparently and in accordance with the provisions of the Companies Act (ZGD-1), the applicable IFRS as adopted by the EU, the provisions of the Electricity Supply Act (ZOEE), Gas Supply Act (ZOOP)and other relevant legislation (ZFPPIPP, ZRev-2, etc.).

The Audit Committee of the Supervisory Board of HSE was also apprised of the findings and recommendations stated in the Letter to the Management of HSE, issued and compiled by the Deloitte revizija d.o.o. audit company following the completion of the 2022 audit process. The Audit Committee had no objections to the 2022 Annual Report of the HSE Group and HSE. For this reason, it proposed that the Supervisory Board of HSE adopt the decision to confirm the 2022 Annual Report of the HSE Group and HSE in accordance with Article 282 of the Companies Act (ZGD-1). Pursuant to the independent auditor's report and opinion, the positions of the Audit Committee of the Supervisory Board of HSE, the data and disclosures in the 2022 Annual Report of the HSE Group and HSE, the HSE Supervisory Board believes the auditor to have carried out their work independently and professionally as well as in compliance with the applicable legislation and business practice and that the Annual Report was, in all material aspects, prepared in line with the requirements of the Companies Act (ZGD-1) and that the financial statements give, in all material aspects, a true and fair view of the financial position of the HSE Group and the Company as at 31 December 2022, and their income statement and the cash flow statements for the year then ended are in accordance with the International Financial Reporting Standards as adopted by the European Union.

The Supervisory Board of HSE has no objections to the auditor's report. The Supervisory Board of HSE also has no other objections to the 2022 Annual Report of the HSE Group and HSE that would in any way prevent it from making the decision to confirm it. For this reason, the HSE Supervisory Board adopted the 2022 Annual Report of the HSE Group and HSE in accordance with Paragraph 3 of Article 282 of the Companies Act (ZGD-1). The said report was adopted within the open deadline, i.e. prior to the expiry of one month from the day when the Management Board of the Company submitted the 2022 Annual Report to the Supervisory Board of HSE.

In Ljubljana, on 12 May 2023

Nevenka Hrovatin, Ph.D.

President of the Supervisory Board of HSE

Business report

2.1 Chronology of important events of the HSE Group in 2022

January

On **13 January,** the Government adopted the National Coal Phase-Out Strategy, indicating 2033 as the coal phase-out and exit year.

HSE EDT finally brought several years of legal proceedings related to the II environmental action brought by the former TET to an end. In January, both parties signed netting covenants and the company received all the money transfers laid down in the judgement.

February

On **2 February,** the European Commission published technical screening criteria for determining the sustainability of gas projects.

Together with Polish, Czech, Romanian, German, French, Greek, and Spanish partners, PV collaborated in 2021 in tendering for global projects awarded by the Research Fund for Coal and Steel (RFCS). On **31 January,** they were notified by the European Commission that their tendered GREEN JOBS project (exploiting the competitive edges of the coal mine approaching closure for creating as many green and premium jobs) had been successful.

March

A “proof of concept” for the OSMOSE project was successfully carried out on **3 March,** whereby the partners of the WP6 project working group successfully made bidding offers, collected them and activated them close to the time of supply. This proved the concept of near real-time cross-border market trading by using actual data on the grid, which is a step forward compared to the current way of determining transmission capacities held for trading.

At the beginning of March, we were given the consent of the Ministry of Health and the Administration of the Republic of Slovenia for Civil Protection and Disaster Relief to the sharing of the National Radio Network for HSE Group companies in the event of disruptions to the telecommunication lines to provide for continuous operation and generation of electricity and thermal energy in the Republic of Slovenia.

After more than two years, the PB1 gas block was restarted, generating 769 MWh in electricity. On **10 March,** a successful test run of the PB2 was carried out.

March

On **18 March,** the Government of the Republic of Slovenia adopted its position with regard to the proposed new EU regulation on reducing methane emissions in the energy sector. According to the proposal, the ventilation through ventilation shafts in underground coal mines emitting more than 0.5 t of methane/ktonne of extracted coal would be forbidden as of 01/01/2027. Slovenia will strive to have the mines undergoing closure and already closed mines be exempted from the regulation. The position of the Republic of Slovenia is fully in line with the proposals and position of the HSE Group on the inadmissibility of more stringent requirements which will have an effect on the operations of PV.

April

On **6 April** 2022, the MPs of the National Council of the RS approved the amended Mining Act, in line with which PV will continue its activities to have its mining concession extended.

On **8 April,** the largest solar power plant in Slovenia, Prapretno, was opened. On sunny days, the Prapretno solar power plant already generates more than 10 MWh in electricity per day. Its 6,748 modules are expected to generate more than 3 GWh in electricity per year. This would suffice for the annual supply of electricity to approximately eight hundred households.

May

On **11 May,** HSE received a jubilee award commemorating the tenth anniversary of the operation of the Slovenian Risk and Collateral Association, SI.RISK.

On **12 May,** an agreement between SENG, the Urban Municipality of Nova Gorica and the Kayak Club of the Soča Power Plants to collaborate in carrying out drowning protection measures at the Old Dam (Stari jez) on the Soča River close to Solkan was signed.

On **18 May,** DEM were awarded the construction permit for the construction of the Čentiba Geothermal Power Plant at the abandoned Pg-8 well.

On **24 May,** a 12.5805% share in ECE was purchased from Elektro Gorenjska (put option redemption). HSE now holds a 63.5805% share in ECE, while Elektro Celje continues to hold a 36.4195% share.

On **26 May,** the “Finance” Academy organised a round table entitled “What kind of opportunities are provided by the Hydrogen Valley project to the economy of the Northern Part of Primorska” at the premises of the Urban Municipality of Nova Gorica. It was also attended by a representative of HSE.

May

On **30 May,** HSE as the founder of TEŠ established that the conditions for a simplified reduction of the share capital of TEŠ subject to Article 379 of the Companies Act (ZGD-1) have been met, in a way that the existing share capital of EUR 578,579,850 shall be reduced by EUR 336,809,599 in light of covering the retained loss from the previous year and the establishment of capital reserves. As such, after the reduction, the share capital of the company now amounts to EUR 195,579,850 and its capital reserves to EUR 46,190,401. In line with the share capital reduction decision on 30 May, HSE as the founder of TEŠ received the consolidated version of the new Articles of Association of Termoelektrarna Šoštanj d.o.o. The changed share capital was entered into the Companies Register on 14 July, when the presumed insolvency of the company was remedied.

June

On **1 June,** Energija plus officially joined the HSE Group upon the purchase of a 51% share therein.

On **9 June,** SENG launched the factory trial operation of the Podselo small hydro.

July

On **1 July,** the first regular (inaugural) session of the Works' Council of HSE was held, during which a new president, Mr. Aleš Žagar, and deputy president, Mr. Uroš Žibert, were elected. Three Members of the Supervisory Board of HSE, namely Mr. Peter Cerkvenik, Mr. Dejan Kolarič, and Mr. Jernej Otič, were also appointed.

On **July 15,** the Commission delegated Regulation (EU) 2022/1214 was published in the Official Journal of the EU, which includes gas and nuclear power technologies into sustainable generation sources of electricity which is in line with the belief of the HSE Group that gas technology is essential for the transition period towards climate neutrality.

On **27 July,** SENG temporarily discontinued the operation of the Solkan hydro-power plant as a result of the extremely low water flow of the Soča River (12 m^3/s) caused by a lengthy drought period. A similar situation had last occurred in 2003.

On **28 July,** the Government of the Republic of Slovenia demanded that the Government Office for Development and the European Cohesion Policy draw up a breakdown of the funds among the ministries in the financial plan of the Territorial JTF project for a just transition of the Šalek coal-mining region for the purposes of drawing up the third informal version of the 2021-2027 European Cohesion Policy Programme. In line with the decision adopted by the Government, EUR 65.45 million or 37.6% of the funds are intended for the energy sector, namely for the sustainable transformation of district heating and the sustainable transformation of the energy sector and energy locations in the Savinja and Šalek (SAŠA) Region. The HSE Group has been working intensively with the Ministry of Infrastructure to ensure that as many of its projects are included and thus eligible for funding (projects which also encompass hydrogen technologies and the decommissioning of energy facilities aimed at installing RES infrastructure and thus preserving the energy location).

July

On **31 July,** DEM was granted a final operating permit for segment five of the Zlatoličje solar power plant.

Mid-July, firefighters fought an extensive fire in the Carst area for more than a week. In addition to firefighters, the army, and civil protection, assistance in fighting the fire was provided by a large number of volunteers. The Group delivered 12,000 litres of bottled water and energy bars to the civil protection warehouses or the premises of voluntary firefighting associations. SENG as the company located the closest to the crisis area provided assistance in the form of technical equipment. In addition, some employees actively participated in the logistics of organising the extinguishing of the fire and evacuating the population from the affected or endangered areas due to their knowledge of the local area and roads. In addition, several employees of other HSE Group companies also fought the fire as voluntary firefighters.

During the summer months, the operation of as many as twelve out of twenty-two small hydro PP on the Soča River was discontinued do to a drought.

August

On **2 August,** a final operating licence was granted for the Prapretno solar power plant. This marked the successful completion of all administrative procedures that allow for the regular operation of the power plant.

September

At its extraordinary session, held on **13 September,** the National Council unanimously adopted a law subject to which the state shall provide a total of EUR 1.6 billion in guarantees for the provision of liquidity for trading in electricity and purchasing gas outside the EU to HSE, Gen energija and Geoplin, allowing to ensure a reliable supply of electricity and gas.

On **14 September,** the inaugural meeting of the working group of hydro-power companies of Slovenia, attended by representatives of DEM, SENG, SEL, and HESS, was held at the premises of DEM.

September

On **14 September,** the Prime Minister of the Republic of Slovenia, Mr. Robert Golob, Ph.D., and the Minister of Infrastructure, Bojan Kumer, M.Sc., visited the Velenje Coal Mine. They were shown the coal extraction procedure at the coal face at the -110/B angle in the Pesje mine 500 meters below the ground and the coal unloading station. The management of the coal mine presented the challenges faced by the company in view of the guidelines of the state related to the increase of strategic stocks of energy products, including coal, and its efforts to ensure the adoption of the Progressive Closure of PV as soon as possible.

On **20 September,** the Development and Investment Department of HSE as the lead partner tendered to the European Horizon tender for the transnational North Adriatic Hydrogen Valley (NAHV) project, drawn up in collaboration with its Italian and Croatian partners. The NAHV constitutes an extremely important regional collaboration of three neighbouring countries and establishes a complex hydrogen ecosystem consisting of 18 pilot-demonstration projects. The project was awarded EUR 25 million in grants and states that it aims to establish an annual generation capacity of 5,000 tons of recoverable hydrogen, which shall also include the provision of minimum 20% thereof for the trans-border exchange among the countries involved. The tender also boasts a special feature. The project may be awarded the so-called seal of excellence which constitutes an important reference and facilitate priority access to other national and EU funding.

On **21 September,** SDH as the sole shareholder replaced five out of six representatives of capital in the Supervisory Board of HSE. It dismissed Franc Dover, Andrej Janša, Robert Celec, Janez Gutnik and Tjaša Prinčič. It appointed new Members of the Supervisory Board of HSE, whose four-year term began on 22 September: Barbara Gorjup, Boštjan Grešak, Nevenka Hrovatin, Miha Šebenik and David Valentinčič. Denis Bele has remained a representative of capital in the Supervisory Board of HSE. The Supervisory Board of HSE consists of nine members, six representatives of capital and three representatives of employees. Employees are represented therein by Dejan Kolarič, Jernej Otič and Peter Cerkvenik.

On **28 September,** DEM celebrated seventy years of existence and officially started segment five of the Zlatoličje solar power plant.

Both preserved gas generators at the location of HSE EDT underwent an overhaul in September in order to ensure the reliable restart of both in the event of electricity shortages. Employees of our subsidiary HTZ also successfully participated therein.

TEŠ launched its process of looking for suitable foreign coal which shall be tested first in order to establish that they conform to both technical and environmental norms. The first test quantities from Indonesia arrived to the DIK (shredder and sorting plant) within the coal mine area on 13 September 2022.

The Velenje Coal Mine experienced issues at the -110D angle coal face. That commenced operation on **16 September.** There was increased pressure (extremely poor geomechanical condition at both the coal face and the disposal roadway). One part of the disposal roadway was sealed as a result of the entrapment of the disposal machines. Manual extraction was required. This also involved the 'saving' of the equipment and a partial shift of the coal face.

October

On **3 October,** the Prime Minister of Slovenia, Robert Golob, Ph.D., and his colleagues visited DEM where they became acquainted with implementation and strategic development projects of the company and visited the management centre of DEM.

On **11 October**, there was a pillar burst at the -110/C angle coal face. Increased pressure in the assembly chamber led to the deformation of the ground vault. By the end of November, deformations in the disposal roadway and the installed rehabilitations had increased further.

On **20 October,** the 1st energy symposium of the HSE Group, "Powering our world and jointly shaping the energy future", was held. The symposium was intended for all HSE's workers engaged in development, sustainability, RES and the use of AI and all others interested in these areas. In addition to content provided by prominent external lecturers, HSE Group projects were presented, suggesting that the HSE Group not only follows but also co-develops solutions in all of the above areas. You can watch a recording of the symposium on our YouTube channel at https://www.youtube.com/watch?v=1j_NqjTTcmo.

An environmental conference was held on **20 October.** The "Environment Friendly Company" category also included the presentation of the Prapretno solar power plant as the first photovoltaic power plant whose power exceeds one megawatt which has obtained both a construction permit and an operating licence.

On **21 October** the 3rd SAEE energy economics conference, organised by the Slovenian Energy Economics Association in collaboration with the Faculty of Economics of the University of Ljubljana and the Faculty's Business Excellence Centre, which also involved the awarding of prizes for the best energy economics contribution, was held. The prize winners also included our employee Marko Haložan from the Sales and Trading Sector and an interdisciplinary doctoral candidate of statistics. He was awarded a prize for the presented excerpt of his doctoral thesis on the impact of RES generation on the prices of electricity.

On **28 October,** the Ordinance on the Climate Change Funding Programme for the period 2022 and 2023 was adopted. EUR 0.6 million were allocated to the expert bases for the chain of hydroelectric power plants on the middle River Sava.

November

On **7 November,** the Supervisory Board of HSE appointed Tomaž Štokelj, Ph.D., as the new CEO of HSE for a four-year term which started on 8 November 2022.

On **18 November,** the decision of the Municipal Council of the Municipality of Hrastnik consenting to the intended spatial planning developments in the Prapretno area was adopted. The adopted municipal detailed spatial plan served as the basis for the implementation of the investment in the Prapretno III solar power plant.

November

A hydrogen-powered bus drove through Šoštanj and Velenje for the first time on **21 November.** It also stopped at TEŠ. As part of the development of hydrogen technologies, the Group HSE has been planning to install larger generation capacities for hydrogen, supported by new local solar power plants. The environment-friendly zero-emission mobility herald visited Slovenia on a one-week tour as part of the accompanying activities of the North Adriatic Hydrogen Valley project. The HSE Group has been participating in the project with HSE as the lead partner and TEŠ as the technological partner.

On **November 23,** the annex on raising the sales price of domestic coal for electricity for 2022 was signed. For 2022, the Velenje Coal Mine signed Annex 1 to the raising of the price of coal used to generate thermal energy from EUR 2.75/GJ to EUR 3.8/GJ.

December

On **2 December,** SDH adopted the decision on the subsequent capital increase of EUR 492 million of HSE. At the same time, by way of a decision, SDH also instructed the management of HSE to carry out all the required activities for the continuous operation of Block 6 at TEŠ and to take all the necessary steps to allow the founder to decide on the repayment of all subsequent capital increases from 2022 in one or more instalments by the end of 2024.

On **15 December,** HSE as the founder of the Velenje Coal Mine carried out a subsequent capital increase of EUR 30 million thereof.

On **21 December,** the Supervisory Board of HSE gave its consent to the 2023 Business Plan of the HSE Group and HSE, with an additional indicative plan for 2024 and 2025.

2.2 Important events after the end of the period considered

January 2023

On **10 January,** Energija plus carried out the connection and start of the 540 kWp XELLA solar power plant in Kisovec.

On **12 January,** it provided the Ministry of Infrastructure of the RS with the application to extend the validity of the mining right for another period of 20 years six months prior to the expiration of the deadline.

On **20 January,** there was a celebratory event commemorating the official launch of construction works on the abandoned Pg-8 well of the Čentiba geothermal power plant.

On **31 January,** the rights to use the 20% of the electricity generated in the Austrian Golice pump-fed hydro-electric power plant (previously held by ELES) and the obligations arising from it were fully transferred to DEM for consideration.

February 2023

On **1 February,** the public-private partnership, supporting the research in and development of hydrogen technologies in Europe (The Clean Hydrogen Partnership Joint Undertaking) published the results of the Horizon Europe call for tenders. The North Adriatic Hydrogen Valley project, resulting from the collaboration of Slovenia, Croatia, and Friuli - Venezia Giulia, whose led partner is HSE, was awarded as much as EUR 25 million in grants.

On **7 February,** HSE repaid EUR 185 million of the short-term revolving loan drawn in December 2022 based on the intervention law.

On **10 February,** the European Commission adopted two delegated acts in which it laid down detailed rules on renewable hydrogen. The first lay down, subject to which conditions hydrogen and other energy carriers, produced by electrolysis and other less common production methods, are deemed RES fuels of non-biological origin, irrespective of their end use, as proposed by the revised RES directive from the “Fit for 55” package. The second delegated act lays down the methodology to be used for calculating greenhouse gas emissions during the life-cycle of RES fuels of non-biological origin. The rules related to the production of green hydrogen are important for the HSE Group from the viewpoint of hydrogen projects (related to new RES capacities) that we are currently undertaking, particularly of the transnational North Adriatic Hydrogen Valley in which we are the lead partner.

February 2023

On **16 February,** the Government of the RS adopted the Decree on the use of European Cohesion Policy funds in the Republic of Slovenia in the 2021–2027 Programming Period, establishing the conditions for the uptake of around EUR 3.2 billion in cohesion funds from the budget of the EU. For the HSE Group, the adopted Decree constitutes the legal basis for the implementation of projects and drawing of funds from the Just Transition Fund for the Savinja-Šalek Region.

On **28 February,** SDH adopted a decision that the Republic of Slovenia shall be repaid in the amount of EUR 200 million for the subsequent capital increase of HSE. The founder shall decide on the dynamics (individual instalments) of the repayment of this amount by means of (a) separate decision(s). The repayment dynamics shall be laid down by taking into consideration the conditions on the energy markets and other relevant business circumstances and shall aim at ensuring a stable operation of the HSE Group and an economic management of funds.

At the initiative of the Prime Minister of Slovenia, Robert Golob, Ph.D., and the then Ministry of Infrastructure, Bojan Kumer, the HSE Group sent several items of electric equipment to Ukraine required for the operation of the state, companies, and households.

March 2023

On **15 March,** the CEO of HSE, Tomaž Štokelj, Ph.D., Aleksander Mervar, M.Sc., the CEO of ELES, and Dejan Paravan, Ph.D., the CEO of GEN energija, presented current electricity developments and projections at a joint press conference.

2.3 Transparency of financial relations[5]

In December 2022, SDH adopted the decision on EUR 492 million in capital increase.

In 2022, HSE received funds arising from the co-financing of education (Energy Competence Centre Project) amounting to EUR 11,104. EUR 3,173 in costs of the FARCROSS project were recognised.

The companies in the HSE Group disclose the funds received based on the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFOLERD-1) in their annual reports.

5 GRI: 201-4.

2.4 About the HSE Company[6]

Company profile of HSE

Full company name	**Holding Slovenske elektrarne d.o.o.**
Abbreviated name	HSE d.o.o.
Legal form	Limited liability company
Address	Koprska ulica 92, 1000 Ljubljana, Slovenia
Telephone number	+ 386 1 47 04 100
Fax number	+ 386 1 47 04 101
Entry into the Companies Register	District Court of Ljubljana, reg. entry no. 1/35036/00
Share capital	EUR 29,558,789.00
Size	Large corporate entity
Ownership structure	100% owned by the Republic of Slovenia
Year of establishment	2001
Tax number	99666189
VAT ID No.	SI99666189
Registration number	1662970000
EIC code	11XHSE-SLOVENIAG
ACER code	A0000476J.SI
LEI code	549300KRZTPE6IXQYU97
E-mail address	info@hse.si
URL	www.hse.si/en

Governance of the parent company as at 31 December 2022

General Assembly

100% owned by the Republic of Slovenia
Representative:
Slovenski državni holding d.d.

Supervisory Board

Representatives of capital

Nevenka Hrovatin, Ph.D., *President*
David Valentinčič, *Deputy President*
Barbara Gorjup, M.Sc.
Denis Bele
Miha Šebenik
Boštjan Grešak

Representatives of employees

Jernej Otič
Peter Cerkvenik
Dejan Kolarič

Audit Committee

Barbara Gorjup, M.Sc., *President*
Miha Šebenik
Marko Hočevar, Ph.D.
Jernej Otič

Marketing and Investment Committee

Miha Šebenik, *President*
Barbara Gorjup, M.Sc.
David Valentinčič
Peter Cerkvenik

Restructuring Committee

Boštjan Grešak, *President*
David Valentinčič
Denis Bele
Peter Cerkvenik

HR Committee

Nevenka Hrovatin, Ph.D., *President*
Boštjan Grešak
Denis Bele
Dejan Kolarič

Management Board

Tomaž Štokelj, Ph.D., CEO
Uroš Podobnik, CBO

6 GRI: 102-1; 102-3; 102-5; 102-18; 102-22; 102-23.

2.5 Statement on corporate governance[7]

Pursuant to paragraph 5 of Article 70 of the Companies Act, Holding Slovenske elektrarne d.o.o., Koprska ulica 92, 1000 Ljubljana (HSE) declares the following with regard to the period from 1 January 2022 to 31 December 2022.

The Management and Supervisory Boards of HSE hereby declare that the company was governed in 2022 in accordance with laws and other regulations, the Articles of Association of the HSE Limited Liability Company, and the recommendations listed in the Corporate Governance Code for Companies with State Capital Investments. In compliance with Article 60.a of the Companies Act, the Management and Supervisory Boards of HSE hereby declare that the annual report and its constituent elements, including the Corporate Governance Declaration and the Non-Financial Statement, have been compiled and published in compliance with the Companies Act and the International Financial Reporting Standards. The Statement on corporate governance is a constituent element of the annual report and can be accessed via the company's website (http://www.hse.si).

7 GRI: 102-20; 102-24; 102-46; 103-1; 103-2; 103-3; 405-1.

2.5.1 Statement of compliance with the Corporate Governance Code for Companies with State Capital Investments (SSH Code) and recommendations and expectations of the Slovenian Sovereign Holding (SSH Recommendations)

Report on the implementation of the Corporate Governance Code for Companies with State Capital Investments (SSH Code)

HSE applied the Corporate Governance Code for Companies with State Capital Investments of the Slovenian Sovereign Holding, joint-stock company, as its benchmark code in 2022 (SSH Code, November 2021 and March 2022, hereinafter referred to as "the Code"). The most recent revision thereof is publicly available on the website of the Slovenian Sovereign Holding. The Code was taken into account by the Company to a greater extent mutatis mutandis in its operation, by taking into consideration the activity and other special features thereof. In 2022, in accordance with the comply-or-explain principle, the company fully observed the majority of the recommendations contained in the Code that refer to companies which are 100 per cent owned by the state. The deviations are clarified in the sections below:

Recommendation 6.2.6: The recommendation is not applied. At the end of the year, the Supervisory Board appointed a new CEO. The selection process for new candidates for a potential new term has yet to commence as the current Management Board is serving a four-year term, by the end of which the potential selection and interest of potential candidates may have changed considerably.

Recommendation 6.5.1: The recommendation is applied mutatis mutandis. In its previous composition, the Supervisory Board did not adopt and publish a competence profile as no appointment of new members was foreseen. On 22 September 2022, a new Supervisory Board of the Company was appointed by SDH. Given that the Supervisory Board was newly appointed at the end of September, a competence profile was not laid down and published in 2022, as it was believed that no new appointments (replacements) of its members were foreseen in 2022. According to the Supervisory Board, its current composition complies with the requirements of Article 21 of SDH, whereby the Supervisory Board of companies with capital assets of the state as a whole consists of members "who complement each other in terms of expert knowledge and competences". It consists of experts in economics, management, technical, legal, accounting and financial matters, electricity trading and corporate governance experts. It also takes into account gender diversity, as 2 out of its 9 members are female.

Recommendation 6.9: This recommendation is applied only in part. The selection procedure for Supervisory Board members and the formulation of a General Meeting decision on the appointment of Supervisory Board members prior to the expiry of the term in office thereof shall be transparent (the decision shall be made at a meeting of the Supervisory Board of HSE), but shall not be defined in advance.

Recommendation 6.9.1: The recommendation is not applied. The Supervisory Board is appointed by the owner.

Recommendation 6.10.6: HSE does not apply the recommendation in the part referring to D&O insurance. The Members of the Supervisory Board of HSE shall be entitled to be included in the collective D&O insurance of the HSE Group. Pursuant to tax rules, they shall be eligible for a tax bonus, which is a normal practice of companies with capital assets of the state.

Recommendation 6.13: The recommendation wasn't taken into account in a diligent manner in terms of a self-assessment for 2022. However, a self-assessment in 2022 had been carried out by the previous composition of the Supervisory Board (for 2021). Given that the Supervisory Board only operated for a good 3 months in the current composition in 2022, a self-assessment is yet to be performed in the current 2022 composition, in compliance with the Supervisory Board Operation Plan (the self-assessment is foreseen in December 2023).

Recommendation 6.17: The recommendation is not taken into account in the part referring to the financial calendar as the Company does not have a financial calendar on the grounds presented in the note to Recommendation 8.5.

Recommendation 8.5: This recommendation is not taken into account as the publication of a financial calendar in a single-member LLC is considered to be pointless as financial calendars are intended primarily for the public disclosure or publication of financial statements and operating disclosures of companies owned by several company members/shareholders. The Slovenian Directors' Association is also of the opinion that single-member companies regularly receiving report also beyond public disclosures should not have to draw up and publish a financial calendar.

Recommendation 9.2.6: The recommendation was not fully taken into account in part, namely in relation to the provision of a sufficient number of internal auditors in one part of 2022. In view of additional employment procedures that took place for longer than planned, not all internal audit inspections were carried out in 2022 (two less than planned was carried out).

Report on the implementation of recommendations and expectations of the Slovenian Sovereign Holding (SSH Recommendations)

During its operations in 2022, to a large extent, the Company took the recommendations of the Slovenian Sovereign Holding (August 2020 and June 2022) mutatis mutandis into account in its operations, taking into consideration its activities and other specific features of the Company. Following the 'comply or explain' principle, the Company fully complied with a significant part of the recommendations. The deviations are clarified in the sections below:

Recommendation 3.6: This recommendation is applied only in part. The part of the recommendation referring to the energy and related product trading is not followed. The trading agreements of a transaction-management contract nature, such as trading agency agreements, are not reported publicly, as they constitute a trade secret. The publication of the conducted legal transactions listed in the recommendation shall be carried out in line with the Public Information Access Act.

Recommendation 4.5: The recommendation is not applied. The Company does not publish its trade collective agreements and agreements made with trade unions as the representatives of its employees have not consented thereto. Links to trade collective agreements are published.

Recommendation under Point 5: This recommendation is not fully applied. In 2022, no self-assessment was carried out for HSE Group companies. A self-assessment had been carried out in November 2021 in four HSE Group companies (HSE, DEM, SENG, and TEŠ). The self-assessment in 2021 showed that all four companies belong to excellent Slovenian companies.

Recommendations under Point 9: These recommendations are taken into account in practice. During the first part of 2023, a re-evaluation and updating of the Remuneration Policy for HSE and Its Subsidiaries is foreseen.

2.5.2 Information on the operations of the General Assembly, composition and work of management and supervisory bodies

In 2022, HSE was governed by the Slovenian Sovereign Holding as the sole company member in accordance with the Articles of Association. The HSE management and supervisory bodies are the Management and Supervisory Boards. Holding Slovenske elektrarne d.o.o. revised its diversity policy in management and supervisory bodies (hereinafter: "the Diversity Policy") on 27 February 2020 and published it on its website. The objective of the Diversity Policy is to achieve a greater efficiency of the Supervisory Board or the Management Board as a whole. The diversity policy is mainly carried out by applying a suitable recruitment and selection procedure for candidates for membership of the Supervisory and Management Board. It is important to use methods that allow us to attract a wide enough range of different candidates. Both the Supervisory Board and the sole company member endeavour to achieve the objectives of the diversity policy. The diversity policy has established the frameworks allowing for a proper composition of the management and supervisory body given the specific features of HSE, that the members thereof have the required know-how and experience required for an in-depth understanding of the activity of both the Company and the HSE Group and the related key risks in addition to pursuing the main objectives. The policy strives to achieve an optimal equal representation of both genders and continuity in the sense that it pursues the objective of not replacing all Members of the Management or Supervisory Boards at the same time. It is also important that the Members of the Supervisory Board complement each other and that efforts are made to ensure that the Supervisory Board is made up of at least one representative from the business, legal and technical fields. In 2022, the Diversity Policy was fully pursued in relation to new appointments of Supervisory Board members by SDH and in relation to selecting candidates and objectives of the HSE Works' Council - Supervisory Board members complementing each other in terms of their expertise were appointed. The objective of having the Supervisory Board of HSE consist of at least one representative of the economic, legal, and technical professions was met. The experience of the members, as demonstrated by their reputation and performance, was taken into account. Continuity was also pursued as many as three members had already been members of the Supervisory Board of HSE before. All members of the Supervisory Board have also demonstrated their independence. The appointment process of the CEO of HSE took the objectives fully in account in relation to the candidates (gender, professional profile) as laid down by the Articles of Association and the Job Systematisation in addition to the candidates' experience as demonstrated by their performance, reputation, and verified personal integrity. The appointment process by the Supervisory Board also took into account continuity as it did not replace all members of the Management Board and, at the same time, also ensure the complementarity of the members of the Management Board in terms of know-how. The gender diversity in the Supervisory Board is as follows: 77.78%: 22.22%, and in the Management Board: 100%: 0% in favour of male members. We seek to ensure as even a representation as possible within the options currently available - in relation to the candidates who agreed to run for the position.

Founder in the role of the General Assembly

The founder is in the possession of the role and capacities of a General Assembly in accordance with the Articles of Association of HSE, the Companies Act and the legislation in force. In compliance with Article 526 of the Companies Act, the founder shall record its decisions in the decision book. In 2022, the Founder acted in compliance with the powers conferred thereto in the Articles of Association, which have been made publicly available (Agency of the Republic of Slovenia for Public Legal Records and Related Services – AJPES). A few key powers are listed below:

- adopting business policy foundations and the Development Plan of HSE and the HSE Group for a five-year period, including the financial, business, HR and organisational restructuring, at the proposal of the Management Board and having received the consent of the Supervisory Board,
- deciding on the use of distributable profit,
- deciding on using return of subsequent capital contributions,
- deciding on the use, distribution, and cessation of participating interest,
- appointing and discharging Supervisory Board members, except for those elected by the Works' Council,
- deciding on the establishment of companies and the acquisition of majority participating interest in other companies at the proposal of the Management Board and having received the consent of the Supervisory Board,
- deciding on how to dispose of participating interest and shares in companies deemed in respective decrees on the strategy of managing capital investment as strategic or important investments,
- deciding on how to dispose of and encumber participating interest/shares in subsidiaries and associates at the proposal of the Management Board and having received the consent of the Supervisory Board,
- granting discharge to the Management and Supervisory Boards,
- deciding on entering into agreements and other transactions, with which the company undertakes to transfer to another person, in return for payment or free of charge with one or more related transactions amounting to at least 3% of the Company's property, whereby it is not a transfer according to the provisions of the Companies Act on status changes,
- deciding on changes in the share capital of the Company,
- deciding on status changes and the dissolution of the Company as well as other powers laid down in further detail in the Articles of Association and applicable legislation.

Work of the Supervisory Board

In 2022, the Supervisory Board worked in compliance with its powers conferred thereto by the Companies Act, ZSDH-1, The Articles of Association of HSE, The Rules of Procedure of the Supervisory Board of HSE and the Corporate Governance Code of Companies with State Capital Investments as the code of reference (subject to the 'comply-or-explain' principle). The Articles of Association of HSE specify the composition, a four-year term of office which shall be renewable and powers of the Supervisory Board. The Supervisory Board had nine members in 2022. Six members represented the interests of the founder and three members the interests of employees (the latter are appointed and discharged pursuant to the Worker Participation in Management Act). Between 30 November 2021 and 3 February 2022, the Supervisory Board consisted of eight members in view of the resignation of a member of the Supervisory Board and the non-appointment of a new one. The composition and work of the Supervisory Board are presented in the report on the Supervisory Board as well as the work of all Supervisory Board committees providing professional assistance to the work of the Supervisory Board (Audit Committee of the Supervisory Board of HSE, Restructuring Committee of the Supervisory Board of HSE, the Marketing and Investment Committee of the Supervisory Board of HSE, the HR Committee of the Supervisory Board of HSE).

Composition of the Supervisory Board and its committees in 2022

Name and surname	**Nevenka Hrovatin, Ph.D.**	**David Valentinčič**	**Barbara Gorjup, M.Sc.**	**Miha Šebenik**	**Boštjan Grešak**	**Denis Bele**	**Peter Cerkvenik**	**Dejan Kolarič**	**Jernej Otič**
Function (president, deputy, SB member)	SB President	Deputy President of SB	SB Member	SB Member	SB Member	SB Member	SB Member	SB Member	SB Member
First appointment	22/9/2022	22/9/2022	22/9/2022	22/9/2022	22/9/2022	2/9/2021	4/7/2022	4/7/2022	30/6/2014
End of function/term of office	22/9/2026	22/9/2026	22/9/2026	22/9/2026	22/9/2026	2/9/2025	4/7/2026	4/7/2026	4/7/2026
Capital/employee representative	Capital representative	Capital representative	Capital representative	Capital representative	Capital representative	Capital representative	Employee representative	Employee representative	Employee representative
Participation at SB meetings with regard to total number of SB meetings	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gender	female	male	female	male	male	male	male	male	male
Nationality	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Birth year	1960	1949	1973	1986	1981	1978	1982	1985	1976
Education	Ph.D. in Economics	B.Sc. in Chemical Technology Engineering	M.A. in International Economics	Master's Degree (Second Cycle Bologna Programme)	Bachelor of Law	Specialist of Management	B.Sc. in Industrial Engineering - Electrical Engineering	Bachelor of Meteorology	Bachelor of Elect. Tech. Science, Master of Economics and Business
Professional profile	Business economics, energy economics, public sector and environment economics, infrastructural activity management and economics	Management, leadership, energy	Business finance, controlling, book-keeping, valuation, corporate governance	Management, finance, analyticity	Attorney-at-law - corporate law	Management, organisation, management, supervision, environment	Electrical engineering, trading in and sales of electricity and related products, portfolio management and analyticity	Electricity trading	Electrical engineering, electricity production
Independence as per article 23 of the code (yes/no)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Conflict of interest in business year (yes/no)	No	No	No	No	No	No	No	No	No
Membership in supervisory boards of other companies	Member of the Supervisory Board of DARS, d.d.	/	Member of the Supervisory Board of TRIGLAV SKLADI, d.o.o.	/	/	/	/	/	/
Membership in committees	PC	MIC, RC	AC, MIC	MIC, AC	RC, PC	RC, PC	MIC, RC	PC	AC, RC
Committee president/ member	PC - president since 3/10/2022	RC - member since 3/10/2022, MIC - member since 3/10/2022	AC - president since 27/9/2022, MIC - member since 3/10/2022	MIC - president since 3/10/2022, AC - member since 27/9/2022	RC - president since 3/10/2022, PC - member since 3/10/2022	member of RC since 3/10/2022 (president of PC since 30/11/2021 and 3/10/2022), RC - member since 13/10/2021	RC and MIC - member since 4/7/2022	PC - member since 4/7/2022	AC -member since 4/7/2022, RC - member until 4/7/2022
Participation at committee meetings with regard to total number of meetings	PC - 100%	RC and MIC - 100%	AC and MIC - 100%	AC and MIC - 100%	PC - 100%, There were no sessions of the RC in 2022	PC - 100%, There were no sessions of the RC in 2022	MIC - 100%, There were no sessions of the RC in 2022	PC - 100%	AC - 100%

SB - Supervisory Board, AC - Audit Committee, PC - Personnel Committee, MIC - Marketing and Investment Committee, RC - Restructuring Committee

the text continues on the next page →

Name and surname	Tjaša Prinčič	Franc Dover, M.Sc.	Andrej Janša	Robert Celec, Ph.D.	Janez Gutnik	Petja Rijavec, M.Sc.	Boštjan Jančar
Function (president, deputy, SB member)	SB Member	SB President	Deputy President	SB Member	SB Member	SB Member	SB Member
First appointment	3/2/2022	23/10/2020 - SB Member, 28/10/2020 - President of SB	23/10/2020 - SB Member, 28/10/2020 - Deputy President of SB	23/10/2020	23/10/2020	2/7/2018	9/5/2013
End of function/term of office	21/9/2022	21/9/2022	21/9/2022	21/9/2022	21/9/2022	2/7/2022	2/7/2022
Capital/employee representative	Capital representative	Capital representative	Capital representative	Capital representative	Capital representative	Employee representative	Employee representative
Participation at SB meetings with regard to total number of SB meetings	100%	100%	100%	100%	100%	100%	100%
Gender	female	male	male	male	male	female	male
Nationality	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Birth year	1973	1965	1978	1975	1964	1971	1971
Education	Bachelor of Economics	M.Sc.	Bachelor of Economics	Ph.D. in Economics	Bachelor of Economics	Master of Communicology	Master of Business
Professional profile	Accounting and finance	Technology, mechanical engineering, management, environment, management, supervision	Management, organisation, management and supervision	Management, organisation, project management	Business economics (organisation, plan, analyses), organisation unit management and work process management, financial and project management	Public relations	Finances
Independence as per article 23 of the code (yes/no)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Conflict of interest in business year (yes/no)	No	No	No	No	No	No	No
Membership in supervisory boards of other companies	Member of the Management Board of Kapitalska zadruga	President of the Supervisory Board of UNIOR Kovaška industrija d.d.	/	/	/	/	/
Membership in committees	RC and PC	PC	AC, MIC	RC, MIC	AC, MIC	PC	AC, MIC
Committee president/ member	RC and PC - member from 16/3/2022 to 21/9/2022	PC - member until 21/9/2022	AC - president until 21/9/2022, MIC - member until 21/9/2022	RC - president until 21/9/2022, MIC - member until 21/9/2022	MIC - president until 21/9/2022, AC - member until 21/9/2022	PC - member until 1/7/2022	AC - member until 4/7/2022, MIC - member until 4/7/2022
Participation at committee meetings with regard to total number of meetings	PC - 100%, There were no sessions of the RC in 2022	PC - 100%	AC and MIC - 100%	RC and AC - 100%	AC and MIC - 100%	PC - 100%	AC and MIC - 100%

SB - Supervisory Board, AC - Audit Committee, PC - Personnel Committee, MIC - Marketing and Investment Committee, RC - Restructuring Committee

External committee members

Name and surname	Marko Hočevar, Ph.D.
Committee	Audit committee since 26/11/2020
Participation at committee meetings with regard to total number of meetings	100%
Gender	male
Nationality	Slovenian
Education	Ph.D.
Birth year	1962
Professional profile	Business and financial accounting, audit
Membership in supervisory bodies in companies not connected to the company	Member of Hidria holding d.d. SB and the Supervisory Board of Kontrola zračnega prometa Slovenije, d.o.o., and the Management Board of H&R, d.d.

Management Board composition in the 2022 financial year

Name and surname	Tomaž Štokelj Ph.D.	Uroš Podobnik	Viktor Vračar, Ph.D.	Marko Štrigl, M.Sc.
Function (president, member)	CEO since 8/11/2022	Business director since 3/11/2020	CEO since 3/11/2020	Business director since 01/12/2020
Area of work in management	CEO	Business director	CEO	Business director
First appointment	CEO	Business director	3/11/2020	1/12/2020
End of function/term of office	8/11/2026	3/11/2024	7/11/2022	22/11/2022
Gender	male	male	male	male
Nationality	Slovenian	Slovenian	Slovenian	Slovenian
Birth year	1968	1980	1971	1983
Education	Ph.D. and Bachelor of Elect. Tech. Science	Graduate in law, bar exam	Ph.D. and Electrotechnical Engineer	M.Sc.
Professional profile	Electricity systems, generation of, trading in and sales of electricity and related products, portfolio management, leadership, management	Law, corporate management, management	Management, organisation, investment, development, restructuring	Finance and banking
Membership in supervisory bodies in companies not connected to the company	/	/	/	Bodočnost Maribor d.o.o.

Work of the Management Board

In accordance with the Articles of Association of HSE and a decision of the Supervisory Board, the company is managed and represented by the Management Board at its own risk. Between 1 January 2022 and 7 November 2022, the Management Board consisted of three members, namely: Viktor Vračar, Ph.D., CEO; Uroš Podobnik, CBO, and Marko Štrigl, M.Sc., CBO; from 8 November 2022, it consisted of Tomaž Štokelj, Ph.D., CEO; Marko Štrigl, M.Sc., CBO, and Uroš Podobnik, CBO. Since 23 November 2022, the Management Board consists of two members. Tomaž Štokelj, Ph.D., CEO, and Uroš Podobnik, CBO.

2.5.3 Description of the main features of its internal control and risk management systems in the Company as related to the financial reporting process

With the aim of ensuring increased transparency, efficiency and responsible operations, the Company has an established and functioning internal controls system and a risk management system that are implemented through the organisational structure of the Company, the ISO 9001 quality management standard, the ISO 45001 occupational health and safety standard, the ISO/IEC 27001 information security management standard, the ISO 55001 asset management standard, and the ISO 14001 environmental management standard (standard introduced and implemented but not certified), and internal acts of the Company with a precisely elaborated reporting system by organisational unit. The internal control system is supported by the information security system that, inter alia, provides for proper information system access restrictions and supervision of the network and the comprehensiveness, confidentiality, and accessibility of data.

The system of internal controls in the Company allows for a planned and systematic use of procedures and methods, whose functioning assures accuracy, reliability and completeness of data and information and the drawing up of accurate and fair financial statements, prevents and detects deficiencies in the system and ensures compliance with laws and regulations, the governing bodies' acts and systemic rules of the Company.

The Management Board of the Company is responsible for keeping adequate accounts, for establishing and ensuring the functioning of internal controls and internal accounting controls, and the selection and application of accounting policies. An internal controls system is set up by considering the three lines of defence principle:

- assessing the environment and risks (carried out by 'risk owners'),
- establishing the control method – setting up a control system (carried out by various professional services),
- controlling the operation of the system and introducing improvements (carried out by the Internal Audit Department).

The internal control system is set up by pursuing the following main objectives:

- accuracy, reliability and completeness of accounting records and truth and fairness in financial reporting,
- compliance with legislation and other regulations,
- the efficiency and effectiveness of operations.

An independent risk management organisational unit and a risk management committee were established in the Company with the aim of comprehensive risk management and providing high-quality information to the Management Board on the management and the Supervisory Board on the supervision of the Company. The risk management department is responsible for establishing and continually operating the risk management system. Furthermore, it provides operational and coordination support to the Risk Management Committee and its sub-committees that supervise the comprehensive risk management system and propose corresponding amendments.

The Internal Audit Department established in the Company operates in accordance with the adopted Rules of Procedure of the HSE Group Internal Audit which were revised in 2021. Its mission and purpose, i.e. to provide assistance to both the Company and the HSE Group in implementing their strategic and business objectives set, are pursued through systematic and methodical assessments and improvements to the effectiveness and efficiency of risk management, control procedures and governance of the Company and the HSE Group. The Internal Audit Department is a separate organisational unit organisationally reporting to the Management Board of HSE and functionally reporting to the Audit Committee or the Supervisory Board of HSE, which allows for its organisational independence. Internal auditing is conducted in the entire HSE Group in accordance with the hierarchy of internal auditing rules.

In 2022, the Internal Audit Department carried out internal audit procedures and other activities pursuant to the confirmed annual work plan. Within the scope of the performed procedures, it reviewed the existence, operation and efficiency of the internal control system in implementing the objectives set in the audited units. It submitted recommendations for their improvement. Special attention was paid to monitoring the implementation of audit recommendations, training and education and ensuring the high-quality and professional operation of the internal audit function in the HSE Group. The Internal Audit Department reported on its work to the Management Board of HSE, the Supervisory Board and Audit Committee of HSE, and the Audit Committees of the DEM, SENG, TEŠ and PV subsidiaries. Internal audits are developed and implemented through a quality assurance and improvement programme intended to provide for effectiveness and efficiency and compliance of operations with professional practices in force.

2.5.4 Description of the business compliance and integrity system

The business compliance and integrity system fall under the auspices of the Business Compliance Department. Its operations within the internal controls system are specified by the Rules adopted in January 2021. Its main task is to manage the risks arising from non-compliance with legislation and internal acts. The main substantive areas in which the compliance department operates include managing the internal control system, preventing corruption and fraud, implementing the Code of Ethics of the HSE Group, managing conflicts of interest, communicating with or reporting to external institutions and supervisory bodies in accordance with the internal delineation of tasks with other key and business functions within the HSE Group and performing collective integrity-enhancing activities.

In Ljubljana, on 20 April 2023

Uroš Podobnik
CBO of HSE

Nevenka Hrovatin, Ph.D.
President of the Supervisory Board of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

2.6 Presentation of the HSE Group[8]

The HSE Group is the biggest generator and seller of self-generated domestic electricity on the wholesale market in Slovenia and the biggest generator of renewable electricity. It is also one of the three largest suppliers of electricity to end customers.

Our remaining activities include lignite mining, the provision of system services required for the functioning of the electricity system in Slovenia and managing and implementing energy and environmental projects.

We strive for safe, reliable, competitive and profitable generation of electricity performed via our experienced and committed employees in an efficient and responsible way towards the natural and social environment we operate in.

We are active as electricity traders in more than twenty European countries. Generated electricity is sold to our customers on the domestic and European wholesale market. Electricity and all of its derivatives and related products are traded in at different energy exchanges across Europe.

Associates of the HSE Group as at 31 December 2022

Holding Slovenske elektrarne d.o.o.

Production

Hydro production

Dravske elektrarne Maribor d.o.o.
(HSE 100.0%)

→ **MHE Lobnica d.o.o.**
(DEM 65.0%)

Soške elektrarne Nova Gorica d.o.o.
(HSE 100.0%)

Hidroelektrarne na Spodnji Savi d.o.o.
(HSE 15.4%, DEM 30.8%, SENG 2.8%)

Srednjesavske elektrarne d.o.o.
(HSE 60.0%)

Thermo production

Termoelektrarna Šoštanj d.o.o.
(HSE 100.0%)

HSE - Energetska družba Trbovlje d.o.o.
(HSE 100.0%)

Primary sources

Premogovnik Velenje d.o.o.
(HSE 100.0%)

HTZ I.P. d.o.o.
(PV 100.0%)

Sipoteh d.o.o.
(PV 100.0%)

PLP d.o.o.
(PV 100.0%)

International network

HSE BE d.o.o.
(HSE 100.0%)

HSE BH d.o.o.
(HSE 100.0%)

HSE MAK ENERGY DOOEL
(HSE 100.0%)

HSE subsidiary in Prague

Investments

SOENERGETIKA d.o.o.
(HSE 25.0%)

HSE Invest d.o.o.
(HSE 42.1%, DEM 21.05%, SENG 21.05%, HESS 13.2%, PV 1.3%, TEŠ 1.3%)

RGP d.o.o.
(PV 4.0%, DEM 86.9%, SENG 4.0%, TEŠ 5.1%)

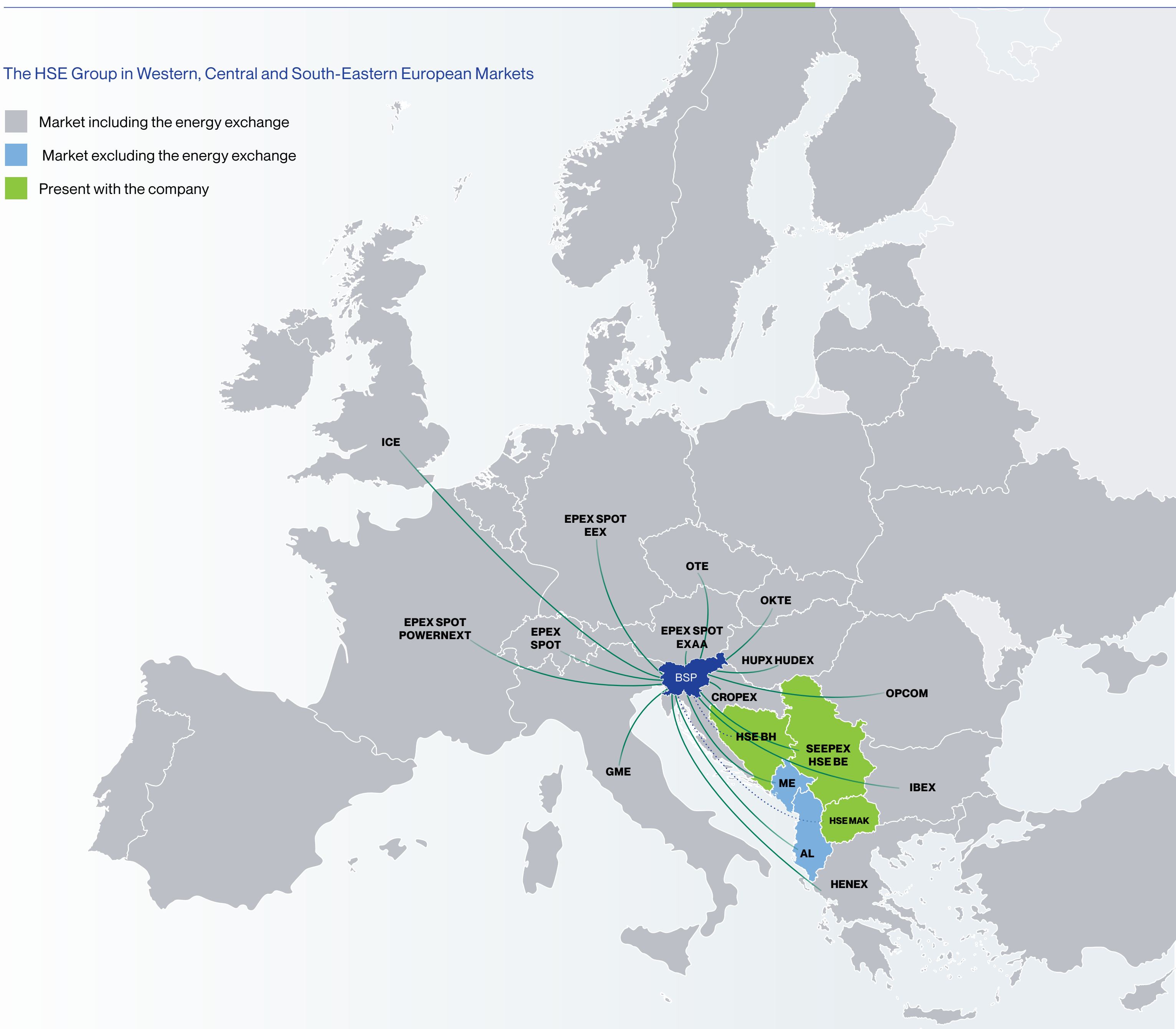
Sales to end customers

ECE d.o.o.
(HSE 63.58%)

Energija plus d.o.o.
(HSE 51.0%)

8 GRI: 102-2; 102-4; 102-6.

The HSE Group in Western, Central and South-Eastern European Markets



We are members of and thus present at all main European futures and daily electricity exchanges. An increase in renewable electricity generation and the development of smart networks favour intraday trading that is performed 24 hours per day, all days of the week. Our portfolio of controllable electricity generation sources makes us one of the main intraday electricity traders in South-Eastern Europe.

Various types of structured electricity products, tailored to the needs of the business needs of the respective partner, are offered on a bilateral basis. A business relationship with more than 300 partners in Europe has been established. In Slovenia, electricity is sold to major electricity providers and large end consumers. A high-quality service and competitive price of electricity are ensured.

Our balanced production portfolio makes us a key pillar for reliable electricity supply in Slovenia by ensuring stable operations of the electricity system and serving as a key energy group for attaining Slovenia's national renewable energy objectives.

As the largest generator of electricity from RES in Slovenia we provide for more than half of our generated electricity from RES - system hydro-electric power plants, small hydro, and solar power plants. The Avče pump-fed hydroelectric power station efficiently stores electricity and supplies it to the market whenever required.

The remaining electricity in the HSE Group is generated from conventional sources, namely using two coal-powered generators at the Šoštanj Thermal Power Plant (TEŠ) and four gas turbines at TEŠ and EDT. The coal-powered generators at TEŠ use a local source. Since 2022, also foreign coal and biomass.

Number of generating units and capacities at the threshold of generating units

HSE Group

	Threshold capacity
13 HPP	732 MW (without 49% share HESS)
2 TPP	844 MW
28 sHPP	24 MW
4 GAS TURBINES	142 MW
1 PHPP	180 MW
7 SPP	5 MW

Our power plants are controlled remotely and managed via a joint, high-performance, and world-class integrated management system that allows for concerted operations of the HSE Group in the electricity market, also under the virtual power plant concept.

We also have our very own primary energy source: lignite. PV (the Velenje Coal Mine) is a modern coal mine that exploits coal underground. Annually, more than 2.5 million tonnes of coal, used in the generation of electricity and thermal energy, are extracted.

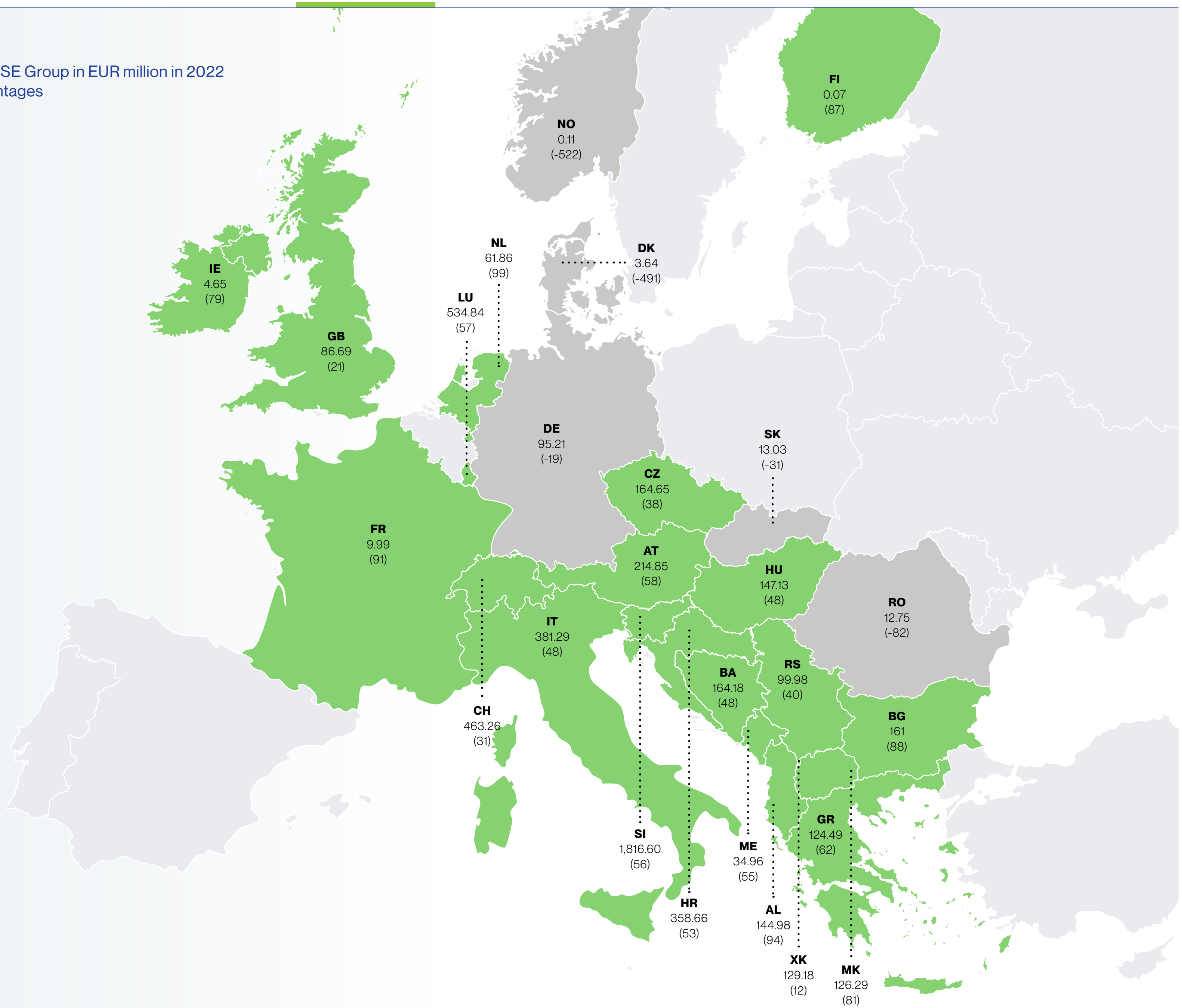
We are the only electricity generator who offers a frequency maintenance reserve (previously called primary regulation) and an automatic frequency restoration reserve (previously called secondary regulation) in Slovenia to a greater extent.

ECE is a supplier of electricity, natural gas, and wood biomass with a wide palette of customer-tailored energy solutions and its own online store for affordable purchases of merchandise. With its comprehensive portfolio of state-of-the-art energy solutions, Energija plus provides for a reliable, economic, and environment-friendly energy supply and transition towards a low-carbon society. We seek to further increase our focus on a sustainability-oriented sales of electricity and the promotion of sustainable consumption of energy of end customers by means of our innovative products and services in the future. In order to reduce our dependence on the power grid and to promote sustainable consumption of energy, a set of energy solutions have been developed for end customers, such as self-sufficiency, batteries to be used at home, and heat pumps. This way, a more efficient consumption of energy will be facilitated for our end customers, encouraging them to proactively approach the sustainable consumption of energy.

Revenue from sales of the parent company of the HSE Group in EUR million in 2022 and change compared to 2021 expressed in percentages

Increase
in revenue in the market 2022

Decrease
in revenue in the market 2022



Note: The revenue from sales of electricity on foreign markets in 2022 also includes revenue from the fair value of full-time contracts amounting to EUR 220.9 million.

Business model of the HSE Group

* Excluding the 49% participating share in the generation in HESS.

** The number of employees does not include employees of PV subsidiaries, our international network, investments and sales to end customers.

HOLDING SLOVENSKE ELEKTRARNE D.O.O.

	2022	2021
Number of employees	235	214

SALE OF ELECTRICITY

PURCHASE OF ELECTRICITY

SALE OF ELECTRICITY ON THE DOMESTIC MARKET

	2022	2021
Sale of electricity in GWh	11,779	11,645
Share of sale on the domestic market	41%	31%

SALE OF ELECTRICITY ON THE FOREIGN MARKET

	2022	2021
Sale of electricity in GWh	17,164	26,032
Share of sale on foreign markets	59%	69%

OTHER SOURCES OF ELECTRICITY

	2022	2021
Purchase of electricity in GWh	23,865	30,799
Share of other sources	82%	82%

HESS

	2022	2021
Production of electricity in GWh (49% share)	196	269

OWN PRODUCTION RESOURCES

	2022	2021
Production of electricity in GWh*	5,079	6,878
Share of self-generated sources	18%	18%
Number of employees**	1,893	1,838
Power in MW	1,928	1,915

RENEWABLE ENERGY SOURCES 49%

	2022	2021
Number of employees	378	370
Production of electricity in GWh	2,485	3,711
Power in MW	942	929
Units	72 turbins 7 solar power plants	72 turbins 5 solar power plants

THERMO PRODUCTION 51%

	2022	2021
Number of employees	319	316
Production of electricity in GWh	2,594	3,166
Power in MW	986	986
Units	2 blocks 4 gas turbines	2 blocks 4 gas turbines

DEM

	2022	2021
Number of employees	253	246
Production of electricity in GWh	1,870	2,911
Power in MW	602	592
Units	31 turbines 5 solar power plants	31 turbines 4 solar power plants

SENG

	2022	2021
Number of employees	125	124
Production of electricity in GWh	612	800
Power in MW	336	337
Units	39 turbines 1 solar power plant	39 turbines 1 solar power plant

MHE LOBNICA

	2022	2021
Number of employees	0	0
Production of electricity in GWh	0.2	0.3
Power in MW	0.1	0.1
Units	2 turbines	2 turbines

HSE (SE PRAPRETNO)

	2022	2021
Number of employees	0	0
Production of electricity in GWh	3	0
Power in MW	3	0
Units	1 solar power plant	0

PV

	2022	2021
Number of employees	1,196	1,152
Coal production at TJ	27,381	30,036

TEŠ

	2022	2021
Number of employees	319	316
Production of electricity in GWh	2,592	3,166
Power in MW	928	928
Units	2 blocks 2 gas turbines	2 blocks 2 gas turbines

HSE EDT

	2022	2021
Number of employees	0	0
Production of electricity in GWh	2	0
Power in MW	58	58
Units	2 turbines	2 turbines

2.7 Market environment of the electricity industry[9]

The market environment of the electricity industry and other associated markets were marked in 2022 by an exceptional rise in energy product prices triggered by the Russian invasion of Ukraine on 24 February 2022 and was additionally exacerbated by the combination of extremely low inventories of gas warehouses at the end of the 2021/2022 winter in Europe. In particular during the second half of the year, subject to a significant reduction in supplies via NS1 - Nord Stream 1 (by 60-100%) and the withdrawal of Germany from the NS2 - Nord Stream 2 project just before its opening, the race to fill-up gas warehouse to at least 90% by 1 November 2022 began. The prices reached their peak at the end of August 2022, when the 2023 annual gas product cost a little over EUR 300/MWh at the TTF (gas price index in the Netherlands), whereas the price of baseload electricity in Germany amounted to even as much as EUR 1,000/MWh. During the last quarter of 2022 the prices of energy products fell significantly, as considerably aided by the weather (rather above-average temperatures), an above-average filling of waterhouses and the reduction of energy product consumption both by household customers and the industry. The annual product price at the TTF for 2023 almost reached the EUR 100/MWh threshold during the second half of December 2022, whereas the price of electricity for the 2023 annual product in Germany fell to a level of around EUR 250/MWh. The state and suppliers sought as an alternative to Russian gas primarily in additional and aggressive demand for LNG - Liquefied natural gas from the US and Asia and in the start of all available resources for the generation of electricity, such as coal-powered thermal and nuclear power plants whose operation was extended, primarily in Germany, to 15 April 2023.

A sharp rise in gas, coal, and CO_2 emission allowance prices led to changes in electricity generation source ratios, more electricity was generated by coal-fired power plants and less electricity by gas-fired power plants. Low levels of generated renewable electricity in Central Europe and an extremely low hydrology (the lowest water levels in the last few decades) and drought throughout Europe in 2022 led to an additional rise in electricity prices.

EURIBOR 12 M INTEREST RATE

2022
3.291%
2021
–0.501%

Movement range: [–0.501, 3.325]

In view of a high increase of inflation, the ECB, following the pattern of the FED, began raising interest raise which are to raise slightly even further in 2023.

ECONOMIC GROWTH IN EUROPE

2022
3.3%
2021
5.2%

A lack of gas and extremely high energy product prices limited economic growth.

THE EUR/USD EXCHANGE RATE

2022
1.0699
2021
1.1326

Movement range: [0.9549, 1.484]

The energy crisis more significantly affected Europe.

The US economy recovered faster after the covid-19 pandemic.

OIL PRICES

2022
$86/Bbl
2021
$79/Bbl

Movement range: [75, 139]

The Russian invasion of Ukraine encouraged Western countries to prohibit the import of Russian energy products. OPEC+ agreement to reduce production by the end of 2023.

9 GRI: 102-15; 103-1; 103-2; 103-3; 201-2.

GAS PRICES

2022
EUR 81/MWh
2021
EUR 79/MWh

Movement range: [43, 312]

An exceptional reduction of gas deliveries from Russia.

The destruction of the Nord Stream gas pipeline.

Accident at the Freeport LNG terminal in the US led to a major disruption in LNG supplies worldwide.

Highly filled warehouses at the end of the year and an extremely warm beginning of winter.

COAL PRICES

2022
$185/t
2021
$99/t

Movement range: [91, 342]

Coal was more favourable in terms of price for the generation of electricity.

Issues with coal production and transport to export terminals in Australia due to the extension of the La Ninja weather phenomenon.

Seeking an alternative supply to Russian coal.

ENERGY FROM WATER IN SOUTH-EASTERN EUROPE

2022
39.8 TWh
2021
57.5 TWh

In South-Eastern Europe, hydro generation fell by as much as 30% in 2022 compared to 2021. The difference is so high due to an extremely low hydrology and major drought all over Europe in 2022 and an extremely good hydrology in 2021.

RENEWABLE ENERGY IN GERMANY (wind and sun)

2022
181 TWh
2021
160 TWh

In Germany, as the leading country with the most renewable energy sources in Europe, the installed power of RES (OVE) was increased by approximately 5 GW in 2022.

German solar power plants generated 55.4 TWh or 19% more electricity than the year before.

Wind power generation in Germany amounted to 118 TWh in 2022 or 114 TWh in 2021.

PRICES CO_2

2022
EUR 84.0/t
2021
EUR 79.4/t

Movement range: [58, 98]

Many speculators on the CO_2 emission allowance market.

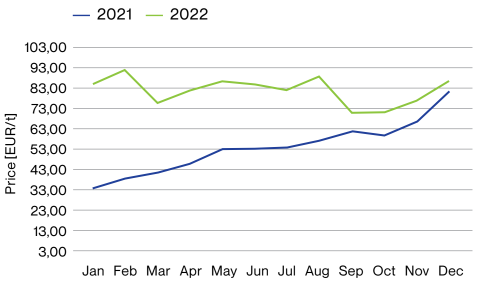
A higher consumption of CO_2 emission allowances due to lower renewable electricity generation and increased coal electricity generation due to its competitiveness compared to gas (the gas to coal switch) resulted in higher prices thereof.

Average electricity prices

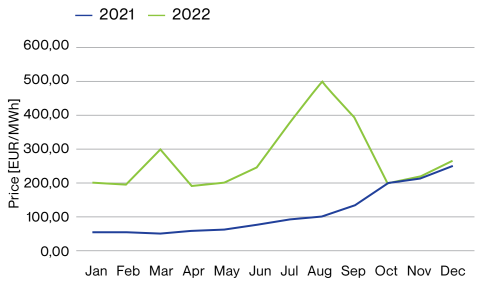
Prices on the electricity market with delivery for the day ahead were significantly higher compared to the previous years. The growth characterising the end of 2021 only continued in 2022. The highest price levels were achieved in August when the daily average price exceeded as much as EUR 700/MWh on several markets. The main reasons for the above were high energy product and emission allowance prices, an extremely poor hydrology all over Europe and also record low levels of electricity generated by French nuclear power plants.

Electricity supply prices for products more remote in time closest in time were quoted on significantly lower levels than those for the day ahead. We witnessed sudden price hikes of electricity not based on market conditions but which resulted from the closing of positions of companies and also the liquidation of individual companies all over Europe. At that time, at the end of year, electricity delivery prices for the year ahead exceeded as much as EUR 1,000/MWh.

Average monthly prices of CO_2 emission allowances delivered in December within the year of delivery



Average monthly price of electricity BSP – SOUTHPOOL (Slovenia)



DE
2022
EUR 235/MWh
2021
EUR 97/MWh

HU
2022
EUR 272/MWh
2021
EUR 114/MWh

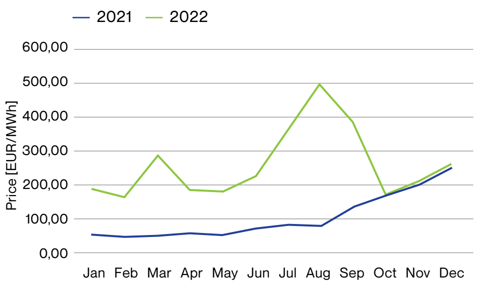
SI
2022
EUR 274/MWh
2021
EUR 115/MWh

IT
2022
EUR 304/MWh
2021
EUR 125/MWh

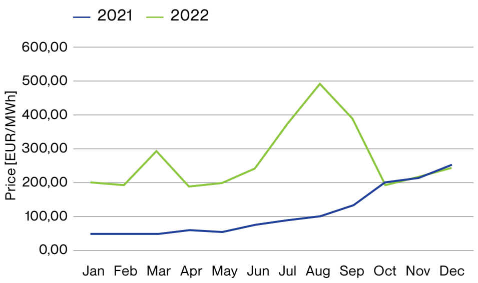
GR
2022
EUR 280/MWh
2021
EUR 116/MWh

RO
2022
EUR 265/MWh
2021
EUR 111/MWh

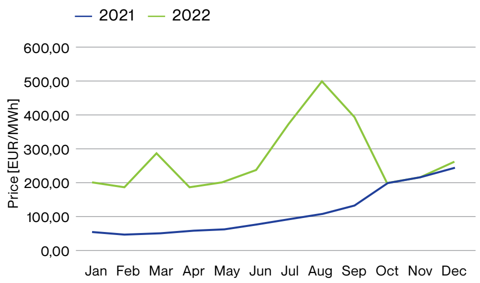
Average monthly price of electricity EPEX (Austria)



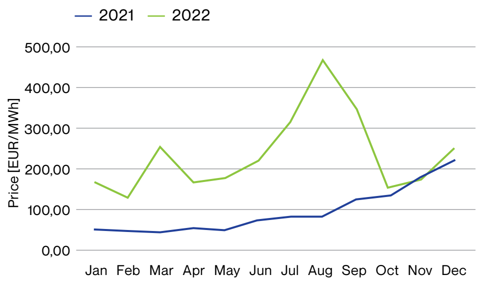
Average monthly price of electricity CROPEX (Croatia)



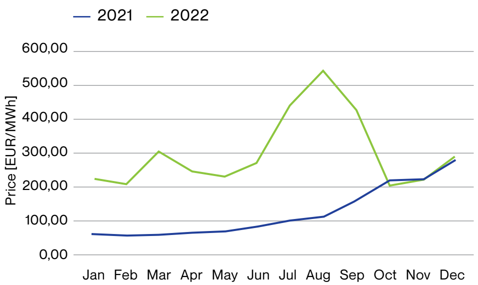
Average monthly price of electricity HUPX (Hungary)



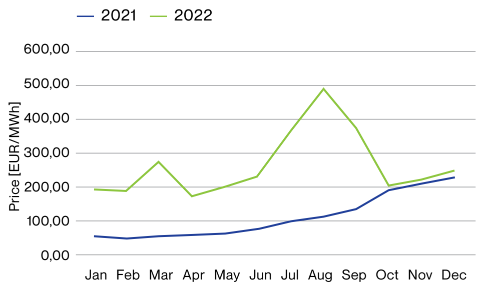
Average monthly price of electricity EPEX SPOT DE/AT (Germany)



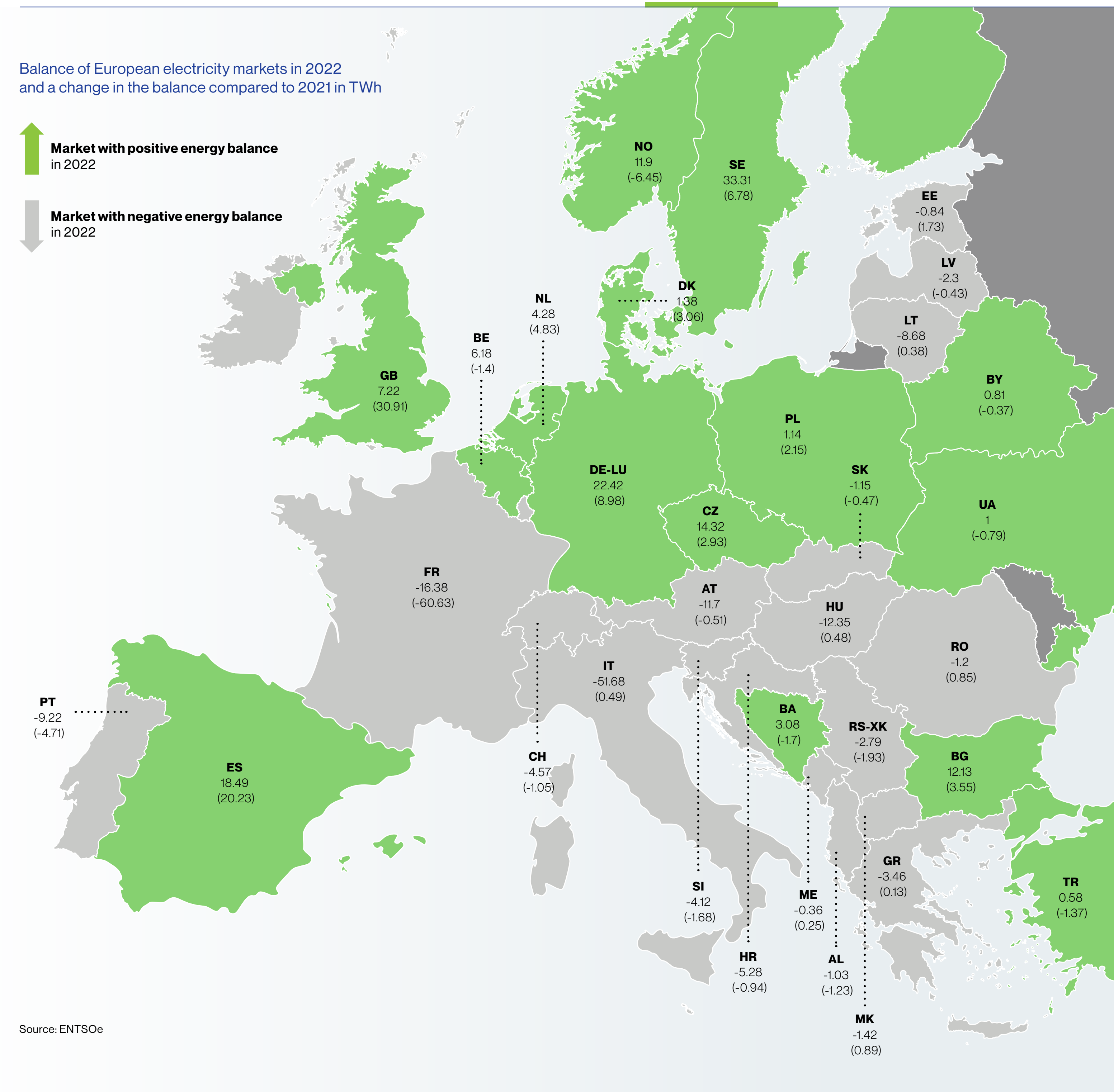
Average monthly price of electricity GME PUN (Italy)



Average monthly price of electricity OPCOM (Romania)



Balance of European electricity markets in 2022 and a change in the balance compared to 2021 in TWh

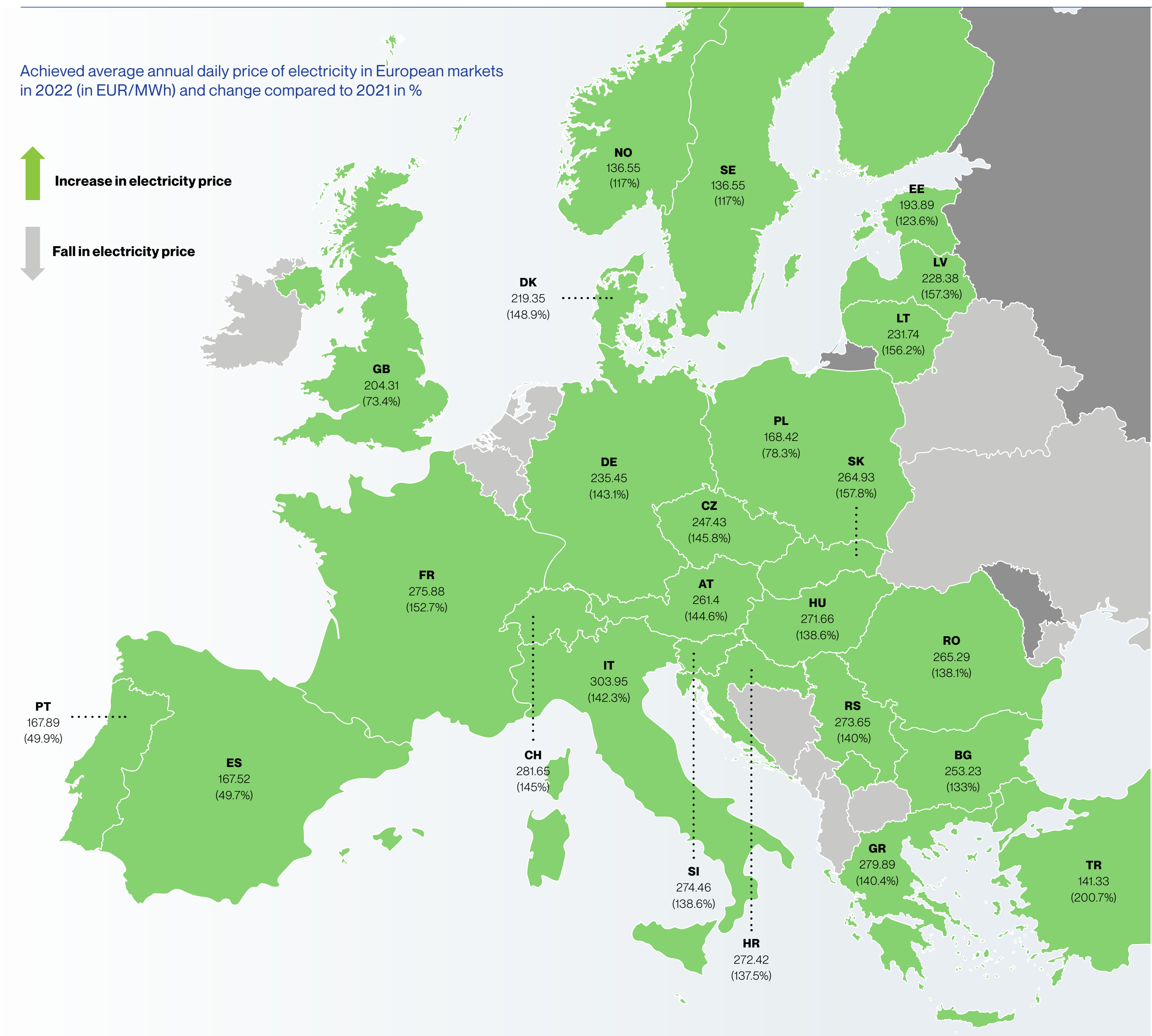


Source: ENTSOe

Throughout most of 2022, the hydrology in most of Europe was sub-average, causing a 30% lower hydro production in South-Eastern Europe and a worse balance of the majority of these countries compared to the same period last year. High market prices of electricity and a calm state of emission allowance prices in addition to extreme gas prices affected a high profitability of coal-powered power stations. As a result, Germany increased electricity generated from its coal-powered power station as much as 21% compared to 2021. Its balance was also increased by a 10% higher level of electricity generated from wind farms. Other countries with high levels of electricity generated from coal (Poland, Bulgaria) also significantly increased their balance. The highest balance fall was experienced by France due to an extremely low level of availability of its nuclear units, resulting in the country becoming even a net importer of electricity on the annual level.

The electricity consumption level returned to pre-pandemic levels at the beginning of the year. During the first quarter, the temperatures oscillated close to the long-standing average and did not affect consumption levels considerably. During the second quarter, the exceptional rise of energy product prices already affected a lower consumption of electricity, partly corrected by an early heatwave that swept through most of Europe in June. Towards the end of the third quarter, the impact of the energy crises and reduced economic activity was becoming increasingly obvious as the consumption of electricity in Europe increased towards the levels of the 2020 pandemic year. An additional fall was caused by energy product saving voted for by EU Member States until the end of March 2023. This led to the fall of consumption levels in key European economies during the last quarter 2022 to 2020 levels.

Achieved average annual daily price of electricity in European markets in 2022 (in EUR/MWh) and change compared to 2021 in %



Source: Stock Exchange

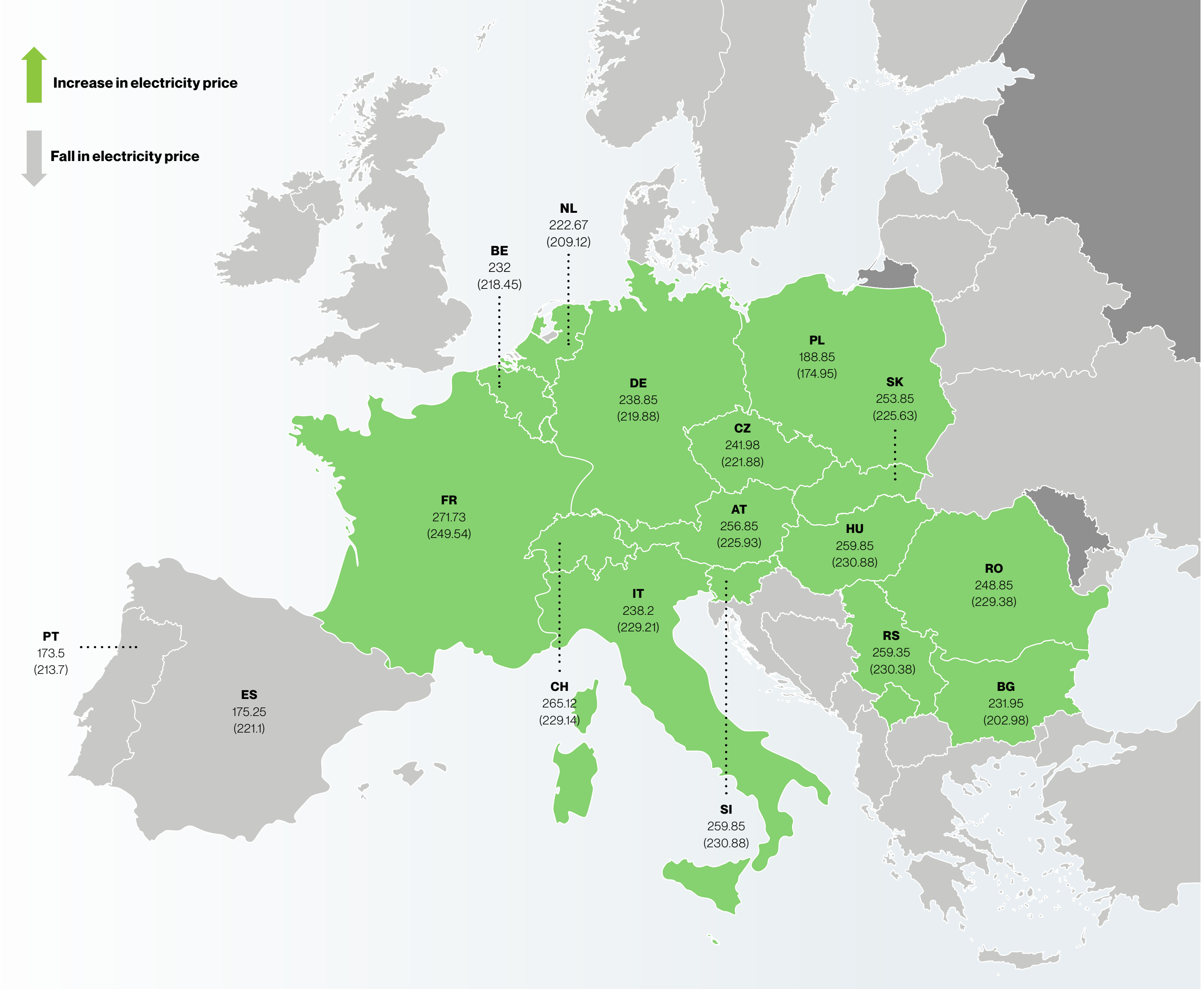
In 2022, prices were much higher than the previous years. This was caused by high energy product and emission allowance prices. In addition, the restricted energy product delivery caused by the sanctions led to an additional electricity price premium.

The lowest prices continued to be on northern markets and the highest were in Italy. During peak times, regional prices moved closer to the Italian prices, and during night-time to Austrian prices. In 2022, almost all European power exchanges reported record prices; baseload prices exceeded EUR 500/MWh as early as March on several markets. At the end of August, they increased even to over EUR 700/MWh.

Except for the end of summer, the whole continent faced a poorer hydrology which was not able to recover until towards the end of the year. Conventional production else continued to operate as planned without any major unplanned outages, with the exception of French nuclear power plants whose production fell to record low levels.

After the new Core Flow-Based Market Coupling (Core FBMC) mechanism or method had gone live in June 2022, Croatia and Hungary were coupled with the remaining, previously coupled part of Europe. The new mechanism ensures the optimum distribution of energy, whereby flows between the coupled countries are no longer intuitive, which frequently leads to different prices at regional power exchanges.

Forward prices of baseload electricity for delivery in 2023, at the end of 2022 and for delivery in 2022 at the end of 2021 (in EUR/MWh) on key markets



Source: Stock Exchange

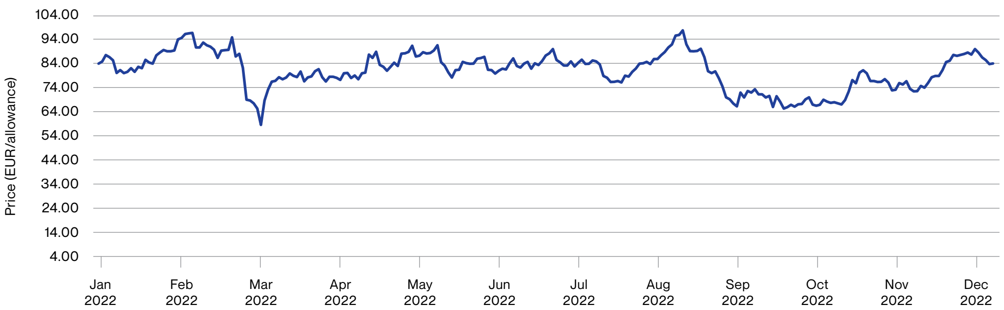
In the period between I-VIII 2022, the electricity price growth trend continued in view of a strong growth of energy product prices. The annual TTF product for delivery closer in time for 2023 grew by as much as 600%, the API2 annual product for delivery closer in time (the coal price index in Rotterdam) increased by as much as 400%, whereas the annual product for delivery closer in time for Germany increased by as much as 700%. In September, there was a downturn of energy product and electricity prices; the prices of annual products to be delivered in 2023 for all remaining months, except for November, fell sharply and ended up slightly above the end-year levels of annual products to be delivered in 2022.

A sharp rise and high volatility of energy products and electricity was recorded as early as at the end of February and the beginning of March 2022 upon the outbreak of the war in Ukraine and the decision of the EU to reduce its dependence on Russian energy products. Between May and the end of August, the falling deliveries by Gazprom impacted the volatility and growth of prices of European gas to the greatest extent. In June, a sharp increase in prices was caused by the explosion at the American Freeport LNG terminal that remained unoperational until the end of the year. An additional volatility of energy product prices in the third quarter were caused by frequent meetings of the European Commission and other European bodies on stabilising the markets, adopting cost-saving measures and price regulation strategies.

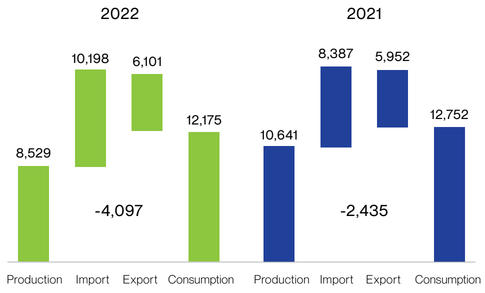
From the beginning of September, following the complete discontinuation of gas deliveries along Nord Stream 1, economic stagnation or even recession were predicted for Europe. An increasing number of companies with high electricity consumption levels reduced or even discontinued their production, while EU Member States introduced gas consumption reduction strategies. As a result, energy product and electricity prices began to fall in September.

An extremely warm beginning of winter allowed us to fully restock gas in Europe. An extreme warming during the Christmas-New Year's holidays resulted in a sharp fall of gas and electricity consumption and prices in December. This resulted in futures prices of baseload electricity for delivery in 2023 to get very close to but to still remain above futures prices of baseload electricity to be delivered in 2022.

CO_2 emission allowance prices in EUR/allowance (Delivery: December 2022)

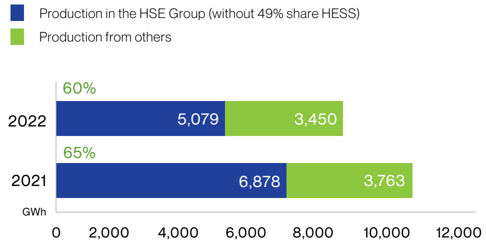


Slovenian electricity market in GWh



Source: Monthly ELES report.

Generation in the HSE Group compared to the total electricity generation in Slovenia



At the beginning of 2022, emission allowances continued with a robust rise in prices that we had been used to since November 2020. At the beginning of February, the value of an emission allowance came very close to the important psychological threshold of EUR 100 (the most liquid contract dec22 at the ICE futures market namely achieved the price of EUR 98.49/t on February 8). That growth has been caused by increasingly strong commitments of the West to reduce greenhouse gas emissions and to transition to RES as reflected in the “Fit for 55” legislative package.

The Russian invasion of Ukraine also caused significant shifts on the emissions market. The emission allowance price fell by almost 40% under the influence thereof within a month. A significant change caused thereby was that the emission allowances had lost the prior strongly positive correlation to gas prices, as a high gas price leads to a higher production of electricity from coal and, consequently, a higher demand and price of CO_2 emission allowances. Following an exceptionally strong growth of gas prices at the end of February and at the beginning of March 2022, emission allowances completely reversed and recorded exceptional falls as already described before.

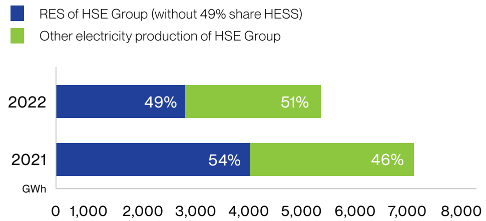
The reasons for this movement lie in the structure of investors entering the emission allowance market during the last months and years. Due to their robust growth, emission allowances have been deemed the ‘best performing asset’ among financial investors, attracting a wide range of investors from the financial world. When the market was shocked by the Russian invasion, investors massively exited it and the allowance price lost its correlation with energy products in addition to being under the strong influence of the movement of stock indexes, the most important being the German DAX. An important reason for the emission allowance price fall was also the panic sales of emission allowances to provide for liquid funds in view of a tougher liquidity situation of many actors on the energy product market (due to high volatility of prices, financial coverages - IM (Initial Margin), VM (Variation Margin) were higher) .

In the meantime, the “Fit for 55” legislative package caused many issues for Member States who use coal-powered power stations to generate electricity. A more aggressive green transformation policy, the inclusion of additional sectors, such as the building and traffic sectors, the CBAM (Carbon Border Adjustment Mechanism), the revision of ETS (Emissions Trading System) resulted in an emergency situation for all ETS taxable persons in addition to the already acute issues in their fight to become independent of Russian gas. Unsustainable energy product prices and the concern over the reduced delivery of Russian gas re-raised EUA prices towards the EUR 90 range by the end of June. An extremely poor hydrology, frequent heat waves and the reduced volume of allowances at primary auctions in August only additionally contributed to the bullish effect.

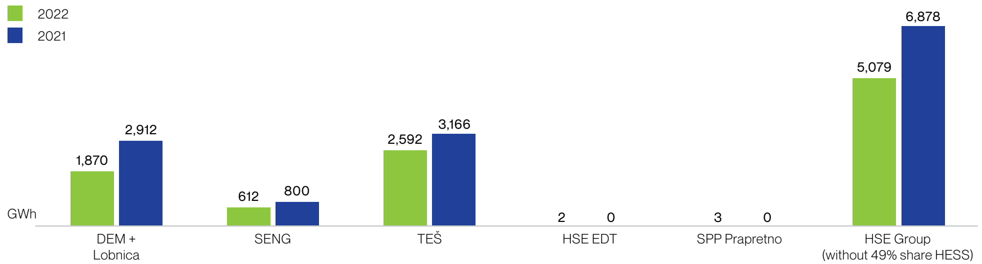
The REPowerEU project for the transition towards independence from Russian energy products requires significant funding. As a result, Brussels increasingly frequently deliberated on the sales of additional coupons which would somewhat mitigate this investment. The market received this idea as a bearish signal which calmed price levels and later also reversed them. Poor industrial parameters also contributed to the above. Stock levels in gas warehouses began to increase due to mild temperatures in autumn and winter. At the end of 2022, prices ended at the EUR 83.97/t or 6% lower level compared to the beginning of the year.

2022 was marked a low hydrology which resulted in significantly lower production of electricity from hydro-electric power plants in Slovenia compared to the previous years. It was as much as 33% lower than in 2021. In addition, coal shortages caused a reduction of electricity generated from thermal units during the last quarter of 2022 which was 17% lower compared to the year before. The reduction of consumption compared to the previous year was lower. A greater consumption fall was observed only with direct customers who consumed approximately 14% less than the year before. This required a significantly higher import level, whereas exports remained at similar levels compared to the previous year.

The proportion of renewable energy sources in the generation in the HSE Group



Generated threshold electricity in the HSE Group



2.8 HSE Company and HSE Group performance analysis[10]

HSE Group and HSE Company

HSE GROUP	2022	2021
Value of assets	2,455,370,282	2,044,297,833
Amount of total capital	1,024,739,730	817,033,848
Net profit/loss	-271,950,088	46,969,876
EBITDA	-124,255,058	330,198,858

HSE COMPANY	2022	2021
Value of assets	1,874,413,184	1,446,497,311
Amount of total capital	821,366,921	666,757,957
Net profit/loss	-319,683,020	18,881,097
EBITDA	-270,310,148	96,195,221

Hydro Production

DEM	2022	2021
Value of assets	483,907,269	470,273,556
Amount of total capital	466,051,860	451,793,347
Net profit/loss	13,818,814	1,816,548
EBITDA	34,432,803	18,464,365

SENG	2022	2021
Value of assets	229,503,102	221,939,849
Amount of total capital	210,451,148	207,577,164
Net profit/loss	6,506,541	3,848,990
EBITDA	17,758,703	14,856,198

SRESA*	2022	2021
Value of assets	42,665	49,946
Amount of total capital	42,646	49,927
Net profit/loss	-7,281	-2,202
EBITDA	-7,281	-2,202

* The company was established for the purpose of constructing hydro-electric power plants on Middle Sava. The holder of the concession right is HSE. As such, investment activities are carried out through it.

HESS (49% share of HSE - not consolidated)	2022	2021
Value of assets	332,424,173	333,654,540
Amount of total capital	292,590,320	289,752,033
Net profit/loss	1,009,678	2,381,695
EBITDA	11,122,460	12,161,172

Thermo Production

TEŠ	2022	2021
Value of assets	776,082,803	757,931,933
Amount of total capital	240,289,815	241,010,274
Net profit/loss	-587,314	7,130,518
EBITDA	64,535,890	219,026,119

HSE EDT	2022	2021
Value of assets	3,704,174	2,834,011
Amount of total capital	1,640,465	1,559,642
Net profit/loss	80,821	139,444
EBITDA	239,722	421,386

10 GRI: 102-10; 102-45; 201-1; 201-2.

Primary sources and other activities

PV	2022	2021
Value of assets	169,847,647	150,439,445
Amount of total capital	31,106,176	34,808,804
Net profit/loss	-32,873,244	-36,254,068
EBITDA	-1,563,304	-16,852,162

SIPOTEH	2022	2021
Value of assets	2,571,431	2,398,575
Amount of total capital	1,596,390	1,329,837
Net profit/loss	388,296	399,038
EBITDA	452,328	460,324

HTZ	2022	2021
Value of assets	14,451,964	16,362,668
Amount of total capital	903,390	566,834
Net profit/loss	433,009	-18,564
EBITDA	1,530,527	1,022,394

PLP	2022	2021
Value of assets	2,095,006	1,914,356
Amount of total capital	1,136,280	1,007,479
Net profit/loss	98,678	140,571
EBITDA	172,608	246,493

International network

HSE BE	2022	2021
Value of assets	747,651	731,270
Amount of total capital	734,396	717,004
Net profit/loss	16,465	21,280
EBITDA	21,203	24,843

HSE BH	2022	2021
Value of assets	21,623,166	22,867,303
Amount of total capital	2,087,875	1,523,441
Net profit/loss	564,432	230,964
EBITDA	627,783	257,306

HSE MAK	2022	2021
Value of assets	21,895,993	5,181,616
Amount of total capital	1,477,704	983,189
Net profit/loss	495,814	244,056
EBITDA	550,906	271,173

Investments

SOENERGETIKA (25% share of HSE - not consolidated)	2022	2021
Value of assets	5,560,349	2,110,072
Amount of total capital	4,855,878	1,591,192
Net profit/loss	3,725,556	460,870
EBITDA	4,766,443	1,261,218

HSE INVEST	2022	2021
Value of assets	2,995,841	2,908,449
Amount of total capital	1,013,609	802,780
Net profit/loss	115,117	171,500
EBITDA	436,247	369,672

RGP	2022	2021
Value of assets	14,159,537	13,927,414
Amount of total capital	2,400,283	1,940,457
Net profit/loss	398,632	-1,876,256
EBITDA	1,977,868	-434,450

Sales to the end customers

ECE*	2022	2021 (consolidated)
Value of assets	86,275,023	52,779,906
Amount of total capital	31,406,400	18,652,289
Net profit/loss	12,531,333	-3,641,991
EBITDA	15,997,468	-3,622,777

* ECE was integrated into the HSE Group at the end of October 2021. Throughout 2021, it generated EUR 335 thousand in profit (EUR 1.2 million EBITDA). Between November and December 2021, it generated EUR -3.6 million in loss and EBITDA as taken into account in the consolidated statements of the HSE Group.

E+*	2022 (annual level)	2022 (consolidated)
Value of assets	57,830,580	57,830,580
Amount of total capital	19,700,961	19,700,961
Net profit/loss	1,708,459	8,060,883
EBITDA	3,181,906	9,111,092

* E+ integrated into the HSE Group on 1 June 2022. During the entire year of 2022, it generated EUR 1.7 million in profit and EUR 3.2 million in EBITDA. Between June and December 2022, the company generated EUR 8.1 million in profit and EUR 9.1 million in EBITDA, which is taken into account in the consolidated statements of the HSE Group.

2.8.1 Business performance analysis of the HSE Group[11]

2.8.1.1 Key data of the HSE Group

KEY DATA	UNIT OF MEASURE	2018	2019	2020	2021	2022
Net sales revenue	EUR	1,471,965,221	1,710,574,972	1,837,247,832	2,538,204,221	5,330,676,423
Net profit/loss	EUR	-11,802,603	29,727,979	-184,179,380	46,969,876	-271,950,088
Revenue	EUR	1,491,669,217	1,729,972,574	1,858,861,858	2,913,590,058	5,387,625,802
EBIT = Operating profit or loss	EUR	30,442,789	74,100,308	-137,675,154	88,313,624	-238,320,753
EBITDA	EUR	128,129,727	160,617,601	187,876,309	330,198,857	-124,255,058
Assets	EUR	2,134,733,707	2,073,747,513	1,865,305,533	2,044,297,833	2,455,370,282
Capital	EUR	1,091,245,475	1,064,640,823	900,395,852	817,033,848	1,024,739,731
Bank indebtedness	EUR	783,548,534	732,273,957	666,325,878	635,896,321	812,090,460
Total indebtedness	EUR	784,137,313	737,556,113	671,183,485	642,440,307	818,803,158
Investments	EUR	57,444,700	40,971,390	42,814,532	69,651,768	65,386,265
Electricity produced	GWh	7,320	7,155	7,627	6,878	5,079
Electricity sold (physical business)	GWh	30,629	33,638	39,664	36,785	28,133
Electricity sold (physical and financial business)	GWh	36,465	53,823	94,471	99,442	85,574
Employees at the end of the year	number	3,074	3,147	3,151	3,203	3,349
Self-financing ratio		51.12	51.34	48.27	39.97	41.73
Non-current financing ratio		86.91	87.31	85.34	69.80	67.99
Operating fixed assets rate		77.80	78.63	72.76	58.54	47.42
Non-current investment ratio		85.36	86.36	81.43	71.26	56.48
Equity to operating fixed assets ratio		0.66	0.65	0.67	0.68	0.88
Immediate solvency ratio		0.35	0.21	0.33	0.17	0.46
Quick ratio		0.98	0.93	1.11	0.87	1.19
Current ratio		1.12	1.07	1.26	0.95	1.36
Operating efficiency ratio		1.02	1.04	0.93	1.03	0.96

KEY DATA	UNIT OF MEASURE	2018	2019	2020	2021	2022
Net profitability ratio of ROE capital	%	-1.1	2.8	-18.7	5.5	-29.5
Net profitability ratio of ROA assets	%	-0.6	1.4	-9.4	2.4	-12.1
Added Value	EUR	251,427,464	291,532,762	319,201,067	469,031,717	7,553,237
Added value per employee	EUR	81,685	93,725	101,366	147,634	2,306
Debt-to-capital ratio		0.72	0.69	0.75	0.79	0.80
Total financial liabilities/ EBITDA		6.12	4.59	3.57	1.95	-6.59
EBITDA/Financial expenses from received loans		4.91	6.92	9.91	20.50	-7.49
Total financial liabilities/Assets		0.37	0.36	0.36	0.31	0.33
Net financial liability	EUR	700,626,784	695,038,514	592,710,461	545,850,559	462,095,895
Net financial liabilities/EBITDA		5.47	4.33	3.15	1.65	-3.72
Net financial liability/Capital		0.64	0.65	0.66	0.67	0.45

11 The operational analysis shall be read together with the Accounting Report of the HSE Group.
GRI: 102-45; 103-1, 103-2; 103-3; 201-1.

2.8.1.2 Analysis of the profit and loss statement of the HSE Group[12]

The energy crisis with an exceptional growth of electricity, natural gas, and other energy product prices, in addition to a high volatility of prices, posed a significant challenge for the provision of electricity to customers and to manage liquidity risks by HSE. 2022 was one of the driest years during the last 50 years, which impacted the extremely low level of electricity generated by the HSE Group - the lowest since the inception thereof.

The levels of electricity generated by the HSE Group in 2022 (excluding the 49% share in HESS) amounted to only 5,079 GWh or 1,799 GWh or 26% less than in 2021. Compared to 2020, when a favourable hydrology was recorded, the levels of electricity generated fell by as much as 2,548 GWh.

In the hydro-electric power plants, the Group generated 2,228 GWh or 1,199 GWh or 35% less compared to 2021. The Drava Power Plants as the largest generator of electricity from RES in Slovenia, generated only 1,870 GWh in electricity or as much as 1,041 GWh or 36% less than in 2021. A below-average hydrology was also recorded on the Soča River where the hydro-electric power plants generated 360 GWh in electricity or 156 GWh or 30% less electricity than in 2021. A lengthy drought resulted in the discontinuation of the operation of the Solkan hydro-electric power plant in July 2022, as the flow of the Soča River did not allow for a safe operation of the turbines. The Avče pump-fed hydro-electric power plant also generated less electricity than the previous year of 2021 - 251 GWh or 32 GWh or 11% less. In 2022, the total power of the electricity generation units of the Drava Power Plants increased by 1.16 MW. This increase resulted from the construction of the Zlatoličje 3 Segment 5 Solar Park which began operating in May 2022. The largest solar power plant in Slovenia, Prapretno, boasting 3 MW of power, was opened in April 2022. Our solar power plants generated a total of 6 GWh of electricity or 5 GWh more than in 2021.

In 2022, electricity generated by our thermal power plants accounted for 51% of the total generated electricity of the HSE Group or 5 per cent more than in 2021. This was caused by an extremely poor hydrology. The HSE Group will continue to pursue the targets related to the generation of electricity from RES in the future.

In the event of insufficient hydrology and the resulting lower levels of electricity generated by hydro-electric power plants, thermal power plants adjust the electricity generation process. The Velenje Coal Mine was faced with extremely challenging geomechanical conditions in the coal pit which rendered the preparing of new sectors particularly difficult. 27,381 TJ or 2,655 TJ or 9% less electricity (2022) was generated from coal than in 2021. As a result, the levels of electricity generated from coal at the Šoštanj Thermal Power Plant fell by 634 GWh (20%) compared to 2021. High coal reserves (for further detail, please refer to the Analysis of the definitive financial statement of the HSE Group) were posted for the end of 2022.

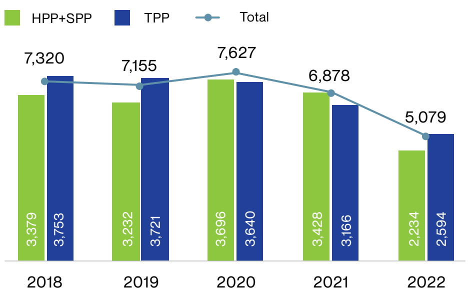
Under the stressed conditions on the European electricity markets, the Government called on the Slovene Sovereign Holding (SDH) to have the governance bodies of state-owned bodies managing systemic production sources used in the electricity supply ensure a sufficient and timely availability of systemic resources and reserves to be used in crisis situations. The call of the Government to SDH is understood as a formal call to have the electricity generation company ensure the availability of resources and reserves. In line with the above, the Group began importing foreign coal and increased coal reserves for winter.

After two years, the gas generators in Trbovlje which generated 2 GWh in electricity were re-started. The gas generators at the Šoštanj Thermal Power Plant also increased the levels of generated electricity by 60 GWh.

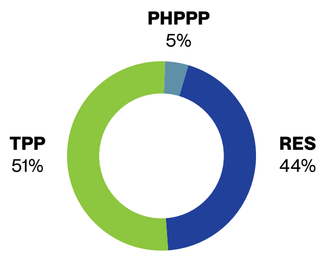
Under the stressed conditions in 2022, the HSE Group ensured a reliable supply of electricity to its customers. 3% more sale quantities were sold on the domestic market than in 2021. The Group generated an exceptionally high net revenue from sales amounting to more than EUR 5.3 billion or 110% more than in 2021, accompanied by 14% lower quantitative sales (the sales of electricity - transactions with private individuals and financial transactions). The revenue from sales of electricity accounted for 98% of net revenue from sales or 1 per cent more than in the year before.

In line with the sales strategy, a large share of the planned hydro-electricity generation for 2022 had been sold during the preceding year at significantly lower sales prices. As the actual electricity generation levels were significantly lower than planned, replacement/missing volumes had to be sold on the market in conditions when the purchase prices of electricity amounted even as much as EUR 500/MWh. In view of the gap between the achieved relatively low sales prices and the high purchase prices, a EUR 214.4 million lower gross margin from the sales of electricity compared to 2021 was generated (for further detail, please refer to the Analysis of the Operations of HSE).

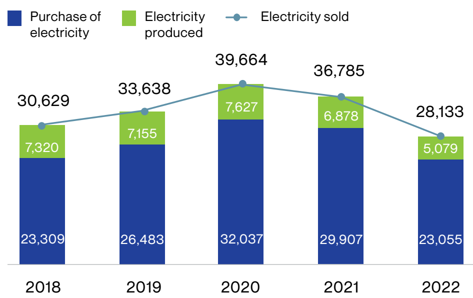
Generated electricity in GWh



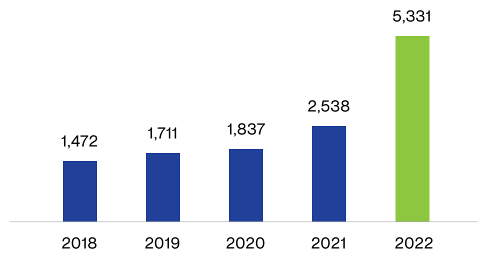
Structure of electricity generated in 2022



Sold and generated electricity in GWh

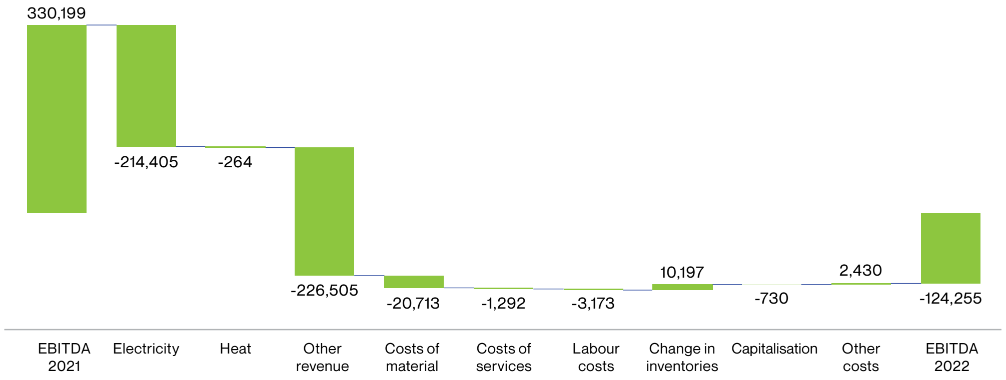


Net sales revenue in EUR million

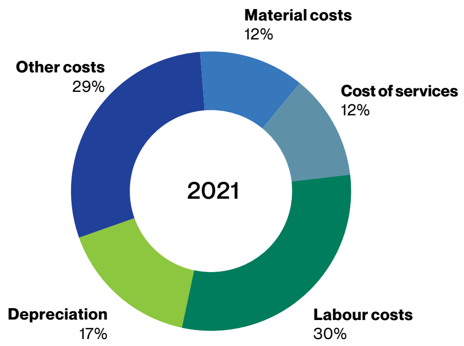


12 Unless stated otherwise, this section shall clarify operating deviations in 2022 compared to 2021.

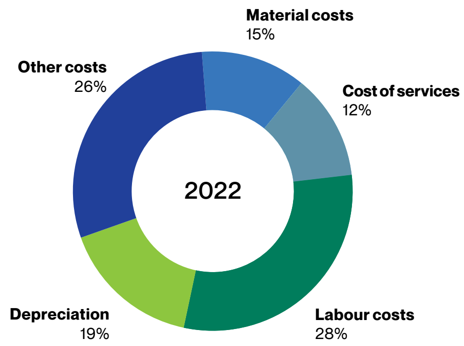
Changes in the HSE Group EBITDA in 2022 compared to 2021 in EUR thousand



Structure of costs in 2021



Structure of costs in 2022



TEŠ **generated revenue from sales of thermal energy** which generated EUR 9.6 million in revenue from the sales of 319 GWh of thermal energy. Compared to 2021, **other operating revenue** was significantly lower than in 2021 when an out-of-court settlement with the General Electric Group had been reached, resulting in extraordinary revenue from indemnities paid out amounting to EUR 231.8 million. By selling the "Kamp Jezero" complex and the "Stare elektrarne" (Old Power Plants), the Group generated EUR 1 million in higher revenue from divestiture compared to the previous year of 2021.

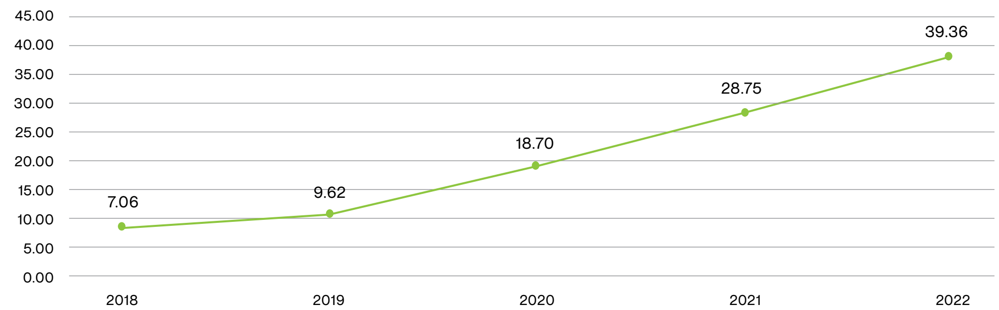
The growth of prices affected higher costs of materials and services in 2022 compared to 2021. **Costs of materials** rose by EUR 20.7 million or 37%. The highest increase arose in relation to gas costs resulting from its higher consumption levels for generating electricity. In addition, prices also rose in view of a lack of or the storage of raw materials, materials, and products, resulting in additional unplanned costs. **Costs of services** were affected by inflation and rose by EUR 1.3 million or 2%. The highest increase was recorded in relation to insurance premium and banking service costs. Costs also increased as a result of the incorporation of Energija plus to the HSE Group. The incorporation of ECE and Energija plus to the Group played the main role in labour costs increasing by 2%. In part, **labour costs** were also increased as a result of the adjustment of basic salaries resulting from inflation.

The **change in value of inventories** stems from the changed dynamic of coal production and sales and the subsequent higher inventories of coal at the end of the year.

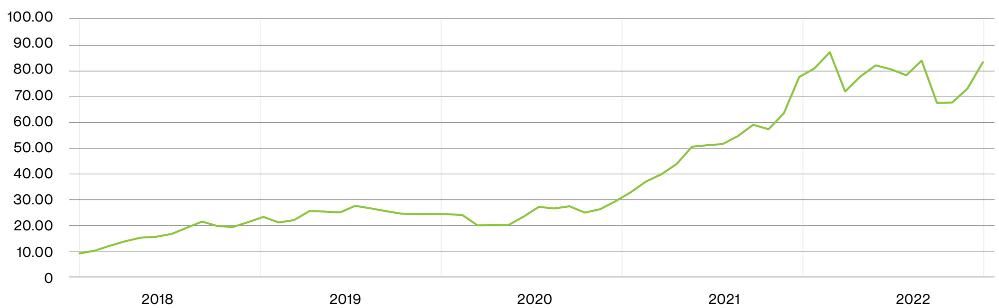
Capitalised own products and services were realised primarily by construction and engineering services required by its own investments primarily implemented by RGP and HSE Invest.

Compared to 2021, the HSE Group generated EUR 2.4 million lower **other costs in 2022.** Concession costs fell by EUR 16.7 million as a result of lower generation levels and prices. The price of electricity which serves as the basis for the levying of concession fees for hydro-electric power plants over 10 MW, which was set, subject to the Act on Measures for Management of Crisis Conditions in the Field of Energy Supply (ZUOKPOE), to the level of the 2020 price, namely to EUR 4.332/MWh (in 2021, it amounted to EUR 6.62/MWh). Emission allowance costs continue to rise due to higher prices. Despite a lower level of electricity generated from thermal power plants, they amounted to EUR 102.1 million or EUR 11.2 million more than in 2021.

Cost of CO_2 emission allowances in EUR



Price developments of CO_2 emission allowances in EUR/t between 2018-2022



The HSE Group generated a negative **EBITDA** amounting to EUR 124.3 million, whereas, in 2021, it had generated an exceptionally high EBITDA amounting to EUR 330.2 million resulting from the generated extraordinary revenue from the achieved out-of-court settlement with the GE Group amounting to EUR 231.8 million. The business plan of the HSE Group for 2022 foresaw the receipt of funds from the Phased closure of the Velenje Coal Mine Act. However, the act was not yet adopted.

The adopted intervention regulations to manage the rising energy prices had a positive impact on the EBITDA of the HSE Group in 2022 amounting to EUR 5.7 million (EUR 11.3 million in positive impact resulting from lower concession fee costs and reimbursements to mitigate the consequences of rising energy product prices and EUR 5.6 million in negative impact of electricity and natural gas price restrictions).

Based on appraisals, an impairment of assets amounting to EUR 12.3 million and the impairment of goodwill amounting to EUR 6.0 million were recognised. After carrying out these write-offs, the HSE Group realised EUR 238.3 million in **EBIT – operating loss.**

As HSE assumes all market and volume risks, the highest burden lies thereon. As such, it generated a negative EBITDA (for further details, please refer to the Analysis of the Operations of HSE). Despite an increase in the sales price of coal for the generation of electricity and thermal energy, the Velenje Coal Mine (PV) generated a negative EBITDA amounting to EUR 1.6 million in 2022. In 2022, DEM and SENG performed well despite the poor hydrology, in view of significantly lower concession costs. TEŠ generated 64.5 million in EBITDA or significantly less than in the preceding year of 2021 when it had generated extraordinary revenue arising from the out-of-court settlement with GE. An increased EBITDA in the retail segment is a result of the incorporation of ECE and Energija plus.

The generated **financial result** of 2022 was EUR 3.2 million worse than in 2021. The HSE Group generated an operating and financing loss and generated a EUR 272.0 million net loss in 2022.

2.8.1.3 Analysis of the definitive financial statement of the HSE Group

At the end of 2022, the assets of the HSE Group increased by 20% compared to the end of 2021, out of which current assets increased by 82%, whereas non-current assets fell by 5%.

Non-current assets were lower due to a 5% lower stock of property, plant and equipment. Investments of the HSE Group still fail to follow depreciation. Impairments of assets have been carried out. They have also been affected by the lowering of the value of pit construction facilities, related to the closing works, caused by a change to the discount factor. Non-current operating receivables which primarily arise from trade receivables, related to TEŠ's arbitration proceedings that came to a close in 2021, fell by 39%. Among intangible assets, the HSE Group primarily posts emission allowances required to generate electricity. The 186% increase is related to higher prices.

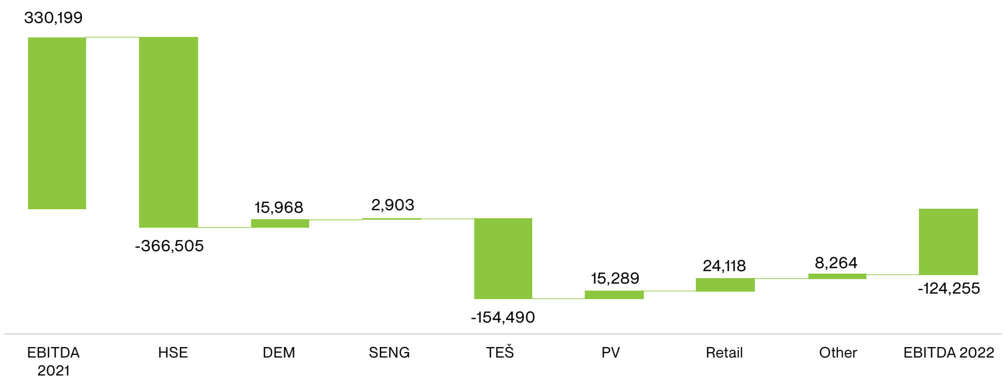
Most **current assets** items increased compared to 2021. As at 31 December 2022, the HSE Group had a high cash balance, caused by the subsequent capital increase in HSE in December 2022. Current operating receivables due from customers increased by 78%, in view of higher prices and the incorporation of Energija plus. The HSE Group also posts a high inventory status (inventories increased by 150%). In line with the adopted intervention measures of the Government of the Republic of Slovenia, the HSE Group saved domestic coal for winter and launched the import of foreign coal. In view of a shortage of raw materials, inventories of raw materials and maintenance materials also increased. The stock of emission allowances and trading gas were higher as well.

Capital increased by 25%. In December, HSE received EUR 492 million in funding related to the subsequent capital increase, which caused the capital increase, even though the loss of the HSE Group in 2022 reduced its value. A lower capital balance was also impacted by a lower balance of hedge reserves, primarily arising from hedging futures. Capital accounted for 42% in the structure of liabilities or 2 per cent more than in 2021.

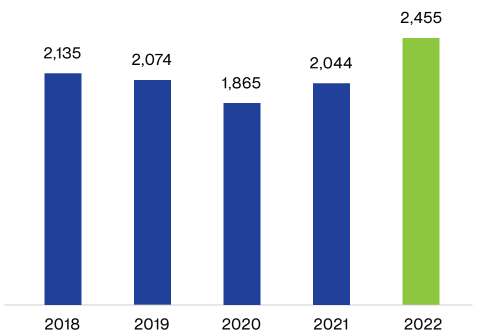
Other provisions fell by 19%. Provisions are primarily related to provisions for closing works of the remaining Velenje coal face set up based on the estimated costs of the closing works and the provisions set up for the Block 6 decommissioning and removal costs following the expiration of its useful life.

High hydro-electric generation, the purchase of missing and expensive replacement quantities and in view of a high volatility of electricity prices, the HSE Group experienced high liquidity needs. Liquidity challenges were also faced in the Velenje Coal Mine Group, primarily during the second half of 2022, in light of an electricity generation and subsequent coal sales shortfall. The Slovenian Sovere-

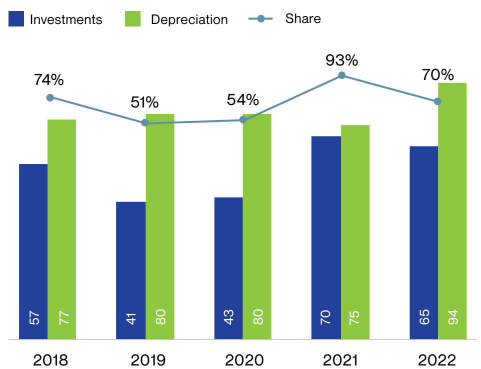
Change in EBITDA in 2022 compared to 2021 by HSE Group company in EUR thousand



Assets of the HSE Group in EUR million



Investments, depreciation, and investments as a share of depreciation

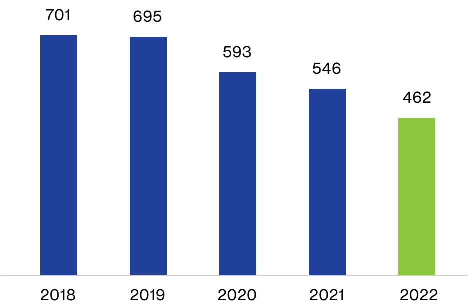


ign Holding (SDH) approved a subsequent capital increase to overcome extraordinary circumstances amounting to EUR 492 million in December 2022, allowing the Group to be able to continue to provide for a reliable and competitive electricity supply. An intervention act was adopted to overcome the challenging conditions, allowing HSE to take out a short-term revolving loan of EUR 185 million with a guarantee by the RS. In addition, HSE successfully carried out the re-financing process (for further details, please refer to the Company Operations Analysis section). Other HSE Group companies repaid their debts in compliance with their repayment schedules. Compared to 2021, the outstanding **amounts owed by the HSE Group to banks** increased by 28% at the end of 2022. As part of its financial liabilities, the HSE Group posts not only liabilities towards banks, but also liabilities from leases. As a result of high cash balance, the net indebtedness of the Group fell by 15%.

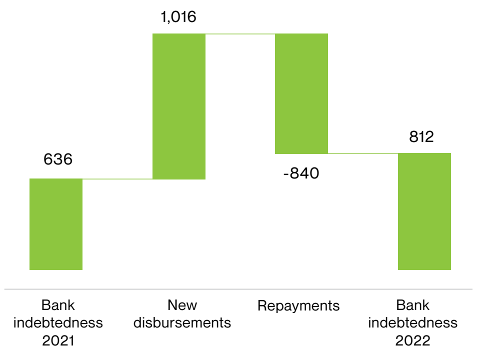
Current trade payables increased by 81% in view of higher electricity prices.

The Management Boards of all HSE Group are continuously in charge of monitoring solvency and liquidity indicators and of taking prompt action in compliance with ZFPPIPP.

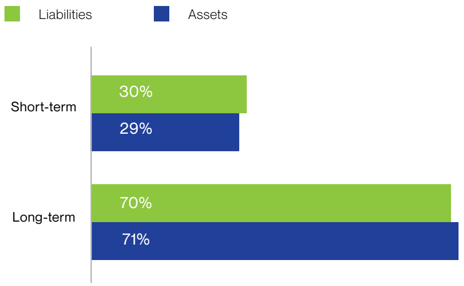
Net indebtedness in EUR million



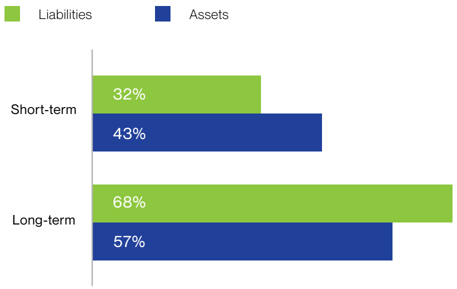
Changes in bank indebtedness in EUR million



Financial position structure as at 31 December 2021



Financial position structure as at 31 December 2022



2.8.1.4 Comparison of 2022 operations to the 2022 plan of the HSE Group

Under tough conditions on the energy markets, accompanied by a poor hydrology, the HSE Group managed to continuously provide electricity to its customers and generated an unplanned negative EBITDA in 2022. Practically all performance and financial indicators were on sub-plan levels. A record high revenue was generated as a result of an exceptional growth in electricity and energy product prices. However, on the other hand, a high/above-planned purchase value of the sold goods and all costs items were also generated. An above-planned indebtedness was generated, as the high volatility of electricity prices, expensive purchases of missing volumes of electricity and challenging liquidity conditions in the Velenje Coal Mine Group resulted in exceptionally high liquidity needs.

In line with our plan, vertical procedures were continued with the acquisition of a 51% share of Energija plus. However, the early obtaining of a 12.58% share of ECE was unplanned. In April 2022, the largest Slovenian solar power plant, Prapretno, began operating. In September, the Zlatoličje segment was also successfully started.

The subsequent capital increase amounting to EUR 492 million was unplanned.

The HSE Group invested in investment maintenance. Sub-planned investments were realised by all HSE Group companies as a result of their postponing. The exceptions thereto are PLP (the transfer of investments from 2021) and HSE Invest (above-planned investments in computing equipment and software).

KEY DATA	UNIT OF MEASURE	2022	PN 2022	IND 2022/ PN 2022
Net sales revenue	EUR	5,330,676,423	4,091,146,274	130
Net profit/loss	EUR	-271,950,088	148,431,595	/
Revenue	EUR	5,387,625,802	4,131,558,790	130
EBIT = Operating profit or loss	EUR	-238,320,753	195,757,484	/
EBITDA	EUR	-124,255,058	276,192,190	/
Assets	EUR	2,455,370,282	1,901,443,231	129
Capital	EUR	1,024,739,731	997,204,042	103
Bank indebtedness	EUR	812,090,460	498,658,849	163
Total indebtedness	EUR	818,803,158	502,079,088	163
Investments	EUR	65,386,265	80,981,884	81
Electricity produced	GWh	5,079	6,785	75
Electricity sold (physical business)	GWh	28,133	40,418	70
Electricity sold (physical and financial business)	GWh	85,574	80,418	106
Employees at the end of the year	number	3,349	3,172	106

2.8.2 Business performance analysis of HSE Company[13]

2.8.2.1 Key data of the HSE Company

KEY DATA	UNIT OF MEASURE	2018	2019	2020	2021	2022
Net sales revenue	EUR	1,481,938,763	1,740,154,682	1,860,698,020	2,613,503,989	5,545,248,921
Net profit/loss	EUR	9,486,268	60,117,717	-226,942,925	18,881,097	-319,683,020
Revenue	EUR	1,519,177,749	1,762,118,339	1,870,651,657	2,746,262,141	5,591,474,945
EBIT = Operating profit or loss	EUR	54,454,367	68,441,333	107,379,999	93,931,330	-271,919,845
EBITDA	EUR	55,340,293	69,323,634	108,640,716	96,195,221	-270,310,148
Assets	EUR	1,381,683,132	1,418,699,514	1,246,755,842	1,446,497,311	1,874,413,184
Capital	EUR	979,389,150	984,344,305	779,976,245	666,757,957	821,366,921
Bank indebtedness	EUR	219,469,011	222,513,663	211,177,071	260,391,594	470,497,515
Total indebtedness	EUR	219,574,520	223,729,850	214,055,939	263,446,609	508,544,551
Investments	EUR	1,247,046	899,352	973,620	3,745,857	5,104,859
Electricity produced	GWh	7,320	7,155	7,627	6,878	5,079
Electricity sold (physical business)	GWh	31,158	34,538	40,782	37,677	28,944
Electricity sold (physical and financial business)	GWh	36,994	54,723	95,589	100,334	86,384
Employees at the end of the year	number	176	186	211	214	235
EBITDA margin	%	3.7	4.0	5.8	3.5	-4.8
Self-financing ratio		70.88	69.38	62.56	46.09	43.82
Non-current financing ratio		84.94	84.46	78.12	57.19	56.65
Operating fixed assets rate		3.16	3.79	6.81	7.45	7.48
Non-current investment ratio		81.93	83.68	79.88	67.73	54.33
Equity to operating fixed assets ratio		22.44	18.31	9.19	6.19	5.86
Immediate solvency ratio		0.34	0.14	0.14	0.08	0.36
Quick ratio		1.17	1.03	0.90	0.74	0.99
Current ratio		1.20	1.05	0.92	0.75	1.05
Operating efficiency ratio		1.04	1.04	1.06	1.04	0.95
Net profitability ratio of ROE capital	%	1.0	6.1	-25.7	2.6	-43.0
Net profitability ratio of ROA assets	%	0.7	4.3	-17.0	1.4	-19.3

The table continues →

13 The operational analysis shall be read together with the Accounting Report of the HSE Group.

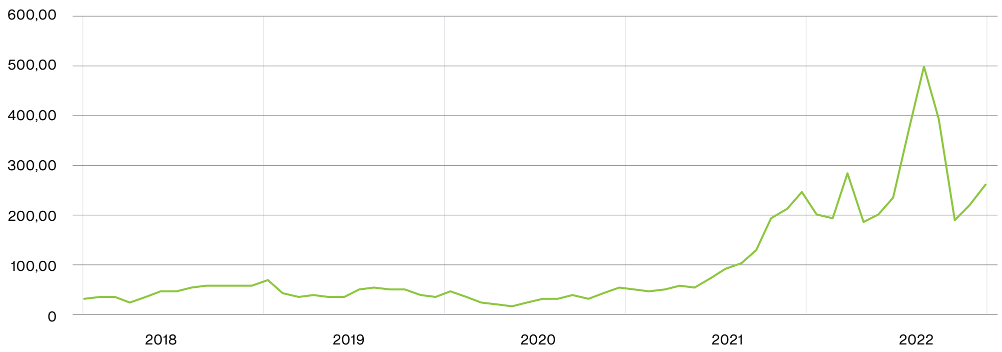
KEY DATA	UNIT OF MEASURE	2018	2019	2020	2021	2022
Added Value	EUR	65,840,151	80,736,259	121,554,458	110,336,512	-255,494,843
Added value per employee	EUR	376,229	446,057	612,365	519,231	-1,138,062
Debt-to-capital ratio		0.22	0.23	0.27	0.40	0.62
Total financial liabilities/EBITDA		3.97	3.23	1.97	2.74	-1.88
EBITDA/Financial expenses from received loans		7.08	10.81	27.69	27.16	-45.45
Total financial liabilities/Assets		0.16	0.16	0.17	0.18	0.27
Net financial liability	EUR	151,815,272	196,133,069	176,569,880	214,647,863	215,492,831
Net financial liabilities/EBITDA		2.74	2.83	1.63	2.23	-0.80
Net financial liability/Capital		0.16	0.20	0.23	0.32	0.26

2.8.2.2 Analysis of the profit and loss statement of HSE Company[14]

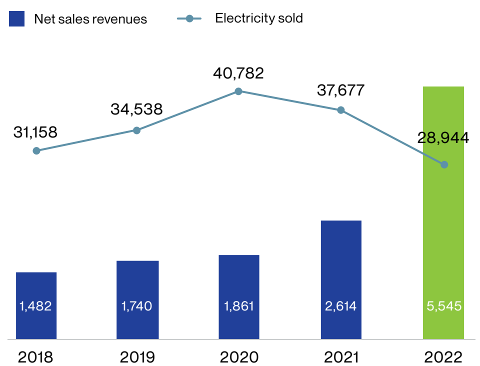
2022 was marked by an exceptional growth of electricity prices. The hourly price on the daily market in Slovenia and the futures market for 2023 amounted to as much as EUR 1,000/MWh.

The highest net revenue from sales since the founding of HSE was generated. It amounted to EUR 5.5 billion or as many as 112% more than in 2021. More than 99% of the net revenue from sales was generated from the sales of electricity. The revenue from sales of electricity increased in view of higher average sales prices and were accompanied by 23% lower quantitative sales. The 18% share of self-generated sources in the sold quantities was preserved.

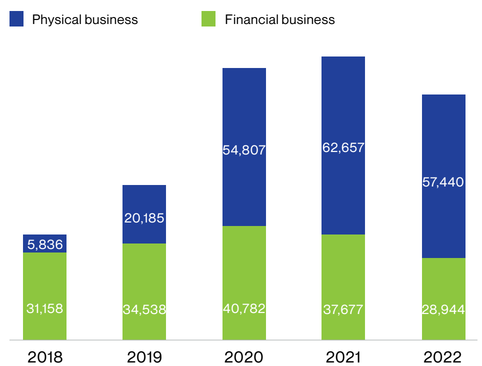
Average monthly prices of electricity: HUPX in EUR/MWh between 2018 - 2022



Net revenue from sales in EUR million and electricity sales volumes in GWh



Electricity sold in GWh



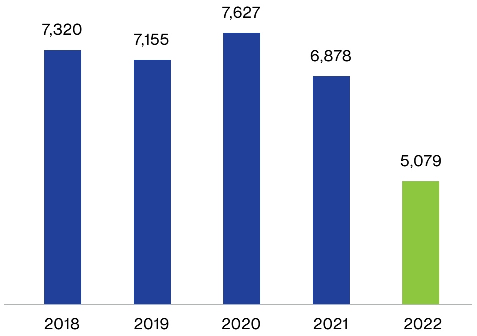
14 Unless stated otherwise, this section shall clarify operating deviations in 2022 compared to 2021.

In 2022, HSE generated 26% less electricity than in 2021 (excluding the 49% share of HESS).

Hydro-electric power plants generated more than 1/3 less electricity than in 2021. The hydro-electric generation volumes in 2022 had been sold during the previous years at significantly lower sales prices. Despite a lower generation volume, HSE was able to ensure a safe and reliable supply of electricity to its customers throughout 2022 and was thus compelled to purchase the missing volumes of electricity on the market at significantly higher purchase market prices. As a result, it found itself in an extremely challenging liquidity situation caused by the gap between the generated sales and purchase prices of electricity.

The gas units in Šoštanj exceeded the planned generation levels. The re-starting of the two gas generators in Trbovlje was unplanned. Despite that, levels of electricity generated by thermal power plants fell by 18% compared to 2021. Electricity generation levels are adjusted to the volume of available coal, the challenging condition of the landfill, and market conditions. The pillar burst and the extraction closure at the Velenje Coal Mine significantly reduced the extracted volume of coal. The Government of the Republic of Slovenia adopted several intervention measures to regulate the conditions on the energy market. The Velenje Coal Mine increased its coal reserves for winter and launched coal export procedures. In addition, it was faced with extremely challenging geomechanical conditions in the coal pit which rendered the preparing of new mine fields particularly difficult. This resulted in a lengthier non-operation of the TEŠ blocks. As the imported coal could not replace the lost coal volume, the supply of coal to TEŠ was lower and resulted in lower levels of electricity generated from thermal power plants. In spite of that, the purchase value of electricity in the thermal part were significantly higher. This was caused by a higher sales price of domestic coal and the import of coal. HSE namely assumes all market and volume risks of the HSE Group.

Generated electricity in GWh



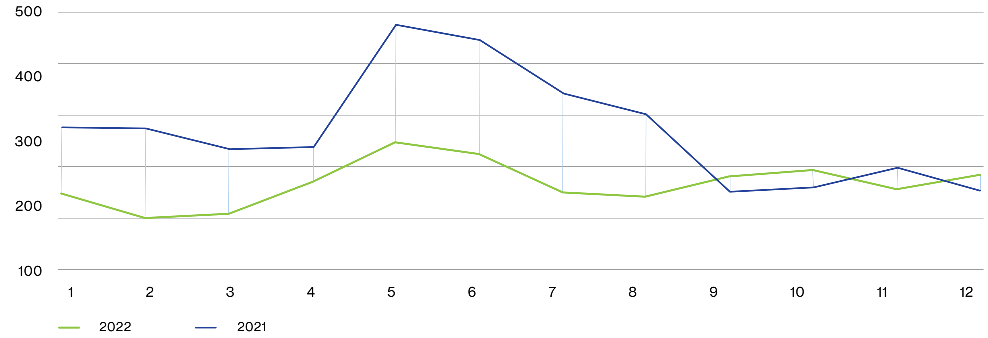
In the segment of self-generated electricity, the achieved purchase prices of **electricity** exceeded the sales prices as reflected in the negative **gross margin.** The generated gross margin (EUR -248.4 million) was lower by EUR 364.4 million compared to 2021.

Under the emergency conditions on the energy market in 2022, the Government of the Republic of Slovenia adopted several laws and by-laws to mitigate the consequences of rising electricity and other energy product prices. It is estimated that these did not yet affect the operations of HSE in 2022.

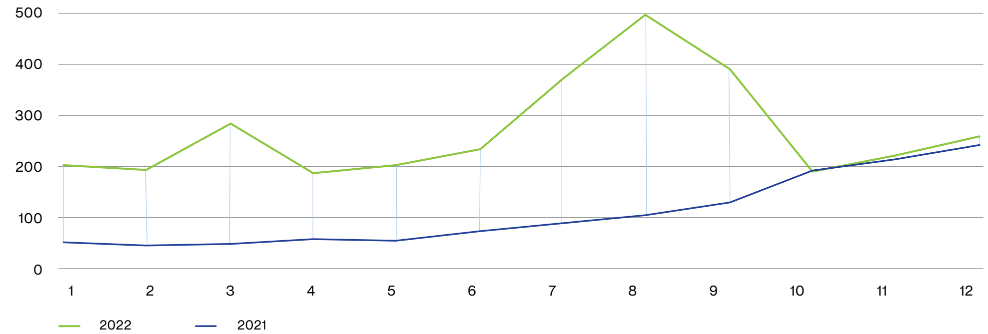
Compared to 2021, all operating revenue items were higher in view of higher prices. Gas trading was also launched. Only other revenue deviated below that as, in 2021, revenue arising from re-billed multi-annual costs of attorney services to the subsidiary had been realised by way of exception.

Other revenue and expenses: the Company generated higher revenue arising from the write-down of receivables amounting to EUR 1 million. Higher prices also led to an increase in costs of materials (by 7%) and services (4%) compared to 2021. The costs of insurance premiums which rose by as much as 129% increased the most out of all costs of

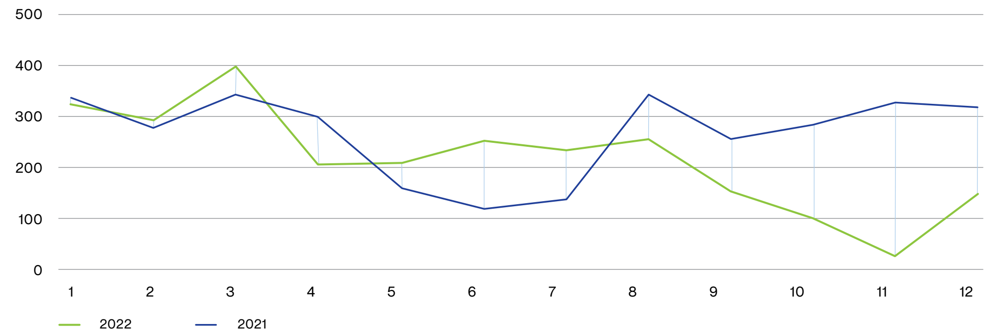
Monthly hydro-electric generation in GWh



Monthly average prices of electricity at the HUPX in EUR/MWh



Monthly electricity generated at thermal power plants in GWh



services items. An increase of base gross salaries and a higher average number of employees caused a 5% increase in labour costs. Labour costs account for the majority of costs (56%) and are followed by costs of services (34%), depreciation (6%), costs of materials (3%) and other costs (1%).

In 2022, HSE generated an **operating loss** amounting to EUR 271.9 million and a negative **financial result** amounting to EUR 47.5 million (impairments of non-current financial investments in subsidiaries amounting to EUR 44.9 million) and ended the year by posting a **loss** of EUR 319.7 million.

2.8.2.3 Analysis of the statement of financial position of HSE Company

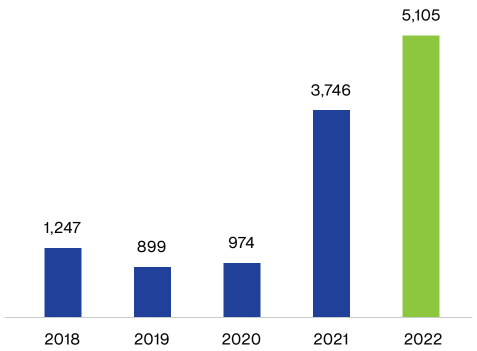
As at 31 December 2022, the balance sheet total was 30% higher than the year before.

Non-current assets increased by 4%, namely intangible assets by 31% (a higher stock of emission allowances as a result of higher prices), property, plant and equipment by 29% (investments exceeded depreciation) and non-current investments by 1%. The Group acquired a 51% share of Energija plus amounting to EUR 17.5 million, a 12.58% share of ECE amounting to EU 2.7 million and a capital increase of the Velenje Coal Mine amounting to EUR 30 million. Subject to the carried-out appraisals, non-current investments in subsidiaries were impaired in the amount of EUR 44.9 million.

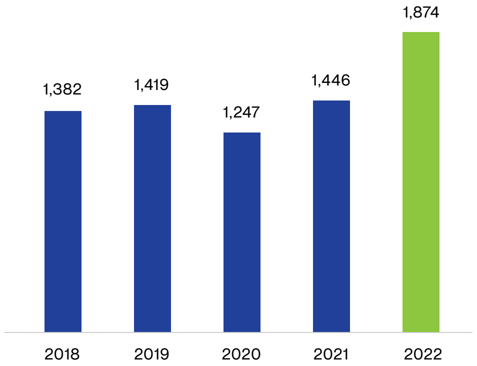
Current assets increased by 84%. Current operating receivables due from customers which increased by 76% (significantly higher electricity prices) increased the most. Cash was also high; it amounted to EUR 293.1 million as a result of capital increases of HSE in December 2022. In February 2023, SDH adopted a decision binding HSE to repay one part of the funds from the subsequent capital increase - EUR 200 million. The repayment dynamics shall be laid down by taking into consideration the conditions on the energy markets and other relevant business circumstances and shall aim at ensuring a stable operation of the HSE Group and an economic management of funds. The Management Board of HSE shall carry out all the required activities for the continuous operation of Block 6 at TEŠ and take all the necessary steps to allow the founder to decide on the repayment of all subsequent capital increases from 2022 in one or more instalments by the end of 2024.

Capital accounted for most liabilities, 44%. At the end of 2022, capital increased by 23% compared to the balance as at 31 December 2021. It fell as a result of the 2022 loss and the hedging reserve which primarily derive from futures for hedging purposes and increased as a result of subsequent capital increases.

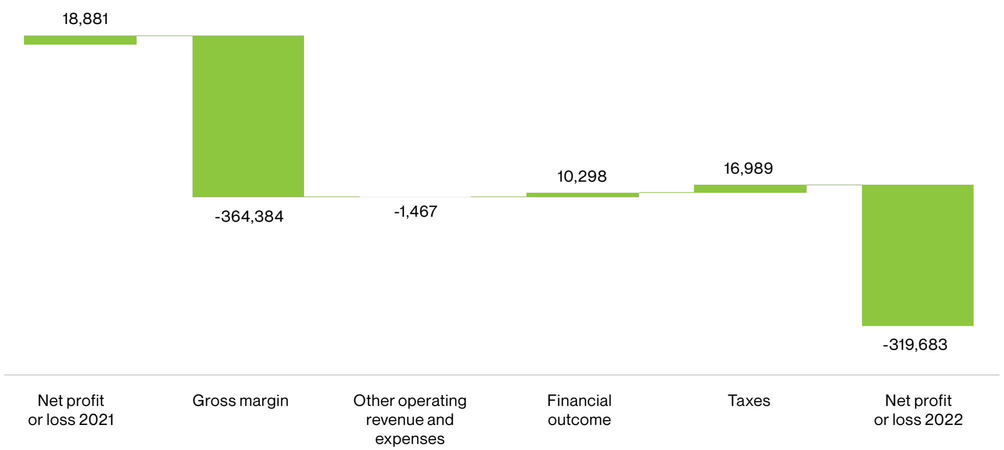
Investments in EUR thousand



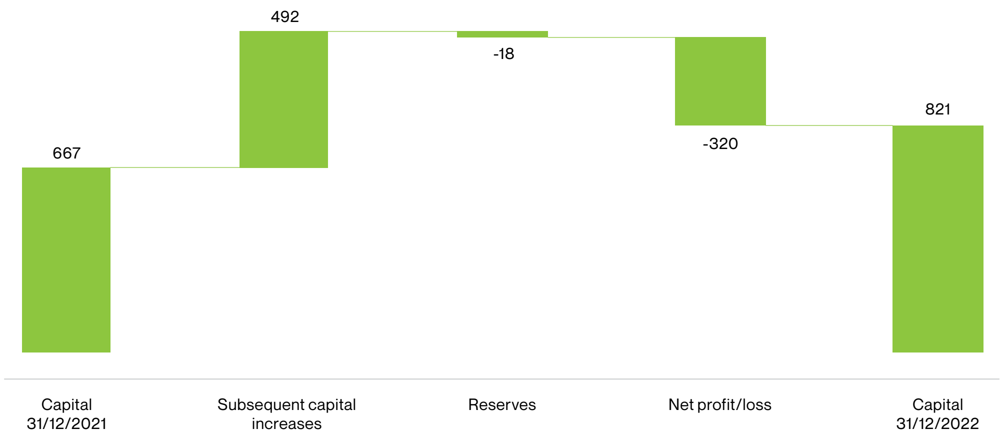
Assets in EUR million



Change in net profit or loss of 2022 compared to 2021 in EUR thousand



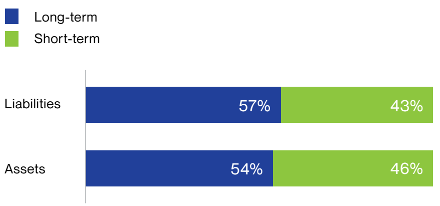
Changes in capital in EUR million



As a result of poor hydro-electric generation, expensive purchases of electricity at exchanges, and the extremely high volatility of electricity prices, the Initial Margin (IM) and Variation Margin (VM) requirements were increased, resulting in high liquidity needs and a 93% higher indebtedness compared to 31 December 2021. All liabilities accounted for 27% or 9 per cent more of the liabilities structure compared to 2021. Bank indebtedness increased by 81%. In July 2022, a non-current loan contract with the bank trade union amounting to EUR 350 million was concluded, namely in the form of a non-current EUR 250 million fixed loan and a EUR 100 million non-current revolving loan. The purpose of refinancing was the repayment of the existing non-current EUR 135 million fixed loan, the replacement of EUR 140 million revolving loans whose maturity was in 2022, and the provision of an additional liquidity reserve. In October 2022, HSE received a current EUR 185 million revolving loan with a guarantee by the Republic of Slovenia subject to the intervention act. The loan was drawn in full at the end of December 2022. At the end of 2022, the indebtedness of the Group was EUR 35.1 million higher than as at 31 December 2021.

As a result of the subsequent capital increases, the financial position of HSE improved in 2022 compared to 2021.

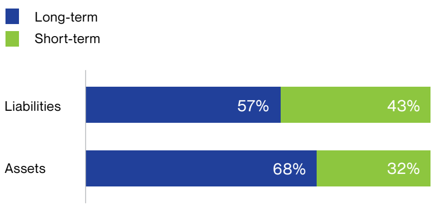
Financial position as at 31 December 2022



2.8.2.4 Attaining the planned objectives in 2022

The war in Ukraine caused extraordinary conditions on the energy markets. Nobody had expected such an extremely dry year of 2022, a poor hydrology, and challenging geomchanical conditions in the coal mine. 2022 proved extremely challenging for HSE, as reflected in its negative EBITDA, its operating loss, and deteriorating performance and financial parameters, which had, of course, not been planned. In spite of the above, the Group continued to faithfully heeded its mission and ensured a safe and reliable supply of electricity whereby generating, as a result of higher electricity prices, an above-planned net revenue from sales. In line with our plan, the vertical integration of the Group continued with the purchase of a 51% share of Energija plus and the early purchase of a 12.58% share of ECE. A EUR 30 million capital increase of the Velenje Coal Mine was carried out. The capital increase was not planned as the coal mine had been counting on the receipt of additional funds from the progressive closure of the coal mine act which had, however, not come to pass. The documentation obtaining process for the construction of hydro-electric power plants on the middle River Sava successfully continued. Nevertheless, our investments have been lagging behind given our plan, which is primarily the result of the non-purchase of a commercial building. In part, investments were delayed and moved to 2023.

Financial position as at 31 December 2021



The balance sheet total at the end of 2022 was considerably above planned, resulting from the funds received in December 2022 in relation to subsequent capital increases amounting to EUR 492 million and growing prices. The capital is sub-planned as a result of losses. The indebtedness is above-planned and has resulted from high liquidity needs of the Company and the carried-out re-financing.

KEY DATA	UNIT OF MEASURE	2022	PN 2022	IND 2022/ PN 2022
Net sales revenue	EUR	5,545,248,921	4,067,508,217	136
Net profit/loss	EUR	-319,683,020	115,025,699	/
Revenue	EUR	5,591,474,945	4,073,822,071	137
EBIT = Operating profit or loss	EUR	-271,919,845	137,627,658	/
EBITDA	EUR	-270,310,148	139,062,423	/
Assets	EUR	1,874,413,184	1,378,652,837	136
Capital	EUR	821,366,921	845,432,763	97
Bank indebtedness	EUR	470,497,515	157,045,456	300
Total indebtedness	EUR	508,544,551	158,036,226	322
Investments	EUR	5,104,859	11,951,498	43
Electricity produced	GWh	5,079	6,785	75
Electricity sold (physical business)	GWh	28,944	40,304	72
Employees at the end of the year	number	235	223	105
ROE	%	-43.0	14.6	/
ROA	%	-19.3	8.9	/
Added Value	EUR	-255,494,843	152,849,652	/
Added value per employee	EUR	-1,138,062	696,354	/

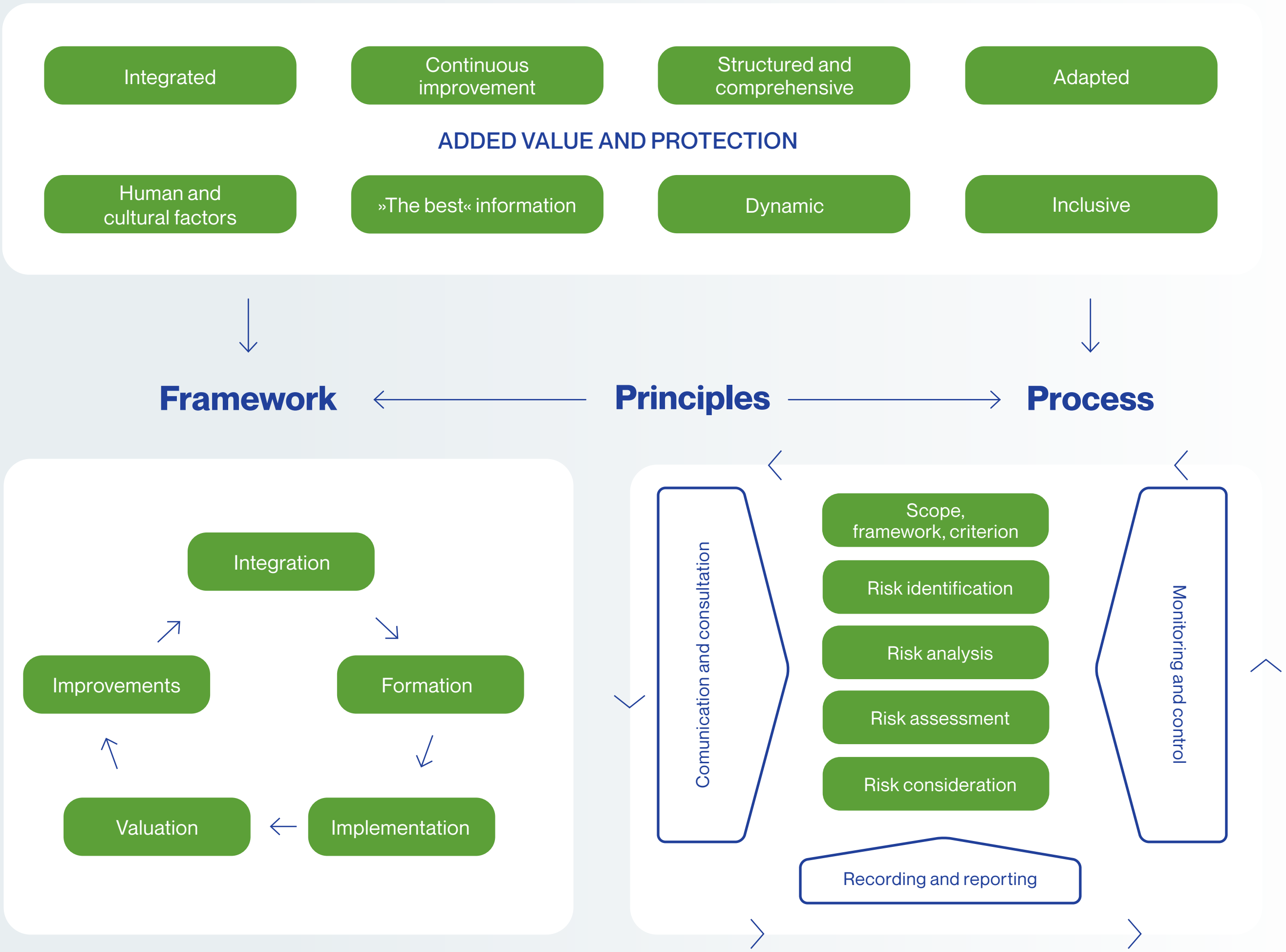
2.9 Risk management of the HSE Group [15]

Risk management in the HSE Group is carried out in a centralised manner at the level of the entire Group, where we are constantly striving to standardise processes and tools for comprehensive risk management. Risk management is applied to provide assistance in attaining the objectives set, improving operative efficiency, the protection of people and assets, making informed decisions and operating in compliance with applicable internal and external regulations. By implementing and upgrading risk management at the level of the HSE Group, we are following the guidelines of the standard ISO 31000:2018 to the greatest possible extent.

The HSE Group is committed to constantly upgrading the risk management system and enhancing its use, both in the strategic planning process as well as when making regular business decisions of the HSE Group.

Risks of the HSE Group are managed on the basis of principles, framework, and process. Principles provide guidelines for effective and efficient risk management, reporting on its added value and clarifying its purpose and objective. The process involves a systematic application of policies, procedures, and practices in risk communication and consultation, context establishment and evaluation, processing, monitoring, control, recording, and reporting activities. The risk management process is not a sequential process wherein any given phase would affect only the next phase, but a multi-directional, continuous process in which any element of any phase can affect the remaining risk management process phases. The established key risk management system allows us to recognise negative trends and to promptly adopt timely risk management measures both at the level of individual companies and at the level of the HSE Group as a whole.

Principles, Framework, and Process (According to ISO 31000:2018)



15 GRI: 102-15; 102-30; 103-1; 103-2; 103-3; 201-2.

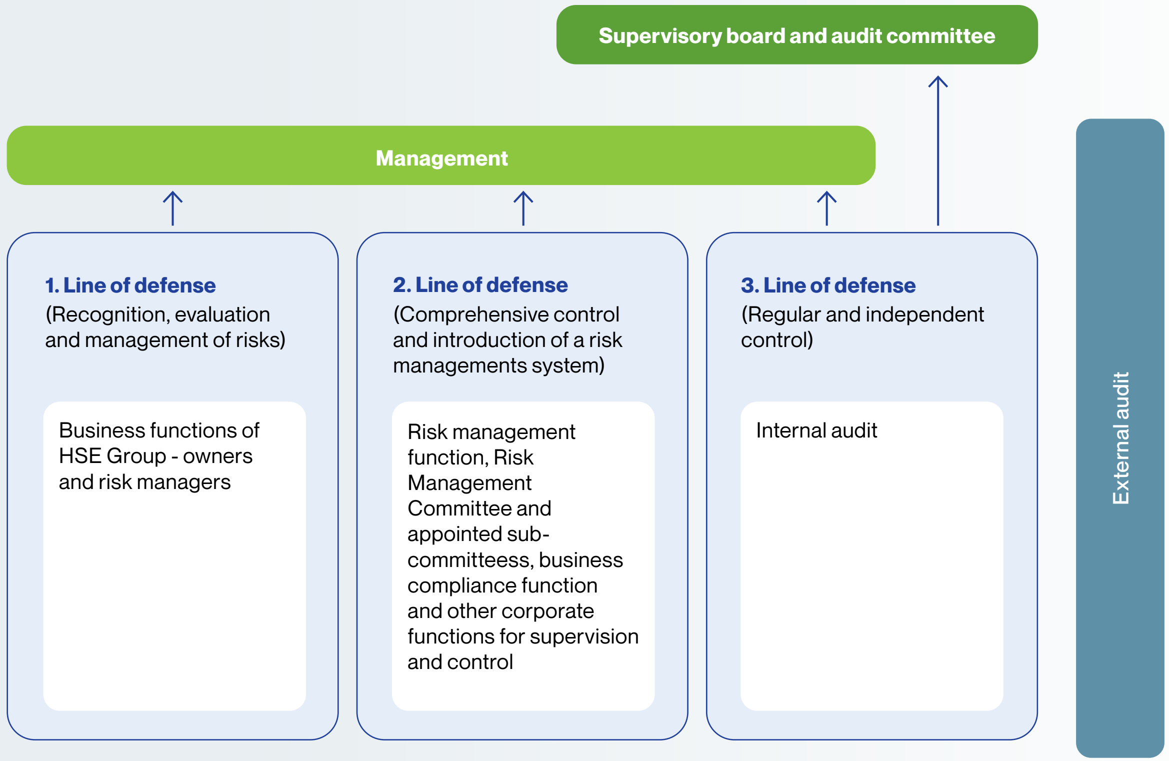
Risk management

The risk management system is designed on the basis of a "three-level model of lines of defence":

- The first line of defence is responsible for recognising and assuming risks and establishing suitable effective risk management measures and internal controls.
- The second line of defence is in charge of controlling compliance of operations and sets up or is involved in establishing a risk management system by area, including recognising, measuring, and measuring exposure procedures and an exposure limit system.
- The third line of defence carries out regular inspections of the suitability and effectiveness of the internal environment as well as the risk management system.

The key role in the risk management system is played by the Management Board, responsible for the efficient operation of the risk management system, the Supervisory Board and the Audit Committee, responsible for overseeing the operation and supporting the Management Board in proposing upgrades and changes.

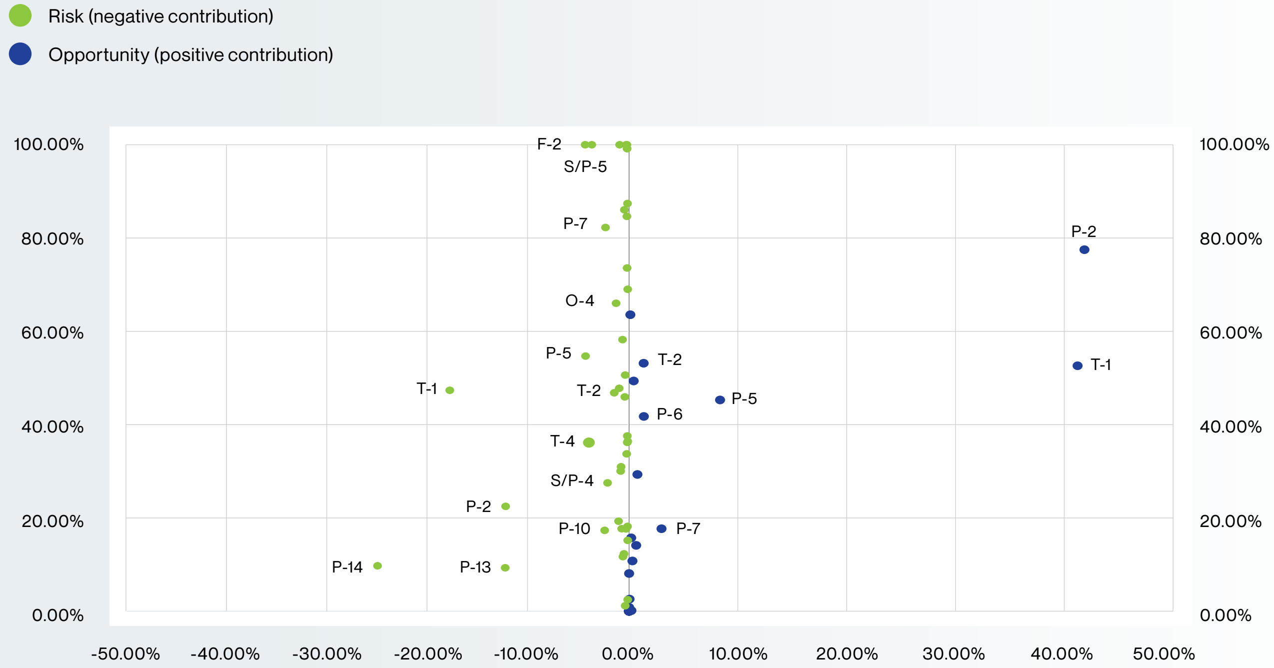
Risk management



2.9.1 Key risks of the HSE Group

The risk profile of individual companies in and the HSE Group as a whole is assessed on an annual basis. It informs us of the level of contribution of individual key risks at the level of the entire exposure of an individual company or the Group from the perspective of its effect on the value of the respective company and the Group as a whole. Valuation uses the business model of the HSE Group as its basis, whereby key uncertainties and assumptions (that the Group is exposed to as part of its operations) are recognised, their range values are defined and a Monte Carlo (MC) simulation is carried out. The contribution of each risk to the risk profile of the HSE Group, which is shown below, is obtained by evaluating the proportion of the contribution that the individual risk contributes to the total set of risks (considering the 95th percentile of the calculated distribution of the Monte Carlo simulation). All of the key risks in the HSE Group are grouped according to the nature of the risk into six major categories described below. In addition to the HSE risk profile, the so-called P/I (probability/impact) graph of risks of the HSE Group has been shown, including assessments of individual risks subject to their incidence or likelihood and their expected consequences.

Presentation of Risks and Opportunities of the HSE Group



Risks with an average contribution of less than -1% to the consequence sum:

F-2	Credit risks
O-4	Risks of compliance
P-10	Generation facility loss risks TEŠB6
P-13	Coal delivery risks - external factors
P-14	Coal delivery risks - internal factors
P-2	Hydrology risks, DEM hydro-electric power plants
P-5	Hydrology risks, SENG hydro-electric power plants
P-7	Hydrology risks, hydro-electric power plants on the middle Sava River
S/P-4	Strategic risks PV
S/P-5	Retail - price regulation
T-1	Price risks EE (LP)
T-2	Price risks CO_2 (LP)
T-4	Retail - price risk

Opportunities with an average contribution of more than +1% to the consequence sum:

P-2	Hydrology risks, DEM hydro-electric power plants
P-5	Hydrology risks, SENG hydro-electric power plants
P-6	Hydrology risks, SENG small hydro
P-7	Hydrology risks, hydro-electric power plants on the middle Sava River
T-1	Electricity price risks (LP)
T-2	Price risks CO_2 (LP)

Mechanisms were set up wherever possible to regularly monitor key risks based on objective indicators. The information obtained is taken into consideration in our decision-making processes to the greatest possible extent.

The key risk identification and valuing process also includes defining risks that could affect the balance sheet items of the HSE Groups or which result from the realisation of other risks, such as the liquidity and solvency and capital adequacy risks.

Liquidity risk is defined as the risk of a mismatch of input assets and liabilities or the possibility of a lack of cash to repay outstanding liabilities. Because the liquidity risk is the common denominator for other risks, managing it is a complex and important task, which cannot be carried out individually, but rather together while managing other risks.

2022 was characterised by a high price volatility on electricity, CO_2 emission allowance and other energy product markets, resulting in increased initial and variation margins. Additional liquidity needs were provided for with a successfully carried out re-financing, additional indebtedness in the form of a current revolving loan subject to a special intervention act on a guarantee by the RS (ZPKE-EKP), an efficient swap and management of positions of the financial products of electricity, CO_2 allowances, and the subsequent capital increase.

The solvency and capital adequacy risk shall be managed by taking into account all risk factors with a long-term effect on the operation of the HSE Group. This is why this risk is also managed by managing other risks. At the HSE Group level, solvency parameters subject to the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act, are monitored regularly and appropriate correction measures in individual HSE Group companies are carried out. From the viewpoint of long-term financial solvency, the Group has been striving towards the provision of a volume of non-current financing sources which is sufficient subject to the scope and types of transactions performed and by taking into account the risk it is exposed to in the process.

Due to their significance, the above risks are managed within the comprehensive risk management of an individual company and the Group. More detailed information on measures ensuring the liquidity, solvency, and capital adequacy of HSE Group companies is provided in the Accounting Report of the annual report of HSE and the HSE Group.

2.9.2 Volume/generation risks

Volume/generation risks arise due to differences between the planned and actually generated volumes of electricity. These risks are related to the technological and logistical generation limits, the timely supply of energy products and weather conditions.

The key factor of volume/generation risks is hydrology, managed by planning generation based on average flows over several years and the foreseen probability of hydrology. In 2022, regular estimations of hydrology on a monthly basis, based on the most recent meteorological data available, was established. Generation deviations are managed in the next step mainly by redistributing generation in the HSE Group and by trading in electricity. Due to the significance of the effect of these risks, we are also involved in projects creating more precise hydrological models in individual river basins, which will additionally improve the short- and long-term hydrology estimates. In 2022, hydrology was extremely unfavourable. As such, 68% of the planned electricity to be generated by our chains of hydro-electric power plants and small hydro given our business plan was generated.

The delivery of energy products also plays an important role in volume/generation risks. The risk of not achieving the planned volumes of coal at Velenje Coal Mine could be the result of external factors, such as rock bursts, stoppings, water and gas leakage, exceptional occurrences (e.g. an epidemic), i.e. factors that cannot be influenced by PV, and internal factors, such as operational reliability depending on the condition of the machinery and equipment exposed to the challenging conditions in the mine. Risks were managed in 2022 by drafting long-term stope plans, monitoring and establishing a suitable strategic inventory volume at the coal landfill, taking equipment replacing measures, ensuring continued equipment maintenance and supervision of operations, optimising the costs of materials for constructing roadways and, in the event of problems, by introducing additional workdays to compensate for the lost generation volumes. Risk is a very important consideration for the HSE Group, as it also significantly influences generation at the TEŠ thermal power plant. In 2022, the operational plan used for electricity generated by coal was regularly updated. Issues related to challenging geomechanical conditions and delays in launching stopes arose in particular. In July 2022, there was a pillar burst in the NOP pillar of the Velenje Coal Mine. 14 employees sustained minor injuries and one part of the mine infrastructure was destroyed. There was a deformation at the C k-110 panel in October, resulting in a delayed launching of the stope towards 2023. There were also many defects of out-of-date hardware. All of the above led to a loss of coal power generation. As such, only 86% of the planned coal power generation given the business plan (by taking into account the generation energy value) was realised. During the last quarter of 2022, the TEŠ used imported coal added to lignite from the Velenje Coal Mine on a trial basis.

The risks that affect the reliability of generation facilities are managed based on extensive know-how and regular employee training as well as on known operational methods of the generation facility. The uninterrupted operation of generation units and other power installations is ensured by individual HSE Group companies by providing regular maintenance and periodic equipment controls (measurements, installation diagnostics). Modern monitoring systems are established at generation units. They are used to regularly monitor the condition of key components, which allows us to quickly detect mechanical and electrical malfunctions of the equipment. This allows us to reduce the likelihood of unplanned of generation unit stagnation or downtime. In 2022, the SIST ISO 55001 system, standardising the procedures of managing one part of the production infrastructure property throughout the entire lifecycle of the property, was successfully introduced in HSE, DEM, SENG, and TEŠ. The upgrading of the functionalities of the maintenance IT support system (SAP PM - EAM) continued. The prevention maintenance plans for hydraulic systems and power transformers were coordinated. The SAP PM prevention maintenance plans are continuously properly complemented. The established deviations are promptly recorded in the IT system. Subject thereon, proper types of work orders are created. In this way, the SAP system was used to additionally improve a unified overview and more effective response to installation management, thus allowing us to more effectively manage unplanned events related to the maintenance of generation units. Such maintenance is also managed by carrying out inspections and repairs in a timely manner and by compensating for generation using available units in the HSE Group. All of the additional measures contribute to more effective risk management related to the management of generation units and to reducing the exposure of the HSE Group to these risks.

Generation/volume risks are managed by long-term and short-term forecasting of the electricity supply and transmission profile and daily monitoring of quantity deviations of the majority of supply and transmission points.

In 2022, the retail - volume risk was recognised as part of volume/production risks that ECE and Energija plus are exposed to in the HSE Group. This risk is related to the deviations from actually collected and delivered volumes compared to the planned volumes.

2.9.3 Market risks

In its operations, the HSE Group is exposed primarily to risks arising from the volatility of prices of electricity and related products on the market where the Group's activities are carried out. Price risks are managed at the Group level as part of the activities of the HSE parent company. In addition to the said effects of prices, another two key factors are the difference between the volume of planned generation and the procured and sold electricity at the moment of supply in the future, i.e. the open position.

2022 was characterised by a high volatility on energy markets resulting from economic and geo-political developments. During the last year, the highest price oscillations related to the delivery of electricity since the inception of the electricity market in the EU were experienced. The change in the price level led to an increased effect on price volatility. At the same time, it also significantly increased credit exposure and proportionally higher hedging financial coverage requirements. Under the pressure of these requirements, some market participants were forced to close the positions of their portfolios. Some companies also terminated already concluded electricity delivery contracts. Companies sought to limit the volatility of prices with a wide range of regulatory measures, primarily intended to protect the end customers, which, however, only proved to deepen the feelings of insecurity on the market.

Market risks related to the sale of self-generated electricity, which is the largest and most important segment in the operations of the HSE Group, were managed in 2022 pursuant to the defined strategy for selling self-generated electricity and purchasing emission allowances as needed for self-generated electricity purposes. 2022 was characterised primarily by a sub-planned realisation of generated electricity levels which had to be covered with rather expensive purchases of replacement electricity on the market.

In the electricity trading segment, market risks were managed based on selecting and limiting the maximum values of the parameters that have been monitored for this purpose in recent years. In addition to the Value-at-Risk parameter (the 5-day VaR parameter with a 95% confidence interval was monitored), we also monitor venture capital; furthermore, the already achieved added value of the portfolio was protected based on the fluctuating profit loss limit parameter. Risks are managed by actively managing portfolio positions. By doing so, we ensure that parameter values remain within the limits. The exposure to these risks, at comparable volumes, increased significantly compared to 2021. The key limiting factor related to the price exposure in 2022 were the margin requirements for financial positions.

In 2022, we also focused on the adopted intervention legislation to remedy the consequences of the energy crisis which, however, did not have a negative impact on the operations of HSE. The Group will continue to monitor legislation and assess its potential positive/negative impact on the operations of HSE.

The market risk monitoring process is subject to constant improvements and adjustments to new market situations in addition to new price securing opportunities offered by the market through its development. In this sense, the implementation effectiveness of the risk management system is being constantly monitored and upgraded.

As a result of entering the retail segment (through ECE and Energija plus), the risk assessment now also includes the price risk of electricity and other energy products in this area of operation. This risk arises primarily from the changes to the realised volumes in relation to the market price of electricity and other energy products, impacting the revenue and expenses and, consequently, the operating result.

Additional information related to managing price risks is also provided in the Accounting Report of the annual report (Financial instruments and risk management).

2.9.4 Strategic and business risks

These could constitute one of those risks whose implications may not be fully reflected in the presented risk profile, as they could be much more far-reaching than the period relevant for the profile assessment. Nonetheless, we are aware of their significance for the further operation of the HSE Group and are suitably responding to them while considering their nature.

Regulatory risks are managed by regularly monitoring legislative changes, analysing their effects on the operation of the HSE Group and actively responding to safeguarding the interests of the HSE Group, even before amendments to legislation in force is made. HSE Group employees receive regular communications on the relevant legislative changes that affect the operations of the HSE Group.

In 2022, the legislative process at the EU and national levels, and, as a result, also our activities, primarily focused on intervention legislation to mitigate the consequences of the energy crisis. This legislation resulted in additional measures and liabilities also for energy companies which are to remain effective in 2023 (some even longer), primarily:

- the regulation of retail prices of electricity and gas,
- the potential obligation of providing electricity to cover losses in the grid at administratively restricted prices by the Government,
- price restrictions on the system service market imposed by the transmission grid operator,
- revenue restrictions for electricity generators.

Several regulations restricting the price of electricity for individual buyer segments, namely public institutions, commercial customers, SMEs, household, and small commercial customers, were adopted in 2022. As far as natural gas is concerned, two regulations were adopted limiting prices for public institutions and household customers, small commercial customers, heat energy distributors, kindergartens, etc. Subsequently, a regulation on reimbursing the expenses of suppliers was adopted, whereby the source to cover the electricity loss caused by regulation was the state for two regulations and the HSE parent company for the remaining two. The loss caused by the regulation of natural gas is fully covered by the state. These regulations have only a minor impact on the operations of CE and Energija plus, as their regulation and operating costs are reimbursed. However, they have a negative impact on the operations of HSE, which is, however, foreseen in the annual plan as an assessment or expectation.

Managing regulation risks is moving towards active communication in relation to commenting laws in the adoption process and, subsequently, during their operational implementation. Comments are made via ECE, Energija plus, and HSE as well as the Supplier Question Section of the Chamber of Commerce and Industry of Slovenia (hereinafter referred to as: "GZS").

In line with the adopted legislation, an analysis of its impact on our operations, cash flow, etc. is carried out, foreseeing and limiting operational risks.

One of the measures to mitigate the consequences of the energy crisis was the extra push to introduce RES (one part of the measures of the so-called REPowerEU), which was combined, in part, with the process of creating the new "Fit for 55" legislation, which will have been fully negotiated by 2023, followed by the national implementation of more ambitious RES targets until 2030 and the acceleration of siting procedures, which will constitute an opportunity to implement the planned RES projects of the HSE Group. The reform of the EU ETS, increasing the linear factor of reducing emissions impacting smaller volumes of emission allowances in circulation and, as a result, the price of carbon, has also been negotiated. In addition, Slovenia will be able to access approximately EUR 340 million of funds from the Modernisation Fund at the initiative and proposal of HSE until 2024, out of which RES projects can also be financed, respective the amendments to the EU ETS legislation.

The Act amending the Mining Law, facilitating the extension of the mining right of the Velenje Coal Mine, was also adopted at the beginning of the year. The drawing up of the Law on the Progressive Closure of the Velenje Coal Mine was temporarily suspended due to the focus on intervention legislation. However, its drawing up process shall resume with a great push in 2023. The law shall define the mechanisms of financing the progressive closure of the mine and shall also serve as one of the foundations for drawing up a nationally coordinated strategy of the coal phase-out of the HSE Group. The latter also constitutes a risk in terms of the availability of the financial sources 'pool' (restrictive bank policies in relation to financing the coal mining industry) and other business perspectives of relevance for HSE (such as asset hedging, ratings, etc.).

A new Act determining the methodology for setting the network charge, the criteria for establishing eligible costs for electricity networks, and the methodology for charging for the network charge was also adopted at the end of the year, introducing the payment of a network charge for batteries, including pump-fed hydro-electric power plants which had been previously exempted from payment. It shall enter into force on 1 January 2024. The one-year delay has allowed us to gain the time required to systematically regulate the role of pump-fed hydro-electric power plants in the electricity system in relevant statutory acts, else the introduction of a network charge for pump-fed hydro-electric power plants shall significantly affect the operation of the Avče pump-fed hydro-electric power plant and the economics of our planned pump-fed hydro-electric power plant project.

In 2023, a progressive shift from intervention law to more long-term structural amendments to the legislative framework and strategies is expected. It needs to be emphasised that some elements of the intervention law could become structural elements of the new electricity market design. On the EU level, a proposal of a legislative reform of the electricity market with a focus on long-term markets and a greater role of customers in addition to the regulation of retail prices below the cost price during crisis situations and subject to certain conditions was presented on 14 March 2023. The outcome of the negotiations on the new Methane Emission Restriction Regulation including restrictions for underground coal mines, significantly affecting the Velenje Coal Money, shall also be relevant for the HSE Group. HSE has been intensively involved in the negotiations in order to achieve a regulation which shall not negatively affect the operations of the Velenje Coal Mine. As early as 2023, HSE will already have to carry out some of its obligations arising from the CBAM (Carbon Border Adjustment Mechanism). In the event of importing electricity from third countries, it shall introduce a carbon content reporting system. In 2026, the CBAM certificate purchase obligation will enter into force.

Amendments to the key legislation in the area is expected on the national level resulting from the implementation of statutory acts of "Fit for 55". A new act promoting the siting of wind farms and solar power plants eliminating several siting prohibitions, including facilitating the installation of floating solar power plants on lake, created as a result of subsidence following the extraction of coal, shall be adopted. At the same time, our NECP shall be undergoing an intense revision whose aim is to provide for the appropriate status for the planned projects of the HSE Group to achieve energy climate targets.

Investment risks on development project and new construction related investment projects in the HSE Group were successfully managed in 2022 by establishing investment control in the HSE Group in compliance with the adopted normative documents at HSE Group level. The impact of a time delay, higher prices of materials and services and the subsequent increase in expenses for any major investment of the HSE Group as a result of unforeseen factors on the global energy market caused by extraordinary conditions, such as the war in Ukraine, has also been taken into account in assessing the exposure to investment risks. Other relevant factors of investment risks also include the non-obtaining or the failure to obtain the required permits and consents on a timely basis within the deadlines of potential public calls for tenders for grants to be used for RES investments.

New legislation currently in the adoption process (The RES Siting Act) with which the Government of the Republic of Slovenia seeks to accelerate the RES siting procedures and remove statutory barriers to the siting of some types of RES (such as solar power plants on degraded areas next to roads, on artificial water and coastal areas, solar power plants and wind farms in water conservation areas and mining areas, solar power plants in landfills, agro photovoltaics, etc.).

At the same time, legislation was adopted in 2022 (Act on Measures for Management of Crisis Conditions in the Field of Energy Supply - ZUOKPOE), subject to which all companies with a capital investment of the state shall provide at least 25% of the electricity generated annually free of charge for the supply of household customers for solar power plants of >= 250 kW. Such a provision has significantly changed the economic feasibility of investments in solar power plants and thus the motivation to make decisions on the installation of SPPs in the future, as this mean that approximately 90% of investments in photovoltaic power plants will not meet the economic feasibility criteria laid down by the internal investment acts in the HSE Group. Investments in photovoltaic power plants by observing the provisions of ZUOKPOE will only be feasible subject to sufficient grants. The provisions of the ZUOKPOE negatively impact the realisation of investments in photovoltaic power plants of the HSE Group. At the same time, this also constitutes a barrier towards achieving our target share of electricity generated from RES.

2.9.5 Operational risks

The key element in managing these risks is establishing an effective internal control system, whereby the focus is mainly on the accuracy and reliability of financial and accounting reporting, ensuring operational compliance with internal and external acts and the effectiveness and reliability of carrying out business processes.

Risks of fraud and compliance are primarily managed by prevention activities in the form of employee compliance and integrity training and seminars, in addition to controls in the form of compliance checks and (forensic) investigations, related to preventing and identifying fraud, and corrective activities intended to prevent and examine identified fraud in addition to establish fraud prevention measures.

As part of contract-specific risks, the Group has continued standardising contract drafts, minimising risks and, in parallel, improving the negotiating position with the other contracting parties. Any contractual clauses are promptly adjusted to legislative amendments when required, taking into account also the opinions of the expert public and practice of bodies in the specific area.

Environmental risks are connected to recognised environmental aspects, which are the result of activities performed by raw material extraction and energy conversion activities of individual HSE Group companies. The HSE Group is aware of the fact that the exploitation of products and services leads to negative effects, such as air, water and soil emissions, electromagnetic and ionising radiation, ambient noise, the degradation and usurpation of space, unpleasant odours and waste generation and management-related effects. The HSE Group consistently follows the established sustainable environmental policy, which defines the important environmental management system objectives and the key guidelines for implementing measures for managing these risks. In 2022, we continued drafting a system regulation that would introduce uniform environmental management system monitoring and control in the HSE Group, the detection of environmental risks in the performance business activities, and uniform reporting of environmental indicators at the level of HSE Group companies. In 2022, the greatest attention was and will be expected to continue to be paid to managing environmental impacts related to the extraction of coal (e.g. the rehabilitation of collapsed formations, etc.) and the risk of a lack of material for rehabilitating collapsed formation and thus the need for additional volume of suitable material from elsewhere. Risks were successfully managed in 2022.

The higher material cost risk (installation of roadway drifting facilities) is linked to face lines which have been increasingly challenging and risky, which also results in higher costs of additional measures to ensure production and to provide for the safety of employees. In 2022, a high increase in prices of raw materials used for the installation of mine facilities was observed as a result of the conditions and crises in Europe and elsewhere in the world. Several additional measures were established, one included the measure of looking for new supplier and changing the delivery dynamics which will allow us to ensure sufficient volumes of the required materials and a greater acceptability of the price. The costs of installing roadway drifting or preparing new stopes constitute key costs that significantly affect the cost-related price of coal.

To manage IT system risks of HSE, all controls of the ISO 27001 standard, recommendations of internal and external audits of the management systems, recommendations of internal and external audits and the corporate security department which shall draw up and publish our security policy were also taken into account in 2022. In compliance with the recommendations of the audits, measures carried out to ensure a safety operation of the HSE IT system were defined and implemented. The Information Technology Support Centre of HSE mitigates any bugs and carries out any changes and amendments in compliance with the service catalogue (administration and ownership of any service) and the agreement on the provision of services and the splitting of IT support costs for HSE Group companies. By coordinating and supervising the implementation of information and communication technology and the software solutions of services with a contractual provider, the administration of infrastructural solutions is carried out. Monthly measurements of key IT systems, for which target levels of availability are defined, monitor the implementation of key IT services. The Group has been diligently planning and investing in IT and computing equipment and the reliability of IT of the HSE Group. The dual operation of the IT of HSE (Šoštanj and Maribor Data Centre) has been established, the shift to new and state-of-the-art technologies (cloud solutions) and a high availability of IT infrastructure have been introduced. IT resources are regularly updated and upgraded in compliance with all internal rules, external regulations, and all controls of the ISO 27001 standard. The IT project of setting up a security information and event management system (SIEM) for the HSE Group, set up in 2022, has been fully and successfully following the set targets of the project to be completed in 2023. All risks are properly managed. As such, no events which would negatively impact the exposure of the IT of HSE and the operations of the HSE Group are expected in the future.

Several measures measuring the risks associated with recruiting new job candidates for specific positions in the trading and electricity generation sectors were implemented in relation to HR risks. To strengthen the brand and visibility of the HSE Group as a good employer, collaboration with education institutions and student organisations was strengthened and positive messages were used to communicate with the public via social media. A system of succession, target-oriented recruitment, regular annual reviews, measurements of the organisational climate, and a planned development of HR has been put in place to manage the risk of departure of key talent. With a planned performance of team building activities, various seminars and other motivational factors, the Group builds on good relationships between its employees. This is used to motivate them, strengthen their dedication and thus prevent unwanted turnover.

2.9.6 Security risks

The greatest occupational health and safety (OHS) and fire safety risks in the HSE Group are related to the extraction of coal, generation of electricity and the performance of works at construction sites. OHS and fire safety risks are successfully managed by planning, controlling and implementing various measures and by monitoring their efficiency. The risks of work accidents and health impairments are monitored for all job positions and technologies. The occupational health and safety, fire safety and OHS management system risks are periodically assessed, maintained at the acceptable level by way of suitable prevention safety measures, thus affecting the constant improvement of working conditions in the long term. In 2022, various occupational health and safety and fire safety trainings and practical drills were carried out in the HSE Group (evacuation drills for employees, extinguishing incipient fires, how to act in the event of hazardous substance spillages, providing first aid, drills of the mine rescue team, drills with fire brigades, etc.).

IT security risks or the significance of secure information and communication are high on the priority list in HSE Group companies, particularly evident from the introduction of new IT solutions in addition to digitalising key business processes. IT security risks are thus managed at several levels by applying various technological solutions (upgrading the IT system), carrying out ISO 27001 processes (security policy and IT security organisation) and educating and raising awareness among IT solution users as a result of which our employees perceive security as something completely normal and essential. In 2022, the public procurement "Establishing the security IT system - SIEM" was published and successfully completed in 2022. In line with the established target, our activities have been continuing with the selected contractor by implementing or setting up a system to manage security information and events related to SIEM on the HSE Group level. The Q-Radar system was presented and several coordination activities related to the implementation of the SIEM system in the HSE Group were carried out. In 2022, special attention was paid to the more frequent raising of awareness among employees on IT security.

The tangible property protection risk is managed by property insurance and by establishing/maintaining security systems or architecture, including organisational and functional measures to establish or provide for business and inner security, security sub-systems (CCTV, physical and technical security, etc.) and by way of a security culture of employees. The publication of a joint (uniform) contract notice for maintaining technical security systems in HSE Group companies whose purpose is to safeguard a proper level of professionalism and quality of the installed systems in providing for the security of employees and property of Group companies or continuous operation of generation facilities in all HSE Group companies was successfully completed in 2022. The activities to implement or complete the public contract of the technical security system equipment in HSE Group companies have been carried out in line with our plans. At the same time, the publication of a new joint (uniform) contract notice for technical security systems in HSE Group companies is being prepared in year 2023.

2.9.7 Financial risks

Credit risks are managed by conducting a thorough review of the credit rating of our existing and potential business partners that involves a clearly defined receivable recovery procedure, a warning system and the conclusion of agreements subject to appropriate securities (bank or corporate guarantees, advance payments and other appropriate securities). The level of the assessed risk mainly depends on the partner's business performance, particularly the level of indebtedness, short-term liquidity, solvency and profitability indicators. Substantial importance is placed on obtaining the up-to-date market information, as the status of a particular partner can quickly change in the face of different market and regulatory changes. Credit risks to banks and other financial institutions are managed by regularly keeping up-to-date with operating information on the financial institutions we collaborate with. On account of strained electricity market conditions or high price volatility, affecting the provision of liquidity, special attention was paid thereto during the credit risk management procedure in 2022.

Various financial instruments (e.g. interest rate swap, interest rate caps) are available to manage interest rate risk. Their purpose is to reduce the negative effects of changing market-based interest rates. As a rule, the extent of exposure to the interest rate risk is dependent on the share of financial liabilities and investments in the Company at a variable interest rate.

More detailed information on our exposure to individual financial risks and disclosures related to financial instruments are defined in the Accounting Report of the annual report (Financial instruments and risk management).

2.10 Development strategy of the HSE Group[16]

A challenging, but successful, period is behind the HSE Group, having carried out a comprehensive restructuring of the HSE Group between 2013 and 2021, improved our credit rating and established appropriate relationships with banks. Continued operation optimising processes have been established and an appropriate structure of sources of finance of the HSE Group has been maintained. Conditions for setting ambitious strategic objectives, focused on enhancing a zero- and low-carbon generation of electricity and investments in renewable energy, have been established, and R&D investments with a view of attaining them have been made. Special attention is also paid to retail, trading and development of new products or services intended to raise our competitiveness, attain growth and sustainable development of the HSE Group. 2022 marked a new investment cycle in development and investment activities in the HSE Group (SE - solar power plants, ČHE - pump-fed hydro-electric power plants, VE - wind farms, HE - hydro-electric power plants, sHPP - small hydro, GE - geothermal power plants, and hydrogen technologies).

The HSE Group is faced with the following strategic challenges:

- Maximised decarbonisation of the company whilst ensuring a high degree of self-sufficiency: more ambitious climate targets until 2030 and the commitment to reach climate neutrality by 2050 require a significant investment cycle in RSE projects and energy efficiency measures. Our objective is to complete RSE, i.e. hydro, solar, wind and geothermal energy projects as soon as possible and no later than by 2030, by ensuring an appropriate return on investment.
- EU-level integration of the system service market, an increase in volume of variable and decentralised generation of renewable electricity, a more intense growth in energy efficiency, and a fast-tracked electrification of traffic, heating, and cooling. Our objectives are to optimise our existing generation portfolio and improve the price competitiveness of the HSE Group by adding more cost-effective, zero- and low-carbon generation units.
- The introduction of new technologies, related to the flexibility, digitalisation, and use of smart grids, accumulators, and virtual power plants. Our objectives are to adapt the business model of the HSE Group; if they are economically profitable, adding pump-fed hydro-electric power stations and batteries to our product portfolio; and carrying our pilot projects with hydrogen and geothermal energy needed to develop interesting services and products for the market.
- A controlled coal phase-out subject to just transition principles by ensuring that the competitiveness of the existing production portfolio is preserved. Our objective is to ensure the adoption of the Progressive Closure of the Velenje Coal Mine Act intended to transfer the costs of the mining infrastructure, closing the mine, and mediating the consequences of mining in the RS.

16 GRI: 102-16; 102-30; 103-1; 103-2; 103-3; 201-2; 203-1.

2.10.1 The business policy of the HSE Group[17]

Mission

The HSE Group is Slovenia's largest producer and dealer in self-generated electricity.

We strive for a safe, reliable, competitive, and profitable generation of electricity, performed with our experienced and dedicated employees efficiently while minimising the effects on the environment, in which we operate.

Vision

We will remain a leading national generator and seller of electricity and a key pillar of self-sufficiency and sustainable energy transition in Slovenia.

Our efforts will be focused on the growth of generation of renewable electricity and the expansion of content, scope, and profitability of operations.

By monitoring business, market, and technological environment trends, we will seek the best business solutions to any upcoming challenges and continue to actively participate in the adoption of national energy policies.

Values

RESPONSIBILITY: We are actively involved in drawing up business objectives. We are held responsible for fulfilling our objectives, for our own development, for our employees, business partners, owners and the environment.

EFFECTIVENESS: We are excellent at what we do. We optimise processes and simplify procedures. We do the right things.

INNOVATION AND CREATIVITY: We seek the best solutions. We have the courage to be original and the constant wish to see improvement. We view business challenges from different perspectives. We have an open mind and support creativity in our work.

POSITIVE ATTITUDE: We perform our tasks with optimism and positive energy. We are committed. We are confident in our knowledge and abilities.

HONESTY AND CREDIBILITY: We perform our tasks with optimism and positive energy. We are committed. We are confident in our knowledge and abilities.

RESPECT AND COOPERATION: We nurture our interpersonal relationships. We are respectful. We believe that together we can be more successful. We recognise the best in our co-workers, clients, and business partners. We understand and respect diversity. We are open-minded and trustworthy.

17 GRI: 102-16.

2.10.2 Analysis of our environment and competition

External environment

POLITICAL PERSPECTIVE

- Sustainable operations will be the only way of acceptably operating in the future,
- maximised decarbonisation and more ambitious climate targets until 2030 (The "Fit for 55" package and "RePowerEU"),
- the crisis in Ukraine and its outcome – effect on energy product prices,
- accelerated phasing-out of coal, but supported by the state and subject to just transition principles,
- stagnation of the introduced capacity mechanism (which was based on gas-fired power plants),
- a growing need for regional system services and a shorter contract maturity,
- shortening trading intervals (15-minute trading and product portfolio balancing were launched in 2021),
- maintaining support schemes after 2021,
- drawing up EU-level measures intended to expedite the permit obtaining and construction of new RSE project processes,
- introducing mechanisms that regulate high prices of electricity and other energy products, a potential embargo on Russian energy sources.

BUSINESS PERSPECTIVE

- Growth in consumption and restricted fast growth of electricity generation in Slovenia,
- growth in electricity prices caused by the growth in prices of energy products and CO_2 emission allowances,
- integration of markets and additional transmission connections in the region,
- joint EU procurement of strategic raw materials and energy products.

TECHNOLOGICAL AND ENVIRONMENTAL PERSPECTIVE

- Electrification of traffic, heating, and cooling,
- digitalisation of electricity consumption,
- increasing electricity storage capacity needs required for the supply and operations of the electric system,
- making use of all available renewable energy sources,
- by increasing the share of volatile RES, there is an increasing need to stabilise the operation of the electricity system,
- raise environmental requirements for the construction of new generation facilities (climate change mitigation and adaptation, amplifying the importance of preserving biodiversity, prevention of pollution, improving the water and soil status, and circular economy principles which shall lay down sustainable investment criteria - EU taxonomy).

Internal environment

GENERATION OF ELECTRICITY

- Coal extraction conditions are getting increasingly challenging and coal reserves are getting increasingly smaller – transfer of good government grant practices,
- an extremely high burden on public finances,
- high availability of generation capacities of the HSE Group,
- legal and procedural obstacles to constructing new developments, which are small in the event of exploitation of existing energy locations.

SALES OF ELECTRICITY

- A long position of the generation portfolio in the region,
- a favourable deviation balancing position, well-developed intraday trading,
- access to the retail market and the development of new products and services,
- transfer of our market know-how to the trading in and sales of other energy products.

FINANCES

- Good access to financial markets and banking providers,
- a favourable debt to EBITDA ratio,
- upgrading the credit rating of the HSE Group,
- available external financial resources for zero-carbon-neutral and low-carbon investment projects with low interest rates,
- available revolving loans to maintain proper liquidity for trading in derivatives.

HR MANAGEMENT

- High degree of competence of our employees,
- a relatively high average age of our employees,
- low (unwanted) employee turnover,
- an active business environment that recruits competent young HR,
- a strong focus on educating and training our employees.

Comparative analysis of competing energy companies' strategies

The strategies of energy companies in Europe were reviewed. Their existing generation portfolios, objectives and strategies, and the compliance of their plans and objectives with national energy policy guidelines were analysed. In 2020, EU Member States adopted their respective National Energy and Climate Plans, in which they laid down the development of their energy industry until 2030, looking to 2040. In 2022, the update process of all National Energy and Climate Plans was launched, reflecting the adoption of more ambitious greenhouse gas emission reductions, namely by 55% by 2030, the changed geopolitical situation in Europe, and the need to reduce the energy fossil-fuel dependence and on importing natural gas from Russia of the EU. As also stated by the Commission in the REPowerEU communication, the development of RSE will be the main focus. In this light, changes to development strategies of energy companies in Europe, in particular those whose generation is based on fossil energy products with an emphasis on natural gas, are also expected.

Key findings of the review of national energy policies

DECARBONISATION

The Russian attack on Ukraine calls for a new consideration of maximised electricity generation decarbonisation which is also at the heart of the strategies of countries whose portfolio also includes a large share of coal. Relative to the strategies in force, a significant change in the portfolio shall be supported by way of gas-fired or nuclear power plants and by accelerating the deployment of renewable energy (primarily solar and wind energy). However, the current energy crisis has led countries, primarily those whose transition and coal phase-out were built on natural gas, to seriously consider how to minimise the role of natural gas as a transitional energy product – by accelerating transition to RSE and/or by extending the operation of coal-fired power plants. The official coal phase-out years of individual EU Member States haven't changed.

By 2030, coal-fired power plant capacities in the European Union are to decrease by 35.4 GW, which accounts for 25% of the current capacities. National strategies and separate closure acts taking into consideration just transition principle-based restructuring aspects for the coal phase-out process, financially supported by the state, have been adopted by several Member States.

- Strategies of countries whose portfolio also includes a significant share of coal have also been increasingly discussing maximised electricity generation decarbonisation. A significant change in their portfolio shall be supported by diversified sources of non-Russia-originating gas or by nuclear power plants, an accelerated introduction of RSE (primarily solar and off-shore wind-fired power plants) and by developing hydrogen technologies.
- Most EU Member States have already decided when to complete the coal phase-out process. More ambitious climate targets have further accelerated their coal phase-out intentions, which shall be sufficiently supported by the state; by 2030, the EU is to reduce the capacity of its coal-fired power plants by half.
  - Germany – 28% coal share, phase-out: ideally by 2030, more likely by 2038
  - Greece – 25% coal share, phase-out: by 2025, more likely by 2028
  - Spain – 5% coal share, phase-out: by 2030, likely by the middle of that decade
  - Portugal – 10% coal share, actual phase-out in 2021, more likely in 2023
  - Hungary – 12% coal share, phase-out: by 2025, more likely by 2030
- The global pact adopted at the November 2021 COP26 Climate Conference binds States party thereto to step up measures to reduce the consumption of coal that does not use CO_2 capturing technologies (CCS/CCU).

COAL

Irrespective of the current geopolitical situation in Europe, the use of fossil fuel energy sources continues to persist primarily in the energy strategies of countries that generate coal domestically and still, to a large extent, receive free CO_2 emission allowances for generating electricity for domestic consumption. In January 2022, Slovenia also adopted its National Coal Phase-Out and Coal-Mining Region Restructuring Strategy in compliance with just transition principles, which includes the year of the Slovenian coal phase-out: 2033.

- Countries with a significant coal share have also opted for a controlled phase-out of coal, supported by the state – Slovakia confirmed 2023 (8% coal share), Romania 2032 (23% coal share), Poland until 2049 (72% coal share), The Czech Republic has been deliberating on 2038 (43% coal share), and Bulgaria on 2038–2040 (38% coal share).
- Non-EU Member States (Bosnia and Herzegovina, North Macedonia, Serbia) are also preserving their coal power generation and are investing in the required environmental adjustments of installations.
- Free emission allowances are currently received only by three countries with a significant coal share: Bulgaria, Hungary, and Romania.

GAS

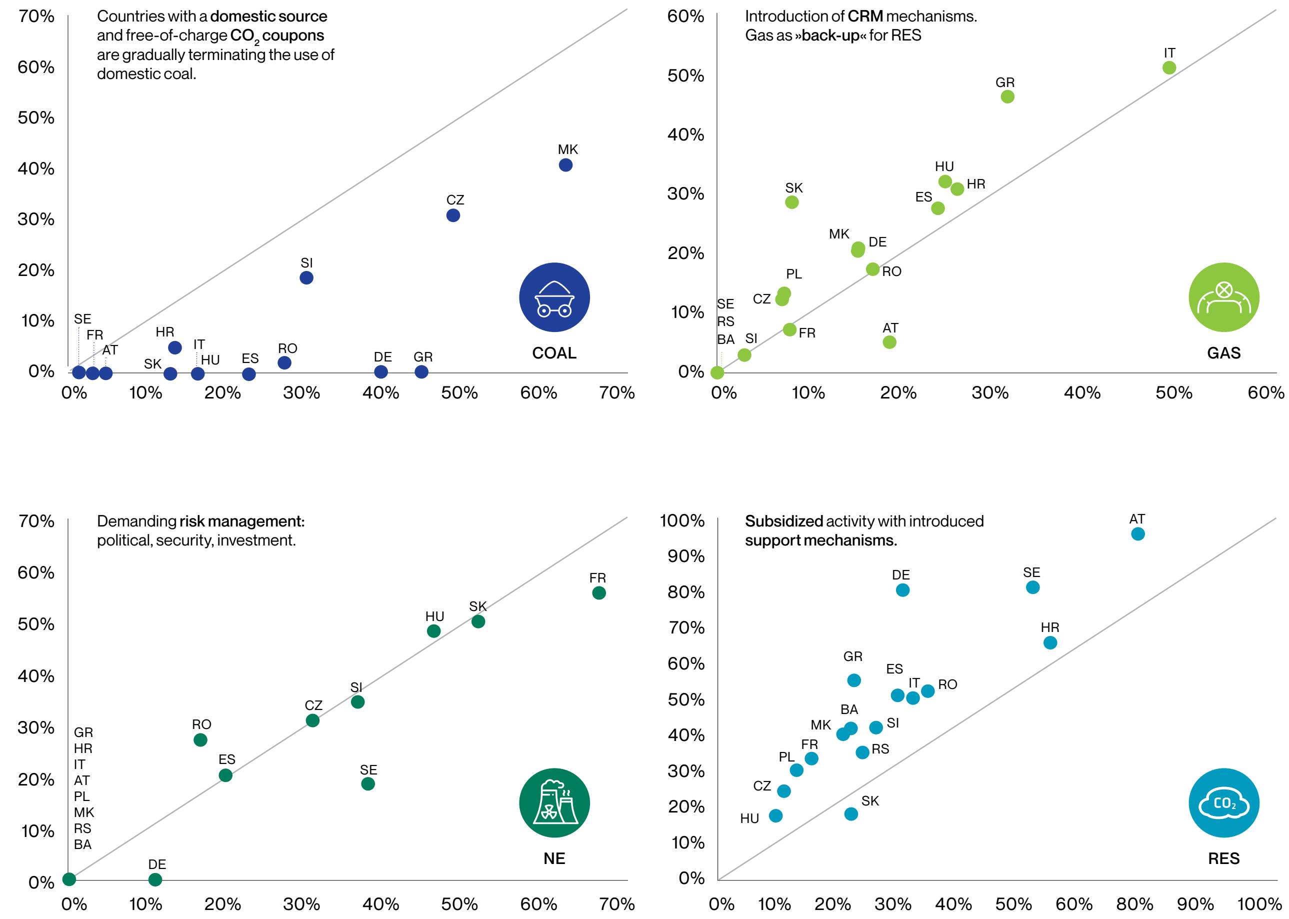
The use of gas as a transitional energy product in the coal phase-out process is also planned by countries with a high share of coal in the generation of electricity and heat. In that connection, regard must be had for the fact that strategies on using gas as a transitional energy product will be changed in compliance with EU's plans to discontinue the consumption of Russian natural gas and their replacement methods (promoting RES, hydrogen, bio methane).

NUCLEAR ENERGY

- Countries with a high share of coal (Romania, Poland, the Czech Republic) have significantly stepped up their nuclear energy efforts.
- The nuclear energy role is being preserved in countries where it already plays a significant role in their portfolio (Slovakia, Hungary, France, Sweden, Finland).

Review of energy strategies

TOMORROW



YESTERDAY

Comparative analysis of competing energy companies' strategies

- The strategies of energy companies in Europe were reviewed. Their existing generation portfolios, objectives and strategies, and the compliance of their plans and objectives with national energy policy guidelines were analysed.
- In 2020, EU Member States adopted their respective National Energy and Climate Plans, in which they laid down the development of their energy industry until 2030, looking to 2040. In 2023, their plans will be updated. They shall take into account more ambitious greenhouse gas emission reductions by 55% by 2030 ("Fit for 55" and "RePowerEU").

Key focuses of strategies of competing companies

- Companies with a large share of coal in their portfolio have also focused on their green transition role, on the assumption of a controlled and state-supported coal phase-out.
- The importance of managing the whole chain from production to final customer.
- Development of segments not bound by the wholesale market:
  - Development of long-term bilateral contracts that include end-customer electrification process measures — carbon footprint reduction/energy efficiency measures;
  - development of new URE - EE (energy efficiency), flexibility, electrification of heating and cooling and e-mobility-related services, reducing our exposure to the wholesale market;
  - digitalisation.
- The key role in the provision of cost efficiency, reliability, and flexibility is played by the optimisation and digitalisation of the current production portfolio.

- Establishing a good regulated activity basis, such as capacity mechanisms, RSE support schemes, distribution, balancing market –> secured stable, regulated revenue and reduced risk of the liberalised portion of the activity.
- Conventional energy sources (gas) are essential for a successful low-carbon transition of the electricity system, with an optional syngas and hydrogen transition.
- The importance of preserving nuclear energy in meeting climate targets and the building of new nuclear power plants).
- Accelerated development of RSE (solar and wind-fired power plants both on land and at sea) by way of long-term supply contracts with end customers (PPAs - Power Purchase Agreements) and of issuing green bonds.
- The development of energy storage technologies (batteries, accumulators) to ensure flexibility and system services.
- The process of finding digitalisation opportunities and innovation, end-customer services and decarbonisation as an integral part of operations.

Company strategies vs country strategies

- A high level of alignment of company and national strategies –> state support (capacity mechanisms, government grands, state-owned companies remedy the effects of mining operations and closure of coal-mining units).
- Companies and countries committed to attain more ambitious climate targets by 2030 and climate neutrality by 2050.
- A controlled coal phase-out supported by the state is a prerequisite for the transition to a climate neutral society, accelerated investments in RES, and a competitive economy in all countries whose energy mix includes coal. Companies have been operating in concert with state strategies. However, they highlight a systematic, progressive, just transition from coal with the collaboration of the state, and the replacement of coal with alternative RES and its replacement during a transition period with gas and nuclear energy.

2.10.3 Strategic guidelines of the HSE Group

Energy of the HSE Group will be focused on three strategic areas, namely:

- We will improve the cost efficiency of the existing generation portfolio and increase its flexibility in the face of a safe and reliable supply, all the while ensuring the implementation of a just transition.
- By investing in R&D, primarily in the exploitation of RES, we will increase the scope of sustainable generation, reduce the average generation price and energy dependence of the generation portfolio of the HSE Group.
- In terms of trading and sales, we will reduce our dependence on the wholesale market by entering the retail market and increase the added value of the HSE Group by offering new energy products and services.

The realisation of the strategic objectives of the HSE Group is largely dependent on two key parameters: electricity and CO_2 emission allowance prices. On account of an extreme growth in CO_2 emission allowances and electricity during the second half of 2021, more ambitious greenhouse gas emission reduction strategic guidelines of the EU and the adoption of the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy in January 2022, foreseeing 2033 as the year of coal phase-out in Slovenia, a new 2022-2027 development plan of the HSE Group was drawn up in 2022.

The following key objectives will be pursued:

- A higher than 6,400 GWh annual generation of electricity by preserving a more than a 60% market share in Slovenian generation; with investments whose aim is to increase our Slovenian sustainable electricity market share to more than 70% and by increasing the ratio between RSE and non-RSE in our self-generated electricity portfolio of the HSE Group to more than 50%.
- Our trading activities in the physical delivery of electricity will exceed 30,000 GWh annually, and, together with derivatives, 70,000 GWh annually, allowing us to generate more than EUR 3 billion in revenue from sales of electricity per year.
- Our EBITDA will exceed EUR 300 million, and the net financial liabilities/EBITDA ratio will remain below level 2.
- Our ROE will exceed 7% and our added value per employee will amount to more than EUR 130,000.

2.10.4 Development and investment policy of the HSE Group

In 2022, the investment policy of the HSE Group followed the guidelines of the 2022 Capital Investment Management Annual Plan, drawn up by SDH, and the 2022 Development and Business Plan of the HSE Group. Investments were limited to essential investments, ongoing investments, and economically justified investments at our discretion. The objective of reliable generation of electricity and other products and services was pursued.

The HSE Group successfully addressed business environment challenges with its investments. By way of a well-thought-out strategy, the Group was following national and EU CO_2 emission reduction targets (55% by 2030). Funds were invested in projects which are in line with these objectives and implement a long-term climate strategy. All the required investment and design documentation for zero- and low-carbon electricity sources (green technologies) was drawn up.

A new investment cycle began in 2022 in the HSE Group, meaning greater investments in development and investment activities. The Group has continued carrying out development activities related to drawing up the required documentation and the construction of new, including floating, solar power plants and the acceleration of other potential RES projects - pump-fed hydro-electric power plants (Kozjak, Trbovlje, the upgrading of Avče and Plužna, etc.), wind farms (Ojstrica, Rogatec, Paški Kozjak, etc.), small hydro (Pesnica, Čeršak, and Zadlaščica), and geothermal power plants (the exploitation of existing wells in Lendava). In spite of huge challenges on the construction service and labour markets, the Group was able to initiate regular operations of the largest solar power plant in Slovenia - Prapretno - in 2022. The siting process for hydro-electric power plants on the middle Sava River has been continued with the national spatial planning procedure. All activities have been carried out, all expert, project, and investment bases for obtaining a comprehensive construction permit for the Suhadol, Trbovlje, and Renke hydro-electric power plants have been drawn up. A selection of projects that could potentially be co-financed by the Just Transition Fund, intended, inter alia, to the Savinja-Šalek Valley and Zasavje coal mining regions, was created.

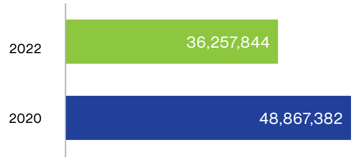
By investing in its own assets, the HSE Group has been able to preserve its leading position as the largest generator of electricity from RES or low-carbon sources of electricity. The portfolio of existing production capacities requires regular maintenance to preserve a stable generation and reliable provision of system services to the Slovenian power grid. As such, investments were made in 2022 in the overhauls and restorations of our production capacities (hydro-electric power plants and the thermal power plant). By investing in Group companies engaged in electricity retail, retail services have also been preserved. Investments in maintenance also implement the vision of the Group related to growth of electricity generated from various RSE and a sustainable energy transition.

We are committed to continue our transformation towards a sustainability-oriented Group (the Green Transition) by way of the carried-out investments. Only that will allow us to continue to provide stable and environment-friendly electricity and system services, aware that this is the only way to continue to provide stable and environment-friendly electricity. By using innovative solutions, we will continue to remain an important stakeholder of the Slovenian power grid.

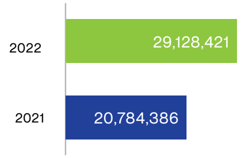
A description of key investments in the HSE Group is provided below.

Investments in the HSE Group in EUR

Thermal power division in EUR



Other companies in the group in EUR



Note: Investments of E+ amounting to EUR 130,636 are only taken into account for the period between June and December 2022, as the company joined the HSE Group on 1/6/2022 (on an annual level, E+ invested EUR 260,048).

In 2022, the majority of funds were intended for investments in a reliable production (61%), followed by investments in re-construction following the expiration of the useful life (16%), investments in the management information system and other fixed assets (14%), and investments in new production capacities (9%).

HSE

The Prapretno solar power plant

Between January and March 2022, works on the Prapretno solar power plant and the corresponding cable ducts were intensively being completed. The first generated electricity left the power plant on 29 March 2022. Issues in obtaining easement agreements for the cable duct route led to an approximately three-month delay in obtaining the construction permit for the cable duct. The construction permit was obtained on 10 June 2022 and the operating licence for the solar power plant on 26 July 2022. On 28 September 2022, the power plant was granted a production facility declaration by the Slovenian Energy Agency and has been operating regularly. As part of the wider planning of the Prapretno solar power plant area, the Group also constructed a cable duct connecting the power plant (and the planned Prapretno 2 and 3 solar power plants) to the Hrastnik substation.

DEM

The Zlatoličje Segment 5 solar power plant

In 2022, the construction and installation works were completed and all procedures related to connecting it to the grid were carried out. Trial starts and commissioning during a trial operation in the grid were carried out in spring. The operating licence was obtained in June. Grants from the Ministry of Infrastructure were successfully obtained during the last quarter. The power plant has been operating regularly, its power is 2.5 MW, with an estimated annual generation of 3 GWh.

SENG

Reconstruction of the Hubelj small hydro

The reconstruction of the Hubelj small hydro was the largest investment of SENG in 2022. Field work also continued during the year. The penstock was completed, a new section of the overflow channel was carried out, the sliding and fixed supports on the pipeline route were also completed. The aggregates in the engine room were installed. In November, an expert technical inspection for connecting the small hydro to the grid was performed.

TEŠ

Long-Term Service Agreement (LTSA) – as part of the long-term service agreement, the contractor shall ensure the performance of the planned maintenance works including inspections, repairs, restorations, and replacements, all in compliance with the operating and maintenance manuals of equipment manufacturers. Operational Performance Measures (OPM) – the investment encompasses the optimisation of combustion, the optimisation of the boiler venting process, a model to increase the efficiency of operations, fuel management, monitoring of the operation of the generators, and the control of valves and propulsions. Asset Performance Management (APM) – as part of the investment, a cloud-based user interface to use the Predix APM system was created. The system was handed over to TEŠ.

PV Group

In 2022, the Velenje Coal Mine (PV) Group carried out works in two mine facilities: the main ventilation roadway (replacement facilities for Preloge II - NOP II) and the new part of the water level. As far as construction facilities are concerned, external and internal renovations of the facilities were performed and a coal unloading station was installed. As far as energy is concerned, the water supply system was rehabilitated and air conditioning installations were replaced. The mine ventilation optimisation or exhaust ventilation shaft construction at the location of the NOP II shaft project is under way. The project is of essential important for reliable operations and the achievement of long-term coal generation level plans.

2.11 Sustainable development of the HSE Group[18]

The HSE Group actively supports the sustainability goals of the United Nations (Agenda 2030), the Paris Agreement, the EU Green Agreement, the "Fit for 55" package and the National Energy Climate Plan. The Management Board is in charge of sustainable development and operations as it adopts key policies and development strategies of HSE and the HSE Group.

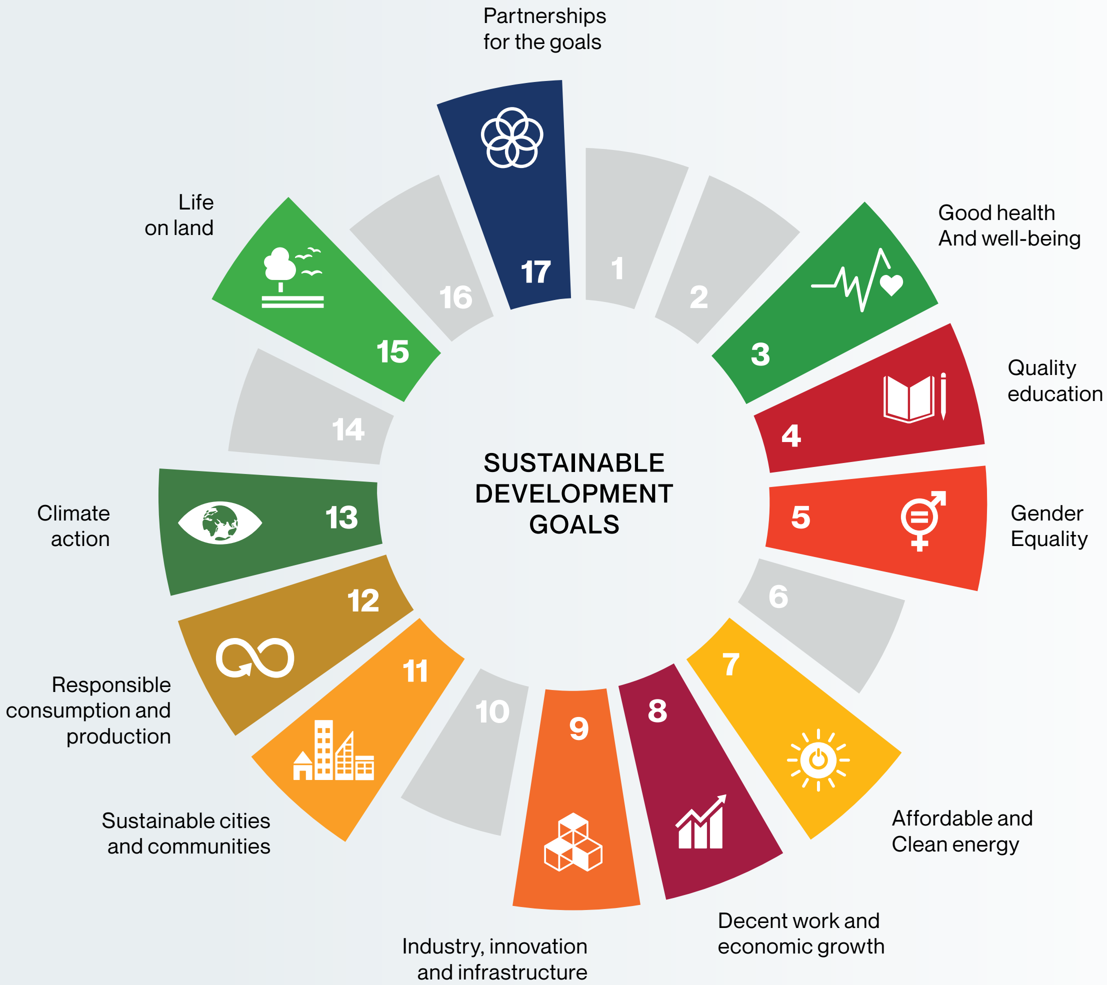
The HSE Group has identified the risks and opportunities brought about by the green transition awaiting us until the end of the decade. Key performance and environmental and social operating indicators have been set in addition to outlining measuring compliance of our activities with the EU taxonomy in compliance with new statutory requirements.

Our key stakeholders and their interests were identified. On the basis thereof, a sustainable development path and essential areas of activity were specified. Reporting is carried out by taking into account Directive 2013/34/EU and its amendments in Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups. This part of the acquis communautaire has been introduced into our legal order by way of the Companies Act. Reporting is carried out by also taking into account the recommendations of SDH for non-financial operations. In line therewith, the sustainable operations of the HSE Group, its key policies and their results, main risks and opportunities and non-financial information on environmental, social, and HR matters and the respect for human rights, anti-corruption and unethical conduct, are presented.

Sustainability parameters are presented using the international GRI standard to be replaced next year by the European Sustainability Reporting Standards (ESRS) introduced by the new Corporate Sustainability Reporting Directive of the EU (CSRD).

Areas, contents, measurements, and analyses were specified and results presented as part of collaborative efforts of all key departments and subsidiaries in the HSE Group. Our reporting is transparent and contains continuously monitored data. Key conditions for selecting content are: materiality, the engagement of stakeholders, and the context of sustainability. Reasonable efforts were made to ensure a proper balance, comparability, accuracy, clarity, and reliability of data.

Our operations are carried out taking care of the natural and social environments and supporting the sustainability goals of the UN. As for our activities and effects on our social and natural environments, the following objectives are pursued in particular:



18 GRI: 102-7; 102-8; 102-9; 102-11; 102-13; 102-17; 102-20; 102-25; 102-28; 102-30; 102-40; 102-41; 102-42; 102-43; 102-46; 102-53; 102-54; 103-1; 103-2; 103-3; 203-1; 205-1; 205-2; 301-1; 302-1; 302-2; 302-3; 302-4; 303-1; 303-2; 303-4; 303-5; 304-1; 304-2; 304-3; 305-1; 305-2; 305-3; 305-4; 305-5; 305-7; 306-3; 306-5; 307-1; 401-1; 401-3; 403-1; 403-2; 403-4; 403-5; 403-6; 403-9; 403-10; 404-1; 404-2; 404-3; 404-4; 405-1; 406-1; 412-1; 412-2; 413-1; 413-2; 415-1; 419-1.

2.11.1 EU legislation to mark the sustainable operations of companies

In 2022, the European regulatory framework was focused primarily on drawing up coordinated action to manage the energy crisis. At the same time, our efforts were also focused on the inclusion of our views reflecting the business interest of the HSE Group into the strategic/sustainability legislative proposals of acts forming part of the "Fit for 55" legislative package which was, as a result of the strategic response of the EU to the energy crisis, upgraded with even more ambitious RES targets and the RES project procedure acceleration requirements as part of the "REPowerEU" initiative. These are key areas for the HSE Group with an emphasis on increasing the levels of consumption of RES by 2030.

As part of the reform of the EU greenhouse gas emission trading system, HSE was able to play an active role in including Slovenia among the recipient of funds of the Modernisation Fund (EUR 342 million for the period between 2024 and 2030) which will facilitate the obtaining of additional grants for investments in RES by the HSE Group. By playing an active role in the global arena in 2022, we were also able to make sure that the cap on the maximum permitted emissions of methane per tonne of extracted coal to be laid out by a European regulation was laid down in a way that facilitates smooth operations of the Velenje Coal Mine after 2027 without extensive investments in reducing methane emission as a result of administrative restrictions.

In 2023, a gradual move away from intervention legislation to more long-term structural amendments to the legislative framework and strategies, characterised primarily by the legislative reform of the electricity market which had already been formally announced as early as December 2022, with an emphasis on increasing the role of long-term markets and a bigger role/protection of customers, is expected.

Just Transition opportunities for HSE

There were two key Just Transition events in 2022:

- in January 2022, the Government of the Republic of Slovenia adopted "The National Coal Phase-out Strategy Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy" laying down 2033 as the year of phasing out coal for generating electricity in Slovenia;
- in December 2022, the European Commission approved the Slovenian Cohesion Policy Programme which also includes both regional plans for the Savinja-Šalek and Zasavje Coal-Mining Regions constituting the basis for drawing EUR 257 million in funds from the Just Transition Fund.

It is important for the HSE Group that a total of approximately EUR 46 million are intended by the Just Transition Fund for the period ending at the end of the year 2027 for HSE Group projects.

Our projects in the Savinja-Šalek Coal Mining Region to be co-financed by the Just Transition Fund include the following: the decommissioning of Blocks 1 to 3 of TEŠ, the demolition of Block 4 and the cooling tower of Block 4 of TEŠ and the preparing of the area for new facilities, solar power plant installation projects, the production of hydrogen and the establishment of a traffic zero emission corridor.

The key projects to be co-financed by the Just Transition Fund in the Zasavje Coal Mining Region are the construction of RES consumption installations, primarily in degraded areas, as a result of which an increased scope of the Prapretno solar power plant and the rehabilitation of the degraded areas to prepare for new projects are planned, facilitating the co-financing of the decommissioning of facilities at the HSE EDT premises.

2.11.2 Key policies of the HSE Group

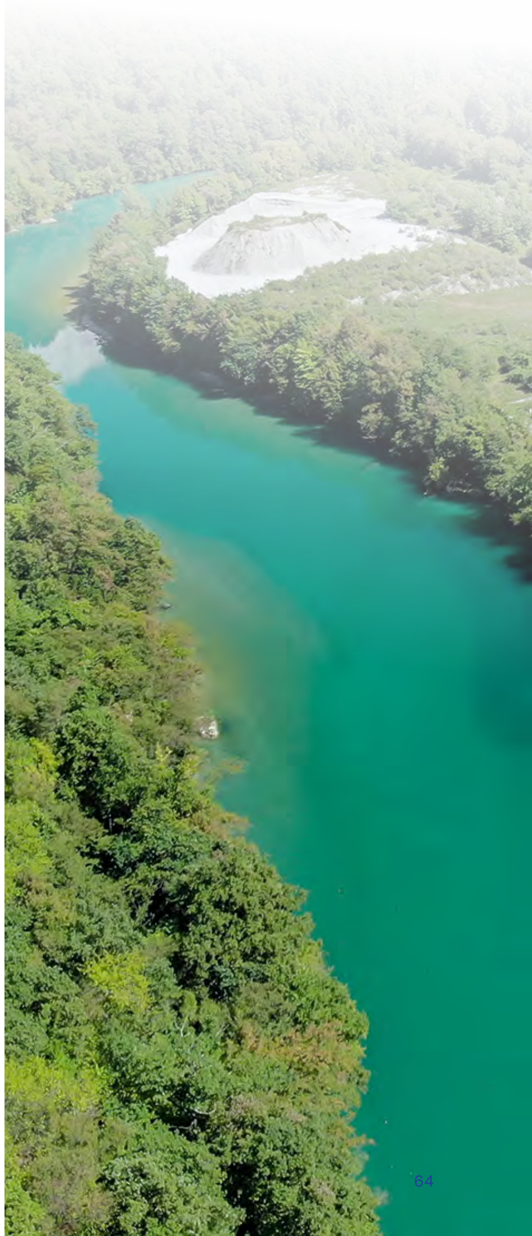
Sustainable development within the HSE Group is also achieved through the continuous improvement of the integrated management system (ISO standards) based on a process approach. At HSE Group level, the following policies have been established:

- Quality policy of the HSE Group.
- Environmental policy of the HSE Group.
- Occupational health and safety and fire safety policy of the HSE Group.
- Information security management policy of the HSE Group.
- Property management policy of the HSE Group.
- Communication policy and strategy of the HSE Group.
- The Management and Supervisory Board Diversity Policy of HSE.
- Governance policy of the Company and the HSE Group.
- Social responsibility policy of the HSE Group.
- The Code of Ethics of the HSE Group.
- Managerial function replacement policy in HSE Group companies.

Individual HSE Group companies have drawn up and published their own separate internal management system policies whose development-oriented character provides for high-quality and environment-friendly energy, products, and services, by also ensuring safe and healthy work conditions for employees, aimed at economic viability and coherent sustainable development of the environment and markets they operate on.

Management policies are available to all interested parties at the premises of HSE Group companies and beyond. The understanding and application of the Policy within HSE Group companies are achieved via training, seminars, and by using communications tools of HSE Group companies. All policies are also published on our website.

Management policies of individual HSE Group companies arise from the strategic guidelines of HSE.



Certificates obtained by the HSE Group

	HSE	DEM	SENG	TEŠ	PV	HTZ	SIPOTEH	PLP	RGP	HSE Invest
ISO 9001 Quality management system	●	●	●	●	●	●		●	●	●
ISO 14001 Environmental managements system	☑	●	●	●	●	●			●	
ISO 45001 Occupational Health and Safety Management System	●	●	●	●	●	●			●	●
ISO 27001 IT security management system	●	●	●	●	☑	☑			☑	☑
ISO/IEC 17025 General requirements for the competence of testing and calibration laboratories				●	●					
ISO 55001 Asset management system standard	●	●	●	●	⇤	⇤				
EFQM Self-evaluation according to business excellence model	●	●	●	●						
EE Certification of electricity production from renewable sources	●	●	●							
EEnew E generation with requirements for new HPP	●	●								
PoI Certificate of Origin	●	●	●							
DPP Familiy Friendly Company	●	●								
EN ISO 3834:3:2005 Quality requirements for fusion welding of metallic materials							●			
EN ISO 1090-1:2009+A1:2011:ES Production control certificate							●			

● Certification   ☑ Consideration of mandatory control   ⇤ In phase of preparation for implementation

HSE EDT, ECE, E+, HSE BH, HSE BE, HSE MAK have no certificates.

Further operating objectives

The integrated management system is designed in compliance with the requirements of the ISO 9001, ISO 14001, ISO 45001, ISO 27001 and ISO 55001 standards and all the listed co-valid standard listed therein which shall be upgraded in compliance with the requirements and new trends.

The Group shall focus on the development and expansion of ISO 55001 (expand the management of physical assets to yet-to-be-included physical assets) in compliance with the digitalisation development.

By means of diligent planning, the provision of the required resources, implementing and controlling processes, managing risks and opportunities, the Group shall thus ensure compliance with all requirements, resulting in the satisfaction of interested parties as the basis for a long-term successful performance of HSE Group companies.

Management Board remuneration and bonus policy

The Management Board remuneration and bonus policy in the HSE Group is regulated in compliance with the provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities and the Recommendations and expectations of SDH.

Collaboration with representatives of employees

The HSE Group provides for continuous dialogue with works councils and representative trade unions. Social partners and works councils are the unifying link between employees and Management Boards of companies. Social dialogue is ascertained through regular meetings with representatives of the works council and representative trade unions, thus providing for timely information of employees and the active involvement of representatives of employees in the operations of the Company and Group. Management Boards also regularly attend all sessions where not only up-to-date operating information of companies but also questions and initiatives of employees submitted via the president of the works council or the trade union president or representative are deliberated on.

The HSE Group also has a Joint Works Council of the HSE Group, which consists of the representatives from the works councils of HSE Group companies. The joint works council collaborates with the Management Board of HSE in governance as laid down by the Worker Participation in Management Act and the Participation Agreement.

2.11.3 Ethical conduct and operations

With the purpose of enhancing integrity, transparent conduct, and zero tolerance for corruption, illegal and unethical conduct subject to the relevant regulations and good practice recommendations, HSE had adopted internal rules on handling reported suspicions of irregularities in the HSE Group. The internal rules apply for all HSE Group companies and are mutatis mutandis applied in business relationships with other legal entities and natural persons doing business with HSE Group companies. The objectives of HSE in relation to managing fraud risks is to reduce fraud risks and consequently reducing the vulnerability of the HSE Group to fraud to an acceptable level (by taking into account the zero tolerance principle), to raise the awareness of employees on fraud indicators and their management methods, a continuous increase in ethical culture, training of employees on their responsibility to identify fraud indicators, to report them, and to protect the reputation and property of the HSE Group.

Any suspected irregularities can be reported in person, via telephone, in writing to the registered seat of the Company, via e-mail to the prijava.ravnanja@hse.si e-mail address or via the online form. The Compliance Department which shall handle all reported alleged irregularities in a completely independent and objective manner shall be in charge of establishing and operating a reporting line. All procedures have been clearly defined to limit any kind of influences.

The Compliance Department undergoes a regular annual training of employees on the Code of Ethics, proper business conduct and possible reporting channels for irregularities.

Whistleblowers

All whistleblowers acting in good faith shall be entitled to be protected against any retaliation measures in the HSE Group. In order to enjoy protection against retaliation measures, the whistleblower shall suspect with reasonable doubt that the reported matters are true given the circumstances and information available thereto at the time of the report. Each whistleblower shall be assumed to act in good faith unless proven otherwise.

Human rights

Our employees are granted equal opportunities irrespective of sex, racial or ethnic origins, religion or other cultural and social differences. We undertook to respect human rights in our operations and to implement important principles of the National Action Plan of the Republic of Slovenia on Business and Human Rights confirmed on 21 December 2020 by signing a commitment on business and human rights (hereinafter referred to as the "Commitment"). The commitment is based on the Universal Declaration of Human Rights adopted by the General Assembly of the UN in 1948 and on other relevant international human right instruments and international documents on the protection and promotion of human rights in economic activities (UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, International Labour Organisation (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and Guidelines on Corporate Social Responsibility). In 2022, there were no human rights violation reports in the HSE Group, nor were there any procedures related to violations of human rights and fundamental freedoms. Moreover, the competent departments did not receive any reports of mobbing, discrimination, retaliatory measures, sexual or other abuse or bullying in the workplace.

2.11.4 Our dedicated employees are our wealth

As at 31/12/2022, HSE employed 235 people, out of which 225 for an indefinite and 10 for a fixed term. As at 31/12/2022, the number of employees increased by 21 compared to 2021. 41 new employees joined the Company. Most employees are men (64%, 151 employees), whereas 84 or 36% employees are women.

At the end of the year, the HSE Group employed 3,349 people or 146 more than the year before. The number of employees increased primarily on account of integrating Energija plus into the HSE Group. 410 new employees were recruited, out of which 317 men (77%) and 93 women (23%). The HSE Group was left by 264 employees.

The average age in HSE at the end of 2022 amounted to 43.8 years and was lower compared to the end of 2021 when it had amounted to 44.2 years. The majority or 40% (94) of our employees are aged between 41 and 50; 26% (60) between 31 and 40; 24% (57) between 51 and 60; 9% (21) are aged maximum 30 years and 1% (3) are older than 61 years.

HSE Company employees by age and gender

	2022				2021			
Age class	number of employees	%	men	women	number of employees	%	men	women
up to 30 years	21	9	16	5	15	7	11	4
31-40 years	60	26	41	19	64	30	40	24
41-50 years	94	40	59	35	80	37	46	34
51-60 years	57	24	33	24	48	22	27	21
over 61 years	3	1	2	1	7	3	5	2
Σ	235	100	151	84	214	100	129	85

HSE Group employees by age and gender

	2022				2021			
Age class	number of employees	%	men	women	number of employees	%	men	women
up to 30 years	424	13	406	18	388	12	375	13
31-40 years	811	24	710	101	807	25	721	86
41-50 years	1,197	36	1,019	178	1,137	35	979	158
51-60 years	844	25	659	185	807	25	624	183
over 61 years	73	2	56	17	64	2	52	12
Σ	3,349	100	2,850	499	3,203	100	2,751	452

The average age of our employees in the Group increased somewhat, to 43.8 years (in 2021, it had amounted to 43.7 years).

The majority of HSE Group employees are in the 41 to 50 age bracket (1,197 or 36% employees). 844 employees (25%) are aged between 51 and 60, followed by employees aged between 31 and 40 years (811 employees or 24%). 424 or 13% of Group employees are maximum 30 years old. 73 or 2% of Group employees are older than 61.

The composition of employees by gender changed 1 per cent in favour of female employees. The HSE Group employs 15% women and 85% men (in 2021: 14% women and 86% men). Most women are aged between 51 and 60 (36%). Most men are aged between 41 and 50 (36%).

Level of education of employees in the HSE Company and the HSE Group

	31/12/2022		31/12/2021	
Education level	HSE Company	HSE Group	HSE Company	HSE Group
8/2	6	19	5	17
8/1	23	89	25	75
7	97	345	88	302
6/2	70	285	60	246
6/1	18	351	19	345
5	17	877	13	844
4	4	1,054	4	1,044
3	0	55	0	43
2	0	100	0	105
1	0	174	0	182
Σ	235	3,349	214	3,203

Education structure

In the parent company (HSE), 214 or 91% of all employees have completed a minimum higher education course. 33% or 1,089 of employees in the HSE Group have completed a minimum higher education course, out of which 108 hold a Master's or Ph.D. degree. A good quarter of our employees has completed Level 5 of education and one third Level 4 of education. Approximately one tenth of our employees has a level of education less than Level 4.

Employee turnover in the HSE Group

Fluctuation of employees	2022	2021
Number of employees who left during the reporting period	230	210
Average number of employees	3,276	3,177
Fluctuation in %	7.0%	6.6%

Departure of employees in the HSE Group

Item	2022	2021
Reason		
Retirement	89	84
Redeployment within the HSE Group	34	31
Departure	135	116
Departure due to suspension	6	10
Total	264	241
Gender		
male	218	206
female	46	35

Employee turnover

The employee turnover rate in the HSE Group rose by 0.4 per cent compared to 2021, whereby no related major operating risks or dysfunctions have been detected. In 2022, it thus amounted to 7% (it had amounted to 6.6% in 2021).

In 2022, the Group was left by 230 employees. 89 employees or three more than the year prior retired. Retirement accounts for almost 39% of all terminations of employment. 59% of all terminations of service (135 employees) were due to a dismissal or termination agreement. 2% of all terminations of service (6 employees) were due to the suspension of their employment agreement. 13% of all terminations of service (34 employees) were due to redeployment to other HSE Group companies. These are not included in the turnover calculation.

Absenteeism in the HSE Group

Item	2022	2021
Number of lost days due to sick leave	87,169	72,990
Average number of employees	3,276	3,177
Number of all working days	260	261
Absenteeism (medical) in %	10%	9%

Sick leave of employees in the HSE Group

Sick leave in hours	2022	2021
Sickness benefits chargeable to the company	332,954	260,409
Sickness benefits chargeable to the HIIS	364,400	323,514
Total	697,354	583,923

Note: As of 1 March 2022, the period of sick leave benefits debited to the employer was shortened from the previous 30 to 20 working days, as subject to the Employment Act and the Health Care and Health Insurance Act.

Absenteeism

Compared to 2021, the level of absenteeism in the HSE Group increased by one per cent to 10%, whereby almost one half thereof was debited to the employer. Sickness accounts for the majority of absenteeism borne by the employer (73%).

Compared to 2021, absences due to occupational injuries borne by the employer increased by 13% and absences due to injuries not related to work borne by the employer fell by 8%.

Employment of disabled workers

In 2022, 450 persons with a recognised disability (or 13% of all employees) were employed by the HSE Group, out of which 394 persons in our sheltered workshop HTZ. In 2021, 453 persons with a recognised disability (or 14% of all employees) were employed by the HSE Group, out of which 402 persons in our sheltered workshop HTZ.

Education and development

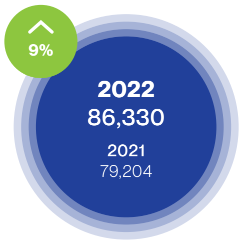
Great importance in the HSE Group is attributed to education at all levels. The HSE Group provides for the continuous development of both employees and the company by way of continuous education and training.

Systemic education and training serve to enhance the competencies, productivity, and creativity of our employees and boost the competitive edge of HSE Group companies. In addition to formal and informal training, knowledge is exchanged and passed on to our colleagues. The most frequent knowledge exchange types are mentorship of young employees, attending educational sessions and passing on the acquired knowledge to our colleagues in the form of lectures, presentations, or material dissemination.

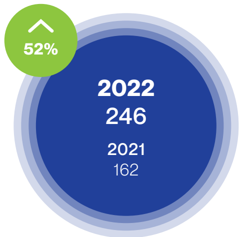
The total hours dedicated to education and training increased by 9% compared to 2021. In 2022, HSE Group employees trained for 86,330 hours (2021: 79,204 hours). On average, each employee spent 26 hours on education or one hour more than in 2021.

Education of employees in the HSE Group

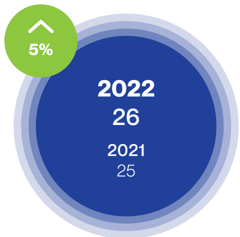
Total number of hours of training



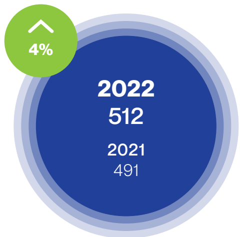
Number of internal educational courses (number of content)



Average number of hours of training per employee



Number of all repeats of internal trainings



We are actively involved in projects intended to develop the professional and personal competences of our employees: Competence Centres - Energy Competence Centre This project was partially co-financed by the EU.

Internal training

In 2022, particular attention was paid to the internal transfer of knowledge, organising as many as 246 (primarily virtual) different internal workshops for our employees.

Our training or workshops organised every last Friday of the month, called the "Megawatt Hours", continued. They are used to present our employees with various interesting joint projects or work areas within the HSE Group and the work and associates from various HSE Group companies. They allow us to help other employees become better acquainted with the work carried out by individual organisational unit and facilitate better mutual collaboration, allowing us to bond in this way as well.

Certain education or programmes are mandatory for all employees and are, wherever possible and feasible in terms of achieving the training objectives, carried out in the form of self-learning or distance learning (such as occupational safety, IT security, Code of Ethics, etc.).

In 2022, great attention was paid to the bonding on the Group level, primarily for leaders. In June, the first of a whole sequence of short trainings or good practice transfers called SHSE Café was held at a whole-day event. These meetings have continued on a monthly basis via MS Teams. They include primarily discussions on the topics highlighted by the leaders as the most relevant: how to run a meeting and annual review and how to communicate. Regular meetings are exceptionally effective primarily due to the exchange of good practice cases, meeting and strengthening the collaboration in other areas as a result.

Good collaboration is key to a continuously improving performance of the HSE Group throughout the years. Collaboration begins at the top, which is why HSE Group leaders were invited to the "HSE Group Manager Day" attended by 150 leaders working in all HSE Group companies.

The largest internal event in 2022 was undoubtedly the 1st energy symposium of the HSE Group: "Powering our world and jointly shaping the energy future" The symposium was intended for our employees in the HSE Group who are engaged in technical activities. Six guest speakers from Slovenia and abroad and seven experts from the HSE Group spoke at the symposium attended by 130 employees of HSE Group companies.

Mentorship

Aware of the significance of transfer of know-how among our employees, a mentorship system has been set up. A well-devised mentorship programme makes it easier for our new employees to enter the working environment and provides a proper foundation for the transfer of key knowledge at the workplace.

Mentors involved in the mentorship process have been trained in upgraded soft skills, in recognising their own knowledge, improving their self-image and transferring their know-how to younger colleagues in a high-quality manner. Our mentorship system was presented at the "Let's get creative" online conference as part of the Competence Centre for the Development of HR in the Electricity Industry as a good practice example. The purpose of the mentorship programme set up in such a way is to contribute to higher levels of creativity and innovation in the HSE Group.

In addition to introducing our most recent recruits to the mentorship programme, we preserve, develop, and upgrade key knowledge and skills required for autonomous working at the new workplace. This promotes internal succession and an inter-generational transfer of know-how. The above primarily applies to expertise which is extremely hard or even impossible to obtain in the market.

Knowledge is transferred to younger generations also via additional expert training (courses, seminars) delivered by internal lecturers. Their knowledge and rich experience are extremely valued in our midst.

Key HR pool

HSE Group companies are aware of the fact that our employees by way of their know-how are an invaluable asset that serves as one of the foundations of a good reputation of HSE Group companies and the Group as a whole. Our employees have been asked to join the "Key HR Pool" project. A group of 32 experts, our key HR, with a high potential and motivated to develop further in addition to being willing to assume the most challenging work tasks, project and working groups management, executive and senior management positions in HSE Group companies, has been selected. The programme encompasses many workshops, meetings, and activities aimed at developing leadership and strategic competences and potentials.

Leader development

In order to improve and develop leadership skills and raising awareness on the role and tasks of leaders in ensuring a great performance and carrying out the mission and sustainable operations of the Company, several goal-oriented leadership programmes have been implemented. These included activities such as the assessment of leadership potential, adapted individual plans, workshops, group and one-on-one coaching sessions.

The performance of leaders is monitored via anonymous rating systems, competence assessments, various surveys and regular annual reviews that serve as the basis for goal-oriented and effective leader upskilling planning. Potential successors for key senior management and executive positions that we wish to timely train to assume management functions or more challenging jobs via separate educational programmes and other development-oriented activities have been identified.

In addition to the training and development of leaders, a lot of 'operating' attention is also paid to this area. Several tools helping leaders improve the performance of their employees, motivating them and communicating with them, are in place.

Goal-oriented leadership and feedback

Goal-oriented leadership seeks to match the achievement of long-term strategic objectives of the HSE Group and short-term operating objectives of companies with the objectives of our employees. We want to improve the performance of our employees, their satisfaction and motivation to achieve their goals. To ensure a high level of success of the system, leaders are continuously trained and attend organised workshops allowing them to learn about objective-setting methods, the advantages of leading with objectives, and how to properly communicate with employees, in particular in terms of assessing, encouraging, and motivating employees. Goal-oriented leadership is attained through clearly set objectives of each company and the HSE Group as a whole in advance.

Employment

New employees are recruited in various ways. The Group actively attends career fairs, vacancies are advertised on various employment portals, in the press, collaborates with faculties, and also uses social media to a great extent. All with the purpose of the advertisements to reach as many potential talents as possible and to reinforce our brand of a distinguished employer.

Two rounds of interviews are usually carried out, allowing us to meet many job applicants in person. This part is extremely important, as we seek workers who, in addition to professional knowledge, also enrich our team with their personality. Ultimately, we want to work with those applicants who resonate with the values of our Group. This is why they are occasionally selected by using tools for evaluating personalities, abilities and potentials.

We continuously monitor the satisfaction of job applicants and, if required, properly adjust or update our recruitment processes.

Reaching out to young potential HR

In 2022, the HSE Group invited youth, with whom we connect via scholarships, mandatory placements, and other faculty collaboration methods, in its midst. We wanted to meet with young holders of bachelor degrees and senior year university students with a fresh energy and potential and whose wishes and expectations are aligned with our operations and values. Collaboration methods varied. It took place in the form of mandatory placements, student work and traineeships with an opportunity to become an employee for an indefinite period of time. The Group also organised the "Bright Head Hunt Campaign" as part of which our employees were invited to recommend a recruitment prospect.

Our scholarship policy, in particular related to mining, mechanical and electrical engineering, plays an important role in recruiting appropriate job applicants. As such, our scholarship holders constitute an important pool of potential talent for the Company. In the HSE Group, 94 high school and college students are currently receiving scholarships. Apprenticeships for 17 apprentices (machinery trade workers, mechatronics engineers - operators, and electricians) are also under way.

We have also been in touch with elementary school students. A virtual "Open Day of the Velenje Coal Mine" was prepared for ninth graders and their parents in addition to presenting mining jobs and scholarship and employment opportunities via the Facebook and YouTube social media platforms.

In 2022, the children of our employees were also invited to partake in summer holiday work. Both high school and college students gained their first working experience in our midst. During their summer holiday work, they also learnt about the work of their parents and the various areas of work that form part of the individual departments of HSE Group companies.

Rewarding and motivating employees

An appraisal and promotion system have been established. Our employees are expected to produce high-quality and professional work, to proactively engage in their work and to keep a high level of communication. We want our employees to be motivated and committed.

Our reward system promotes individual and team successes. Rewards are based on pre-defined or expected results and are based on an assessment of the level of achievement of the objectives set. Our employees are rewarded through various stimulations and rewards for exceptional successes. Rewards are paid out subject to company agreements and other internal acts.

Team rewards are based on pre-defined or expected results.

Annual reviews

All HSE, HSE Invest, DEM, SENG, ECE, and Energija plus employees undergo an annual review at the beginning of each year. In 2022, 986 employees underwent an annual review. An annual review was conducted with all employees, except for those who have been absent for a long time due to illness or parental leave and for employees whose employment is being terminated.

By conducting annual reviews, constructive communication between leaders and employees is promoted, the achievements of the previous year are evaluated and objectives for the future are set. On the basis of annual reviews, further development of employees, any career changes given the wishes of our employees and needs of the Company, training, the improvement of their knowledge and skills are planned. The set objectives are reviewed again in the middle of the year and are re-prioritised if needed.

Measuring the pulse of HSE

In April, the internal "The pulse of HSE" survey performed subject to the eNPS (Employer Net Promoter Score) methodology was carried out for the third time in a row. The survey is used to measure the loyalty and satisfaction with HSE as an employer. The pulse of HSE has been found to remain very good as most employees in the Group are promotors. No significant changes compared to the results of the previous survey have been established. HSE is committed to continue to preserve the pulse or good working atmosphere and to raise it to another level even in the future. As such, we have undertaken to establish additional measures for individual areas suggesting the highest potential for improving the organisational climate or commitment of our employees and our pulse (the "pulse of HSE") in collaboration with our employees.

Communication with employees

The HSE Group is aware of the important role played by internal media and that employees are the first and, at the same time, also the most demanding public. Our employees are proactively informed of all current developments throughout the year. Additional communication channels have been set up at the HSE Group level to assure up-to-date and transparent communications on the developments in individual Group companies and the HSE Group as a whole. Our employees receive a HSE newsletter to their e-mail address on a weekly basis. In 2022, there were 52 in total.

All important information on the operation of the companies and current affairs are available to our employees through the intranet, our internal newsletters, the radio, the internet, LinkedIn profiles, Twitter, Facebook, Instagram, and YouTube. Video pages, updated daily with the latest news, have been established for employees who do not work on computers. We also communicate with our employees via virtual events for all employees during which the management presents the operations of the companies, the most important projects, and plans for the future. The MS Teams tool, through which our employees remain in touch, connect, and collaborate, is also a very important communication tool. Various types of meetings, such as boards, working meetings, and workshops, are organised to transmit information. Virtual "Current news with the Management Board" quarter meetings have also been introduced to remain up-to-date with operating information.

Concern for our employees

We are a proud holder of the full "Family Friendly Company" certificate as part of which organisational measures, such as time-spatial flexibility, the development of employees and managers, an optimal organisation of the working process, financial and other benefits, family services and other services that make it easier to reconcile work and family life and which constitute a step towards a balance life, have been established. Our employees are able to benefit from as many as 21 various measures intended to help them reconcile work and family life. The "Family Friendly Company" certificate demonstrates our commitments towards creating a friendly working environment for our employees and our families. For many years, we have been committed to creating a work environment where we feel well and which facilitates an effective reconciliation of work and family life. Measures are adopted and adjusted primarily at the initiative of our employees and their implementation is continuously enforced.

Employees of HSE Group companies are allowed to take up to seven extraordinary days off due to personal circumstances. In 2022, there were 1,768 such absences, which means that approximately one half of the employees took advantage of this extraordinary absence option due to personal circumstances one day a year.

Budding students who started school for the first time in 2022 were surprised with a gift package of school and craft supplies.

As many years before that, the children of HSE Group employees were overjoyed to have their Christmas holidays brightened by Christmas gifts. In 2022, as many as 602 children received a present.

The HSE Group is aware of the importance of health of all its employees. Employees and their family members are assisted in taking care of it and preserving it with various forms of above-standard insurance. These enable them to be able to consult a doctor as soon as possible and to indirectly ensure that they are able to return to the working environment following illness or injury faster.

Contributing into the second retirement pillar in the form of a voluntary supplementary retirement scheme of our employees forms an integral part of the HSE Group remuneration policy. The employees of all subsidiaries of the HSE Group are included in this pension scheme. Therefore, as an aware employer, we try to provide our employees with greater financial security even after retirement.

Flexible working hours for employees commuting to the workplace from remote locations have been preserved. This has allowed them to shorten their commute back home and facilitated a easier balance between work and private life.

If the working process allows for it, our employees may also work from home. Our internal acts and employment agreements have been adjusted accordingly.

Well-being at the workplace

HSE Group companies are aware that efficiency, engagement, motivation, a good organisational climate, and well-being at the workplace are inextricably linked.

In 2022, the Group continued with theme months during which the common theme of the respective month was given particular weight. When planning each theme month, the common theme of the month guided us in selecting the content of our workshops, Megawatt Hours, and various activities and events that involved the collaboration and bonding of employees.

January was the Month of Motivation. The new year brought with it new challenges, a new momentum, and motivation. Our employees were asked to use e-commendations to recognise and commend others for excellent work. Throughout the month, various events and activities were used to present what else is associated with motivation.

February was the Month of Social Responsibility because we care about the quality of life of our employees, the local communities, and the wider society. As everyone can do its part and help raise awareness on the importance of social responsibility, our employees were invited to join the 18-day-challenge entitled #vseHSEnastiče (we care about everything at HSE) as part of which a new challenge, useful piece of advice or tip from various sustainability segments awaited us on the intranet every day. The Megawatt Hour was dedicated to sustainability.

During the month of March, the Month of Creativity and Innovation, the virtual 2022 sHSE Hackathon was organised for all ambitious and daring employees who wish to contribute to the progress and changes of our Group. A workshop entitled "Innovation and Creativity" was organised for our employees.

In April, the Group focused on energy developments, visited the virtual room of the HSE Group, carried out the "Pulse of HSE" survey and listened to our employee's lecture entitled "Using machine learning to improve electricity price predictions".

May was the Month of Collaboration. Our female employees from the HR Department carried out a workshop entitled "The colours of collaboration - how to improve collaboration by being familiar with behavioural profiles" and prepared the behavioural analysis "Learn about colour" for all interested co-workers.

The "Bring Yours, Take Mine" campaign was organised again in June, which is dedicated to reading, as part of which books that had accompanied us during the summer months were exchanged. Our employees were able to attend the "How to read faster and more effectively" workshop.

During summer, the Group launched a competition for the best voicemail during our employees' absence, inviting our employees to create as original voicemails as possible during their absence. Our employees cast their votes and chose the three funniest and most creative voicemails. At the end of the competition, the three winners received a book gift.

September was the Month of Energy. Energy accompanies us everywhere and powers the world. During the Month of Energy, our employees were encouraged to reflect by means of interactive collaboration which energies are important for an excellent business performance. A survey establishing the energy of individual Group companies was also carried out. The power of energy was combined in the HSE Group, organising a sports meeting of HSE Group companies.

Health was the main topic of the month of October. A training entitled "Psychological flexibility and resistance" was organised for our employees and awareness on a healthy lifestyle, also at the workplace, was raised. Several activities were organised in relation to health and health prevention for employees.

In November, an e-training on the Code of Ethics was carried out. An internal training entitled "The Archives - A thorn in the side or our duty" was organised and a workshop on how to improve collaboration by being familiar with behavioural profiles was repeated. Energija plus presented itself during the Megawatt Hour.

December was chosen as the Month of Charity. All HSE Group employees were invited to participate in the "Good People Chain" charity campaign to end the year on a charitable note and to remember people in need. We counted down the days to Christmas with our Advent Calendar on which a new window with a content and challenge connected to the HSE Group opened.

Concern for our employees outside working hours

The HSE Group wishes to be an employee-friendly company where employees are given opportunities for creative work and development. With a sense of social responsibility, we support cultural, sports, and other activities that our employees can partake in during their free time. Initiative by our employees is supported, as we believe that a socially responsible action is a process consisting of small steps and, primarily, the mindset we pursue in our conduct.

Great attention is also paid to sports and recreation and the overall concern for our employees' health. Our employees are consistently encouraged to pursue a healthy and active lifestyle as part of various activities organised by sports association.

Cultural participation of our employees is well provided for. The Brass Band of the Velenje Coal Mine celebrated its honourable 103th anniversary in 2022. It most likely began even earlier than that. Employees of the Velenje Coal Mine were brought together by their love for singing, which led to the Velenje Mining Octet that has been faithfully performing its mission throughout more than 40 years of its existence. The Barbara Accordion Orchestra has also been operating as part of the Culture Committee for almost 25 years.

The Coal Mining Museum of Slovenia, established on the Mining Holiday in 1999, displays numerous exhibitions of various art forms, high-visibility concerts and other events are also organised.

Many employees are also actively engaged in various external sports, cultural, fire-fighting, and other associations.

Private and personal data protection

We comply with the law and the General Data Protection Regulation (GDPR). As a result, categories of personal data processed have been defined and our data flows are regulated, allowing us to safeguard our personal data processing activities. Information and security measures are constantly revised and comply with corporate security principles.

Personal data is only processed on the basis of a relevant legal basis and in compliance with the purpose of processing. Pursuant to the General Personal Data Regulation, individuals are provided with all necessary information related to the processing of their personal data, whereby they are also notified of their right to information, right to erasure of their personal data, right to restriction of processing and right to object to processing.

IT security is ensured by way of continuous updates and various measures. The use of software enabling access to personal data records is restricted to authorised persons. Access is secured by way of an authorisation and user identification system.

Internal acts related to the protection of privacy, personal data, software, and hardware have been adopted, governing and laying down personal data, software, and hardware processing rules.

2.11.5 Health and safety come first

Subject to the Health and Safety at Work Act (ZVZD-1) the occupational health and safety system includes all employees of the HSE Group, except for eight employees of the RGP at the Paka quarry which are included in the system subject to the Mining Act (Zrud-1). Most HSE Group companies have introduced the ISO 45001 standard applying to occupational health and safety and fire safety, except for the recently incorporated ECE and Energija plus in addition to Sipoteh, PLP, and HSE EDT.

Preventive action

The HSE Group places a great emphasis on preventive occupational health and safety measures. As part of our workplace health promotion activities, our employees were provided with fresh fruit on a weekly basis, they also received Vitamin C and D3 dietary supplements, had masks and rapid self-testing kits for covid-19 at their disposal. In addition, the Group organised several activities via its sports associations, provided employees with the required ergonomic aids and communicated to and trained employees in occupational health and safety. Due to the specific nature of the mining profession, preventive measures for all employees intended to strengthen and preserve their physical and mental health were carried out at the Velenje Coal Mine Group.

Some Group companies also organised vaccination against covid-19, the flu, and against TBE.

Incidents and measures

In 2022, most companies, except for the Velenje Coal Mine, did not record any major occupational health and safety incident. During various trainings, our employees are continuously informed on the importance of complying with the relevant measures and rules both due to their own occupational health and safety and the occupational health and safety of their colleagues. All recorded hazardous occurrences are followed by an analysis of their causes and the establishment of measures intended to prevent similar situations to occur in the future.

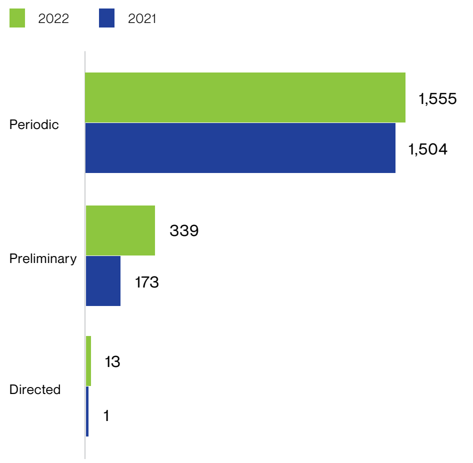
Two major industrial accidents occurred in 2022 at the coal mine. One occurred as a result of dangerous and incorrect work and the failure to observe regulations (instructions) by an employee. The second due to improper protection of the working equipment (the lack of a wedge) and challenging working conditions (the dustiness of the working area).

In both cases, detailed analyses of the events were carried out, measures were adopted, and the incidents were communicated to the remaining employees for prevention purposes in order to prevent such things from happening again.

Throughout the year, 64 so-called hazardous occurrences that we wish to prevent or minimise in the future were also recorded.

There was a case of a major pillar burst in the presence of ten employees. However, no serious injuries were sustained.

Preventive health checks



Number of workplace accidents

Number of drills for improving emergency preparedness

Description of the workplace accident prevention policy

The fundamental objective of the occupational health and safety and fire safety policy is sustainable development in these areas including all three aspects of sustainable operations: social, environmental, and governance. It is achieved by planning, implementing, supervising, and taking action to prevent workplace accidents and other extraordinary events, by sharing responsibilities and including the occupational health and safety and fire safety system in individual business processes.

All the prescribed activities laid down by the law for the provision of a safe and as health-hazard-free work as possible. All these activities are sought to be upgraded on an annual basis and the quality and efficiency of measures improved. These include the drawing up of occupational safety instructions, training and seminars, theoretical and practical (at the workplace), examinations, continuous control of working processes, the handling of all hazardous occurrences and accidents with all involved in order to establish what went and what can be done to prevent the event from repeating, discussions or exchange of opinions and experience with employees on all matters related to the work environment, machinery, work methods, PPE, insecurities (questions), hazardous situations, improvements, etc., all intended to provide an as a safe and employee-friendly performance of work tasks as possible.

Our executives participate therein and undertake to perform all the required activities intended to prevent workplace events and injuries and damage to health.

We are aware of the fact that the concern for a healthy and safe working environment is the basic predisposition for the development and focus of our activities. As such, we undertake to provide for an optimum operation of our production units from the viewpoints of:

- preventing workplace injuries and accidents and damage to health,
- preventing extraordinary events,
- preventing fires,
- mitigating hazards and minimising occupational health and safety risks,
- reducing the likelihood of occupational health and safety and fire safety incidents and risks.

Employee stress management and burn-out prevention

The HSE Group puts a great emphasis on managing stress, preventing burn-out in employees, and ensuring the general well-being of employees. Great attention is paid to the health of our employees and preventive care. Various medical prevention programmes and programmes intended for employees exposed to harsh working conditions were organised for employees. Several healthy lifestyle and diet trainings were organised. Our employees were able to attend the workshop entitled “Psychological flexibility and resistance” and the workshop entitled “What fuels my engine?”

Useful healthy lifestyle information and tips are also available for our employees on a designated intranet portal.

In light of our great concern for the preventive health of our employees, a medical prevention active retreat was organised for our employees at various locations. In light of the conditions, the ability to take advantage of the service in a flexible way in the afternoons was also introduced.

In order to ensure smooth operations and healthy and safe working conditions for HSE Group employees, risks intended to prevent covid-19 infections were managed through measures preventing the spread of infectious diseases, which included washing and disinfecting hands, providing for social distancing and work from home, when possible, given the working process. Notifications and posters drawing attention of our employees to the safety measures intended to prevent the transmission of the disease were hung. Hygiene measures to disinfect working areas and equipment were also adopted.

All required PPE, sufficient quantities of masks and hand sanitisers, rapid tests and regular rapid testing were provided for all employees.

2.11.6 Responsibility towards wider society

Socially responsible conduct forms an integral part of the strategic direction of the HSE Group and is one of the key tools to achieve sustainable development. Our environmental policy derives from our strategic objectives related to our concern for a healthy working and living environment, for the health of our employees and other local inhabitants, and to prevent any environmental burdens and to mitigate negative effects on the environment.

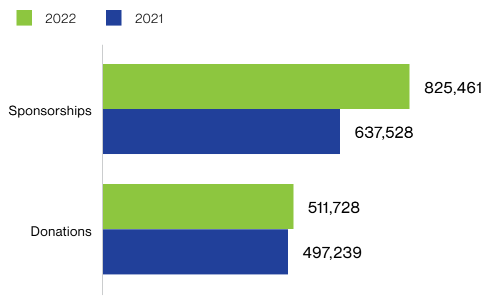
Various activities serve to raise the awareness of our employees on the significance of social responsibility. For this purpose, various charity and socially responsible campaigns have been organised. Our employees have donated their own money to people in need and participated in various organised clean-up efforts. Our employees are also involved as volunteers in various local associations.

Donating blood is undoubtedly one of the most noble things one can do to help another human being. At HSE Group companies, we support our employees who choose to donate blood – as many as 823 of them did so in 2022 or 3% more than in 2021. In addition to the rights our employees are entitled to subject to the collective agreement, they are also rewarded with an additional day off for their first blood donation of the year.

Sponsorships and donations

Since its inception, the HSE Group is strongly committed to social responsibility principles which demand we support promising and high-profile individuals, projects, and clubs engaged in sports, science, culture, and charitable causes. Sponsorship and donation funds are awarded in a deliberate and well-thought-out way; the expert commissions of HSE Group companies decide who to support. The sponsorship and donation awarding strategy of the HSE Group also clearly defines the criteria on the basis of which our ‘wards’ are selected. These include several aspects, from the environmental attitude of the recipient of the funds to achieving the goals of the sponsor in terms of its promotion.

Sponsorships and donations in EUR

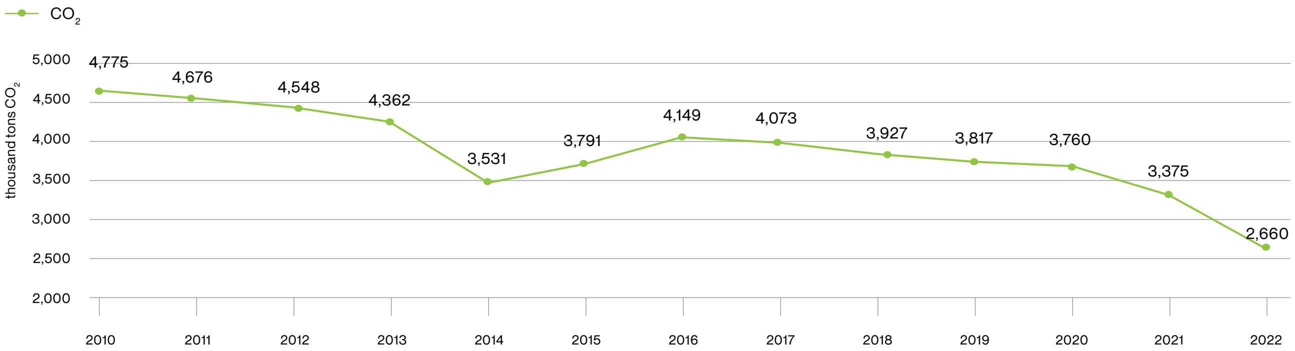


2.11.7 With an eye for the environment

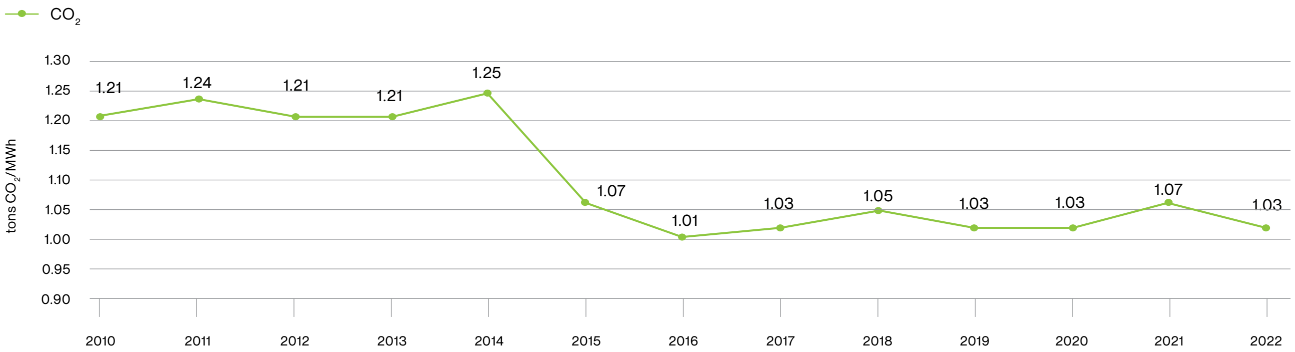
The HSE Group is aware of its impact on the environment. As such, it continuously seeks to reduce its negative impacts. The highest level of attention is paid to our thermal part, the Velenje Coal Mine and TEŠ, where lower emissions of greenhouse gases and other environment-hazardous substances have been recorded for several years. As a result of the breakdown of a gallery at the Velenje Coal Mine and the resulting one-month suspension of operations of TEŠ, CO_2 emissions fell by as much as 23% in 2022 compared to the year before and by more than 40% compared to 2010. NO_x, SO_2, and dust emissions also fell significantly. Due to the conditions in the mine, less methane was released into the air.

The Energy Act provides that all suppliers of energy to final customers shall provide for energy savings of the same. Pursuant to the Act on Energy Efficiency and the Decree on energy savings requirements, an annual report on the achieved savings is sent to the Energy Agency once a year. The table below contains data for the HSE Group as reported for 2022. Under legislation, the savings (or losses) achieved are transferred for the past three years. The annual savings requirement calculation is 0.8% of sold energy in the preceding year. As such, the HSE Group had to achieve 4.35 million kWhs in energy savings in 2021 - the actual number was even higher, 6.69 million kWhs. Given the completed investment maintenance and excess savings between 2019 and 2021, our total residual energy savings excess amounts to as many as 7.43 million kWhs or 2 million kWhs more than in 2021.

Total CO_2 emissions by TEŠ



Specific CO_2 emissions of TEŠ – the impact of measures



Achieved savings by HSE Group in the year 2022

Volume of energy sold in 2021 (in kWh)	543,624,470.0		
0.80% of energy sold in 2021 (in kWh)	4,348,995.7		
0.40% of petrol and diesel sold in 2021 (in kWH)	6,694,561.0		
Remaining savings surplus from 2019 (in kWh)	61,000.0		
Remaining savings surplus from 2020 (in kWh)	2,208,189.6		
Remaining savings surplus from 2021 (in kWh)	2,816,473.0		
TOTAL remaining energy savings surplus (in kWh)	7,431,227.9	Remaining savings surplus from 2020 (in kWh)	0
		Remaining savings surplus from 2021 (in kWh)	736,666.9
		Remaining savings surplus from 2022 (in kWh)	6,694,561.0

We measure, we control, we improve

The HSE Group regularly measures and verifies if it meets all the statutory requirements and actively improves its environmental impact. It is active in all areas by optimising the consumption of fuel, shifting to electric cars, and continuously seeking ways to reduce greenhouse gas emissions.

Air emissions of the HSE Group

V duhu krožnega gospodarstva stremimo k čim večji ponovni rabi odpadnega materiala ali njegovemu recikliranju. Veliko večino nenevarnih odpadkov predelamo in uporabimo v drugih procesih. Ob skrbi za rečne struge pa odvečno plavje varno nalagamo na za to predvidene površine in iščemo novo uporabno vrednost za plavje.

Responsible waste management

In the spirit of circular economy, the Group strives to maximise the reuse or recycling levels of recyclable material. The majority of non-hazardous waste is treated and used in other processes. As we care for river beds, excess alluvium is safely accumulated at foreseen areas and a new useful value for it is sought.

Material consumption

The HSE Group required a significant volume of various materials for continuous operations of our installations. Those that pose a risk to the environment are presented below. The consumption of materials which could negatively affect the environment has been continuously reduced by way of a responsible supply chain and constant improvements.

Air emissions of the HSE Group

Greenhouse gases/carbon print	Unit of measure	2018	2019	2020	2021	2022
Direct emissions (Set 1)						
Due to coal combustion	t CO_2eq	3,848,962	3,739,414	3,677,806	3,291,126	2,605,815
- of which for own usage	t CO_2eq	434,747	422,965	421,302	388,701	304,652
Due to natural gas combustion, ELKO	t CO_2eq	9,809	14,452	19,248	21,924	55,012
Total (Set 1)		**3,858,771**	**3,753,866**	**3,697,054**	**3,313,050**	**2,660,827**
Indirect emissions (Set 2)						
Energy sources for direct implementation of activitiest (construction machinery, work leases, work travel)	t CO_2eq	2,288	1,944	1,518	3,053	2,797
Administrative buildings	t CO_2eq	841	796	741	721	628
Indirect emissions (Set 3)						
Transport to work	t CO_2eq	399	398	400	974	3,629
Other emissions	t CO_2eq	68,475	63,565	63,467	62,099	40,991
Total	t CO_2eq	**3,930,774**	**3,820,570**	**3,763,181**	**3,379,897**	**2,708,871**

Air pollutants	Unit of measure	2018	2019	2020	2021	2022
Intensity for electricity production SO_2	mg/kWh	454	278	280	321	214
NO_x intensity for electricity production	mg/kWh	842	607	597	640	632
Sulphur dioxide (SO_2)	t	1,703	1,049	1,037	1,032	570
Nitrogen gases, NO_2	t	3,168	2,270	2,185	2,032	1,660
Carbon monoxi (CO)	t	783	721	740	690	492
Particles (PM)	t	105	65	70	89	71
Methane	t	4,184	3,752	4,772	3,501	2,354

Waste and waste water management in the HSE Group

Water protection (in mio m^3)	2018	2019	2020	2021	2022
Evaporation	7.04	7.03	7.71	6.64	4.86
Technological wastewater	4.56	4.03	3.90	3.91	3.66

Waste (in tonnes)	2018	2019	2020	2021	2022
All waste	793,661	686,420	768,030	595,947	366,535
Hazardous waste	503	271	348	360	388
Non-hazardous waste	793,158	686,149	767,682	595,588	366,147
Processed waste	732,453	675,648	749,368	583,722	354,735
Debris	11,717	1,350	2,486	722	984

Consumption of materials in the HSE Group

Input materials (in tonnes)	2018	2019	2020	2021	2022
Limestone products ($CaCO_3$, CaO, $Ca(OH)_2$)	158,244	146,813	145,601	142,050	94,426
Ammoium hydroxide	2,945	2,711	2,530	2,338	1,945
Chlorine-hydrogen acid	366	262	304	219	233
Lubricants, oils	150	160	152	164	124
Steel	7,592	10,038	8,216	8,492	10,757
Wood	5,037	5,754	5,193	6,036	4,852

Saving energy

Maintenance works and investments reduce the consumption of energy products or the Group seeks to replace them with green and sustainable resources.

Water wealth

In 2022, hydrology was not favourable. As a result, one third less water flew through our hydro-electric power plants than during the previous years. In spite of the above, our concern for water resource management was not abandoned. And not only that - water resources are even more cherished than before.

Consumption of energy in the HSE Group

Energy	Unit of measure	2018	2019	2020	2021	2022
Total end energy consumption (electricity, heat, cooling)	GWh	95.27	92.82	77.47	87.96	78.43
End energy consumption in business premises per employee	kWh/employee	71,296	64,957	61,264	60,861	67,111

Fuels	Unit of measure	2018	2019	2020	2021	2022
Coal	GJ	37,521,291	36,589,929	35,658,312	32,430,765	25,102,848
Natural gas	GJ	122,615	256,021	334,286	151,119	910,720
Other	GJ	610	646	533	196,706	144,682

Water use in the HSE Group

Water	Unit of measure	2018	2019	2020	2021	2022
Use of river water*	mio m³	3.623	3.380	3.443	3.480	2.844
Use of accumulation and lakes*	mio m³	5.754	5.216	5.246	4.054	3.547
Use of groundwater	mio m³	2.786	2.479	2.629	2.775	2.216
Use of drinking water	m³	215,674	202,015	146,350	123,077	124,861
Use of water for production at HPP	mio m³	79,832	73,889	85,343	79,504	64,608

* For cooling technical devices

Products and services

The HSE Group has material reuse or recycling programmes and projects in place. Bottom ash, slag, and gypsum, generated as waste during coal power generation, are mixed into a stabilising agent placed in the barrier between the Velenje and Družmir Lakes using a special formulation. Certain surpluses are also sold in the construction material production market.

In addition to generating electricity, TEŠ also provides thermal energy for the entire Šalek Valley. It was distant heating that significantly contributed to reducing hazardous emissions in the area.

Investing in conserving nature

More and more funds are spent on conserving the environment, for animal habitats, clean air, soil, and water on an annual basis. The majority of higher expenses has resulted from higher prices of emission allowances. Nevertheless, investments in concrete environmental projects and programmes have also been on the rise.

Products and services in the HSE Group

Products and services	Unit of measure	2018	2019	2020	2021	2022
Ashes	t	4,392	10,455	22,173	19,397	25,525
Gypsum	t	15,370	23,158	67,789	77,025	90,498
Stabiliser*	t	732,424	639,323	660,834	550,859	329,182
Waste metals	t	3,493	3,441	6,520	6,676	6,702
Heat energy	MWh	355,424	341,217	351,254	374,080	333,597
Gravel	t	46,330	10,666	31,141	27,417	6,753

* Stabiliser contains ashes, gypsum and slag. Excess materials are sold in the market.

Nature conservation expenses in the HSE Group

Nature conservation expenses (in thousand EUR)	2018	2019	2020	2021	2022
Air and climate protection	38,955	46,070	81,149	100,660	113,983
- of which for climate change	26,564	35,867	69,961	91,027	102,334
Wastewater management	5,273	3,442	2,987	2,830	2,944
Waste management	4,026	3,848	5,694	3,920	2,726
Soil, groundwater and surface water protection and improvement	962	2,755	6,177	4,448	18,295
Noise and vibration protection	4	17	8	19	10
Biodiversity and landscape protection	187	211	336	309	291
Research and development	10	34	5	33	28
Other	3,093	3,493	3,290	4,309	2,208
Total	**52,509**	**59,869**	**99,646**	**116,528**	**140,486**

2.11.8 EU taxonomy

The EU taxonomy is an attempt by the European commission, financial institutions, and non-financial companies to speak on sustainable activities with a single voice. The EU taxonomy seeks to establish a uniform standard and practice system and to prevent the so-called 'greenwashing'. In compliance with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, the HSE Group shall report on the share of activities, compliant with EU taxonomy and the corresponding technical standards, environmental requirements, and minimum social standards. These standards shall continue to be developed in the future and expanded to other areas and activities. The EU taxonomy is complementary with other European green transition regulations and measures. The European Green Deal foresees net zero emissions of greenhouse gases by 2050. The achievement of these objectives shall require substantial investments. As a result, the Union seeks to direct capital flows towards sustainable investments so as to achieve sustainability targets. The EU taxonomy which shall serve as one of the criteria for the 'green' financing of companies or the projects shall aid in this regard.

Activities eligible for or in line with the EU taxonomy shall include only those who meet the technical criteria and have the appropriate NACE codes. In the case of the HSE Group, this is the generation of electricity in hydro-electric and solar power plants and electricity batteries (Avče pump-fed hydro-electric power plants).

This shall be subject to specifying if an activity contributes to mitigating or adapting to climate change. The EU taxonomy thus lays down environmental objectives. The first two already include broken down criteria. For the remaining four, the rule that our activities do not incur any significant damage shall apply:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control; and
- the conservation and preservation of biodiversity and ecosystems.

The criteria for the remaining four categories are foreseen to be drawn up and enter into force by 2025. It has, however, already been estimated that the HSE Group has continuously operated towards meeting the strictest environmental standards.

The regulation also requires the respect for minimum social standards to be met by companies. The criteria are based on OECD guidelines for international companies, UN Guiding Principles on Business and Human Rights, including the principles and rights from the eight core conventions, listed in the Declaration of the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work.

In compliance with Regulation (EU) 2020/852, companies shall report on the share of the activities complying with all criteria listed above, namely through three indicators:

- the share of net income eligible or compliant with the EU taxonomy;
- the share of investments (CapEX), eligible or compliant with the EU taxonomy;
- the share of operating costs (OpEX), eligible or compliant with the EU taxonomy.

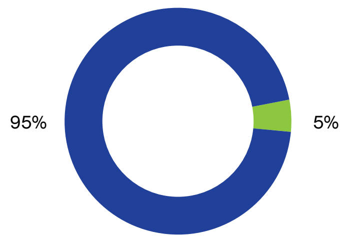
The share of net revenue

The generation of electricity from hydro-electric power plants by DEM and SENG and the generation of electricity from solar energy by HSE, DEM, and SENG have been classified under the activities of the HSE Group meeting the technical, environmental, and social criteria of the EU taxonomy. Eligible activities of electricity batteries include also the activities of the Avče pump-fed hydro-electric power plant. Revenue compliant with the EU taxonomy in 2022 accounted for approximately 5% but requires a clarification.

On the other hand, our thermal division contributes less than 4% to the total revenue of the HSE Group. The majority of revenue of the HSE Group is generated on the wholesale market, where much larger volumes are traded with as generated by our production units. However, these activities are not defined by the EU taxonomy. Only a share of traded electricity including origin certificates may be included which currently constitutes a negligible and undeveloped portion of trading. It is currently also impeded by the war in Ukraine. In addition, 2022 was characterised by record high electricity prices, which, on the one hand, increased our revenue significantly, whereas, on the other, an unfavourable hydrology resulted in high costs related to purchasing replacement electricity.

Share of net revenue compliant with the EU taxonomy

- Share of net revenue not included in the EU taxonomy
- Share of eligible net revenue compliant with the EU taxonomy



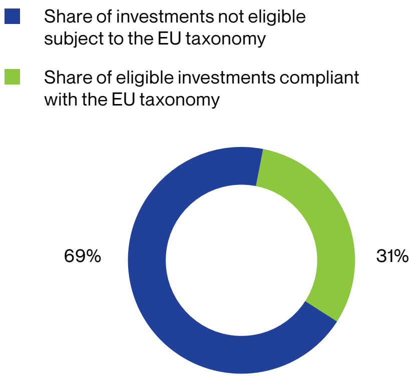
Net revenue from activities compliant with the EU taxonomy

Activities	Net turnover from activities (in EUR)	Share of revenue (in %)	CONTRIBUTES SIGNIFICANTLY: Climate change mitigation (%)	CONTRIBUTES SIGNIFICANTLY: Climate change adaptation (%)	DOES NOT SIGNIFICANTLY HARM: Climate change mitigation	DOES NOT SIGNIFICANTLY HARM: Climate change adaptation	DOES NOT SIGNIFICANTLY HARM: Water and marine resources	DOES NOT SIGNIFICANTLY HARM: Circular economy	DOES NOT SIGNIFICANTLY HARM: Pollution	DOES NOT SIGNIFICANTLY HARM: Biodiversity and eco-systems	MINIMUM SAFEGUARDS	Eligible net revenue subject to the taxonomy (in %), year N	Share of revenue compliant with the taxonomy (in %), year N-1	Category (enabling activity)	Category (transitional activity)
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY															
A.1. Environmentally sustainable activities (compliant with the taxonomy)															
4.5. Production of electricity in hydro-electric power plants	158,967,961	2.98	2.98	0	N/A	YES	YES	N/A	N/A	YES	YES	2.98	7.17	N/A	N/A
4.1. Generation of electricity from photovoltaic power plants	363,958	0.01	0.01	0	N/A	YES	N/A	YES	N/A	YES	YES	0.01	0	N/A	N/A
4.10. Storage of electricity	83,809,817	1.57	1.57	0	N/A	YES	YES	YES	N/A	YES	YES	1.57	1.66	N/A	N/A
Net revenue from environmentally sustainable activities (compliant with the taxonomy) (A.1)	243,141,736	4.56	4.56	0								4.56	8.83		
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)															
Net revenue from eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy) (A.2)	0	0.00													
Total (A.1 + A.2)	243,141,736	4.56										4.56	8.83		
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY															
Net revenue from activities not eligible subject to the taxonomy (B)	5,087,534,686	95.44													
Total (A + B)	5,330,676,422	100.00													

Investments

The share of our investments is not a reflection of the strategy and plans of the HSE Group which is fully focused on investing in new generation sources from RES or technologies which facilitate the green transition. Investments compliant with the EU taxonomy account for a relatively low part of our investments, as investments in the maintenance of a safe and reliable generation of electricity from our thermal division is significantly more expensive than investments in RES on technological grounds. As a result, a good 31% of investments are compliant with the EU taxonomy which is much more than the less than 20% in 2021.

Share of investments compliant with the EU taxonomy



Investments in activities compliant with the EU taxonomy

Activities	Investments (in EUR)	Share of investments (in %)	CONTRIBUTES SIGNIFICANTLY: Climate change mitigation (%)	CONTRIBUTES SIGNIFICANTLY: Climate change adaptation (%)	DOES NOT SIGNIFICANTLY HARM: Climate change mitigation	DOES NOT SIGNIFICANTLY HARM: Climate change adaptation	DOES NOT SIGNIFICANTLY HARM: Water and marine resources	DOES NOT SIGNIFICANTLY HARM: Circular economy	DOES NOT SIGNIFICANTLY HARM: Pollution	DOES NOT SIGNIFICANTLY HARM: Biodiversity and eco-systems	MINIMUM SAFEGUARDS	Share of investments compliant with the taxonomy (in %), year N	Share of investments compliant with the taxonomy (in %), year N-1	Category (enabling activity)	Category (transitional activity)
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY															
A.1. Environmentally sustainable activities (compliant with the taxonomy)															
4.5. Production of electricity in hydro-electric power plants	20,223,022	30.93	0	34	N/A	YES	YES	N/A	N/A	YES	YES	30.93	19.73	N/A	N/A
4.10. Storage of electricity	56,664	0.09	0.09	0	YES	YES	YES	YES	N/A	YES	YES	0.09	0.02	N/A	N/A
Investments in environmentally sustainable activities (compliant with the taxonomy) (A.1)	20,279,686	31.02	31.02	0								31.02	19.75		
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)															
Investments in eligible activities subject to the taxonomy but not environmentally sustainable (non-compliant with the taxonomy) (A.2)	0	0.00													
Total (A.1 + A.2)	20,279,686	31.02										31.02	19.75		
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY															
Investments in activities not eligible subject to the taxonomy (B)	45,106,579	68.98													
Total (A + B)	65,386,265	100.00													

Operating costs

Similar grounds for the ratio between the eligible and non-compliant share given the EU taxonomy arise also in relation to operating costs where 12% of costs are eligible and compliant with the EU taxonomy. These include costs of goods, materials and services, depreciation, and some other costs related to the operations of our production units. The share of operating costs, compliant with the EU taxonomy, was higher in 2021. This is a result of a rather lower hydrology and coal extraction issues which led to higher costs.

Share of operating costs, compliant with the EU taxonomy

- Share of operating costs not included in the EU taxonomy
- Share of eligible operating costs, compliant with the EU taxonomy

Operating costs in activities compliant with the EU taxonomy

Activities	Operating costs (in EUR)	Share of operating costs (in EUR)	CONTRIBUTES SIGNIFICANTLY: Climate change mitigation (%)	CONTRIBUTES SIGNIFICANTLY: Climate change adaptation (%)	DOES NOT SIGNIFICANTLY HARM: Climate change mitigation	DOES NOT SIGNIFICANTLY HARM: Climate change adaptation	DOES NOT SIGNIFICANTLY HARM: Water and marine resources	DOES NOT SIGNIFICANTLY HARM: Circular economy	DOES NOT SIGNIFICANTLY HARM: Pollution	DOES NOT SIGNIFICANTLY HARM: Biodiversity and eco-systems	MINIMUM SAFEGUARDS	Share of operating costs compliant with the taxonomy (in %), year N	Share of operating costs compliant with the taxonomy (in %), year N-1	Category (enabling activity)	Category (transitional activity)
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY															
A.1. Environmentally sustainable activities (compliant with the taxonomy)															
4.5. Production of electricity in hydro-electric power plants	44,543,355	10.6	10.6	0	N/A	YES	YES	N/A	N/A	YES	YES	10.6	17.48	N/A	N/A
4.10. Storage of electricity	6,151,681	1.46	1.46	0	N/A	YES	YES	YES	N/A	YES	YES	1.46	1.68	N/A	N/A
Operating costs in environmentally sustainable activities (compliant with the taxonomy) (A.1)	50,695,036	12.06	12.06	0								12.06	19.16		
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)															
Operating costs in eligible activities subject to the taxonomy but not environmentally sustainable (non-compliant with the taxonomy) (A.2)	0	0.00													
Total (A.1 + A.2)	50,695,036	12.06										12.06	19.16		
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY															
Operating costs in activities not eligible subject to the taxonomy (B)	369,611,822	87.94													
Total (A + B)	420,306,858	100.00													

Other EU taxonomy-related disclosures

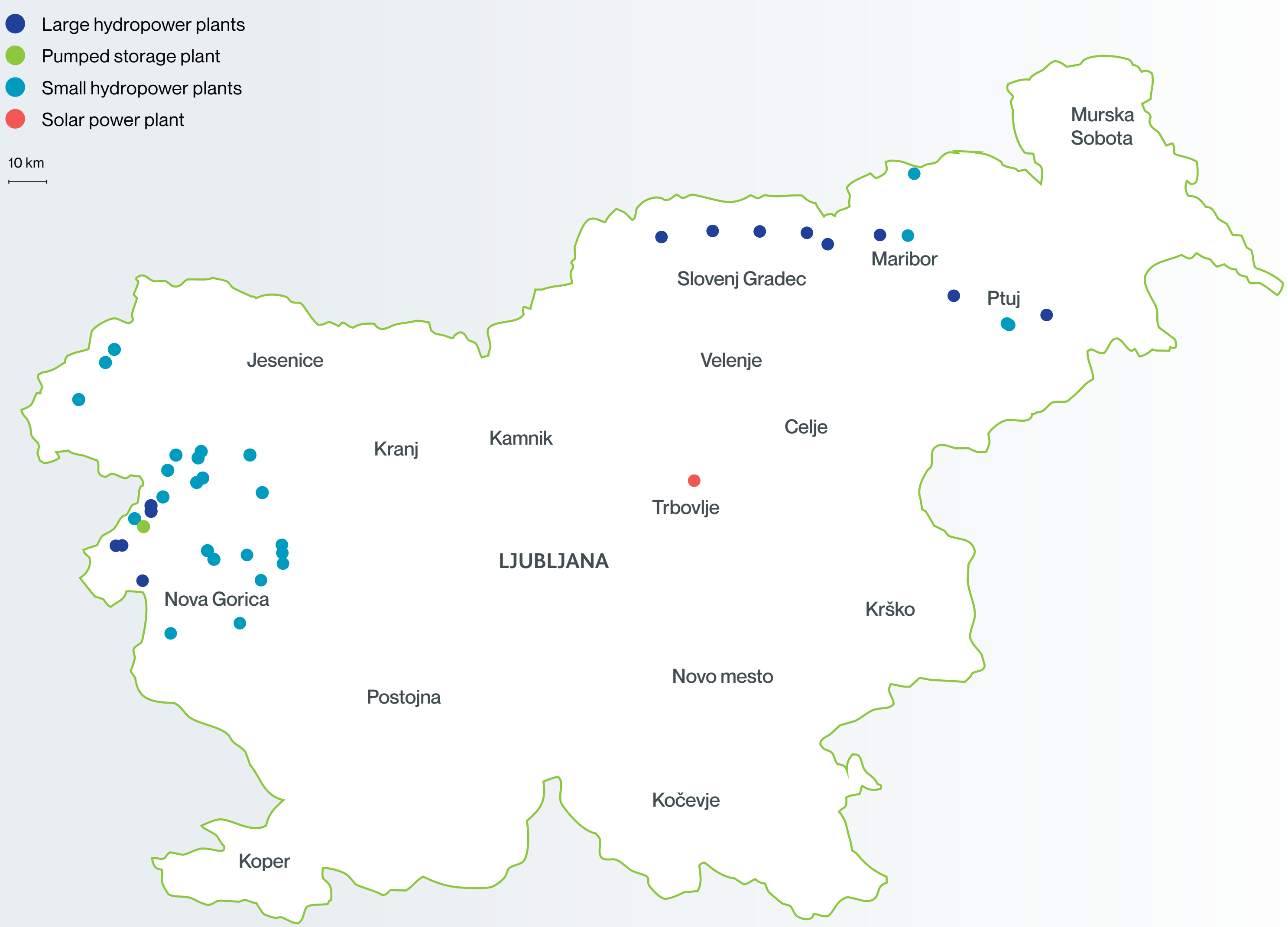
The Amendments of the European Commission to the Delegated Regulation (EU) 2021/2178 from reportable persons also require disclosures regarding the revenue and share in revenue from the generation of electricity and/or heat from nuclear and gas-fired power plants. As the HSE Group does not manage any production units which would meet the technical and other conditions contained in the Delegated Regulation, the revenue and share from these activities amounts to EUR 0.

Physical climate risk estimate

An estimate of the physical climate risk for our 41 production units in Slovenia compliant with the EU taxonomy was carried out. These production units include 13 large and 27 small hydro PP, a pump-fed hydro-electric power plant, and a solar power plant.

The estimate was carried out using scenarios known as RCP or Representative Concentration Pathways. Each RCP pathway states the amount of climate forcing expressed in watts per square meter incurred as a result of greenhouse gases in the atmosphere in 2100. The forcing speed and direction are the pathway. In contrast to weather forecasts which are probably, climate models are much more precise as they indicate areas which are more likely to be warmer or cooler, more humid or dry than usual. Climate models are based on global ocean and air patterns. RCP was developed by the Intergovernmental Panel on Climate Change which is the leading impetus on monitoring climate change and raising awareness of decision-makers and the public on the hazards these bring. The findings of the risks presented below are not precise in some parts as a result of a lack of data or analyses for individual locations.

Production unit locations



The physical risk estimate was carried out for:

- three scenarios of climate change: RCP 2.6, RCP 4.5, RCP 8.5,
- three timelines: 2021-2040 (short-term), 2041-2060 (medium-term), 2061-2080 (long-term),
- Four climate natural categories of risks: forest fires, heat waves, river flooding, and drought.

Scenario RCP 2.6: is the **ideal scenario** meaning that the radiation level shall rise to 3.1 W/m² by mid-century but shall return to 2.6 W/m² by 2100. Temperatures are to increase by 2100 by 1.8˚C.

Scenario RCP 4.5: is a **stabilisation scenario,** meaning that the radiation level shall be stabilised at 4.5 W/m² before 2100 by using technologies and strategies to reduce greenhouse gas emissions. According to this scenario, temperatures on Earth are to rise by 3.3˚C by 2100.

Scenario RCP 8.5: is a **pessimistic scenario,** called also the worst-case or 'business as usual scenario'. According to this scenario, the concentration of carbon would cause global warming amounting to 8 W/m² on average and raise temperatures by 4.3˚C.

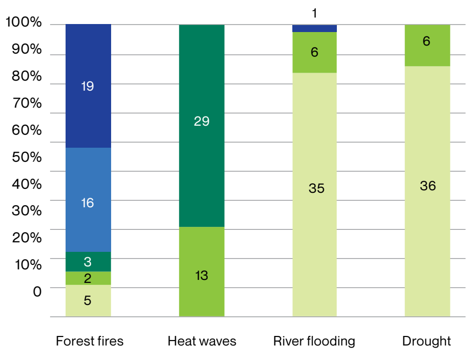
Subject to this estimate, it can be established that forest fires in nature posing a hazard for buildings and electricity infrastructure and heat waves which can cause short-term drops in water levels constitute the most important hazards for the analysed portfolio. According to the data at our disposal, the hazard of river flooding is low at all our facilities, except for the Dravograd Hydro-Electric Power Plant where it is extremely high.

The graphics below illustrate risk levels for individual consequences of climate change. Data for the RCP 4.5 scenario which climatologist believe to be the most likely are presented. For all data on the risk for all scenarios please refer to Section III.

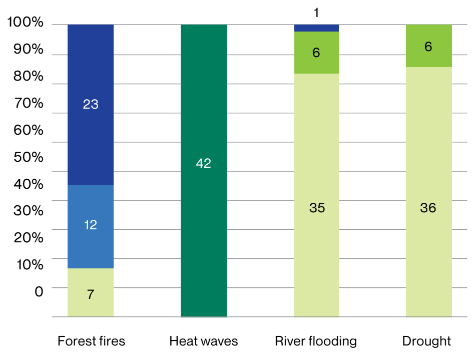
Scenario RCP 4.5

Very low | Low | Moderate | High | Very High

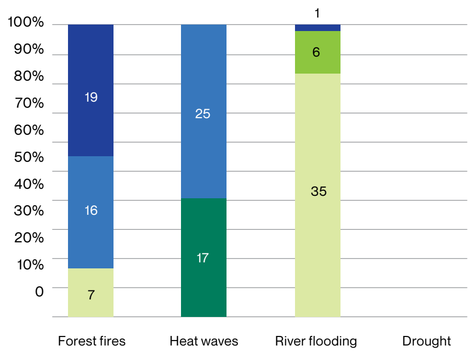
Short-term scenario



Medium-term scenario



Long-term scenario



Note: The values in the columns constitute the analysed number of production units by risk category.

Estimate notes

Fires

The set of data on fire hazards for Europe between 1970 and 2098 was used to estimate the risk of fires in nature. This set of data illustrates the number of days with a high fire hazard throughout the year, i.e. the number of days per year with a daily weather fire index above 15 subject to the classification of the European Forest Fire Information System (EFFIS). Initial annual data were aggregated before calculating the average value for each period of time.

The hazard of fires in nature is high or extremely high for the majority of assets in all periods and in all climate scenarios.

Heat waves

The heat wave risk was estimated using the set of data on heat waves and cold periods in Europe. This set of data indicates the number of days of a heat wave in any given year. A heat wave is a period of at least three consecutive days in which the highest daily temperature exceeds the 99th percentile of the highest seasonal daily temperatures from May to September of the control period between 1971 and 2000. Initial annual data were aggregated before calculating the average value for each period of time.

The risk of heat waves for the analysed portfolio varies between low and very high. It increases gradually from short-term to long-term scenarios and from low to high emission levels.

Drought

The drought risk is calculated by using the 6-month Standardised Precipitation Index (SPI). SPI is the measure used to indicate what a certain amount of rainfall throughout a selected period of time means for a normal or expected rainfall for that period of time. Positive or negative values of the SPI index indicate the level of meteorological drought or flood. If it is higher than 0, it means that the average rainfall is increased and that the drought risk is very low. If it is lower than 0, the drought risk increases. The set of SPI data was retrieved from the interactive IPCC WGI atlas. The collected annual data indicate average values for three periods of time: 2021–2040, 2041–2060 and 2081–2100. This analysis used only two of these periods as the period between 2081 and 2100 does not match any of the periods defined above.

SPI varies between 1.06 and 31.66%, meaning that rainfall is due to increase. The SPI is slightly lower than 0 only in the case of six assets, which is why rainfall can be reduced there. The drought risk is rather low.

Floods

The same set of data was used for river flooding. The set indicates the depth of flooding for river flooding with different return periods. The return period is the estimated average time between two floods of the same scope and depth. A return period of one thousand years was used in the analysis. This set of data was calculated for 2030, 2050, and 2080. Values for 2030 were assumed representative values for the short-term period, for 2050 for the medium-term period, and for 2080 for the long-term period.

The risk of river flooding varies from very low to low at almost all facilities, except for the Dravograd Hydro-Electric Power Plant, where this risk is very high and the depth of the flood can reach up to 8 meters.

Climate risks

Fires

Description:

The number of days per year with a daily weather fire index above 15 subject to the classification of the European Forest Fire Information System (EFFIS).

Unit:

Days

Risk level:

- Very low
- Low
- Moderate
- High
- Very High

Scenario	Ideal RCP 2.6			Stabilisation RCP 4.5			Pessimistic RCP 8.5		
Production unit[19]	Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
HPP Dravograd	14.95	11.15	11.55	7.55	10.55	9.2	6.65	10.35	8.85
HPP Vuzenica	21.2	17.1	18.8	14.05	17.45	14.55	13.6	14.05	14.7
HPP Vuhred	13.95	9.95	10.45	9.1	10.85	8.25	7.55	7.95	9.8
HPP Ožbalt	4.35	2.1	2.25	3.4	2.8	1.85	1.15	1.45	1.9
HPP Fala	4.35	2.1	2.25	3.4	2.8	1.85	1.15	1.45	1.9
HPP Mariborski otok	23.45	16.7	17.2	15	17.9	13.4	13.5	14	11.65
HPP Zlatoličje	30.8	20.8	24.75	16.75	22	15.05	14.55	16.25	15.7
HPP Formin	31.15	23.15	24.8	20.25	22.35	17.05	18.65	17.7	19.4
sHPP Ruše	0	0	0	0	0	0	0	0	0
sHPP Melje	23.45	16.7	17.2	15	17.9	13.4	13.5	14	11.65
sHPP Rogoznica; sHPP Markovici	33.6	24.8	29.15	22.9	25	20.85	21.3	21.6	21.85
sHPP Ceršak	27.1	21	21.75	16.45	22.3	15.4	16.9	16.5	17.1
HPP Doblar 1; HPP Doblar 2	17.9	11.75	16.4	10.05	13.65	11.05	6.45	11.5	12.95
HPP Plave 1; HPP Plave 2	33.25	24.35	32.5	20.55	24.9	19.6	13.25	19.9	22.2
HPP Solkan	37.35	28.8	35.35	23	27.4	21.7	14.75	22.4	25.05
PHPP Avče	17.9	11.75	16.4	10.05	13.65	11.05	6.45	11.5	12.95
sHPP Podselo	17.9	11.75	16.4	10.05	13.65	11.05	6.45	11.5	12.95
sHPP Kneža; sHPP Podmelec	9.35	5.8	6	4.35	6.55	4.8	2.5	4.25	5.9
sHPP Ajba	33.25	24.35	32.5	20.55	24.9	19.6	13.25	19.9	22.2
sHPP Klavžarica	0	0	0	0	0	0	0	0	0
sHPP Tolmin; sHPP Zadlaščica	14.1	9.45	10.75	6.85	10.15	7.5	3.85	7.25	9.5
sHPP Bača	9.35	5.8	6	4.35	6.55	4.8	2.5	4.25	5.9
sHPP Mrzla rupa	0	0	0	0	0	0	0	0	0
sHPP Jelenk; sHPP Trebuša	0	0	0	0	0	0	0	0	0
sHPP Cerkno	17.15	13.55	15.1	11.6	13.5	12.8	7.6	11.65	16.9
sHPP Kneške ravne 1; sHPP Kneške ravne 2	9.35	5.8	6	4.35	6.55	4.8	2.5	4.25	5.9
sHPP Marof; sHPP Pečnik; sHPP Mesto	4.6	3.1	2.9	2.15	2.85	2.9	0.7	2.9	3.5
sHPP Plužna	7.1	3.15	3.75	2.65	3.85	3.65	1.05	1.75	4.1
sHPP Log; sHPP Možnica	0	0	0	0.2	0	0.05	0	0	0.05
sHPP Hubelj	26.55	21.5	25.85	16.7	20.3	19.55	12.9	17.95	22.5
sHPP Gradišče	39.55	29.2	35.8	26.1	30.5	25.15	17.7	25.5	27.4
SPP Prapretno	11.05	7.1	7.85	6.5	7.45	5.85	4.25	6.4	6.45

19 Production units less than 3 kilometres apart were combined in the same row.

Heat waves

Description:

The number of days of a heat wave in any given year. A heat wave is a period of at least three consecutive days in which the highest daily temperature exceeds the 99th percentile of the highest seasonal daily temperatures from May to September of the control period between 1971 and 2000.

Unit:

Days

Risk level:

- Very low
- Low
- Moderate
- High
- Very High

Scenario	Ideal RCP 2.6			Stabilisation RCP 4.5			Pessimistic RCP 8.5		
Production unit	Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
HPP Dravograd	NA	NA	NA	4.14	6.46	7.24	3.86	6.59	13.28
HPP Vuzenica	NA	NA	NA	4.25	6.88	7.94	4.08	7.29	14.71
HPP Vuhred	NA	NA	NA	4.26	6.81	7.83	4.13	7.30	14.67
HPP Ožbalt	NA	NA	NA	4.23	6.71	7.66	4.01	7.06	14.33
HPP Fala	NA	NA	NA	4.31	6.85	7.81	4.11	7.09	14.39
HPP Mariborski otok	NA	NA	NA	4.49	7.23	8.35	4.49	7.41	14.87
HPP Zlatoličje	NA	NA	NA	4.78	7.62	8.70	4.47	7.68	15.06
HPP Formin	NA	NA	NA	4.76	7.47	8.47	4.43	7.56	14.96
sHPP Ruše	NA	NA	NA	4.45	6.97	7.97	4.03	7.22	15.13
sHPP Melje	NA	NA	NA	4.54	7.31	8.39	4.54	7.35	14.52
sHPP Rogoznica; sHPP Markovici	NA	NA	NA	4.77	7.52	8.56	4.42	7.57	14.92
sHPP Ceršak	NA	NA	NA	4.55	7.22	8.31	4.52	7.33	14.46
sHPP Doblar 1; sHPP Doblar 2	NA	NA	NA	5.44	8.89	10.33	5.33	10.13	20.18
HPP Plave 1; HPP Plave 2	NA	NA	NA	5.48	8.97	10.20	5.38	10.19	20.16
HPP Solkan	NA	NA	NA	5.52	8.88	9.92	5.06	9.44	19.50
PHPP Avče	NA	NA	NA	5.44	8.89	10.33	5.33	10.13	20.18
sHPP Podselo	NA	NA	NA	5.44	8.89	10.33	5.33	10.13	20.18
sHPP Kneža; sHPP Podmelec	NA	NA	NA	5.62	9.11	10.74	5.40	10.33	20.85
sHPP Ajba	NA	NA	NA	5.48	8.97	10.20	5.38	10.19	20.16
sHPP Klavžarica	NA	NA	NA	5.49	8.95	10.05	5.21	9.56	19.56
sHPP Tolmin; sHPP Zadlaščica	NA	NA	NA	5.82	9.49	11.09	5.65	10.72	21.41
sHPP Bača	NA	NA	NA	5.56	9.09	10.46	5.30	10.13	20.67
sHPP Mrzla rupa	NA	NA	NA	5.66	9.07	10.35	5.26	9.73	19.87
sHPP Jelenk; sHPP Trebuša	NA	NA	NA	5.64	9.19	10.29	5.19	9.67	20.02
sHPP Cerkno	NA	NA	NA	5.76	9.18	10.54	5.37	9.98	20.08
sHPP Kneške ravne 1; sHPP Kneške ravne 2	NA	NA	NA	5.62	9.11	10.74	5.40	10.33	20.85
sHPP Marof; sHPP Pečnik; sHPP Mesto	NA	NA	NA	5.66	9.07	10.35	5.26	9.73	19.87
sHPP Plužna	NA	NA	NA	5.85	9.56	11.22	5.73	11.07	22.60
sHPP Log; sHPP Možnica	NA	NA	NA	5.65	9.28	10.91	5.52	11.05	22.93
sHPP Hubelj	NA	NA	NA	5.14	8.41	9.39	4.91	8.92	18.15
sHPP Gradišče	NA	NA	NA	5.28	8.38	9.39	4.88	8.95	18.23
SPP Prapretno	NA	NA	NA	5.47	8.44	9.44	4.90	8.57	17.40

River flooding

Description:

Flooding depth given a return period of one thousand years

Unit:

Meters

Risk level:

- Very low
- Low
- Moderate
- High
- Very High

Scenario	Ideal RCP 2.6			Stabilisation RCP 4.5			Pessimistic RCP 8.5		
Production unit	Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
HPP Dravograd	NA	NA	NA	6.92	8.13	6.68	6.44	7.24	6.34
HPP Vuzenica	NA	NA	NA	0.64	0.70	0.60	0.71	0.74	0.77
HPP Vuhred	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
HPP Ožbalt	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
HPP Fala	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
HPP Mariborski otok	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
HPP Zlatoličje	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
HPP Formin	NA	NA	NA	1.32	1.46	1.24	1.19	1.33	1.20
sHPP Ruše	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Melje	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Rogoznica; sHPP Markovici	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Ceršak	NA	NA	NA	0.35	0.38	0.32	0.39	0.40	0.36
HPP Doblar 1; HPP Doblar 2	NA	NA	NA	1.08	1.11	1.01	0.89	0.93	0.98
HPP Plave 1; HPP Plave 2	NA	NA	NA	1.08	1.11	1.01	0.89	0.93	0.98
HPP Solkan	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
PHPP Avče	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Podselo	NA	NA	NA	1.08	1.11	1.01	0.89	0.93	0.98
sHPP Kneža; sHPP Podmelec	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Ajba	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Klavžarica	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Tolmin; sHPP Zadlaščica	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Bača	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Mrzla rupa	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Jelenk; sHPP Trebuša	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Cerkno	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Kneške ravne 1; sHPP Kneške ravne 2	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Marof; sHPP Pečnik; sHPP Mesto	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Plužna	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Log; sHPP Možnica	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Hubelj	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
sHPP Gradišče	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00
SPP Prapretno	NA	NA	NA	0.00	0.00	0.00	0.00	0.00	0.00

Drought

Description:

The drought risk is calculated by using the 6-month Standardised Precipitation Index (SPI). If it is higher than 0, it means that the average rainfall is increased and that the drought risk is very low. If it is lower than 0, the drought risk increases.

Unit:

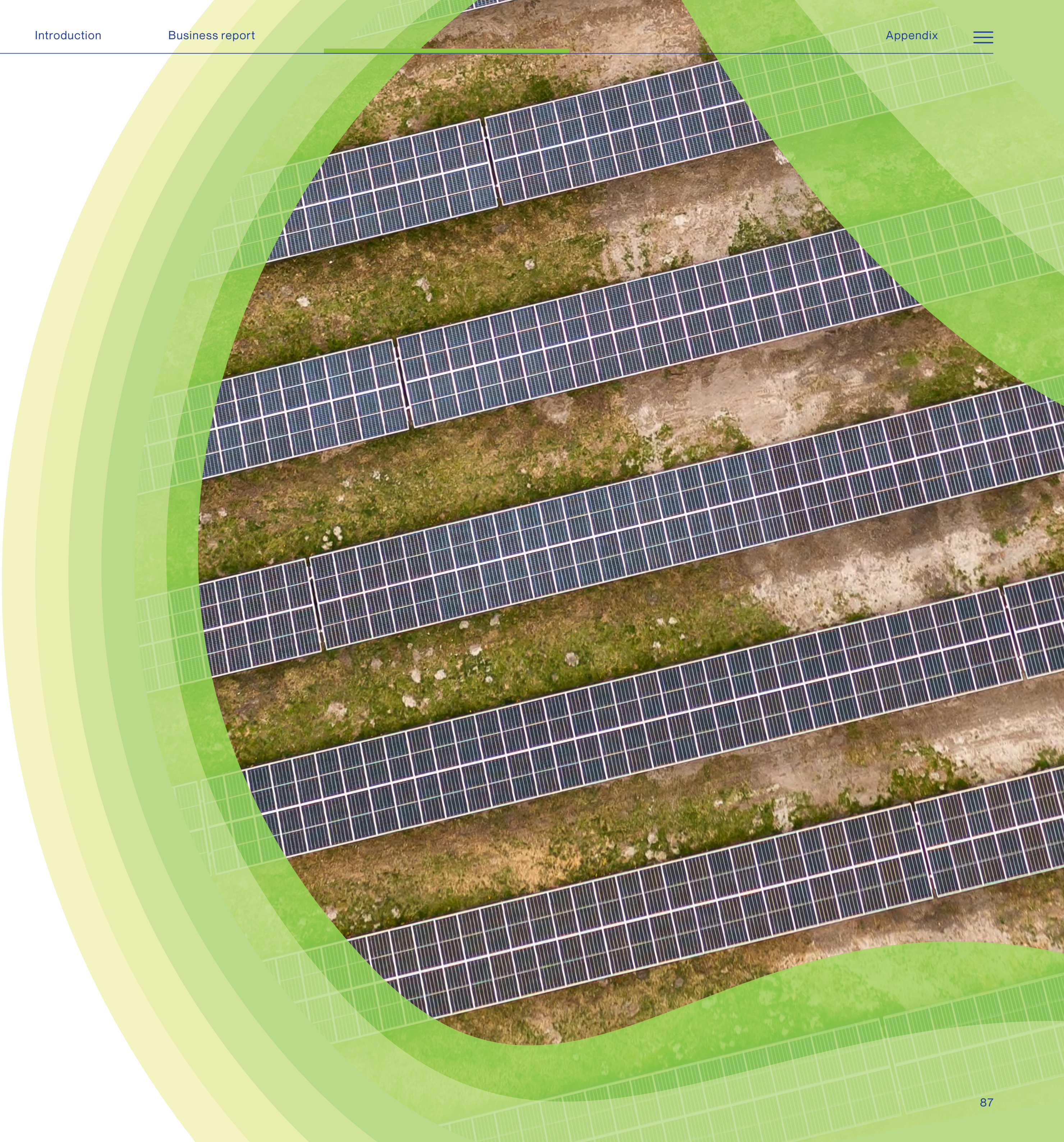
in %

Risk level:

- Very low
- Low
- Moderate
- High
- Very High

Scenario	Ideal RCP 2.6			Stabilisation RCP 4.5			Pessimistic RCP 8.5		
Production unit	Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
HPP Dravograd	20.75	29.61	NA	11.64	19.35	NA	15.68	32.57	NA
HPP Vuzenica	15.82	24.53	NA	8.43	11.37	NA	12.16	25.07	NA
HPP Vuhred	15.82	24.53	NA	8.43	11.37	NA	12.16	25.07	NA
HPP Ožbalt	12.91	20.80	NA	5.35	7.62	NA	11.48	22.43	NA
HPP Fala	12.91	20.80	NA	5.35	7.62	NA	11.48	22.43	NA
HPP Mariborski otok	12.91	20.80	NA	5.35	7.62	NA	11.48	22.43	NA
HPP Zlatoličje	12.99	23.02	NA	10.36	14.24	NA	16.17	31.03	NA
HPP Formin	13.40	22.86	NA	11.79	14.07	NA	18.07	31.66	NA
sHPP Ruše	12.91	20.80	NA	5.35	7.62	NA	11.48	22.43	NA
sHPP Melje	12.99	23.02	NA	10.36	14.24	NA	16.17	31.03	NA
sHPP Rogoznica; sHPP Markovici	13.40	22.86	NA	11.79	14.07	NA	18.07	31.66	NA
sHPP Ceršak	16.59	24.16	NA	15.92	18.53	NA	18.33	35.23	NA
HPP Doblar 1; HPP Doblar 2	12.42	22.58	NA	1.06	4.15	NA	3.15	12.15	NA
HPP Plave 1; HPP Plave 2	13.61	26.08	NA	4.84	8.46	NA	8.49	18.87	NA
HPP Solkan	12.42	22.58	NA	1.06	4.15	NA	3.15	12.15	NA
PHPP Avče	12.42	22.58	NA	1.06	4.15	NA	3.15	12.15	NA
sHPP Podselo	13.37	21.88	NA	1.68	5.81	NA	1.74	10.74	NA
sHPP Kneža; sHPP Podmelec	13.37	21.88	NA	1.68	5.81	NA	1.74	10.74	NA
sHPP Ajba	12.42	22.58	NA	1.06	4.15	NA	3.15	12.15	NA
sHPP Klavžarica	15.61	22.24	NA	-1.51	4.17	NA	3.59	12.31	NA
sHPP Tolmin; sHPP Zadlaščica	13.37	21.88	NA	1.68	5.81	NA	1.74	10.74	NA
sHPP Bača	17.63	24.70	NA	2.36	8.84	NA	4.74	13.32	NA
sHPP Mrzla rupa	15.61	22.24	NA	-1.51	4.17	NA	3.59	12.31	NA
sHPP Jelenk; sHPP Trebuša	12.42	22.58	NA	1.06	4.15	NA	3.15	12.15	NA
sHPP Cerkno	17.63	24.70	NA	2.36	8.84	NA	4.74	13.32	NA
sHPP Kneške ravne 1; sHPP Kneške ravne 2	13.37	21.88	NA	1.68	5.81	NA	1.74	10.74	NA
sHPP Marof; sHPP Pečnik; sHPP Mesto	15.61	22.24	NA	-1.51	4.17	NA	3.59	12.31	NA
sHPP Plužna	10.72	21.30	NA	1.64	3.63	NA	1.94	11.34	NA
sHPP Log; sHPP Možnica	17.94	25.58	NA	5.80	10.80	NA	7.49	21.08	NA
sHPP Hubelj	15.61	22.24	NA	-1.51	4.17	NA	3.59	12.31	NA
sHPP Gradišče	12.42	22.58	NA	1.06	4.15	NA	3.15	12.15	NA
SPP Prapretno	15.98	25.98	NA	9.15	14.78	NA	12.41	27.35	NA

Accounting Report of the HSE Group



3.1 Auditor's report on the HSE Group

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
To the owner of HOLDING SLOVENSKE ELEKTRARNE d.o.o.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the HOLDING SLOVENSKE ELEKTRARNE d.o.o. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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Key audit matters

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

Valuation of property, plant and equipment

Key audit matter	How key audit matter was addressed during audit?
As of December 31, 2022, the group discloses goodwill in the amount of EUR 18,375 thousand and property, plant and equipment in the amount of EUR 1,112,182 thousand in the group statement of financial position. In the year ended December 31, 2022, the group recognized EUR 18,316 thousand in expenses related to the impairment of the aforementioned assets. Additional information on impairments is included in the notes Intangible assets (1) and Property, plant and equipment (2) to the financial statements. As required by the accounting standard IAS 36 Impairment of Assets, management performs an annual impairment test of cash-generating units to assess their recoverable amount. The recoverable amount of property, plant and equipment is determined in accordance with IAS 36 value in use, which is estimated as the present value of the expected future cash flows that the Group is expected to generate. Determining critical assumptions and planning expected cash flows requires a high degree of management judgment, and therefore an impairment test of these assets is considered a key audit matter.	As part of the implementation of audit procedures, we assessed the adequacy of the Group's accounting policies regarding impairments of property, plant and equipment and their compliance with IFRS, and performed the following audit procedures: - We assessed whether the model used to calculate the value in use complies with the requirements of IAS 36 Impairment of Assets, and whether the assumptions used are reasonable given the current macroeconomic situation and expected future cash flows; - assessment of the competencies, abilities and objectivity of the independent management expert and verification of the expert's qualifications. In addition, we discussed the scope of his work with management; - with the help of our internal experts, we assessed whether the methodology used by the management expert was appropriate and whether the significant assumptions used were appropriate for the given purpose; - an assessment of whether the recoverable amount is properly determined as an in-use value in accordance with the requirements of IAS 36, including an assessment of the accuracy of management's past estimates, an assessment of the adequacy of methodologies and assumptions used to determine and calculate the discount rate. group used in the calculations, analysis of the sensitivity of the results of the impairment test to changes in key parameters. We also review the information in the consolidated financial statements to assess whether the disclosures regarding impairment of assets are appropriate in accordance with the requirements of the applicable financial reporting standards.

20 GRI: 201-1.

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Other information
Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the consolidated financial statements and our auditor's report thereon. Other information have been obtained before the date of the auditor's report, except for the report of the supervisory board, which will be available later.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements;
- other information is prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Group and their 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Group, management is responsible for assessing their 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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)

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Appointment of the Auditor and the Period of Engagement
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Group on General Shareholders' Meeting held on 31 August 2022. Our total uninterrupted engagement has lasted four 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 Group, which we issued on April 20, 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 Group, 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 Tina Kolenc Praznik.

DELOITTE REVIZIJA d.o.o.
Dunajska 165
1000 Ljubljana

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

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, April 20, 2023

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

3.2 Liability declaration of the management

The management shall be responsible for drawing up consolidated financial statements for each individual financial year according to the International Financial Reporting Standards (IFRS) adopted by the European Union and the Companies Act, so that they present a true and fair view of the HSE Group's operations.

The management legitimately expects the Group to have sufficient resources in the foreseeable future to enable it to continue its operations. The consolidated financial statements are therefore drawn up on a going concern basis of the HSE Group.

The responsibility of the management in drawing up consolidated financial statements includes the following:

- properly selected and consistently applied accounting policies,
- reasonable and sensible assessments and estimates.

The management is responsible for keeping corresponding records, which give an accurate and fair view of the HSE Group's financial position at any given time, and for making sure that the consolidated financial statements of the HSE Group are in accordance with the International Financial Reporting Standards. The management is also responsible for protecting the HSE Group's assets, as well as discovering and preventing abuses and other irregularities.

The management confirms that the 2022 financial year financial statements have been drawn up in accordance with the provisions of the International Financial Reporting Standards, as adopted by the European Union.

The consolidated financial statements of the HSE Group for the financial year ended on 31 December 2022 were adopted by the management on 20 April 2023.

In Ljubljana, on 20 April 2023

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.,
CEO of HSE

3.3 Introductory explanatory notes to the consolidated financial statements

The financial report of the HSE Group represents the financial statements with notes.

Based on the decision of the Capital Assets Management Agency of the Republic of Slovenia in its capacity as the then representative of the founder of 29 November 2010, the HSE Group has been drawing up financial statements and notes thereto in accordance with the International Financial Reporting Standards, as adopted by the European Union, since 1 January 2011.

The Deloite revizija d.o.o. audit firm audited the consolidated financial statements with explanatory notes and drew up an independent auditor's report included at the beginning of this section.

3.4 Consolidated financial statements

3.4.1 Consolidated statement of the financial position

in EUR

	Explanatory note	31/12/2022	31/12/2021
ASSETS		**2,455,370,282**	**2,044,297,833**
A. NON-CURRENT ASSETS		**1,388,828,332**	**1,458,496,898**
I. Intangible assets	1	46,664,901	24,890,970
II. Property, plant and equipment	2	1,112,181,844	1,166,570,499
III. Right to use leased assets	3	5,417,975	5,262,983
IV. Investment property	4	16,987,031	18,380,018
VI. Other non-current financial investments and loans	5	144,550,572	142,980,005
VII. Non-current operating receivables	6	59,182,610	97,543,037
VIII. Other non-current assets		1,769,001	1,174,315
IX. Deferred tax receivables	7	2,074,398	1,695,071
B. CURRENT ASSETS		**1,066,541,950**	**585,800,935**
I. Assets included in the disposal groups		13,999	13,999
II. Inventories	9	92,210,574	36,876,553
III. Current financial investments and loans	10	5,244,145	5,847,462
IV. Current trade receivables	11	475,775,175	267,108,768
V. Contract assets	12	3,698,292	2,053,139
VI. Current tax receivables	33	16,524,980	2,999,817
VII. Other current assets	13	116,367,522	174,311,449
VIII. Cash and cash equivalents	14	356,707,263	96,589,748
EQUITY AND LIABILITIES		**2,455,370,282**	**2,044,297,833**
A. EQUITY	15	**1,024,739,729**	**817,033,848**
I. Called-up capital		29,558,788	29,558,788
II. Capital reserves		1,053,243,183	561,243,183
III. Reserves from profit		413,501,341	413,856,350
IV. Risk hedging reserve		-106,751,557	-88,891,503
V. Fair value reserves		-11,582,513	-14,227,665
VI. Retained profit/loss		-374,171,873	-93,514,972
VII. Conversion reserve		-560,778	-530,215
VIII. Capital of owners of non-controlling shares		21,503,138	9,539,882
B. NON-CURENT LIABILITIES		**644,599,575**	**609,820,911**
I. Provisions for severance pays and anniversary bonuses	16	25,003,111	24,524,483
II. Other provisions	17	59,045,005	73,283,885
III. Other non-current liabilities	18	8,251,877	10,619,616
IV. Non-current financial liabilities	19	548,758,833	497,730,640
V. Non-current financial liabilities from leases		3,242,768	3,520,256
VI. Non-current operating liabilities		273,683	134,678
VII. Deferred tax liabilities	8	24,298	7,353
C. CURRENT LIABILITIES		**786,030,978**	**617,443,074**
II. Current financial liabilities	20	264,783,510	139,682,941
III. Current financial liabilities from leases		2,018,048	1,506,470
IV. Current operating liabilities	21	404,433,714	223,942,766
V. Contract liabilities		3,333	45,590
VI. Current tax liabilities	33	6,238,321	677,401
VII. Other current liabilities	22	108,554,052	251,587,906

* The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

3.4.2 Consolidated income statement

in EUR

	Explanatory note	2022	2021
OPERATING REVENUE		**5,386,032,226**	**2,912,230,085**
1. Net sales revenues	24	5,330,676,422	2,538,204,221
2. Other operating income	25	55,355,804	374,025,864
OPERATING EXPENSES		**5,624,352,980**	**2,823,916,461**
3. Costs of goods, materials and services	26	5,175,806,028	2,163,847,812
4. Labour costs	27	142,474,878	139,302,074
5. Value write-offs	28	114,065,695	241,885,234
6. Change in value of inventories of products and work in progress		-10,666,583	-469,214
7. Capitalised own products and services	29	-18,450,407	-19,180,331
8. Other operating expenses	30	221,123,369	298,530,886
OPERATING PROFIT/LOSS		**-238,320,754**	**88,313,624**
9. Financial revenue		167,444	77,726
10. Financial expenses		27,074,284	23,690,457
FINANCIAL OUTCOME	31	**-26,906,840**	**-23,612,731**
11. Shares in affiliated and jointly-controlled companies	32	1,426,131	1,282,247
PROFIT (LOSS) BEFORE TAX		**-263,801,463**	**65,983,140**
TAX	33	**8,148,626**	**19,013,264**
12. Current tax		7,527,999	19,195,895
13. Deferred tax		620,627	-182,631
NET PROFIT/LOSS FOR THE YEAR	34	**-271,950,089**	**46,969,876**
Owner of parent company		-280,477,134	48,729,840
Non-controlling interest		8,527,045	-1,759,964

* The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

3.4.3 Consolidated statement of other comprehensive income

in EUR

	Explanatory note	2022	2021
Net profit/loss for the year	34	**-271,950,089**	**46,969,876**
Change in fair value reserves for real property, plant and equipment	15	-195,657	-19,238
Actuarial profits and losses of programmes with certain income of employees		656,632	-255,755
Profits and losses from currency translation differences for financial statements of companies abroad	15	-30,567	31,732
Items that will subsequently not be included in the income statement		**430,408**	**-243,261**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows		-17,872,033	-131,721,556
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	15	11,982	-379,331
Change in reserve for fair value of financial assets via other comprehensive income	15	-7,169	14,699
Items that will subsequently be included in the income statement		**-17,867,220**	**-132,086,188**
Total comprehensive income for the reporting period		**-289,386,901**	**-85,359,573**
Owner of parent company		-298,068,275	-83,600,002
Non-controlling interest		8,681,374	-1,759,571

* The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

3.4.4 Consolidated cash flow statement

in EUR

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss	-271,950,089	46,969,876
Adjustments for:		
Amortisation of property, plant and equipment, intangible assets, investment property and rights to use assets	93,547,568	74,981,664
Impairments/write-offs, sales of real property, plant and equipment, intangible assets and investment property	19,899,850	165,729,394
Inventories write-offs	328,208	140,799
Operating receivables write-offs	290,069	1,033,377
Elimination of write-off/impairment of operating receivables	-2,257,345	-262,461
Financial revenue	-167,444	-77,726
Financial expenses	27,074,284	23,690,457
Shares in affiliated and jointly-controlled companies	-1,426,131	-1,282,247
Profit from sale of real property, plant and equipment	-1,445,942	-431,623
Taxes	8,148,626	19,013,264
Operating profit before changes in net current assets and taxes	-127,958,346	329,504,774
Changes in net current assets and provisions		
Change in:		
Inventories	-55,578,715	1,704,958
Trade receivables and other assets	-59,337,060	-324,011,940
Operating liabilities to suppliers and other liabilities	86,198,471	251,530,500
Provisions	1,138,383	1,166,535
Profit tax paid	-15,492,242	-34,833,193
Cash from operations	-171,029,509	225,061,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	146,253	4,352
Remuneration from other financing	6,951	71,362
Dividends received	14,240	2,012
Income from sale of real property, plant and equipment	1,615,651	709,867

in EUR

	2022	2021
Income from sales of investment property	1,531,832	0
Income from reduction of current loans given	5,801,391	12,264,911
Expenses for purchase of real property, plant and equipment	-64,040,374	-68,155,568
Expenses for purchase of intangible assets	-117,911,398	-89,946,744
Expenses for purchase of investment property	-131,585	0
Expenses for purchase of subsidiaries net of cash acquired	-19,848,800	0
Expenses for leases	-1,004,067	-2,107,488
Expenses for increase of current loans given	-5,195,011	-5,799,059
Expenses for increase of non-current loans given	-271,568	-1,523
Cash from investment	-199,286,485	-152,957,878
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of capital reserves	492,000,000	0
Income from leases	1,093,317	2,407,122
Income from non-current loans received	595,000,000	0
Income from current loans received	473,339,810	183,290,000
Expenses for loan interest	-15,813,221	-15,981,119
Expenses from other financial liabilities	-10,535,392	-7,570,678
Expenses for repayment of non-current loans	-558,328,125	-97,260,406
Expenses for repayment of current loans	-344,593,800	-116,582,233
Expenses for repayment of current financial liabilities	-1,729,080	-2,289,718
Cash from financing	630,433,509	-53,987,032
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**96,589,748**	**78,473,024**
Profit or loss for the period	260,117,515	18,116,724
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**356,707,263**	**96,589,748**

3.4.5 Consolidated statement of changes in equity

in EUR

	CALLED-UP CAPITAL		RESERVE FROM PROFIT			RETAINED PROFIT/LOSS				
	Share capital	Capital reserves	Other reserves from profit	Risk hedging reserve	Fair value reserves	Retained net earnings	Net profit/loss for the year	Conversion reserve	Capital of minority owners	Total
Balance as at 01/01/2021	**29,558,789**	**561,243,185**	**413,856,350**	**43,209,380**	**-4,947,786**	**41,966,595**	**-184,177,731**	**-549,616**	**236,689**	**900,395,855**
B.1. Transactions with owners	0	0	0	0	0	0	0	-12,326	10,976,965	10,964,639
Disbursement of dividends	0	0	0	0	0	0	0	-12,326	0	-12,326
Other changes in equity	0	0	0	0	0	0	0	0	10,976,965	10,976,965
B.2. Changes in comprehensive income	0	0	0	-132,100,883	-184,888	-75,799	48,729,840	31,729	-1,759,571	-85,359,572
Entry of net profit for the reporting period	0	0	0	0	0	0	48,729,840	0	-1,759,964	46,969,876
Items that will subsequently not be included in the income statement	0	0	0	0	-195,580	-75,799	0	31,732	-3,614	-243,261
Change in surplus from revaluation of real property, plant and equipment	0	0	0	0	-19,238	0	0	0	0	-19,238
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	-176,342	-75,799	0	0	-3,614	-255,755
Profits and losses from currency translation differences for financial statements of companies abroad	0	0	0	0	0	0	0	31,732	0	31,732
Items that will subsequently be included in the income statement	0	0	0	-132,100,883	10,692	0	0	-3	4,007	-132,086,187
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	-131,721,552	0	0	0	-3	0	-131,721,555
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	-379,331	0	0	0	0	0	-379,331
Change in reserve for fair value of financial assets via other comprehensive income	0	0	0	0	10,692	0	0	0	4,007	14,699
B.3. Changes in equity	0	0	0	0	-9,094,992	-184,135,611	184,177,730	0	85,799	-8,967,074
Allocation of the remainder of net profit of the comparative reporting period to other components of capital	0	0	0	0	0	-184,177,730	184,177,730	0	0	0
Other changes in equity	0	0	0	0	-9,094,992	42,119	0	0	85,799	-8,967,074
Balance as at 31/12/2021	**29,558,789**	**561,243,185**	**413,856,350**	**-88,891,503**	**-14,227,666**	**-142,244,815**	**48,729,839**	**-530,213**	**9,539,882**	**817,033,848**

The table continues →

in EUR

	CALLED-UP CAPITAL		RESERVE FROM PROFIT			RETAINED PROFIT/LOSS				
	Share capital	Capital reserves	Other reserves from profit	Risk hedging reserve	Fair value reserves	Retained net earnings	Net profit/loss for the year	Conversion reserve	Capital of minority owners	Total
Balance as at 01/01/2022	**29,558,789**	**561,243,185**	**413,856,350**	**-88,891,503**	**-14,227,666**	**-142,244,812**	**48,729,839**	**-530,213**	**9,539,882**	**817,033,848**
B.1. Transactions with owners	0	492,000,000	-355,008	0	0	-157,279	0	-12,326	5,643,038	497,118,425
Disbursement of dividends	0	0	0	0	0	0	0	-12,326	0	-12,326
Entry of additional capital increases	0	492,000,000	0	0	0	0	0	0	0	492,000,000
Other changes in equity	0	0	-355,008	0	0	-157,279	0	0	5,643,038	5,130,751
B.2. Changes in comprehensive income	0	0	0	-17,860,054	310,152	-10,675	-280,477,133	-30,565	8,681,374	-289,386,901
Entry of net profit for the reporting period	0	0	0	0	0	0	-280,477,133	0	8,527,045	-271,950,088
Items that will subsequently not be included in the income statement	0	0	0	0	315,513	-10,675	0	-30,565	156,137	430,410
Change in surplus from revaluation of real property, plant and equipment	0	0	0	0	-195,657	0	0	0	0	-195,657
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	511,170	-10,675	0	0	156,137	656,632
Profits and losses from currency translation differences for financial statements of companies abroad	0	0	0	0	0	0	0	-30,565	0	-30,565
Items that will subsequently be included in the income statement	0	0	0	-17,860,054	-5,361	0	0	0	-1,808	-17,867,223
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	-17,872,036	0	0	0	0	0	-17,872,036
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	11,982	0	0	0	0	0	11,982
Change in reserve for fair value of financial assets via other comprehensive income	0	0	0	0	-5,361	0	0	0	-1,808	-7,169
B.3. Changes in equity	0	0	0	0	2,335,001	48,730,352	-48,729,839	0	-2,361,156	-25,642
Allocation of the remainder of net profit of the comparative reporting period to other components of capital		0	0	0	0	48,729,839	-48,729,839	0	0	0
Other changes in equity	0	0	0	0	2,335,001	513	0	0	-2,361,156	-25,642
Balance as at 31/12/2022	**29,558,789**	**1,053,243,185**	**413,501,342**	**-106,751,557**	**-11,582,513**	**-93,682,414**	**-280,477,133**	**-573,104**	**21,503,138**	**1,024,739,730**

3.5 Notes to the consolidated financial statements

3.5.1 Reporting company

The consolidated financial statements of the HSE Group are drawn up by the parent company, Holding Slovenske elektrarne, d.o.o. The registered head office of the parent company is Koprska ulica 92, 1000 Ljubljana, where consolidated financial statements as part of the annual report of the company and Group are available.

Consolidated financial statements as of 31 December 2022 report Group operations that include the parent company and its subsidiaries, participating interests in joint ventures and participating interests in associates.

The HSE Group is the largest Slovenian electricity producer (from hydro, solar, and fossil sources) and trader in wholesale markets in Slovenia and Europe.

The financial year of the Group shall correspond to the calendar year. The consolidated financial statements for the year ended on 31 December 2022 are presented below.

The HSE Group as at 31 December 2022

Company	% of ownership as at 31/12/2022	% of ownership as at 31/12/2021	Registered office country
HSE d.o.o.	100%	100%	Slovenia
DEM d.o.o.	100%	100%	Slovenia
SENG d.o.o.	100%	100%	Slovenia
TEŠ d.o.o.	100%	100%	Slovenia
PV d.o.o.	100%	100%	Slovenia
HTZ IP d.o.o.	100%	100%	Slovenia
RGP d.o.o.	100%	100%	Slovenia
SIPOTEH d.o.o.	100%	100%	Slovenia
PLP d.o.o.	100%	100%	Slovenia
HSE EDT d.o.o.	100%	100%	Slovenia
HSE Invest d.o.o.	86.84%	86.84%	Slovenia
SRESA d.o.o.	60%	60%	Slovenia
sHPP LOBNICA d.o.o.	65%	65%	Slovenia
ECE d.o.o.	63.58%	51%	Slovenia
Energija plus d.o.o.	51%	0%	Slovenia
HSE MAK Energy DOOEL	100%	100%	Macedonia
HSE BH d.o.o.	100%	100%	Bosnia and Herzegovina
HSE Balkan Energy d.o.o.	100%	100%	Serbia

In 2022, the HSE Group incorporated Energija plus with a 51% share, whereas the ownership share in ECE increased from 51% to 63.58%.

The most important information from the primary financial statements of the HSE Group is presented below:

in EUR

Company	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
HSE d.o.o.	1,874,413,183	1,052,455,908	5,591,474,946	-319,683,017	821,957,275
DEM d.o.o.	483,907,269	17,855,409	68,018,742	13,818,814	466,051,860
SENG d.o.o.	229,503,102	19,051,954	93,817,301	6,506,541	210,451,148
TEŠ d.o.o.	776,082,803	535,792,988	342,253,186	-587,314	240,289,815
PV d.o.o.	169,847,647	138,741,471	105,252,096	-32,873,244	31,106,176
HTZ I.P. d.o.o.	14,451,964	13,548,574	35,255,138	433,009	903,390
RGP d.o.o.	14,159,537	11,759,254	27,711,360	398,632	2,400,283
SIPOTEH d.o.o.	2,571,431	975,041	3,652,283	388,296	1,596,390
PLP d.o.o.	2,095,006	958,726	3,082,127	98,678	1,136,280
HSE - ED Trbovlje d.o.o.	3,704,174	2,063,709	1,436,657	80,821	1,640,465
HSE Invest d.o.o.	2,995,841	1,982,232	6,994,224	115,117	1,013,609
SRESA d.o.o.	42,646	0	0	-7,281	42,646
sHPP Lobnica d.o.o.	607,681	832	14,494	-14,298	606,849
ECE d.o.o.	86,275,023	54,868,623	340,224,962	12,531,333	31,406,400
Energija plus d.o.o.	57,830,580	38,129,619	142,900,317	8,060,883	19,700,961
HSE MAK Energy DOOEL	21,895,993	20,418,289	162,018,735	495,814	1,477,704
HSE BH d.o.o.	21,623,166	19,535,291	193,522,504	564,432	2,087,875
HSE Balkan Energy d.o.o.	747,651	13,255	161,851	16,465	734,396

Associates

Group name	Co-owner	Registered office country	% of co-ownership	% of ownership of HSE Group
HESS d.o.o.	DEM d.o.o.	Slovenia	30.8%	49.0%
	HSE d.o.o.	Slovenia	15.4%	
	SENG d.o.o.	Slovenia	2.8%	

Company	Address	Activity
HESS d.o.o.	Cesta bratov Cerjakov 33a, Brežice	Electricity production at hydro power plants

Total jointly-controlled company

Company	Address	Activity	% of ownership
SOENERGETIKA d.o.o.	Stara cesta 3, 4000 Kranj	Production of electricity and heat	25%

Branch

The Group has a branch in the Czech Republic. In 2022, it did not trade in electricity as this was transferred to HSE.

3.5.2 Drawing up basis

A) Statement on conformity

The Group drew up its consolidated financial statements as at 31 December 2022 by taking into account the following:

- International Financial Reporting Standards (IFRS), which include the International Accounting Standards (IAS), Interpretations from the Standing Interpretations Committee (SIC), the International Financial Reporting Standards and Interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union,
- Companies Act,
- Electricity Supply Act and Gas Supply Act,
- Corporate Income Tax Act,
- Rules on the implementation of the Corporation Tax Act and its bylaws,
- HSE Corporate Accounting Rules and
- other applicable laws.

B) Accounting assumptions and qualitative characteristics of financial statements

The financial statements of the Group were drawn up by taking into consideration the basic accounting assumptions:

- accrual and
- going concern.

The effects of transactions and other events are recognised when they actually occur, not when they are paid, and are recorded and reported for the periods to which they apply. Therefore, the consolidated financial statements also include information on liabilities regarding monetary payments in the future, as well as assets that will generate revenue in the future.

The financial statements of the Group were drawn up by taking into consideration the assumption that the Group would not significantly decrease the scope of its operations, or even cease its operations and that it shall continue with its operations in the foreseeable future.

The following qualitative characteristics of consolidated financial statements have been taken into account:

- **Fair presentation and compliance with the international financial reporting standards:** the consolidated financial statements fairly represent the financial position, financial performance and cash flows of the Group.
- **Presentation consistency:** For the sake of comparability of data, the presentation and classification of items in financial statements is the same from period to period.
- **Materiality and aggregation:** Each material group that comprises similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.
- **Offsetting:** Assets and liabilities, and income and expenses, are not offset unless this is required or permitted by a standard or an interpretation.
- **Comparative information:** Unless the standard or the interpretation permits or requires otherwise, for all of the presented amounts in the consolidated financial statements, comparative information is disclosed in respect of the previous period. Comparative information is included in the narrative and descriptive information when it is relevant for understanding the consolidated financial statements for the relevant period.
- **Amendments to important accounting policies:** The same accounting bases, policies and valuation and recognition principles were observed while compiling the consolidated financial statements as for the year 2021.

C) Measurement basis

The consolidated financial statements have been drawn up based on historical cost, except for the following assets and liabilities, measured at their fair value.

D) Functional and reporting currency

The consolidated financial statements in this report are presented in euro (EUR) without cents; the euro is also the Group's reporting currency. When using addition, insignificant rounding errors in tables may occur.

E) Application of estimates and judgments

The drawing up of consolidated financial statements requires the company's managements to form certain estimates and assumptions that affect the disclosed amounts of assets and liabilities, revenue and expenses and disclosures of contingent assets and liabilities in the reporting period. The formation of estimates and of accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates and judgements are based on past experience and other factors that are considered reasonable in the given circumstances and on the basis of which the judgements on the carrying amount of assets and liabilities are expressed. Since these estimates and assumptions are based purely on subjective considerations and entail a degree of uncertainty, subsequent actual results may differ from them. Estimates are reviewed on an ongoing basis. Modifications to accounting estimates shall be recognised in the period in which the estimates had been modified if the modification only affects that period; or in the period of modification and subsequent periods if the modification affects subsequent periods.

Estimates and assumptions shall be present in the following judgements in particular:

- estimate of the useful life of depreciable assets (the section entitled Notes to the consolidated financial statements - intangible assets, right-to-use assets, and property, plant and equipment in addition to the Note Disclosure 1,2 to the consolidated financial position statement),

- impairment testing of non-current assets, including goodwill (Note Disclosure 1, 2, 4 to the consolidated income statement),
- identification of lease agreements (Section Notes to the consolidated financial statements - Leases),
- assessment of the liquid amount of receivables (Note Credit risk disclosure),
- estimate of the net realisable value of inventories (Section Notes to the consolidated financial statements - Inventories),
- assessment of provisions for post-employment and other non-current employee benefits (retirement allowances) (Note Disclosure 16 to the consolidated financial position statement),
- assessment of other provisions (Note Disclosure 17 to the consolidated financial position statement); and
- assessment of the useful life of depreciable assets (Note Disclosure 23 to the consolidated financial position statement).

Further assessments and judgements applied by the management in drawing up the financial statements as at 31 December 2022 are as follows:

1. The HSE Group holds the right to buy back 35.6% of the shareholding in HESS, which it has sold (redemption right), and the purchaser/acquirer are obliged to sell their shares at any time between 01/06/2023 and 31/12/2023. The redemption right relates to the redemption of the total 35.6% shareholding, representing SEL's total shareholding amounting to 14.7% of the share capital in HESS and GEN's total shareholding amounting to 20.9% of the share capital in HESS. The Group shall exercise the redemption right towards both company members/acquirers at the same time. The estimated option value as at 30/09/2022 is EUR 0, as it is estimated that it shall be exercised at an above-market price.
2. After the realisation of the put option by Elektro Gorenjska in 2022, the HSE Group acquired a 12.58% shareholding in ECE and continues to hold the right to redeem a 36.42% shareholding from Elektro Celje. The HSE Group currently owns 63.58% of ECE.

   There is a call option for the redemption of the remaining shareholding (36.42%) from Elektro Celje, namely:

   - The call option shall enter into force on 01/01/2025 and apply until 31/05/2025 and shall be exercised on 30/06/2025. The HSE Group shall redeem the option by expressing to the option writer its intention to exercise its call option right. The purchase price shall be laid down by an option agreement giving rise to the executable value of the option equalling its market value at the time of execution. Given the execution value specification method, the fair value of the financial instrument (option) is close to EUR 0.

   In its business plan, the HSE Group laid down that the call option of the company would be taken up during the first half of 2025, thus at its executable value equalling its market value at the time of execution. For this reason, the Group has shown the acquisition value of the remaining shareholding of ECE (36.42%) from this in its consolidated financial statement at its estimated value as at 31/12/2024 on the basis of the appraisal report.
3. The power plant decommissioning obligation relates solely to the replacement of Block 6 of TEŠ (Šoštanj Thermal Power Plant), as indicated in the energy permit for this facility. The environmental permits for other production facilities do not include a decommissioning obligation. The decommissioning shall be planned and managed by taking into consideration current and future standards, as well as the conditions for these kinds of works (environmental conditions, occupational health conditions, handling of certain materials that might be labelled hazardous in the future, etc.). Most of these conditions shall be determined in the consents and the building permit at the beginning of the decommissioning process.

   The assessment of the decommissioning costs is made based on the quantity of installed materials and expert assessments of their removal. Studies of assessments of decommissioning costs of certain similar facilities around Europe have been used as support.

   Hydro-electric power plants shall be subject to regular maintenance for the duration of the concession right. After the expiry of the concession period, no decommissioning costs are foreseen for the concessioner.
4. The obligation to form provisions for closing works of the remaining excavation in Velenje is formed on the basis of the discounted cost estimate for the closing works as laid down in the study Evaluations of activities relating to closing the caves of the PV upon abandoning the exploitation of the Velenje's part of the site, compiled by a group of Company experts. The Group reviews the provision on an annual basis. In 2022, the company reassessed the evaluation of closing work activities as referred to in the study and formed additional provisions on the basis thereon. The calculation takes into consideration current market values for carrying out the defined activities based on the monitoring and environmental rehabilitation quotes received as well as the assessed cost of the material and work required for individual liquidation works. There is some insecurity regarding the extension of the concession agreement, a change to the extraction concept, in relation to provisions. As a result, baselines related to the statutory basis, HR, and financial projections and the TEŠ operating regime are regularly monitored.
5. In compliance with IFRS 9.2.6, the Group shall account for electricity procurement and sales contracts for the purpose of trading as derivatives, as, for these contracts, the Group usually has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin (in compliance with the rules of IFRS 9 on contract settling net). In compliance with IFRS 9.2.4, the Group shall account for these contracts as derivatives and measure them at fair value through profit or loss.
6. In the event of impairment testing for a cash-generating unit with assets with limited useful lives (TEŠ), business projections for its entire useful life are used. The key assumptions are presented in the following disclosures on the implementation and results of impairment of investments in subsidiaries.

3.5.3 Significant accounting policies

The consolidated financial statements are drawn up based on the accounting policies presented below. The mentioned accounting policies were applied for both reported years, unless specified otherwise. Where necessary, the comparable data were adjusted to match the information presented for the current year.

Foreign currency conversion

Transactions in foreign currencies are translated into the applicable functional currency at the exchange rate on the date of the transaction.

Cash assets and liabilities denominated in foreign currency at the end of the period are translated into the functional currency at the then valid exchange rate.

Positive or negative exchange rate differences are the differences between the amortised cost in the functional currency at the beginning of the period, adjusted by the amount of the effective interest rate and the payments during the period, and the amortised cost in foreign currency, calculated at the exchange rate at the end of the period.

Foreign exchange differences are recognised in the income statement by applying the principle of net profit or loss.

Financial statements of subsidiaries abroad, whose functional value does not match the reporting currency of the Group, are translated by using the following exchange rates:

- assets and liabilities (other than capital) translated at the exchange rate as at the reporting date,
- capital at the initial exchange rate and
- revenue and expenses at the average exchange rate in the reporting year.

Consolidation basis

Consolidated financial statements comprise financial statements of the parent company and its subsidiaries. Subsidiaries are entities controlled by the Group. This means that the parent company holds the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is assumed to the date on which it ceases.

Transactions with the owners of non-controlling interest are treated in the same way as transactions with external partners. Gains and losses of the owners of non-controlling interest are disclosed in the consolidated income statement. The equity of non-controlling interest owners in the consolidated statement of financial position is disclosed separately from other equity items.

The financial statements of Group companies have been aggregated into the consolidated financial statements on the basis of full consolidation. The financial statements are compiled item by item, by summing similar items of assets, liabilities, equity, revenue and expenses.

The consolidated financial statements do not include balances of receivables and receivables among Group companies, revenue and expenses and realised gains and losses from transactions within the Group.

Exchange rate differences from the translation of financial statements of subsidiaries (whose functional currency does not match the reporting currency of the Group) are recognised in the translation capital reserve or in the statement of other comprehensive income.

Business combinations are accounted for by applying the acquisition method. An acquirer identifying the date on which it obtains control over the acquiree shall be identified. On the acquisition date, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets and the liabilities assumed and assets acquired at their fair values at the acquisition date.

Goodwill or a gain from a bargain purchase (negative goodwill) shall be recognised as a result of a business combination in the consolidated financial statements of the Group. Goodwill shall be accounted for at the initial measurement, namely as the excess of the sum total of the transferred consideration, usually measured by the company at fair value at the acquisition date, and non-controlling interest over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed at the acquisition date. If the consideration received by the acquirer is lower than the fair value of the identifiable net assets of the acquired subsidiary, the difference shall be recognised as negative goodwill or a gain from a bargain purchase in the income statement for the whole of the current year.

The acquisition of non-controlling interest, whereby no changes to the control of the company, are accounted for as transactions with owners and no goodwill is recognised. The Group recognises the difference between the investment and the net value of merged assets by taking into account any applicable goodwill under other reserves from profit.

Intangible assets

Intangible assets are non-current assets that enable the implementation of the Group's activity without physical substance. Intangible assets include non-current property rights and emission allowances for electricity generation purposes in the HSE Group, goodwill, other intangible assets and intangible assets being acquired.

At initial recognition, an intangible asset is recognised at cost. Import or other non-refundable trade receivables less commercial and other rebates, as well as any directly attributable cost of preparing the asset for its intended use, are included in its cost. Borrowing costs that are directly attributed to the acquisition of an intangible qualifying asset (until its capitalisation) are recognised as part of the cost of such an asset.

Intangible assets are subsequently measured using the cost model.

The residual value of an intangible asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The Group has no intangible assets for which it would deduct the residual value upon acquisition.

Goodwill arising upon consolidation is excess of the cost of acquisition over the acquirer's interest in the net fair value of the identifiable assets acquired, of the identifiable and contingent liabilities assumed at the date of acquisition. Goodwill is recognised as an asset and is reviewed at least once a year for impairment. Any impairment is recognised immediately in the consolidated income statement and is not reversed ex post facto. Upon disposal of a subsidiary, the appropriate amount of goodwill is included into establishing the profit or loss at the time of sale and affects the economic outturn of the Group.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the intangible asset. Depreciation is applied at cost when the asset is available for use. Emission allowances are not depreciated since they are procured for the individual periods in which they are used.

Depreciation and the useful lives of groups of intangible assets are reviewed at the end of each financial year and are adjusted, where appropriate. If their useful life is extended, the cost of amortisation in the financial year is decreased. If the useful life period is shortened, depreciation costs increase. The adjustment of the useful life period has to be restated to allow for the depreciation of the asset in the new foreseen useful life. A change in the useful life is considered a change of the accounting assessment and affects only the period in which the accounting assessment was changed and for each subsequent period in the remaining useful life.

Subsequent costs in relation to intangible assets are only capitalised in the event that they increase the future economic benefits arising from the asset the costs apply to. All other costs are recognised in the income statement as expenses as soon as they are incurred.

	2022	2021
Software	2–10 years	2–20 years
Licences	2–10 years	4–10 years
Other non-current property rights	4–10 years	4–10 years
Other intangible assets	3–10 years	4–10 years

An intangible asset shall be removed from the accounts on disposal; the difference between the net realisable value and the carrying amount of the disposed intangible asset shall be transferred to other operating revenue or write-offs.

Property, plant and equipment

Property, plant and equipment are non-current assets owned by the Group and employed for the performance of its activity. Property, plant and equipment comprise buildings, production equipment, other equipment and assets under construction.

Property, plant and equipment are carried at cost less accumulated depreciation and losses from impairments. Cost includes costs that may be directly attributed to the acquisition of the individual asset. Cost also includes borrowing costs relating to the acquisition of an item of property, plant and equipment until they are prepared for their intended use, depending on the type of an item of property, plant and equipment and decommissioning costs.

Parts of devices and equipment that have different usable life are accounted for as individual assets. Spare parts of major values are recorded among property, plant and equipment and depreciated during the asset's useful life for which they were acquired.

The anticipated costs of regular inspections and repairs of property, plant and equipment are accounted for as parts of fixed assets. They include repairs that are usually carried out every few years (periodically) and require substantial resources.

The cost of property, plant and equipment, completed at the company, is comprised of the costs incurred by their construction or manufacture and of the indirect costs of their construction or manufacture that can be attributed to them.

For the subsequent measurement of property, plant and equipment, the cost model is used.

The residual value of property, plant and equipment is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The

Group has no properties, plant and equipment for which the remaining value would be determined.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the property, plant and equipment. Depreciation is accounted for when an asset is available for use. Land, quarries and assets under construction are not depreciated.

Assets acquired free-of-charge are depreciated, at the same time the part of non-current deferred revenue is transferred among other operating revenue equals to the value of the accounted for depreciation.

Useful lives of property, plant and equipment are reviewed at the end of each financial year and adjusted, where appropriate. If their useful life is extended, the cost of amortisation in the financial year is decreased. If the useful life period is shortened, depreciation costs increase. The adjustment of the useful life period has to be restated to allow for the depreciation of the property, plant and equipment in the new foreseen useful life. A change in the useful life is considered a change of the accounting assessment and affects only the period in which the accounting assessment was changed and for each subsequent period in the remaining useful life.

	2022	2021
Buildings	10-70 years	10-70 years
Parts of buildings	5-70 years	5-70 years
Production equipment	4-50 years	4-50 years
Parts of production equipment	5-25 years	5-25 years
Computer equipment	2-10 years	2-10 years
Furniture	4-10 years	4-10 years
Small tools	3-10 years	3-10 years
Cars	5-10 years	5-10 years
Other vehicles	4-10 years	4-10 years
Other plant and equipment	2-16 years	2-16 years

The replacement costs of items of property, plant and equipment are assigned to the carrying amount of this item, if it is probable that the future economic benefits embodied with this asset will flow to the company and the cost of the item can be measured reliably. All other costs (for example current maintenance costs) are recognised in the income statement as expenses as soon as they are incurred.

Gains and losses, arising at the disposal of property, plant and equipment, are established as the difference between the net sales value and the carrying amount of the written-off or disposed property, plant and equipment, and are recorded among other operating revenue or write-offs.

The Group verifies on a yearly basis whether there is an indication of impairment relating to property, plant and equipment being acquired. Significant indications of impairment include the following circumstances:

- adopting the decision on suspending a certain investment and
- a material deterioration of circumstances relating to the economic efficiency of an individual investment.

Leases

The Group leases real property (land and premises), plant and equipment. At contract conclusion, the Group estimates whether it refers to a lease contract, i.e. whether the right to managing the use of the recognised asset for a certain period is transferred for payment.

At the inception of the lease, the Group recognises the right to use lease assets and liabilities, which are estimated based on discounting future cash flows for the lease duration.

The value of liabilities is reduced by repayments, the value of the right to use leased assets is reduced by the calculated amortisation during the lease. Financing costs are categorised under financial expenses.

In the case of lease contracts of an indefinite duration with the right to contract termination, the HSE Group estimates in accordance with item 18 of IFRS 16 that lease termination will not occur for at least five years, whereas the evaluations of longer leases cannot be made with reasonable certainty. Therefore, lease contracts of an indefinite duration are determined for a duration of five years.

Interest rates, accepted upon the conclusion of leases, are not disclosed in contracts. Item 26 of standard IFRS 16 refers the lessee to use the incremental borrowing rate of interest, which the Group would pay if the asset was bought and the purchase would be indebted. The Group has no such interest rates, since the analysis of financing resources has shown that existing resources were used to finance working capital.

If the lessee cannot acquire data about the borrowing interest rate from the financial institution, the lessee uses the average interest rate of the concluded loan contracts with non-financial corporations in credit institutions in the month of the lease, published in the bulletin of the Bank of Slovenia.

The Group used the exemption regarding the recognition of the right to use assets for low value leases. The lease cost is recognised equally for the entire duration of the lease.

Investment property

Investment property is defined as the property held by the Group to earn rentals or for capital appreciation or both.

Investment property also includes property under construction.

If a part of the property is used for performing the activity and the other part as investment property, a separation or calculation of shares is necessary. Should this not be possible, the entity assesses which part is more material and discloses it as such in its accounts.

Fair value is taken into consideration for valuation purposes. Fair value is calculated using the market approach and the direct capitalisation method (the income approach). Changes in fair value are recognised in the income statement.

Non-current investments in associates and joint ventures

Investments in associates are those in which the Group has significant influence, although as a rule the shareholding in such companies is 20–50%.

Investments in joint ventures are investments in which the Company, together with other owners, jointly controls the operations of these companies on the basis of a contractually agreed sharing of control.

Investments in associates and in joint ventures are at acquisition carried at cost in consolidated financial statements, whereas later on their carrying amount changes due to write-ups as the result of using the equity method.

Financial assets

Financial assets include cash and cash equivalents, loans and receivables and financial investments. Among financial investments, the Group shows investments in joint ventures, investments in associates and investments in financial instruments.

The Group initially recognises loans and receivables and deposits on the date of their formation. Other financial assets are initially recognised at the exchange date or when the Group becomes party to the instrument's contractual terms.

The Group eliminates the recognition of a financial asset when contractual rights of the cash flows from the asset expire, or when the rights of contractual cash flows are transferred from a financial asset based on a business transaction in which all risks and benefits of ownership of the financial asset are transferred.

Upon initial recognition, the Company's financial instruments are classified as follows:

- financial assets at fair value through profit or loss,
- financial assets at fair value through other comprehensive income, and
- financial assets at amortised cost.

The classification depends on the asset management business model selected and whether the Group collects contractual cash flows from financial instruments exclusively from principal payments and interest on the outstanding principal amount. With the exception of operating receivables that do not contain significant financing components, the Group measures the financial asset during its initial recognition at fair value, which is increased by transaction costs. Operating receivables that do not contain significant financing components are measured at the transaction price.

A) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits with a maturity of up to three months, and other current, quickly redeemable investments with an original maturity of maximum three months.

B) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss and financial assets that shall be measured at fair value.

Financial assets are classified as held for trading if they are acquired with the intention of selling or repurchasing them in the near future. Derivatives are classified as held for trading, except in the case of effective hedging instruments.

Financial assets that generate cash flows and are not solely principal and interest payments, are classified and measured at fair value through profit or loss regardless of the business model of choice.

Financial assets at fair value through profit or loss are disclosed in the statement of financial position at their fair value, including the net change in the fair value recognised in the income statement.

C) Financial assets at fair value through other comprehensive income

Financial assets recognised at fair value through other comprehensive income with the nature of an equity instrument, are financial assets held by the Group within the business model for collecting contractual cash flows, which comprise solely payments of the principal and interest accrued on the outstanding principal balance, and for sale.

As for debt instruments that are recognised at fair value through other comprehensive income, the interest income, foreign exchange gains or losses arising from impairment or reversal are recognised in the income statement and accounted for by applying the same method as for financial assets at amortised cost. Other changes in fair value are recognised in the statement of other comprehensive income. Upon de-recognition, the cumulative change in fair value, recognised in other comprehensive income, is reclassified to the income statement.

D) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets recognised at fair value through other comprehensive income with the nature of an equity instrument, are financial assets that meet the equity-related definition in accordance with IAS 32 - Financial Instruments, and for which the company irrevocably chooses to be classified as equity instruments at fair value through other comprehensive income and which are not held for trading. The classification is stipulated by an individual financial instrument.

Gains and losses on these financial assets shall never be reallocated to the income statement, excluding dividends received which shall be recognised in profit or loss.

E) Financial assets at amortised cost

Financial assets at amortised cost include financial assets held by the Group within the business model for collecting contractual cash flows and if cash flows constitute exclusively payments of the principal and interest accrued on the outstanding principal balance. Financial assets at amortised cost also include loans and receivables. Given their maturity, they are classified as current financial assets (maturity of up to 12 months after the date of the statement of financial position) or non-current financial assets (maturity over 12 months after the date of the statement of financial position).

Financial assets at amortised cost are initially recognised at fair value increased by direct transaction costs. Upon initial recognition, they are measured at amortised cost using the effective interest rate method less any impairment losses. Gains and losses are recognised in profit or loss upon reversal, changes or impairment.

Financial liabilities

The Group's financial liabilities include loans received and liabilities to suppliers. They are, upon initial recognition, classified as financial liabilities at fair value through profit or loss, loans received or operating liabilities. All other financial liabilities are initially recognised on the date of trading or when the Group becomes party to the instrument. With the exception of loans received, all financial liabilities are initially measured at fair value. Loans received are measured at amortised cost using the applicable interest rate. Given their maturity, they are classified as current financial liabilities (maturity of up to 12 months after the date of statement of financial position) or non-current financial liabilities (maturity over 12 months after the date of the statement of financial position). Gains and losses are recognised in the income statement upon de-recognising the financial liability and as part of the depreciation of the effective interest rate.

The Group de-recognises a financial liability when contractual obligations are discharged, cancelled, or expire.

Derivatives (receivables)

Derivatives are used for hedging the Group's cash flow exposure to price and currency risks, as well as the trading risk. As part of its hedging efforts, the Company concluded exchange rate swaps as well as futures contracts for the acquisition of electricity and emission allowances in the following years.

These are financial instruments that do not require initial financial investment, while their value is changing due to changes in goods prices or foreign exchange rates.

Derivatives shall initially be recognised at fair value, namely by using the principle of net profit or loss, meaning that the actual value of the concluded transaction shall not be shown in the financial statements.

Following initial recognition, derivatives are measured at fair value, whilst the pertaining changes are considered differently with regard to whether or not the derivative qualifies for hedge accounting. Derivatives which do not qualify for hedge accounting shall be measured at value through profit or loss.

When a derivative is defined as hedging in the case of exposure to cash flow variability that may be attributed to an individual risk related to a recognised asset, liability or highly probable forecast transactions, which can affect the profit or loss, the effective portion of the fair value change of the derivative is recognised in the period's other comprehensive income and disclosed in the cash flow hedge reserve. The ineffective part of fair value changes of the financial instrument is directly recognised in the income statement. The Group shall prospectively discontinue hedge accounting if the hedge no longer meets the criteria for hedge accounting or if the hedging instrument is sold, terminated or exercised. The accumulated gain or loss recognised in the period's comprehensive income remains recorded in the cash flow hedge reserve until the hedged forecast transaction affects profit or loss. If the forecast transaction can no longer be expected, the amount shall be directly recognised in profit or loss in other comprehensive income. In other cases, the amount recognised as comprehensive income shall be transferred to profit or loss in the same period during which the hedged forecast transaction affects profit or loss.

The effects of other derivatives, not defined as hedges, in the case of cash flow variability exposure or failure of attribution to an individual risk, associated with a recognised asset or liability, shall be recognised in profit or loss among other operating revenue or other net operating expenses.

If forward purchases and sales related to the physical delivery of electricity are considered contracts concluded in the ordinary course of business of the Group ("own use" contracts), they are not subject to the scope defined under IFRS 9. This applies when the following conditions are met:

- physical delivery forms part of all such contracts,
- the contractually purchased or sold energy volume corresponds to the operational needs of the Group and
- contracts cannot be considered an option, as defined in the standard. In the case of electricity sales contracts, the contract is equivalent to fixed forward sales or can be considered sales of capacity.

The Group is of the opinion that transactions, subject to negotiations with a view balancing electricity purchasing and sales commitments, are to be considered part of its operations and outside the scope of IFRS 9.

Inventories

Inventories of materials shall be measured at the lower of cost and net realisable value. The historical cost includes cost, consisting of the purchase price, import duties and direct purchase costs. The purchase price is reduced by any discounts given. Direct purchase costs are transport costs, costs of loading, reloading and unloading, costs of monitoring goods and other costs attributable to directly purchased merchandise or materials. Discounts off the purchase price include both those stated on the invoice or those which are given later and refer to individual purchases. Depletion of inventories is valued on the basis of sliding-scale prices.

The value of finished products and work in progress includes total production costs sensu stricto, which comprise direct costs of materials, direct costs of services, direct labour costs, direct depreciation costs and general production costs. General production costs (costs of materials, services, stemming from depreciation and labour costs) shall be charged as part of the production process and cannot be directly linked to emerging products and services. A part of production costs in total costs (materials, services, labour costs and depreciation) is established once per year based on data relating to the previous year.

The net realisable value is estimated based on the sales price in the ordinary course of business, less the estimated costs of completion and estimated sales costs. Write-offs of damaged, expired and unusable inventories are regularly performed during the year on individual items.

At least once a year, namely as at the date of drawing up annual financial statements, the Group evaluates the evidence on the impairment of inventories. The impairment of inventories is assessed by type of inventory. Individual types of inventories are allocated to groups of inventories with similar characteristics based on the time component of changes in inventories. The estimate of impairment for each individual group includes an expert assessment of the possibility of further use or re-sale.

Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence exists indicating that one or more events have caused a decrease in the estimated future cash flows from this asset, which can be reliably measured.

Objective evidence on the impairment of financial assets can be: non-compliance or violation by the debtor, deterioration of the borrowers' solvency, signs that the debtor will go bankrupt and disappearance of an active market for such an instrument.

Impairment of receivables and loans given

If the carrying amount of receivables is assessed to exceed their fair, i.e. recoverable, value, receivables are considered to be impaired.

Final write-offs of receivables require appropriate documents: a final arrangement with creditors, bankruptcy proceedings decisions, court decisions or other appropriate documents.

The impairment assessment is based on the expected credit losses associated with the probability of defaults on loans and receivables in the next 12 months, unless the credit risk significantly increased since the initial recognition. In these cases, the impairment assessment is based on the lifetime expected credit loss (LECL) of a financial asset. Expected credit losses represent the difference between contractual cash flows that are due under the contract and all cash flows which the Group expects to receive. Expected cash flows will include cash flows from the sale of collateral.

Impairments for expected credit losses are assessed in two stages. For credit exposures where no significant increase in credit risk was established after initial recognition: impairments for expected credit losses are recognised for credit losses arising from defaults possible within the following 12 months. For credit exposures, for which a significant increase in credit risk has occurred since the initial recognition: the Group recognises an allowance from losses expected in the remaining useful life of the exposure, regardless of the default period.

Doubtful receivables from others are not settled within 180 days after their due date.

Disputed receivables comply with one of the following conditions:

- judicial debt-collection proceedings to recover the receivables have been instituted, and
- an opening decision for receivership, liquidation or bankruptcy proceedings has been published.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. The Group creates groups of receivables on the basis of maturity of receivables. In the evaluation of total impairment, we use past trends in the probability of non-fulfilment, the reimbursement period and the amount of incurred loss, which is revised for the management's evaluation as to whether the actual losses due to the current economic and credit conditions could be higher or lower than the losses foreseen in past trends.

If all acts have been performed by exercising due diligence in order to achieve the repayment of a particular outstanding receivable, or if the amount of the receivable would make it uneconomic for the Group to have it recovered via judicial recovery proceedings, the receivable will be written-down in full on the basis of a management's decision.

The Company assesses the evidence of impairment for each important loan individually.

An impairment loss related to a financial asset shown at amortised cost is measured as the difference between its carrying amount and the expected future cash flows, discounted at an originally effective interest rate. Loss is recognised in the consolidated income statement among operating expenses.

Non-financial assets

At each reporting date, the Group reviews the carrying value of its material non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the asset's recoverable value is estimated via an impairment test. The non-financial assets impairment assessment is implemented once per year before the annual financial statements are drawn up. An impairment loss is recognised if the carrying amount of a cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable value of an asset or cash-generating unit is the higher value in use or fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For impairment testing purposes, assets that cannot be tested individually are placed into the smallest possible group of assets, which create cash flows from further use and that are largely independent of the inflow of other assets or groups of assets (cash-generating unit). To test the impairment of goodwill, CGUs to which goodwill is allocated shall be subjected to a special test (the so-called 'segment ceiling test); CGUs to which goodwill is allocated shall be pooled or aggregated in a way that the level on which impairment is tested reflects the minimum level at which goodwill is monitored for internal reporting purposes.

The impairment is disclosed in the consolidated income statement. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of other assets in the CGU (group of CGUs) pro rata on the basis of the carrying amount of each asset in the unit.

Group companies evaluate the impairment losses of previous periods at the end of the reporting period and thus determine whether the loss was reduced or it no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. The loss due to the impairment of the asset is reversed only up to the amount that does not entail the increased carrying amount of an asset exceeding the carrying amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss was not recognised as an asset in prior years. An impairment loss on goodwill is not reversed.

Capital

Share capital and capital reserves include cash and non-cash consideration of the parent company.

On 31 December 2002, the general adjustments from revaluation of capital (in accordance with the then applicable Slovenian Accounting Standards) included the revalorisation of the share capital before 2002. Subsequently, the aforementioned adjustment was transferred to capital reserves.

Other reserves from profit were set up from profits of preceding years and are primarily used to cover losses. They are established based on a decision by the relevant body.

The risk hedging reserve shall include the effect of the change to the fair value of derivatives established as successful hedging instruments in the event of exposure to cash flow variability related to hedging self-generated electricity and the hedging accounting related to emission allowance procurement cash flows.

The fair value reserve represents the revaluation amounts of financial assets at the fair value through other comprehensive income and revaluation amounts of investment properties upon their transfer from property, plant and equipment to investment property and the cumulative value of written-up actuarial gains or losses arising from provisions for post-employment and other non-current payables to employees (retirement allowances) and the excess of the fair value of the additionally acquired ownership share over the net carrying amount of assets.

The retained profit or loss includes past and the current profit or loss of the Group.

In the translation capital reserve, exchange differences arising from the recalculation of items in financial statements of Group companies operating abroad, where different reporting currencies are used for reporting purposes, are presented.

The capital of non-controlling interest holders is their share in the total capital of subsidiaries.

Provisions for post-employment and other non-current employee benefits

In accordance with statutory regulations, Collective Agreements and internal rules, Group companies shall make provisions for the mandatory payment of jubilee and retirement benefits to employees. There are no other pension liabilities.

Provisions are made in the amount of estimated future jubilee and retirement benefit payments, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of retirement benefits and all expected jubilee benefits up to retirement. The calculation using a projected unit is drawn up by an actuary for all Group companies. Retirement and jubilee benefits decrease the provisions made.

Labour costs and interest costs are recognised in the income statement, while the restatement of post-employment benefits or of unrealised actuarial revenues or losses arising from retirement benefits are recognised in other comprehensive income (capital).

Employee benefits

Current employee benefit obligations are measured on an undiscounted basis and are expensed as the current benefit related service by the employee is provided. Liabilities are carried in the amount that is expected to be paid in the form of current remuneration, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the liability can be estimated reliably.

Other provisions

Provisions are recognised when the Group has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability.

The provision value equals the present value of expenditure that is expected to be needed to settle a liability. Since provisions are intended for covering probable, but not certain obligations, the amount recognised as a provision is merely the best estimate of the expenditure needed for the settlement of liability existing on the date of the statement of financial position. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround the events and circumstances are taken into account.

Provisions are directly decreased by costs or expenses for which they were created to cover. This means that costs or expenses are no longer included in the consolidated income statement in the financial year. The effects of discounting are recognised as part of financial expenses.

In the event the forecast liabilities do not occur, or if the provision disbursing period is extended, the amount of the provisions made is reversed to the credit of operating expenses. Additional provisions made are disclosed as part of investments into coal mine facilities; similar considerations apply to all of the effects on the value of the disclosed provisions arising from the change in the amount of the used discount rate when discounting the forecast amounts of future expenditures related to closing the coal mine.

Government grants

All types of government grants are initially recognised as deferred income under non-current liabilities when there is reasonable assurance that they will be received and that the Group will comply with the terms and conditions associated with the grant. Subsequently, they are recognised in the income statement under other operating revenue in the useful life period of each individual asset. Government grants received for covering expenses are recognised as revenue in periods in which the relevant costs that are to be replaced by the government grants arise.

Other assets and liabilities

Other assets include advances given, receivables due from state and other institutions and current deferred costs and accrued revenue not related to sales contracts. Deferred costs are the amounts incurred although not yet charged against the Group's profit or loss.

With the introduction of IFRS 15, accrued revenue associated with sales contracts with customers is no longer part of other assets, but is reported under Contract Assets.

Other liabilities include advances received, liabilities to employees, liabilities to the State and other institutions and non-current and current accrued costs and deferred revenue not related to liabilities arising from sales contracts. Accrued charges are amounts not yet reported, although they will be in the future and already have an effect on the Group's profit or loss.

With the introduction of IFRS 15, deferred revenue from sales contracts with customers is no longer part of other liabilities, but is reported under Contract Liabilities.

Contingent liabilities

Contingent liabilities are:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not yet recognised in the consolidated statement of financial position.

Revenue

In accordance with IFRS 15, the Group uses a five-step model to establish when to recognise revenue and to what amount. The model determines that revenue is recognised at the transfer of control over goods or services to the buyer in an amount expected to be justified. In view of the satisfied criteria, revenue shall be recognised:

- as it occurs or
- through the period.

The Group recognises revenue from contracts with buyers based on contracts, thus the control over goods and services is transferred to the buyer in the amount that reflects the compensation that the Group expects to be entitled to. Any promised service or supply of goods is considered a separate performance obligation if different.

The performance obligation is different when the buyer derives benefits from the services rendered or goods delivered. The performance obligation is the obligation to provide a service or goods to the buyer.

Revenue is recognised as soon as the Group satisfies its performance obligation, i.e. when control over the respective service and goods is transferred to the buyer. Control means that the buyer can direct the use of an asset and receives all material benefits from the asset. The buyer may also prevent others from using and receiving the benefits from the respective asset.

Discounts, approved upon the contract signing, are distributed among all performance obligations and deferred for the duration of the contract. All subsequently approved discounts are recognised in the period for which they are approved and reduce revenue.

Sale of goods

When selling goods, the performance obligation arises upon the provision of goods. Goods are invoiced within 14 days or on a monthly basis. The sale of electricity accounts for the biggest share in the sale of goods structure, followed by the sale of secondary and tertiary energy, deviations from the sale of electricity and the sale of thermal energy and other products. This part also includes the sale of emission allowances arising from trading and the sale of other merchandise and materials.

If the Group generates more foreign exchange gains than losses from operating activities, these are reported as net revenue from the sale of merchandise by applying the principle of net profit or loss.

Sale of services

The performance obligation in the sale of services arises while services are rendered. Invoicing is performed on a monthly basis. The sale of services related to electricity and construction, in addition to construction, mining and maintenance services account for the biggest share in the sale of services structure.

Accrued revenue is the revenue taken into account in the profit or loss even though it has not been invoiced yet. In compliance with IFRS 15, it is recognised in the statement of financial position as contract assets which is the right to consideration in exchange for goods or services that the entity has transferred to a customer.

Deferred revenue is presented in a new way in accordance with IFRS 15 as a contract liability and is recognised as revenue when the company meets its contractual performance obligation.

Other operating and financial revenue

Revenue arising from accruing late interest and related receivables are recognised upon arising if it is probable that economic benefits, related to the transaction, will flow into the Group. Else, accruing late interest is recorded as contingent assets and recognised in the Group's accounts upon payment. Accrued late interest is recorded on a case-by-case basis.

Other operating revenue, associated with products and services, are revenue from the reversal of provisions, excluding provisions for jubilee and retirement benefits, revenue from the absorption of deferred revenue, capital gains, revenue from the revaluation of investment property, reversal of impairment of receivables, damages and fines received and similar revenue (such as government grants).

Financial revenue comprises revenue from shares in investments, interest on loans and deposits given and profit of associates. Interest revenue is recognised as soon as they arise and amounts to the agreed-upon interest rate.

Operating and financial expenses

Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured. Operating expenses are recognised once costs are no longer held in the value of inventories of products and work in progress, or once the merchandise is sold. Costs that cannot be held in inventories of products and work in progress are recognised as operating expenses upon its occurrence.

The cost of sold goods encompasses the recording of expenses, related to the sale of electricity, and the direct costs of electricity. If the Group generates more foreign exchange gains than losses from operating activities, these are reported in the cost of sold goods.

Costs of materials are historical costs of materials procured that are directly used for creating products and services (direct costs of material), as well as costs of materials that do not have such characteristics and are included in relevant purpose (functional) groups of indirect operating costs. The first subgroup includes the costs of raw materials, other materials and purchased parts and semi-finished products whose consumption can be related to creating products and services. The second group includes the costs of auxiliary materials for the maintenance of property, plant and equipment, small tools whose useful life period does not exceed one-year, spare parts for the servicing of products after their sale, office supplies, specialised literature and other items. Costs of materials also cover the accrued costs of shrinkage, spilling, breakage, and failure.

Costs of services are historical costs of procured services that are directly used for creating products and services (costs of direct services) as well as costs of services that do not have such characteristics and are included in adequate purpose (functional) groups of indirect operating costs. The first group mostly includes the costs of services for the production of goods, while the second group includes mainly the costs of transport services, maintenance services, services related to trade fairs, advertising and entertainment, costs of insurance premiums, payment transactions and other banking services (except interest), rents, advisory services, business travels and similar services.

Write-downs in value include depreciation costs related to consistent transfer of value of depreciable intangible assets and depreciable intangible assets, property, plant and equipment and the right to use assets to the consolidated profit or loss. Write-downs in value also include impairments, write-offs and losses from the sales of intangible assets and property, plant and equipment, costs arising from the revaluation of investment property, as well as impairments or write-off of operating receivables and inventories.

Labour costs are historical costs that refer to gross salaries and other similar amounts to employees, as well as duties that are accounted for from this basis and are not an integral part of gross amounts. Costs of services are historical costs of purchased services that are directly used for creating products and services (costs of direct services) as well as costs of services with a nature of indirect costs which are included in adequate purpose (functional) groups of indirect operating costs.

Other operating expenses arise in relation to making (setting up) provisions, environmental taxes, concessions, donations and other duties.

Financial costs comprise borrowing costs and the impairment of financial assets. Interest expenses are recognised when they arise and amount to the agreed-upon interest rate.

Taxes

Taxes comprise current and deferred tax liabilities. Current tax is disclosed in the consolidated income statement. Deferred tax is recognised in the consolidated income statement and in the consolidated statement of financial position.

Tax liabilities are based on the taxable base of the financial year. The taxable base differs from the profit or loss reported in the income statement, as it excludes items of revenue or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. The Group companies' current tax liabilities are calculated using the tax rate applicable on the reporting date. Current tax liabilities decrease in the event of advance payments of corporate income tax during the year.

Deferred tax is shown in total by applying the financial position statement liability method to temporary differences, arising between tax bases of assets and liabilities and their carrying amounts in financial statements. Deferred income tax is calculated by using tax rates (and laws) applicable on the date of the consolidated statement of financial position, which are expected to be used when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised if future taxable profit that can be used for temporary differences is likely. It is the levied corporate income tax with regard to deductible temporary differences.

The deferred tax liability is corporate income tax levied with regard to taxable temporary differences, which means higher payment of tax in the future.

Consolidated cash flow statement

The consolidated cash flow statement shows changes in balances of cash and cash equivalents for the financial year it is drawn up for. The consolidated cash flow statement is drawn up by using the indirect method and data from the consolidated statement of financial position and the consolidated income statement pursuant to International Financial Reporting Standards (IFRS).

Cash and cash equivalents of the Group include cash, cash in bank accounts, deposits redeemable at notice and deposits for a period of up to three months.

Segment reporting

In the Annual Report, the Group does not disclose operations by segment. Segment reporting in the Annual Report is required for groups whose debt or equity securities are publicly traded, and companies that are in the process of issuing equity or debt securities on a public securities market.

Initial application of new amendments to the existing standards effective for the current financial period

In the current reporting period, the following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are applied:

- **Amendments to IAS 16 – Property, plant and equipment** – Proceeds before Intended Use, adopted by the EU on 28 June 2021 (effective for annual reporting periods beginning on or after 1 January 2022).
- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts—Cost of Fulfilling a Contract, adopted by the EU on 28 June 2021 (effective for annual reporting periods beginning on or after 1 January 2022).
- **Amendments to IFRS 3 – Business Combinations** – Reference to the Conceptual Framework with amendments to IFRS 3, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022).
- **Annual Improvements to IFRSs (2018-2020 Cycle)** – Arising from the annual project to improve IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41) remedying incoherences and text interpretations, adopted by the EU on 28 June 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual reporting periods beginning on or after 1 January 2022). The amendment to IFRS 16 refers only to the illustrative example. For this reason, no effective date is provided.

The adoption of amendments to existing standards or explanatory notes has not led to any material changes to consolidated financial statements.

Standards and amendments to existing standards issued by the IASB and adopted by the EU that do not yet apply

At the date of approval of these financial statements, the IASB issued the following amendments to existing standards adopted by the EU that do not yet apply:

- **IFRS 17 - Insurance Contracts,** including amendments to IFRS 17, issued by IASB on 25 June 2020 and adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 – Insurance Contracts** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022, effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies, adopted by the EU on 2 March 2022 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates, adopted by the EU on 2 March 2022 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 – Income Taxes** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, adopted by the EU on 11 August 2022 (effective for annual reporting periods beginning on or after 1 January 2023).

New standards and amendments of the existing standards issued by the IASB, but not yet adopted by the European Union

Currently, IFRSs as adopted by the EU do not differ significantly from those adopted by the International Accounting Standards Committee (IASC) with the exception of the following new standards and amendments to existing standards not effective as of the date of issue of the financial statements (dates of entry into force below for IFRSs as issued by the IASC):

- **Amendments to IAS 1 – Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 – Presentation of Financial Statements** – Non-current Liabilities with Covenants (effective for annual reporting periods beginning on or after 1 January 2024).
- **Amendments to IFRS 16 – Leases** – Lease Liability in a Sale and Leaseback (effective for annual reporting periods beginning on or after 1 January 2024).
- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual reporting periods beginning on or after 1 January 2016) – The European Commission decided not to start the clearance process of this intermediate standard and to rather wait for the issue of its final version.
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28** – Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, and further amendments (effective date suspended indefinitely until the research project on the equity method is concluded).

The Group foresees that the introduction of these new standards and amendments to the existing standards during the period of initial application will not have a material effect on the financial statements of the Group.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

The Group estimates that the use of the method for the calculation of risks connected to financial assets and liabilities in accordance with **IAS 39 – Financial Instruments: Recognition and Measurement** would not materially affect the financial statements of the Group if it were to be used as at the balance sheet date.

3.5.4 Determining fair value

With reference to reporting and disclosing the fair values of non-financial and financial assets and liabilities, fair value shall be determined either for measuring individual assets or due to additional fair value disclosures. Fair value is the amount for which an asset can be exchanged or the liability can be settled between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments shall be determined considering the following hierarchy levels of determining fair value:

- level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities,
- level two includes inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- level three includes inputs for the asset that are not based on observable market data.

Quoted prices are used as a basis for determining the fair value of financial instruments. If a financial instrument is not admitted to trading on a regulated market or the market is deemed non-functioning, inputs of Levels two and three are used to estimate the fair value of the financial instrument.

The fair value of foreign currency swaps is determined by using data provided to the Company by the bank with which a specific foreign currency swap has been concluded. Values are verified in the Company's financial department.

In order to determine the fair values of derivatives related to electricity and emission allowances, known exchange prices are used as at the balance sheet date.

The fair value of commodity contracts shall be determined or calculated using market prices applicable to Levels one and two as at 31/12/2022. Not a single transaction was subject to the calculation of the fair value on the basis of the Level three criterion.

The fair value of options shall be determined by calculating it on the basis of the Level three criterion.

3.5.5 Financial risk management

Detection and management of financial risks is defined in the business section of the annual report. In the notes to consolidated financial statements, risks are presented in connection with items in the consolidated financial statements (`Financial instruments and risks' note), namely:

- the credit risk,
- the liquidity risk,
- the currency risk,
- the interest rate risk, and
- the price risk.

3.5.6 Changes to the Group in 2022

A company joins the Group

On 01/06/2022, HSE acquired a 51 per cent share of Energija plus, d.o.o.

During the business combination proceedings, the assets and liabilities of Energija plus, d.o.o. were accounted for at fair value at the acquisition date. In relation to the business combination, the Group recognised EUR 11,588,635 in gain.

Disclosure of the effects of the business combination and the non-controlling interest of Energija plus d.o.o.

in EUR

	01/06/2022
Consideration in a business merger	
Payments in cash	17,462,000
TOTAL	**17,462,000**
Net assets acquired and liabilities assumed	
Non-current assets	4,693,060
Current assets	45,750,229
Non-current liabilities	1,657,165
Current liabilities	37,269,722
TOTAL	**11,516,402**
51% share	5,873,365
Goodwill	11,588,635
TOTAL	**17,462,000**

Acquisition of an additional shareholding

After realising the call option on 22/07/2022, the HSE Group redeemed a 12.58% shareholding of ECE, d.o.o. from Elektro Gorenjska, d.d., increasing its ownership share to 63.58%.

in EUR

	22/07/2022
Consideration in a business merger	
Payments in cash	2,715,815
TOTAL	**2,715,815**
Net assets acquired and liabilities assumed	
Non-current assets	2,064,785
Current assets	63,148,155
Non-current liabilities	1,119,715
Current liabilities	45,326,862
TOTAL	**18,766,363**
12.58% share	2,360,808
Other reserves from profit	355,008
Payments in cash	**2,715,815**

3.5.7 Disclosures to the consolidated financial statements

3.5.7.1 Consolidated statement of the financial position

INTANGIBLE ASSETS (1)

in EUR

Intangible assets	31/12/2022	31/12/2021
Emission allowances	22,945,192	8,028,929
Other non-current property rights	4,836,236	3,565,393
Goodwill	18,374,888	12,823,254
Intangible assets being acquired	508,585	473,391
Total	**46,664,901**	**24,890,967**

Emission allowances and goodwill account for the majority of intangible assets, whereas the remaining portion of the value is related to software.

in EUR

Movement of intangible assets	Emission allowances	Other non-current property rights	Goodwill	Other intangible assets	Intangible assets being acquired	Total
Purchase cost as at 01/01/2022	8,028,929	19,361,388	12,823,254	24,078	473,391	40,711,040
Acquisitions through a business merger	0	4,558,816	0	0	31,180	4,589,996
Acquisition	116,902,230	0	11,588,634	0	1,009,168	129,500,032
Disposals – write-offs, sales	-101,985,967	-3,311	0	0	0	-101,989,278
Transfer from investments	0	1,005,154	0	0	-1,005,154	0
Transfers – restatements	0	372,950	0	0		372,950
Impairments	0	0	-6,037,000	0	0	-6,037,000
Write-offs	0	-83,188	0	0	0	-83,188
Purchase cost as at 31/12/2022	22,945,192	25,211,809	18,374,888	24,078	508,585	67,064,552
Written-off value as at 01/01/2022	0	15,795,995	0	24,078	0	15,820,073
Acquisitions through a business merger	0	3,272,010	0	0	0	3,272,010
Disposals – write-offs, sales	0	-205	0	0	0	-205
Transfers – restatements	0	-4,414	0	0	0	-4,414
Amortisation	0	1,395,375	0	0	0	1,395,375
Write-offs	0	-83,188	0	0	0	-83,188
Written-off value as at 31/12/2022	0	20,375,573	0	24,078	0	20,399,651
Book value as at 01/01/2022	8,028,929	3,565,393	12,823,254	0	473,391	24,890,967
Book value as at 31/12/2022	22,945,192	4,836,236	18,374,888	0	508,585	46,664,901

in EUR

Movement of intangible assets	Emission allowances	Other non-current property rights	Goodwill	Other intangible assets	Intangible assets being acquired	Total
Purchase cost as at 01/01/2021	**6,061,479**	**17,968,627**	**12,823,254**	**29,058**	**112,244**	**36,994,662**
Acquisitions through a business merger	0	1,135,582	0	0	55,830	1,191,412
Acquisition	89,123,141	0	0	0	823,603	89,946,744
Disposals – write-offs, sales	-87,155,691	-1,530	0	0	0	-87,157,221
Transfer from investments	0	518,286	0	0	-518,286	0
Transfers – restatements	0	-40,377	0	0	0	-40,377
Write-offs	0	-219,200	0	-4,980	0	-224,180
Purchase cost as at 31/12/2021	**8,028,929**	**19,361,388**	**12,823,254**	**24,078**	**473,391**	**40,711,040**
Written-off value as at 01/01/2021	**0**	**14,000,789**	**0**	**29,058**	**0**	**14,029,847**
Acquisitions through a business merger	0	1,068,157	0	0	0	1,068,157
Disposals – write-offs, sales	0	-1,530	0	0	0	-1,530
Transfers – restatements	0	-3,678	0	0	0	-3,678
Amortisation	0	951,253	0	0	0	951,253
Write-offs	0	-218,996	0	-4,980	0	-223,976
Written-off value as at 31/12/2021	**0**	**15,795,995**	**0**	**24,078**	**0**	**15,820,073**
Book value as at 01/01/2021	**6,061,479**	**3,967,838**	**12,823,254**	**0**	**0**	**22,964,815**
Book value as at 31/12/2021	**8,028,929**	**3,565,393**	**12,823,254**	**0**	**473,391**	**24,890,967**

The Group procures emission allowances for electricity generation purposes within the Group. The initial balance of Group emission allowances is 3,590,716 allowances, 3,811,664 allowances in the amount of EUR 116,902,230 were procured in 2022 and 4,147,704 allowances in the amount of EUR 101,985,967 were divested or redeemed. Thus, as at the end of 2022, the group has 3,254,676 emission allowances in the amount of EUR 22,945,192.

Licensed software used by the Group as IT support to the performance of its activities has the highest value among all other non-current property rights. In 2022, there were EUR 1,040,348 in new procurements, EUR 86,499 write-downs and disposals with a current value of EUR 3,106 and EUR 372,950 in transfers and accounting transfers, which in principle account for the transfer of assets from property, plant and equipment to intangible assets.

The increase in intangible assets in 2022 refers to the expansion and upgrading of the SAP and other software, the digital employee identity, and the goodwill arising from the business combination.

In 2022, the depreciation of other non-current property rights amounted to EUR 1,395,375. The most important software was reviewed in 2022. It was established that, subject to internal sources of information on the use of these assets, the useful lives of these assets had been estimated correctly.

In 2022, Group companies did not enter any interest rates against the purchase value of intangible assets before bringing the assets to their working condition because the intangible assets purchased in 2022 had not been brought to working condition for a long time.

The Group has no pledged intangible assets.

As at 31 December 2022, has EUR 783,060 in concluded procurement contracts for intangible assets in the years to come.

Goodwill refers to SENG in the amount of EUR 12,387,056 and to Energija plus in the amount of EUR 5,551,634.

As at 31 December 2022, the recoverable amount was tested subject to a goodwill-impairment test of the cash-generating unit SENG, Sipoteh, and Energija plus. Subject to the estimated value of cash-generating units, the goodwill of Energija plus was impaired.

The assumptions, considered in the impairment testing of the goodwill, and relevant results are outlined below:

Goodwill - ENERGIJA PLUS
2022
Value in use (present value of expected free cash flow).
Date of performance of the impairment testing
30/09/2022
Important assumptions used in the performance of the impairment testing
Going concern assumption.
An 8.5% discount rate was taken into account throughout the entire forecast horizon.
A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are the significantly changed circumstances on the energy product market in the recent 12 months.
The valuation is a result of equal balancing of 4 operating scenarios. Operating scenarios foresee lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, higher prices/higher margins for the period until 2037 or 15 years.
The average annual growth rate of normalized real free cash flow is 2%.
CAPEX over the projection period (2023 - 2037) of EUR 5,710,000.
During the most recent forecast horizon year (2023), the EBITDA margin ranges between 1.3% (higher prices/lower margins) and 1.9% (lower prices/higher margins).
Results of impairment testing carried out
The book value of goodwill prior to the impairment testing amounts to EUR 11,589,000.
The recoverable amount of goodwill amounts to EUR 5,550,000.
Revaluation expenses due to impairment amount to EUR 6,039,000.

Goodwill - SENG	
2022	2021
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2022	31/12/2021
Important assumptions used in the performance of the impairment testing	
Going concern assumption.	The company's operations until 2030.
The discount rate at a nominal amount of 8.88% adjusted to the real level of 6.62%, which was taken into account throughout the forecast horizon.	5.3% discount rate throughout the forecast horizon between 2022 and 2026, and 7.8% discount rate throughout the forecast horizon as of 2027 and in the residual.
The price of electricity is forecast subject to the forecast prices of the ICIS consulting company (ICIS Slovenia Power Market Report for HSE, November 2022). During the first year of the forecast horizon (2023), the price of electricity thus amounts to EUR 278.61/MWh (2022), whereas, at the end of the horizon period (2032), to EUR 76.64/MWh.	The average sales price (HSE) for the 2022-2027 period; whereas, for unsold electricity: exchange prices of futures at the HUPX exchange. For the first year of the forecast, the electricity price thus amounts to EUR 71.96/MWh (2022); a 29.24% change in price during the period (2022-2027).
Long-term forecast of the market price of electricity (HSE) subject to the price forecasts of the ICIS consultation company. The forecast price of electricity in the residual amounts to EUR 76.64/MWh.	Non-current forecast of the market price of electricity (HSE) subject to the prices of electricity futures at the HUPX exchange. The forecast price of electricity for the forecast horizon (2027-2030) and in the residual amounts to EUR 93.01/MWh.
The average annual growth rate of normalized real free cash flow is 2.1% (on the expected inflation rate level).	The average annual growth rate of normalized real free cash flow is 2%.
The average production of 729 GWh/year has been taken into account. The average production of hydroelectric power stations on the Soča River was determined on the basis of statistical data about the average hydrology of the Soča River. 50% probability is taken into account. In 2027 (lower by 116 GWh), lower electricity production is envisaged due to the overhaul of the Avče PSPP.	The average production of 769 GWh/year has been taken into account. The average production of hydroelectric power stations on the Soča River was determined on the basis of statistical data about the average hydrology of the Soča River. 50% probability is taken into account. In 2027 (lower by 116 GWh), lower electricity production is envisaged due to the overhaul of the Avče PSPP.
CAPEX over the projection period (2022 - 2030) of EUR 70,288,000. As of 2031, at a level of EUR 10,070,000.	CAPEX over the projection period (2022 - 2030) of EUR 66,086,000. As of 2031, at a level of EUR 12,922,000.
Results of impairment testing carried out	
The book value of fixed assets and goodwill before the impairment testing amounts to EUR 217,439,000.	The book value of fixed assets and goodwill before the impairment testing amounts to EUR 198,594,000.
Recoverable amount of CGU of EUR 530,052,000.	Recoverable amount of CGU of EUR 458,905,000.
Revaluation expenses due to impairment of EUR 0.	Revaluation expenses due to impairment of EUR 0.

Sensitivity analysis – goodwill impairment test

Goodwill	Recoverable value in EUR	Sensitivity (change) of recoverable value in EUR	
		Change in discount rate (WACC) in % points	
		-0.5	0.5
IN SENG	530,052,000	33,698,000	-27,604,000
AT ENERGIJA PLUS	5,550,000	595,000	-533,000

As at 31/12/2021, the recoverable amount – **value in use of the cash-generating unit Sipoteh on a going concern basis,** was estimated as part of the goodwill impairment test out of which goodwill amounting to EUR 436,198 arises. **The present value of expected free cash flows method was used.** There was no significant change to assumptions in 2022. As such, it had been assessed that no impairment of the goodwill of Sipoteh is required.

PROPERTY, PLANT AND EQUIPMENT (2)

in EUR

Property, plant and equipment	31/12/2022	31/12/2021
Land	25,205,982	25,082,703
Buildings	346,015,826	391,192,727
Production equipment	675,374,425	693,299,261
Other equipment	7,512,400	6,547,411
Property, plant and equipment being acquired	58,073,210	50,448,396
Total	**1,112,181,843**	**1,166,570,498**

Most of the Group's companies are engaged in generating electricity or in producing the raw materials required for its generation, which requires specific equipment; due to their activity, the values of buildings are also material. Property, plant and equipment thus account for the major part of the Group's assets.

in EUR

Movement of real property, plant and equipment	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 01/01/2022	**30,096,785**	**1,295,278,854**	**3,219,863,650**	**64,958,862**	**58,465,685**	**4,668,663,836**
Acquisitions through a business merger	128,429	1,121,434	0	1,866,279	41,858	3,158,000
Acquisition	0	0	0	0	64,040,374	64,040,374
Disposals	-70,075	-48,741	-373,282	-1,666,219	0	-2,158,317
Transfer from investments	92,632	13,235,030	53,125,191	1,872,225	-68,325,078	0
Transfers – restatements	0	-6,113,119	5,902,014	211,105	-388,664	-388,664
Change in the discount on assets under construction	0	-12,199,000	-2,950,748	0	189,616	-14,960,132
Foreign currency differences	0	2	0	29	0	31
Write-offs	-41,028	-3,293,565	-10,764,700	-500,019	-32,210	-14,631,522
Purchase cost as at 31/12/2022	**30,206,743**	**1,287,980,895**	**3,264,802,125**	**66,742,262**	**53,991,581**	**4,703,723,606**
Written-off value as at 01/01/2022	**5,014,082**	**904,086,127**	**2,526,564,389**	**58,411,451**	**8,017,289**	**3,502,093,338**
Acquisitions through a business merger	0	762,913	0	1,140,732	0	1,903,645
Disposals	0	-20,353	-358,189	-1,621,366	0	-1,999,908
Transfers – restatements	0	0	-84,467	84,467	0	0
Amortisation	5,954	17,533,920	71,116,892	1,712,028	0	90,368,794
Foreign currency differences	0	0	0	29	0	29
Impairments	-19,275	12,278,765	-2,677	-410	0	12,256,403
Write-offs	0	-2,035,303	-10,548,165	-497,069	0	-13,080,537
Written-off value as at 31/12/2022	**5,000,761**	**932,606,069**	**2,586,687,783**	**59,229,862**	**8,017,289**	**3,591,541,764**
Book value as at 01/01/2022	**25,082,703**	**391,192,727**	**693,299,261**	**6,547,411**	**50,448,396**	**1,166,570,498**
Book value as at 31/12/2022	**25,205,982**	**355,374,826**	**678,114,342**	**7,512,400**	**45,974,292**	**1,112,181,842**

The most important investments in property, plant and equipment of Group companies in 2022 are investments made in the reconstruction, modernisation and renovation of production facilities and in the procurement of equipment required for their engagement in their core activity in the total amount of EUR 64,082,232.

Group's property, plant and equipment being acquired primarily comprise investments in reliable production and equipment modernisation in addition to investments in the middle Sava River hydro-electric power plant, the Kozjak pump-fed hydro-electric power plant and the Mura River hydro-electric power plant. Investments being acquired refer to the compilation of pre-investment, investment and other documentation, required for the siting of hydro-electric power plants.

Due to the difficult situation on the electricity market as well as in the HSE Group, projects have included activities that aim to prevent the halting of long-lasting siting processes. All the documentation compiled so far in addition to scientific bases have been drawn up in a way that they are not time-barred and can be used as the basis for further activities.

Transfers - accounting transfers refer to transfer between property, plant and equipment and intangible assets.

Write-offs of the production equipment due to its modernisation account for the majority of write-offs.

In 2022, the business combination resulted in a EUR 1,254,355 increase in property, plant and equipment at current value.

in EUR

Movement of real property, plant and equipment	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 01/01/2021	**30,078,096**	**1,286,114,016**	**3,266,919,096**	**64,333,034**	**43,211,458**	**4,690,655,700**
Acquisitions through a business merger	40,371	339,816	0	869,349	56,659	1,306,195
Acquisition	0	0	0	0	68,155,568	68,155,568
Disposals	-22,451	-901,658	-3,733,463	-1,469,311	0	-6,126,883
Transfer from investments	157,575	4,877,873	45,823,497	1,582,210	-52,441,156	-1
Transfers – restatements	20,366	0	40,376	(2,941)	0	57,801
Change in the discount on assets under construction	0	6,337,000	189,616	0	0	6,526,616
Foreign currency differences	0	-1	0	16	0	15
Write-offs	-177,172	-1,488,192	-89,375,472	-353,495	-516,844	-91,911,175
Purchase cost as at 31/12/2021	**30,096,785**	**1,295,278,854**	**3,219,863,650**	**64,958,862**	**58,465,685**	**4,668,663,836**
Written-off value as at 01/01/2021	**5,014,545**	**887,323,031**	**2,402,000,361**	**58,161,727**	**8,017,289**	**3,360,516,953**
Acquisitions through a business merger	0	147,684	0	620,215	0	767,899
Disposals	-6,411	-706,845	-3,688,244	-1,447,188	0	-5,848,688
Transfers – restatements	0	-253	3,675	-2,941	0	481
Amortisation	5,948	15,025,845	56,241,641	1,430,321	0	72,703,755
Foreign currency differences	0	0	0	17	0	17
Impairments	0	3,404,000	161,087,000	0	0	164,491,000
Write-offs	0	-1,107,335	-89,080,044	-350,700	0	-90,538,079
Written-off value as at 31/12/2021	**5,014,082**	**904,086,127**	**2,526,564,389**	**58,411,451**	**8,017,289**	**3,502,093,338**
Book value as at 01/01/2021	**25,063,551**	**398,790,985**	**864,918,735**	**6,171,307**	**35,194,169**	**1,330,138,747**
Book value as at 31/12/2021	**25,082,703**	**391,192,727**	**693,299,261**	**6,547,411**	**50,448,396**	**1,166,570,498**

In 2022, the useful lives of the most significant fixed assets were reviewed. The current usability assumptions were found to have been correctly estimated, except for assets related to the foreseen closure of TEŠ and the coal mine after 2033. The effect of the change to or reduction in the useful life of the assets listed above amounts to EUR 20,418,345, for the value of which a higher depreciation was recognised.

The Group has mortgaged loans against collateral of EUR 6,933,846 in book value on its property and equipment.

At the end of 2022, the Group's concluded contractual commitments for the procurement of property, plant and equipment amounted to EUR 37,277,552.

As at 31 December 2022, the Group performed impairment testing of property, plant and equipment in cash generating units (CGUs), which operated or are operating at a loss. The most important cash generating unit thereof is the unit that includes the generation of electricity at TEŠ and the procurement of the energy product required for this purpose at PV (coal mining). Accredited company valuers valued the recoverable value of assets. The Group impaired non-current assets in the amount of EUR 12,279,000.

The tables below show the assumptions applied in the impairment testing and the relevant results for the fixed assets of the cash-generating units TEŠ, PV, HTZ, and Energija plus.

ASSETS AT ŠOŠTANJ THERMAL POWER PLANT	
2022	2021
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2022	31/12/2021
Important assumptions used in the performance of the impairment testing	
The company's operations until 2033. The thermal power plant operating life has been shortened due to the shortened operating life of the PV coal mine providing the thermal power plant with coal. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.	The company's operations until 2033. The thermal power plant operating life has been shortened due to the shortened operating life of the PV coal mine providing the thermal power plant with coal. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The discount rate at a nominal amount of 7.30% adjusted to the real level of 4.79%, which was taken into account throughout the period until 2033.	The discount rate at a nominal amount of 6.78% adjusted to the real level of 4.76%, which was taken into account throughout the period until 2033.
The forecast revenue is based on the so-called cost +5% method, namely: the sales price of electricity by TEŠ is calculated as the sum of the cost price of electricity by TEŠ less thermal energy generation costs and plus cost uplift. The 5% uplift shall not be taken into account in CO_2 emission allowance costs.	The forecast revenue is based on the so-called cost +5% method, namely: the sales price of electricity by TEŠ is calculated as the sum of the cost price of electricity by TEŠ less thermal energy generation costs and plus cost uplift. The 5% uplift shall not be taken into account in CO_2 emission allowance costs.
The average procurement price of CO_2 (EE) emission allowance futures (for yet-to-be-procured volumes, the exchange price of futures at the EEX exchange has been taken into account) for 2023 amounts to EUR 77.96/t, at the end of the forecast horizon (2033) EUR 89.38/t.	The average procurement price of CO_2 emission allowance futures (for yet-to-be-procured volumes, the exchange price of futures at the EEX exchange has been taken into account) for 2022 amounts to EUR 36.16/t, at the end of the forecast horizon (2033) EUR 75.12/t.
Average annual production of electricity from coal-fired power plants of 2.4 TWh over the period 2023 - 2033.	Average annual production of electricity from coal-fired power plants of 2.9 TWh over the period 2022 - 2033.
Value of other income (i.e. income on providing system services, thermal energy, income on sale of ash and gypsum) in the amount of EUR 15,636,000 in 2023 up to EUR 16,613,000 in 2033.	Value of other income (i.e. income on providing system services, thermal energy, income on sale of ash and gypsum) in the amount of EUR 11,411,000 in 2022 up to EUR 12,224,000 in 2033.
CAPEX over the projection period of EUR 156,808,000.	CAPEX over the projection period of EUR 146,857,000.
Results of impairment testing carried out	
The book value of assets before the impairment testing amounts to EUR 469,579,000.	The book value of assets before the impairment testing amounts to EUR 658,566,000.
EUR 482,130,000 in recoverable amount of assets.	EUR 497,479,000 in recoverable amount of assets.
Revaluation expenses due to impairment of EUR 0.	Revaluation expenses due to impairment of EUR 161,087,000.

ASSETS AT VELENJE COAL MINE	
2022	2021
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2022	31/12/2021
Important assumptions used in the performance of the impairment testing	
The company's operations until 2033. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.	The company's operations until 2033. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The discount rate at a nominal amount of 8.92% adjusted to the real level of 6.37%, which was taken into account throughout the period until 2033.	The discount rate at a nominal amount of 7.47% adjusted to the real level of 5.44%, which was taken into account throughout the period until 2033.
The average sale price of coal EUR 6.25/GJ in the period between 2023 and 2033.	The sale price of coal 2.75 EUR/GJ in the entire period until 2033.
	The National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy is taken into account, foreseeing average annual EUR 32,380,655 revenue from the closure of the coal mine, arising from the baselines of the Progressive Velenje Coal Mine Closure Act.
Average annual coal sales of 22,286 TJ per year in the period 2023 - 2033.	Average annual coal sales of 26,658 TJ per year in the period 2022 - 2033.
CAPEX over the 2023 - 2033 projection period of EUR 183,928,000.	CAPEX over the 2020 - 2033 projection period of EUR 157,294,000.
The recoverable value of financial investments in subsidiaries and other companies in the amount of EUR 4,160,000.	The recoverable value of financial investments in subsidiaries and other companies in the amount of EUR 9,803,000.
Recoverable amount of assets unnecessary for business (investments and investment property) in the amount of EUR 22,717,000.	Recoverable amount of assets unnecessary for business in the amount of EUR 18,932,000.
	We provide the assumption that the company will not be required to fulfil obligations that are not explicitly stated in the current concession contract.
Results of impairment testing carried out	
The book value of assets before the impairment testing amounts to EUR 115,939,000.	The book value of assets before the impairment testing amounts to EUR 127,202,000.
EUR 103,660,000 in recoverable amount of assets.	EUR 123,798,000 in recoverable amount of assets.
Revaluation expenses due to impairment of EUR 12,279,000.	Revaluation expenses due to impairment of EUR 3,404,000.

ASSETS AT HTZ	
2022	2021
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2022	31/12/2021
Important assumptions used in the performance of the impairment testing	
The company's operations until 2033. The operating life of the Company was shortened due to a shortened operating life of the PV coal mine as the business of both companies is strongly tied to one another. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.	The company's operations until 2033. The operating life of the Company was shortened due to a shortened operating life of the PV coal mine as the business of both companies is strongly tied to one another. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The discount rate at a nominal amount of 8.92% adjusted to the real level of 6.37%, which was taken into account throughout the period until 2033.	The discount rate at a nominal amount of 7.47% adjusted to the real level of 5.44%, which was taken into account throughout the period until 2033.
Average annual net sales revenue in the 2023 - 2033 period in the amount of EUR 27,531,000.	Average annual net sales revenue in the 2022 - 2033 period in the amount of EUR 24,370,000.
Average other annual operating revenue in the 2023 - 2033 period in the amount of EUR 7,986,000.	Average other annual operating revenue in the 2022 - 2033 period in the amount of EUR 6,747,000.
Average labour costs in the 2023 - 2033 period in the amount of EUR 27,143,000.	Average labour costs in the 2022 - 2033 period in the amount of EUR 23,117,000.
Average services costs in the 2022 - 2033 period in the amount of EUR 3,557,000.	Average services costs in the 2022 - 2033 period in the amount of EUR 3,469,000.
Average material costs in the 2022 - 2033 period in the amount of EUR 3,374,000.	Average material costs in the 2022 - 2033 period in the amount of EUR 3,102,000.
Investments and assets unnecessary for business in the amount of EUR 399,247.	Recoverable amount of excess property in the amount of EUR 965,000.
CAPEX over the projection period of EUR 8,165,000.	CAPEX over the projection period of EUR 7,220,000.
Results of impairment testing carried out	
The book value of assets before the impairment testing amounts to EUR 9,894,000.	The book value of assets before the impairment testing amounts to EUR 11,772,000.
EUR 10,314,000 in recoverable amount of assets.	EUR 15,457,529 in recoverable amount of assets.
Revaluation expenses due to impairment of EUR 0.	Revaluation expenses due to impairment of EUR 0.

ASSETS AT ENERGIJA PLUS
2022
Method used for the definition of the recoverable amount in the impairment testing
Value in use (present value of expected free cash flow).
Date of performance of the impairment testing
31/12/2022
Important assumptions used in the performance of the impairment testing
Going concern assumption.
An 8.5% discount rate was taken into account throughout the entire forecast horizon.
A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are the significantly changed circumstances on the energy product market in the recent 12 months.
The valuation is a result of equal balancing of 4 operating scenarios. Operating scenarios foresee lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, higher prices/higher margins for the period until 2037 or 15 years.
The average annual growth rate of normalized real free cash flow is 2%.
CAPEX over the projection period (2023 - 2037) of EUR 5,710,000.
During the most recent forecast horizon year (2023), the EBITDA margin ranges between 1.3% (higher prices/lower margins) and 1.9% (lower prices/higher margins).
Results of impairment testing carried out
The book value of assets before the impairment testing amounts to EUR 5,648,000.
EUR 5,750,000 in recoverable amount of non-current assets.
Revaluation expenses due to impairment of EUR 0.

Sensitivity analysis – impairment testing by category of the cash-generating units TEŠ, PV, HTZ, and Energija plus:

Non-current fixed assets	Recoverable value in EUR	Sensitivity (change) of recoverable value in EUR	
		Change in discount rate (WACC) in % points	
		-0.5	0.5
AT ŠOŠTANJ THERMAL POWER PLANT	482,130,000	15,675,000	-15,056,000
AT VELENJE COAL MINE	103,660,000	828,000	-795,000
AT HTZ	10,314,000	84,047	-80,784
AT ENERGIJA PLUS	5,750,000	595,000	-533,000

RIGHT TO USE LEASED ASSETS (3)

in EUR

Right to use leased assets	31/12/2022	31/12/2021
Right to use leased assets	5,417,975	5,262,980
Total	5,417,975	5,262,980

in EUR

Movement of the right to asset use	Land	Buildings	Production equipment	Other equipment	Total
Purchase cost as at 01/01/2022	2,520,946	1,898,044	1,968,142	854,822	7,241,954
Acquisitions through a business merger	0	1,543,333	0	25,279	1,568,612
Acquisition	0	320,199	130,791	553,080	1,004,070
Exclusions	0	-400,548	0	-70,891	-471,439
Purchase cost as at 31/12/2022	2,520,946	3,361,028	2,098,933	1,362,290	9,343,197
Written-off value as at 01/01/2022	504,189	782,883	441,345	250,557	1,978,974
Acquisitions through a business merger	0	457,205	0	25,279	482,484
Exclusions	0	-283,333	0	-36,303	-319,636
Amortisation	504,188	631,525	298,706	348,981	1,783,400
Written-off value as at 31/12/2022	1,008,377	1,588,280	740,051	588,514	3,925,222
Book value as at 01/01/2022	2,016,757	1,115,161	1,526,797	604,265	5,262,980
Book value as at 31/12/2022	1,512,569	1,772,748	1,358,882	773,776	5,417,975

in EUR

Movement of the right to asset use	Land	Buildings	Production equipment	Other equipment	Total
Purchase cost as at 01/01/2021	3,345,410	1,364,004	2,336,385	160,097	7,205,896
Acquisitions through a business merger	0	470,854	0	0	470,854
Acquisition	0	135,675	1,289,920	896,013	2,321,608
Disposals	0	0	-1,658,163	0	-1,658,163
Write-offs	0	-5,253	0	0	-5,253
Other	-824,464	-67,236	0	-201,288	-1,092,988
Purchase cost as at 31/12/2021	2,520,946	1,898,044	1,968,142	854,822	7,241,954
Written-off value as at 01/01/2021	1,338,165	574,334	1,143,736	125,172	3,181,407
Acquisitions through a business merger	0	219,824	0	0	219,824
Disposals	0	0	-930,343	0	-930,343
Amortisation	504,189	306,952	227,952	287,581	1,326,674
Write-offs	0	-5,253	0	0	-5,253
Other	-1,338,165	-312,974	0	-162,196	-1,813,335
Written-off value as at 31/12/2021	504,189	782,883	441,345	250,557	1,978,974
Book value as at 01/01/2021	2,007,245	789,670	1,192,649	34,925	4,024,489
Book value as at 31/12/2021	2,016,757	1,115,161	1,526,797	604,265	5,262,980

INVESTMENT PROPERTY (4)

in EUR

Book value of investment property	31/12/2022	31/12/2021
Land	1,778,186	2,329,462
Buildings	15,208,844	16,050,555
Total	**16,987,030**	**18,380,017**

Apartments account for the majority of our investment property. In 2022, the Group generated EUR 943,482 in revenue and EUR 222,902 in costs from leasing investment property.

The assessment of the fair value of the investment property held by the PV Group as part of the equity valuation by an authorised valuer of the investment property owned by PV and HTZ was carried out on 30/09/2022. Fair value is calculated using the market approach and the direct capitalisation method (the income approach).

The effect of adjusting investment property to fair value amounts to EUR 7,260.

in EUR

Movement of investment property	Land	Buildings	Total
Fair value as at 01/01/2022	**2,329,462**	**16,050,554**	**18,380,016**
Acquisition	0	131,585	131,585
Disposals	-570,658	-961,174	-1,531,832
Acquisitions	19,382	115,697	135,079
Impairments		-127,819	-127,819
Fair value as at 31/12/2022	**1,778,186**	**15,208,843**	**16,987,029**
Fair value as at 01/01/2022	**2,329,462**	**16,050,555**	**18,380,017**
Fair value as at 31/12/2022	**1,778,186**	**15,208,844**	**16,987,030**

in EUR

Movement of investment property	Land	Buildings	Total
Fair value as at 01/01/2021	**2,488,470**	**14,507,710**	**16,996,180**
Acquisitions through a business merger	53,131	259,605	312,736
Acquisition	0	215,585	215,585
Transfers – restatements	-20,366	0	-20,366
Disposals	-55,680	-414,199	-469,879
Acquisitions	4,389	1,481,853	1,486,242
Impairments	-140,482	0	-140,482
Fair value as at 31/12/2021	**2,329,462**	**16,050,554**	**18,380,016**
Fair value as at 01/01/2021	**2,488,470**	**14,507,711**	**16,996,181**
Fair value as at 31/12/2021	**2,329,462**	**16,050,554**	**18,380,016**

In 2022, acquisitions amounting to EUR 131,585 refer primarily to the restoration of apartments, whereas disposals amounting to EUR 1,531,832 to the sales of buildings, lands, and apartments.

OTHER NON-CURRENT INVESTMENTS AND LOANS (5)

in EUR

Other non-current financial investments and loans	31/12/2022	31/12/2021
Non-current financial investments in associates	142,796,076	142,301,334
Non-current investments in jointly-controlled companies	1,198,839	382,667
Non-current financial assets available for sale	165,378	168,102
Other non-current financial investments	98,098	104,225
Non-current financial receivables and loans	292,181	23,677
Total	144,550,572	142,980,005

A non-current investment in an associate account for the biggest proportion of other non-current investments.

A) Investment in an associate

in EUR

Investments in associate	31/12/2022	31/12/2021
HESS d.o.o.	142,796,076	142,301,334
Total	142,796,076	142,301,334

in EUR

Movement of non-current financial investments in associates	2022	2021
Balance as at 01/01/	142,301,334	141,134,304
Profits as per capital method	494,742	1,167,030
Balance as at 31/12/	142,796,076	142,301,334

in EUR

Significant amounts from statements of associate in 2022	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
HESS d.o.o.	332,424,173	39,833,855	20,856,803	1,009,678	292,590,320

B) Investment in a joint venture

in EUR

Investments in jointly-controlled companies	31/12/2022	31/12/2021
SOENERGETIKA d.o.o.	1,198,839	382,667
Total	1,198,839	382,667

in EUR

Movement of non-current financial investments in jointly-controlled companies	2022	2021
Balance as at 01/01/2022	382,667	402,945
Payment of profit	-115,217	-135,495
Profits as per capital method	931,389	115,217
Balance as at 31/12/2022	1,198,839	382,667

in EUR

Significant amounts from statements of jointly-controlled companies in 2022	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
SOENERGETIKA d.o.o.	5,560,349	704,472	7,419,626	3,725,556	4,855,878

NON-CURRENT OPERATING RECEIVABLES (6)

in EUR

Non-current operating receivables	31/12/2022	31/12/2021
Non-current trade receivables	46,703,605	86,300,548
Non-current advances given	18,293	27,439
Non-current operating receivables from others	12,460,712	11,215,050
Total	59,182,610	97,543,037

The arbitration proceedings in TEŠ which had been completed in 2021 accounts for the majority of non-current operating receivables.

The Group's non-current operating receivables due from others include financial coverages extended for electricity trading purposes.

DEFERRED TAX ASSETS (7)

in EUR

Deferred tax receivables	31/12/2022	31/12/2021
Provisions	519,312	587,018
Impairments	1,270,620	653,295
Amortisation	5	10
Other	284,460	454,748
Total	**2,074,397**	**1,695,071**

Deferred tax assets amount to EUR 2,074,397 and are translated using a 19% tax rate. They were set up from the expenses that affect the profit or loss of each year, although they are not fully or partially tax deductible in this year (provisions for jubilee and retirement benefits, business depreciation over the depreciation recognised for tax purposes, impairment of investments and receivables, fair value of financial instruments). Deferred tax assets are set up by the Group by taking into account the possibility of their recovery in the future in relation to future operations.

in EUR

Movement of deferred tax receivables	Provisions	Impairments	Amortisation	Other	Total
Balance as at 01/01/2022	**587,018**	**653,295**	**10**	**454,748**	**1,695,071**
Acquisitions through a business merger	60,983	923,152	0	0	984,135
Added to/deducted from profit or loss statement	-104,164	-415,475	-5	-2,810	-522,454
Added to/deducted from comprehensive income	-24,525	109,648	0	-167,478	-82,355
Balance as at 31/12/2022	**519,312**	**1,270,620**	**5**	**284,460**	**2,074,397**
Balance as at 01/01/2021	**504,296**	**282,570**	**7**	**182,230**	**969,103**
Acquisitions through a business merger	64,141	391,771	0	0	455,912
Added to/deducted from profit or loss statement	18,581	-907	3	272,518	290,195
Added to/deducted from comprehensive income	0	-20,139	0	0	-20,139
Balance as at 31/12/2021	**587,018**	**653,295**	**10**	**454,748**	**1,695,071**

Changes in deferred tax assets from provisions refer to changes in provisions for jubilee and retirement benefits and changes in other provisions.

Changes in deferred tax assets from impairment refer to the value adjustment of receivables and impairment of investments.

Changes in deferred tax assets from depreciation arise from the differences established between the operating and tax depreciation.

Other changes in deferred tax assets refer to the change in fair value of derivatives.

DEFERRED TAX LIABILITIES (8)

in EUR

Liabilities for deferred taxes	31/12/2022	31/12/2021
Financial assets	24,298	7,353
Total	**24,298**	**7,353**

Deferred tax liabilities arise from the change in the value of financial assets held at fair value through other comprehensive income where fair value can be measured reliably.

in EUR

Movement of liabilities for deferred taxes	Financial assets	Total
Balance as at 01/01/2022	**7,353**	**7,353**
Increase*	18,627	18,627
Decrease - drawing	-1,682	-1,682
Balance as at 31/12/2022	**24,298**	**24,298**

in EUR

Movement of liabilities for deferred taxes	Financial assets	Total
Balance as at 01/01/2021	**5,823**	**5,823**
Formation - increase	1,530	1,530
Balance as at 31/12/2021	**7,353**	**7,353**

*The increase in deferred tax in 2022 refers to their transfer from other non-current liabilities.

INVENTORIES (9)

in EUR

Inventories	31/12/2022	31/12/2021
Material	44,890,554	32,048,191
Work in progress	2,775	4,941
Products and merchandise	47,317,245	4,823,421
Total	**92,210,574**	**36,876,553**

Inventories of spare parts and materials for maintenance, necessary for a rapid remedy of defects of production equipment and thus for ensuring reliable production, account for the majority of inventories of materials in terms of value.

The inventories of coal account for the majority of inventories of products and merchandise in terms of value.

The Group has no pledged inventories.

During the inventory, the Group identified the following differences between the actual and the carrying amount of inventories:

in EUR

Difference between the actual and account balance	31/12/2022	31/12/2021
Amount of partial inventory write-off due to adjustment to net market value	-249,214	-124,292
Surplus in inventory registration	8,352	14,495
Deficit in inventory registration	-35,304	-23,436
Write-offs of inventories due to the change of their quality	-78,994	-16,507

CURRENT INVESTMENTS AND LOANS (10)

in EUR

Current financial investments and loans	31/12/2022	31/12/2021
Current financial receivables and loans given to others without interest	51	51
Current deposits to others	5,244,094	5,847,411
Total	**5,244,145**	**5,847,462**

The majority of deposits to others amounting to EUR 5,130,000 constitutes the deposit that the TEŠ subsidiary shall hold as a reservation for the repayment of loan liabilities owed to EBRD in March 2023 and which shall not be used to manage current liquidity.

CURRENT TRADE RECEIVABLES (11)

in EUR

Current trade receivables	31/12/2022	31/12/2021
Current operating receivables from associates	95,226	44,240
Current operating receivables from jointly controlled companies	73	0
Current trade receivables	475,679,876	267,064,528
Total	**475,775,175**	**267,108,768**

Most current trade receivables relate to receivables arising from the sale of electricity.

Disclosures in relation to the maturity of receivables, allowances for receivables and insuring current operating receivables are presented in the financial risk management section herein.

CONTRACT ASSETS (12)

in EUR

Contract assets	31/12/2022	31/12/2021
Accrued revenues	3,698,292	2,053,139
Total	**3,698,292**	**2,053,139**

Accrued revenue is the revenue is taken into account in the profit or loss but has not yet been invoiced and constitutes the right to consideration in exchange for goods or services transferred to a customer.

OTHER CURRENT ASSETS (13)

in EUR

Other current assets	31/12/2022	31/12/2021
Current advances given	7,494,552	11,082,198
Current operating receivables from state and other institutions	56,522,626	46,996,839
Current trade receivables due from others	31,854,811	107,276,225
Current deferred costs and expenses	20,495,533	8,956,187
Total	**116,367,522**	**174,311,449**

Most of the other current operating receivables comprise receivables due from state and other institutions, which primarily refer to input VAT.

Most current operating receivables due from others refer to exceeding the overdraft which was authorised for operations with derivatives.

Current deferred costs and expenses primarily relate to transactions arising from electricity trading.

CASH AND CASH EQUIVALENTS (14)

in EUR

Cash and cash equivalents	31/12/2022	31/12/2021
Cash in hand and received cheques	4,821	4,271
Cash in banks	317,518,982	71,618,480
Call deposits	15,401,254	19,445,518
Deposits with up to 3 month maturity	23,782,206	5,521,479
Total	**356,707,263**	**96,589,748**

CAPITAL (15)

in EUR

Capital	31/12/2022	31/12/2021
Called-up capital	29,558,788	29,558,788
Capital reserves	1,053,243,183	561,243,183
Other reserves from profit	413,501,341	413,856,350
Risk hedging reserve	-106,751,557	-88,891,503
Fair value reserves	-11,582,513	-14,227,665
Retained profit/loss	-374,171,873	-93,514,972
Conversion reserve	-560,778	-530,215
Capital of owners of non-controlling shares	21,503,138	9,539,882
Total	**1,024,739,729**	**817,033,848**

in EUR

Capital reserves	31/12/2022	31/12/2021
Paid-in capital surplus	561,243,070	561,243,070
Subsequent capital increases by shareholders	492,000,000	0
Amount on the basis of elimination of general revaluation capital adjustment	113	113
Total	**1,053,243,183**	**561,243,183**

The value of share capital, capital reserves, and other reserves from profit changed in 2022 in relation to capital reserves arising from the EUR 492,000,000 capital increase from the state as the owner.

Other reserves from profit refer to the portion of the parent company's profits brought forward and generated up until 31 December 2013. Since that date, all profits of the parent company allocated to revenue reserves in the consolidated financial statements have not been brought forward in the consolidated statements and are reported under accumulated profit or loss.

Among hedge reserves, in the total amount of EUR -106,751,557, the Group discloses the following as at 31 December 2022:

- results of futures for electricity amounting to EUR -106,116,074,
- results of futures amounting to EUR 508,740 for emission allowances, and
- fair value of currency swaps in the amount of EUR -1,144,223.

in EUR

Risk hedging reserve movement	Standardised futures contracts for electricity	Standardised futures contracts for emission allowances	Currency swaps	Total
Balance as at 01/01/2022	-222,220,018	134,484,720	-1,156,205	-88,891,503
Formation, increase	0	0	11,982	11,982
Decrease	-146,607,599	-133,975,980	0	-280,583,579
Transfer to expenses	262,711,543	0	0	262,711,543
Balance as at 31/12/2022	-106,116,074	508,740	-1,144,223	-106,751,557

in EUR

Risk hedging reserve movement	Standardised futures contracts for electricity	Standardised futures contracts for emission allowances	Currency swaps	Total
Balance as at 01/01/2021	10,848,414	33,137,840	-776,874	43,209,380
Formation, increase	0	101,346,880	0	101,346,880
Decrease	-243,678,621	0	-379,331	-244,057,952
Transfer to expenses	10,610,189	0	0	10,610,189
Balance as at 31/12/2021	-222,220,018	134,484,720	-1,156,205	-88,891,503

The hedge reserve includes trading with standard futures on the electricity markets and with emission allowances and foreign exchange swaps.

In the case of futures for electricity, these refer to concluded transactions for the procurement and sales of electricity listed abroad for the period between 2023 and 2025, allowing the Group to hedge already concluded electricity sales transactions during the same period. In the case of futures for emission allowances, these refer to concluded transactions for the procurement and sales of emission allowances listed abroad for the period between 2023 and 2025. No deferred taxes were accounted for in relation thereto, as the price agreed upon during the conclusion of the transaction will be paid upon its realisation.

In 2022, the Group did not conclude any new foreign exchange swaps. The negative fair value of open foreign exchange swaps at the end of 2022 amounts to EUR 1,412,621, from which the Group accounted for EUR 268,398 in deferred tax liabilities. The final balance taking into consideration the deferred tax amounts to EUR 1,144,223.

in EUR

Movement of fair value reserve	Revaluation of investment property	Financial assets at fair value through other comprehensive income	Actuarial profits/losses on severance payments upon retirement	Other	Total
Balance as at 01/01/2022	353,209	75,971	-5,560,276	-9,096,565	-14,227,661
Formation, increase	0	0	847,910	0	847,910
Decrease, elimination	-195,657	-5,360	-513,778	2,335,000	1,620,205
Transfer to the profit/loss brought forward	0	0	177,033	0	177,033
Balance as at 31/12/2022	157,552	70,611	-5,049,111	-6,761,565	-11,582,513

in EUR

Movement of fair value reserve	Revaluation of investment property	Financial assets at fair value through other comprehensive income	Actuarial profits/losses on severance payments upon retirement	Other	Total
Balance as at 01/01/2021	372,447	34,834	-5,366,630	11,565	-4,947,784
Formation, increase	0	41,137	-2,891	58,178	96,424
Decrease, elimination	-19,238	0	-263,782	-9,166,308	-9,449,328
Transfer to the profit/loss brought forward	0	0	73,027	0	73,027
Balance as at 31/12/2021	353,209	75,971	-5,560,276	-9,096,565	-14,227,661

Other fair value reserves as at 31/12/2022 refers almost solely to the call option for a 36.42% shareholding of ECE, d.o.o. (EUR 6,759,992).

in EUR

Retained profit	2022	2021
Net profit/loss for the year	-280,477,134	48,729,840
Retained profit/loss	-93,694,739	-142,244,812
Total	-374,171,873	-93,514,972

The capital of owners of non-controlling interest which is the value of minority interest in the subsidiaries increased by EUR 11,963,257 in 2022, primarily from Energija plus joining the Group, and is shown at the end of 2022 in the amount of EUR 21,503,138.

in EUR

Non-controlling interests	31/12/2022	01-12/2022	31/12/2021	01-12/2021
	Non-controlling interests	Share in profit/loss	Non-controlling interests	Share in profit/loss
SRESA d.o.o.	17,058	-2,912	19,971	-881
sHPP LOBNICA d.o.o.	212,397	-5,004	217,402	1,566
HSE Invest d.o.o.	133,370	15,149	105,630	22,566
ECE d.o.o.	11,486,843	4,569,979	9,196,878	-1,783,215
Energija plus d.o.o.	9,653,470	3,949,833	0	0
Total	21,503,138	8,527,045	9,539,881	-1,759,964

PROVISIONS FOR RETIREMENT AND JUBILEE BENEFITS (16)

in EUR

Provisions for severance pays upon retirement and anniversary bonuses	31/12/2022	31/12/2021
Provisions for severance pays upon retirement	21,548,168	21,054,444
Provisions for anniversary bonuses	3,454,943	3,470,038
Total	25,003,111	24,524,482

The Group reports provisions for retirement and jubilee benefits set up on the basis of the actuarial calculation as at 31 December 2022.

in EUR

Movement of retirement benefit and anniversary bonuses provisions	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 01/01/2022	21,054,444	3,470,038	24,524,482
Acquisitions through a business merger	473,026	174,682	647,708
Formation, increase	3,162,517	426,751	3,589,268
Decrease, drawing	-1,333,828	-261,979	-1,595,807
Decrease, elimination	-1,807,991	-354,549	-2,162,540
Balance as at 31/12/2022	21,548,168	3,454,943	25,003,111

in EUR

Movement of retirement benefit and anniversary bonuses provisions	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 01/01/2021	19,986,797	3,427,926	23,414,723
Acquisitions through a business merger	509,327	189,533	698,860
Formation, increase	3,815,898	465,784	4,281,682
Decrease, drawing	-1,178,034	-202,114	-1,380,148
Decrease, elimination	-2,079,544	-411,091	-2,490,635
Balance as at 31/12/2021	21,054,444	3,470,038	24,524,482

The actuarial calculation was based on:

- employee data (gender, date of birth, date of first employment in the Group, employment for an indefinite or definite period of time, years of pensionable service as at 31/12/2022, years of service until first employment in the Group, type of employment agreement, average gross wage, etc.), the fluctuation of employees by age bracket,
- demographic assumptions (mortality tables, employee fluctuation, retirement rates),
- the average wage increase rates in the RS (monthly and annual) from the December Projection of the Bank of Slovenia are taken into account for 2023 and 2024. It is foreseen that from 2025 average wage rates in the RS will be raised annually in relation to the inflation rate (IMF, October 2022) and their real growth shall amount to 1.0%,
- the wage increase rate in society is accounted for by the growth of basic gross wages and the variable part of wages amounting to the annual inflation rate but shall not be higher than the foreseen average growth of wages in the RS.
- a discount rate determined in the 3.8-3.9% range, on the basis of the published yield of government bonds as at 31/12/2022,
- provisions of the new corporate collective agreement which define jubilee and retirement benefits and their amounts.

The sensitivity analysis of the change in the discounted interest rate and salary growth to provisions for jubilee and retirement benefits in 2022:

in EUR

Sensitivity analysis for provisions for severance pay and anniversary bonuses	2022			
	Discount rate		Salary growth	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%
Provisions for severance pays upon retirement	760,408	-742,626	-696,681	749,241
Provisions for anniversary bonuses	105,930	-118,681	-97,037	102,408
Total	**866,338**	**-861,307**	**-793,718**	**851,649**

in EUR

Sensitivity analysis for provisions for severance pay and anniversary bonuses	2021			
	Discount rate		Salary growth	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%
Provisions for severance pays upon retirement	382,610	-378,908	-334,768	357,662
Provisions for anniversary bonuses	45,775	-44,194	-39,204	41,318
Total	**428,385**	**-423,102**	**-373,972**	**398,980**

OTHER PROVISIONS (17)

in EUR

Other provisions	31/12/2022	31/12/2021
For legal actions	1,028,631	635,127
For closing works of coal mine caves	40,254,052	52,511,052
For decommissioning	13,323,488	16,074,171
For damages	1,561,307	1,581,633
Other provisions	2,877,527	2,481,902
Total	**59,045,005**	**73,283,885**

The fall in provisions mainly relates to the fall in provisions related to the closing works of coal mines and to the decommissioning of Block 6 resulting from the effect of the change in the used discount rate in relation to the previous year.

Provisions also include provisions set up to be payable to retired workers, annuitants. Annuities are set up subject to the current known liabilities and by assuming the remaining period of annuity payments based on the information on the average age of men.

in EUR

Movement of other provisions	For legal actions	For closing works of coal mine caves	For decommissioning	For damages	Other provisions	Total
Balance as at 01/01/2022	635,127	52,511,052	16,074,171	1,581,633	2,481,902	73,283,885
Formation, increase	519,356	2,444,000	10,448	234,164	477,626	3,685,594
Decrease, drawing	0	-14,643,000	-2,761,131	-145,755	-34,563	-17,584,449
Decrease, elimination	-125,852	-58,000	0	-108,735	-47,438	-340,025
Balance as at 31/12/2022	1,028,631	40,254,052	13,323,488	1,561,307	2,877,527	59,045,005

in EUR

Movement of other provisions	For legal actions	For closing works of coal mine caves	For decommissioning	For damages	Other provisions	Total
Balance as at 01/01/2022	837,045	46,099,052	15,322,108	1,629,598	2,619,045	66,506,848
Acquisitions through a business	0	0	0	0	38,805	38,805
Formation, increase	101,201	6,412,000	752,063	198,806	9,560	7,473,630
Decrease, drawing	-53,119	0	0	-143,457	-156,410	-352,986
Decrease, elimination	-250,000	0	0	-103,314	-29,098	-382,412
Balance as at 31/12/2022	635,127	52,511,052	16,074,171	1,581,633	2,481,902	73,283,885

Provisions for lawsuits were set up based on the estimation of liability from lawsuits where the Group appears as defendant. The set up of these provisions also refers to default interest charged on a part of damage amounts claimed.

For 2022, PV reassessed the valuation of the activity and value of closing works in a study of January 2023, subject to which it set up additional closing works provisions in the amount of EUR 2,444,000. The reported effect of the provision balance discounting reconciliation reduces these by EUR 58,000 in 2022. The provisions fell further through the increase in the value of cave structural installations due to the expected closing works by EUR 14,643,000, due to the effect of the change in the discount rate applied in relation to the previous year by taking into account the foreseen closure of PV after 2033.

Based on the Energy Permit and assessment of Block 6 decommissioning costs upon the expiry of its useful life in 2015, TEŠ set up additional provisions in the amount of EUR 9,113,000. The current value of the assessed commissioning costs, by taking into account a 20-year government bond as at 30 December 2022, amounts to EUR 13,323,487. The increase in provisions for the decommissioning of Block 6 includes EUR 10,448 in financial expenses (discounting owing to the passage of time), whereas EUR 2,761,131 are the effect of changing the discount rate shown through the value adjustment of investments in construction works.

The used discount rate amounting to 0.01793% has been calculated taking into account the nominal interest rate for 20-year government bonds as at 30/12/2022 and long-term inflation rates.

OTHER NON-CURRENT LIABILITIES (18)

in EUR

Other non-current liabilities	31/12/2022	31/12/2021
Emission allowances	40,623	54,918
Other received government grants	1,392,305	1,052,607
Other	6,818,950	9,512,091
Total	**8,251,878**	**10,619,616**

The call option for the remaining portion of the investment (36.42%) in ECE after 01/01/2025, recorded under the Group's other non-current liabilities constitutes the majority of other non-current liabilities. The option value is recognised in the amount of the estimated liability arising from the redemption of the call option as at 31/12/2024 and amounts to EUR 6.7 million. The change compared to the previous year related to the realisation of the redeemed call option for a 12.58% shareholding of ECE.

Other received government grants refer to assigned contributions for disabled workers in compliance with the Vocational Rehabilitation and Employment of Disabled Persons Act used to cover the costs in addition to the funds received from the co-financing as part of the European project.

in EUR

Movement of other non-current liabilities	Emission allowances	Other received government grants	Other	Total
Balance as at 01/01/2022	**54,918**	**1,052,607**	**9,512,090**	**10,619,615**
Acquisition	0	7,931,978	0	7,931,978
Disposals	0	-7,592,280	-2,693,141	-10,285,421
Release	-14,295	0	0	-14,295
Balance as at 31/12/2022	**40,623**	**1,392,305**	**6,818,949**	**8,251,877**

in EUR

Movement of other non-current liabilities	Emission allowances	Other received government grants	Other	Total
Balance as at 01/01/2021	**0**	**1,150,664**	**385,039**	**1,535,703**
Acquisitions through a business merger	0	0	138,827	138,827
Acquisition	54,918	7,362,861	9,292,877	16,710,656
Disposals	0	-7,460,918	-282,834	-7,743,752
Release	0	0	-21,819	-21,819
Balance as at 31/12/2021	**54,918**	**1,052,607**	**9,512,090**	**10,619,615**

NON-CURRENT FINANCIAL LIABILITIES (19)

in EUR

Non-current financial liabilities	31/12/2022	31/12/2021
Non-current financial liabilities to banks	548,758,833	497,730,640
Non-current financial liabilities from leases	3,242,768	3,520,256
Total	**552,001,601**	**501,250,896**

Non-current financial liabilities to banks include non-current borrowings from Slovenian and foreign banks. Interest rates are fixed and variable. Variable interest rates were based on 6-month Euribor, respectively, and a margin ranging from 0.97% to 4.90%. In the case of a negative Euribor, some loans are only remunerated by taking the margin into account. The fixed rate is 3.158%.

The values of loan principals repayable in 2023 are recorded as current liabilities to banks in the amount of EUR 76,214,400.

The Group has EUR 285,000,000 in revolving loans granted; out of which EUR 185,000,000 were drawn as at 31 December 2022.

The Group regularly monitors the developments related to Euribor market interest rates and accordingly compiles periodical Interest Rate Management Strategies of the Company. The objective of interest rate risk management is to limit and reduce the risk associated with changes in interest rates and to thus stabilise cash flows. No new interest rate hedging contracts were concluded in 2022.

in EUR

Movement of non-current financial liabilities	Non-current financial liabilities to banks	Non-current financial liabilities from leases	Total
Balance as at 01/01/2022	**497,730,640**	**3,520,256**	**501,250,896**
Acquisitions through a business merger	0	974,608	974,608
Acquisition	595,000,000	955,199	595,955,199
Transfers to current liabilities	-76,214,400	-1,972,419	-78,186,819
Repayments	-467,757,407	0	-467,757,407
Other	0	-234,876	-234,876
Balance as at 31/12/2022	**548,758,833**	**3,242,768**	**552,001,601**

in EUR

Movement of non-current financial liabilities	Non-current financial liabilities to banks	Non-current financial liabilities from leases	Total
Balance as at 01/01/2021	**596,823,215**	**2,635,007**	**599,458,222**
Acquisitions through a business merger	0	216,397	216,397
Acquisition	0	3,099,303	3,099,303
Transfers from current liabilities	0	158,150	158,150
Transfers to current liabilities	-92,343,614	-2,583,126	-94,926,740
Repayments	-6,748,961	0	-6,748,961
Other	0	-5,475	-5,475
Balance as at 31/12/2021	**497,730,640**	**3,520,256**	**501,250,896**

All Group's non-current loans are collateralised with mortgages on properties, assignment of receivables, pledge of accounts, cash and shareholding interests, and a guarantee of the parent company, a guarantee of a subsidiary, and a guarantee of the Republic of Slovenia and with bills of exchange.

Non-current loan agreements concluded by the Group include bank commitments which had been breached but statements on the look-through by banks were received on time. Maturities of non-current liabilities by period are disclosed in the liquidity risk section.

CURRENT FINANCIAL LIABILITIES (20)

in EUR

Current financial liabilities	31/12/2022	31/12/2021
Current financial liabilities to banks without interest	262,373,685	137,983,994
Current financial liabilities to banks for interest	957,942	181,687
Current derivatives	1,412,621	1,427,414
Other current financial liabilities	39,262	89,846
Current financial liabilities from leases	2,018,048	1,506,470
Total	**266,801,558**	**141,189,411**

The majority of current financial liabilities are current loans received and the current part of the Group's non-current loans repayable within a year following the date of the consolidated statement of financial position.

in EUR

Movement of current financial liabilities	Current financial liabilities to banks without interest	Current financial liabilities to banks for interest	Current derivatives	Other current financial liabilities	Current financial liabilities from leases	Total
Balance as at 01/01/2022	**137,983,993**	**181,687**	**1,427,414**	**89,846**	**1,506,470**	**141,189,410**
Acquisitions through a business merger	10,000,000	861	0	0	130,125	10,130,986
Increase	473,339,810	16,821,634	0	2,506,238	138,115	492,805,797
Transfers from non-current liabilities	76,214,400	0	0	0	1,965,789	78,180,189
Current repayments	-344,593,800	-16,046,240	0	-2,556,822	-1,373,511	-364,570,373
Non-current repayments	-90,570,718	0	0	0	-348,940	-90,919,658
Other	0	0	(14,793)	0	0	-14,793
Balance as at 31/12/2022	**262,373,685**	**957,942**	**1,412,621**	**39,262**	**2,018,048**	**266,801,558**

in EUR

Movement of current financial liabilities	Current financial liabilities to banks without interest	Current financial liabilities to banks for interest	Current derivatives	Other current financial liabilities	Current financial liabilities from leases	Total
Balance as at 01/01/2021	**69,444,057**	**58,606**	**959,104**	**76,007**	**1,187,488**	**71,725,262**
Acquisitions through a business merger	0	0	0	0	25,411	25,411
Increase	183,290,000	17,034,161	0	1,149,324	10,228	201,483,713
Transfers from non-current liabilities	92,343,614	0	0	0	2,700,327	95,043,941
Transfers to non-current liabilities	0	0	0	0	-158,150	-158,150
Current repayments	-116,582,233	-3,756,709	0	-1,135,485	-594,765	-122,069,192
Non-current repayments	-90,511,445	-13,154,371	0	0	-1,694,953	-105,360,769
Other	0	0	468,310	0	30,884	499,194
Balance as at 31/12/2021	**137,983,993**	**181,687**	**1,427,414**	**89,846**	**1,506,470**	**141,189,410**

CURRENT TRADE PAYABLES (21)

in EUR

Current operating liabilities	31/12/2022	31/12/2021
Current operating liabilities to associates	1,048,791	1,524,836
Current operating liabilities to suppliers	403,384,923	222,417,930
Total	404,433,714	223,942,766

Disclosures on the maturity of trade payables are presented in the liquidity risk section.

OTHER CURRENT LIABILITIES (22)

in EUR

Other current liabilities	31/12/2022	31/12/2021
Current operating advance payables	18,054,873	4,510,752
Current operating liabilities to employees	15,089,417	13,362,994
Current operating liabilities to state and other institutions	21,301,249	36,909,464
Current operating liabilities to others	27,855,373	169,679,265
Current accrued costs or expenses	26,253,140	27,125,431
Total	108,554,052	251,587,906

Other current liabilities primarily include current liabilities to others, current accrued costs and expenses, and current operating liabilities to the State and other institutions.

Liabilities to the state and other institutions refer to the value added tax liability and the liability from surrendering emission allowances to the state.

Other current liabilities are liabilities to employees referring to the payment of remuneration for December in January 2023. Among them, the Group also discloses liabilities related to leave unexpended.

Liabilities to others where the Group shows a liability from the valuation of physical contracts at fair value through profit of loss account for the majority of current liabilities to others.

Current accrued costs largely refer to costs of accrued interest and bank guarantees, and costs related to the procurement of electricity.

CONTINGENT LIABILITIES (23)

in EUR

Contingent liabilities	31/12/2022	31/12/2021
Performance bonds/warranties for the rectification of defects	3,464,077	1,430,801
Bid warranties	0	30,000
Total	3,464,077	1,460,801

3.5.7.2 Consolidated income statement

REVENUE FROM CONTRACTS WITH CUSTOMERS (24)

in EUR

Revenue from contracts with customers	2022	2021
On the domestic market	**1,820,983,439**	**800,908,558**
Electricity	1,758,445,801	755,257,824
Heat energy	9,644,649	9,908,157
Natural gas	9,023,384	0
Other products	10,461,449	2,002,804
Other goods and material	16,999,682	5,989,369
Other services	16,408,474	27,750,404
On foreign market	**3,509,692,986**	**1,737,295,664**
Electricity	3,473,764,010	1,718,825,264
Natural gas	5,665,973	0
Other products	361,555	521,246
Other goods and material	5,483,008	5,381,254
Other services	24,418,440	12,567,900
Total	**5,330,676,425**	**2,538,204,222**

Most of the revenue from contracts with customers refers to the revenue generated through the sale of electricity by the parent company. The revenue from the sale of electricity accounts for 98.15% of all net revenue from sales. Compared to 2021, revenue from contracts with customers has risen on account of higher electricity prices on both the domestic and foreign markets.

Revenue from heat refer solely to the revenue generated by TEŠ.

Revenue generated from other merchandise and material mainly include the sale of waste material, emission allowances, and other merchandise.

Revenue from other services provided was generated by the HSE Group largely through services related to electricity (i.e. transmission capacities, guarantees of origin, etc.), whereas the rest refers to construction, mining and maintenance services, lease payments for property and other services.

OTHER OPERATING REVENUE (25)

in EUR

Other operating income	2022	2021
Revenue from withdrawal of provisions	371,848	388,115
Drawing deferred revenue	7,462,461	7,881,008
Elimination of impairment of receivables	2,257,345	82,762
Revenue from damages and contractual penalties	2,125,584	237,168,040
Default interest	223,314	79,276
Profit from the sale of fixed assets	1,445,942	431,623
Profit from the elimination of impairment of receivables	0	179,699
Gain from a bargain purchase	0	307,005
Profit from derivatives due to trading with electricity, emission allowances and gas	39,919,442	123,983,044
Other	1,549,868	3,525,292
Total	**55,355,804**	**374,025,864**

The majority of other operating revenue is accounted for by the profits derived from trading with electricity derivatives and emission allowances.

The absorption of deferred revenue refers primarily to the uptake of contributions assigned for the disabled.

As part of revenue from compensation and penalties, the Group posts the compensation by E.ON and various compensations for damage subject to various loss events. The reduction of revenue from compensation compared to the previous year refers to revenue for compensation received in 2021 from GE following the out-of-court settlement in the arbitration proceedings related to the construction of Block 6 (EUR 231,459,934).

The reversal of the impairment of receivables relates to the payment of previously impaired receivables.

The revenue from capital gains is related almost solely to the sales of the Avtokamp Jezero complex and the “Old Power Plant” (Stara elektrarna) in Velenje amounting to EUR 1,034,373.

COSTS OF GOODS, MATERIALS AND SERVICES (26)

in EUR

Costs of goods, materials and services	2022	2021
Purchase value of sold goods	4,992,276,181	2,016,914,655
Contingent costs of sold goods	48,988,212	34,397,012
Total purchase value of sold goods	**5,041,264,393**	**2,051,311,667**
Costs of material	61,115,540	40,735,097
Cost of supplementary material	2,653,987	3,074,680
Costs of energy	3,505,337	2,605,048
Costs of spare parts	6,334,275	7,106,786
Costs of small tools	582,604	564,229
Stationery	275,053	182,990
Expert literature	63,478	32,349
Harmonisation of costs of material and small tools	10,153	33,635
Costs for fire prevention	6,388	894
Other	2,390,277	1,887,950
Total material costs	**76,937,092**	**56,223,658**
Costs of services from product generation	17,445,129	17,766,553
Costs of transport services	2,073,039	1,930,396
Costs of maintenance	10,066,720	9,355,930
Costs of rents	2,870,668	2,292,803
Costs of reimbursements of work-related expenses to employees	276,631	187,753
Costs of insurance and bank services	7,476,674	6,406,649
Costs of intellectual and personal services	6,190,068	10,247,114
Costs of fairs, advertising and administration	1,805,204	1,058,487
Costs of services of natural entities	1,658,396	1,276,654
Municipal services	4,258,902	3,724,044

in EUR

Costs of goods, materials and services	2022	2021
Costs of mining damage	209,581	149,508
Costs of protection and supervision	16,868	16,873
Cleaning costs	19,119	18,972
Membership contributions	219,790	203,647
Real property management	72,668	307,022
Costs of shipping	8,010	2,804
Costs of deposit site regulation	9,953	1,530
Drawing up annual reports and magazines	818	0
Costs of copying and plotting	0	10,639
Other	2,926,308	1,355,108
Total costs of services	**57,604,546**	**56,312,486**
Total	**5,175,806,031**	**2,163,847,811**

The cost of goods sold, accounting for 97.4% of our operating expenses, includes primarily the expenses related to the procurement of electricity and the accompanying expenses thereof.

Costs of materials comprise the most significant costs of energy products required for the production of electricity (except costs of coal) and thermal energy, as well as the costs of spare parts and material for maintenance of plant and equipment.

Costs of services to a large extent include the maintenance costs of the Group's fixed assets, costs of insurance, costs of personal and intellectual services; services related to creating products include construction services, drilling work and diverse restoration work and utility services. Insurance and bank service costs increased primarily due to higher insurance prices.

in EUR

Audit costs	2022	2021
Annual Report audit	198,004	105,156
Other services of providing guarantees	18,000	5,300
Total	**216,004**	**110,456**

The 2022 financial statements of Group companies based in Slovenia were audited by the audit firm Deloitte revizija d.o.o., which also simultaneously reviewed financial information of its foreign subsidiaries included in the consolidated financial statements. Their financial statements were not audited in their countries of residence.

Two companies, registered abroad, were audited by audit companies in their respective countries. The audit company also rendered other assurance work-related services such as the review of the Relations with Affiliates Report.

LABOUR COSTS (27)

in EUR

Labour costs	2022	2021
Salaries	101,964,276	100,130,725
Pension insurance costs	17,736,556	17,496,915
Other insurance costs	7,544,946	7,381,637
Other labour costs	15,229,100	14,292,797
Total	**142,474,878**	**139,302,074**

Labour costs comprise salaries and allowances, social insurance contributions, supplementary pension insurance and other labour costs (meal allowance, commuting allowance, optional personal insurances, annual leave allowance, solidarity, provisions for jubilee and retirement benefits, etc.). Costs of allowances actually paid for leave not taken in 2022 that may be taken by employees until 30 June 2023 are also included.

Education level			
Number of employees and average number of employees by educational structure	01/01/2022	31/12/2022	Average number of employees
1	167	174	171
2	102	100	101
3	59	55	57
4	1,036	1,054	1,045
5	850	877	864
6/1	349	351	350
6/2	266	285	276
7	324	345	335
8/1	87	89	88
8/2	16	19	18
Total	**3,256**	**3,349**	**3,303**

VALUE WRITE-OFFS (28)

in EUR

Value write-offs	2022	2021
Amortisation of intangible assets	1,395,375	951,253
Amortisation of property, plant and equipment	90,368,794	72,703,757
Amortisation of leased assets	1,783,399	1,326,654
Receivables impairments/write-offs	290,069	1,033,377
Inventories impairments/write-offs	328,208	140,799
Impairments in property, plant and equipment and intangible assets	18,316,000	164,491,000
Impairments in real property, plant and equipment	1,524,768	1,231,383
Sales in property, plant and equipment and intangible assets	59,082	7,010
Total	**114,065,695**	**241,885,233**

CAPITALISED OWN PRODUCTS (29)

in EUR

Capitalised own products	2022	2021
Capitalised own products and services	-18,450,407	-19,180,331
Total	**-18,450,407**	**-19,180,331**

Capitalised own products and services largely comprise:

- engineering services rendered during the construction and reconstruction of hydro-electric power plants and
- construction works on facilities.

OTHER OPERATING EXPENSES (30)

in EUR

Other operating expenses	2022	2021
Forming of provisions	1,418,774	300,006
Fee for the use of construction land	11,399,083	11,494,036
Concessions	5,732,869	22,384,412
Environmental protection expenses	112,073,339	100,650,211
Donations	511,728	497,239
Fair value of commodity contracts	84,609,622	161,377,066
Other operating expenses	5,377,954	1,827,918
Total	**221,123,369**	**298,530,888**

The most important other operating expenses are environmental protection expenses (emission allowance and water treatment levy costs) and operating expenses related to the fair value of commodity contracts. Expenses arising from concessions were reduced as a result of lower generation levels and the provision of the UOKPOE reducing the price of electricity for calculating the concession to 2020 levels.

FINANCIAL RESULT (31)

In 2022 the Group generated a negative financial result in the amount of EUR 26,906,841.

in EUR

Financial revenue	2022	2021
Financial revenue from dividends and other profit shares	14,240	2,012
Financial revenue from loans and deposits given	146,253	4,352
Other financial income	6,951	71,362
Total	**167,444**	**77,726**

in EUR

Financial expenses	2022	2021
Financial expenses for interest	16,589,476	16,104,200
Financial expenses from the sale of financial investments	0	1,740
Other financial expenses	10,363,250	7,461,852
Other financial expenses from leases	121,559	122,665
Total	**27,074,285**	**23,690,457**

Other financial expenses primarily refer to costs associated with guarantees for borrowings.

FINANCIAL REVENUE FROM PARTICIPATING INTERESTS IN ASSOCIATES AND JOINT VENTURES (32)

in EUR

Share of the profit of investments using the equity method	2022	2021
HESS d.o.o.	494,742	1,167,030
Soenergetika d.o.o.	931,389	115,217
Total	**1,426,131**	**1,282,247**

TAX (33)

in EUR

Taxes	2022	2021
Current tax	7,527,999	19,195,895
Deferred tax	620,627	-182,631
Total tax from profit recognised in the income statement	**8,148,626**	**19,013,264**
Deferred tax recognised in capital	-518	1,530

Group companies are subject to corporate income tax.

In 2022, nine companies in Slovenia were subject to corporate income tax, as well as all our three companies abroad. Our remaining companies did not establish a basis for its payment due to tax relief, the withdrawal of tax losses and negative operating results.

Current tax of Group companies in 2022 amounted to EUR 8,148,626. Based on current tax at the end of 2022, Group companies disclose EUR 16,524,980 of current tax assets and EUR 6,238,321 of the current tax liabilities.

Deferred taxes relate to deferred tax assets recognised in the amount of taxable profits against which tax can be utilised in the future. Deferred tax assets are decreased by the amount up to which it is no longer probable that tax deductible expenses can be utilised in the future or the amount up to which expenses have been included in the tax returns for the current year.

Among deferred taxes, the Group reports EUR 2,074,398 in deferred tax assets and EUR 24,298 in deferred tax liabilities. Further details on deferred tax assets are disclosed in Notes 7 and 8 of the consolidated statement of financial position.

At the end of 2022, Group companies have EUR 1,264,162,352 in unused tax losses, for which they did no deferred tax assets were set up.

The current tax base was established by correcting revenue and expenses in terms of a decrease and increase of the tax base, as shown in the following table.

in EUR

Effective tax rate calculation	2022	2021
Profit (loss) before tax	-263,801,462	65,983,140
Calculated tax at the applicable tax rate	-50,122,278	12,536,797
Tax on revenues that lower the tax base	1,400,101	-107,011
Tax on tax deductions	-1,123,040	-1,899,873
Tax on expenses that lower the tax base	194,939	-556,559
Tax on non-deductible expenses	1,243,533	1,582,711
Tax from other changes in the tax balance sheet	-1,189,238	772,157
Tax effects of unrecognised deferred assets arising from tax losses	57,230,275	6,915,871
Effect of higher/lower tax rate of companies abroad	-106,293	-48,197
Tax levied	**7,527,999**	**19,195,895**
Deferred tax	**620,627**	**-182,631**
Total taxes	**8,148,626**	**19,013,264**
Effective tax rate	**/**	**28.82%**

NET PROFIT OR LOSS (34)

in EUR

Net profit or loss	2022	2021
Gross operating return	5,415,149,216	2,931,879,630
Operating profit/loss	-238,320,754	88,313,624
Financial outcome	-26,906,840	-23,612,731
Profit (loss) before tax	-263,801,463	65,983,140
Net profit/loss for the year	**-271,950,089**	**46,969,876**

3.5.7.3 Related persons

Related persons are entities in which the Group has a significant influence and companies in which the Group jointly controls with other owners the operations of this entity, and of the entities where the government owns the majority equity interest.

The Group operated with related persons based on purchase contracts. The turnover of all transactions (excluding VAT) including financial revenues is recorded between sales and purchases. Transactions with associates mostly refer to the purchase of electricity from the HESS and the write-up of profits in this company.

The most important transactions with related companies include the following:

- transactions with associates and joint ventures and
- transactions with companies that are directly or indirectly owned by the Republic of Slovenia (its participating interest therein exceeding 50%) and are important for the HSE Group with regard to the level of materiality of the transactions (revenue or expenses in 2022 exceed EUR 2,000,000), except banks where all transactions are disclosed. Most transactions refer to electricity trading or the financing of the HSE Group.

The parent company is 100% owned by the Republic of Slovenia. Dividends were not disbursed in 2022. However, the owner performed a capital increase of EUR 492 million in December 2022.

in EUR

Transactions with associated companies	Sales	Purchases	Receivables as at 31/12/2022	Liabilities as at 31/12/2022
Associates	755,379	10,020,951	95,226	1,048,791
Total jointly-controlled company	931,449	0	73	0
Total	**1,686,828**	**10,020,951**	**95,299**	**1,048,791**

in EUR

Transactions with the Republic of Slovenia and legal entities directly owned by the Republic of Slovenia	Outstanding receivables as at 31/12/2022	Outstanding liabilities as at 31/12/2022	Revenue 01-12/2022	Expenses 01-12/2022
BORZEN d.o.o.	4,430,861	4,116,233	36,460,602	33,045,240
BSP d.o.o.	134,384	96,132	279,427,587	774,077,627
ELES d.o.o.	3,114,477	1,205,114	24,696,335	4,463,101
Plinovodi d.o.o.	186,656	485,497	614,905	5,009,888
GEN energija d.o.o.	38,225	15,232,474	11,412,517	24,379,756
Energy companies – total	**7,904,603**	**21,135,451**	**352,611,947**	**840,975,613**
TALUM d.d.	264,998	1,229,498	24,455,611	5,887,017
Aluminium production	**264,998**	**1,229,498**	**24,455,611**	**5,887,017**
ZAVAROVALNICA TRIGLAV d.d.	49,865	19,578	200,307	4,043,719
SODO D.O.O.	3,478,481	11,149,663	23,597,285	246,089,888
DARS d.d.	942,650	0	3,604,277	8,748
Other – total	**4,470,996**	**11,169,241**	**27,401,869**	**250,142,355**
SID d.d.	0	104,074,148	0	1,069,274
Banks – total	**0**	**104,074,148**	**0**	**1,069,274**
Total	**12,640,597**	**137,608,337**	**404,469,427**	**1,098,074,259**

3.5.7.4 Remuneration

The revenue shown below by recipient category refer to remuneration in 2022. Board and management Members and Members of the Supervisory Boards of Group companies neither shared in the profit as decided by the respective General Assemblies nor were they granted advances, new loans or guarantees in 2022 by HSE Group companies.

Remuneration of Management Board Members:

in EUR

Management remuneration in the 2022	Function	Fixed remuneration - gross (1)	Variable remuneration - gross (2)	Deferred remuneration (3)	Bonuses (4)	Total (1+2+3+4)
Tomaž Štokelj, Ph.D.	CEO of HSE since 08/11/2022	10,822	0	0	39	10,861
Viktor Vračar, Ph.D.	CEO of HSE until 07/11/2022	141,231	11,340	0	3,805	156,376
Uroš Podobnik	CBO of HSE	136,622	10,206	0	3,767	150,595
Marko Štrigl, M.Sc.	CBO of HSE until 22/12/2022	133,116	10,206	0	6,314	149,636
Aleksander Brunčko	CEO of DEM until 31/10/2022	98,999	5,408	0	7,745	112,152
Damjan Seme, M.Sc.	CEO of DEM since 01/11/2022	10,978	0	0	686	11,664
Damjan Seme, M.Sc.	CEO of DEM until 31/10/2022	80,996	0	0	5,754	86,750
Radovan Jereb, M.Sc.	CEO of SENG until 31/12/2022	100,679	7,377	6,435	3,493	117,984
Viktor Vračar, Ph.D.	CEO of TEŠ since 08/11/2022	8,658	0	0	165	8,823
Mitja Tašler	Business director of TEŠ until 07/11/2022	92,564	6,796	0	4,233	103,593
Matjaž Vodušek, M.Sc.	CEO of TEŠ until 07/11/2022	88,777	0	0	6,399	95,176
Jure Šimic, M.Sc.	CEO of HSE Invest	85,942	5,830	0	3,461	95,233
Aleksander Brunčko	Management Board of HSE Invest as of 01/01/2022	1,000	0	0	0	1,000
Iztok Černoša	CEO of RGP until 07/09/2022	59,957	0	0	4,274	64,231
Miran Hudournik	CEO of RGP since 08/09/2022	20,085	0	0	0	20,085
Nina Mauhler, M.Sc.	CEO of HTZ until 16/10/2022	75,367	6,840	0	5,369	87,576
Simon Dobaj	CEO of HTZ until 31/05/2022	34,600	0	0	3,231	37,831
Staška Velikonja	CEO of HTZ since 17/10/2022	10,126	0	0	11	10,138
Damijan Kanduti, M.Sc.	CEO of PLP	61,200	3,381	0	777	65,358
Janez Rošer, Ph.D.	CEO of PV	108,000	0	0	5,941	113,941
Aleš Logar, M.Sc.	CEO of PV	91,800	0	0	5,760	97,560
Iztok Kikec	CEO of SIPOTEH	61,200	2,565	4,965	124	68,854
Bojan Horvat	CEO of Energija plus until 14/06/2022	13,008	0	7,770	124	20,902
Alan Perc, M.Sc.	CEO of Energija plus since 15/06/2022	49,909	0	0	2,765	52,674
Ervin Renko	Management Board of EDT	12,000	540	0	0	12,540
Sebastijan Roudi, M.Sc.	CEO of ECE	101,962	0	0	5,023	106,985
Zlatko Sahadžić	CEO of HSE BH	27,572	0	0	0	27,572

No severance allowances were paid out in 2022.

Remuneration of Members of the Supervisory Board and its committees:

in EUR

Income of supervisory board members in 2022	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Franc Dover	SB President of HSE until 21/09/2022	10,508	5,255	15,763	3,135	18,898	867
Nevenka Hrovatin, Ph.D.	SB President of HSE since 27/09/2022	2,492	1,246	3,738	1,925	5,663	59
Andrej Janša	Deputy President of SB of HSE until 21/09/2022	10,508	1,051	11,559	3,135	14,694	1,013
David Valentinčič	Deputy President of SB of HSE since 27/09/2022	2,492	249	2,741	1,925	4,666	861
Robert Celec	Member of SB of HSE until 21/09/2022	10,508	0	10,508	3,135	13,643	888
Janez Gutnik	Member of SB of HSE until 21/09/2022	10,508	0	10,508	3,135	13,643	1,002
Jernej Otič	Member of SB of HSE	13,000	0	13,000	5,060	18,060	314
Denis Bele	Member of SB of HSE	13,000	0	13,000	5,060	18,060	964
Tjaša Prinčič	Member of SB of HSE from 03/02/2022 to 21/09/2022	8,226	0	8,226	2,310	10,536	874
Barbara Gorjup, M.Sc.	Member of SB of HSE since 22/09/2022	2,492	0	2,492	1,925	4,417	48
Boštjan Grešak	Member of SB of HSE until 22/09/2022	2,492	0	2,492	1,925	4,417	50
Miha Šebenik	Member of SB of HSE until 22/09/2022	2,492	0	2,492	1,925	4,417	37
Boštjan Jančar	Representative of employees of SB of HSE until 01/07/2022	7,653	0	7,653	2,640	10,293	14
Petja Rijavec, M.Sc	Representative of employees of SB of HSE until 01/07/2022	7,653	0	7,653	2,640	10,293	741
Peter Cerkvenik	Representative of employees of SB of HSE since 04/07/2022	5,312	0	5,312	2,145	7,457	193
Dejan Kolarič	Representative of employees of SB of HSE since 04/07/2022	5,312	0	5,312	2,420	7,732	104
Viktor Vračar, Ph.D.	SB President of DEM until 15/11/2022	9,329	0	9,329	1,038	10,367	0
Tomaž Štokelj, Ph.D.	President of SB of DEM since 15/12/2022, member of SB of DEM from 16/11/2022 to 14/12/2022	1,051	0	1,051	173	1,224	0
Urška Gašperlin, M.Sc.	Deputy president of SB of DEM	7,818	0	7,818	1,211	9,029	0
Marjan Kirbiš	Member of SB of DEM	7,108	0	7,108	1,211	8,319	0
Marko Štrigl, M.Sc.	SB President of PV until 23/11/2022	7,385	3,693	11,078	947	12,024	27
Marko Bahor, M.Sc.	Deputy president of SB of PV until 23/11/2022	7,385	739	8,124	947	9,070	249
Danilo Rednjak	Representative of employees of SB of PV	7,385	0	7,385	947	8,332	0
Tomaž Štokelj, Ph.D.	President of SB of SENG since 13/12/2022, member of SB of SENG from 16/11/2022 to 12/12/2022	703	273	976	159	1,135	0
Uroš Podobnik	SB President of SENG until 15/11/2022	5,584	3,003	8,587	796	9,383	0

The table continues →

in EUR

Income of supervisory board members in 2022	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Kristina Rovšek	Deputy president of SB of SENG	6,543	654	7,197	955	8,152	0
Boštjan Čopi	Member of SB SENG	6,543	0	6,543	955	7,498	0
Drago Skornšek	SB President of TEŠ until 31/12/2021	615	308	923	197	1,120	0
Tomaž Štokelj, Ph.D.	President of SB of TEŠ since 07/12/2022, member of SB of TEŠ from 16/11/2022 to 06/12/2022	462	0	462	0	462	0
Viktor Vračar, Ph.D.	President of SB of TEŠ until 07/11/2022, member of SB of TEŠ from 01/01/2022 to 15/02/2022	6,303	2,661	8,964	1,380	10,344	0
Tomaž Pestotnik	Deputy President of SB of TEŠ	7,385	739	8,124	1,380	9,504	72
Aleš Radnjak	Representative of employees of TEŠ	7,385	0	7,385	1,380	8,765	0
Jana Pogačnik, M.Sc.	President of SB of Energija plus since 22/12/2022, member of SB of Energija plus from 25/11/2022 to 21/12/2022	141	0	141	0	141	0
Marko Bahor, M.Sc.	President of SB of Energija plus from 08/07/2022 to 25/11/2022, member of SB of Energija plus from 15/06/2022 to 07/07/2022	3,790	1,627	5,417	1,375	6,792	305
Saša Prelič, Ph.D.	President of SB of Energija plus until 15/06/2022	1,059	530	1,589	275	1,864	0
Andreja Žinkovič	Deputy President of SB of Energija plus	4,591	408	4,998	1,650	6,648	0
Boštjan Majč	Member of SB of Energija plus	4,944	0	4,944	1,650	6,594	0
Marko Štrigl, M.Sc.	President of SB of ECE until 25/11/2022	11,300	5,650	16,950	2,420	19,370	0
Boris Kupec	Deputy President of SB of ECE	11,300	1,130	12,430	2,420	14,850	0
Marija Kupčič	Member of SB of ECE	11,300	0	11,300	2,420	13,720	0

in EUR

Remuneration of members of the Audit Committee of SB 2022	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Barbara Gorjup, M.Sc.	President of AC of HSE since 27/09/2022	0	867	867	220	1,087	0
Andrej Janša	President of AC of HSE until 21/09/2022	0	3,534	3,534	1,760	5,294	168
Janez Gutnik	Member of AC of HSE until 21/09/2022	0	2,356	2,356	1,760	4,116	26
Boštjan Jančar	Member of AC of HSE until 01/07/2022	0	1,913	1,913	1,320	3,233	0
Jernej Otič	Member of AC of HSE since 04/07/2022	0	1,328	1,328	660	1,988	0
Miha Šebenik	Member of AC of HSE since 27/09/2022	0	578	578	220	798	0
Marko Hočevar, Ph.D.	External member of AC of HSE	13,000	0	13,000	2,376	15,376	242
Urška Gašperlin, M.Sc.	President of AC of DEM	0	2,666	2,666	1,107	3,773	0
Marjan Kirbiš	Member of AC of DEM	0	1,777	1,777	1,107	2,884	0
Rado Sodin	External member of AC of DEM	7,108	0	7,108	1,211	8,319	213
Marko Bahor, M.Sc.	President of AC of PV until 23/11/2022	0	3,392	3,392	947	4,339	60
Romana Jontes	External member of AC of PV	9,047	0	9,047	1,144	10,191	54
Danilo Rednjak	Member of AC of PV	0	2,262	2,262	947	3,208	0
Kristina Rovšek	President of AC of SENG	0	2,454	2,454	892	3,345	0
Boštjan Čopi	Member of AC of SENG	0	1,636	1,636	892	2,527	0
Romana Jontes	External member of AC of SENG	6,543	0	6,543	1,114	7,657	597
Tomaž Pestotnik	President of AC of TEŠ	0	2,769	2,769	1,262	4,031	433
Rado Sodin	External member of AC of TEŠ	7,385	0	7,385	1,578	8,963	278
Aleš Radnjak	Member of AC of TEŠ	0	1,846	1,846	1,262	3,108	0
Andreja Žinkovič	President of AC of Energija plus	0	1,569	1,569	1,100	2,669	0
Marko Bahor, M.Sc.	Deputy President of AC of Energija plus from 08/07/2022 to 25/11/2022	0	853	853	660	1,513	0
Saša Prelič, Ph.D.	Deputy President of AC of Energija plus until 15/06/2022	0	265	265	440	705	0
Daniel Zdolšek, Ph.D.	External Member of AC of Energija plus	4,531	0	4,531	1,100	5,631	0
Boris Kupec	President of AC of ECE	0	7,063	7,063	1,496	8,559	0
Marko Štrigl, M.Sc.	Deputy President of AC of ECE until 25/11/2022	0	2,825	2,825	1,672	4,497	0
Marija Kupčič	Member of AC of ECE	0	2,825	2,825	1,672	4,497	0
Darinka Virant	External member of AC of ECE	3,390	0	3,390	1,672	5,062	461

in EUR

Members of the Personnel Committee of SB 2022	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Nevenka Hrovatin, Ph.D.	President of PC of SB of HSE since 03/10/2022	0	786	786	440	1,226	0
Denis Bele	President of PC of SB of HSE until 02/10/2022 and member of PC of SB of HSE since 03/10/2022	0	4,198	4,198	1,100	5,298	305
Franc Dover	Member of PC of SB of HSE until 21/09/2022	0	2,627	2,627	660	3,287	412
Tjaša Prinčič	Member of PC of SB of HSE until 21/09/2022	0	1,683	1,683	440	2,123	218
Petja Rijavec, M.Sc	Member of PC of SB of HSE until 01/07/2022	0	1,913	1,913	660	2,573	0
Dejan Kolarič	Member of PC of SB of HSE since 04/07/2022	0	1,327	1,327	440	1,767	0
Boštjan Grešak	Member of PC of SB of HSE since 03/10/2022	0	524	524	440	964	0

in EUR

Members of the Restructuring Committee of the Supervisory Board in 2022	Function	Function performance remuneration - gross		
		Basic function performance remuneration	Additional function performance remuneration	Total
Robert Celec, Ph.D.	President of RC of SB of HSE until 21/09/2022	0	3,941	3,941
Boštjan Grešak	President of RC of SB of HSE since 03/10/2022	0	786	786
Tjaša Prinčič	Member of RC of SB of HSE until 21/09/2022	0	1,684	1,684
Jernej Otič	Member of RC of SB of HSE until 04/07/2022	0	1,913	1,913
Denis Bele	Member of RC of SB of HSE	0	2,979	2,979
Peter Cerkvenik	Member of RC of SB of HSE since 04/07/2022	0	1,328	1,328
David Valentinčič	Member of RC of SB of HSE since 03/10/2022	0	524	524

in EUR

Remuneration of the members of the Marketing and investment committee of SB 2022	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Janez Gutnik	President of MIC of SB of HSE until 21/09/2022	0	3,534	3,534	660	4,194	5
Miha Šebenik	President of MIC of SB of HSE since 03/10/2022	0	786	786	0	786	0
Robert Celec, Ph.D.	Member of MIC of SB of HSE until 21/09/2022	0	2,627	2,627	660	3,287	418
Andrej Janša	Member of MIC of SB of HSE until 21/09/2022	0	2,357	2,357	660	3,017	33
Boštjan Jančar	Member of MIC of SB of HSE until 01/07/2022	0	1,914	1,914	440	2,354	0
Peter Cerkvenik	Member of MIC of SB of HSE since 04/07/2022	0	1,328	1,328	220	1,548	0
David Valentinčič	Member of MIC of SB of HSE since 03/10/2022	0	524	524	0	524	0
Barbara Gorjup, M.Sc.	Member of MIC of SB of HSE since 03/10/2022	0	524	524	0	524	0

3.5.7.5 Financial instruments and risks

This section is related to the Financial Risk Management section and the Financial Risks section in the business part of the annual report.

Credit risk

As 98% of the Group's net revenue from sales refers to the activity of electricity sales and trading, therefore most credit risk management activities are centred in the parent company. The latter manages credit risks in accordance with the procedures described in the Credit Risk section in the Accounting Report of the parent company, wherein the structure of current receivables of the Company and their management are discussed in further detail. HSE, which procures most of the electricity generated from its subsidiaries or the Group's production units, settles its liabilities pursuant to the provisions of electricity procurement contracts concluded by the parent company on an annual basis with its subsidiaries engaged in generating electricity. Electricity is then sold by HSE on the market, indicating that HSE is particularly at credit risk. The credit risks of subsidiaries are managed according to the internal acts and procedures of each individual subsidiary.

Group companies manage credit risks by means of a detailed review and careful selection of their business partners prior to their approval, by means of regularly monitoring their business partners' operations upon their approval and by means of a conservative approach that further restrict the scope of operations of any given business partner.

Operating receivables are secured with bank guarantees, corporate guarantees and the pledge of receivables under bank account management contracts, an agreement pledging a shareholding, with deposits, with advance payments, bills of exchange and enforcement drafts. Group companies have secured approximately 68% of current trade receivables or the majority of all Group receivables.

Defaulting debtors in Slovenia and abroad are charged with contractually agreed default interest.

in EUR

Non-current operating and financial receivables by maturity dates	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Non-current deposits to others	3,000	270,752	18,429	292,181
Non-current operating receivables from buyers	26,623,605	15,030,000	5,050,000	46,703,605
Non-current advances given	18,293	0	0	18,293
Non-current operating receivables from others	0	0	12,460,712	12,460,712
Total as at 31/12/2022	**26,644,898**	**15,300,752**	**17,529,141**	**59,474,791**

in EUR

Non-current operating and financial receivables by maturity dates	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Non-current deposits to others	2,880	3,000	17,797	23,677
Non-current operating receivables from buyers	15,979,128	29,401,420	40,920,000	86,300,548
Non-current advances given	18,293	9,146	0	27,439
Non-current operating receivables from others	0	0	11,215,050	11,215,050
Total as at 31/12/2021	**16,000,301**	**29,413,566**	**52,152,847**	**97,566,714**

in EUR

Current operating and financial receivables by maturity date	Not past due	Due for payment: Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	From 6 to 9 months past due (from 181 to 272 days)	From 9 to 12 months past due (from 271 to 360 days)	Over a year past due (from 361 days onwards)	Total
Current financial receivables and loans from others	51	0	0	0	0	0	51
Current deposits to others	5,244,094	0	0	0	0	0	5,244,094
Current operating receivables from affiliated companies	95,226	0	0	0	0	0	95,226
Current operating receivables to jontly controlled companies	73	0	0	0	0	0	73
Current operating receivables from buyers	464,975,178	11,564,572	140,941	101,947	205,516	8,727,595	485,715,749
Current advances given	7,647,533	0	0	0	0	0	7,647,533
Current operating receivables from state and other institutions	56,522,626	0	0	0	0	0	56,522,626
Current operating receivables from others	31,854,811	0	0	0	0	316,163	32,170,974
Total as at 31/12/2022	**566,339,592**	**11,564,572**	**140,941**	**101,947**	**205,516**	**9,043,758**	**587,396,326**

in EUR

Current operating and financial receivables by maturity date	Not past due	Due for payment: Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	From 6 to 9 months past due (from 181 to 272 days)	From 9 to 12 months past due (from 271 to 360 days)	Over a year past due (from 361 days onwards)	Total
Current financial receivables and loans from others	51	0	0	0	0	0	51
Current deposits to others	5,847,411	0	0	0	0	0	5,847,411
Current operating receivables from affiliated companies	44,240	0	0	0	0	0	44,240
Current operating receivables from buyers	248,847,442	16,845,290	1,271,900	18,659	40,414	9,581,002	276,604,707
Current advances given	10,910,544	171,654	0	0	0	170,597	11,252,795
Current operating receivables from state and other institutions	46,968,927	27,912	0	0	0	0	46,996,839
Current operating receivables from others	107,254,741	13,473	3,825	1,506	4,372	440,330	107,718,247
Total as at 31/12/2021	**419,873,356**	**17,058,329**	**1,275,725**	**20,165**	**44,786**	**10,191,929**	**448,464,290**

in EUR

Movement of value adjustments of current operating receivables	2022	2021
Balance as at 01/01/2022	**10,152,799**	**7,312,505**
Recovered written-off receivables	-2,278,633	-55,356
Allowances set up for receivables	3,430,778	3,184,954
Final write-offs of receivables	-799,927	-289,304
Balance as at 31/12/2022	**10,505,017**	**10,152,799**

At the end of 2022, the Group has a total of EUR 10,505,017 of value allowances for doubtful and disputed current operating receivables.

In 2022, the Group set up value allowances for current receivables pursuant to the provisions of IFRS 9. Accordingly, the HSE Group has introduced an impairment calculation model that does not base solely on realised credit losses but takes also expected credit losses (ECL) into account. Compared to the total value of operating receivables, the calculated ECL has no effect on a fair view of assets, as the Group properly disclosed and set up allowances for current operating receivables in the past.

Credit risks were properly managed in 2022.

Liquidity risk

The liquidity or insufficient solvency risk is the risk associated with a lack of available financial resources and the consequent inability of the Group to meet its obligations in due time.

The liquidity risk is managed by planning the daily, monthly and annual cash flows and then, using this, by effectively distributing surpluses within the Group, reconciling the maturities of payables and receivables, consistently recovering receivables and ensuring suitable available credit lines from commercial banks.

In addition, the HSE Group implemented debt restructuring and maturity optimisation measures and actively monitored the developments on the financial markets, contributing to greater control and management of the liquidity risk.

Liquidity risk management is monitored by Group operating category, namely:

Managing the operating liquidity risk, inextricably linked to the credit risk. The operating liquidity risk is managed primarily by reconciling maturity dates of receivables and liabilities arising from our core activity - electricity trading, as well as the maturities of other payables in a way that trade payables of group companies are settled on time. The operating liquidity risk management measures are aimed at optimising the liquidity of group companies that allows them to honour current liabilities both under normal and critical, unforeseeable circumstances arising from electricity trading, transmission capacities, emission allowances and forward contracts requiring sufficient liquidity buffers to provide for the stability of our everyday operations and trading activities. Measures include the up-to-date monitoring of supplier settlements, extension of payment deadlines, payment delay arrangements and the provision of sufficient liquidity resources to cover basic and flexible margins on power exchanges and the clearing bank. The operating liquidity risk has been assessed as properly managed in 2022.

Managing the investment liquidity risk, inextricably linked to the investment risk. Managing the investment liquidity risk is providing for the financing of investments in compliance with investment programmes in a way that allows for the timely provision of sufficient funds foreseen in the financial plans, thus preventing any project implementation delays. The investment liquidity risk is also reflected in inflows - by implementing divestment activities that are carried out for operating optimisation purposes in group companies. The liquidity risk has been assessed as properly managed in 2022.

Managing the financing liquidity risk is the risk linked to providing sufficient financial resources, which includes an active relationship with financial markets, obtaining sufficient current borrowings and credit lines, as well as non-current sources of financing for the purpose of a timely repayment of group companies' liabilities by taking into account obligations defined in loan contracts concluded with financial institutions. The group applies the so-called 'cash management system' as part of which group companies borrow funds on a current basis. The primary source of financing current deficits of group companies is excess cash of other group companies and current loans with commercial banks, whereas the liquidity of individual group companies and the group as a whole optimised. Our increased needs for additional liquidity were met by way of successful refinancing in 2022 and additional indebtedness in the form of a current revolving loan based on the special intervention act on the guarantee by the RS (ZPKEEKP) and subsequent capital increases carried out in December by the founder of the Company.

The maturity of the Group's non-current and current liabilities by maturity date is outlined in the tables below.

in EUR

Non-current operating and financial liabilities by maturity dates	Due for payment Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	Total
Non-current financial liabilities to banks	76,753,685	194,944,271	277,060,877	548,758,833
Non-current financial liabilities from leases	1,532,377	1,496,771	213,620	3,242,768
Non-current operating liabilities to suppliers	0	4,813	0	4,813
Non-current operating liabilities from advances	0	0	245,416	245,416
Other non-current operating liabilities from leases	19,739	0	3,715	23,454
Total as at 31/12/2022	**78,305,801**	**196,445,855**	**277,523,628**	**552,275,284**

in EUR

Non-current operating and financial liabilities by maturity dates	Due for payment Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	Total
Non-current financial liabilities to banks	63,592,146	189,800,790	244,337,704	497,730,640
Non-current financial liabilities from leases	1,580,465	1,939,791	0	3,520,256
Non-current operating liabilities to suppliers	0	4,813	0	4,813
Non-current operating liabilities from advances	0	0	61,535	61,535
Other non-current operating liabilities from leases	46,897	0	21,433	68,330
Total as at 31/12/2021	**65,219,508**	**191,745,394**	**244,420,672**	**501,385,574**

The liquidity risk exposure from financial liabilities to banks on 31 December 2022 is illustrated in the table below. The amounts in the table are not discounted. The Group has sufficient financial resources to repay its liabilities to banks due in 2023. The source is operating revenue. At the same time, the Group has EUR 356,707,282 in cash liquidity reserves and EUR 100,000,000 in granted but undrawn non-current revolving loans.

in EUR

Exposure to liquidity risk arising on financial liabilities to banks	Estimated cash flows					Total
	Up to 2 months after the date of SFP	From 2 to 12 months after the date of SFP	From 1 to 2 years after the date of SFP	From 2 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial liabilities to banks without interest rate hedging						
Non-current loans	-20,351,435	-56,702,249	-76,753,685	-194,944,270	-277,060,880	-625,812,519
Total as at 31/12/2022	**-20,351,435**	**-56,702,249**	**-76,753,685**	**-194,944,270**	**-277,060,880**	**-625,812,519**
Financial liabilities to banks without interest rate hedging						
Non-current loans	-13,634,127	-53,723,753	-63,592,146	-190,446,071	-244,318,536	-565,714,633
Total as at 31/12/2021	**-13,634,127**	**-53,723,753**	**-63,592,146**	**-190,446,071**	**-244,318,536**	**-565,714,633**

Currency risk

The Group is exposed to the currency risk to a lesser extent since the majority of inflows and outflows are made in its domestic currency (the Euro).

The currency risk of the group was properly managed in 2022. The Group manages its foreign currency risks in compliance with system regulations of the financial department of HSE and the internal rules of the subsidiaries of the HSE Group. The parent company primarily faces the currency risk when trading in electricity in foreign currencies at electricity exchanges whereby the settlement is carried out on a daily basis and no major exposure to the currency risk arises. If any major exposure does arise, the Group protects itself by using derivatives (receivables).

The currency risk is also present in the operations of subsidiaries registered in SE Europe to a minor extent. Nevertheless, the exposure to currency risk is minimal, as the operations of subsidiaries based in SE Europe account for a smaller segment of operations compared to the total volume of HSE Group operations.

As other currencies in transactions are present to a lesser extent, the group does not draw up a sensitivity analysis on changing the exchange rates of other currencies, as the change in these rates would not have a material effect on the Group's profit.

The Group's assets and liabilities as at 31 December 2022 were converted using the following exchange rates:

in EUR

Country	Currency code	Final currency in EUR for the year 2022	Final currency in EUR for 2021
Bosnia and Herzegovina	BAM	1.95583	1.95583
Croatia	HRK	7.5365	7.5156
Macedonia	MKD	61.6000	61.5350
Serbia	RSD	117.2900	117.4400
Czech Republic	CZK	24.1160	24.8580
Hungary	HUF	400.8700	369.1900
Romania	RON	4.9495	4.9490
USA	USD	1.0666	1.1326
Great Britain	GBP	0.8869	0.8403
Bulgaria	BGN	1.9558	1.9558

in EUR

Exposure to risk of change of exchange rates	EUR	HUF	Other currencies	Total
Non-current financial receivables and loans	292,181	0	0	292,181
Non-current operating receivables	58,396,105	322,833	463,672	59,182,610
Current financial receivables and loans	5,242,974	0	1,171	5,244,145
Current operating receivables	557,505,101	0	14,142,063	571,647,164
Non-current financial liabilities	-552,001,601	0	0	-552,001,601
Non-current operating liabilities	-273,683	0	0	-273,683
Current financial liabilities	-266,801,558	0	0	-266,801,558
Current operating liabilities	-469,090,386	-443,140	-15,001,804	-484,535,330
Net exposure of the SFP as at 31/12/2022	**-666,730,867**	**-120,307**	**-394,898**	**-667,246,072**

in EUR

Exposure to risk of change of exchange rates	EUR	HUF	Other currencies	Total
Non-current financial receivables and loans	23,677	0	0	23,677
Non-current operating receivables	96,835,155	0	707,882	97,543,037
Current financial receivables and loans	5,847,462	0	0	5,847,462
Current operating receivables	424,770,636	0	7,693,393	432,464,029
Non-current financial liabilities	-501,250,896	0	0	-501,250,896
Non-current operating liabilities	-134,678	0	0	-134,678
Current financial liabilities	-141,189,411	0	0	-141,189,411
Current operating liabilities	-446,025,362	-376,657	-452,025	-446,854,044
Net exposure of the SFP as at 31/12/2021	**-561,123,417**	**-376,657**	**7,949,250**	**-553,550,824**

in EUR

Concluded contracts for currency swaps according to the maturity date	31/12/2022	31/12/2021
Concluded contracts for currency swaps according to the maturity date – purchase hedging	13,274,749	24,706,200
Concluded contracts for currency swaps according to the maturity date – sale hedging	0	510,502
Total	13,274,749	25,216,702

in EUR

Currency swap effect	2022	2021
Unrealised loss of effective transactions	1,144,223	1,156,205
Realised loss of effective transactions	-1,129,286	-345,847

Interest rate risk

The Group manages interest rate risks in compliance with system regulations of the financial department of HSE and the internal rules of the subsidiaries of the HSE Group. The interest rate risk was properly managed in 2022 by limiting and reducing risks associated with interest rate changes, resulting in stabilised cash flows.

As at 31 December 2022, EUR 317.2 million of Group's non-current loans were subject to a fixed interest risk, whereas the remainder was subject to a variable interest rate.

Developments on the money market and interest rate oscillations are monitored regularly. In relation thereto, appropriate interest rate hedging strategies are adopted. In 2022, no interest rate rising hedging transactions and no interest rate derivatives were concluded.

Cash flow sensitivity analysis with variable interest rate instruments

The sensitivity analysis takes into account the increase/decrease of the reference interest rate by +/- 50 basis points.

The sensitivity analysis is not calculated for financial liabilities with an agreed fixed interest rate.

in EUR

Financial instruments	Net profit or loss (2022)		Net profit or loss (2021)	
	Increase by 50 basis points	Decrease by 50 basis points	Increase by 50 basis points	Decrease by 50 basis points
Financial instruments with variable interest rates	-849,585	429,217	0	0
Financial liabilities	-849,585	429,217	n/a	n/a

Price risk

The price risk derives from market price fluctuations of electricity and emission permits arising from changes to market categories such as market prices of other energy products (e.g. coal, gas, oil, etc.), changes in the market structure of supply and demand as well as regulatory and other effects.

The effect of the price risk on the Group's operations can be quantified based on key variables:

- market positions of the Group by market and product at a specific time of supply,
- the volatility of prices on individual markets and products at a specific time of supply, and
- price correlations between individual markets and products at a specific time of supply.

The metrics monitored for price risk management purposes differ in respect of activity type.

Three key price-risk-related trading parameters and limits were applied in 2022, namely the VaR (value-at-risk) parameter, the floating stop-loss limit and the venture capital limit.

The VaR parameter is the key metrics indicating current price risk exposure. It includes key risk exposure effects, such as the observed portfolio's market position, the fluctuation of prices the portfolio is exposed to and the statistical relation between market and product prices affecting the portfolio's value. By using a selected time interval and the level of confidence of the price exposure, the parameter discloses the actual level of risk. The Group monitors the 5-day VaR level by using a 95% confidence interval. The parameter stands for the severity of potential loss of the trading portfolio in five days which won't be exceeded subject to market prices, correlations and volatility and given the quantitative position in 95% of cases. The floating stop-loss limit aims to secure the portfolio's already achieved values. The venture capital limit stands for the value's loss limit still acceptable to the Group for a certain portfolio; in the case of a higher loss, however, portfolio- related activities are discontinued.

The sale of electricity and the procurement of emission allowances from our self-generated electricity are managed based on the relevant Self-Generated Electricity Sales and Emission Allowance Procurement for the Needs of Self--Generated Electricity of the Group Strategy. The respective strategy aims to disperse the price risk over a longer trading period. The parent company reduces the risk associated with the price of electricity by selling parts of volumes of its self-generated electricity and by procuring emission allowances on energy markets for years in advance. The market liquidity of non-current products is limited by the length of the period in the future. Market development also tends to increase the liquidity of non-current products in the region, indicating that even periods further in the future can be price secured. Procedures related to the self-generated electricity sales strategy are regularly monitored and assessed at Group meetings in charge of sales of self-generated electricity.

The Group manages and controls price risks by using the following activities and methods:

- by monitoring the market position of the Group, parent company by country and group of transactions levels on a daily basis;
- by market activities on a daily basis - by concluding over-the-counter (OTC) transactions of an equal volume on the same market or by procuring and selling forwards given the type of trading activity;
- by monitoring and analysing the prices of energy products on a daily basis and by projecting expected energy product price changes on various markets;
- by monitoring market activities on the emission allowances market on daily basis;
- by monitoring investment decisions in the energy sector in the European Union and the economic growth of leading countries;
- by monitoring and analysing the value of the VaR and MtM (Mark-to-Market) parameters by transaction group, taking into account limits or the levels of the VaR value as laid down by internal rules on a daily basis, and
- by deliberating on the changes in value and risk parameters in the market risk management sub--committee on a regular weekly basis.

Future contracts for electricity

The Group sells and procures futures with the purpose of securing long-term positions from self-generated electricity, against price risks and with the purpose of position trading.

In the event of securing the price, the Group shall, upon concluding a physical delivery of electricity transaction, also simultaneously conclude a future of an offset volume and the same maturity or a future with the maturity complying with the planned volumes of self-generated electricity. In doing so, the Company shall financially fix its profit allowing, for example, that loss generated from the procurement of futures is set off by profit generated from the physical quantity of procured/sold or generated physical volume of electricity. The planned volumes of generated electricity in the Group shall serve as the basis used for implementing the Price Securing Strategy of Planned Volumes of Self-Generated Electricity. Thus, the Group is already selling electricity of subsidiaries during the current year for several years in advance, whereas the main objective of the strategy is to maximise profit and provide stable revenue from the sale of electricity.

At year-end, the Group has EUR 1,787,567,912 in concluded futures. Related disclosures are provided in the Capital section.

The procurement or sales of futures with the purpose of position trading at the time a position is opened increases the price exposure of the Group since the future is concluded with the intention of generating revenue on the account of changes in the prices of electricity. The price exposure is reduced only in the case of concluding futures or physical contracts with an offset position. The disclosures of the respective transactions are provided in the Capital section. At the end of the year, the Group recorded EUR 634,724,514 of open future contracts held for trading.

Emission allowances

The Group concluded futures in 2022 for the procurement and sale of emission allowances in order to secure the price of volumes of emission allowances arising from self-generated electricity requirements; to a limited extent, the Group also concluded futures for the procurement and sales of trading activities not related to its self-generated electricity. At the end of 2022, the Company held EUR 457,206,860 in open contracts securing the procurement and sale of emission allowances. Related disclosures are provided in the Capital section.

Gas

In 2022, the Group concluded futures for the acquisition and sales of natural gas aimed at managing the leased natural gas warehouse. As at 31/12/2022, there were no open natural gas futures. Related disclosures are provided in the Capital section.

in EUR

Concluded standardised forward contracts for hedging	31/12/2022	31/12/2021
For electricity - trading - to hedge procurement	905,197,519	216,867,497
For electricity - trading - to hedge sales	882,370,393	458,789,759
Total	1,787,567,912	675,657,256

in EUR

Concluded standardised forward contracts for trading	31/12/2022	31/12/2021
For electricity - trading - purpose of purchase	316,348,232	414,195,613
For electricity - trading - purpose of sale	318,376,282	212,280,829
Total	634,724,514	626,476,442

in EUR

Concluded standardised forward contracts for hedging	31/12/2022	31/12/2021
For emission allowances - trading - futures for hedging procurement	250,544,010	158,919,840
For emission allowances - trading - futures for hedging sales	206,662,850	97,525,000
Total	457,206,860	256,444,840

in EUR

Concluded standardised forward contracts for trading	31/12/2022	31/12/2021
For emission allowances - trading - intended for procurement	0	528,500
For emission allowances - trading - intended of sale	9,004,990	0
Total	9,004,990	528,500

Capital management

in EUR

Capital management	31/12/2022	31/12/2021
Non-current financial liabilities	548,758,833	497,730,640
Non-current financial liabilities from leases	3,242,768	3,520,256
Current financial liabilities	264,783,510	139,682,941
Current financial liabilities from leases	2,018,048	1,506,470
Total financial liabilities	818,803,159	642,440,307
Capital	1,024,739,729	817,033,848
Financial liabilities/Capital	**0.80**	**0.79**
Cash and cash equivalents	356,707,282	96,589,748
Net financial liability	462,095,877	545,850,559
Net debt/Capital	**0.45**	**0.67**

The main purpose of capital management is to ensure the best possible credit rating and capital adequacy for the purposes of financing operations and investments. An adequate volume of capital guarantees the trust of creditors, partners and potential investors in the Group as well as maintains the future development of activities.

The Company monitors changes in capital using the leverage ratio calculated by dividing the total net liabilities by total capital. Net liabilities of the Group include loans received and other financial liabilities less cash.

The debt to equity (gearing) ratio shows the ratio between the Group's debt and equity. The ratio was the highest at the end of 2022 compared to the previous year, suggesting higher indebtedness, whereas the leverage ratio fell compared to 2021, caused by the reduction of net debt compared to the previous year.

Carrying amounts and fair values of financial instruments

in EUR

Carrying amounts and fair values of financial instruments	31/12/2022		31/12/2021	
	Book value	Fair value	Book value	Fair value
Non-derivative financial assets at fair value	**17,125,838**	**17,125,838**	**18,339,607**	**18,339,607**
Financial assets available for sale	17,125,838	17,125,838	18,339,607	18,339,607
Non-derivative financial assets at amortised cost	**993,073,382**	**993,073,382**	**632,467,954**	**632,467,954**
Financial receivables	5,536,326	5,536,326	5,871,139	5,871,139
Operating and other receivables	630,829,774	630,829,774	530,007,067	530,007,067
Cash and cash equivalents	356,707,282	356,707,282	96,589,748	96,589,748
Total	**1,010,199,220**	**1,010,199,220**	**650,807,561**	**650,807,561**
Derivative financial liabilities at amortised cost	**25,123,651**	**25,123,651**	**161,410,681**	**161,410,681**
Derivatives (liabilities)	25,123,651	25,123,651	161,410,681	161,410,681
Non-derivative financial liabilities at amortised cost	**1,316,209,389**	**1,316,209,389**	**1,098,414,075**	**1,098,414,075**
Bank loans	812,090,460	812,090,460	635,896,321	635,896,321
Other financial liabilities	2,596,106	2,596,106	2,673,465	2,673,465
Operating and other liabilities	501,522,823	501,522,823	459,844,289	459,844,289
Total	**1,341,333,040**	**1,341,333,040**	**1,259,824,756**	**1,259,824,756**

Illustration of financial assets and liabilities disclosed at fair value subject to the fair value determination hierarchy.

in EUR

Carrying amounts and fair values of financial instruments	31/12/2022				31/12/2021			
	1. Level	2. Level	3. Level	Total	1. Level	2. Level	3. Level	Total
Non-derivative financial assets at fair value	**132,756**	**0**	**16,993,082**	**17,125,838**	**43,572**	**0**	**18,296,035**	**18,339,607**
Financial assets at fair value through other comprehensive income	132,756	0	16,993,082	17,125,838	43,572	0	18,296,035	18,339,607
Non-derivative financial assets at amortised cost	**0**	**0**	**993,073,382**	**993,073,382**	**0**	**0**	**632,467,954**	**632,467,954**
Financial receivables	0	0	5,536,326	5,536,326	0	0	5,871,139	5,871,139
Operating and other receivables	0	0	630,829,774	630,829,774	0	0	530,007,067	530,007,067
Cash and cash equivalents	0	0	356,707,282	356,707,282	0	0	96,589,748	96,589,748
Total	**132,756**	**0**	**1,010,066,464**	**1,010,199,220**	**43,572**	**0**	**650,763,989**	**650,807,561**
Derivative financial liabilities at amortised cost	**31,103,097**	**-5,979,446**	**0**	**25,123,651**	**130,597,045**	**30,813,636**	**0**	**161,410,681**
Derivatives (liabilities)	31,103,097	-5,979,446	0	25,123,651	130,597,045	30,813,636	0	161,410,681
Non-derivative financial liabilities at amortised cost	**0**	**0**	**1,316,209,389**	**1,316,209,389**	**0**	**0**	**1,098,414,075**	**1,098,414,075**
Bank loans			812,090,460	812,090,460	0	0	635,896,321	635,896,321
Other financial liabilities			2,596,106	2,596,106	0	0	2,673,465	2,673,465
Operating and other liabilities			501,522,823	501,522,823	0	0	459,844,289	459,844,289
Total	**31,103,097**	**-5,979,446**	**1,316,209,389**	**1,341,333,040**	**130,597,045**	**30,813,636**	**1,098,414,075**	**1,259,824,756**

3.5.8 Events after the reporting date

After the date of the statement of financial position in the Company, the following important events happened which did not have any effect on the 2022 financial statements:

In February 2023, SDH adopted a decision binding HSE to repay one part of the funds from the subsequent capital increase - EUR 200 million. The repayment dynamics shall be laid down by taking into consideration the conditions on the energy markets and other relevant business circumstances and shall aim at ensuring a stable operation of the HSE Group and an economic management of funds. The Management Board of HSE shall carry out all the required activities for the continuous operation of Block 6 at TEŠ and take all the necessary steps to allow the founder to decide on the repayment of all subsequent capital increases from 2022 in one or more instalments by the end of 2024.

Accounting Report of HSE Company

4.1 Auditor's report of HSE Company

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INDEPENDENT AUDITOR'S REPORT
To the owner of HOLDING SLOVENSKE ELEKTRARNE d.o.o.

Report on the audit of the separate financial statements

Opinion
We have audited the separate financial statements of HOLDING SLOVENSKE ELEKTRARNE d.o.o. (hereinafter 'the Company'), which comprise the separate statement of financial position 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 International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. 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 accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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.

Valuation in investments in subsidaries

Key audit matter	How key audit matter was addressed
Investments in subsidiaries in the company's financial statements as of December 31, 2022 amount to EUR 824,357 thousand. In the year ended December 31, 2022, the company recognized EUR 44,858 thousand in expenses from the impairment of investments in subsidiaries. Additional information on impairments related to subsidiaries is included in the note *Investments in subsidiaries (4)* to the financial statements. As required by the accounting standard IAS 36 Impairment of Assets, management performs impairment tests annually to assess the recoverable amount of investments in subsidiaries. The recoverable amount of an investment is determined in accordance with IAS 36, value in use, which is estimated as the present value of the expected future cash flows to be generated by the subsidiary. Determining critical assumptions and planning expected cash flows requires a high degree of management judgment, and therefore testing the impairment of investments in subsidiaries is considered a key audit matter.	As part of the implementation of audit procedures, we assessed the adequacy of the company's accounting policies regarding impairments of investments in subsidiaries and their compliance with IFRS, and performed the following audit procedures: - We assessed whether the model used by management to calculate the value in use of individual investments meets the requirements of IAS 36 Impairment of Assets and IFRS 13 Fair Value, and whether the assumptions used are reasonable and can be supported given the current macroeconomic situation, and expected future performance; - assessment of the competencies, abilities and objectivity of the independent management expert and verification of the expert's qualifications. In addition, we discussed the scope of his work with management; - with the help of our internal experts, we assessed whether the methodology used by the management expert was appropriate and whether the significant assumptions used were appropriate for the given purpose; - an assessment of whether the recoverable amount is properly determined, including an assessment of the accuracy of management's past estimates, an assessment of the adequacy of the methodologies and assumptions used to determine and calculate the discount rate, a review of relevant company-generated data used in the calculations the results of the impairment test for changes in key parameters.

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	We have also reviewed the information in the financial statements to assess whether the disclosures regarding the assessment of impairment are appropriate in accordance with the requirements of applicable financial reporting standards.

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. Other information have been obtained before the date of the auditor's report, except for the report of the supervisory board, which will be available later.

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 IFRS, 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.

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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.

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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 31 August 2022. Our total uninterrupted engagement has lasted four 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 April 20, 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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

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

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

Responsibility of management and those charged with governance
The management is responsible for the adoption of appropriate criteria and for their correct use in the preparation and presentation of the disclosure of the *"Additional disclosures on the basis of the Electricity and Gas Supply Act"* in accordance with the requirements of ZPFOLERD-1, ZOEE and ZOP, as well as for such internal control as management determines is necessary to enable the preparation of such statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility
Our responsibility is to carry out reasonable assurance engagement and conclude whether the criteria used to allocate direct assets and liabilities, costs, expenses and income on individual activities in the preparation of the disclosure *"Additional disclosures on the basis of the Electricity and Gas Supply Act"* for the financial year that ended on 31 December 2022, were appropriate and properly used. Our reasonable assurance engagement was carried out in accordance with *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information*

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(ISAE 3000), issued by the International Auditing and Assurance Standards Board. Pursuant to the standard, the auditor shall plan and perform the engagement in the way that will allow the auditor to obtain reasonable.

We performed our work in accordance with independence and ethical requirements of EU Regulation no. 537/2014 and the IESBA Code. The Code is prepared based on the principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.
As a part of its compliance with International Standard on Quality Management (ISQM) 1, our company maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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

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

- We obtained and reviewed the internal regulations that the company uses in connection with the allocation of direct and indirect assets and liabilities, costs and expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE and ZOP. The company classifies only direct assets, liabilities, costs, and expenses and revenues into the individual activities of energy production in the solar power plant and gas trading.
- We have checked whether the mentioned criteria are consistently used every financial year in accordance with Article 107 of the ZOEE and Article 102 of the ZOP.
- We inquired with the management and professional services regarding the method, procedures and controls established in the context of cost accounting and the allocation of costs and expenses to individual activities.
- We checked whether in the annual report, together with the separate financial statements for energy activities for which separate disclosure is required, the company also fully disclosed the judgments in accordance with ZOEE and ZOP.

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

Deloitte.

Conclusion

On the basis of the procedures carried out and the evidence obtained, in our opinion, the judgments used for the allocation of direct and indirect assets and liabilities, costs and expenses and income, which the company takes into account when keeping separate accounting records and when compiling separate financial statements for energy activities, and which were used in the preparation of chapter 1.5.9 of the annual report *"Additional disclosures on the basis of the Electricity and Gas Supply Act"* for the financial year that ended on 31 December 2022, appropriate and correctly used according to the requirements of ZPFOLERD-1, ZOEE and ZOP.

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

DELOITTE REVIZIJA d.o.o.
Dunajska 165
1000 Ljubljana

Tina Kolenc Praznik
Certified auditor

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

For signature please refer to the original Slovenian version.

Ljubljana, April 20, 2023

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

4.2 Liability declaration of the management

The management shall be responsible for drawing up financial statements for each individual financial year according to the International Financial Reporting Standards (IFRS) adopted by the European Union and the Companies Act, so that they present a true and fair view of the Holding Slovenske elektrarne d.o.o.'s operations.

The management legitimately expects the Company to have sufficient resources in the foreseeable future to enable it to continue its operations. The financial statements are therefore drawn up on a going concern basis of the Company.

The responsibility of the management in drawing up the financial statements includes the following:

- properly selected and consistently applied accounting policies,
- reasonable and sensible assessments and estimates.

The management is responsible for keeping corresponding records, which give an accurate and fair view of the Company's financial position at any given time, and for making sure that the financial statements of the Company are in accordance with the International Financial Reporting Standards. The management is also responsible for protecting the company's assets, as well as discovering and preventing abuses and other irregularities.

The management declares that the financial statements have been compiled in accordance with the IFRSs, without reservations about their application.

The financial statements of Holding Slovenske elektrarne d.o.o. for the financial year ended on 31 December 2022 were adopted by the management on 20/04/2023.

Done in Ljubljana, on 20 April 2023

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

4.3 Introductory explanatory notes to the financial statements

The financial report of the company Holding Slovenske Elektrarne d.o.o. represents the financial statements with notes.

Based on the decision of the Capital Assets Management Agency of the Republic of Slovenia in its capacity as the then representative of the founder of 29 November 2010, the Company has been drawing up financial statements and notes thereto in accordance with the International Financial Reporting Standards, as adopted by the European Union, since 1 January 2011.

Deloite revizija d.o.o. audited the financial statements with explanatory notes and prepared an auditor's report, which is presented at the beginning of the section.

4.4 Separate financial statements of HSE Company

4.4.1 Separate analysis of the statement of financial position of HSE Company

in EUR

	Explanatory note	31/12/2022	31/12/2021
ASSETS		1,874,413,184	1,446,497,311
A. NON-CURRENT ASSETS		1,018,933,741	980,547,652
I. Intangible assets	1	119,613,579	91,450,494
II. Property, plant and equipment	2	19,146,372	14,874,557
III. Right to use leased assets	3	1,354,758	1,423,178
V. Non-current financial investments in subsidiaries	4	824,357,481	819,037,665
VI. Other non-current financial investments and loans	5	41,376,441	41,700,442
VII. Non-current operating receivables	6	12,460,712	11,215,050
IX. Deferred tax receivables	7	624,398	846,266
B. CURRENT ASSETS		855,479,443	465,949,659
II. Inventories	8	11,944,462	3,584,557
III. Current financial investments and loans	9	655,752	1,334,459
IV. Current trade receivables	10	448,614,258	254,546,822
V. Contract assets	11	3,166,911	395,489
VI. Current tax receivables	12	15,954,379	1,299,741
VII. Other current assets	13	82,091,962	155,989,845
VIII. Cash and cash equivalents	14	293,051,719	48,798,746
EQUITY AND LIABILITIES		1,874,413,184	1,446,497,311
A. EQUITY	15	821,366,922	666,757,957
I. Called-up capital		29,558,789	29,558,789
II. Capital reserves		1,053,243,185	561,243,185
III. Reserves from profit		562,744,824	562,744,824
IV. Risk hedging reserve		-106,751,557	-88,891,503
V. Fair value reserves		-139,119	-282,078
VI. Retained profit/loss		-717,289,200	-397,615,260

in EUR

	Explanatory note	31/12/2022	31/12/2021
B. NON-CURENT LIABILITIES		240,424,559	160,422,719
I. Provisions for severance pays and anniversary bonuses	16	1,698,692	1,771,464
II. Other provisions	17	404,475	507,127
III. Other non-current liabilities	18	772	241,908
IV. Non-current financial liabilities	19	237,780,886	157,045,455
V. Non-current financial liabilities from leases	20	539,734	856,765
C. CURRENT LIABILITIES		812,621,703	619,316,635
II. Current financial liabilities	21	269,259,587	104,944,587
III. Current financial liabilities from leases	22	919,513	599,802
IV. Current operating liabilities	23	392,586,634	235,383,816
V. Contract liabilities		0	22,454
VI. Current tax liabilities		22,928	0
VII. Other current liabilities	24	149,833,041	278,365,976

* The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

4.4.2 Separate income statement of HSE Company

in EUR

	Explanatory note	2022	2021
OPERATING REVENUE		**5,586,561,000**	**2,740,474,730**
1. Net sales revenues	25	5,545,248,921	2,613,503,989
2. Other operating income	26	41,312,079	126,970,741
OPERATING EXPENSES		**5,858,480,844**	**2,646,543,400**
3. Costs of goods, materials and services	27	5,755,867,837	2,468,156,191
4. Labour costs	28	14,815,304	14,141,291
5. Value write-offs	29	1,609,697	2,263,891
8. Other operating expenses	30	86,188,006	161,982,027
OPERATING PROFIT/LOSS		**-271,919,844**	**93,931,330**
9. Financial revenue	31	4,913,947	5,787,411
10. Financial expenses	32	52,458,065	63,629,141
FINANCIAL OUTCOME		**-47,544,118**	**-57,841,730**
PROFIT (LOSS) BEFORE TAX		**-319,463,962**	**36,089,600**
TAX	33	**219,057**	**17,208,503**
12. Current tax		0	17,404,777
13. Deferred tax		219,057	-196,274
NET PROFIT/LOSS FOR THE YEAR	34	**-319,683,019**	**18,881,097**

* The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

4.4.3 Separate statement of other comprehensive income of HSE Company

in EUR

	Explanatory note	2022	2021
Net profit/loss for the year	34	**-319,683,019**	**18,881,097**
Actuarial profits and losses of programmes with certain income of employees		152,038	1,497
Items that will subsequently not be included in the income statement	15	152,038	1,497
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows		-17,872,036	-131,721,552
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss		11,982	-379,331
Items that will subsequently be included in the income statement	15	-17,860,054	-132,100,883
Total comprehensive income for the reporting period		**-337,391,035**	**-113,218,289**

* The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

4.4.4 Separate cash flow statement of HSE Company

in EUR

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss	-319,683,019	18,881,097
Adjustments for:		
Amortisation of intangible assets	370,233	359,346
Amortisation of property, plant and equipment	478,829	401,524
Amortisation of right to assets use	760,015	533,658
Write-off of real property, plant and equipment	462	1,367
Operating receivables write-offs	110	967,132
Elimination of write-off/impairment of operating receivables	-965,993	0
Loss from sale of real property, plant and equipment	48	863
Financial revenue	-4,913,947	-5,787,411
Financial expenses	52,458,065	63,629,142
Profit from sale of real property, plant and equipment	-21,297	-14,640
Taxes	219,057	17,208,503
Operating profit before changes in net current assets and taxes	-271,297,437	96,180,581
Changes in net current assets and provisions		
Change in:		
Inventories	-8,359,905	-2,860,438
Trade receivables and other assets	-123,207,568	-209,800,088
Operating liabilities to suppliers and other liabilities	10,730,564	143,208,235
Received advance payments	-241,138	26,433
Provisions	-32,465	157,232
Profit tax paid	-14,631,709	-30,248,886
Cash from operations	-407,039,658	-3,336,931
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	186,478	51,643
Dividends received	3,964,209	5,228,335

in EUR

	2022	2021
Remuneration from other financing	441,967	504,290
Income from sale of real property, plant and equipment	25,006	28,378
Income from disposal of intangible assets	88,718,907	67,227,720
Income from reduction of current loans given	1,000,000	324,000
Income from reduction of non-current loans given	0	0
Expenses for purchase of real property, plant and equipment	-4,754,864	-3,207,559
Expenses for purchase of intangible assets	-116,902,230	-88,067,588
Expenses for leases	-691,595	-145,616
Expenses for purchase of subsidiaries	-20,177,815	-11,118,000
Increase in capital	-30,000,000	
Expenses for increase of current loans given	0	-1,000,000
Cash from investment	-78,189,937	-30,174,397
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of capital reserves	492,000,000	0
Leases	2,681	0
Income from non-current loans received	595,000,000	0
Income from current loans received	517,000,000	201,200,000
Expenses for loan interest	-5,023,641	-3,522,230
Expenses from other financial liabilities	-1,693,442	-468,289
Expenses for repayment of non-current loans	-525,803,030	-20,803,030
Expenses for repayment of current loans	-342,000,000	-131,200,000
Expenses for leases	0	-382,436
Cash from financing	729,482,568	44,824,015
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**48,798,746**	**37,486,059**
Profit or loss for the period	244,252,973	11,312,686
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**293,051,719**	**48,798,746**

4.4.5 Separate statement of changes in equity of HSE Company

in EUR

	CALLED-UP CAPITAL		RESERVES FROM PROFIT			RETAINED PROFIT/LOSS		
	Share capital	Capital reserves	Other reserves from profit	Risk hedging reserve	Fair value reserves	Retained net earnings	Net profit/loss for the year	**Total**
Balance as at 01/01/2021	**29,558,789**	**561,243,185**	**562,744,824**	**43,209,380**	**-264,897**	**-189,572,110**	**-226,942,925**	**779,976,247**
B.2. Changes in comprehensive income	0	0	0	-132,100,883	-17,181	18,678	18,881,097	-113,218,289
Entry of net profit for the reporting period							18,881,097	18,881,097
Items that will subsequently not be included in the income statement	0	0	0	0	-17,181	18,678	0	1,497
Actuarial profits and losses of programmes with certain income of employees					-17,181	18,678		1,497
Items that will subsequently be included in the income statement	0	0	0	-132,100,883	0	0	0	-132,100,883
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows				-379,331				-379,331
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss				-131,721,552				-131,721,552
B.3. Changes in equity	0	0	0	0	0	-208,061,828	208,061,828	0
Allocation of the remainder of net profit of the comparative reporting period to other components of capital						-226,942,925	226,942,925	0
Settlement of loss as a deduction component of equity						18,881,097	-18,881,097	0
Balance as at 31/12/2021	**29,558,789**	**561,243,185**	**562,744,824**	**-88,891,503**	**-282,078**	**-397,615,260**	**0**	**666,757,958**
Balance as at 01/01/2022	**29,558,789**	**561,243,185**	**562,744,824**	**-88,891,503**	**-282,078**	**-397,615,260**	**0**	**666,757,957**
B.1. Transactions with owners	0	492,000,000	0	0	0	0	0	492,000,000
Entry of additional capital increases		492,000,000						492,000,000
B.2. Changes in comprehensive income	0	0	0	-17,860,054	142,959	9,079	-319,683,019	-337,391,035
Entry of net profit for the reporting period							-319,683,019	-319,683,019
Items that will subsequently not be included in the income statement	0	0	0	0	142,959	9,079	0	152,038
Actuarial profits and losses of programmes with certain income of employees					142,959	9,079		152,038
Items that will subsequently be included in the income statement	0	0	0	-17,860,054	0	0	0	-17,860,054
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows				-17,872,036				-17,872,036
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss				11,982				11,982
Balance as at 31/12/2022	**29,558,789**	**1,053,243,185**	**562,744,824**	**-106,751,557**	**-139,119**	**-397,606,181**	**-319,683,019**	**821,366,922**

4.5 Notes to the separate financial statements of HSE Company

4.5.1 Reporting company

Holding Slovenske elektrarne d.o.o. (hereinafter referred to as 'the Company') is registered in Slovenia and is the parent company of the HSE Group. The address of the registered office of the Company is Koprska ulica 92, 1000 Ljubljana, Slovenia. The Company's main activity is electricity trading.

The financial year of the Company shall correspond to the calendar year. Separate financial statements of the Company for the year ended on 31 December 2022 are presented below.

4.5.2 Drawing up basis

A) Statement on conformity

The Company drew up its financial statements as at 31 December 2022 by taking into account the following applicable:

- International Financial Reporting Standards (IFRS), which include the International Accounting Standards (IAS), Interpretations from the Standing Interpretations Committee (SIC), the International Financial Reporting Standards and Interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union,
- Companies Act,
- Energy Act;
- Electricity Supply Act and Gas Supply Act,
- Corporate Income Tax Act,
- Rules on the implementation of the Corporation Tax Act and its bylaws,
- Company Corporate Accounting Rules; and
- other applicable laws.

B) Accounting assumptions and qualitative characteristics of financial statements

The effects of transactions and other events are recognised when they actually occur, not when they are paid, and are recorded and reported for the periods to which they apply. Therefore, the consolidated financial statements also include information on liabilities regarding monetary payments in the future, as well as assets that will generate revenue in the future.

The financial statements of the Company were drawn up by taking into consideration the assumption that the Company would not significantly decrease the scope of its operations, or even cease its operations and that it shall continue with its operations in the foreseeable future.

The following qualitative characteristics of financial statements have been taken into account:

- **Fair presentation and compliance with the international financial reporting standards:** the financial statements fairly represent the financial position, financial performance and cash flows of the Company.
- **Presentation consistency:** the presentation and classification of items in financial statements is the same from period to period.
- **Materiality and aggregation:** each material group that comprises similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.
- **Offsetting:** assets and liabilities, and income and expenses, are not offset unless this is required or permitted by a standard or an interpretation.
- **Comparative information:** unless the standard or the interpretation permits or requires otherwise, for all of the presented amounts in the consolidated financial statements, comparative information is disclosed in respect of the previous period. Comparative information is included in the narrative and descriptive information when it is relevant for the understanding of financial statements for the relevant period.
- **Amendments to important accounting policies:** the same accounting bases, policies and valuation and recognition principles were observed while compiling the consolidated financial statements as for the year 2021, except for the amendments described below.

C) Measurement basis

The financial statements of the Company have been drawn up based on historical cost, except for derivatives which are shown at fair value.

D) Functional and reporting currency

The financial statements in this report are presented in euro (EUR) without cents; the euro is both the functional and reporting currency of the Company. When using addition, insignificant rounding errors in tables may occur.

E) Application of estimates and judgments

The preparation of financial statements requires the Company's management to form certain estimates and assumptions that affect the disclosed amounts of assets and liabilities, revenue and expenses and disclosures of contingent assets and liabilities in the reporting period. The formation of estimates and of accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates and judgements are based on past experience and other factors that are considered reasonable in the given circumstances and on the basis of which the judgements on the carrying amount of assets and liabilities are expressed. Since these estimates and assumptions are based purely on subjective considerations and entail a degree of uncertainty, subsequent actual results may differ from them. Estimates are reviewed on an ongoing basis. Modifications to accounting estimates shall be recognised in the period in which the estimates had been modified if the modification only affects that period; or in the period of modification and subsequent periods if the modification affects subsequent periods.

Estimates and assumptions are included in the following significant judgements:

- for estimating the useful life of depreciable assets.

The useful life of assets is assessed by taking into account the expected physical use, technical obsolescence, economic obsolescence and expected statutory as well as other restrictions on their use. In the case of major assets, the Company shall verify the useful life and determine whether there have been any changes in the circumstances that led to a change in the useful life.

- for the impairment testing of non-financial assets.

Once a year, the Company reviews the existence of impairment indicators of individual cash-generating units on an annual basis, whereby the recoverable amount of non-financial assets is established on the basis of the present value of cash flows, which, in turn, is based on an estimate of expected cash flows from the CGU and the determination of an appropriate discount rate. In assessing whether there is a need for an impairment of property, the Company takes into account that the individual property as a whole generates cash inflows depending on the rest of the property.

- In assessing the liquid amount of receivables and assets arising from contracts with buyers.

When the financial statements are drawn up, the Company estimates the value adjustments based on the expected credit loss model, according to which the expected losses to be incurred in the future are estimated.

- When assessing provisions for post-employment and other non-current employee benefits (retirement benefits).

The current value of retirement benefits is recorded under employment benefit obligations. It is recognised based on an actuarial calculation based on the assumptions and estimates in force at the time of the calculation, which may differ from the actual assumptions that will apply at the time due to future changes. This primarily refers to the determination of the discount rate, estimates of employee fluctuations, mortality estimates and estimates of wage growth. Due to the completeness of actuarial calculation and long-term character, the post-employment employee benefit liabilities are sensitive to changes in those estimates.

- in recognising provisions for lawsuits and contingent liabilities.

Provisions are recognised when the Company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability. The management of the Company shall regularly check whether an outflow of funds allowing economic benefits is likely to be fulfilled in order to settle a contingent liability. If it becomes likely, the contingent liability shall be redistributed by setting up a provision in the financial statements at the time when the degree of certainty changes.

Further assessments and judgements applied by the management in drawing up the financial statements as at 31 December 2022 are as follows:

1. HSE holds the right to buy back 35.6% of the shareholding in HESS, which it has sold (redemption right), and the purchaser/acquirer are obliged to sell their shares at any time between 01/06/2023 and 31/12/2023. The redemption right relates to the redemption of the total 35.6% shareholding, representing SEL's total shareholding amounting to 14.7% of the share capital in HESS and GEN's total shareholding amounting to 20.9% of the share capital in HESS. HSE shall exercise the redemption right towards both company members/acquirers at the same time. The estimated option value as at 30/09/2022 is EUR 0, as it is estimated that it shall be exercised at an above-market price.
2. After realising the call option by Elektro Gorenjska in 2022, HSE acquired a 12.58% shareholding in ECE and may still acquire an additional 36.42% shareholding from Elektro Celje. HSE currently owns 63.58% of equity in ECE.

   There is a call option for the redemption of the 36.42% shareholding in ECE from Elektro Celje, namely:

   - The call option shall enter into force on 01/01/2025 and apply until 31/05/2025 and shall be exercised on 30/06/2025. HSE shall redeem the option by expressing to the option writer its intention to exercise its call option right. The purchase price shall be laid down by an option agreement giving rise to the executable value of the option equalling its market value at the time of execution. Given the execution value specification method, the fair value of the financial instrument (option) is 0.
3. In compliance with IFRS 9.2.6, the Company shall account for electricity procurement and sales contracts for the purpose of trading as derivatives, as, for these contracts, the Group usually has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin (in compliance with the rules of IFRS 9 on contract settling net). In compliance with IFRS 9.2.4, the Company shall account for these contracts as derivatives and measure them at fair value through profit or loss.

   The contracts that the Group has concluded and that it continues to hold for the purpose of receipt or delivery of a non-financial item in compliance with the entity's expected procurement, sale or usage requirements, such as sales contracts for HSE Group self-generated electricity (so-called 'own-use' contracts), shall continue to be recognised in the financial statement in compliance with IFRS 15 on the effective date of the respective contract.
4. In the event of impairment testing for a cash-generating unit with assets with limited useful lives (TEŠ and PV), business projections for its entire useful life are used. The key assumptions are presented in the following disclosures on the implementation and results of impairment of investments in subsidiaries.

4.5.3 Branches and representative offices

The Company has a branch in the Czech Republic. No transactions were performed through it in 2022, because electricity trading was transferred to HSE. The operations of the branch are included in the financial statements of the Company.

4.5.4 Significant accounting policies

The Company's financial statements were compiled based on the accounting policies outlined below. The mentioned accounting policies were applied for both reported years, unless specified otherwise Where necessary, the comparable data were adjusted to match the information presented for the current year.

Foreign currency conversion

Transactions in foreign currencies are translated into the applicable functional currency at the exchange rate on the date of the transaction.

Cash assets and liabilities denominated in foreign currency at the end of the period are translated into the functional currency at the then valid exchange rate.

Positive or negative exchange rate differences are the differences between the amortised cost in the functional currency at the beginning of the period, adjusted by the amount of the effective interest rate and the payments during the period, and the amortised cost in foreign currency, calculated at the exchange rate at the end of the period.

Foreign exchange differences are recognised in the income statement by applying the principle of net profit or loss.

Intangible assets

Intangible assets are non-current assets that enable the implementation of the Group's activity without physical substance. An item of intangible assets comprises non-current property rights and emission allowances needed to generate electricity in the HSE Group. Emission allowances for trading (EUAs) are shown among inventories.

At initial recognition, an intangible asset is recognised at cost. Cost includes costs that may be directly attributed to the acquisition of the individual intangible asset. The Company did not finance the purchases of intangible assets with loans; therefore, cost does not include rental costs.

Intangible assets are subsequently measured using the cost model.

The Company has no intangible assets for which it would record the residual value upon acquisition.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the intangible asset. Depreciation is applied at cost when the asset is available for use. Emission allowances are not depreciated since they are procured for the individual periods in which they are used.

Depreciation methods and the useful lives of groups of intangible assets are reviewed at the end of each financial year and are adjusted, where appropriate.

Evaluated useful life in years - intangible assets	2022	2021
Software	2-20 years	2-20 years

If their useful life is extended, the depreciation costs in the financial year are decreased. If the useful life period is shortened, depreciation costs increase. The adjustment of the useful life period has to be restated to allow for the depreciation of the asset in the new foreseen useful life. A change in the useful life is considered a change of the accounting assessment and affects only the period in which the accounting assessment was changed and for each subsequent period in the remaining useful life.

Subsequent costs connected to intangible assets are capitalized only if they increase the future economic benefits derived from the assets to which the costs relate. All other costs are recognised in the income statement as expenses as soon as they are incurred.

Property, plant and equipment

Property, plant and equipment are non-current assets owned by the Company and used for the performance of its activities. Property, plant and equipment comprise buildings, production equipment, other equipment and assets under construction.

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated losses from impairments. Cost includes costs that may be directly attributed to the acquisition of the individual asset. Parts of devices and equipment that have different usable life are accounted for as individual assets. Borrowing costs, directly attributable to the purchase, construction or production of a qualifying asset, i.e. to the activation of an asset for use, are recognised as part of the cost of such an asset. The Company had no loans for the acquisition of fixed assets, so loan costs and assets under construction are non-attributed.

Estimated useful life - property, plant and equipment	2022	2021
Business premises	30-50 years	30-50 years
Solar power plant	25 years	25 years
Computer equipment	2-5 years	2-5 years
Furniture	10 years	10 years
Small tools	4-5 years	5 years
Cars	5 years	5 years
Other plant and equipment	5-10 years	3-10 years

For the subsequent measurement of property, plant and equipment, the cost model is used.

The Company has no property, plant and equipment, for which it would record the residual value upon acquisition.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the property, plant and equipment. Depreciation is applied at cost when property, plant and equipment is available for use. Property, plant and equipment under construction are not depreciated.

Depreciation methods and the useful lives of groups of assets are reviewed at the end of each financial year and are adjusted, where appropriate. If useful life is extended, the Company decreases accrued depreciation costs within the current financial year, whereas, if it is shortened, it increases them. The adjustment of the useful life period has to be restated to allow for the depreciation of the asset in the new foreseen useful life. A change in the useful life is considered a change of the accounting assessment and affects only the period in which the accounting assessment was changed and for each subsequent period in the remaining useful life.

The replacement costs of items of property, plant and equipment are assigned to the carrying amount of this item, if it is probable that the future economic benefits embodied with this asset will flow to the company and the cost of the item can be measured reliably. All other costs (for example current maintenance costs) are recognised in the income statement as expenses as soon as they are incurred.

Gains and losses, arising at the disposal of property, plant and equipment, are established as the difference between the net sales value and the carrying amount of the written-off or disposed property, plant and equipment, and are recorded among other operating revenue or write-offs.

The Company verifies on a yearly basis whether there is an indication of impairment relating to property, plant and equipment being acquired. Significant indications of impairment include the following circumstances:

- adopting the decision on suspending a certain investment and
- a material deterioration of circumstances relating to the economic efficiency of an individual investment.

Right to use leased assets

On the basis of lease contracts, the lessees show leased assets under fixed assets as right to use assets, i.e. in connection with lease liabilities. Through depreciation, the value of leased assets is transferred under the costs and financing costs are debited to financial expenses. This standard provides two recognition exemptions, i.e. in the case of leases of low-value assets and short-term leases.

The Company has reviewed and analysed concluded lease contracts for a period greater than one year. On the basis of lease costs and the duration of lease contracts, the Company has assessed the value of the right to use leased assets and liabilities and recognised them as at 1 January 2019 in the financial position statement for a five-year period. In the case of lease contracts of an indefinite duration with the right to contract termination, the HSE Group estimates in accordance with item 18 of IFRS 16 that lease termination will not occur for at least 5 years, whereas the evaluations of longer leases cannot be made with reasonable certainty. Therefore, indefinite time contracts are determined for a duration of 5 years.

Evaluated useful life in years - Leases	2022	2021
Buildings	5 years	5 years
Cars	3-5 years	3-5 years

Interest rates, adopted at the conclusion of leases, have not been disclosed in contracts. Item 26 of standard IFRS 16 refers the lessee to use the incremental borrowing rate of interest, which HSE would pay if the asset was bought and the purchase would be indebted. HSE has no such interest rates, since the analysis of financing sources shows that existing sources were used to finance current investments in subsidiaries, and, in part, working capital.

If the lessee cannot acquire data about the borrowing interest rate from the financial institution, the lessee uses the average interest rate of the concluded loan contracts with non-financial corporations in credit institutions in the month of the lease, published in the bulletin of the Bank of Slovenia.

The value of right to use lease assets and liabilities is estimated based on discounting future cash flows for the lease duration. For leases, the Company used an interest rate calculated as the average of interest rates, published in the bulletin of the Bank of Slovenia, i.e. for a 1-to-5-year-maturity, separately for amounts of up to EUR 1 million and for amounts higher than EUR 1 million. In 2022, the calculated average interest rate for amounts of up to EUR 1 million is 2.56% and for amounts higher than EUR 1 million 1.79%.

Non-current financial investments in subsidiaries

Investments in subsidiaries are those where the Company has the controlling influence and the group of companies for which the Company draws up consolidated financial statements.

The investments into subsidiaries are shown at cost.

The Company recognises revenue from investments in the period when the decision on the distribution of profits is adopted.

Any indications of impairment of investments in subsidiaries are determined on an annual basis. If there is objective evidence that an impairment loss has occurred, the loss is measured as the difference between the carrying amount of a financial asset and its recoverable amount (the higher of fair value less selling costs and value in use) and is recognised as a financial expense.

In the event of liquidation of a subsidiary, the difference between the carrying amount and the liquidation value of the investment is recorded under financial revenue or expenses.

In the event of divestment of participation in a subsidiary, the difference between the carrying amount and the liquidation value of the investment is recorded under financial revenue or expenses.

Non-current investments in associates and joint ventures

Investments in associates are those in which the Group has significant influence, although as a rule the shareholding in such companies is between 20% and 50%.

Investments in joint ventures are investments in which the Company, together with other owners, jointly controls the operations of these companies on the basis of a contractually agreed sharing of control.

In the Company's financial statements, investments in associates as well investments in joint ventures are carried at cost.

Financial assets

Financial assets include cash and cash equivalents, receivables and loans and investments (except for investments in subsidiaries, associates and joint ventures).

The Company initially recognises loans and receivables and deposits on the date of their formation. Other financial assets are initially recognised at the exchange date or when the Company becomes party to the instrument's contractual terms.

The Company de-recognises a financial asset when contractual rights of the cash flows from the asset expire or when the rights of contractual cash flows are transferred from a financial asset on the basis of a business transaction in which all risks and benefits of ownership of the financial asset are transferred.

Upon initial recognition, the Company's financial instruments are classified as follows:

- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income, and
- financial assets at fair value through profit or loss.

The classification depends on the selected asset management business model and whether the Group collects contractual cash flows from financial instruments exclusively from principal payments and interest on the outstanding principal amount.

With the exception of operating receivables that do not contain significant financing components, the Company measures the financial asset during its initial recognition at fair value, which is increased by transaction costs. Operating receivables that do not contain significant components of financing are measured at the transaction price, determined in accordance with IFRS 15.

Financial assets at fair value through profit or loss are disclosed in the statement of financial position at their fair value, including the net change in the fair value recognised in the income statement. Financial assets at fair value through profit or loss primarily include unrealised and valued derivatives as at the reporting date.

A) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits with a maturity of up to three months, and other current, quickly redeemable investments with an original maturity of maximum three months.

The Company converts foreign currency cash using the reference rate of the European Central Bank (ECB) published by the Bank of Slovenia, derived from the exchange rate of the ECB, except for those currencies for which the ECB does not publish reference exchange rates on a daily basis and which are subject to a monthly exchange rate.

B) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss and financial assets that shall be measured at fair value.

Financial assets are classified as held for trading if they are acquired with the intention of selling or repurchasing them in the near future. Derivatives are classified as held for trading, except in the case of effective hedging instruments.

Financial assets that generate cash flows and are not solely principal and interest payments, are classified and measured at fair value through profit or loss regardless of the business model of choice.

Financial assets at fair value through profit or loss are disclosed in the statement of financial position at their fair value, including the net change in the fair value recognised in the income statement.

C) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets recognised at fair value through other comprehensive income with the nature of an equity instrument, are financial assets that meet the equity-related definition in accordance with IAS 32 - Financial Instruments, and for which the company irrevocably chooses to be classified as equity instruments at fair value through other comprehensive income and which are not held for trading. The classification is stipulated by an individual financial instrument.

Gains and losses on these financial assets shall never be reallocated to the income statement, excluding dividends received which shall be recognised in profit or loss.

D) Financial assets at amortised cost

Financial assets at amortised cost include financial assets held by the Company within the business model for collecting contractual cash flows and if cash flows constitute exclusively payments of the principal and interest accrued on the outstanding principal balance. Financial assets at amortised cost also include loans and receivables. Given their maturity, they are classified as current financial assets (maturity of up to 12 months after the date of the statement of financial position) or non-current financial assets (maturity over 12 months after the date of the statement of financial position).

Financial assets at amortised cost are initially recognised at fair value increased by direct transaction costs. Upon initial recognition, they are measured at amortised cost using the effective interest rate method less any impairment losses. Gains and losses are recognised in profit or loss upon reversal, changes or impairment.

Financial liabilities

The Company's financial liabilities include loans received and trade payables. They are, upon initial recognition, classified as financial liabilities at fair value through profit or loss, loans received or operating liabilities. All other financial liabilities are initially recognised on the date of trading or when the Company becomes party to the instrument. With the exception of loans received, all financial liabilities are initially measured at fair value. Loans received are measured at amortised cost using the applicable interest rate. Given their maturity, they are classified as current financial liabilities (maturity of up to 12 months after the date of statement of financial position) or non-current financial liabilities (maturity over 12 months after the date of the statement of financial position). Gains and losses are recognised in the income statement upon de-recognising the financial liability and as part of the depreciation of the effective interest rate.

The Company de-recognises a financial liability when contractual obligations are discharged, cancelled, or expire.

Derivatives (receivables)

Derivatives are used for hedging the Company's cash flow exposure to price and currency risks. As part of its hedging efforts, the Company concluded exchange rate swaps as well as futures contracts used for hedging self-generated electricity and emission allowances in the following years.

These are financial instruments that do not require initial financial investment, while their value is changing due to changes in goods prices or foreign exchange rates.

Derivatives shall initially be recognised at fair value, namely by using the principle of net profit or loss, meaning that the actual value of the concluded transaction shall not be shown in the financial statements.

Following initial recognition, derivatives are measured at fair value, whilst the pertaining changes are considered differently with regard to whether or not the derivative qualifies for hedge accounting. Derivatives which do not qualify for hedge accounting shall be measured at value through profit or loss.

When a derivative is defined as hedging in the case of exposure to cash flow variability that may be attributed to an individual risk related to a recognised asset, liability or highly probable forecast transaction, which can affect the profit or loss, the effective portion of the fair value change of the derivative is recognised in the period's other comprehensive income and disclosed in the cash flow hedge reserve. The ineffective part of fair value changes of the financial instrument is directly recognised in the income statement. The Group shall prospectively discontinue hedge accounting if the hedge no longer meets the criteria for hedge accounting or if the hedging instrument is sold, terminated or exercised. The accumulated gain or loss recognised in the period's comprehensive income remains recorded in the cash flow hedge reserve until the hedged forecast transaction affects profit or loss. If the forecast transaction can no longer be expected, the amount shall be directly recognised in profit or loss in other comprehensive income. In other cases, the amount recognised as comprehensive income shall be transferred to profit or loss in the same period during which the hedged forecast transaction affects profit or loss.

The effects of other derivatives arising from physical contracts, not defined as hedges, in the case of cash flow variability exposure or failure of attribution to an individual risk, associated with a recognised asset or liability, shall be recognised in profit or loss among other operating revenue or other net operating expenses using the net principle, whereas the realisation of physical contracts among net revenue or expenses also using the net principle.

If forward purchases and sales related to the physical delivery of electricity are considered contracts concluded in the ordinary course of business of the Group ("own use" contracts), they are not subject to the scope defined under IFRS 9. This applies when the following conditions are met:

- physical delivery forms part of all such contracts,
- the contractually purchased or sold energy volume corresponds to the operational needs of the Group, and
- contracts cannot be considered an option, as defined in the standard. In the case of electricity sales contracts, the contract is equivalent to fixed forward sales or can be considered sales of capacity.

Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence exists indicating that one or more events have caused a decrease in the estimated future cash flows from this asset, which can be reliably measured.

Objective evidence on the impairment of financial assets can be: non-compliance or violation by the debtor, signs that the debtor will go bankrupt; restructuring the amount owed to the company by others and disappearance of active market for such an instrument.

Impairment of receivables and loans given

If the carrying amount of receivables is assessed to exceed their fair, i.e. recoverable, value, receivables are considered to be impaired.

Final write-offs of receivables require appropriate documents: a final arrangement with creditors, bankruptcy proceedings decisions, court decisions or other appropriate documents.

The impairment assessment is based on the expected credit losses associated with the probability of defaults on loans and receivables in the next 12 months, unless the credit risk significantly increased since the initial recognition. In these cases, the impairment assessment is based on the lifetime expected credit loss (LECL) of a financial asset. Expected credit losses are the difference between contractual cash flows that are due under contract and all cash flows which the Company expects to receive. Expected cash flows will include cash flows from the sale of collateral.

Impairments for expected credit losses are assessed in two stages. For credit exposures where no significant increase in credit risk was established after initial recognition: impairments for expected credit losses are recognised for credit losses arising from defaults possible within the following 12 months. For credit exposures, for which a significant increase in credit risk has occurred since the initial recognition: the Company recognises an allowance from losses expected in the remaining useful life of the exposure, regardless of the default period.

Doubtful receivables from others are not settled within 180 days after their due date.

Disputed receivables comply with one of the following conditions:

- judicial debt-collection proceedings to recover the receivables have been instituted,
- an opening decision for receivership, liquidation or bankruptcy proceedings has been published.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. The Company creates groups of receivables on the basis of maturity of receivables. The Company estimates the total impairment by using past trends in the probability of default, the recovery period and the amount of incurred loss adjusted by the management's assessment as to whether the actual losses due to the current economic and credit conditions could be higher or lower than the losses as predicted by past development.

If all acts have been performed by exercising due diligence in order to achieve the repayment of a particular outstanding receivable, or if the amount of the receivable would make it uneconomic for the Group to have it recovered via judicial recovery proceedings, the receivable will be written-down in full on the basis of a management's decision.

The Company assesses the evidence of impairment for each important loan individually.

An impairment loss related to a financial asset shown at amortised cost is measured as the difference between its carrying amount and the expected future cash flows, discounted at an originally effective interest rate. Loss is recognised in the income statement among operating costs.

Non-financial assets

At each reporting date, the Group reviews the carrying value of its material non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the asset's recoverable value is estimated via an impairment test.

The recoverable value of an asset or cash-generating unit is the higher value in use or fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For impairment testing purposes, assets that cannot be tested individually are placed into the smallest possible group of assets, which create cash flows from further use and that are largely independent of the inflow of other assets or groups of assets (cash-generating unit).

The impairment of an asset or cash-generating unit is recognised if its carrying amount exceeds its recoverable value. Loss is recognised in the income statement among operating costs.

The Company evaluates the impairment losses of previous periods at the end of the reporting period and thus determines whether the loss was reduced or it no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. The loss due to the impairment of the asset is reversed only up to the amount that does not entail the increased carrying amount of an asset exceeding the carrying amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss was not recognised as an asset in prior years.

Capital

The equity of the company is its liability to its owners, which becomes due if the company discontinues its operations, in which the capital volume is adjusted according to the currently attainable price of the total assets. It is defined by the amounts invested by the owners and the amounts incurred during operation and belong to the owners. It is decreased by operating loss and payments to owners and increased by the profit generated in the period.

Share capital and capital reserves include cash and non-cash consideration of the owner.

On 31 December 2002, the general adjustments from revaluation of capital (in accordance with the then applicable Slovenian Accounting Standards) included the revalorisation of the share capital before 2002. Subsequently, the aforementioned adjustment was transferred to capital reserves. This amount can only be used to increase share capital.

Other reserves from profit are purposely retained earnings from previous years and are primarily used to cover losses. They are established based on a decision by the relevant body.

The risk hedging reserve shall include the effect of the change to the fair value of derivatives established as successful hedging instruments in the event of exposure to cash flow variability related to hedging self-generated electricity and the hedging accounting related to emission allowance procurement cash flows.

The fair value reserve includes actual gains or losses related to provisions for post-employment and other non-current employee benefits (retirement benefits).

Provisions for post-employment and other non-current employee benefits

In accordance with statutory regulations, Collective Agreements and internal regulations, the Company shall make provisions for the mandatory payment of jubilee and retirement benefits to employees. There are no other pension liabilities.

Provisions are made in the amount of estimated future jubilee and retirement benefit payments, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of retirement benefits and all expected jubilee benefits up to retirement. The calculation using a projected unit is drawn up by an actuary. Retirement and jubilee benefits during the current year decrease the provisions made.

Labour costs and interest costs are recognised in the income statement, while the restatement of post-employment benefits or of unrealised actuarial revenues or losses arising from retirement benefits are recognised in other comprehensive income (capital).

Employee benefits

Current employee benefit obligations are measured on an undiscounted basis and are expensed as the current benefit related service by the employee is provided. Liabilities are carried in the amount that is expected to be paid in the form of current remuneration, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the liability can be estimated reliably.

Other provisions

Provisions are recognised when the company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability.

The provision value equals the present value of expenditure that is expected to be needed to settle a liability. Since provisions are intended for covering probable, but not certain obligations, the amount recognised as a provision is merely the best estimate of the expenditure needed for the settlement of obligation existing on the date of the statement of financial position. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround the events and circumstances are taken into account.

Provisions are directly decreased by costs or expenses for which they were created to cover. This means that such costs or expenses no longer appear in the profit or loss of the financial year. If the expected liabilities do not occur, the reversal of created provisions is carried out and shown under other operating revenue.

Other assets and liabilities

Other assets include advances given, receivables due from state and other institutions and current deferred costs and accrued revenue not related to sales contracts. Deferred costs are the amounts incurred not debited to the profit or loss of the Company upon their incurring as of yet.

With the introduction of IFRS 15, non-accrued revenue is no longer part of other assets but non-accrued revenue from sales contracts with customers is recognised under the Contract Assets item.

Other liabilities include advances received, liabilities to employees, liabilities to the state and other institutions and non-current and current accrued costs and deferred revenue not related to liabilities arising from sales contracts. Accrued costs are amounts that have not been incurred as of yet, but they will incur the future and are already influencing profit or loss.

With the introduction of IFRS 15, deferred revenue is no longer part of other liabilities, although deferred revenue from sales contracts with customers is recognised under the Contract Assets item.

Contingent liabilities

Contingent liabilities are:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities include guarantees given and parent company guarantees.

Revenue

In accordance with IFRS 15, the Company uses a five-step model to establish when to recognise revenue and to what amount. The model determines that revenue is recognised at the transfer of control over goods or services to the buyer in an amount expected to be justified. In view of the satisfied criteria, revenue shall be recognised:

- as it occurs or
- through the period.

The Company recognises revenue from contracts with buyers based on contracts, thus the control over goods and services is transferred to the buyer in the amount that reflects the compensation that the Company expects to be entitled to. Any promised service or supply of goods is considered a separate performance obligation if different. The performance obligation is different when the buyer derives benefits from the services rendered or goods delivered. The performance obligation is the obligation to provide a service or goods to the buyer.

Revenue is recognised as soon as the Company satisfies its performance obligation, i.e. when control over the respective service and goods is transferred to the buyer. Control means that the buyer can direct the use of an asset and receives all material benefits from the asset. The buyer may also prevent others from using and receiving the benefits from the respective asset.

Discounts, approved upon the contract signing, are distributed among all performance obligations and deferred for the duration of the contract. All subsequently approved discounts are recognised in the period for which they are approved and reduce revenue.

Sale of goods

When selling goods, the performance obligation arises upon the provision of goods. Goods are invoiced within 14 days or on a monthly basis. The sale of electricity accounts for the largest share within the sale of goods structure, which is followed by the sale of secondary and tertiary energy and deviations from the sale of electricity. This part also includes the sale of emission allowances arising from trading.

If the Company generates more foreign exchange gains than losses from operating activities, these are reported as net revenue from the sale of merchandise by applying the principle of net profit or loss.

Sale of services

The performance obligation in the sale of services arises while services are rendered. Invoicing is performed on a monthly basis. Services provided in connection with transmission capacities, services relating to guarantees of origin, services of negative electricity prices and advisory services provided in the accounting, legal, HR and financial sectors account for the largest share in the sale of services.

Accrued revenue is the revenue taken into account in the profit or loss even though it has not been invoiced yet. In compliance with IFRS 15, it is recognised in the statement of financial position as contract assets which is the right to consideration in exchange for goods or services that the entity has transferred to a customer.

Deferred revenue is presented in accordance with IFRS 15 as a contract liability and is recognised as revenue when the company meets its contractual performance obligation.

Other operating and financial revenue

Other operating revenue related to products and services includes interest revenue from advances given, late interest revenue, capital gains from the disposal of fixed assets, damages and contractual penalties received and similar revenue.

Revenue from accruing late interest and related receivables is recognised upon occurrence if it is probable that the future economic benefits embodied with the transaction will flow to the Company. Else, accruing late interest is recorded as contingent assets and recognised in the Company's accounts upon payment. Accrued late interest is recorded on a case-by-case basis.

Financial revenue comprises revenue from participating interest in investments (dividends), interest on deposits and loans given, revenue from parent company guarantees given and profits generated from hedging instruments recognised in the income statement.

Operating and financial expenses

Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured.

Operating expenses are recognised upon the sale of merchandise.

The cost of sold goods encompasses the recording of expenses, related to the sale of electricity, gas, emission allowances held for trading and their related costs. If the Company generates more foreign exchange gains than losses from operating activities, these are reported in the cost of sold goods.

Costs of materials are historical costs of procured materials, namely costs of safety equipment, small tools, whose useful life does not exceed a period of one year, energy products, stationery, specialist literature, and other materials.

Costs of services are historical costs of procured services, namely software, building and equipment maintenance services, advertising services, entertainment, insurance premiums, money transmission and other banking services (excluding interest rates), leases, advisory services, business trips, and similar services.

Write-downs in value include depreciation costs related to the consistent transfer of value of depreciable intangible assets and property, plant and equipment to the profit or loss. Write-downs in value also include write-offs and losses from the sales of intangible assets and property, plant and equipment, as well as impairments or write-offs of operating receivables.

Labour costs are historical costs that refer to gross salaries and other similar amounts to employees, as well as duties that are accounted for from this basis and are not an integral part of gross amounts.

Other operating expenses occur in connection with setting up provisions, donations and other duties, as well as contractual penalties for un-supplied electricity.

Financial expenses comprise loan costs, including related derivatives and losses from impairment of financial assets and liquidations of subsidiaries. Interest expenses are recognised upon their occurrence, in the amount of the agreed-upon interest rate.

Taxes

Taxes comprise current and deferred tax liabilities. Current tax is disclosed in the income statement. Deferred tax is recognised in the income statement and in the statement of the financial position.

Tax liabilities are based on the taxable base of the financial year. The taxable base differs from the profit or loss reported in the income statement, as it excludes items of revenue or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. Current tax liabilities of the Company are calculated using the tax rate applicable on the reporting date. Current tax liabilities decrease in the event of advance payments of corporate income tax during the year.

Deferred tax is shown in total by applying the financial position statement liability method to temporary differences, arising between tax bases of assets and liabilities and their carrying amounts in financial statements. Deferred tax is determined using the tax rate applicable as at the statement of financial position date, and which is expected to be used when the deferred tax assets are realised or the deferred tax liability is settled.

A deferred tax asset is recognised if future taxable profit that can be used for temporary differences is likely. It is the levied corporate income tax with regard to deductible temporary differences.

The deferred tax liability is corporate income tax levied with regard to taxable temporary differences, which means higher payment of tax in the future.

In 2022, the applicable tax rate for corporate income tax amounted to 19%, based on the currently applicable tax legislation.

Cash flow statement

The cash flow statement shows changes in balances of cash and cash equivalents for the financial year it is drawn up for. The cash flow statement is drawn up by using the indirect method and data from the statement of financial position and the income statement pursuant to International Financial Reporting Standards (IFRS) as adopted by the EU.

Cash and cash equivalents of the Company include cash, cash in bank accounts, deposits redeemable at notice and deposits for a period of up to three months.

Segment reporting

In the Annual Report, the Company does not disclose operations by segment. Segment reporting in the Annual Report is required for groups whose debt or equity securities are publicly traded, and companies that are in the process of issuing equity or debt securities on a public securities market.

Initial application of new amendments to the existing standards effective for the current financial period

In the current reporting period, the following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are applied:

- **Amendments to IAS 16 – Property, plant and equipment —** Proceeds before Intended Use, adopted by the EU on 28 June 2021 (effective for annual reporting periods beginning on or after 1 January 2022).
- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets –** Onerous Contracts—Cost of Fulfilling a Contract, adopted by the EU on 28 June 2021 (effective for annual reporting periods beginning on or after 1 January 2022).
- **Amendments to IFRS 3 – Business Combinations –** Reference to the Conceptual Framework with amendments to IFRS 3, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022).
- **Annual Improvements to IFRSs (2018-2020 Cycle)** arising from the annual project to improve IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41) remedying incoherences and text interpretations, adopted by the EU on 28 June 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual reporting periods beginning on or after 1 January 2022). The amendment to IFRS 16 refers only to the illustrative example. For this reason, no effective date is provided.

The adoption of amendments to existing standards has not led to significant changes in the financial statements of the Company.

Standards and amendments to existing standards issued by the IASB and adopted by the EU that do not yet apply

At the date of approval of these financial statements, the IASB issued the following amendments to existing standards adopted by the EU that do not yet apply:

- **IFRS 17 – Insurance Contracts,** including amendments to IFRS 17, issued by IASB on 25 June 2020 and adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 – Insurance Contracts –** Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022, effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 – Presentation of Financial Statements –** Disclosure of Accounting Policies, adopted by the EU on 2 March 2022 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates, adopted by the EU on 2 March 2022 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 – Income Taxes –** Deferred Tax related to Assets and Liabilities arising from a Single Transaction, adopted by the EU on 11 August 2022 (effective for annual reporting periods beginning on or after 1 January 2023)

New standards and amendments of the existing standards issued by the IASB, but not yet adopted by the European Union

Currently, IFRSs as adopted by the EU do not differ significantly from those adopted by the International Accounting Standards Committee (IASC) with the exception of the following new standards and amendments to existing standards (dates of entry into force below for IFRSs as issued by the IASC):

- **Amendments to IAS 1 – Presentation of Financial Statements –** Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 – Presentation of Financial Statements –** Non-current Liabilities with Covenants (effective for annual reporting periods beginning on or after 1 January 2024).
- **Amendments to IFRS 16 – Leases –** Lease Liability in a Sale and Leaseback (effective for annual reporting periods beginning on or after 1 January 2024).
- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual reporting periods beginning on or after 1 January 2016) – The European Commission decided not to start the clearance process of this intermediate standard and to rather wait for the issue of its final version.
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures –** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, and further amendments (effective date suspended indefinitely until the research project on the equity method is concluded).

The Company foresees that the introduction of these new standards and amendments to the existing standards during the period of initial application will not have a material effect on the financial statements of the Company.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

The Company estimates that calculating the exposure of its financial assets and liabilities to risks in accordance with **IAS 39 – Financial Instruments: Recognition and Measurement** would not materially affect the financial statements of the Company if it were to be performed as at the balance sheet date.

4.5.5 Determining fair value

With reference to reporting and disclosing the fair values of non-financial and financial assets and liabilities, fair value shall be determined either for measuring individual assets or due to additional fair value disclosures. Fair value is the amount for which an asset can be exchanged or the liability can be settled between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments shall be determined considering the following hierarchy levels of determining fair value:

- Level one includes quoted prices in active markets for identical assets or liabilities;
- Level two includes inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level three includes inputs for the asset that are not based on observable market data.

Quoted prices are used as a basis for determining the fair value of financial instruments. If a financial instrument is not admitted to trading on a regulated market or the market is deemed non-functioning, inputs of Levels two and three are used to estimate the fair value of the financial instrument.

The fair value of foreign currency swaps is determined by using data provided to the Company by the bank with which a specific foreign currency swap has been concluded. Values are verified in the Company's financial department.

In order to determine the fair values of derivatives related to electricity and emission allowances, known exchange prices are used as at the end of the reporting period.

The fair value of commodity contracts shall be determined or calculated using market prices applicable to Levels one and two as at 31/12/2022. Not a single transaction was subject to the calculation of the fair value on the basis of the Level three criterion.

The fair value of options shall be determined by calculating it on the basis of the Level three criterion.

4.5.6 Financial risk management

Detection and management of financial risks is defined in the business section of the annual report. In the notes to financial statements, risks are presented in connection with items in the financial statements (Section `Financial instruments and risks' note), namely:

- the credit risk,
- the liquidity risk,
- the currency risk,
- the interest rate risk, and
- the price risk.

4.5.7 Disclosures to the separate consolidated financial statements

4.5.7.1 Statement of financial position

INTANGIBLE ASSETS (1)

in EUR

Intangible assets	31/12/2022	31/12/2021
Emission allowances	116,906,790	88,723,467
Other non-current property rights	2,416,698	2,404,575
Intangible assets being acquired	290,061	322,452
Total	**119,613,579**	**91,450,494**

The Company shows emission coupons among intangible assets required for self-generated electricity needs of the HSE Group and software.

in EUR

Movement of intangible assets	Emission allowances	Other non-current property rights	Intangible assets being acquired	Total
Purchase cost as at 01/01/2022	88,723,467	7,861,691	322,451	96,907,609
Acquisition	116,902,230		349,996	117,252,226
Disposals - write-offs, sales	-88,718,907			-88,718,907
Transfer from investments		382,356	-382,356	0
Purchase cost as at 31/12/2022	116,906,790	8,244,047	290,091	125,440,928
Written-off value as at 01/01/2022		5,457,117		5,457,117
Depreciation		370,233		370,233
Written-off value as at 31/12/2022		5,827,350	0	5,827,350
Book value as at 01/01/2022	88,723,467	2,404,574	322,451	91,450,492
Book value as at 31/12/2022	116,906,790	2,416,697	290,091	119,613,578

in EUR

Movement of intangible assets	Emission allowances	Other non-current property rights	Intangible assets being acquired	Total
Purchase cost as at 01/01/2021	68,420,366	7,535,131	112,244	76,067,741
Acquisition	87,529,291	0	538,297	88,067,588
Disposals - write-offs, sales	-67,226,190	-1,530		-67,227,720
Transfer from investments		328,090	-328,090	0
Purchase cost as at 31/12/2021	88,723,467	7,861,691	322,451	96,907,609
Written-off value as at 01/01/2021	0	5,099,301		5,099,301
Disposals - write-offs, sales		-1,530		-1,530
Depreciation		359,346		359,346
Written-off value as at 31/12/2021		5,457,117	0	5,457,117
Book value as at 01/01/2021	68,420,366	2,435,830	112,244	70,968,440
Book value as at 31/12/2021	88,723,467	2,404,574	322,451	91,450,492

Among intangible assets, the Company also shows emission allowances needed to cover self-generated electricity needs in its subsidiaries, under the Emission Coupons Portfolio Management Agreement, from which it derives that the Company manages emission allowances of its subsidiaries. The Company purchased the necessary number of allowances several years in advance (depending on the quantities of electricity sold for this period). The number of emission allowances needed by the companies for the current year is determined at the beginning of the following year, which is why allowances are divested and transferred during the following year. All effects from the sale are already included in the Company's profit or loss of the current year.

At the beginning of 2022, the Company held 3,443,000 emission allowances in order to satisfy the self-generated electricity needs of its subsidiaries. For this purpose, the Company procured 3,127,000 and sold 3,442,823 emission allowances in 2022. As at 31 December 2022, the Company thus has 3,127,177 emission allowances in stock. The sale of emission allowances to subsidiaries shows EUR 257,700 in profit for the Company in 2022. In 2022, the Company divested a surplus of 179,000 allowances, and the profit was shown under revenue from allowance trading.

A noteworthy value of non-current property rights consists of the SAP software, the eDMS document management system, the Endur software, and the employee digital ID equipment.

The increase of intangible assets in 2022 is the result of implementing SAP in RGP and the digital employee identity.

The useful lives of the most important software were reviewed in 2022. Useful lives were found to require no changes.

As at 31 December 2022, the Company has EUR 782,029 in liabilities for the development of new functionalities for the HSE intranet pages, the technical security software, the implementation of the employee digital identity in the HSE Group, and the implementation of SAP in ECE.

There are no pledges, financial leases or other ownership-related limitations referring to intangible assets.

PROPERTY, PLANT AND EQUIPMENT (2)

in EUR

Property, plant and equipment	31/12/2022	31/12/2021
Land	44,661	44,661
Buildings	1,251,388	1,200,334
Production equipment	2,470,714	71,126
Other equipment	938,714	812,955
Property, plant and equipment being acquired	14,440,895	12,745,481
Total	**19,146,372**	**14,874,557**

Buildings include a portion of the Company's premises in Ljubljana. The remainder of the Company's premises in Ljubljana, Šoštanj, Maribor and Nova Gorica are leased. The Prapretrno solar power plant is shown among production equipment. Software is accounted for the majority of other plant and equipment.

in EUR

Movement of property, plant and equipmen	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 01/01/2022	44,661	1,817,468	127,009	3,484,106	12,745,481	18,218,725
Acquisition					4,754,864	4,754,864
Disposals				-102,897		-102,897
Transfers from investments		90,056	2,467,957	501,438	-3,059,451	0
Write-offs				-87,573		-87,573
Purchase cost as at 31/12/2022	**44,661**	**1,907,524**	**2,594,966**	**3,795,074**	**14,440,894**	**22,783,119**
Written-off value as at 01/01/2022	0	617,134	55,883	2,671,151	0	3,344,168
Acquisition				-99,140		-99,140
Depreciation		39,001	68,369	371,459		478,829
Write-offs				-87,111		-87,111
Written-off value as at 31/12/2022	0	656,135	124,252	2,856,359	0	3,636,746
Book value as at 01/01/2022	44,661	1,200,334	71,126	812,955	12,745,481	14,874,557
Book value as at 31/12/2022	44,661	1,251,389	2,470,714	938,715	14,440,894	19,146,373

in EUR

Movement of property, plant and equipmen	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 01/01/2021	36,311	1,817,468	127,009	3,502,353	9,769,121	15,252,262
Acquisition					3,207,559	3,207,559
Disposals				-128,587		-128,587
Transfers from investments	8,350			222,849	-231,199	0
Write-offs				-112,509		-112,509
Purchase cost as at 31/12/2021	44,661	1,817,468	127,009	3,484,106	12,745,481	18,218,725
Written-off value as at 01/01/2021	0	579,629	50,803	2,537,339	0	3,167,771
Disposals				-113,986		-113,986
Depreciation		37,505	5,080	358,939		401,524
Write-offs				-111,141		-111,141
Written-off value as at 31/12/2021	0	617,134	55,883	2,671,151	0	3,344,168
Book value as at 01/01/2021	36,311	1,237,839	76,206	965,014	9,769,121	12,084,491
Book value as at 31/12/2021	44,661	1,200,334	71,126	812,955	12,745,481	14,874,557

The bulk of the Company's property, plant and equipment being acquired shows an investment in hydro-electric power plants on the Middle Sava River in the amount of EUR 13,380,356. This refers to the compilation of pre-investment, investment and other documentation, required for the siting of hydro-electric power plants. In 2022, the investment in the Middle Sava hydro-electric power plants increased by EUR 2,473,920. All the documentation compiled so far in addition to scientific bases have been drawn up in a way that they are not time-barred and can be used as the basis for further activities. The above-mentioned facts confirm that the investment is not jeopardised by current circumstances despite the delay. No circumstances indicating signs of impairment occurred in 2022.

The investment in the Prapretno solar power plant was completed in May 2022 and had been activated to the amount of EUR 2,507,393.

The most important equipment was reviewed in 2022. The useful lives were found to remain the same.

The Company has no registered mortgages for property, plant and equipment. As at 31 December 2022, the Company had EUR 5,871,498 in commitments for acquiring buildings and other equipment.

As the useful life of our most important equipment does not exceed a period of five years, plant and equipment were not impaired by the Company in 2022. The Company reviewed the existence of signs of impairment in investments in premises and compared market values at the end of 2022 with the carrying amount. The Company found no significant differences between the carrying amount and market value that would indicate the need for reviewing the reasons for impairment.

There are no pledges, finance leases or other ownership-related limitations referring to property, plant and equipment.

RIGHT TO USE LEASED ASSETS (3)

in EUR

Right to use leased assets	31/12/2022	31/12/2021
Right to use leased assets	1,354,758	1,423,178
Total	1,354,758	1,423,178

in EUR

Movement of the right to use leased assets	Buildings	Other equipment	Total
Purchase cost as at 01/01/2022	2,581,411	0	2,581,411
Acquisition	75,758	449,118	524,876
Disposals	0	-29,822	-29,822
Purchase cost as at 31/12/2022	2,657,168	419,296	3,076,464
Written-off value as at 01/01/2022	1,158,233	0	1,158,233
Acquisition	-185,504	0	-185,504
Disposals	0	-11,038	-11,038
Depreciation	681,924	78,091	760,015
Written-off value as at 31/12/2022	1,654,653	67,053	1,721,706
Book value as at 01/01/2022	1,423,178	0	1,423,178
Book value as at 31/12/2022	1,002,515	352,243	1,354,758

in EUR

Movement of the right to use leased assets	Buildings	Other equipment	Total
Purchase cost as at 01/01/2021	2,581,409	0	2,581,409
Purchase cost as at 31/12/2021	2,581,411	0	2,581,411
Written-off value as at 01/01/2021	770,190	0	770,190
Acquisition	-139,552	0	-139,552
Disposals	-6,064	0	-6,064
Depreciation	533,659	0	533,659
Written-off value as at 31/12/2021	1,158,233	0	1,158,233
Book value as at 01/01/2021	1,811,219	0	1,811,219
Book value as at 31/12/2021	1,423,178	0	1,423,178

INVESTMENTS IN SUBSIDIARIES (4)

in EUR

Investments in subsidiaries	31/12/2022	31/12/2021
DEM	387,058,979	387,058,979
SENG	152,692,250	152,692,250
TEŠ	224,667,000	224,667,000
HSE EDT	2,153,668	2,153,668
PV	30,935,000	39,731,000
HSE Invest	160,000	160,000
SRESA	60,000	60,000
ECE	13,833,816	11,118,000
Energija plus	11,400,000	0
HSE Balkan Energy	856,000	856,000
HSE MAK Energy	26,778	26,778
HSE BH	513,990	513,990
Total	824,357,481	819,037,665

A large part of the Company's assets is comprised of non-current investments in subsidiaries. They include investments in companies, in which the Company - directly or indirectly through other owners - owns a majority stake and the group of companies for which the Company draws up consolidated financial statements.

Data on subsidiaries

Company	Address	Country	Activity	% of ownership	% of voting rights
DEM	Obrežna ulica 170, 2000 Maribor	Slovenia	Electricity production at hydro power plants	100.00%	100.00%
SENG	Erjavčeva 20, 5000 Nova Gorica	Slovenia	Electricity production at hydro power plants	100.00%	100.00%
TEŠ	Cesta Lole Ribarja 18, 3325 Šoštanj	Slovenia	Electricity production at thermal power plants	100.00%	100.00%
PV	Partizanska 78, 3320 Velenje	Slovenia	Acquisition of brown coal and lignite	100.00%	100.00%
HSE EDT	Ob železnici 27, 1420 Trbovlje	Slovenia	Electricity production at thermal power plants	100.00%	100.00%
ECE	Vrunčeva ulica 2A, 3000 Celje	Slovenia	Electricity trading	63.58%	63.58%
Energija plus	Vetrinjska ulica 2, 2000 Maribor	Slovenia	Electricity trading	51.00%	51.00%
HSE Balkan Energy	Bulevar Mihaila Pupina 117, Belgrade	Serbia	Electricity trading	100.00%	100.00%
HSE MAK Energy	Belasica no. 2, 1000 Skopje	Macedonia	Electricity trading	100.00%	100.00%
HSE BH	Ul. Alije Isakovića br.1, Sarajevo	Bosnia and Herzegovina	Electricity trading	100.00%	100.00%
*HTZ I.P.	Partizanska 78, 3320 Velenje	Slovenia	Repairs of machinery and devices	100.00%	100.00%
*SIPOTEH	Partizanska cesta 78, 3320 Velenje	Slovenia	Production of metal constructions	100.00%	100.00%
*RGP	Rudarska cesta 6,3320 Velenje	Slovenia	Specialised construction works	100.00%	100.00%
*sHPP Lobnica	Obrežna ulica 170, 2000 Maribor	Slovenia	Electricity production at hydro power plants	65.00%	65.00%
*PLP	Partizanska cesta 78, 3320 Velenje	Slovenia	Wood cutting, shaving and impregnation	100.00%	100.00%
SRESA	Ob železnici 27, 1420 Trbovlje	Slovenia	Electricity production at hydro power plants	60.00%	60.00%
HSE Invest	Obrežna ulica 170 a, 2000 Maribor	Slovenia	Other technical engineering and consulting	42.11%	42.11%

* In these companies, HSE has indirect ownerhsip.

in EUR

Significant amounts from statements of subsidiaries	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
TEŠ	776,082,803	535,792,988	342,252,086	-587,314	240,289,815
ECE	86,275,023	54,868,623	340,224,962	12,531,333	31,406,400
HSE BH	21,623,166	19,535,291	193,522,504	564,432	2,087,875
HSE MAK Energy	21,895,993	20,418,289	162,018,735	495,814	1,477,704
Energija plus	57,830,580	38,129,619	142,900,317	8,060,883	19,700,961
PV	169,847,647	138,741,471	105,252,096	-32,873,244	31,106,176
SENG	229,503,102	19,051,954	93,817,301	6,506,541	210,451,148
DEM	483,907,269	17,855,409	68,018,742	13,818,814	466,051,860
HTZ I.P.	14,451,964	13,548,574	35,255,138	433,009	903,390
RGP	14,159,537	11,759,254	27,711,360	398,632	2,400,283
HSE Invest	2,995,841	1,982,232	6,994,224	115,117	1,013,609
SIPOTEH	2,571,431	975,041	3,652,283	388,296	1,596,390
PLP	2,095,006	958,726	3,082,127	98,678	1,136,280
HSE EDT	3,704,174	2,063,709	1,436,657	80,821	1,640,465
HSE Balkan Energy	747,651	13,255	161,851	16,465	734,396
mHE Lobnica	607,681	832	14,494	-14,298	606,849
SRESA	42,646	0		-7,281	42,646

in EUR

Changes in non-current financial investments in subsidiaries	2022	2021
Increase in capital in PV	30,000,000	0
Purchase of share in the company ECE	2,715,815	11,118,000
Purchase of share in the company Energija plus	17,462,000	0
Impairment of investment in Energija plus	-6,062,000	0
Impairment of investment in TEŠ	0	-14,361,797
Impairment of investment in PV	-38,796,000	-45,169,000
Total	**5,319,815**	**-48,412,797**

in EUR

Movement of non-current financial investments in subsidiaries	2022	2021
Purchase cost as at 01/01/	**1,923,439,822**	**1,912,321,822**
Purchase of share in the company ECE	2,715,815	11,118,000
Purchase of share in the company Energija plus	17,462,000	0
Increase in capital in PV	30,000,000	0
Purchase cost as at 31/12/	**1,973,617,637**	**1,923,439,822**
Written-off value as at 01/01/	**-1,104,402,157**	**-1,044,871,360**
Impairment of Energija plus	-6,062,000	0
Impairment of investment in TEŠ	0	-14,361,797
Impairment of investment in PV	-38,796,000	-45,169,000
Written-off value as at 31/12/	**-1,149,260,157**	**-1,104,402,157**
Book value as at 01/01/	**819,037,665**	**867,450,462**
Book value as at 31/12/	**824,357,480**	**819,037,665**

In 2022, the Company acquired a 51% share of Energija plus d.o.o. amounting to EUR 17,462,000, and increased its share in ECE d.o.o. from 51 to 63.58%. HSE has concluded options related to non-controlling interest in ECE d.o.o.

For a more detailed related disclosure, please refer to Section 4.5.2 Drawing up basis (use of estimates and judgements).

None of the subsidiaries or comparable companies are listed; therefore, reasons for a potential impairment could not be determined on the basis of market prices. Potential reasons for impairment based on Company operating results were reviewed along with the comparison of differences between the carrying amount of the non-current investment of the Company and the proportional part of the carrying amount of the total capital of subsidiaries. Impairment tests of financial assets were carried out by authorised company valuers for companies operating at a loss or where the carrying amount of the non-current investment was found to be higher than the proportional part of the carrying amount of the total capital. Carrying amounts of the total capital of subsidiaries in all subsidiaries and after the impairment of the investments in PV and Energija plus were found to be higher or equal to the carrying amount of the non-current investment in the respective company. Authorised company valuers carried out impairment tests of non-current financial investments in TEŠ, Energija plus, and PV as at 31/12/2022, on the basis of which management evaluations were performed and our investments in Energija plus and PV were impaired.

On 31 December 2022, the Company impaired its non-current investment in PV by debiting it to financial expenses in the amount of EUR 38,796,000, and in Energija plus by debiting it to financial expenses in the amount of EUR 6,062,000.

The table below presents the considered impairment test assumptions and results.

NON-CURRENT FINANCIAL INVESTMENTS AT ŠOŠTANJ THERMAL POWER PLANT	
2022	2021
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2022	31/12/2021
Important assumptions used in the performance of the impairment testing	
The company's operations until 2033. The thermal power plant operating life has been shortened due to the shortened operating life of the PV coal mine providing the thermal power plant with coal. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.	The company's operations until 2033. The thermal power plant operating life has been shortened due to the shortened operating life of the PV coal mine providing the thermal power plant with coal. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The discount rate at a nominal amount of 7.30% adjusted to the real level of 4.79%, which was taken into account throughout the period until 2033.	The discount rate at a nominal amount of 6.78% adjusted to the real level of 4.76%, which was taken into account throughout the period until 2033.
The forecast revenue is based on the so-called cost +5% method, namely: the sales price of electricity by TEŠ is calculated as the sum of the cost price of electricity by TEŠ less thermal energy generation costs and plus cost uplift. The 5% uplift shall not be taken into account in CO_2 emission allowance costs.	The forecast revenue is based on the so-called cost +5% method, namely: the sales price of electricity by TEŠ is calculated as the sum of the cost price of electricity by TEŠ less thermal energy generation costs and plus cost uplift. The 5% uplift shall not be taken into account in CO_2 emission allowance costs.
The average procurement price of CO_2 (EE) emission allowance futures (for yet-to-be-procured volumes, the exchange price of futures at the EEX exchange has been taken into account) for 2023 amounts to EUR 77.96/t, at the end of the forecast horizon (2033) EUR 89.38/t.	The average procurement price of CO_2 emission allowance futures (for yet-to-be-procured volumes, the exchange price of futures at the EEX exchange has been taken into account) for 2022 amounts to EUR 36.16/t, at the end of the forecast horizon (2033) EUR 75.12/t.
Average annual production of electricity from coal-fired power plants of 2.4 TWh over the period 2023 - 2033.	Average annual production of electricity from coal-fired power plants of 2.9 TWh over the period 2022 - 2033.
Value of other income (i.e. income on providing system services, thermal energy, income on sale of ash and gypsum) in the amount of EUR 15,636,000 in 2023 up to EUR 16,613,000 in 2033.	Value of other income (i.e. income on providing system services, thermal energy, income on sale of ash and gypsum) in the amount of EUR 11,411,000 in 2022 up to EUR 12,224,000 in 2033.
CAPEX over the projection period of EUR 156,808,000.	CAPEX over the projection period of EUR 146,857,000.
Results of impairment testing carried out	
The book value of financial investment before the impairment testing amounts to EUR 224,667,000.	The book value of financial investment before the impairment testing amounts to EUR 239,028,797.
Recoverable amount of non-current financial investments of EUR 232,467,000.	Recoverable amount of non-current financial investments of EUR 224,667,000.
Revaluation expenses due to impairment of EUR 0.	Revaluation expenses due to impairment of EUR 14,361,797.

NON-CURRENT FINANCIAL INVESTMENTS AT VELENJE COAL MINE	
2022	2021
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2022	31/12/2021
Important assumptions used in the performance of the impairment testing	
The company's operations until 2033. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.	The company's operations until 2033. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The discount rate at a nominal amount of 8.92% adjusted to the real level of 6.37%, which was taken into account throughout the period until 2033.	The discount rate at a nominal amount of 7.47% adjusted to the real level of 5.44%, which was taken into account throughout the period until 2033.
The average sale price of coal EUR 6.25/GJ in the period between 2023 and 2033.	The sale price of coal 2.75 EUR/GJ in the entire period until 2033.
	The National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy is taken into account, foreseeing average annual EUR 32,380,655 revenue from the closure of the coal mine, arising from the baselines of the Progressive Velenje Coal Mine Closure Act.
Average annual coal sales of 22,286 TJ per year in the period 2023 - 2033.	Average annual coal sales of 26,658 TJ per year in the period 2022 - 2033.
CAPEX over the 2023 - 2033 projection period of EUR 183,928,000.	CAPEX over the 2020 - 2033 projection period of EUR 157,294,000.
The recoverable value of financial investments in subsidiaries and other companies in the amount of EUR 4,160,000.	The recoverable value of financial investments in subsidiaries and other companies in the amount of EUR 9,803,000.
Recoverable amount of assets unnecessary for business (investments and investment property) in the amount of EUR 22,717,000.	Recoverable amount of assets unnecessary for business in the amount of EUR 18,932,000.
	We provide the assumption that the company will not be required to fulfil obligations that are not explicitly stated in the current concession contract.
Results of impairment testing carried out	
The book value of financial investment before the impairment testing amounts to EUR 69,731,000.	The book value of financial investment before the impairment testing amounts to EUR 84,900,000.
Recoverable amount of non-current financial investments of EUR 30,935,000.	Recoverable amount of non-current financial investments of EUR 39,731,000.
Revaluation expenses due to impairment of EUR 38,796,000.	Revaluation expenses due to impairment of EUR 45,169,000.

NON-CURRENT FINANCIAL INVESTMENTS AT ENERGIJA PLUS
2022
Method used for the definition of the recoverable amount in the impairment testing
Value in use (present value of expected free cash flow).
Date of performance of the impairment testing
30/09/2022
Important assumptions used in the performance of the impairment testing
Going concern assumption.
An 8.5% discount rate was taken into account throughout the entire forecast horizon.
A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are the significantly changed circumstances on the energy product market in the recent 12 months.
The valuation is a result of equal balancing of 4 operating scenarios. Operating scenarios foresee lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, higher prices/higher margins for the period until 2037 or 15 years.
The average annual growth rate of normalized real free cash flow is 2%.
CAPEX over the projection period (2023 - 2037) of EUR 5,710,000.
During the most recent forecast horizon year (2023), the EBITDA margin ranges between 1.3% (higher prices/lower margins) and 1.9% (lower prices/higher margins).
Results of impairment testing carried out
The book value of the 51% equity in Energija plus prior to the impairment testing in the amount of EUR 17,462,000.
The recoverable amount of the 51% equity in Energija plus amounts to EUR 11,400,000.
Revaluation expenses due to impairment of EUR 6,062,000.

Sensitivity analysis of the non-current investment impairment test

Non-current financial investment	Recoverable value in EUR	Sensitivity (change) of recoverable value in EUR	
		Change in discount rate (WACC) in % points	
		-0.5	0.5
AT ŠOŠTANJ THERMAL POWER PLANT	232,467,000	15,675,000	-15,056,000
AT VELENJE COAL MINE	30,935,000	812,000	-779,000
AT ENERGIJA PLUS	11,400,000	595,000	-533,000

OTHER NON-CURRENT INVESTMENTS AND LOANS (5)

in EUR

Other non-current investments and loans	31/12/2022	31/12/2021
Non-current financial investments in associates	40,513,942	40,513,942
Non-current investments in jointly-controlled companies	255,000	255,000
Non-current financial assets available for sale	111,000	111,000
Other non-current financial investments	500	500
Non-current financial receivables and loans	496,000	820,000
Total	41,376,442	41,700,442

A non-current investment in an associate accounts for the biggest proportion of other non-current investments.

in EUR

Movement of other non-current financial investments and loans	Non-current financial investments in associates	Non-current investments in jointly-controlled companies	Non-current assets available for sale	Other non-current financial investments	Non-current financial loans to Group companies	Total
Balance as at 01/01/2022	40,513,942	255,000	111,000	500	820,000	41,700,442
Transfers to current receivables					-324,000	-324,000
Balance as at 31/12/2022	40,513,942	255,000	111,000	500	496,000	41,376,442
Balance as at 01/01/2021	40,513,942	255,000	111,000	500	1,144,000	42,024,442
Transfers to current receivables					-324,000	-324,000
Balance as at 31/12/2021	40,513,942	255,000	111,000	500	820,000	41,700,442

A) Non-current investments in associates

In 2022, there were no changes in investments in associates. The Company does not detect any impairment signs of its investment in an associate. For this reason, no impairment test was carried out.

in EUR

Company	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
HESS	332,424,173	39,833,853	20,856,803	1,009,678	292,590,320

Company	Address	Activity	% of ownership
HESS	Cesta bratov Cerjakov 33a, 8250 Brežice	Electricity production at hydro power plants	15.4%

B) Non-current investments in jointly-controlled companies

Investments in joint ventures include a 25% or EUR 255,000 participating interest in Soenergetika. No changes were recorded in 2022.

in EUR

Company	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
SOENERGETIKA	5,560,350	704,472	7,403,158	3,725,556	4,855,878

Company	Address	Activity	% of ownership	% of voting rights
SOENERGETIKA	Stara cesta 3, 4000 Kranj	Production of electricity and heat	25%	25%

C) Other non-current financial investments

Other non-current investments include an investment in Stelkom (12.13% participating interest) amounting to EUR 111,000 and an investment in Zavod CO NOT amounting to EUR 500. No changes were recorded for these investments in 2022.

D) Non-current financial loans to Group companies

in EUR

Non-current financial loans to Group companies	31/12/2022	31/12/2021
Non-current financial loans to companies in the Group without interest	496,000	820,000
Total	496,000	820,000

in EUR

Movement of non-current financial receivables and loans	2022	2021
Balance as at 01/01/	820,000	1,144,000
Transfers to current receivables	-324,000	-324,000
Balance as at 31/12/	496,000	820,000

Non-current financial loans of the Company show non-current financial loans to Group companies. The values of non-current loan principals given due in 2022 are shown as EUR 324,000 in current loans given to Group companies. The interest rate accrued on non-current loans given is determined in accordance with the transfer pricing methodology and ranges from 2.5% to 3.88%. The loans given to RGP and HSE EDT are collateralised with pledged immoveable and moveable property.

NON-CURRENT OPERATING RECEIVABLES (6)

in EUR

Non-current operating receivables	31/12/2022	31/12/2021
Non-current operating receivables from others	12,460,712	11,215,050
Total	12,460,712	11,215,050

The Company's non-current operating receivables due from others include financial coverages extended for electricity trading purposes.

DEFERRED TAX ASSETS (7)

in EUR

Deferred tax assets	31/12/2022	31/12/2021
Provisions	132,775	168,289
Impairment of investments	16,061	16,061
Amortisation	5	10
Write-offs	207,158	390,697
Other	268,398	271,209
Total	624,397	846,266

Deferred tax assets are translated using a 19% tax rate. They were set up from the expenses that affect the profit or loss of each year, although they are not fully or partially tax deductible in this year (provisions for jubilee and retirement benefits, business depreciation over the depreciation recognised for tax purposes, impairment of investments and receivables). They are also set up from the fair value of derivatives shown in the hedging reserve and do not affect profit or loss.

in EUR

Movement of deferred tax receivables	Provisions	Impairments	Amortisation	Other	Total
Balance as at 01/01/2022	168,289	223,219	10	454,748	846,266
To debit/credit of profit or loss	-35,514	-183,539	-5	-2,810	-221,868
Balance as at 31/12/2022	132,775	39,680	5	451,938	624,398
Balance as at 01/01/2021	155,556	223,219	7	182,230	561,012
To debit/credit of profit or loss	12,733	183,539	3	88,979	285,254
Balance as at 31/12/2021	168,289	406,758	10	271,209	846,266

Changes in deferred tax assets in 2022 refer to the remedy of deferred taxes from the impairment of receivables, from the fair value of derivatives, depreciation, and from actuarial items.

INVENTORIES (8)

in EUR

Inventories	31/12/2022	31/12/2021
Material	467,950	482,347
Gas	3,357,293	0
Emission allowances	8,119,218	3,102,210
Total	11,944,461	3,584,557

The value of inventories consists of PPE inventories for covid-19 purposes and emission allowances and gas held for trading to be disbursed in the following year.

CURRENT INVESTMENTS AND LOANS (9)

in EUR

Current investments and loans	31/12/2022	31/12/2021
Current financial receivables to companies in the Group	327,552	6,204
Current financial receivables in the Group for interest	4,200	4,254
Current loans to companies in the Group	324,000	1,324,000
Total	**655,752**	**1,334,458**

Current financial receivables due from Group companies comprise receivables for repaying allowances for securities and guarantees to Group companies given and the value of the principal amount of the loans given to the subsidiaries HSE EDT and RGP that falls due in 2023.

in EUR

Movement of current financial receivables and loans	31/12/2022	31/12/2021
Balance as at 01/01/	**1,334,459**	**331,315**
Acquisition	652,032	1,470,981
Transfers from non-current receivables	324,000	324,000
Repayments	-1,654,739	-791,837
Balance as at 31/12/	**655,752**	**1,334,459**

On 31 December 2022, there were no grounds for the impairment of current financial receivables and loans.

CURRENT TRADE RECEIVABLES (10)

in EUR

Current trade receivables	31/12/2022	31/12/2021
Current operating receivables from groups companies	116,502,057	46,498,921
Current operating receivables from associates	2,376	4,144
Current operating receivables from jointly controlled companies	73	0
Current trade receivables	332,109,752	208,043,757
Total	**448,614,258**	**254,546,822**

Receivables from the sale of electricity in Slovenia and abroad account for the majority in EUR 332,112,201 in current trade receivables.

in EUR

Company	Country	31/12/2022	31/12/2021
DEM	Slovenia	112,611	87,002
SENG	Slovenia	14,285,285	8,153,140
TEŠ	Slovenia	24,346,858	279,585
HSE EDT	Slovenia	36,451	19,956
PV	Slovenia	3,605,563	2,347,048
HTZ I.P.	Slovenia	0	293
ECE	Slovenia	34,568,922	19,548,699
Energija plus	Slovenia	14,432,015	0
RGP	Slovenia	22,039	6,087
HSE Invest	Slovenia	21,305	12,200
HSE Balkan Energy	Serbia	2,835	2,835
HSE MAK Energy	Macedonia	10,030,007	3,907,241
HSE BH	Bosnia and Herzegovina	15,038,166	12,134,835
Total		**116,502,057**	**46,498,921**

Current operating receivables due from Group companies comprise receivables from the sale of electricity and various services provided for subsidiaries (e.g. trading, financial function, IT function, etc.).

The maturities of current operating receivables due from Group companies are presented in the Credit Risk section.

CONTRACT ASSETS (11)

in EUR

Contract assets	31/12/2022	31/12/2021
Contract assets	3,166,911	395,489
Total	**3,166,911**	**395,489**

Contract assets are accrued revenue taken into account in the profit or loss even though it has not been invoiced yet.

CURRENT TAX RECEIVABLES (12)

in EUR

Current tax receivables	31/12/2022	31/12/2021
Current tax receivables	15,954,379	1,299,741
Total	**15,954,379**	**1,299,741**

OTHER CURRENT ASSETS (13)

in EUR

Other current assets	31/12/2022	31/12/2021
Current advances given	3,878,748	9,210,054
Current operating receivables from state and other institutions	28,636,086	34,960,700
Current trade receivables due from others	31,758,470	107,064,751
Current deferred costs and expenses	17,818,657	4,754,340
Total	**82,091,961**	**155,989,845**

Most of the other current operating receivables comprise receivables due from state and other institutions, which primarily refer to input VAT. The largest value thereunder refers to electricity-related invoices received from abroad, where self-taxation is carried out and the right to deduct VAT is acquired on the date of issue of the received invoice.

Most current operating receivables due from others refer to exceeding the overdraft which was authorised for operations with derivatives.

Current deferred costs and expenses primarily relate to transactions arising in connection to electricity trading.

CASH AND CASH EQUIVALENTS (14)

in EUR

Cash and cash equivalents	31/12/2022	31/12/2021
Balance on transaction accounts	253,868,259	34,831,749
Call deposits	15,401,254	8,445,518
Deposits with up to 3 month maturity	23,782,206	5,521,479
Total	**293,051,719**	**48,798,746**

For the purposes of carrying out its activities, the Company holds bank accounts in Slovenia and abroad and discloses EUR 253,868,259 in cash and EUR 39,183,460 in deposits at the year-end. The balance on our accounts was higher compared to last year due to the subsequent capital increase by the owner of the Company.

On 31 December 2022, the Company had no approved overdraft on its bank accounts.

CAPITAL (15)

in EUR

Capital	31/12/2022	31/12/2021
Called-up capital	29,558,789	29,558,789
Capital reserves	1,053,243,185	561,243,185
Other reserves from profit	562,744,823	562,744,824
Risk hedging reserve	-106,751,557	-88,891,503
Fair value reserves	-139,119	-282,078
Retained profit/loss	-717,289,200	-397,615,260
Total	821,366,921	666,757,957

in EUR

Capital reserves	31/12/2022	31/12/2021
Paid-in capital surplus	561,243,072	561,243,072
Subsequent capital increases by shareholders	492,000,000	0
Amount on the basis of elimination of general revaluation capital adjustment	113	113
Total	1,053,243,185	561,243,185

The value of share capital, capital reserves, and other reserves from profit changed in 2022 in relation to capital reserves arising from the EUR 492,000,000 capital increase from the state as the owner of the Company.

The following hedge reserves in the total amount of EUR -106,751,557 are disclosed by the Company as at 31 December 2022:

- results of futures for electricity amounting to EUR -106,116,074,
- results of futures amounting to EUR 508,740 for emission allowances, and
- fair value of currency swaps in the amount of EUR -1,144,223.

in EUR

Risk hedging reserve movement	Standardised futures contracts for electricity	Standardised futures contracts for emission allowances	Currency swaps	Total
Balance as at 01/01/2022	-222,220,018	134,484,720	-1,156,205	-88,891,503
Formation, increase			11,982	11,982
Decrease	-146,607,599	-133,975,980		-280,583,579
Transfer to expenditure	262,711,543			262,711,543
Balance as at 31/12/2022	-106,116,074	508,740	-1,144,223	-106,751,557
Balance as at 01/01/2021	10,848,414	33,137,840	-776,874	43,209,380
Formation, increase		101,346,880		101,346,880
Decrease	-243,678,621		-379,331	-244,057,952
Transfer to expenditure	10,610,189			10,610,189
Balance as at 31/12/2021	-222,220,018	134,484,720	-1,156,205	-88,891,503

The negative balance of the hedge reserve primarily arises from futures hedging our self-generated electricity.

In the case of futures for electricity, these refer to concluded transactions for the procurement and sales of electricity listed abroad for the period between 2023 and 2025, allowing the Company to hedge already concluded electricity sales transactions during the same period. In the case of futures for emission allowances, these refer to concluded transactions for the procurement and sales of emission allowances listed abroad for the period between 2023 and 2025. No deferred taxes were accounted for in relation thereto, as the price agreed upon during the conclusion of the transaction will be paid upon its realisation.

In 2022, the Company did not conclude any new foreign exchange swaps. The negative fair value of open currency exchanges at the end of 2022 amounts to EUR 1,412,621, from which the Company accounted for EUR 268,398 in deferred tax liabilities. The final balance taking into consideration the deferred tax amounts to EUR 1,144,223.

in EUR

Movement of fair value reserve	Actuarial profits/losses on severance payments upon retirement	Total
Balance as at 01/01/2022	**-282,078**	**-282,078**
Formation, increase	152,038	152,038
Transfer to retained net profit/loss	-9,079	-9,079
Balance as at 31/12/2022	**-139,119**	**-139,119**
Balance as at 01/01/2021	**-264,897**	**-264,897**
Formation, increase	1,497	1,497
Transfer to retained net profit/loss	-18,678	-18,678
Balance as at 31/12/2021	**-282,078**	**-282,078**

The fair value reserve of EUR -139,119 in total, disclosed at the year-end of 2022, includes actuarial loss arising from accounted for retirement benefits payable to employees. The actuarial loss in 2022 fell by EUR 142,959. According to the actuarial calculation, retained earnings or losses increased due to the reversal of retirement benefits by EUR 9,079.

in EUR

Retained profit	2022	2021
Retained profit/loss	-717,289,200	-397,615,260
Total	**-717,289,200**	**-397,615,260**

in EUR

Balance sheet profit or loss	2022	2021
Net profit/loss for the year	-319,683,019	18,881,097
Retained profit/loss	-397,606,181	-416,496,357
Balance sheet profit or loss	**-717,289,200**	**-397,615,260**

At year-end, the Company shows a retained net loss of 2022 of EUR -319,683,019, and a negative retained net loss of 2021, adjusted for EUR 9,079 in disbursement of retirement benefits in 2022.

The total capital and other reserves from profit exceeds the negative retained result.

In 2022, the total capital of the Company increased by EUR 154,608,964, namely by:

- the subsequent capital increase of the owner amounting to EUR 492,000,000,
- EUR -319,683,019 in decrease of net profit or loss of the current year,
- EUR 9,079 in increase of net profit or loss brought forward,
- EUR -17,860,054 in decrease of change in the hedging reserve, and
- EUR 142,959 in change in the fair value reserve.

PROVISIONS FOR RETIREMENT AND JUBILEE BENEFITS (16)

Provisions for retirement and jubilee benefits of employees consist of provisions for retirement and jubilee benefits. The provisions are set up in the amount of estimated future payments of retirement and jubilee benefits, discounted at the end of the reporting period. The calculation is made for each individual employee and includes the costs of retirement benefits and all expected jubilee benefits up to retirement.

in EUR

Provisions for retirement and jubilee benefits	31/12/2022	31/12/2021
Provisions for severance pays upon retirement	1,556,300	1,620,629
Provisions for anniversary bonuses	142,392	150,835
Total	**1,698,692**	**1,771,464**

At year-end, the Company shows provisions for retirement and jubilee benefits set up on the basis of an actuarial calculation on 31 December 2022.

Provisions for retirement and jubilee benefits are calculated on the basis of an actuarial calculation using the following actuarial assumptions:

- mortality tables,
- employee fluctuation,
- retirement,
- the average wage increase rates in the RS (monthly and annually) as projected by the Bank of Slovenia in December 2022. It is foreseen that from 2025 average wage rates in the RS will be raised annually in relation to the inflation rate (IMF, October 2022) and their real growth shall amount to 1.0%,
- the wage increase rate in society is accounted for by the growth of basic gross wages and the variable part of wages amounting to the annual inflation rate but shall not be higher than the foreseen average growth of wages in the RS,
- the 3.9% discount rate laid down as at 31 December 2022, reflecting the yield of premium euro-denominated corporate bonds as at 31 December 2022.

in EUR

Movement of retirement benefit and anniversary bonuses provisions	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 01/01/2022	**1,620,629**	**150,835**	**1,771,464**
Costs of interest	13,541	1,187	14,728
Current service cost	168,268	20,204	188,472
Past service cost	-67,834	-4,183	-72,017
Actuarial gains and losses – change in item	-132,723	-13,691	-146,414
Actuarial gains – elimination	-31,448	-2,882	-34,330
Actuarial losses – formation and use	12,132	0	12,132
Payment of income in the year	-26,265	-9,078	-35,343
Balance as at 31/12/2022	**1,556,300**	**142,392**	**1,698,692**

in EUR

Movement of retirement benefit and anniversary bonuses provisions	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 01/01/2021	**1,517,284**	**120,148**	**1,637,432**
Costs of interest	4,209	295	4,504
Current service cost	169,202	19,010	188,212
Past service cost	-12,282	272	-12,010
Actuarial gains and losses – change in item	20,334	29,659	49,993
Actuarial gains – elimination	-45,520	-3,544	-49,064
Actuarial losses – formation and use	23,688	0	23,688
Payment of income in the year	-56,286	-15,005	-71,291
Balance as at 31/12/2021	**1,620,629**	**150,835**	**1,771,464**

The change in actuarial revenues and losses in the amount of EUR 142,959 from retirement benefits is disclosed in the movement of the fair value reserves.

in EUR

Sensitivity analysis for provisions for severance pay and anniversary bonuses	2022			
	Discount rate		Salary growth	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%
Provisions for severance pays upon retirement	89,083	-81,948	-82,530	89,700
Provisions for anniversary bonuses	5,755	-5,399	-5,689	6,026
Total	94,838	-87,347	-88,219	95,726

in EUR

Sensitivity analysis for provisions for severance pay and anniversary bonuses	2021			
	Discount rate		Salary growth	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%
Provisions for severance pays upon retirement	108,484	-98,692	-100,313	106,838
Provisions for anniversary bonuses	6,972	-6,477	-6,867	7,180
Total	115,456	-105,169	-107,180	114,018

OTHER PROVISIONS (17)

in EUR

Other provisions	31/12/2022	31/12/2021
For legal actions	404,475	507,127
Total	404,475	507,127

in EUR

Movement of other provisions	For legal actions	Total
Balance as at 01/01/2022	507,127	507,127
Formation-increase	23,200	23,200
Decrease	-125,852	-125,852
Balance as at 31/12/2022	404,475	404,475
Balance as at 01/01/2021	483,926	483,926
Formation-increase	23,201	23,201
Balance as at 31/12/2021	507,127	507,127

Among other provisions, the Company only shows set up provisions from late interest belonging to a EUR 290,000 principal in 2022; the provisions set up for an employee action were, however, remedied.

OTHER NON-CURRENT LIABILITIES (18)

in EUR

Other non-current liabilities	31/12/2022	31/12/2021
Other non-current liabilities	772	241,908
Total	772	241,908

in EUR

Movement of other non-current liabilities	31/12/2022	31/12/2021
Balance as at 01/01/2022	241,908	241,908
Disposals	-241,136	-241,136
Balance as at 31/12/2022	772	772

in EUR

Movement of other non-current liabilities	31/12/2022	31/12/2021
Balance as at 01/01/2021	215,475	215,475
Acquisitions	197,888	197,888
Disposals	-171,455	-171,455
Balance as at 31/12/2021	241,908	241,908

Among other non-current liabilities, the Company shows the co-financing funds received from the European OSMOSE project and, in a small part, the co-financing funds received from the European project FARCROSS. The OSMOSE project was completed in 2022. The drawing refers to the share of costs incurred in these projects in 2022.

NON-CURRENT FINANCIAL LIABILITIES (19)

in EUR

Non-current financial liabilities	31/12/2022	31/12/2021
Non-current financial liabilities to banks	237,780,886	157,045,455
Total	237,780,886	157,045,455

EUR 237,780,886 in non-current financial loans is shown by the Group under non-current financial liabilities to banks. The values of current loan principals received due in 2023 are shown as EUR 46,764,569 in current liabilities to banks.

Non-current loan agreements concluded by the Company include bank commitments which had been breached but statements on the look-through by banks were received on time.

in EUR

Movement of non-current financial liabilities	Non-current financial liabilities to banks	Total
Balance as at 01/01/2022	157,045,455	157,045,455
Acquisitions	595,000,000	595,000,000
Transfers to current liabilities	-46,764,569	-46,764,569
Disposals	-467,500,000	-467,500,000
Balance as at 31/12/2022	237,780,886	237,780,886
Balance as at 01/01/2021	190,348,485	190,348,485
Transfers to current liabilities	-33,303,030	-33,303,030
Balance as at 31/12/2021	157,045,455	157,045,455

The Company has EUR 285,000,000 in revolving loans granted; out of which EUR 185,000,000 were drawn as at 31 December 2022. Acquisitions and repayments also include the taking up and repayment of revolving loans.

The loans bear fixed and variable interest rates, based on the 6-month Euribor which, in the case of a negative Euribor equals 0, and a margin ranging between 0.97% and 1.60%.

The Company settles instalments on principals that are due and attributable interest on time.

Long-term loans to banks are collateralised by bills of exchange and the participating interest.

Further details are provided in the Interest Rate Risk section.

NON-CURRENT LIABILITIES FROM FINANCIAL LEASE (20)

in EUR

Non-current liabilities from financial lease	31/12/2022	31/12/2021
Non-current financial liabilities from leases to companies in the Group	269,766	624,330
Non-current financial liabilities from leases from others	269,969	232,435
Total	539,735	856,765

in EUR

Movement of non-current financial liabilities from leases	Non-current financial liabilities from leases
Balance as at 01/01/2022	856,765
Acquisition	524,875
Transfers to current liabilities	-844,003
Other	2,098
Balance as at 31/12/2022	539,735
Balance as at 01/01/2021	1,318,541
Acquisition	145,618
Transfers to current liabilities	-599,802
Other	-7,592
Balance as at 31/12/2021	856,765

CURRENT FINANCIAL LIABILITIES (21)

in EUR

Current financial liabilities	31/12/2022	31/12/2021
Current financial liabilities to companies in the Group without interest	35,000,000	74,941
Current financial liabilities to companies in the Group for interest	96,024	6,245
Current financial liabilities to banks without interest	231,764,569	103,303,030
Current financial liabilities to banks for interest	952,060	43,111
Current derivatives	1,412,621	1,427,414
Other current financial liabilities	34,313	89,846
Total	269,259,587	104,944,587

Current loans received and the current part of principals of non-current loans from banks and HSE Group companies maturing in 2023 and amounting to EUR 46,764,569 account for the majority of current financial liabilities.

in EUR

Movement of current financial liabilities	Current financial liabilities to companies in the Group without interest	Current financial liabilities to companies in the Group for interest	Current financial liabilities to banks without interest	Current financial liabilities to banks for interest	Current derivatives	Other current financial liabilities	Total
Balance as at 01/01/2022	74,941	6,245	103,303,030	43,111	1,427,414	89,846	104,944,587
Increase	97,000,000	334,161	420,000,000	5,776,731		2,498,903	525,609,795
Transfers from non-current liabilities			46,764,569				46,764,569
Current repayments	-62,074,941	-244,382	-280,000,000	-4,867,782		-2,554,436	-349,741,541
Non-current repayments			-58,303,030				-58,303,030
Other					-14,793		-14,793
Balance as at 31/12/2022	35,000,000	96,024	231,764,569	952,060	1,412,621	34,313	269,259,587
Balance as at 01/01/2021		4,754	20,803,030	25,556	959,104	76,007	21,868,451
Increase	26,274,941	38,080	175,000,000	3,535,043		1,149,324	205,997,388
Transfers from non-current liabilities			33,303,030				33,303,030
Current repayments	-26,200,000	-36,589	-105,000,000	-3,517,488		-1,135,485	-135,889,562
Non-current repayments			-20,803,030				-20,803,030
Other					468,310		468,310
Balance as at 31/12/2021	74,941	6,245	103,303,030	43,111	1,427,414	89,846	104,944,587

CURRENT FINANCIAL LIABILITIES FROM LEASES (22)

in EUR

Current financial liabilities from leases	31/12/2022	31/12/2021
Current financial liabilities from leases to companies in the Group	423,015	371,874
Current financial liabilities from leases from others	496,498	227,928
Total	**919,513**	**599,802**

in EUR

Movement of current financial liabilities from leases	Current financial liabilities from leases to companies in the Group	Current financial liabilities from leases from others	Total
Balance as at 01/01/2022	**371,873**	**227,929**	**599,802**
Increase	0	75,510	75,510
Transfers from non-current liabilities	423,016	420,987	844,003
Non-current repayments	-371,874	-227,928	-599,802
Balance as at 31/12/2022	**423,015**	**496,498**	**919,513**
Balance as at 01/01/2021	**362,049**	**158,412**	**520,461**
Transfers from non-current liabilities	371,874	227,928	599,802
Non-current repayments	-364,167	-163,885	-528,052
Other	2,117	5,474	7,591
Balance as at 31/12/2021	**371,873**	**227,929**	**599,802**

CURRENT OPERATING LIABILITIES (23)

in EUR

Current operating liabilities	31/12/2022	31/12/2021
Current operating liabilities to companies in the Group	94,238,580	64,037,937
Current operating liabilities to associates	1,048,791	1,524,187
Current operating liabilities to suppliers	297,299,263	169,821,692
Total	**392,586,634**	**235,383,816**

Liabilities for procured electricity account for the majority of current operating liabilities of the Company.

in EUR

Company	Country	31/12/2022	31/12/2021
DEM	Slovenia	8,783,633	8,583,725
sHPP Lobnica	Slovenia	4,278	2,590
SENG	Slovenia	18,992,114	19,639,797
TEŠ	Slovenia	30,834,698	11,406,063
HSE EDT	Slovenia	435,919	76,096
PV	Slovenia	11,825	81
HTZ I.P.	Slovenia	1,277	145,524
ECE	Slovenia	8,466,226	3,027,429
Energija plus	Slovenia	1,040,078	0
HSE Invest	Slovenia	787,768	887,369
HSE Balkan Energy	Serbia	27,690	26,926
HSE MAK Energy	Macedonia	10,601,133	2,355,419
HSE BH	Bosnia and Herzegovina	14,251,941	17,886,918
Total		**94,238,580**	**64,037,937**

CONTRACT LIABILITIES

in EUR

Contract liabilities	31/12/2022	31/12/2021
Current deferred revenue	0	22,454
Total	**0**	**22,454**

OTHER CURRENT LIABILITIES (24)

in EUR

Other current liabilities	31/12/2022	31/12/2021
Current operating advance payables	11,334,441	3,302,015
Current operating liabilities to employees	1,549,420	1,354,402
Current operating liabilities to state and other institutions	13,149,802	26,715,619
Current operating liabilities to others	25,312,004	161,426,407
Current accrued costs or expenses	98,487,373	85,567,533
Total	**149,833,040**	**278,365,976**

Other current liabilities mostly consist of liabilities to the state and other institutions, current accrued costs and expenses and current deferred revenue.

Current liabilities to the state and other institutions comprise VAT liabilities, customs duty liabilities, liabilities for December contributions for salaries and contributions on other employment-related benefits payable by the employer. Value added tax is shown as the highest liability of the Company. It refers to electricity invoices received from abroad where a system of self-taxation is in force and where the right to deduct VAT is acquired on the day on which the received invoice was issued.

Liabilities to others where the Group shows a liability from the valuation of physical contracts at fair value through profit of loss account for the majority of current liabilities to others.

Accrued expenses are expenses related to 2022 and are included in the income statement; for 2022, no invoices or accounts related thereto have been received by the Company as of yet. Procurement of electricity for 2022 for our subsidiaries account for the majority of those. Other expenses are deviations from December 2022 schedules and interest on loans received for which no accounts for 2022 have been received as of yet.

CONTINGENT ASSETS AND LIABILITIES

in EUR

Contingent liabilities	31/12/2022	31/12/2021
Guarantees and parent warranties for subsidiaries in Slovenia	31,771,120	34,640,572
Bank warranties for subsidiaries in Slovenia	1,742,559	962,335
Bank and parent warranties for subsidiaries abroad	1,022,584	766,938
Total	**34,536,263**	**36,369,845**

Contingent liabilities include guarantees given and parent company guarantees.

in EUR

Beneficiary	Debtor	Type of warranty	Validity	Contingent liability as at 31/12/2022	Contingent liability as at 31/12/2021
EBRD*	TEŠ	Warranty for EBRD loan	For credit contract validity period	23,500,000	34,578,572
Geoplin d.o.o.	TEŠ	Warranty statement	31/01/2023	8,271,120	62,000
Total				**31,771,120**	**34,640,572**

* The principal of the loan is disclosed as contingent liability.

The EBRD loan guarantee was reduced compared to 2021 in view of the repayment of one part of the principle of EBRD's loan.

4.5.7.2 Income statement

REVENUE FROM CONTRACTS WITH CUSTOMERS (25)

in EUR

Revenue from contracts with customers	2022	2021
On the domestic market	**1,816,777,875**	**800,360,733**
Electricity	1,805,074,640	792,831,333
Gas	2,738	0
Other goods and material	9,428,173	3,508,962
Other services	2,272,324	4,020,438
On foreign market	**3,728,471,046**	**1,813,143,256**
Electricity	3,691,597,683	1,795,901,172
Gas	5,665,973	0
Other goods and material	5,049,051	5,055,250
Other services	26,158,339	12,186,834
Total	**5,545,248,921**	**2,613,503,989**

Sales of electricity account for the majority of revenue generated by the Company from contracts with customers. The revenue from the sale of electricity accounts for 99.12% of all net revenue from sales. Compared to 2021, revenue from contracts with customers has risen on account of higher electricity prices on both the domestic and foreign markets.

Revenue from services rendered was generated through electricity-sale related services (transmission capacities, contribution towards the allocation of transmission capacities, guarantees of origin) and services rendered by the Company for its subsidiaries.

OTHER OPERATING REVENUE (26)

in EUR

Other operating revenue	2022	2021
Drawing deferred revenue	126,405	0
Elimination of impairment of receivables	965,993	0
Revenue from damages and contractual penalties	12,644	2,531,222
Default interest	124,174	72,006
Profit from the sale of fixed assets	21,297	14,640
Profit from derivatives due to trading with electricity, emission allowances and gas	39,919,442	123,983,044
Other	142,122	369,829
Total	**41,312,077**	**126,970,741**

The majority of other operating revenue is accounted for by the profits derived from trading with electricity derivatives and emission allowances.

COSTS OF GOODS, MATERIALS AND SERVICES (27)

in EUR

Costs of goods, materials and services	2022	2021
Purchase value of sold goods	5,694,901,825	2,424,178,100
Contingent costs of sold goods	51,014,105	34,439,461
Total purchase value of sold goods	**5,745,915,930**	**2,458,617,561**
Costs of energy	67,412	47,564
Costs of small tools	14,202	7,477
Other	644,860	622,663
Total material costs	**726,474**	**677,704**
Costs of transport services	59,591	61,239
Costs of maintenance	1,089,928	906,522
Costs of rents	256,252	311,608
Costs of reimbursements of work-related expenses to employees	91,654	50,040
Costs of insurance and bank services	1,959,823	1,559,820
Costs of intellectual and personal services	2,486,005	2,744,117
Costs of fairs, advertising and administration	482,710	485,191
Costs of services of natural entities	314,837	350,610
Communal services	469	287
Costs of protection and supervision	1,065	1,064
Membership contributions	48,159	45,462
Other	2,434,938	2,344,965
Total costs of services	**9,225,431**	**8,860,925**
Total	**5,755,867,835**	**2,468,156,190**

The cost of goods sold, accounting for 99.83% of our operating expenses, includes primarily the expenses related to the procurement of electricity and the accompanying expenses thereof.

The most important values of costs of materials include costs of specialist literature, costs of energy, and costs of stationery.

Costs of intellectual services, security, banking services, and software and computer equipment maintenance account for the majority of costs of services. Information-communication (IT) services account for the majority of other costs of services.

in EUR

Rental costs	2022	2021
Amortisation of rights to use	760,015	533,658
Financing expenses	35,013	33,346
Rental costs	10,754	86,261
Total	**805,782**	**653,265**

in EUR

Audit costs	2022	2021
Annual Report audit	49,000	15,500
Other certification services	2,000	500
Total	**51,000**	**16,000**

The contractual amount for the mandatory audit of the financial statements of HSE for 2022 amounts to EUR 42,000, and for the audit of the consolidated statements of the Group to EUR 7,000. In addition, Deloitte revizija performed a review of the fulfilment of financial commitments for the contractually agreed amount of EUR 2,000 for the year 2022.

LABOUR COSTS (28)

in EUR

Labour costs	2022	2021
Salaries	11,124,542	10,573,374
Pension insurance costs	1,420,048	1,459,120
Other insurance costs	834,117	776,285
Other labour costs	1,436,598	1,332,512
Total	14,815,304	14,141,291

Labour costs include the costs of salaries and other remuneration of employees, including the employer's contributions. Costs of allowances actually paid for leave not taken in 2022 that may be taken by employees until 30 June 2023 are also included. Labour costs increased compared to 2021 due to a higher average number of employees compared to the preceding year.

Number of employees and average number of employees by educational structure	01/01/2022	31/12/2022	Average number of employees
1	0	0	0
2	0	0	0
3	0	0	0
4	4	4	4
5	13	17	15
6/1	19	18	19
6/2	59	70	65
7	89	97	93
8/1	24	23	24
8/2	5	6	6
Total	213	235	224

VALUE WRITE-OFFS (29)

in EUR

Value write-offs	2022	2021
Amortisation of intangible assets	370,233	359,346
Amortisation of property, plant and equipment	478,829	401,524
Amortisation of leased assets	760,015	533,659
Receivables impairments/write-offs	110	967,132
Impairments in real property, plant and equipment	462	1,367
Sales in property, plant and equipment and intangible assets	48	863
Total	1,609,697	2,263,891

Value write-offs refer to the depreciation of the Company's assets and of leased premises.

OTHER OPERATING EXPENSES (30)

in EUR

Other operating expenses	2022	2021
Forming of provisions	23,200	23,200
Fee for the use of construction land	104,870	101,891
Donations	77,042	165,144
Valuation of commodity contracts at fair value	84,609,622	161,377,066
Other operating expenses	1,373,272	314,726
Total	86,188,006	161,982,027

The valuation of commodity contracts valued at fair value through profit or loss subject to IFRS 9 accounts for the majority of other operating expenses.

FINANCIAL REVENUE (31)

in EUR

Financial revenue	2022	2021
Financial revenue from dividends and other profit shares	3,964,210	5,228,335
Financial revenue from loans and deposits given	186,424	52,068
Other financial income	763,313	507,008
Total	**4,913,947**	**5,787,411**

Financial revenue from participating interest shows disbursed dividends of the Soenergetika joint venture (EUR 115,217), and of the subsidiary SENG (EUR 3,848,991).

Parent company guarantees given to Group companies account for the majority of other financial revenue of the Company.

FINANCIAL EXPENSES (32)

in EUR

Financial expenses	2022	2021
Financial expenses for interest	5,947,428	3,541,276
Financial expenses from impairment of financial investments in subsidiaries	44,858,000	59,530,797
Other financial expenses	1,617,624	523,723
Other financial expenses from leases	35,013	33,345
Total	**52,458,065**	**63,629,141**

Interest expenses consist of interest accrued on non-current and current loans received from banks (EUR 5,613,379), and interest accrued on current loans received from HSE Group companies (EUR 334,050).

The impairment loss of investments refers to the impairment of our investments in PV and Energija plus.

Other financial expenses refer to withholding tax costs of foreign loans and costs related to taking out loans.

TAX (33)

in EUR

Tax	2022	2021
Current tax	0	17,404,777
Deferred tax	219,057	-196,274
Total tax from profit recognised in the income statement	**219,057**	**17,208,503**

The Company is liable to pay tax pursuant to the Value Added Tax Act, the Excise Duty Act, the Financial Services Tax Act and the Corporate Income Tax Act. The branch of the company in the Czech Republic is subject to corporation tax in the Czech Republic.

In accordance with the Corporate Income Tax Act, the tax is paid at a 19% rate on the tax base in the Company's tax assessment.

In 2022, the Company does not post any corporate income tax. Based on the 2021 tax return, the Company paid EUR 17,404,776 in advance payments of corporate income tax in 2022. As such, the Company posts a receivable for overpaid advance payments in 2022 amounting to EUR 15,954,379.

Deferred taxes include deferred tax assets. Their setting up and disbursement in terms of value are shown in the Deferred Tax Assets disclosure (explanatory note 7 in the Statement of the financial position).

The current tax base was established by revising revenue and expenses in relation to a tax base decrease and increase in compliance with the IFRSs, as shown in the table below.

in EUR

Effective tax rate calculation	2022	2021
Profit (loss) before tax	-319,902,076	36,089,600
Calculated tax at the applicable tax rate	-60,781,395	6,857,024
Tax on revenues that lower the tax base	946,605	-997,827
Tax on tax deductions		-178,182
Tax on expenses that lower the tax base	-2,116	-6,773
Tax on non-deductible expenses	8,333,172	11,679,428
Tax from other changes in the tax balance sheet	-45,262	51,107
Tax effects of unrecognised deferred assets arising from tax losses	51,329,939	
Tax levied	**-219,057**	**17,404,777**
Deferred tax	**219,057**	**-196,274**
Total taxes	**0**	**17,208,503**
Effective tax rate	**0.00%**	**-5.38%**

As at 31 December 2022, temporary deductible differences for which deferred tax assets were not set up are shown to amount to EUR 1,015,570,664 due to impairments of investments in subsidiaries. In compliance with IAS 12 - Income Taxes, deferred tax assets shall be recognised only if the temporary difference is likely to reverse in the foreseeable future. The Company did not set up any deferred tax assets in relation thereto as it has no intention of disposing of these investments in the foreseeable future.

NET PROFIT OR LOSS (34)

in EUR

Net profit or loss	2022	2021
Gross operating return	5,586,561,000	2,740,474,730
Operating profit/loss	-271,919,844	93,931,330
Financial outcome	-47,544,118	-57,841,730
Profit (loss) before tax	-319,902,076	36,089,600
Net profit/loss for the year	**-319,683,019**	**18,881,097**

The Company ended 2022 with a EUR -319,683,019 negative net result. Hadn't it been for the impairment of its investments in PV and Energija plus, the Company would have ended the year with a lower net loss of EUR -274,825,019.

4.5.7.3 Related persons

Related persons are subsidiaries, associates and joint ventures either directly or indirectly controlled by the Company through its subsidiaries.

Related persons also include companies that are majority state-owned.

The sales and procurement columns show the turnover of all transactions (excluding VAT) between the Company and its associates in 2022. Loans given and received show the balance as at the end of 2022 (principal plus interest). Revenue from parent company guarantees given in 2022 are disclosed separately in net terms (excl. VAT). The values of parent company guarantees are disclosed in the Contingent Assets and Liabilities section (Note 20 to the Statement of financial position).

Outstanding receivables due from related persons are disclosed in the Current trade receivables section; and outstanding liabilities in the Current trade payables section.

in EUR

Data on associated companies	Sales	Purchases	Loans, guarantees and warranties given with interest	Received loans with interest	Revenue for given parent guarantees
DEM	468,978	66,071,956		25,062,472	
sHPP Lobnica	0	14,494			
SENG	64,991,383	93,539,369		10,033,552	
TEŠ	2,024,944	328,468,391	325,269		738,028
HSE EDT	33,133	1,336,572	271,211		
PV	4,941,356	43,438			
HTZ I.P.		817,306			
RGP	107,756	0	555,272		10,034
HSE Invest	60,481	3,136,135			
HSE Balkan Energy	5,670	160,893			
HSE MAK Energy	109,560,302	150,649,766			
HSE BH	145,340,717	169,654,859			
ECE	291,724,306	53,734,209			
Total 2022	619,259,026	867,627,388	1,151,752	35,096,024	748,062

Sales and procurement prices are services are defined based on the applicable internal price list of HSE Group companies, leases on the CUP method, electricity sales prices on the CUP and the cost-plus methods, electricity procurement prices on the cost plus, CUP methods or a combination of both.

The Company is 100% owned by the Republic of Slovenia. In 2022, the Company concluded no transactions with the Government of the Republic of Slovenia. Dividends were not disbursed in 2022 by the Company to the owner. However, the owner performed a subsequent capital increase of EUR 492 million in December 2022.

in EUR

Data on associated companies – Associates	Sales	Purchases	Loans, guarantees and warranties given with interest	Received loans with interest	Revenue for given parent guarantees
HESS	23,710	10,020,951	0	0	0
Total 2022	**23,710**	**10,020,951**	**0**	**0**	**0**

in EUR

Data on associated companies – Jointly-controlled companies	Sales	Purchases	Loans, guarantees and warranties given with interest	Received loans with interest	Revenue for given parent guarantees
SOENERGETIKA	60	0	0	0	0
Total 2022	**60**	**0**	**0**	**0**	**0**

in EUR

Business partner	Outstanding receivables as at 31/12/2022	Outstanding liabilities as at 31/12/2022	Revenue 01-12/2022	Expenses 01-12/2022
BORZEN d.o.o.	4,422,754	4,085,129	36,457,103	32,965,187
BSP d.o.o.	134,384	96,132	279,427,587	764,949,289
Dravske elektrarne Maribor d.o.o.	50,138	8,783,633	473,458	66,159,115
ECE, energetska družba, d.o.o.	34,568,922	8,466,226	291,724,306	53,740,767
ELEKTRO MARIBOR ENERGIJA PLUS d.o.o.	14,432,015	1,040,078	146,303,351	15,283,033
ELES d.o.o.	2,963,147	1,106,003	23,855,743	3,993,114
GEN ENERGIJA d.o.o.	38,203	9,664,207	11,412,517	8,855,505
Hidroelektrarne na Spodnji Savi, d.o.o.	2,376	1,048,791	0	10,020,951
Premogovnik Velenje, d.o.o.	3,605,563	11,825	4,941,357	43,438
SODO sistemski operater distribucijskega omrežja z električno energijo, d.o.o.	3,475,349	0	23,586,290	0
Soške elektrarne Nova Gorica d.o.o.	14,251,733	0	68,840,709	93,552,090
Termoelektrarna Šoštanj d.o.o.	91,797,663	30,834,698	8,307,252	234,958,704
Energy companies – total	**169,742,247**	**65,136,722**	**895,329,673**	**1,284,521,193**
TALUM d.d.	264,922	1,229,498	24,455,573	5,887,017
Aluminium production	**264,922**	**1,229,498**	**24,455,573**	**5,887,017**
HSE INVEST družba za inženiring in izgradnjo energetskih objektov d.o.o.	21,304	790,690	60,481	3,146,639
Other – total	**21,304**	**790,690**	**60,481**	**3,146,639**
SID d.d.	0	104,074,148	0	1,069,274
Banks – total	**0**	**104,074,148**	**0**	**1,069,274**
Total	**170,028,473**	**171,231,058**	**919,845,727**	**1,294,624,123**

The table shows transactions with companies directly or indirectly majority owned by the Republic of Slovenia (its participating interest therein exceeding 50%) and are important for the HSE Group using the transaction size criterion (revenue or expenses in 2022 exceeding EUR 2 million), except banks where all transactions are disclosed. Other transactions with companies, ministries, agencies and other legal entities, where the Republic of Slovenia is a majority or minority owner, are irrelevant in terms of reporting.

4.5.7.4 Remuneration

The revenue shown below by recipient category refer to remuneration in 2022.

The remuneration of the Members of the Supervisory Board includes the gross attendance fees of all members with travel expenses for the performance of their duties in the Supervisory Board and Supervisory Board committees.

In 2022, the Company approved no advances, loans and guarantees to these groups of persons. At the end of 2022, no receivables were due from Members of the Management and Supervisory Boards to the Company.

Current operating liabilities show liabilities for December salaries payable to Members of the Management Board and employees for whom the tariff part of the collective agreement does not apply and for December attendance fees payable to Members of the Supervisory Board and Members of the committees of the Supervisory Board.

Remuneration of the Management

in EUR

Remuneration of Management Board Members	Function	Fixed remuneration - gross (1)	Variable remuneration - gross			Deferred remuneration (3)	Severance allowances (4)	Bonuses (5)	Total (1+2+3+4+5)
			based on quantitative criteria	based on qualitative criteria	Total (2)				
Štokelj Tomaž, Ph.D.	CEO since 08/11/2022	10,822	0	0	0	0	0	39	10,861
Vračar Viktor, Ph.D.	CEO until 07/11/2022	141,231	11,340	0	11,340	0	0	3,805	156,376
Podobnik Uroš	Business director	136,622	10,206	0	10,206	0	0	3,767	150,595
Štrigl Marko, M.Sc.	Business director until 22/11/2022	133,116	10,206	0	10,206	0	0	6,314	149,636
Total		**421,791**	**31,752**	**0**	**31,752**	**0**	**0**	**13,925**	**467,468**

Remuneration of Supervisory Board Members

in EUR

Remuneration of Supervisory Board members	Function	Function performance remuneration - gross				Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Bonus for special tasks	Total (1)			
Celec Robert	Member of SB of HSE until 21/09/2022	10,508	0	0	10,508	3,135	13,643	888
Dover Franc	SB President of HSE until 21/09/2022	10,508	5,255	0	15,763	3,135	18,898	867
Janša Andrej	Deputy President of SB of HSE until 21/09/2022	10,508	1,051	0	11,559	3,135	14,694	1,013
Gutnik Janez	Member of SB of HSE until 21/09/2022	10,508	0	0	10,508	3,135	13,643	1,002
Otič Jernej	Member of SB of HSE	13,000	0	0	13,000	5,060	18,060	314
Jančar Boštjan	Representative of employees of SB of HSE until 01/07/2022	7,653	0	0	7,653	2,640	10,293	14
Rijavec Petja, M.Sc.	Representative of employees of SB of HSE until 01/07/2022	7,653	0	0	7,653	2,640	10,293	741
Bele Denis	Member of SB of HSE	13,000	0	0	13,000	5,060	18,060	964
Prinčič Tjaša	Member of SB of HSE from 03/02/2022 to 21/09/2022	8,226	0	0	8,226	2,310	10,536	874
Cerkvenik Peter	Representative of employees since 04/07/2022	5,312	0	0	5,312	2,145	7,457	193
Kolarič Dejan	Representative of employees since 04/07/2022	5,312	0	0	5,312	2,420	7,732	104
Hrovatin Nevenka, Ph.D.	President of SB of HSE since 27/09/2022	2,492	1,246	0	3,738	1,925	5,663	59
Valentinčič David	Deputy President of SB of HSE since 27/09/2022	2,492	249	0	2,741	1,925	4,666	861
Gorjup Barbara, M.Sc.	Member of SB of HSE since 22/09/2022	2,492	0	0	2,492	1,925	4,417	48
Grešak Boštjan	Member of SB of HSE until 22/09/2022	2,492	0	0	2,492	1,925	4,417	50
Šebenik Miha	Member of SB of HSE until 22/09/2022	2,492	0	0	2,492	1,925	4,417	37
Total		114,648	7,801	0	122,449	44,440	166,889	8,029

Remuneration of members of the Audit Committee

in EUR

Remuneration of the members of the Audit Committee	Function	Function performance remuneration - gross				Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Bonus for special tasks	Total (1)			
Hočevar Marko, Ph.D.	Independent member of the Audit Committee	13,000	0	0	13,000	2,376	15,376	242
Janša Andrej	President of the Audit Committee until 21/09/2022	0	3,534	0	3,534	1,760	5,294	168
Gutnik Janez	Member of the Audit Committee until 21/09/2022	0	2,356	0	2,356	1,760	4,116	26
Jančar Boštjan	Member of the Audit Committee until 01/07/2022	0	1,913	0	1,913	1,320	3,233	0
Otič Jernej	Member of the Audit Committee since 04/07/2022	0	1,328	0	1,328	660	1,988	0
Gorjup Barbara, M.Sc.	President of the Audit Committee since 27/09/2022	0	867	0	867	220	1,087	0
Šebenik Miha	Member of the Audit Committee since 27/09/2022	0	578	0	578	220	798	0
Total		**13,000**	**10,576**	**0**	**23,576**	**8,316**	**31,892**	**436**

Remuneration of members of the Personnel Committee

in EUR

Remuneration of members of the Personnel Committee	Function	Function performance remuneration - gross				Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Bonus for special tasks	Total (1)			
Dover Franc	Member of the Personnel Committee until 21/09/2022	0	2,627	0	2,627	660	3,287	412
Prinčič Tjaša	Member of the Personnel Committee until 21/09/2022	0	1,683	0	1,683	440	2,123	218
Rijavec Petja, M.Sc.	Member of the Personnel Committee until 01/07/2022	0	1,913	0	1,913	660	2,573	0
Bele Denis	President of the Personnel Committee until 02/10/2022 and member since 03/10/2022	0	4,198	0	4,198	1,100	5,298	305
Kolarič Dejan	Member of the Personnel Committee since 04/07/2022	0	1,327	0	1,327	440	1,767	0
Hrovatin Nevenka, Ph.D.	President of the Personnel Committee since 03/10/2022	0	786	0	786	440	1,226	0
Grešak Boštjan	Member of the Personnel Committee since 03/10/2022	0	524	0	524	440	964	0
Total		0	**13,058**	**0**	**13,058**	**4,180**	**17,238**	**935**

Remuneration of the Members of the Restructuring Committee

in EUR

Remuneration of the Members of the Restructuring Committee of the Supervisory Board	Function	Function performance remuneration - gross				Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Bonus for special tasks	Total (1)			
Celec Robert, Ph.D.	President of the Restructuring Committee until 21/09/2022	0	3,941	0	3,941	0	3,941	0
Prinčič Tjaša	Member of the Restructuring Committee until 21/09/2022	0	1,684	0	1,684	0	1,684	0
Otič Jernej	Member of the Restructuring Committee until 04/07/2022	0	1,913	0	1,913	0	1,913	0
Bele Denis	Member of the Restructuring Committee	0	2,979	0	2,979	0	2,979	0
Cerkvenik Peter	Member of the Restructuring Committee since 04/07/2022	0	1,328	0	1,328	0	1,328	0
Valentinčič David	Member of the Restructuring Committee since 03/10/2022	0	524	0	524	0	524	0
Grešak Boštjan	President of the Restructuring Committee since 03/10/2022	0	786	0	786	0	786	0
Total		0	13,155	0	13,155	0	13,155	0

Remuneration of the members of the Marketing and Investment Committee

in EUR

Remuneration of the members of the Marketing and Investment Committee	Function	Function performance remuneration - gross				Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Basic function performance remuneration	Additional function performance remuneration	Bonus for special tasks	Total (1)			
Celec Robert, Ph.D.	Member of the Marketing and Investment Committee until 21/09/2022	0	2,627	0	2,627	660	3,287	418
Janša Andrej	Member of the Marketing and Investment Committee until 21/09/2022	0	2,357	0	2,357	660	3,017	33
Gutnik Janez	President of the Marketing and Investment Committee until 21/09/2022	0	3,534	0	3,534	660	4,194	5
Jančar Boštjan	Member of the Marketing and Investment Committee until 01/07/2022	0	1,914	0	1,914	440	2,354	0
Cerkvenik Peter	Member of the Marketing and Investment Committee since 04/07/2022	0	1,328	0	1,328	220	1,548	0
Valentinčič David	Member of the Marketing and Investment Committee since 03/10/2022	0	524	0	524	0	524	0
Gorjup Barbara, M.Sc.	Member of the Marketing and Investment Committee since 03/10/2022	0	524	0	524	0	524	0
Šebenik Miha	President of the Marketing and Investment Committee since 03/10/2022	0	786	0	786	0	786	0
Total		0	13,594	0	13,594	2,640	16,234	456

4.5.7.5 Financial instruments and risk management

This section is related to the Financial Risk Management section in the accounting report and the Financial Risk section in the business part of the annual report.

Credit risk

The majority of activities where the Company is faced with the credit risk is primarily related to electricity trading. The majority of our portfolio of partners with which electricity sales and trading contractual relations are established are companies with a high creditworthiness and payment discipline. All activities aimed at managing credit risks are subject to the Company's adopted internal acts that clearly prescribe the procedures and due diligence applied while selecting and monitoring business partners. The type of business relation with partners is decided based on previous analyses of the partner's creditworthiness, which subsequently determine the potential extent and time horizon of operations, elements of our contractual relation and the required extent of additional securities, that the Company deems acceptable, in the form of bank and corporate guarantees and advances received, etc.

The Company monitors its exposure to individual partners on a daily basis. An important measure of credit risk mitigation is the conclusion of contractual frameworks, i.e. general and umbrella agreements (e.g. EFET), which determine, inter alia, the monthly financial netting of receivables and liabilities as well as the netting of a wide range of mutual receivables and liabilities in the event of early termination of the agreement due to possible insolvency of the partner.

The Company's maximum exposure to credit risk from current operating receivables is the carrying amount of current operating receivables less financial collateral and financial off-set of receivables and liabilities with those partners where it is legally and contractually possible. Receivables from partners are secured by means of bank and corporate guarantees, a pledge of receivables based on bank account management contracts, a pledge of shareholding agreement, advance payments, deposits, enforcement drafts, and bills of exchange.

The unsecured part of receivables is the sum of sales to partners made via the open account within the approved credit limits, in line with the applicable internal act, i.e. given their financial strength and risk to which we are exposed to in doing business with individual partners. The most frequent among unsecured receivables are primarily receivables due from partners with a good credit rating and from partners who belong to a highly-regulated activity and are frequently state-owned (e.g. providers of system services, etc.). Current receivables due from Group companies are managed in view of their liquidity and solvency. They are eliminated from the following analysis of receivables in respect of IFRS 9 and additionally required value adjustments of allowances.

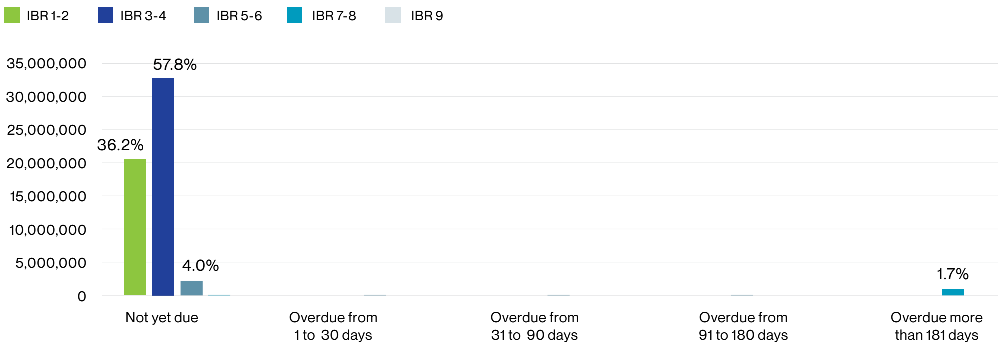
The following analysis shows unsecured current trade receivables as at 31 December 2022 in respect of the internal customer classification by credit rating, the age structure of unsecured receivables and the structure of receivables by country.

Based on granting an internal credit rating to individual partners (IBR) and their guarantors (in the case of financial collateral), defined on the basis of a combination of theoretical financial models and the credit rating agencies' transition matrices, the Company regularly monitors the risk of default by the partner or the guarantor, and accordingly adjusts the structure of collateral and approved limits. In line with internal methodology, this affects the quality and structure of the Company's operating receivables.

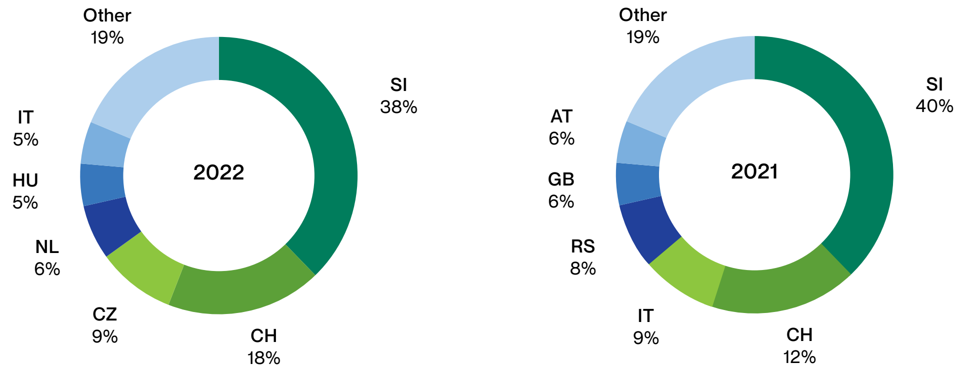
Operating receivables as at 31/12/2022	Receivabes (in EUR)	Hedged receivables (in EUR)	%	Non-hedged receivables (in EUR)	%
Current receivables due from group companies	92,893,472	92,107,246	99%	786,225	1%
Current receivables due from affiliated companies	2,376	2,376	100%	0	0%
Current receivables due from jointly-controlled companies	73	0	0%	73	0%
Current trade receivables	332,109,752	274,923,225	83%	57,186,528	17%
Total	**425,005,673**	**367,032,847**	**86%**	**57,972,826**	**14%**

Operating receivables as at 31/12/2021	Receivabes (in EUR)	Hedged receivables (in EUR)	%	Non-hedged receivables (in EUR)	%
Current receivables due from group companies	46,498,920	44,947,098	97%	1,551,822	3%
Current receivables due from affiliated companies	4,144	4,144	100%	0	0%
Current trade receivables	208,043,758	158,617,971	76%	49,425,787	24%
Total	**254,546,822**	**203,569,213**	**80%**	**50,977,609**	**20%**

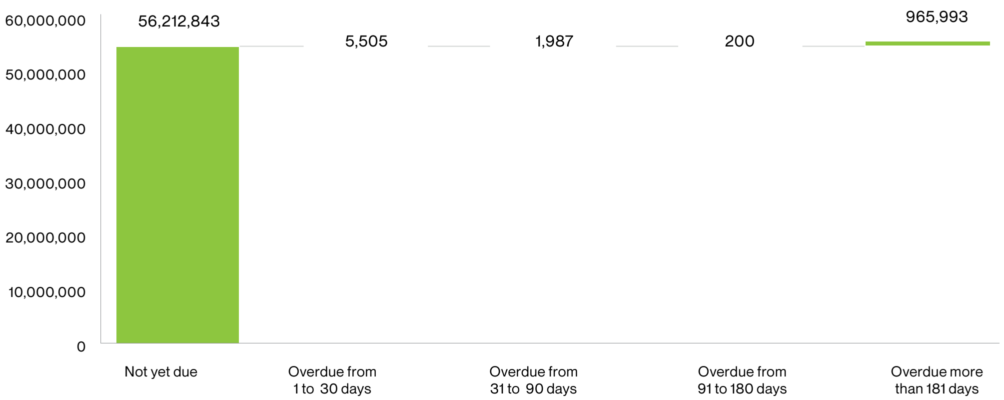
Unsecured trade receivables by age structure and IBR as at 31 December 2022



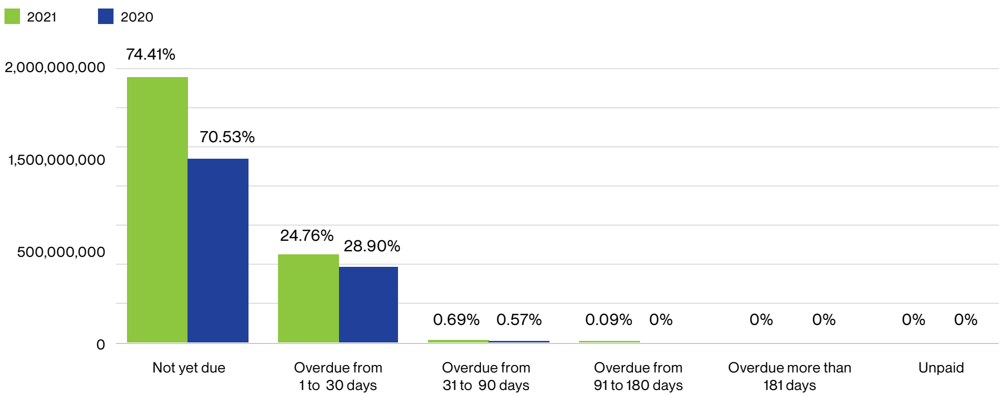
Trade receivables by country as at 31 December 2022 and in 2021



Unsecured trade receivables by age structure and IBR as at 31 December 2022



Dynamics of settlement of receivables in terms of total invoiced receivables in 2020 and 2021



Compared to the balance at the end of 2021, the total value of trade receivables and unsecured trade receivables increased. As at 31 December 2022, trade receivables in Slovenia account for 38% of all trade receivables or the same level as in 2021.

The analysis of the partners' settlement dynamics and payment discipline in 2022 and 2021 (shown in the figure below) shows that partners regularly settled their liabilities in the past.

Defaulting debtors are charged with contractually agreed default interest.

The Company establishes that the current internal policy of setting up allowances and impairing operating receivables is appropriate and that the application of the disclosure- related policies under IFRS 9 in view of the expected credit loss (ECL) on trade receivables has no significant effect on a fair view of the Company's assets. Based on the policies of the said standards and the findings of the analysis of past settlement patterns of the Company's customers by age structure, no loss from trade receivables for the Company as at 31 December 2022 is expected.

This allows for the conclusion that, given the total value of the operating receivables, the calculated ECL has no effect on a fair view of assets, as the Company already properly disclosed and set up allowances for current operating receivables in the past. The potential credit loss estimate took into account operating receivables as at 31 December 2022, the Company's ownership-related connection with the business partner, the past settlement dynamics of invoices issued, the risk of default of partners in view of their financial situation, the type of security received and the age structure of operating receivables as at 31 December 2022.

As at 31 December 2022, the Company shows EUR 1,090,307 in doubtful receivables. Receivables from the sale of electricity to foreign companies account for the majority of doubtful receivables.

in EUR

Non-current operating and financial liabiities by maturity dates	Due for payment			Due for payment
	Up to 2 years after the date of SFP	From 3 to 5 years a fter the date of SFP	More than 5 years after the date of SFP	
Non-current financial receivables and loans given to companies in the Group	306,000	190,000	0	496,000
Non-current operating receivables from others	0	0	12,460,712	12,460,712
Total as at 31/12/2022	**306,000**	**190,000**	**12,460,712**	**12,956,712**

in EUR

Non-current operating and financial liabiities by maturity dates	Due for payment			Due for payment
	Up to 2 years after the date of SFP	From 3 to 5 years a fter the date of SFP	More than 5 years after the date of SFP	
Non-current financial receivables and loans given to companies in the Group	324,000	820,000	0	1,144,000
Non-current operating receivables from others	0	0	1,550,547	1,550,547
Total as at 31/12/2021	**324,000**	**820,000**	**1,550,547**	**2,694,547**

in EUR

Current operating and financial receivables by maturity date	Due for payment				Total
	Not past due	Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	Over a year past due (from 361 days onwards)	
Current financial receivables and loans given to companies in the Group	651,552				651,552
Current financial receivables and loans given to companies in the Group for interest	4,200				4,200
Current operating receivables from groups companies	113,339,039	1,237,391	1,427,031	498,596	116,502,057
Current operating receivables from affiliated companies	2,376				2,376
Current operating receivables from jointly controlled companies	73				73
Current operating receivables from buyers	327,811,535	4,345,938		1,042,662	333,200,135
Current advances given	3,878,748				3,878,748
Current operating receivables from state and other institutions	28,636,086				28,636,086
Current operating receivables from others	31,758,470				31,758,470
Total as at 31/12/2022	**506,082,079**	**5,583,329**	**1,427,031**	**1,541,258**	**514,633,697**

in EUR

Current operating and financial receivables by maturity date	Due for payment				Total
	Not past due	Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	Over a year past due (from 361 days onwards)	
Current financial receivables and loans given to companies in the Group	1,330,205				1,330,205
Current financial receivables and loans given to companies in the Group for interest	4,254				4,254
Current operating receivables from groups companies	44,727,850	957,661	813,410		46,498,921
Current operating receivables from affiliated companies	4,144				4,144
Current operating receivables from buyers	192,872,175	13,870,482	1,176,210	2,181,232	210,100,099
Current advances given	9,210,054				9,210,054
Current operating receivables from state and other institutions	34,960,700				34,960,700
Current operating receivables from others	107,064,751				107,064,751
Total as at 31/12/2021	**390,174,133**	**14,828,143**	**1,989,620**	**2,181,232**	**409,173,128**

Liquidity risk

The liquidity risk is managed by planning the daily, monthly and annual cash flows and then, using this, by effectively distributing surpluses within the Group and ensuring suitable available credit lines from commercial banks. In 2022, HSE successfully reduced the current solvency risk with continuous reconciliation of maturity of receivables and liabilities and the timely recovery of outstanding receivables.

At the end of the year, the liquidity reserve of the Company consisting of undrawn granted non-current revolving loans and available cash amounted to EUR 100,000,000 in a revolving loan and EUR 293,051,719 in cash. The liquidity reserve of the Company is intended for regulating cash flows and it significantly reduces the Company's and HSE Group's liquidity risk.

As at 31 December 2022, all outstanding current liabilities of the Company had already been settled.

The maturity of non-current operating and financial liabilities of the Company in the following years is presented in the tables below. A part of non-current loans due within a period of one year is shown under current financial liabilities.

in EUR

Non-current operating and financial liabilities by maturity dates	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Non-current financial liabilities to banks	46,764,569	128,839,161	62,177,156	237,780,886
Non-current financial liabilities from leases to companies in the Group	256,399	13,367		269,766
Non-current financial liabilities from leases from others	116,180	153,789		269,969
Total 31/12/2022	**47,137,148**	**129,006,317**	**62,177,156**	**238,320,621**

in EUR

Non-current operating and financial liabilities by maturity dates	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Non-current financial liabilities to banks	33,303,030	114,772,727	8,969,698	157,045,455
Non-current financial liabilities from leases to companies in the Group	624,330			624,330
Non-current financial liabilities from leases from others	232,435			232,435
Total 31/12/2021	**34,159,795**	**114,772,727**	**8,969,698**	**157,902,220**

in EUR

Exposure to liquidity risk arising on financial liabilities to banks	Estimated cash flows: Up to 2 months after the date of SFP	From 2 to 12 months after the date of SFP	From 1 to 2 years after the date of SFP	From 2 to 5 years after the date of SFP	More than 5 years after the date of SFP	Total
Financial liabilities to banks without interest rate hedging						
Non-current loans	-20,230,769	-26,533,800	-46,764,569	-128,839,161	-62,177,158	-284,545,457
Total as at 31/12/2022	**-20,230,769**	**-26,533,800**	**-46,764,569**	**-128,839,161**	**-62,177,158**	**-284,545,457**
Financial liabilities to banks without interest rate hedging						
Non-current loans	-13,500,000	-19,803,030	-33,303,030	-114,772,727	-8,969,698	-190,348,485
Total as at 31/12/2021	**-13,500,000**	**-19,803,030**	**-33,303,030**	**-114,772,727**	**-8,969,698**	**-190,348,485**

The liquidity risk exposure from financial liabilities to banks on 31 December 2022 is illustrated in the table below. The amounts in the table are not discounted and include contractually envisaged interest rates and the costs of collateral.

In 2022, the Company secured additional liquidity as part of HSE Group's cash management from free cash of DEM and SENG.

Through centralised cash flow planning, implemented debt restructuring and maturity optimisation measures, a provided proper liquidity reserve, and an active attitude towards financial market, the Company managed to control and manage its liquidity in 2022 and to adequately manage the liquidity risk.

Currency risk

Currency risk is a risk associated with transactions involving foreign currencies and is subject to changes in exchange rates. The operating currency risk is minimal, since the majority of inflows and outflows are pegged to the domestic currency - the EUR. In 2022, the Company was exposed to some other currencies (HUF, RON, CZK) in the context of electricity trading, where, if required, the exposure was hedged by using derivatives.

Other currencies are present in minimal amounts and therefore the Company does not perform sensitivity analysis for the change in foreign exchange rates, since a change in the exchange rate would not significantly affect the profit or loss.

Additionally, the Company continuously follows developments on the money market, changes in prices and the values of currency hedging contracts.

The Company's assets and liabilities as at 31 December 2022 were restated using the following exchange rates:

in EUR

Country	Currency code	Final currency in EUR for 2022	Final currency in EUR for 2021
Czech Republic	CZK	24.1160	24.8580
Hungary	HUF	400.8700	369.1900
Romania	RON	4.9495	4.9490
USA	USD	1.0666	1.1326
Great Britain	GBP	0.8869	0.8403
Bulgaria	BGN	1.9558	1.9558
Turkey	TRY	19.9649	15.2335
Croatia	HRK	7.5365	7.5156
Serbia	RSD	117.4400	117.4400
Macedonia	MKD	61.6000	61.5350
Bosnia and Herzegovina	BK	1.9558	1.9558

in EUR

Exposure to risk of change of exchange rates	EUR	USD	HRK	HUF	CZK	Other currencies	Total
Non-current financial receivables and loans	496,000						496,000
Non-current operating receivables	11,674,207		118,092	322,833	345,580		12,460,712
Current financial receivables and loans	655,752						655,752
Current operating receivables	508,559,612				5,475	4,322,475	512,887,562
Non-current financial liabilities	-237,780,886						-237,780,886
Non-current financial liabilities from leases to companies in the Group	-269,766						-269,766
Non-current financial liabilities from leases from others	-269,969						-269,969
Current financial liabilities	-269,259,587						-269,259,587
Current financial liabilities from leases to companies in the Group	-423,016						-423,016
Current financial liabilities from leases from others	-496,497						-496,497
Current operating liabilities	-442,723,106	-820	-49,019	-443,140	-798	-173,436	-443,390,319
Net exposure of the SFP as at 31/12/2022	**-429,837,256**	**-820**	**69,073**	**-120,307**	**350,257**	**4,149,039**	**-425,390,014**

in EUR

Exposure to risk of change of exchange rates	EUR	USD	HRK	HUF	CZK	Other currencies	Total
Non-current financial receivables and loans	820,000						820,000
Non-current operating receivables	10,507,168					707,882	11,215,050
Current financial receivables and loans	1,334,459						1,334,459
Current operating receivables	398,767,172					7,015,155	405,782,327
Non-current financial liabilities	-157,045,455						-157,045,455
Non-current financial liabilities from leases to companies in the Group	-624,330						-624,330
Non-current financial liabilities from leases from others	-232,435						-232,435
Current financial liabilities	-104,944,587						-104,944,587
Current financial liabilities from leases to companies in the Group	-371,874						-371,874
Current financial liabilities from leases from others	-227,928						-227,928
Current operating liabilities	-427,182,723			-376,657		-168,015	-427,727,395
Net exposure of the SFP as at 31/12/2021	**-279,200,533**	**0**	**0**	**-376,657**	**0**	**7,555,022**	**-272,022,168**

in EUR

Concluded contracts for currency swaps according to the maturity date	31/12/2022	31/12/2021
Concluded contracts for currency swaps according to the maturity date – purchase hedging	13,274,749	24,706,200
Concluded contracts for currency swaps according to the maturity date – sale hedging	0	510,502
Total	13,274,749	25,216,702

in EUR

Currency swap effect	2022	2021
Unrealised loss of effective transactions	1,144,223	1,156,205
Realised loss of effective transactions	-1,129,286	-345,847

Interest rate risk

Various financial instruments (e.g. interest rate swap, interest rate caps) are available to manage interest rate risk. Their purpose is to reduce the negative effects of changing market-based interest rates. As a rule, the extent of exposure to the interest rate risk is dependent on the share of financial liabilities and investments in the Company at a variable interest rate. Subject to changed market conditions in 2022, the projected interest rate oscillations, and updated operating projections of the HSE Group, the interest rate change management strategy shall be adapted and, on the basis thereon, relevant measures to ensure a more efficient management of change to the interest rate implemented.

Interest-bearing and non-interest bearing financial assets and liabilities are outlined in the table below:

in EUR

Financial instruments with variable interest rates	31/12/2022	31/12/2021
Financial liabilities	469,545,456	250,348,486

Cash flow sensitivity analysis with variable interest rate instruments

This analysis was carried out by taking into account the increase/decrease of the reference Euribor interest rate by +/- 50 basis points.

in EUR

Financial instruments	Net profit or loss (2022)		Net profit or loss (2021)	
	Increase by 50 basis points	Decrease by 50 basis points	Increase by 50 basis points	Decrease by 50 basis points
Financial instruments bearing the variable interest rate	-832.531	429.217	0	0
Financial liabilities	n/a	n/a	n/a	n/a

As fixed interest rates have been agreed for the financial assets, no sensitivity analysis has been carried out for this part.

Price risk

Future contracts for electricity

The Company sells and procures futures with the purpose of securing long-term positions from self--generated electricity, against price risks and with the purpose of position trading.

In the event of securing the price, the Company shall, upon concluding a physical delivery of electricity transaction, also simultaneously conclude a future of an offset volume and the same maturity or a future with the maturity complying with the planned volumes of self-generated electricity. In doing so, the Company shall financially fix its price differences, for example, that RVC loss generated from the procurement of futures is set off by RVC generated from the physical quantity of procured/sold or generated physical volume of electricity. The planned volumes of generated electricity shall serve as the basis used for implementing the Price Securing Strategy of Planned Volumes of Self-Generated Electricity. Thus, the Company is already selling electricity of subsidiaries during the current year for several years in advance, whereas the main objective of the strategy is to maximise profit and provide stable revenue from the sale of electricity.

At year-end, the Company has EUR 1,787,567,912 in concluded futures. Related disclosures are provided in the Capital section.

The procurement or sales of futures with the purpose of position trading at the time a position is opened increases the price exposure of the Company since the future is concluded with the intention of generating revenue on the account of changes in the prices of electricity. The price exposure is reduced only in the case of concluding futures or physical contracts with an offset position. At the end of the year, the Company recorded EUR 634,724,514 in open future contracts held for trading.

Emission allowances

The Group concluded futures in 2022 for the procurement and sale of emission allowances in order to secure the price of volumes of emission allowances arising from self-generated electricity requirements; to a limited extent, the Company also concluded futures for the procurement and sales of trading activities not related to its self-generated electricity. At the end of 2022, the Company held EUR 457,206,860 in open contracts securing the procurement and sale of emission allowances. Related disclosures are provided in the Capital section.

Gas

In 2022, the Company concluded futures for the acquisition and sales of natural gas aimed at managing the leased natural gas warehouse. As at 31/12/2022, there were no open natural gas futures of HSE. Related disclosures are provided in the Capital section.

in EUR

Concluded standardised forward contracts for hedging	31/12/2022	31/12/2021
For electricity - trading - to hedge procurement	905,197,519	216,867,497
For electricity - trading - to hedge sales	882,370,393	458,789,759

in EUR

Concluded standardised forward contracts for trading	31/12/2022	31/12/2021
For electricity - trading - purpose of purchase	316,348,232	414,195,613
For electricity - trading - purpose of sale	318,376,282	212,280,829

in EUR

Concluded standardised forward contracts for hedging	31/12/2022	31/12/2021
For emission allowances - trading - futures for hedging procurement	250,544,010	158,919,840
For emission allowances - trading - futures for hedging sales	206,662,850	97,525,000

in EUR

Concluded standardised forward contracts for trading	31/12/2022	31/12/2021
For emission allowances - trading - intended for procurement	0	528,500
For emission allowances - trading - intended of sale	9,004,990	0

Capital management

in EUR

Capital management	31/12/2022	31/12/2021
Non-current financial liabilities	237,780,886	157,045,455
Non-current financial liabilities from leases	539,734	856,765
Current financial liabilities	269,259,587	104,944,587
Current financial liabilities from leases	919,513	599,802
Total financial liabilities	508,499,720	263,446,609
Capital	823,145,921	666,757,957
Financial liabilities/Capital	**0.62**	**0.40**
Cash and cash equivalents	293,051,719	48,798,746
Net financial liability	215,448,001	214,647,863
Net debt/Capital	**0.26**	**0.32**

The main purpose of capital management is to ensure the best possible credit rating and capital adequacy for the purposes of financing operations and investments. An adequate volume of capital guarantees the Company the trust of creditors, partners and potential investors while also maintaining the future development of activities.

The Company monitors changes in capital using the leverage ratio calculated by dividing total net liabilities by total capital. Net liabilities of the Company include loans received and other financial liabilities less cash.

The debt to equity (gearing) shows the ratio between the Company's debt and equity. The ratio was the highest at the end of 2022 compared to the previous year, suggesting higher indebtedness, whereas the leverage ratio fell compared to 2021, caused by the reduction of net debt compared to the previous year.

Fair value

The Company estimates that the carrying amount is a sufficient approximation for its financial instruments, except for derivatives, which are recorded at fair value.

in EUR

Carrying amounts and fair values of financial instruments	31/12/2022		31/12/2021	
	Book value	Fair value	Book value	Fair value
Non-derivative financial assets at fair value	**111,500**	**111,500**	**111,500**	**111,500**
Financial assets available for sale	111,500	111,500	111,500	111,500
Non-derivative financial assets at amortised cost	**828,076,601**	**828,076,601**	**473,100,410**	**474,032,788**
Financial receivables	1,151,752	1,151,752	2,154,458	2,154,458
Operating and other receivables	533,873,130	533,873,130	422,147,206	423,079,584
Cash and cash equivalents	293,051,719	293,051,719	48,798,746	48,798,746
Total	**828,188,101**	**828,188,101**	**473,211,910**	**474,144,288**
Derivative financial liabilities at amortised cost	**25,123,651**	**25,123,651**	**161,410,681**	**161,410,681**
Derivatives (liabilities)	25,123,651	25,123,651	161,410,681	161,410,681
Non-derivative financial liabilities at amortised cost	**1,025,795,745**	**1,025,840,575**	**615,353,310**	**615,353,310**
Bank loans	470,497,515	470,497,515	260,391,595	260,391,595
Other financial liabilities	38,002,205	38,047,035	3,055,014	3,055,014
Operating and other liabilities	517,296,025	517,296,025	351,906,701	351,906,701
Total	**1,050,919,396**	**1,050,964,226**	**776,763,991**	**776,763,991**

in EUR

Carrying amounts and fair values of financial instruments	31/12/2022	Financial assets and liabilities at fair value by hierarchy as at 31/12/2022			
		31/12/2022			
	Book value	Fair value	Level 1	Level 2	Level 3
Non-derivative financial assets at fair value	**111,500**	**111,500**	**0**	**0**	**111,500**
Financial assets available for sale	111,500	111,500			111,500
Non-derivative financial assets at amortised cost	**828,076,601**	**828,076,601**	**0**	**0**	**828,076,601**
Financial receivables	1,151,752	1,151,752			1,151,752
Operating and other receivables	533,873,130	533,873,130			533,873,130
Cash and cash equivalents	293,051,719	293,051,719			293,051,719
Total	**828,188,101**	**828,188,101**	**0**	**0**	**828,188,101**
Derivative financial liabilities at amortised cost	**25,123,651**	**25,123,651**	**31,103,097**	**-5,979,445**	**0**
Derivatives (liabilities)	25,123,651	25,123,651	31,103,097	-5,979,445	0
Non-derivative financial liabilities at amortised cost	**1,025,795,745**	**1,025,795,745**	**0**	**0**	**1,025,795,745**
Bank loans	470,497,515	470,497,515			470,497,515
Other financial liabilities	38,002,205	38,002,205			38,002,205
Operating and other liabilities	517,296,025	517,296,025			517,296,025
Total	**1,050,919,396**	**1,050,919,396**	**31,103,097**	**-5,979,445**	**1,025,795,745**

4.5.8 Events after the reporting date

After the date of the statement of financial position in the Company, the following important events happened which did not have any effect on the 2022 financial statements:

In February 2023, SDH adopted a decision binding HSE to repay one part of the funds from the subsequent capital increase - EUR 200 million. The repayment dynamics shall be laid down by taking into consideration the conditions on the energy markets and other relevant business circumstances and shall aim at ensuring a stable operation of the HSE Group and an economic management of funds. The Management Board of HSE shall carry out all the required activities for the continuous operation of Block 6 at TEŠ and take all the necessary steps to allow the founder to decide on the repayment of all subsequent capital increases from 2022 in one or more instalments by the end of 2024.

4.5.9 Additional disclosures on the basis of the electricity and gas supply acts

In 2011, the Company began generating electricity at a solar power plant in Velenje, and, in 2022, at the Prapretno solar plant and trading in gas. In relation to the provisions of the Electricity Supply Act and the Gas Supply Act, the Company shall separately monitor the generation of electricity and gas trading activities.

The income statement of the electricity generated at the solar power plant was drawn up in accordance with the following rules:

- the property, plant and equipment in the disclosure of production equipment shows the carrying amount of the solar power plant and the gas trading software,
- the value of gas is posted in inventories,
- short-term operating receivables present receivables from the buyers of electricity and gas and the input value added tax,
- profit or loss of individual activities and the difference between assets and liabilities in the statement of financial position are disclosed in capital,
- current operating liabilities show trade payables for the operation and maintenance of the solar power plant and gas and the output value-added tax and liabilities related to corporate tax.

4.5.9.1 Financial position statement as at 31 December 2022

in EUR

Statement of financial position as at 31/12/2022	Trading with electricity	SE production	Trading with gas	2022
ASSETS	**1,864,125,372**	**3,408,477**	**6,879,335**	**1,874,413,184**
A. NON-CURRENT ASSETS	1,016,219,934	2,509,397	204,411	1,018,933,742
I. Intangible assets	119,613,579			119,613,579
II. Property, plant and equipment	16,432,565	2,509,397	204,411	19,146,373
III. Right to use leased assets	1,354,758			1,354,758
IV. Non-current financial investments in subsidiaries	824,357,481			824,357,481
V. Other non-current financial investments and loans	41,376,442			41,376,442
VI. Non-current operating receivables	12,460,712			12,460,712
VIII. Deferred tax receivables	624,398			624,398
B. CURRENT ASSETS	847,905,439	899,080	6,674,924	855,479,443
II. Inventories	8,587,169		3,357,293	11,944,462
III. Current financial investments	655,752			655,752
IV. Current trade receivables	446,433,594	408	2,180,256	448,614,258
V. Contract assets	3,166,911			3,166,911
VI. Current tax receivables	15,954,379			15,954,379
VII. Other current assets	82,029,262		62,700	82,091,962
VIII. Cash and cash equivalents	291,078,372	898,672	1,074,675	293,051,719

in EUR

Statement of financial position as at 31/12/2022	Trading with electricity	SE production	Trading with gas	2022
EQUITY AND LIABILITIES	**1,864,125,372**	**3,408,477**	**6,879,335**	**1,874,413,184**
A. EQUITY	812,109,181	3,281,591	5,976,150	821,366,922
I. Called-up capital	29,558,789			29,558,789
II. Capital reserves	1,045,382,732	2,653,738	5,206,715	1,053,243,185
III. Reserves from profit	562,744,824			562,744,824
IV. Risk hedging reserve	-106,751,557			-106,751,557
V. Fair value reserves	-139,119			-139,119
VI. Retained profit/loss	-718,686,488	627,853	769,435	-717,289,200
B. NON-CURENT LIABILITIES	240,424,559	0	0	240,424,559
I. Provisions for severance pays and anniversary bonuses	1,698,692			1,698,692
II. Other provisions	404,475			404,475
III. Other non-current liabilities	772			772
IV. Non-current financial liabilities	237,780,886			237,780,886
V. Non-current financial liabilities from leases	539,734			539,734
C. CURRENT LIABILITIES	811,591,632	126,886	903,185	812,621,703
II. Current financial liabilities	269,259,587			269,259,587
III. Current financial liabilities from leases	919,513			919,513
IV. Current operating liabilities	391,926,634		660,000	392,586,634
VI. Current tax liabilities	-284,408	126,851	180,485	22,928
VII. Other current liabilities	149,770,306	35	62,700	149,833,041

4.5.9.2 Income statement for 2022

in EUR

Income Statement for 2022	Trading with electricity	SE production	Trading with gas	2022
OPERATING REVENUE	**5,578,157,750**	**892,068**	**7,511,182**	**5,586,561,000**
1. Net sales revenues	5,538,577,902	892,068	5,778,951	5,545,248,921
4. Other operating income	39,579,848	0	1,732,231	41,312,079
OPERATING EXPENSES	**5,851,705,879**	**213,703**	**6,561,262**	**5,858,480,844**
5. Costs of goods, materials and services	5,749,378,415	5,202	6,484,220	5,755,867,837
6. Labour costs	14,628,158	130,551	56,595	14,815,304
7. Value write-offs	1,520,124	69,126	20,447	1,609,697
8. Other operating expenses	86,179,182	8,824		86,188,006
OPERATING PROFIT/LOSS	**-273,548,129**	**678,365**	**949,920**	**-271,919,844**
9. Financial revenue	4,913,947	0	0	4,913,947
10. Financial expenses	52,458,065	0	0	52,458,065
FINANCIAL OUTCOME	**-47,544,118**	**0**	**0**	**-47,544,118**
PROFIT (LOSS) BEFORE TAX	**-321,092,247**	**678,365**	**949,920**	**-319,463,962**
TAXES	**-90,317**	**128,889**	**180,485**	**219,057**
11. Current tax	-309,374	128,889	180,485	0
12. Deferred tax	219,057			219,057
NET PROFIT/LOSS FOR THE YEAR	**-321,001,930**	**549,476**	**769,435**	**-319,683,019**

The income statement of electricity generated at the solar power plant was thus drawn up in accordance with the following rules:

- the value of invoices issued to buyers of electricity generated by the solar power plant and gas trading is shown among net operating revenue;
- costs of materials and services show costs related to the maintenance and operation of the solar power plant and gas;
- labour costs refer to the wages of employees in individual activities;
- depreciation costs refer to the depreciation of the SPP and the software; and
- the current tax is calculated as corporate income tax based on the operating result of the activity.

Signing the 2022 annual report and its integral parts

The Management Board of HSE hereby declared to be acquainted with the content of the integral parts of the annual report of HSE and the HSE Group for 2022 and thereby also with the entire annual report of HSE and the HSE Group for 2022. It is agreed therewith as duly confirmed by our signatures.

In Ljubljana, on 20 April 2023

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

5.1 GRI Index[21]

Indicator	Disclosure	Chapter
GRI 100: STANDARD DISCLOSURES		
GRI 101: Basis 2018		
GRI 102: General disclosures		
Organisational profile		
102-1	Organisation name	About the HSE Company
102-2	Primary activities, trademarks, products and services	Presentation of the HSE Group
102-3	Organisation head office	About the HSE Company
102-4	Countries where the organisation operates	Presentation of the HSE Group
102-5	Ownership and legal form	About the HSE Company
102-6	Markets where organisation is present	Presentation of the HSE Group
102-7	Size of organisation (the number of employees, the number of activities, sales revenue, liabilities/capital, the number of products or services)	Highlights of Group operations and HSE Company Presentation of HSE Group Sustainable development of the HSE Group
102-8	Data on employees (Type of employee, gender, region)	Presentation of the HSE Group Sustainable development of the HSE Group
102-9	Supplier chain management	Sustainable development of the HSE Group
102-10	Significant changes during reporting period	Chronology of important events of the HSE Group in 2022 Analysis of Group and HSE Company operations
102-11	Disclosure whether and how the organisation applies the precautionary principle	Sustainable development of the HSE Group
102-13	Membership in organisations and associations	Sustainable development of the HSE Group
102-14	Statement from the management board	Statement from the management board

Indicator	Disclosure	Chapter
Ethics and integrity		
102-15	Key impacts, risks, and opportunities	Electricity economy market environment HSE Group risk management
102-16	Values, principles, standards, rules of conduct, such ethical code, compliance of operations, corporate integrity	The business policy of the HSE Group
102-17	Education about ethical operation and mechanisms of reporting unethical conduct	Sustainable development of the HSE Group
Management		
102-18	Management structure	About the HSE Company Statement on HSE corporate governance
102-20	Management's responsibility for economic, environmental and social topics	Statement on corporate governance Sustainable development of the HSE Group
102-22	Management and committee structure	About the HSE Company
102-23	Highest management body	About the HSE Company
102-24	Method of appointment and selection for the highest management body	Statement on corporate governance
102-25	Prevention of conflict of interest	Statement on corporate governance Risk management of the HSE Group Sustainable development of the HSE Group
102-28	Evaluation of management performance	Report of the Supervisory Board Sustainable development of the HSE Group
102-30	Efficiency of managing economic, environmental and social risks	Risk management of the HSE Group HSE Group development strategy Sustainable development of the HSE Group

21 GRI: 102-55.

Indicator	Disclosure	Chapter
The inclusion of stakeholders		
102-40	The list of groups of stakeholders cooperating with the organisation	Sustainable development of the HSE Group
102-41	Collective contracts in Group	Sustainable development of the HSE Group
102-42	The basis for identifying and selecting stakeholders with whom to engage	Sustainable development of the HSE Group
102-43	Approach to stakeholder engagement, including frequency of engagement	Sustainable development of the HSE Group
Data about the report		
102-45	List of entities included in the consolidated financial statements	HSE company and Group performance analysis
102-46	Defining report content and topic boundaries	Statement on corporate governance Sustainable development of the HSE Group
102-48	The effects of changes of data from preliminary reports and reasons for changes	Highlights of Group operations and HSE Company HSE Group Income Statement Analysis Sustainable operations and development
102-49	Significant changes compared to previous reporting period with regard to the delimitation of scope and aspects	Highlights of Group operations and HSE Company Presentation of HSE Group Sustainable operations and development
102-50	Reporting period	About the HSE Company
102-51	Date of the most recent report	About the HSE Company
102-52	Reporting cycle	About the HSE Company
102-53	Contact information for questions regarding the report	Sustainable development of the HSE Group
102-54	Statement of conformity with the GRI Standard	Sustainable development of the HSE Group
102-55	Index according to GRI guidelines	GRI index

Indicator	Disclosure	Chapter
GRI 103: Topic management		
Managerial approach		
103-1, 103-2, 103-3	Key topics and their limits, management's approach and approach evaluation	Statement on corporate governance Electricity economy market environment Company and HSE Group operations performance analysis Risk management of the HSE Group Development strategy of the HSE Group Sustainable development of the HSE Group
GRI 200: ECONOMIC EFFECTS		
GRI 201: Economic aspects		
Economic performance		
201-1	Direct economic value generated and distributed (revenues, operating costs, employee wages and benefits, payments to providers of capital, taxes, donations, and other community investments)	Group and company operations highlights HSE company and Group performance analysis Financial report
201-2	Financial consequences and other risks due to climate change	Electricity economy market environment Risk management of the HSE Group Development strategy of the HSE Group Sustainable development of the HSE Group
201-4	Financial assistance received from government (subsidies, tax relief, guarantees)	Transparency of financial relations

Indicator	Disclosure	Chapter
GRI 203: Indirect economic effects		
203-1	Infrastructure investments and services supported (impact on local communities)	Development strategy of the HSE Group Sustainable development of the HSE Group
GRI 205: Anti-corruption		
205-1	Number of identified corruption risks	Sustainable development of the HSE Group
205-2	Communication and training about anti-corruption policies and procedures	Sustainable development of the HSE Group

GRI 300: ENVIRONMENTAL IMPACTS

Indicator	Disclosure	Chapter
GRI 301: Materials		
301-1	Materials used by weight or volume	Sustainable development of the HSE Group
GRI 302: Energy		
302-1	Energy consumption within the organisation	Sustainable development of the HSE Group
302-2	Energy consumption outside the organisation	Sustainable development of the HSE Group
302-3	Energy intensity	Sustainable development of the HSE Group
302-4	Reduction of energy consumption	Sustainable development of the HSE Group

Indicator	Disclosure	Chapter
GRI 303: Water		
303-1	Water withdrawal by source (surface, groundwater, municipal, etc.)	Sustainable development of the HSE Group
303-2	Sources of water withdrawal	Sustainable development of the HSE Group
303-4	Wastewater	Sustainable development of the HSE Group
303-5	Water consumption	Sustainable development of the HSE Group
GRI 304: Biodiversity		
304-1	Operational sites in protected areas and areas of high biodiversity value	Sustainable development of the HSE Group
304-2	Impacts of activities on biodiversity in protected areas	Sustainable development of the HSE Group
304-3	Protected and restored habitats	Sustainable development of the HSE Group
GRI 305: Emissions		
305-1	Direct greenhouse gas emissions	Sustainable development of the HSE Group
305-2	Indirect greenhouse gas emissions	Sustainable development of the HSE Group
305-3	Other indirect greenhouse gas emissions	Sustainable development of the HSE Group
305-4	Intensity of greenhouse emissions	Sustainable development of the HSE Group
305-5	Reduction of greenhouse emissions	Sustainable development of the HSE Group
305-7	NO_x, SO_2, and other significant air emissions	Sustainable development of the HSE Group

Indicator	Disclosure	Chapter
GRI 306: Sewage and waste		
306-3	Waste by type and disposal method by weight	Sustainable development of the HSE Group
306-5	Waste for removal	Sustainable development of the HSE Group
GRI 307: Environmental compliance		
307-1	Financial value of fines and the number of non-financial sanctions due to nonconformity with environmental legislation	Sustainable development of the HSE Group

GRI 400: SOCIAL EFFECTS

Indicator	Disclosure	Chapter
GRI 401: Employment		
401-1	New recruitment and fluctuation of employees	Sustainable development of the HSE Group
401-3	Number of employees that utilised parental leave (by gender)	Sustainable development of the HSE Group
GRI 403: Occupational health and safety		
403-1	Occupational Health and Safety Management System	Sustainable development of the HSE Group
403-2	Hazard identification, risk assessment, and incident investigation	Sustainable development of the HSE Group
403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainable development of the HSE Group
403-5	Worker training on occupational health and safety	Sustainable development of the HSE Group
403-6	Promotion of employee health	Sustainable development of the HSE Group
403-9	Work-related injuries (number, causes, rate of work-related injuries)	Sustainable development of the HSE Group
403-10	Occupational diseases (number, reasons, type of diseases)	Sustainable development of the HSE Group

Indicator	Disclosure	Chapter
GRI 404: Training and education		
404-1	Average number of training hours per year per employee by gender and employee category	Sustainable development of the HSE Group
404-2	Programmes for upgrading skills and knowledge transfer programmes	Sustainable development of the HSE Group
404-3	Percentage of total employees receiving regular performance and career development reviews by gender and employee category	Sustainable development of the HSE Group
404-4	Training and education	Sustainable development of the HSE Group
GRI 405: Diversity and equal opportunities		
405-1	Structure of management bodies and employee structure by categories (age, gender, other relevant indicators)	Statement on corporate governance Sustainable development of the HSE Group
GRI 406: Non-discrimination		
406-1	Total number of incidents of discrimination and corrective actions taken	Sustainable development of the HSE Group
GRI 412: Human rights		
412-1	Number of cases, reviewed due to violation of human rights	Sustainable development of the HSE Group
412-2	Employee training on human rights policies and procedures and abuse reporting methods	Sustainable development of the HSE Group
GRI: 413 Cooperation with local communities		
413-1	Cooperation with local communities, impact assessment and development programmes	Sustainable development of the HSE Group
413-2	Activities with actual and potentially negative impacts on the local community	Sustainable development of the HSE Group
GRI 415: Public policies		
415-1	Contributions to public policies	Sustainable development of the HSE Group
GRI 419: Socio-economic conformity		
419-1	Non-conformity with laws and rules in the social and economic field (penalties, fines, pending procedures)	Sustainable development of the HSE Group

5.2 Abbreviations

AJPES	Agency of the Republic of Slovenia for Public and Legal Records and Services
ARRS	Slovenian Research Agency
ARSO	Slovenian Environment Agency
BDP	Gross Domestic Product (GDP)
CSRD	Corporate Sustainability Reporting Directive
CV	Management centre
ČHE	Pump-fed hydroelectric power station
DDV	Value Added Tax (VAT)
DEM	Dravske elektrarne Maribor d.o.o.
DIIP	Investment Project Identification Document
DPN	National Spatial Plan
DPP	Family Friendly Company
EBIT	Operating profit/loss
EBITDA	Operating profit/loss with Depreciation, and Amortization
ECB	European Central Bank
EE	Electricity
EES	Electricity system
ELES	ELES d.o.o., transmission system operator (TSO)
EIB	European Investment Bank
E+	Energija plus d.o.o.
ESRS	European Sustainability Reporting Standards
EU	European Union
EUR/€	Euro
EU ETS	European Union Emissions Trading System

Fit for 55	Fit for 55
GE	Geothermal power plant
GRI	Global Reporting Initiative
GZS	Chamber of Commerce and Industry of Slovenia
HE	Hydro-electric power plant
HESS	Hidroelektrarne na Spodnji Savi d.o.o.
HSE	Holding Slovenske elektrarne d.o.o.
HSE BE	HSE Balkan Energy d.o.o.
HSE BH	HSE Bosna in Hercegovina d.o.o.
HSE EDT	HSE Energetska družba Trbovlje d.o.o.
HSE MAK	HSE Mak Energy DOOEL
HTZ	HTZ harmonija tehnologije in znanja invalidsko podjetje d.o.o. Velenje
IFP	Statement of financial position
IP	Investment programme
IPCC	The Intergovernmental Panel on Climate Change
IKT	Information-communications technology
IS	Information system
ISO	International Organization for Standardization
ISO/IEC	Information Security Management System
ISDA	International Swaps and Derivatives Association
IT	Information technology
JTF	Just Transition Fund
KK	HR Committee
KP	Restructuring committee

KTI	Marketing and investment committee
LNG	Liquefied natural gas
LRF	Linear Reduction Factor
MF	Ministry of Finance
sHPP	Small-scale hydro-power
MOP	Ministry of the Environment and Spatial Planning
MRS	International Accounting Standards (IAS)
MSR	Market Stability Reserve
MSRP	International Financial Reporting Standards (IFRS)
MZI	Ministry of Infrastructure
NEK	Nuklearna elektrarna Krško d.o.o.
NEPN	National Energy and Climate Plan (NECP) of the Republic of Slovenia
NS	Supervisory Board
OHSAS	Occupational Health and Safety Management System
OPEC	The Organization of the Petroleum Exporting Countries
OPMSRP	IFRS International Interpretations Committee
OZN	United Nations (UN)
OVE	Renewable energy sources
PLP	PLP Lesna industrija d.o.o. Velenje
PoI	Certificates of Origin
PV	Premogovnik Velenje d.o.o.
PVO	Environmental Impact Assessment (EIA)
RGP	RGP Rudarski gradbeni program d.o.o.
RK	Audit Committee

RS	Republic of Slovenia
SDH	Slovenski državni holding d.d.
SE	Solar power plant
SEL	Savske elektrarne Ljubljana d.o.o.
SENG	Soške elektrarne Nova Gorica d.o.o.
SIPOTEH	SIPOTEH Strojna in proizvodna oprema d.o.o.
SODO	Electricity distribution system operator
SONDO	Electricity distribution network codes
SOPO	Transmission system operator (TSO)
SRF	Solid Recovered Fuels Non-hazardous waste recovered fuels
SRESA	Srednjesavske elektrarne d.o.o.
STS	Slovenian Technical Approval
SUVI	IT security management system
TE	Thermal power plant
TEŠ	Termoelektrarna Šoštanj d.o.o.
URE	Energy efficiency
USD	US Dollar
VE	Wind power plant
VZD	Occupational health and safety
USA	United States of America (USA)
ZGD	Companies Act
ZFPPIPP	Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act
ZPFOLERD	Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act
ZPKEEKP	Act on the Guarantee of the Republic of Slovenia for the Obligations from Credits Taken Out to Ensure Liquidity on the Organized Electricity Markets and Emission Coupons and Obligations from the Purchase Additional Quantities of Natural Gas Outside the European Union Market
ZPIZ	Pension and Disability Insurance Institute of Slovenia
ZSDH	Slovenian Sovereign Holding Act
ZUOKPOE	Act on Measures for Management of Crisis Conditions in the Field of Energy Supply
ZURE	Act on Energy Efficiency
ZVZD	Health and Safety at Work Act

5.3 About us in brief

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