Integrated Annual Report 2021

ALWAYS IN MOTION

interEnergo

a kelag company

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Integrated Annual Report 2021

ALWAYS IN MOTION

We enable the **green transition** with a diverse range of energy services.

Trading is being developed in the direction of automation and quantitative analytical support.

Our portfolio of power plants is diversified in terms of technology and geographic location.

Many systems, using a wide variety of technologies, are currently in operation.

By entering foreign markets, we are expanding our mission of **responsible** energy management.

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Year 2021 at a glance

Equity

in EUR million

67.9 (7%)

Net profit

in EUR million

2.9 (161%)

EBIT

in EUR million

6.8 (57%)

EBITDA

in EUR million

8.0 (50%)

Production facilities of RES in the Group

Number of facilities	16	2	8
Nominal capacity (MW)	60.78	20.00	2.80
Actual production (GWh)	142.6	41.9	3.0

Indicator	2020	2021
Avoidance of CO_2 emissions through production from renewable energy sources in tons	46,018	71,250
Avoidance of CO_2 emissions from energy service projects in tons	3,520	6,955
Annual financial savings from the energy contracting projects in EUR thousand	881	1.340
Annual electricity savings from the energy contracting projects in GWh	7.6	21.5
Electricity produced by the Company in GWh	2.8	3.0
Electricity produced by the Group in GWh	121.1	187.5
Number of employees	44	50
Value added per employee in EUR thousand	141.6	171.4
Volume of traded electricity in TWh*	22.9*	24.3*

* Inclusive of traded volume for own and foreign account.

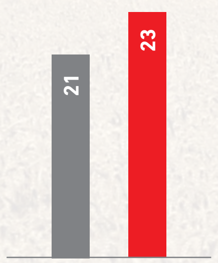
Number of projects related to digital tools and internal applications

Number of projects: 54 Planned projects: 35

Ongoing projects: 8 Completed projects in 2021: 11

Number of projects within the energy services in the Group

Energy contracting (EC)



EC by technology:

Heat production: 7

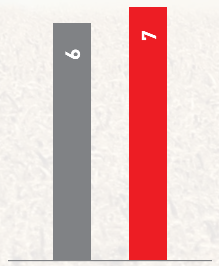
LED lighting: 11

Combined heat and power: 3

Complete renovation of buildings: 1

Cooling systems: 1

District heating systems (DHS)



DHS by technology:

Biomass boilers: 5

Natural gas boilers: 1

Combination of boiler and biomass cogeneration: 1

Letter from the Managing Directors

The year 2021 was once again dynamic, on the one hand due to the continuing challenges related to COVID-19 and, on the other hand, due to economic expansion. We successfully adapted to external and internal imbalances and ended the year very successfully.

The activity of electricity trading was marked by extremely high price volatility in the energy markets. If, at the beginning of the year, the increased volatility of electricity prices was mainly due to the price increase of emission allowances, other factors prevailed later in the year. As soon as we realized that traditionally validated trading concepts were not yielding results, we reorganized and adapted our trading techniques. By doing this, we again exceeded the set goals.

In the segment of investments in renewable sources, we also adapted to the new environment, namely by increasing the share of solar and wind projects in the portfolio, entering new markets, developing projects with higher nominal power, concluding partnerships, etc. In 2021, we took over a project company for the construction of a 30 MW wind farm in North Macedonia and a 50 MW wind farm in the Federation of Bosnia and Herzegovina. The construction of a 5 MW and a 10 MW solar parks in Croatia are just about to commence. We have also greatly expanded the list of identified potential projects in the region, which will be gradually developed over the next five years.

We continued with the development of the third pillar of the company – the energy services. We have invested in a wide range of different technologies and currently manage more than 30 projects in Slovenia and North Macedonia. The countries in our plan for 2022 will also include Croatia, Bosnia and Herzegovina and Serbia.

The development of the three basic areas of activities is made possible by efficient organization that adapts to the increased complexity of operations. With the implementation of modern tools, we automate processes and through digitalization we look for ever more optimal ways of working. We focused on developing the long-term and permanent analytical support by making the Analytics department an independent department and placing it at the center of the organization as a support service for the development of advanced solutions in all of the business segments.

In the last quarter of 2021, we paid a lot of attention to changing and adjusting the operating strategy for the next five-year period. Whilst our commitment to energy supply in an efficient and long-term sustainable way remains unchanged, we will focus most on increasing the scope and intensity of operations.

Our first priority is to maintain and upgrade our proactive corporate culture, based on our values and mutual commitment to our vision. We see our team as the most essential and fragile element of further successful development, so we will continue to pay attention to its care in the future.

Interenergo is an energy company. If we simplify the second law of thermodynamics, energy systems tend to increase entropy (a measure of the disorder of a system) and not reduce it. From the point of view of living beings that represents disorder, but from the point of view of matter and energy it is orderliness.

At the time of writing, we are witnessing the conflict in Ukraine, which may represent a long-term change in the macroeconomic and geopolitical environment in which we operate. After a two-year period of coping and adapting to the virus, we are now facing a new disruption that may significantly change our current perception of the future. From the point of view of the living beings, full employment, zero interest rates, high economic growth, double-digit growth in markets, and an immediate green transition represent an orderly, almost ideal situation. Returning to the previous phrase, increased entropy (chaos) represents an energetically ordered system. As serious businessmen and businesswomen, all of whom are energy professionals, we perform best in organized systems.

We're always staying in motion!

Figure: Blaž Šterk and Martin Dolzer

Company profile

Interenergo, energetski inženiring, d. o. o. (hereinafter also 'Interenergo' or 'Company') is an international company engaged in electricity trading, investment in facilities for producing electricity from renewable sources and energy services.

Company name	**Interenergo, energetski inženiring, d. o. o.**
Shortened company name	**Interenergo, d. o. o.**
In English	**Interenergo, energy engineering, Ltd.**
Shortened company name in English	**Interenergo Ltd.**
Registered office	**Tivolska cesta 48, 1000 Ljubljana, Slovenija**
Phone	**+386 (0)1 620 37 00**
Website	**www.interenergo.si**
E-mail	**info@interenergo.si**
Establishment	**25. July 2006**
Core business activity	**35.111 – Proizvodnja elektrike v hidroelektrarnah**
Ownership	**KI-Kelag International, GmbH, 100-odstotni lastniški delež**
Share capital	**10.200.000 EUR**
Tax ID no.	**SI99144590**
Company ID no.	**2226405000**

The management of Interenergo consists of two Managing Directors and Holder of Procuration, who direct the operation and development of the parent company Interenergo and its subsidiaries. The company's operations are supervised by a four-member Supervisory Board.

Management Board:

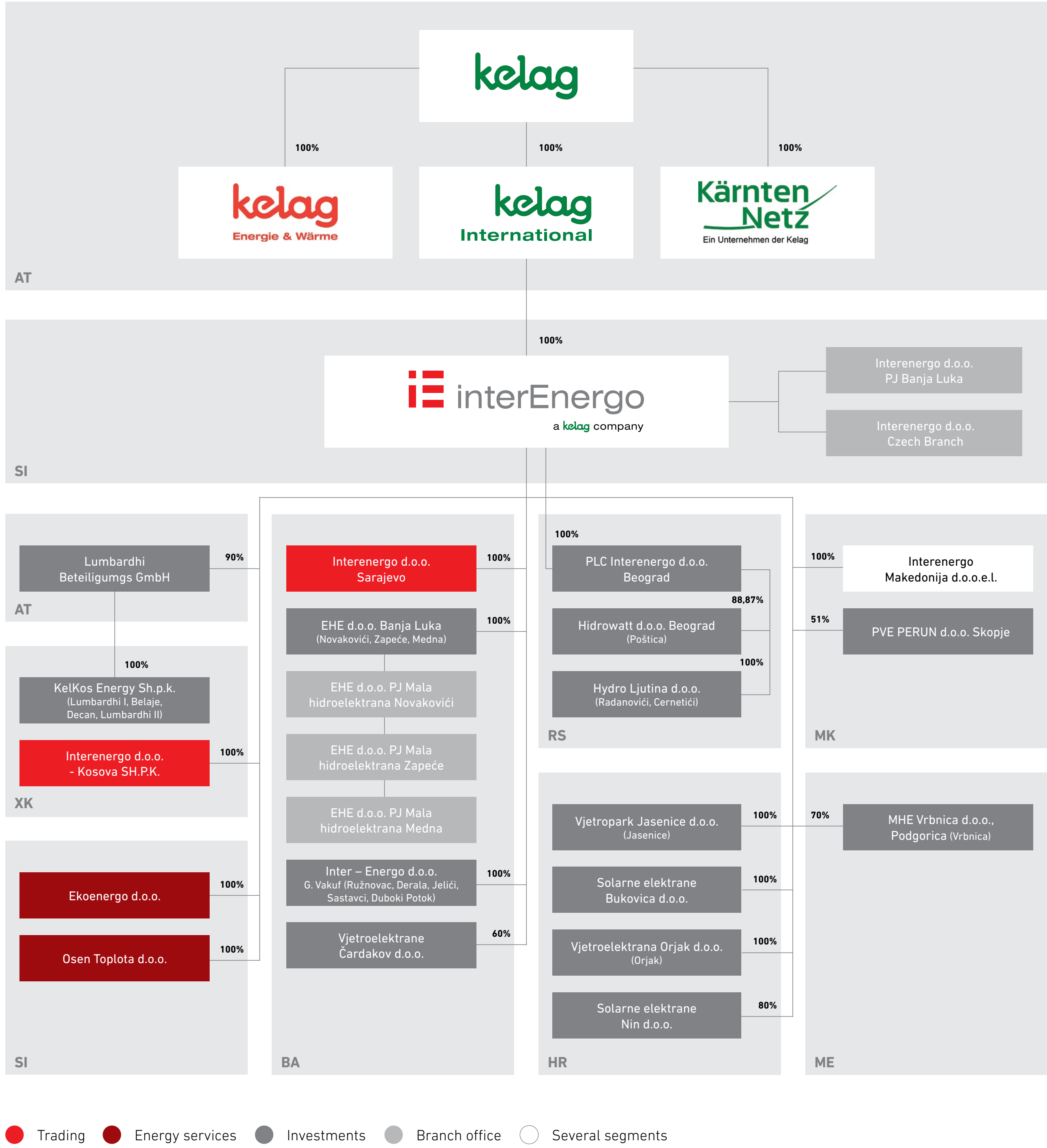
Managing Director	**Blaž Šterk**
Managing Director	**Martin Dolzer**
Holder of Procuration	**Ingo Preiss**

Supervisory Board:

Chairman	**Danny Güthlein**
Deputy Chairman	**Manfred Freitag**
Member	**Christian Schwarz**
Member	**Bernd Neuner**

Interenergo Group

Figure: Interenergo Group

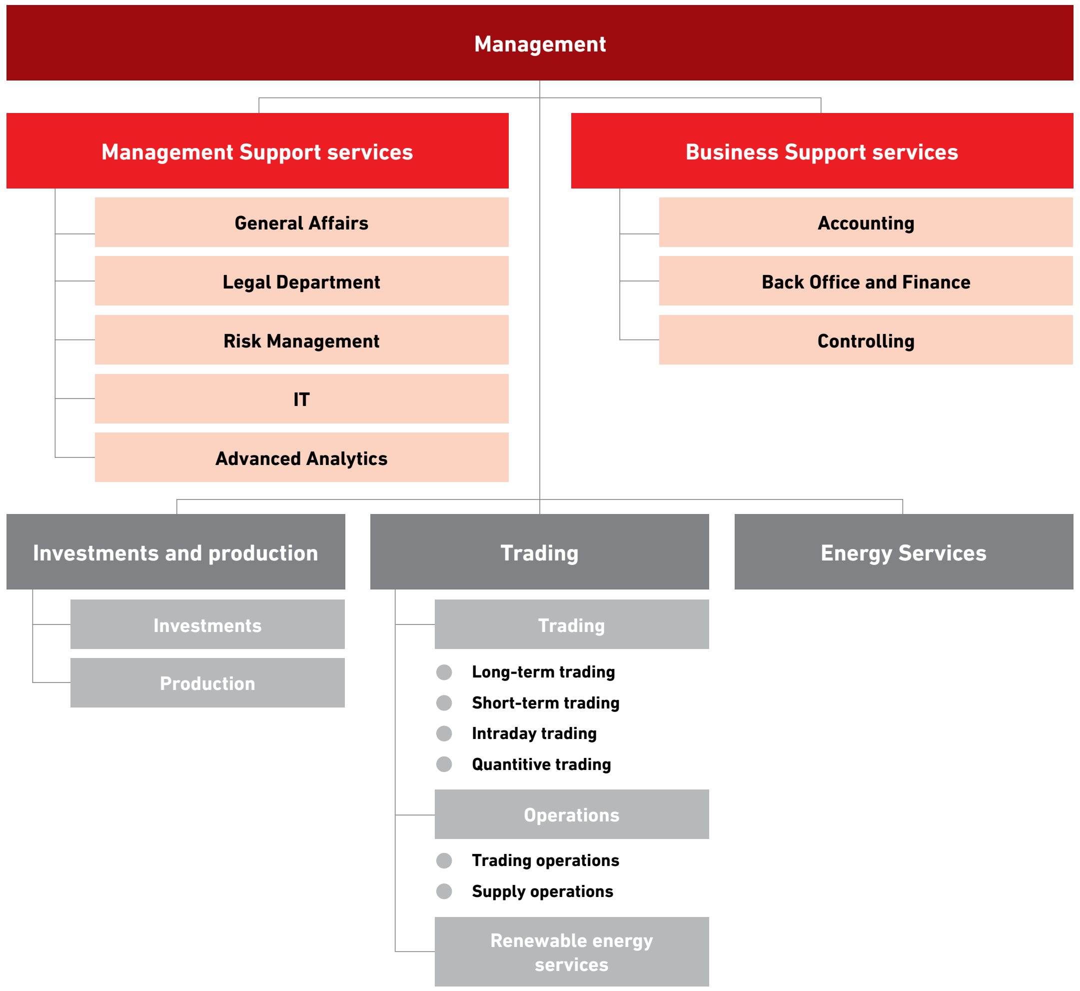


Ownership structure

Since 2009, Interenergo has been part of the Austrian Kelag Group, which is one of the leading renewable energy companies in Central Europe and is majority-owned by Kärntner Energieholding Beteiligungs GmbH, owned by the Austrian state of Carinthia and the international energy group RWE.

Organizational structure

Figure: Organisational structure



The analytics department, formerly part of the trading pillar, has expanded its scope and now provides support not only to the trading department but also to the investment and energy services departments. As a result, it is now placed among the management support services. The change reflects the intensive complementarity of trading with the development of new electricity generation units and the development of energy contracting, which require broader and stronger analytics support than in the past.

Significant milestones

2007
Start of operations

2008
- Joined the largest European power exchange – EPEX (Germany)

2009
- Joined the Austrian KELAG Group

2010
- Traded volume exceeded 1 TWh

2011
- Company's revenue exceeded EUR 200 million

2012
- Joined the HUPX power exchange (Hungary)
- Installed and started production in Martex and Mura solar PPs
- Started operations in the Novakovići small HPP (Bosnia and Herzegovina)
- Acquired Paloč 2 small HPP (Bosnia and Herzegovina)

2013
- Joined the GME power exchange (Italy)
- Acquired Rosewood 3 small HPP (Bosnia and Herzegovina)

2014
- Expanded the solar power plant portfolio with 5 new facilities

2015
- Traded volume reached 7.2 TWh
- Entered the Romanian market
- Started operations in the Zapeče small HPP (Bosnia and Herzegovina)

2016
- Traded volume exceeded 10 TWh and EUR 370 million of revenue
- Joined following power exchanges: SEEPEX (Serbia), OTE (Czech Republic), OKTE (Slovakia), CROPEX (Croatia)
- Entered the Swiss network Swissgrid

2017
- Traded volume exceeded 21 TWh and EUR 891 million of revenue
- Joined the IBEX power exchange (Bulgaria)
- Expanded the solar power plant portfolio with a new facility
- Launched energy services activity
- Concluded the first contract for energy contracting (ESCO)

2018
- Joined the HENEX power exchange (Greece)
- Started trading with financial instruments at the EEX power exchange
- Started operations in Medna small HPP (Bosnia and Herzegovina)
- Performed 8 energy contracting projects
- Acquired 4 HPPs in Kosovo of the Kelkos company

2019
- Successfully constructed and started operations of the 10 MW Jasenice wind park in Croatia
- Acquired Zarja Ekoenergija, that manages two wood biomass district heating systems
- Entered the market of complete building restorations based on the energy contracting principle
- Developed the service for managing production from the renewable sources

2020
- Start of operation in Vrbnica small HPP (Montenegro), managed by the subsidiary MHE Vrbnica, d. o. o.
- Acquired 2 HPPS on the Ljutina river (Serbia) by the subsidiary PLC Interenergo, d. o. o.
- Acquired wind farm Orjak, d. o. o., which manages the Orjak wind farm (Croatia)
- Acquired Energetika Šentrupert, d. o. o. by the subsidiary Eko toplota energetika, d. o. o.
- Acquired Osen toplota, d. o. o.
- Implementation of the first project of integrated energy renovation of School Centre Kranj
- Concluded the first stand-alone contract PPA (Power purchasing agreement)
- Concluded the first partnership agreement in the field of energy contracting abroad (North Macedonia)
- Development of our own analytical models of algorithmic operations

2021
- **Commencement of trading in emission coupons on the ICE Endex exchange (Netherlands)**
- **Start of construction of one of the largest solar power plants in Anhovo in Slovenia**
- **Acquisition of a 60% stake in Vjetroelektrane Čardakov, d. o. o. (Bosnia and Herzegovina) and a 51% share of PVE Perun, d. o. o. (North Macedonia)**

Major events in 2021

January

- With the implementation of the cogeneration unit in Belinka, we completed the upgrade of the energy system, which enables the simultaneous production of heat and electricity (CHP). In Belinka, they now cover as much as 30% of their own electricity needs at their location and at the same time reduce gas consumption for steam production and heating.
- The implementation of the cogeneration unit, which enables the simultaneous production of heat and electricity (CHP), was successfully completed in Jub. The company is now self-sufficient at the site, producing as much as 68% of the electricity and 72% of the heat needed for their operations, while their CO_2 emissions have been reduced by 600 tons per year.

February

- In 2020, we started renovating Elan's lighting according to the energy contracting system. The renovated system with new LED lamps was put into operation in February 2021. The total installed power of the lamps is 5.25 kW.

March

- Due to the growth of the personnel, we hired additional offices at the existing location in Ljubljana.
- For the third year in a row, we are supporting the production of theater performances by the Slovenian National Drama Theater in Ljubljana. This time we supported the performance of director Luka Martin Škof entitled Figa, which was staged on 13 March via digital channels.

We co-invent new shades of green.

April

- According to the model of energy contracting, we have completed a project for the renovation of public lighting in the municipality of Radoviš in North Macedonia. The project is worth more than EUR 1.1 million.

May

- We have launched a campaign to build solar power plants based on the model of energy contracting.
- We joined the networking organization Green Network of Slovenia, which facilitates the communication on environmental and sustainable projects, solutions, innovations and achievements. Through the membership, we want to contribute to the green development of the society. The Green Network also publishes the only specialized magazine for sustainable development in Slovenia, EOL (Packaging, Environment, Logistics), where we participated with articles about the company.

- With the company Salonit Anhovo, d. d., we concluded a contract for the construction of one of the largest solar power plants in Slovenia with a total nominal capacity of 2.23 MW – this is also Interenergo's largest project for the construction of solar power plants according to the energy contracting model. Construction began at the end of 2021 and is expected to be completed in May 2022, when solar power plants with an expected annual electricity production of 2,120 MWh will start operating.
- We signed a contract with Elan for the construction of solar power plant. We will install 2,500 solar panels on an area of 5,000 m^2, with a total nominal capacity of 1 MW and 1,060 MWh of expected annual electricity production. With its own production of electricity from renewable energy sources, Elan will save up to 498 tons of CO_2 per year, which would otherwise require as many as 15,000 trees to absorb.
- For many years now, Interenergo has been sponsoring individual performances at the Ljubljana Summer Festival, which makes an important contribution to the culture of Ljubljana every year. At the 69th Ljubljana Festival, we supported the performance of Madame Butterfly by the famous Italian opera composer Giacomo Puccini.

- We took over the 60% ownership share of the company Vjetroelektrane Čardakov, d. o. o., in Bosnia and Herzegovina, where we will build a wind farm with a nominal capacity of 50 MW, and is expected to start operating in 2023.
- We became members of weThink, where many creative experts analyze current challenges, develop advanced solutions and work together for a stronger Europe.

- We participated at the conference Energy Days, where the introductory points for the round table discussion were given by the director of energy services Mohor Vrhovnik. He also took part in the continuation of the discussion, emphasizing the scope of the package of legislative proposals Fit for 55, that promotes the common goal of ensuring a fair, competitive and green transition to climate neutrality in a very short time.

- Our subsidiary Ekoenergo, d. o. o. (formerly Eko-toplota energetika, d. o. o.) signed a contract for a 30-year public-private partnership for the production and distribution of thermal energy and the management and maintenance of the district heating system in the municipality of Preddvor. For the needs of the local population, we will continue to supply 4,200 MWh of heat annually for heating and domestic hot water.

- Company Ekoenergo, d. o. o. was merged with the company Eko-toplota energetika, d. o. o., which was then renamed Ekoenergo, d. o. o., and the merged company now has six energy systems in its portfolio.
- We received a certificate of sustainable wood management, awarded by the international and non-profit organization for the promotion of sustainable forest management Forest Stewardship Council. The obtained certificate is a confirmation and assurance that our wood chips, which we use for the production of thermal energy in Šentrupert, originate from economically managed forests.

- We took over a 51% ownership stake in PVE Perun, d. o. o. from North Macedonia, where, together with our partner, we will build a wind power plant with a nominal capacity of 30 MW, which is expected to start operating in November 2023.
- We launched a new website of our subsidiary Ekoenergo, d. o. o.

- We have signed an annex to the contract with Salonit Anhovo for additional solar power plants built on the model of energy contracting, which will start operating in autumn 2022. New solar modules will be installed at several company facilities with a total area of about 10,000 m^2.
- We expanded our trading infrastructure with indirect access to the ICE Endex exchange, where we will trade emission coupons.

Vision, mission and values

The energy industry is constantly changing and we will not only adapt to, but also co-create those changes. While they bring new opportunities, there are also many risks. Putting these changes forward is the best possible way to mitigate the risk.

Renewable sources are at the core of our business model. Quality investments in the energy industry are, by definition, well thought out and made with a long-term vision in mind. Interenergo, together with its parent company Kelag, ensures progress and a strong financial support.

2021

Vision

We are transforming from an electricity company into an energy company.

We will increase the production of energy from renewable sources, expand trading activity in the markets of continental Europe and provide advanced services and flexible energy supply in the region.

Mission

Using innovative solutions, we create the energy of the future.

We transform energy trends into smart growth and integrate innovative solutions to ensure high added value for our stakeholders.

Values

Targeting

We believe that with a clear vision, objectives, and perseverance anything is possible.

- We form our own processes and priorities for achieving our goals.
- We adhere to high standards of quality.
- We are persistent and overcome obstacles.
- We can achieve outstanding results.

Responsibility

We take responsibility for the results of our work, the results of our employees, and the Company.

- We stand by our actions.
- We eliminate deficiencies in a proactive way.
- We do our best and more to be successful.
- Each employee generates added value.

Growth and development

Quality and professional services reflect our on-going learning and investing in knowledge.

- We find the possibility of improvement in everything.
- We take care of personal and professional growth based on self-initiative.
- We seek new solutions.
- We keep our focus on technologies of the future.

Teamwork

Every single one of us is important and together we are one step ahead.

- We create a pleasant working atmosphere through ease and transparency.
- We cooperate, respect and help each other.
- Individual goals are adapted to common goals.
- None of us can achieve as much individually as we can achieve together.

Corporate governance

Interenergo is headed by a Management Board that consists of two Managing Directors and is supervised by a four-member Supervisory Board. Interenergo's parent company and its sole owner is Kelag with its registered office in Austria.

Working pursuant to the highest corporate integrity and responsibility has been the cornerstone of the Interenergo Group since its very beginning. Business compliance is integrated into all aspects of Group's business operations.

Corporate governance statement

Pursuant to provisions of Paragraph 5, Article 70 of the Companies Act (The Official Gazette of the Republic of Slovenia, no. 55/2015), the following corporate governance statement is herewith provided as part of the business report.

Reference to the Corporate Governance Code

During its business operations in 2021 Interenergo adhered to the Corporate Governance Code for Nonlisted Companies (authors: the Slovenian Directors' Association (ZNS), the Ministry for Economic Development and Technology, and Slovenia's Chamber of Commerce), published at the web site www.gzs.si (hereinafter: Code).

Data on scope of deviations from the Code

While engaged in its corporate activities, Interenergo deviated in 2021 from following provisions of the Code:

Item 2.1.2. As Interenergo is a company with one shareholder, its Articles of Association do not determine mechanisms for solving disputes among shareholders and the possibilities, measures and proceedings of withdrawal or exclusion of shareholders.

Item 2.4. The Articles of Association are published at the web site of the Agency of the Republic of Slovenia for Public Legal Records and Related Services; thus, we believe that they are not required to be additionally published on the Interenergo's web site.

Item 2.7. Goals of Interenergo are defined in its other documents, hence their inclusion in the Articles of Association is unnecessary.

Item 2.8. Key relationships between the Company's bodies, relationships with shareholders and stakeholders, and the main corporate governance policies with respect to its long-term goals are set out in Company internal acts, therefore we believe that the adoption of Company's corporate governance policy is not necessary.

Item 4.3.2. All members to the Supervisory Board are appointed by the sole shareholder, and those connected with it or its parent company.

Item 4.6.2. All members to the Supervisory Board are appointed by the sole shareholder, and those connected with it or its parent company.

Item 4.6.4. In 2021, the Supervisory Board failed to consist of at least 20 percent members of each gender.

Item 5.12. Although Interenergo is pursuant to provisions of the Companies Act classified as a large company, we believe that the establishment of committees is unnecessary due to low number of employees and consequently smaller management related complexity.

Item 9.2. All members of the Supervisory Board are properly trained by the parent company of the sole shareholder, where there are employed, hence a separate training program on the Interenergo level is not necessary.

Item 11.3.5. The internal audit of Interenergo is conducted by the internal audit division of the sole shareholder's parent company.

Key features of internal control and risk management systems in connection with the financial reporting process

With the purpose of ensuring greater transparency, efficiency and accountability, the Company has established a functioning system of internal controls and risk management, which corresponds to the organizational structure. The internal control system is supported by an adequate information system that enables the Company to accurately, promptly and comprehensively process data on a daily, weekly, monthly and annual level. This ensures that information on business operations is complete and that at the year-end the financial statements give a fair view of the Company's position.

Interenergo's Shareholders' Meeting, its key competences and description of shareholders' rights

The shareholder independently decides on amendments and additions to the Company's Articles of Association; status-related changes; adoption of the annual report if the Supervisory Board did not confirm it or if the Management and the Supervisory Board leave the decision on the annual report's adoption to the shareholder; use of the accumulated profit or covering of loss; payment and reimbursement of subsequent contributions; set-up and recall of the Supervisory Board; granting discharge to the Management and the Supervisory Board; division and termination of equity interests; increase or decrease in share capital; appointment of the Company's auditor; Company's representation in legal proceedings filed against managers; the dissolution of the Company; other matters determined by law.

The shareholder adopts its decisions by entering them into a special register of decisions.

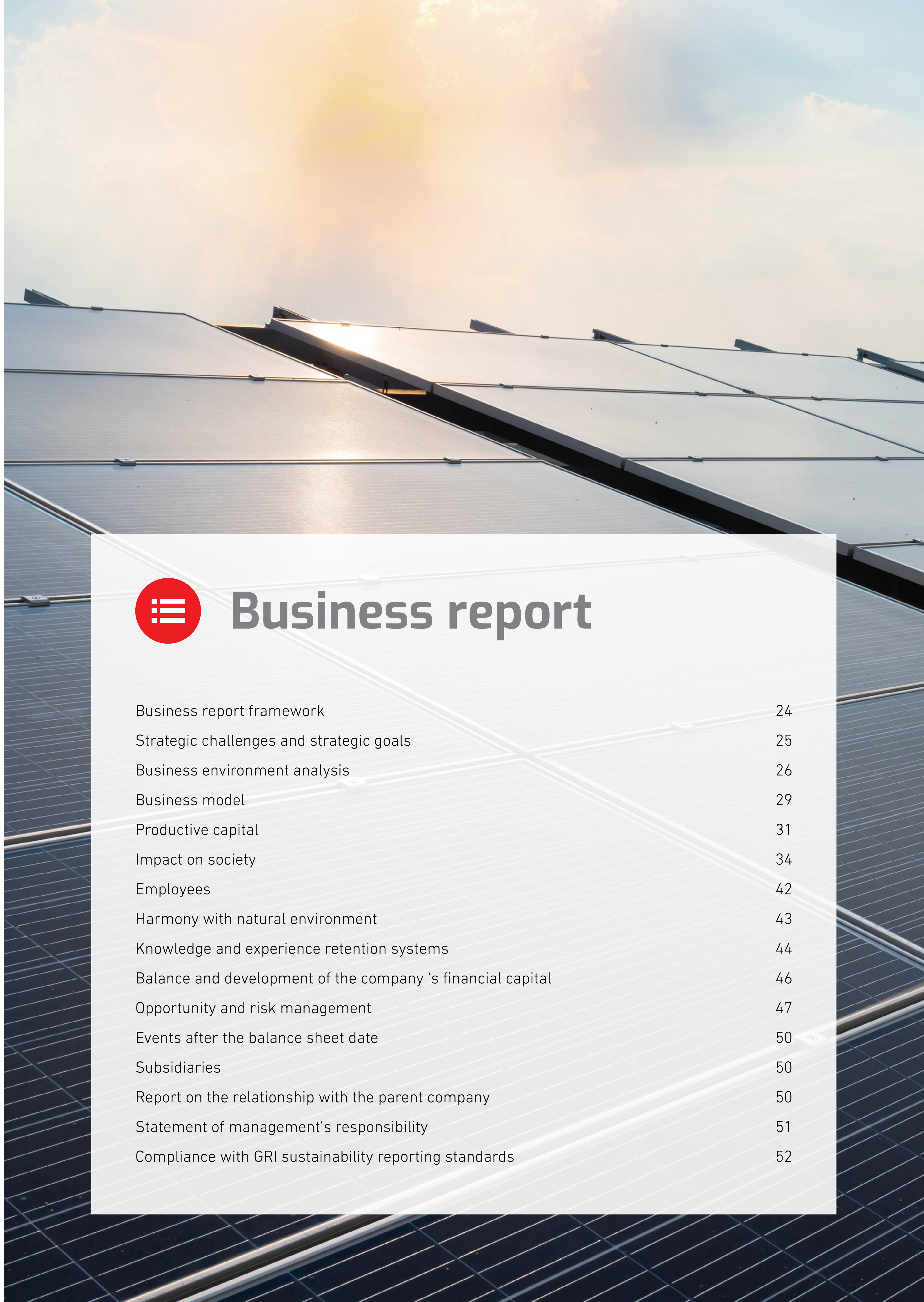
Data on composition and working of the supervising and managing bodies, and their committees

The management of Interenergo consists of two directors and, as of 2 March 2021, one holder of procuration (previously two), who together decide on the direction of the operation and development of the parent company Interenergo and its subsidiaries. The company's operations are supervised by a four-member supervisory board. The list of members of the management and supervisory boards is written in the chapter on the company profile.

Diversity policy

Interenergo has not adopted a diversity policy for the management and supervisory bodies. Candidates for members of the Management and Supervisory Boards are selected on the basis of expertise, competences and work experience, without discrimination on grounds of gender, age or education. By following the Corporate Governance Code for Non-listed Companies and other internal acts, Interenergo, however, ensures transparent and sound management.

We **recognize** that investing in our team is crucial to support the realization of our vision.



Business report

Business report

Business report framework

The company's business report for 2021 has been prepared in accordance with the Companies Act (ZGD-1) and in accordance with the guidelines given in the European Union Directive 2014/95/EU. In preparing this comprehensive report, we also took into account three international reporting standards.

The most important orientations we follow in the business report are the standards of comprehensive reporting, as set by the International Integrated Reporting Council (IIRC), which has been part of the Value Reporting Foundation since 2021. This year's report is the second report by a company that seeks to monitor the development of the organization through holistic thinking, as developed by the International <IR> Framework. In the report for 2021, we have defined the six forms of capital somewhat more clearly than in the previous year, and in the coming years we will strive to list these forms in separate chapters.

We continued to follow the Global Reporting Initiative (GRI) standard, which is a standardized way of reporting and thus provides a structured information network to investors and various other stakeholders.

We have supplemented some of the information and this year we have also moved to the new GRI standard, which was introduced in 2021.

We also take into account the sustainable development goals adopted by the United Nations in 2015. In individual chapters, we show clear information which of our activities contribute to which specific goal, and in the future we will set the reporting scheme in such a way that our contribution to the achievements of the Sustainable Development Goals will be fully visible.

We see reporting as a key part of our sustainable development strategy. We understand sustainable development as a coordinated management of reciprocity in relations with stakeholders and responsibilities to various forms of capital, which are influenced by us directly or we as Interenergo indirectly influence them. We believe that balanced awareness also ensures the sustainability of operations. The business report therefore also includes a presentation of key strategic orientations and the business model, as well as an analysis of the business environment and risks.

Figure: Sustainable development goals

Strategic challenges and strategic goals

Key challenges as a lever for sustainable development of Interenergo

- Carbon neutrality of Slovenia, the region and Europe and the impact on the global climate picture.
- Environmental responsibility for the development of renewable energy sources, as each of them also has its own specific environmental footprint and an impact on local communities.
- Provide electricity at a price that does not cause energy poverty.
- To co-create conditions for stable availability of electricity in Slovenia, the region and Europe.

Strategic goals

- In the field of investments, we will increase our portfolio by 500 MW of nominal power in the next five years. The key technologies will be wind and solar power plants and the already operating hydro projects.
- In the field of energy services, we will add 100 new units to our portfolio in the next five years, which will enable customers greater self-sufficiency in energy and generate energy savings. The key technologies on which the portfolio will be built will be solar power plants, condensing boilers, LED lighting, organic rankine cycle (ORC) processes, internal combustion engines, heat pumps and comprehensive energy renovations of buildings. Renewable energy sources such as solar, biomass, biogas and excess heat will be used.
- We will strengthen our presence in our traditional markets of the wider Balkans with a focus on Slovenia, Serbia, Croatia, Bosnia and Herzegovina, North Macedonia and Kosovo, and seek opportunities in other markets such as Romania and Greece.
- We will expand the team of employees so that the ambitious growth goals will be realized in quality and scope. We will employ project developers, engineers, experts in analytics, forecasting, business digitization and business support functions.
- We will strive for technological progress and launch pilot projects on technological solutions of the future, such as hydrogen production and storage, energy storage systems and CO_2 capture.
- Wholesale commodity trading will remain important part of the business and shall consolidate its presence in the continental European markets; trading will follow the developments of new trading products and approaches, and strengthen its position in the field of PPA (Power purchasing agreement).

Business environment analysis

The pandemic

If the pandemic in 2020 presented a crisis for Interenergo, just like for the rest of the world, in 2021 the pandemic should no longer be a crisis, as the challenges of managing this crisis have become largely predictable. Safety measures have become part of the everyday life of all employees and the organization as a whole. The pandemic in 2021 proved to be manageable and, in terms of the complexity of the challenge, at a much lower level than managing electricity price volatility towards the end of 2021.

Preparations for the new taxonomy

In 2021, we started reporting in accordance with the requirements of the European Union's taxonomy, which defines sustainable economic activities and technical criteria, in order to determine the levels of environmental sustainability of an investment or activity. In the first year of reporting, we focused on two of the six climate targets. These are climate change mitigation and adaptation to climate change.

The impact of climate change on our business

Climate change poses primarily medium- and long-term risks, as it is not yet entirely clear how the changes will affect the natural resources we use to generate electricity. By pursuing sustainable goals, we are constantly striving to improve environmental indicators, because in addition to all the positive things that this brings to the wider community, preserving the environment also means more stable and predictable performance for our society.

Changes in the regulatory environment in line with the objectives of decarbonisation in the European Union

Over the last five years, the European Union (EU) has made significant progress in completing the internal market in electricity and gas, promoting energy efficiency measures, using renewable energy sources, reducing greenhouse gas emissions and strengthening the signal about carbon prices. In 2019, the EU proposed a European Green Agreement (EGD), ie. a set of 50 measures for the next five years to prepare the EU economy for climate neutrality by 2050. In order to align the EU's decarbonisation targets with the Fit for 55 package, it is preparing a revision of its climate, energy and transport legislation to match current legislation with the EU's 2030 and 2050 climate targets. The package includes:

- revision of the EU Emissions Trading Scheme (ETS),
- an effort-sharing regulation,
- the Renewable Energy and Energy Efficiency Directive,
- regulation on land use and forestry,
- regulation on CO_2 emissions from passenger cars and vans.

Three quarters of the EU's greenhouse gas emissions come from energy production and consumption. The EU is working to decarbonise the energy sector, which is a key element of the green transition. In December 2020, the European Council adopted a set of conclusions on renewable energy strategies proposed by the Commission. Promoting the transition to a low-carbon economy is key. EU Member States need to present and regularly update their National Energy and Climate Plans (NECPs) to report on their contributions to energy efficiency and renewable energy targets and emission reduction targets. The NECPs were introduced as part of the Energy Union Strategy, the first covering the period 2021-2030.

The impact of GDP growth on our business

In 2021, we saw an increase in economic activity and a recovery after the shutdown of the world economy the year before. To a large extent, this has had a major impact on energy markets, which have been marked by high volatility and rising prices.

Summary of developments in the energy market in 2021

Electricity consumption in the EU27 increased by 2% in the first quarter of 2021 compared to the same quarter in 2020, when COVID-19 appeared and public lives were stopped for the first time, thus reducing economic activity. In the first quarter of 2021, electricity consumption almost returned to pre-COVID-19 levels, mainly due to slightly lower temperatures. In 2021, the trend of increasing prices of emission coupons, which exceeded the round milestone of € 50/tCO_2, continued. This had a significant impact on the production costs of coal-fired power plants, which led to their lower production and, consequently, increased production of electricity from gas. The latter effect was somewhat limited by the rise in wholesale gas prices on exchanges. As a result of lower gas stocks in storages and lower temperatures coupled with the increased demand for liquefied natural gas in Asia, gas prices in Europe substantially rose in the first quarter of the year.

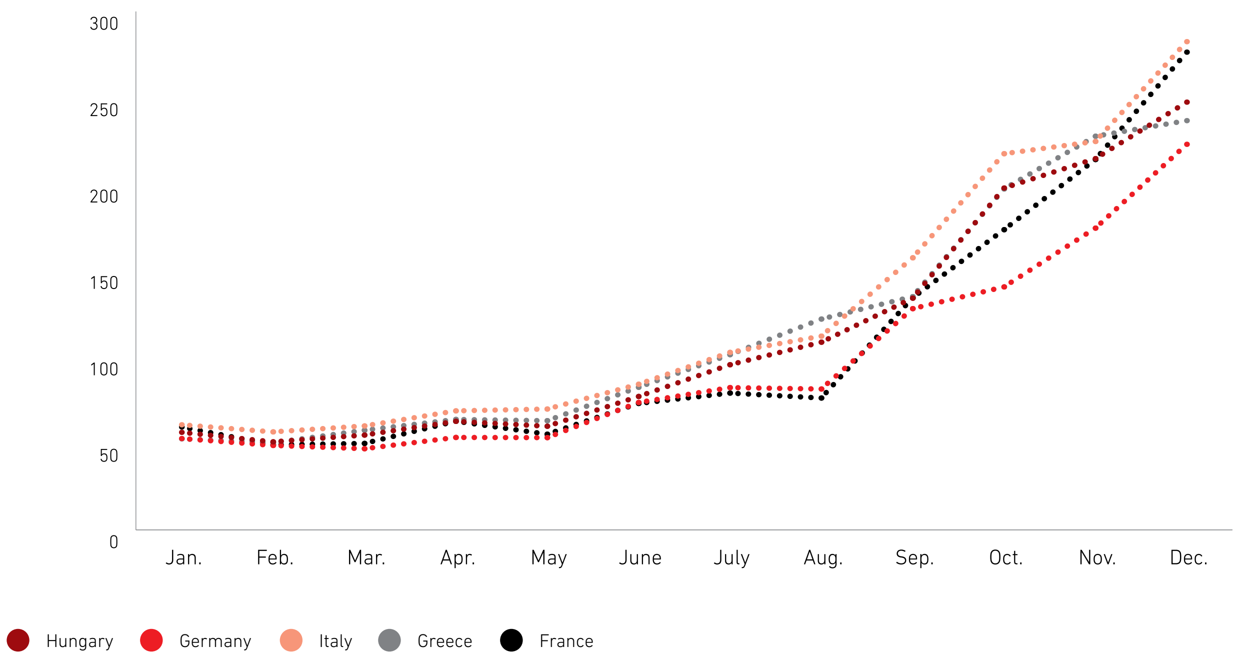
Electricity prices on the European wholesale markets rose by almost 80% in the first quarter compared to the same quarter a year earlier. The reasons for the rise in prices can be attributed mainly to the increased consumption of electricity and the increase in the price of energy products and emission allowances. The share of electricity production from RES reached 38% of total electricity production.

The trend from the end of the first quarter continued in the second. Electricity consumption increased by 11% compared to the same quarter in 2020. On average, the price of carbon allowances on the spot market increased further compared to the first quarter, but the price of gas took precedence, starting its steep growth. Gas production has therefore declined as it has been pushed out of the energy mix by more competitive coal. RES production further increased to 42% of total electricity production in this quarter, while electricity prices on wholesale markets rose further and exceeded quarterly prices from the previous years.

Electricity consumption increased by 3% in the third quarter compared to the same quarter a year earlier. The quarter was marked by rising gas prices, as prices more than doubled from the beginning to the end of the quarter, leading to a reduction in electricity production from gas. Together with the economic recovery and the reduction in production from renewable sources due to worsening weather conditions, it resulted in a further increase in electricity production from coal as opposed to gas production. Electricity prices in wholesale markets have therefore jumped, surpassing the three-digit level on a monthly basis.

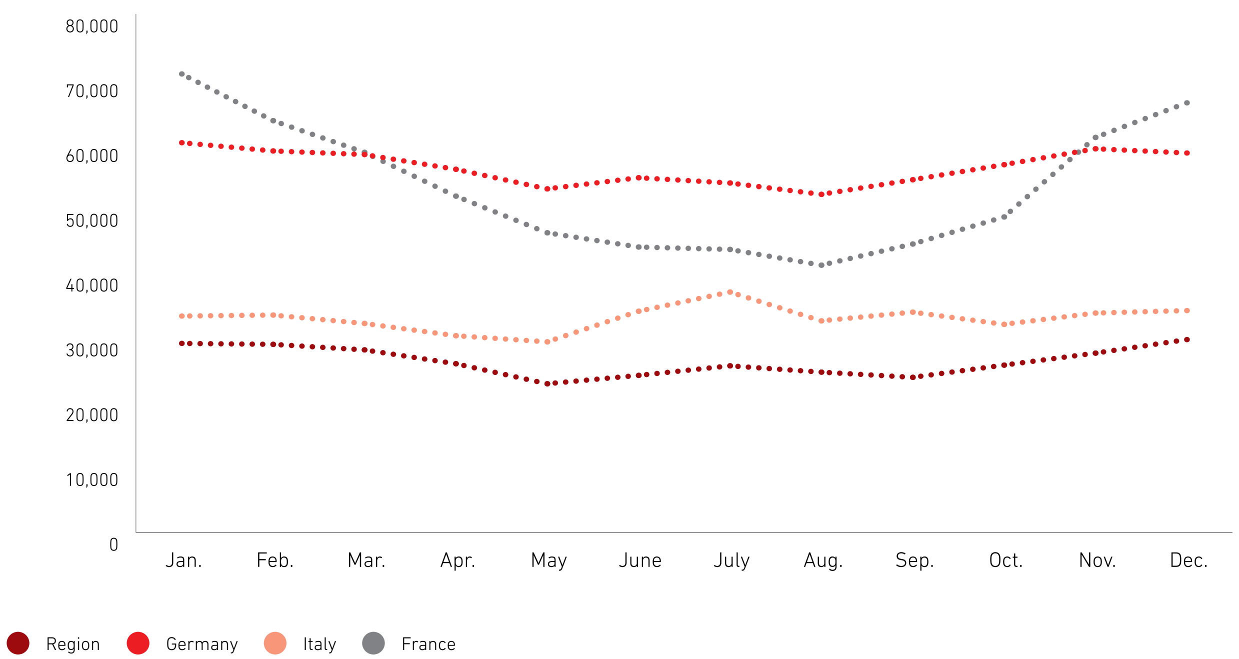
In the last quarter, together with increased economic activity, electricity consumption increased by 3%, the same as in the previous quarter. The energy markets have been marked by high volatility in the last quarter, especially in the gas market, which was also transferred to the electricity market. Gas prices on European exchanges had been rising throughout the year, mainly due to three key factors: slow filling of depleted gas storage facilities across Europe, competition from European and Asian markets for liquified natural gas and supply of Russian gas to Europe with uncertainty over the pipeline Nord Stream 2. Volatility escalated before winter, when seasonal demand for electricity usually increases, resulting in a sharp rise in electricity prices in wholesale markets. In some European markets, the prices on the spot market jumped over € 400/MWh, while the prices on the futures markets exceeded the four-digit number for some products at a certain moment. Compared to the same quarter of 2020, wholesale electricity prices in some markets increased by more than 400%.

Graph: Average monthly SPOT prices of electricity on the wholesale market in EUR/MWh



Source: Internal analysis.

Graph: Average monthly electricity consumption in MWh



* The region represents the monthly average electricity consumption of the following countries: Hungary, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, North Macedonia, Romania and Bulgaria.

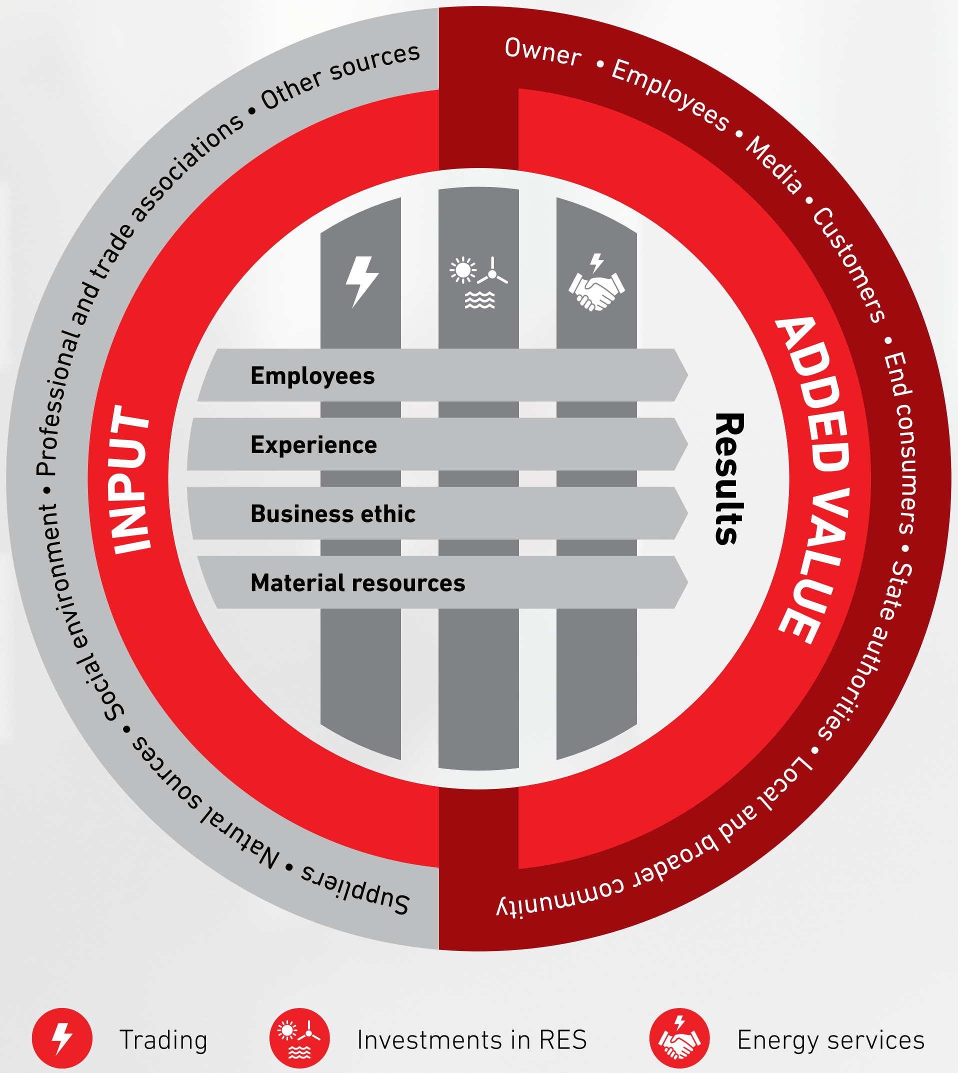
Source: Internal analysis.

Business model

Interenergo's business model is based on the intertwining of three pillars of activities, trading, electricity generation and energy services with key Interenergo's forms of capital, which activate these pillars and thus create added value for the stakeholders. The key forms of capital are material resources (natural, production and financial), experience and business ethics, and last but not least, the employees of Interenergo.

We create this value in cooperation with the environment, with key stakeholders and especially for these stakeholders. The key ones among them are not only suppliers, customers and users, but also other stakeholder groups, indirect users of the added value generated by the group.

Figure: Business model



Sustainable development

Interenergo operates in accordance with the Group's existing strategy for the period 2018–2022 and takes into account the company's sustainable goals, to which we also pay special attention when drafting a strategic document for the next period. The strategy, based on the three key pillars, such as investments in the construction of energy facilities for the production of energy from renewable sources, energy services and electricity trading, pursues sustainable development, which we see as business excellence and environmental and social responsibility.

We think of sustainable development primarily as the harmonious development or growth of all six forms of capital that the company has at its disposal. As this coherence is a dynamic equilibrium, a necessary consequence of sustainable orientation is that different forms of capital grow at different times with different dynamics. We also wish to see sustainable development within the circular economy, i.e. in harmony with us, customers and suppliers. The activities of Energy services are entirely the result of the company's circular philosophy, and in the other two core activities, we are increasingly integrating the business models of our partners into our model with modern tools, thus following the guidelines of the European Union and common sense.

Financial and productive capital grew significantly in 2021. We always redirect financial capital to human, intellectual and social capital, by investing in staff training, by developing new products for the market, and finally by strengthening internal operating procedures. In the coming years, we will strengthen investments in two of the three main renewable energy sources, , which have the least impact on the environment, thus strengthening both our natural and social capital. This is the reflection of our commitment to sustainability. We remain as firmly committed to the principles of sustainability as in the past.

We implement, report and develop our sustainable ways of working with the help of the three standards already mentioned – the Value Reporting Foundation guidelines, international GRI guidelines and the goals of the United Nations.

Productive capital

Existing production units in the Group

In the field of hydropower, we owned 16 power plants through affiliated companies in Bosnia and Herzegovina, Serbia, Montenegro and Kosovo as of 31 December 2021. We mostly operate small power plants with a total nominal capacity of 60.78 MW, thus providing electricity to 66,100 households. In 2021, we produced a total of 142.6 GWh from hydropower. With our employees' knowledge and experiences, we are able to optimally run the operations of hydroelectric power plants, and by constantly monitoring the possibility of introducing new technologies, we are constantly striving for progress.

In the field of wind energy, we manage through affiliated companies two wind farms in Croatia, with a total nominal capacity of 20.25 MW, thus providing electricity to 12,000 households. In 2021, we generated 41.9 GWh from wind energy. Our strategic direction is to further strengthen this segment of energy production in the future.

The portfolio of solar power plants in Slovenia remains unchanged. As of 31 December 2021, the total rated power of the company's solar power plants was 2.8 MW. Last year, our solar power plants produced 3 GWh of electricity, which was enough for almost 1000 households.

Planned units

In the coming years and with a new strategic period, we will continue to strengthen projects from the three main renewable energy sources. Even if we remain loyal to water sources, we want to focus even more on wind and solar energy in the future. At the same time, we have an additional goal in the aforementioned energy groups, namely to move from smaller to larger projects, which means we will focus on projects with at least 50 MW of nominal power in the future.

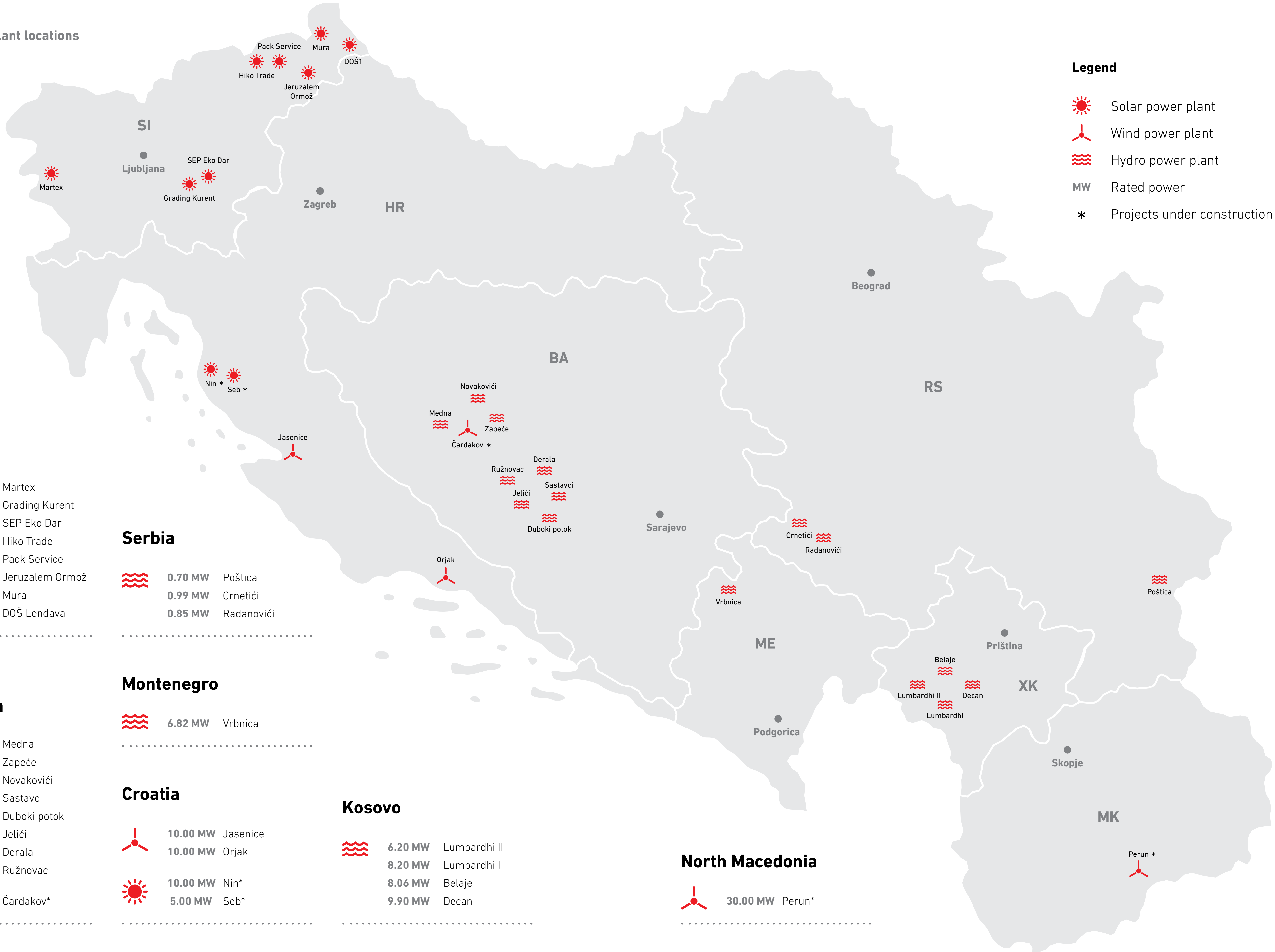
Among the projects that are already underway, we are building two solar power plants with a total capacity of 15 MW in Croatia. The planned investment in the solar power plant amounts to EUR 13 million. In the Federation of Bosnia and Herzegovina, the development of a wind farm project on the Vlašič mountain with 50 MW of nominal power is underway. In North Macedonia, we are the owners of a company that plans to build a wind farm with a nominal capacity of 30 MW. The planned investment in the wind farm is EUR 93 million.

Means of production in the field of energy services

While power plants owned by the Interenergo Group are key to the electricity production pillar, the key assets for the energy services pillar in the production capital are mainly technical equipment such as solar panels, cogeneration plants, smart lights, etc.

In the case of district heating, the network for the implementation of district heating and boiler rooms are important for our activities. Interenergo manages district heating systems in seven municipalities in Slovenia, namely in the municipalities of Lenart, Moravče, Semič, Šentrupert, Idrija, Pivka and Preddvor. Most of our district heating systems consist of wood biomass boilers, but in some places we also have gas boilers and cogeneration units installed.

Figure: Power plant locations



Legend

- Solar power plant
- Wind power plant
- Hydro power plant
- MW Rated power
- ∗ Projects under construction

Slovenia

Solar power plants

0.58 MW	Martex
0.10 MW	Grading Kurent
0.05 MW	SEP Eko Dar
0.12 MW	Hiko Trade
0.05 MW	Pack Service
0.46 MW	Jeruzalem Ormož
1.26 MW	Mura
0.18 MW	DOŠ Lendava

Serbia

Hydro power plants

0.70 MW	Poštica
0.99 MW	Crnetići
0.85 MW	Radanovići

Bosnia and Herzegovina

Hydro power plants

4.90 MW	Medna
4.10 MW	Zapeće
5.77 MW	Novakovići
0.81 MW	Sastavci
0.87 MW	Duboki potok
1.28 MW	Jelići
0.34 MW	Derala
0.99 MW	Ružnovac

Wind power plant

50.00 MW	Čardakov*

Montenegro

Hydro power plant

6.82 MW	Vrbnica

Croatia

Wind power plants

10.00 MW	Jasenice
10.00 MW	Orjak

Solar power plants

10.00 MW	Nin*
5.00 MW	Seb*

Kosovo

Hydro power plants

6.20 MW	Lumbardhi II
8.20 MW	Lumbardhi I
8.06 MW	Belaje
9.90 MW	Decan

North Macedonia

Wind power plant

30.00 MW	Perun*

Impact on society

Key stakeholders

Stakeholders	Added value	How we include them
Customers	• Timely and reliable delivery • Compliance with business agreements • Harmonized terms of sale • Long-term cooperation	• Transparent and nondiscriminatory sales procedures • Compliance with the Kelag Group Code of Ethics
End consumers	• Reliability • Regular electricity supply • Safety • Competitiveness	• Regular communication • Professional and technical support • Prompt response time • Information about novelties and system delivery
Local and broader community	• Sponsorships and donations to business, cultural, scientific, sports and other events • New jobs • Availability of electricity from renewable sources	• With the expansion of activities and new projects, we provide new jobs and cooperate with local companies
Media	• Regular and up-to-date information on performance results of the Company and its subsidiaries • Regular communication about ongoing activities	• Maintaining a constructive relationship based on the idea that actions speak louder than words
Professional and trade associations	• Transfer of knowledge and experience • Increase in power • Financial contributions	• Active participation

We believe sustainability is found in wind, sun and biomass.

Stakeholders	Added value	How we include them
Suppliers	• Settlement of financial liabilities • Clear criteria for the selection of subcontractors • Consistent settlement of agreed obligations • Long-term work relationships	• Transparent cooperation • Agreements in the contract • Non-discriminatory procurement procedure
Owner	• Relevant and timely information • Performance that leads to profit pay-out • Effective corporate governance	• Supervisory Board meetings • Participation of Kelag's employees in decision-making • Participation in joint projects and workshops • Meetings
State authorities	• Compliance with regulations • Provision of quality access to electricity • Sound and fair behavior on the market	• Consistent observance of applicable regulations • Appropriate cooperation with energy, financial and other regulators

The effects of business on customers and society

Trading

Trading volume of the company

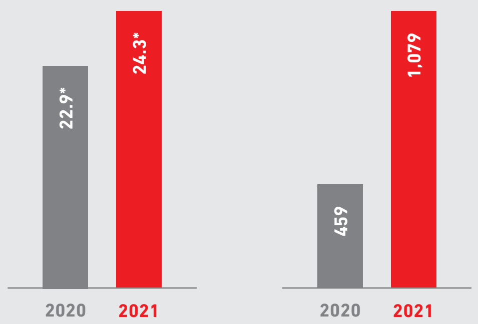
24.3*

in TWh

Revenue from electricity trading

1,079

in EUR million



* Inclusive of traded volume for own and foreign account.

Both key trading parameters increased in 2021, but despite the fact that the trading volume rose from 22.9 TWh last year to 24.3 TWh this year, the turnover from electricity sales was twice as high as in the previous year due to the extraordinary rise in prices and it amounted to over a billion euros. The first half of the year hinted at a fairly average result due to two factors, i.e. the epidemic and poor economic growth. In the second half of the year, however, the situation changed significantly. Economic growth began to pick up, as new circumstances began to emerge: the crisis in the supply of raw materials, empty gas storage facilities and high volatility in the energy market, including electricity prices. In cooperation with the risk department, we managed the credit and market risk well, and that is the reason why we did not lag behind in terms of volume and revenue. The trend of increasing the share of financial trading compared to physical trading continued in 2021.

In the trading segment, we made technological progress using an algorithmic approach to trading, which we used with promising results in managing a part of the portfolio. We also continued to upgrade applications to support trading and using the market simulator. All these changes represent significant technological advances and represent significant steps towards automating trading processes.

Intraday trading

In 2021, the company made significant investments in the field of trading, namely the establishment of an intraday trading department, which significantly improved the profitability of the of the short-term trading as well as of the overall portfolio. We have increased our cooperation with a wide network of business partners in the markets where we are present, and thus firmly established ourselves at the very top in terms of the volume traded in the region. In 2021, we traded more than 24 GWh of energy in the area.

Trading of Emission allowances

Emission allowances are the main instrument of EU's green transition. This was increasingly reflected in their price, which has risen sharply over the years. As we recognized the potential and opportunity in this market and assessed that this market would be complementary to our other services, we increased our presence in the emission allowances market in 2021. We expect traded volumes to increase further in the future.

Expansion of trading infrastructure with indirect access to the ICE Endex exchange

In 2021, we expanded our trading infrastructure with establishment of an indirect access to the ICE Endex exchange, where we trade emission allowances. This allows us to implement even more diverse trading strategies, which also cover a wider range of energy products - not only European electricity products, emission allowances and natural gas, but also products in the US and Canadian markets. Access to trading on the ICE exchange will benefit us in achieving even more optimal results for our stakeholders.

PPA development (Power Purchasing Agreement)

We paid a lot of attention to concluding new PPAs and conducted a number of introductory consultations, but as it turned out, the biggest obstacles to concluding new contracts were extreme volatility and price levels, which resulted in too high a risk premium. In 2021, we extended the existing contract for a 10 MW wind farm in Hungary, where we will maintain cooperation in 2022.

Our presence on markets and energy exchanges did not change in 2021: we were present in Slovenia, Austria, Italy, Germany, North Macedonia, Serbia, Montenegro, Bosnia and Herzegovina, Greece, Romania, Switzerland, Bulgaria, Croatia, Hungary, Czech Republic, Slovakia and Kosovo. We also traded on the European energy exchanges EEX and ICE Endex.

Figure: Presence on international markets and energy exchanges

EPEX Spot	German power exchange	**CROPEX**	Croatian power exchange
EEX	European Energy Exchange	**OPCOM**	Romanian power exchange
OTE	Czech power exchange	**SEEPEX**	Serbian power exchange
OKTE	Slovak power exchange	**IBEX**	Bulgarian power exchange
Swissgrid	Swiss power grid	**ICE Endex**	Energy exchange for gas and power
HUPX	Hungarian power exchange	**GME**	Italian power exchange
BSP Southpool	Slovenian power exchange	**HENEX**	Greek power exchange

Production of electricity

In 2021, the Interenergo Group recorded the largest amount of electricity produced so far, as much as 187.5 GWh. The record is the result of favorable meteorological factors and, above all, appropriate infrastructure investments in the past and the year under review. The start-up of the Vrbnica hydro power plant also contributed to this. Our commitment to renewable energy sources has made a significant contribution to relieving the environment, saving 2,850,000 trees from absorbing emissions.

We have made great strides in the technical management of the SCADA project (systems designed to control and operate various technological processes with a computer), which will allow us to remotely monitor the operation of power plants in a uniform and thus more transparent way. We have also started developing a tool that will allow us to report weekly and monthly on the electricity produced in the entire group. The latter is also useful in the energy services department for production management.

The implementation of the central system for organizing maintenance activities was completed. We introduced the Worktrek software solution - CMMS (Computerized maintenance management system), which ensures that all companies in the group in the field of maintenance and management operate in accordance with the high standards of Interenergo. Software solutions remind us of the timely implementation of preventive activities on facilities and equipment, and at the same time serve as a communication tool for everything related to the service activity on the facilities we manage. The essential features of the system are preventive maintenance schedules, issuing work orders, planning the implementation of services and archiving documentation. The tool is located in a cloud database and also works on mobile phones, even in areas where there is no mobile signal.

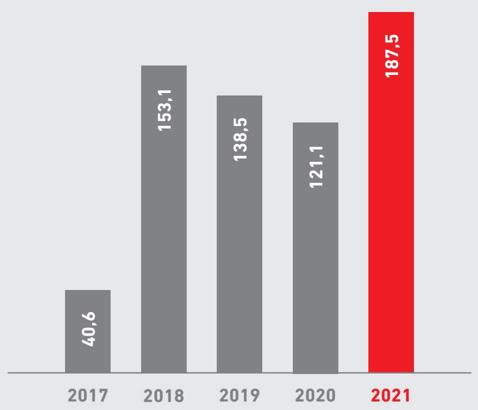
Energy services

In 2021, we recorded an increase in revenues from energy services, which increased by EUR 251 thousand. Given the higher revenues, the annual energy savings from energy contracting projects increased even more and practically tripled compared to 2020 (the savings stopped at 21,500 MWh). Through our activities, we contributed to the environment by

Electricity produced by the Group

187.5

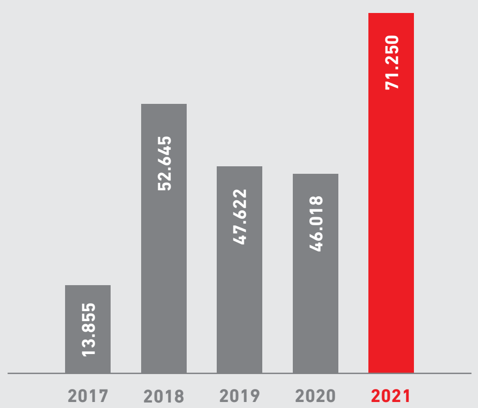
in GWh



Avoidance of CO_2 emissions through production from RES

71,250

in tons



Number of trees needed to absorb the saved emissions

2,850,000

in 2021

relieving the absorption of CO_2 by as many as 208,658 trees, and reducing CO_2 emissions by 6,955 tons. Compared to 2020, both figures represent almost a doubling.

In Belinka, we completed the launch of a cogeneration plant that enables the simultaneous production of heat and electricity (CHP). After the renovation, the company obtains as much as 30% of the electricity it needs for its own operation at its location, and the cost of heating will also be reduced. Similar work to the above process was carried out in Jub, where the company is self-sufficient after the renovation on the site with as much as 68% of the produced electricity and 72% of heat.

In 2021, we completed some previously started projects, namely the renovation of lighting according to the energy contracting system in the company Elan, where the total power of the lights is 5.25 kW. In a very similar framework, but on a much larger scale, a public lighting renovation project was completed in April in the municipality of Radovis in North Macedonia, saving the municipality 1.72m euros and 7.5 tonnes of CO_2 for the duration of the contract.

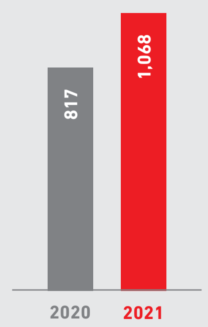
At the end of 2021, the construction of one of the largest solar power plant projects in Slovenia began – the construction of power plant according to the model of energy contracting for Salonit Anhovo, d. d. The expected annual production of electricity is 2,120 MWh, and the start of operation will be in 2022. We concluded a similar agreement in 2021 with the company Elan. The nominal power of the 2,500 installed solar panels will be 1 MW, and the carbon footprint will be reduced by almost 500 tons of CO_2 per year.

Because we estimate that energy services are important both for the environment and for the development of the company, we are also dedicating some time to promotion and marketing. In 2021, we paid a lot of attention to the latter, especially in foreign markets, through direct marketing, and promotion is carried out in various ways, such as a constant presence on LinkedIn, conference attendance, presence in specialized media and other ways.

Annual revenue from sale of energy services

1,068

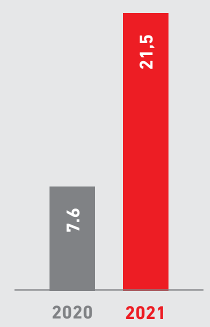
in EUR thousand



Annual electricity savings from energy contracting projects

21.5

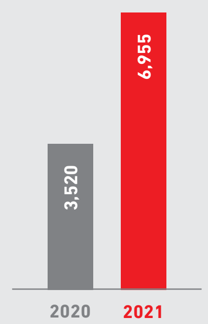
in GWh



Avoidance of CO_2 emissions from energy contracting projects

6,955

in tons



The number of trees needed for absorption

208,658

in 2021

Figure: Energy services projects

Legend

- in operation
- in development
- LED lightning
- district heating systems
- photovoltaics
- combined heat and power
- building renovation
- heating production
- cooling system

*** Elan**	4 x
*** Pivka**	2 x
*** Idrija**	3 x
*** Bartec varnost**	
Radovis (MK)	

Benefits for local communities

Benefits from business

We act in a socially responsible way and with our investments, we maintain or increase the quality of life in the immediate environment and beyond. By investing in the renovation of energy systems, we are improving the quality of life in public and private buildings, reducing energy consumption costs, increasing the reliability of systems and improving the quality of air in the environment. We are always working with local partners on energy services and thus strengthening the local economy.

By investing in production units in the Balkans, we are encouraging the development of these areas. We indirectly provide jobs, thus improving the social situation of the local population, and we contribute to the standard of living by improving the infrastructure when building new production units. By constructing small hydroelectric power plants, we also establish flood protection.

As the power plants and Interenergo's subsidiaries that manage them are often located in municipalities with a lower level of development, our projects are often one of the most important resources of local communities, especially in the Balkan region.

Donations and sponsorships are an important way for us to connect with the local community in which we operate. In 2021, we financially supported charities and cultural organizations.

Donations

- Rotary Club Ljubljana.

Sponsorships

- Drama festival,
- Festival Ljubljana,
- Municipality of Benedikt, concert on the occasion of the restoration of the 500-year-old forestry at Sveti Trije Kralji,
- Public Institution Cultural Center Semič, 26. Semiška ohcet.

Business effects on the countries in which we operate

In 2021, the company transferred EUR 1,565 thousand of personal income tax and contributions from employees' salaries, EUR 2,366 thousand of value added tax, EUR 17,000 of other tax deductions, EUR 4,000 of excise duties and EUR 1,477 thousand of corporate income tax to the state budget. In addition, it withdrew EUR 247 thousand of withholding tax, namely in Bosnia and Herzegovina (EUR 201 thousand), Serbia (EUR 38 thousand), Croatia (EUR 6 thousand) and North Macedonia (EUR 2 thousand).

Media

Communication is key for good business and cooperation with all stakeholders, so we regularly cooperate with Slovenian and foreign media. The focus of our communication is transparency, which is most often realized through frequent publications on the LinkedIn network - in 2021 we recorded 97 publications, and informed the general public about our projects, awards, participation in conferences and other important events. We are also present in the other media, with 15 publications in print and 42 in electronic media in Slovenia. We recorded similarly good coverage abroad, where the electronic media reported on our activities in 2021 as many as seventy times, and the print media in eight cases.

Professional and trade associations

We see our mission in cooperation with various associations, in which we assert common interests in the field of energy and economy. With our experience, knowledge and support, we can also accelerate the transition to climate neutrality and the development of a green, smart and technologically advanced Slovenia. In addition to permanent memberships, we support the national alliance for a green economic recovery plan, which is actively addressing the challenges posed by the COVID-19 pandemic for our economy.

Memberships:

- Chamber of Commerce and Industry of Slovenia,
- Centre for Energy Efficient Solutions – CER,
- Slovenian Chamber of Engineers,
- Beep Club,
- Slovenian Economic Association,
- weThink,
- Green Slovenia.

Employees

Structure of employees by gender and number

Women
18

Men
32

Educational structure

Level	On 31 Dec 2021	On 31 Dec 2020
Secondary school (V)	3	3
1st level university (VI.1, VI.2)	24	20
2nd level university (VII.)	19	19
Master's degree (VIII.1)	3	1
Doctoral degree (VIII.2)	1	1
Total	**50**	**44**

We see qualified staff in the company as one of the keys to success, so we pay a lot of attention to staff development, work ethic, professional growth and overall well-being of employees.

At the end of 2021, the company had 50 full-time employees, which is six more than in the previous year. We employ new staff in proportion to the company's growth and the need for continuous development in the professional and innovation field. Value added per employee amounted to EUR 171 thousand.

In 2021, employees attended various online trainings in the field of finance, accounting, marketing and learning about new computer environments and tools. Due to preventive health measures, departments held separate teambuilding events. Despite a period full of business and personal challenges, measurements of the organizational climate showed above-average satisfaction. We encourage employees to lead a healthy lifestyle and provide them with free access to fitness and guided exercises, and in 2021 we organized a swimming course. The team also participates in some sports events, such as running competitions and other related sporting events. Fresh seasonal fruit, water and coffee are always available at the company's headquarters. We have introduced a system of training employees for safety and health at work, which according to legal provisions is attended by all employees. All employees were made aware of the hazards in their workplaces. Risk assessments were made for each job. In jobs where the risk assessment was higher, employees received additional training. We also conducted fire safety and first aid courses.

The transfer of knowledge and the involvement of young people in professional training are crucial for the common future of the wider society, so every year we offer the possibility of conducting internships and student work. In 2021, we included three students from the Faculty of Electrical Engineering, the Faculty of Mechanical Engineering and the Faculty of Economics. Students are assigned a mentor with whom they learn the basics of the professional field and upgrade their knowledge with practical experience. Student employment often develops into long-term collaboration with full-time employment. In 2021, an average of 11.4 students performed student work (2020: 7.6).

Remuneration in the company consists of permanent and variable pay, which ensures the connection between the efficiency of the work of an individual employee and the amount of their salary. Variable remuneration systems are adapted to the nature of work and provide an incentive for proactive action and employee commitment. In accordance with the provisions of the company's internal act, employees of the company may, in addition to the basic gross salary, also receive a variable part of the salary from work and business performance. With the variable part of the salary, we want to achieve employee satisfaction and additional motivation, thus following the fulfillment of the goals set in the company's strategy. Because employees are crucial to society and because motivation is not only influenced by financial rewards, they are also entitled to various intangible rewards. The company implements the principle of equal pay for all employees and provides all employees with equal opportunities to be rewarded for efficient work.

Harmony with natural environment

Based on our strategic orientations, where the key commitment is to a sustainable attitude towards the environment, we have continued our shift from water sources to even more environmentally friendly sun and wind. We also continued to search for and implement energy solutions that are consolidating the transition to a low-carbon society. In various areas of business, we are introducing digitalization and new technologies that have positive effects on the environment.

Slovenia is a country enriched with forests, and almost all municipalities have a part of the territory overgrown with forests, which theoretically represents the potential for wood biomass. Interenergo's district heating systems use flat wood biomass in the form of wood chips or pellets, which are a domestic and renewable energy source. Therefore, more and more municipalities are opting for a wood biomass district heating system for space heating and preparation of sanitary drinking water. In the field of heat, we strive to use renewable energy sources and industrial waste heat. Regular emissions measurements are serving as proof of the environmental integrity of our district heating systems. These measurements have so far always confirmed that all emissions from our systems are at least five times lower than the limit values. Our commitment to a sustainable understanding of wood resources is also confirmed by the certificate of the international non-governmental organization for the promotion of sustainable forest management, the Forest Stewardship Council, obtained in the reporting year. The obtained document is proof that the wood chips used for the production of thermal energy in Šentrupert originate from economically managed forests.

We also continued our membership in the Center for Energy Efficient Solutions (CER) and were active in the alliance for a green, smart and technologically advanced Slovenia. It turned out that joining the "Tap Water" initiative was a smart decision, as it was well received by both employees and our partners. In 2021, we also became members of the Green Network of Slovenia, which is dedicated primarily to the promotion of sustainable solutions, innovations, achievements and projects. The organization also publishes the only specialized magazine on sustainable development in Slovenia EOL (Packaging, Environment, Logistics), where we also contributed some articles about our work.

Knowledge and experience retention systems

Company management and governance systems

The Business Intelligence (BI) system, which we have developed in the last two years, is intended for structured and systematized collection of financial data of companies in the group and unified presentation of these regardless of their level or scenario for different users. In order to transform large and complex data into meaningful and useful information to support more effective strategic and operational decisions, we also started integrating non-financial data into the database and preparing for the transition to a modern reporting system based on interactive, self-service dashboards and reports.

In the last year, the company also introduced an internally developed central register of partners, with the help of which all data on partners are collected in one place and integrated into various support systems, which ensures an optimal process and uniformity of entries.

We also introduced a single document management system in all companies in the group, which ensures central storage of all business documents and a digitally supported multi-level approval process that follows the applicable four-eye principle signing rules. At the same time, it also enables the integration of the payment transaction process in accordance with the adopted rules on payment transactions in the group and the automation of accounting.

Personnel management systems

We left the personnel processes entirely to external experts, which turned out to be a good decision, as the processes are running smoothly, professionally and with quality.

Environmental management systems

One of our core values is responsibility to society and the environment. Our mission is to co-create an energy future with green services that ensure sustainability and stakeholder satisfaction while preserving the environment.

Waste management is part of our daily lives and the environmental awareness of our employees, who often show a strong identification with green values. We separate waste in accordance with regulations and legislation, and by obtaining the Tap Water certificate, we have committed ourselves not to use bottled water on our premises, but to serve and use only drinking tap water.

Financial capital management systems

To manage its financial processes, the company uses one of the most recognizable ERP systems used by the Kelag Group, which ensures regulatory compliance of financial data and provides insight into the company's financial operations. At the same time, the company also uses support systems designed to support specific processes in the company, such as two invoicing tools that are tailored to the activity for which they were introduced, i.e. trading or service activities.

In 2021, we also developed a unique and customized treasury system with internal resources and knowledge, which enables us to manage many financial processes, especially those related to exchange trading, e.g. calculation and automatic verification of margins when trading in standardized financial instruments and insight into information relevant to exchange clearing, which provides us with up-to-date and structured insight into information for decisions that require a very rapid response due to the nature of activities. The system also provides us with an insight into the available and planned cash flows of all companies in the group for the purpose of control, management and reporting. In the future, we will upgrade the system with new functionalities that will enable even more extensive control and management of specific financial processes in the company.

Business compliance management systems

Responsibility and integrity have always been key and fundamental guidelines of the entire Interenergo Group. In order to ensure that the work of our employees is always in accordance with legislation, internal rules and ethical standards, we conduct regular annual thematic trainings, and at the same time we have established an anonymous system of reporting violations.

The compliance management system (CMS) of the Kelag Group and its subsidiaries, including Interenergo, has been certified in accordance with the Austrian standard ONR 192050 since 2014 and in accordance with the international standard ISO 19600: Austrian Standards - Fair Business Compliance Certificate since 2016. The certificates confirm that the certificate holder implements an effective compliance management system and meets the requirements of the reference document, which includes risk areas: anti-corruption legislation, data protection law, antitrust law, unfair competition law and public procurement law. The annual audit is performed by Austrian Standards plus GmbH.

Opportunity and risk management systems

To control its exposure, risks and other trading indicators, the company uses a dedicated application that displays the current market condition of the trading portfolio in real time.

We have also internally developed a software tool or platform for trading portfolio management, which also enables simplified preparation and submission of orders on trading platforms.

To facilitate the management of data on partners in the field of energy services, a CRM solution was recently introduced, which brings together all relevant data on each contact in one place. For all those involved in the sales process, the preparation of offers and the inventory of tasks and services already performed are much simplified, and the whole process is much more time-efficient.

The company also has an information system for quantifying risks, which is very important in understanding this part of the business.

For the needs of trading, we have been actively developing artificial intelligence models for many years, and we use them to predict fundamental factors and price movements for various energy sources and financial instruments. For more efficient management of energy consumption in the energy services department and for the preparation of simulations and production forecasts in the investment department, we use both machine learning and artificial intelligence, which allows us to make better decisions. In this area, we also connect a lot with other companies and individuals, and through the exchange of knowledge we promote the development of artificial intelligence together.

Workplace safety system

In addition to the regular implementation of occupational safety training and risk assessment at the workplace, we also introduced the HSE (Health, Safety and Environment) system for the entire group. It is an extensive three-tier system, which at the first level establishes safety and health management systems, at the second level defines the conditions and requirements for individual jobs, and the third level is dedicated to more detailed definitions and other specifics such as waste management, the process of reporting accidents at work and the like.

Balance and development of the company's financial capital

The year 2021 was very successful for the company, as it generated EUR 8 million in EBITDA, which is 50% more than in the previous year and continues to be an important indicator of the robustness and sustainability of the company's business model. Cash flow generated from operating activities was four times higher than in the previous year and amounted to EUR 11.6 million. As a result, and due to additional equity provided by the owner, aimed at further development of the company and the group, the company's equity increased by 7% and reduced its debt – the company's net debt also decreased by 7%. Capital adequacy, measured by the debt-to-equity ratio (D/E), has improved, reaching 0.89 at the end of 2020 and 0.79 at the end of 2021.

The generated free cash flow, which provides important insight into the worth of the company and the health of its core trends, was at a record level in 2021. Investment activity was at a lower level than in the previous year, when it was distinctly development-oriented, but the company has intensively focused on internal processes and its optimization, digitalization and automation in order to ensure stable support for existing activities and further high investment activity outlined in the company's strategic goals for the coming years.

The company's financial strength and low risk are also indicated by the current rating of Dun & Bradstreet, which improved the company's credit rating from 4A1 to 5A1, which is the best credit rating on their scale.

Measure	Key performance indicator	Unit	2021	2020	Index
Operational performance	EBITDA[1]	m EUR	8.0	5.4	150
Indebtness	Net debt[2]	m EUR	53.4	57.4	93
Capital adequacy	D/E[3]		0.8	0.9	87
Return on capital	ROE[4]	%	4.4%	1.8%	251
Development	Value of investments[5]	m EUR	5.8	36.9	16
Value generation	FCF (free cash flow)[6]		10.8	0.7	1460

[1] EBITDA = Operating profit + Depreciation
[2] Net debt = Non-current financial liabilities + Short-term financial liabilities - Cash and cash equivalents
[3] D/E = Net debt / Equity
[4] ROE = Net profit or loss / Average Equity
[5] Value of investments = Acquisitions of intangible assets + Additions of property, plant and equipment + Additions of non-current financial investments
[6] FCF = Cash flow from operating activities - Expenditures for the acquisition of intangible assets and property, plant and equipment

Opportunity and risk management

Opportunity

Energy services are relatively poorly known both in Slovenia and in the Balkans, so they represent great potential for our further development. Our current projects with some important partners are raising the profile of this service, which we will build in the future mainly on solar power plants, LED lighting, condensing boilers and other technologies.

We already have a strong presence in some Balkan countries, but there are still many opportunities in almost all countries in the region, both for acquisitions and the construction of various types of power plants. We also see many opportunities in further expanding into the markets of Romania and Greece.

Based on our existing knowledge base, we see a lot of potential and opportunity in the further development of technologies that will create an additional advantage over the competition. We have in mind the development of internal management systems as well as the implementation and further development of technologies such as artificial intelligence, machine learning and automation.

As this is a relatively new product, which has very good projections according to some analyses, we see great potential in the PPA (Power Purchase Agreement).

Risk

Risks form an integral part of our activity; hence it is of utmost importance that we are aware of them and manage them appropriately. Accordingly, Interenergo has a risk management system in place, which ensures that all risks are identified, assessed and adequately managed. This makes the ratio between yield and risks consistent with the policies and guidelines adopted by the Kelag Group and management. Risks managed by the Company are classified into five core groups: market, credit, financial, operational and other risks.

Market risks

- Price risk
- Low market liquidity risk
- Currency risk
- Interest rate risk

Credit risks

- Default risk
- Non-supply risk

Financial risks

- Liquidity risk

Operational risks

- Organisational risk
- HR management risk
- Risk of misjudgement
- Risk of suspending operations

Other risks

- Legal risk
- Country risk
- Political risk
- Risk of amended legislation

Market risks

Market risks arise from the electricity and financial markets, as well as through fluctuations of prices, interest rates, exchange rates and have an impact on Company's operations and profitability. Consequently, all major changes in market risks are monitored and assessed on a daily basis.

Price risk results from possible price fluctuations on the market, which could have an adverse impact on business operations. The concluded, but not yet delivered, electricity-related contracts are exposed to price risk.

The company is exposed to low market liquidity risk with open positions, which in case of low liquidity on the market, cannot be closed at 'fair value'. The respective risk is managed through constant monitoring of open positions and liquidity-related analyses performed for individual markets.

Transactions not denominated in euro are exposed to currency risk. The Company is not inclined to accept foreign currency risk as this is not part of its core activity, hence transactions concluded in a foreign currency are adequately hedged through foreign currency forward contracts.

Interest rate risk implies the possibility of loss due to unfavorable development of market interest rates. The Company discloses receivables and liabilities for long-term borrowings bearing a fixed interest rate, thus changes in reference interest rates on the market have no impact on the amount of Company's financing costs.

Due to increasing volatility in the market and its conditions, the company is constantly developing and expanding tools that monitor market risks and enable faster monitoring, appropriate reactions and management of positions.

Credit risks

Credit risk is defined as the risk that a contractual party will fail to meet its contractual obligations, thus affecting the entity's cash flow. Interenergo is exposed to credit risk through already delivered quantities, which arise from signed contracts (default risk), and through quantities that are not yet delivered and would in case of the contract's termination have to be replaced on the market at a price, which differs from the initially agreed in the relevant contract.

The company is engaged in an active management of credit risk and of its financial exposure with respect to business partners, which is based on a consistent implementation of internal rules adopted by the Kelag Group and related and clearly defined procedures for identifying credit risks, and on assessing the exposure, defining the limits of permissible exposure and on the ongoing monitoring of the company's exposure in relation to the individual business partner. Partners who are assessed as highly risky are additionally required to submit an appropriate form of collateral or insurance.

Financial risks

Liquidity risk represents entity's ability to settle its liabilities to its stakeholders. The risk is managed in the short term through constant monitoring and forecasting of (free) cash flow, daily monitoring of exposure to business partners, and consistent and efficient collection of overdue receivables. Long-term liquidity is ensured by approved credit lines at the parent company and commercial banks, as well as by an appropriate capital structure that ensures the company's financial stability. The company has developed an inhouse tool that serves for monitoring liquidity, providing a better overview of liquidity requirements and thus reducing liquidity risk. Tool for monitoring liquidity needs is constantly upgraded and expanded also for the needs of different departments within company.

Operational risks

The company defines operational risks as the risk associated with the organization of work processes, human resources management, risk of misjudgment and risks arising from suspension of business operations.

The risk of business interruption is associated with the failure of the information system, power outages, etc.

Operational risks are managed by the company based on established business processes, which include internal controls and precise job descriptions of individual departments and employees. Further, employees are engaged in continuous education and training. The stability of the information system is provided through uninterruptible power supply and continuous backups of databases.

Other risks

In addition to the above stated risks, the Company is exposed also to other risks such as legal, country, political risk and risk of amended legislation. Apart from the legal risks, the Company has no control over other risks and therefore monitors them closely and assesses the impact of changes on company's operations.

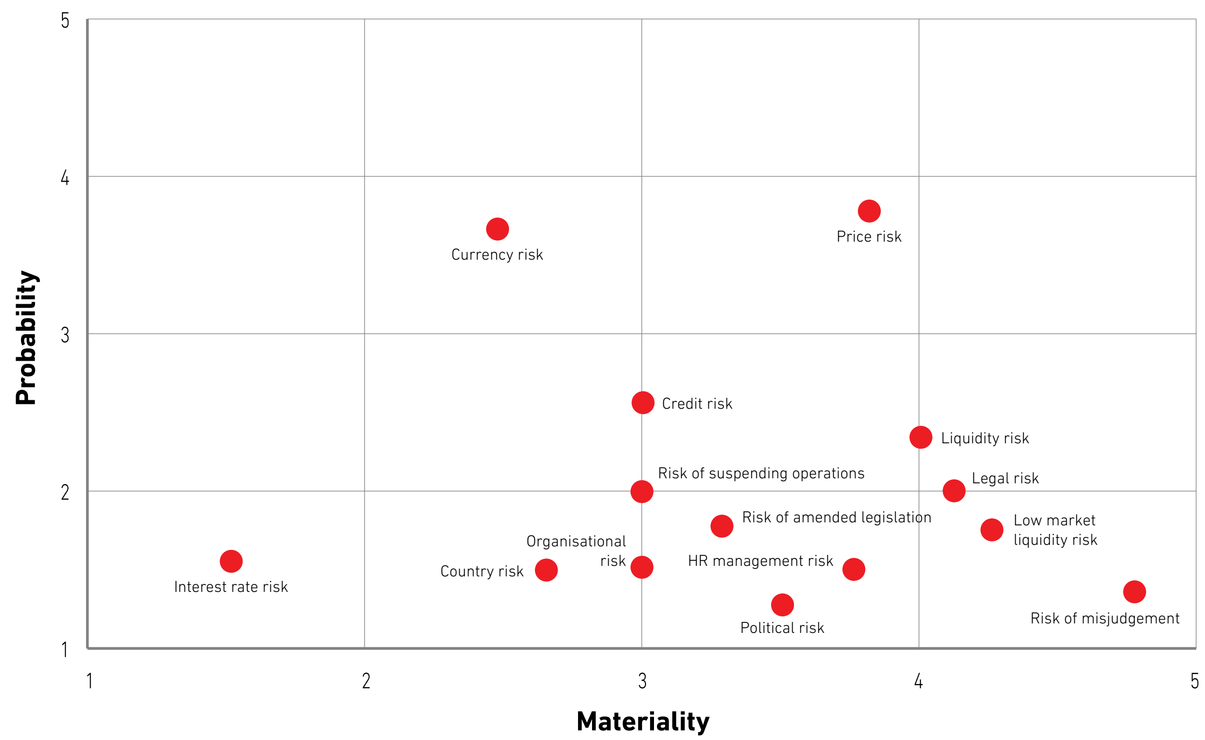
Legal risk is defined as the risk of loss caused by noncompliance with the applicable laws and regulations. It arises mainly from contracts and agreements not clearly specified or documented. The company manages risks by combining internal competencies and recruiting external legal professionals. Country and political risks relate to the unstable economic environment and the political system in an individual country. The company is present in numerous European markets, hence a continuous monitoring of developments and swift response to change is crucial for the company's successful operations.

The risk of amended legislation is managed by means of active participation and open communication with institutions and experts directly involved in the process of amending laws, regulations and directives.

Risk matrix

The risks were valued by the Company in terms of probability and materiality and were accordingly classified into a matrix. The price and credit risks are assessed the highest, whereas the interest rate is as the lowest.

Figure: Risk matrix



Probability

Gravity	Level of probability	Probability of realisation
5	Very frequent	At least once a week.
4	Frequent	At least once a month.
3	Occasional	At least twice a year.
2	Rare	At least once a year.
1	Very rare	At least once every three years.

Materiality

Gravity	Level of importance	Impact of realisation
5	Critical	Exceeding EUR 500,000
4	Very important	EUR 250,001 to EUR 500,000
3	Important	EUR 100,001 to EUR 250,000
2	Less important	EUR 50,001 to EUR 100,000
1	Insignificant	Less than EUR 50,000

Events after the balance sheet date

The current situation in Russia and Ukraine does not affect the operations of the Interenergo Group.

Subsidiaries

The company has two subsidiaries: Interenergo, d. o. o. PJ Banja Luka in Bosnia and Herzegovina and Interenergo, d. o. o. Czech Branch in the Czech Republic.

Report on the relationship with the parent company

In 2021, the company received appropriate payments and refunds in all transactions with the parent company and its related companies, and was not disadvantaged on the basis of transactions.

Statement of management's responsibility

The Management Board hereby confirms the financial statements for the year ended 31 December 2021, the notes thereto as well as the accounting policies applied.

The Management Board is responsible for the preparation of the annual report so that it gives a true and fair view of the financial position of the Company and the results of its operations for 2021.

The Management Board hereby confirms that the relevant accounting policies were applied consistently and that the accounting estimates were prepared in compliance with the principles of prudence and due diligence. The Management Board also confirms that the financial statements and the notes thereto were prepared on a going concern basis and in accordance with the applicable legislation and the International Financial Reporting Standards, as adopted by the EU.

Furthermore, the Management Board is responsible for keeping proper accounting records and for taking reasonable measures to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Within five years after the end of the year in which the tax is to be assessed, tax authorities have the right to perform a tax audit, which may consequently lead to additional payments of taxes, late payment interest and fines in relation to the corporate income tax and other taxes and duties. The Management Board is not aware of any circumstances that might result in significant liabilities in this respect.

Ljubljana, 31. 3. 2022

Director:
Blaž Šterk

Director:
Martin Dolzer

Compliance with GRI sustainability reporting standards

For the second year in a row, our annual report is integrated, as we have prepared it according to the principles of comprehensive thinking and reporting, including GRI reporting standards and reviewing our contribution to achieving the sustainable development goals adopted by the United Nations in 2015.

Compared to last year, we have supplemented some of our disclosures in accordance with the guidelines of the GRI standards, but we are aware that we are not yet fully meeting the standard, which we will continue to strive for in future reports. When preparing the report, we also had in mind the new GRI 2021 standard, according to which we will report in the coming years.

For all questions regarding the annual report, we are available at the e-mail address: info@interenergo.si.

The report covers the period from 1 January to 31 December 2021.

Table: GRI - General Standard Disclosures

Index	Disclosure	Chapter	Page	Notes
GRI 101: Foundation 2016				
GRI 102: General disclosures 2016				
Company profile				
102-1	Name of the organisation	Company profile	9	
102-2	Primary brands, products and services	Company profile	9	
102-3	Headquarters of the organisation	Company profile	9	
102-4	Geographical area of operation	Impact on society; The effects of business on customers and society	36	
		Production capital; Existing production units in the group	31	
102-5	Ownership and legal form	Company profile; Ownership structure	11	
102-6	Markets (geographical and sectoral breakdown and breakdown by type of customer)	Impact on society; The effects of business on customers and society	36	
102-7	Size of the organisation (number of employees, number of activities, sales revenue, liabilities/capital, number of products or services)	2021 Highlights	6	
		Company profile	9	
		Employees	42	
		Impact on society	34	
102-8	Employees by type of employment, type of contract, region and gender	Employees	42	We will report on the regions in more detail in future reports.
102-11	An explanation of if and how the organisation applies the precautionary principle	Statement of management's responsibility	51	
102-12	External documents, principles and other economic, environmental and social initiatives to which the organisation is a signatory and supporter	Corporate governance; Corporate governance statement	20	
		Business report framework	24	
102-13	Memberships in organisations	Impact on society; Professional and trade associations	41	
Strategy and analysis				
102-14	Statement of the highest decision-maker in the organization on the importance of sustainable development for the organization and on the strategy for implementing sustainable development	Letter from the managing directors	8	
		Business model; Sustainable development	30	
102-15	Key impacts, risks and opportunities	Opportunity and risk management	47	
Ethics and integrity				
102-16	Description of values, principles, standards and principles of conduct, i.e. codes of conduct and codes of ethics	Business model	29	
		Corporate governance; Corporate governance statement	20	
Management				
102-18	Management structure of the organization, including commissions of the highest governing body	Company profile	9	
		Corporate governance; Corporate governance statement	20	
102-22	Composition of the highest governing body and commissions	Company profile	9	
Stakeholder involvement				
102-40	List of stakeholder groups with which the organization cooperates	Impacts on society; Key stakeholders	34	
102-43	Approaches for involving stakeholders, including the frequency of cooperation by stakeholder groups	Impacts on society; Key stakeholders	34	In the future, we will include the frequency of cooperation with stakeholder groups.
102-44	Key topics and questions raised in the process of cooperation with stakeholders and how the organisation responded to them, including through reporting	Impacts on society; Key stakeholders	34	In the future, we will include the response of the stakeholders to the process of cooperation.

Index	Disclosure	Chapter	Page	Notes
Report data				
102-45	List of entities included in the consolidated financial statements	Company profile; Interenergo Group	10	Group profile - The consolidated report is part of the Kelag Group report.
102-46	The process of defining the content of the report and limiting aspects	Business Report; Business report framework Compliance with sustainable reporting guidelines	24 52	In the future, we are planning a process to define the limitation of aspects.
102-49	Significant changes compared to previous reporting periods regarding the limitation of scope and aspects	Business Report; Business report framework Compliance with sustainable reporting guidelines	24 52	
102-50	Reporting period	Compliance with sustainable reporting guidelines	52	
102-52	Reporting cycle	Compliance with sustainable reporting guidelines	52	
102-53	Contact information for questions regarding the report	Company profile Compliance with sustainable reporting guidelines	9 52	
102-54	Reference in accordance with GRI standards	Compliance with sustainable reporting guidelines	52	
102-55	Index according to GRI guidelines	Table GRI	52	

Table: Specific standard disclosures

Index	Disclosure	Chapter	Page	Notes
Economic impacts				
GRI 201: Economic performance				
201-1	Directly generated and distributed economic value (revenues, operating costs, salaries and bonuses of employees, payments to owners of capital, payments to the country (taxes), donations and other investments in the community)	Effects on society Employees	36 42	Already defined to a large extent, and will be even more precise in the coming years.

Index	Disclosure	Chapter	Page	Notes
GRI 203: Indirect economic impacts				
203-1	Development and impact of infrastructure investments and support activities	Effects on society	36	
Environmental impact				
GRI 305: Emissions				
305-1	Direct greenhouse gas emissions	The year 2021 at a glance Effects on society; The effects of business on users and society	6 36	
Social impacts				
GRI 401: Employment				
401-1	Number of new employees and employee turnover	Employees	42	
GRI 403: Security and health at work				
403-1	Explanation whether the company has an occupational safety and health management system in place	Employees	42	
403-5	Training of employees on safety and health at work	Employees	42	
403-6	Workplace health promotion	Employees	42	
GRI 404: Education				
404-1	Average number of hours of education per employee by gender and by categories of employees	Employees	42	We are monitoring the number of hours of education and training.
GRI 405: Diversity and equal opportunities				
405-2	Ratio of basic income of women compared to men depending on the type of employment, by key locations	Employees	42	We are implementing the principle of equal pay for all workers.
GRI 413: Local communities				
413-1	Activities involving the local community, where impacts were assessed and development programs were made	Effects on society	34	

One of our key **goals** is to reduce carbon footprint.

Accounting report

Accounting report

1. Financial statements of the company

1.1 Statement of Financial Position as at 31 December 2021

in EUR	Note	31 Dec 2021	31 Dec 2020
ASSETS		**187,816,999**	**151,567,032**
Non-current assets		**90,669,041**	**95,019,384**
Intangible assets	2.4.1	471,770	396,683
Property, plant and equipment	2.4.2	5,949,009	5,563,928
Non-current investments	2.4.3	83,998,457	88,839,837
Non-current operating receivables	2.4.4	51,812	55,453
Deferred tax assets	2.4.5	197,994	163,483
Current assets		**97,147,957**	**56,547,648**
Current investments	2.4.6	14,289,581	4,593,239
Derivatives (assets)	2.4.7	12,333,649	5,293,775
Trade and other receivables	2.4.8	37,600,160	27,205,596
Prepayments, contract assets and other assets	2.4.9	20,793,987	11,695,507
Income tax receivables	2.4.23	147,259	503,902
Cash and cash equivalents	2.4.10	11,983,320	7,255,628
EQUITY AND LIABILITIES		**187,816,999**	**151,567,032**
Equity	**2.4.11**	**67,859,243**	**63,562,437**
Share capital		10,200,000	10,200,000
Capital surplus		66,850,000	65,450,000
Legal reserves		95,722	95,722
Retained losses		-12,183,285	-13,292,010
Net profit or loss for the period		2,896,806	1,108,725
Non-current liabilities		**66,280,062**	**62,166,657**
Non-current financial liabilities	2.4.12	64,944,239	61,610,638
Other current liabilities	2.4.13	1,335,823	556,018
Current liabilities		**53,677,694**	**25,837,939**
Current financial liabilities	2.4.14	440,642	3,074,708
Derivatives (liabilities)	2.4.7	11,279,335	5,065,860
Trade and other payables	2.4.15	41,579,637	17,697,371
Income tax payables	2.4.23	378,080	0

Accounting policies and notes form a constituent part of the Company's financial statements.

1.2 Statement of Profit or Loss for 2021

in EUR	Note	2021	2020
Revenue	2.4.16	1,084,007,411	458,898,377
Other operating income		4,300	22,204
Costs of goods sold and material used	2.4.17	-1,068,122,688	-448,688,524
Costs of services	2.4.18	-2,510,110	-2,271,012
Personnel costs	2.4.19	-5,205,816	-2,414,520
Amortisation and depreciation expense	2.4.20	-1,226,316	-1,029,100
Impairment of trade receivables and contract assets		-82,348	-1,103
Other operating expenses	2.4.21	-54,577	-175,169
Operating profit or loss		**6,809,855**	**4,341,153**
Finance income		4,410,595	3,207,835
Finance costs		-6,795,205	-5,250,183
Profit or loss from financing activities	2.4.22	**-2,384,610**	**-2,042,348**
Profit or loss before tax		**4,425,245**	**2,298,805**
Income tax expense	2.4.23	-1,528,439	-1,190,080
Profit or loss for the period		**2,896,806**	**1,108,725**

Accounting policies and notes form a constituent part of the Company's financial statements.

1.3 Statement of Other Comprehensive Income for 2021

in EUR	2021	2020
Profit or loss for the period	2,896,806	1,108,725
Total comprehensive income	2,896,806	1,108,725

Accounting policies and notes form a constituent part of the Company's financial statements.

1.4 Statement of Cash Flows for 2021

in EUR	Note	2021	2020
Cash flows from operating activities			
Profit or loss before tax		**4,425,245**	**2,298,805**
Adjustments		**2,038,649**	**1,784,756**
Amortisation/Depreciation	2.4.20	1,226,316	1,029,100
Impairment of trade receivables and contract assets		82,348	1,103
Impairment and reversal of investments' impairment	2.4.3	3,770,701	3,906,237
Finance income	2.4.22	-2,787,335	-3,207,835
Finance costs	2.4.22	1,401,244	1,343,946
Change in fair value	2.4.7	-826,399	2,296,328
Income tax paid	2.4.23	-828,227	-3,584,123
Change in working capital		**5,090,320**	**-1,194,817**
Change in non-current receivables	2.4.4	3,641	3,677
Change in trade and other receivables	2.4.8	-10,476,912	1,390,671
Change in prepayments, contract assets and other assets	2.4.9	-9,098,479	-4,258,132
Change in other non-current liabilities	2.4.13	779,804	-609,254
Change in trade and other payables	2.4.15	23,882,266	2,278,221
Cash generated from operating activities		**11,554,213**	**2,888,745**
Cash flows from investing activities			
Cash proceeds from investing activities		**9,779,034**	**2,916,539**
Interest received	2.4.22	4,774,190	1,947,267
Cash proceeds from sale of property, plant and equipment	2.4.1, 2.4.2	74,844	19,272
Cash proceeds from repayment of loans granted	2.4.3, 2.4.6	4,930,001	950,000
Cash disbursements from investing activities		**-15,968,149**	**-38,670,635**
Acquisition of intangible assets and property, plant and equipment	2.4.1, 2.4.2	-750,680	-2,148,563
Acquisition of subsidiaries	2.4.3, 2.4.6	-1,131,442	-10,964,173
Increase in loans granted	2.4.3, 2.4.6	-4,086,027	-25,557,899
Costs for other current investments	2.4.6	-10,000,000	0
Cash from (used in) investing activities		**-6,189,114**	**-35,754,095**
Cash flows from financing activities			
Cash proceeds from financing activities		**3,972,750**	**56,844,867**
Proceeds from contributions of capital		1,400,000	0
Proceeds from financial liabilities	2.4.12, 2.4.14	2,572,750	56,844,867
Cash disbursements from financing activities		**-4,610,157**	**-21,011,355**
Interest paid	2.4.22	-1,393,060	-1,341,702
Payment of lease liabilities	2.4.12, 2.4.14	-228,942	-187,053
Repayment of financial liabilities	2.4.12, 2.4.14	-2,988,155	-19,482,600
Cash from (used in) financing activities		**-637,407**	**35,833,513**
Opening balance of cash and cash equivalents		**7,255,628**	**4,287,466**
Change in cash and cash equivalents		4,727,692	2,968,162
Closing balance of cash and cash equivalents		**11,983,320**	**7,255,628**

Accounting policies and notes form a constituent part of the Company's financial statements.

1.5 Statement of Changes in Equity for 2021

in EUR	Share capital	Capital surplus	Legal reserves	Retained earnings or losses	Profit or loss for the period	Total equity
Balance at 31 Dec 2020	**10,200,000**	**65,450,000**	**95,722**	**-13,292,010**	**1,108,725**	**63,562,437**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**2,896,806**	**2,896,806**
Net profit for 2021	0	0	0	0	2,896,806	**2,896,806**
Changes within equity	**0**	**1,400,000**	**0**	**1,108,725**	**-1,108,725**	**1,400,000**
Additional capital contributions	0	1,400,000	0	0	0	**1,400,000**
Allocation of profit to other equity components	0	0	0	1,108,725	-1,108,725	**0**
Balance at 31 Dec 2021	**10,200,000**	**66,850,000**	**95,722**	**-12,183,285**	**2,896,806**	**67,859,243**

Accounting policies and notes form a constituent part of the Company's financial statements.

1.6 Statement of Changes in Equity for 2020

in EUR	Share capital	Capital surplus	Legal reserves	Retained earnings or losses	Profit or loss for the period	Total equity
Balance at 31 Dec 2019	**10,200,000**	**65,450,000**	**95,722**	**-18,460,101**	**5,168,092**	**62,453,712**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**1,108,725**	**1,108,725**
Net profit for 2020	0	0	0	0	1,108,725	**1,108,725**
Changes within equity	**0**	**0**	**0**	**5,168,092**	**-5,168,092**	**0**
Allocation of profit to other equity components	0	0	0	5,168,092	-5,168,092	**0**
Balance at 31 Dec 2020	**10,200,000**	**65,450,000**	**95,722**	**-13,292,010**	**1,108,725**	**63,562,437**

Accounting policies and notes form a constituent part of the Company's financial statements.

2. Notes to the company's financial statements

2.1 Reporting entity

Interenergo, energetski inženiring, d. o. o. (hereinafter referred to as 'Interenergo or 'Company') is headquartered at Tivolska cesta 48, 1000 Ljubljana in Slovenia. Interenergo and its subsidiaries are present on energy markets of Central and South-Eastern Europe. The Company's core business goal and fundamental responsibility is a safe and business-efficient supply of electricity, implementation of investment-related projects that promote economically, environmentally and socially responsible exploitation of renewable energy sources, and provision of energy services.

The accompanying financial statements of the Company for the financial year ended 31 December 2021 give a true and fair view of its financial position.

The financial statements, compiled for the period from 1 January 2021 to 31 December 2021, were approved by the Management Board on 31 March 2022.

Interenergo, d. o. o. is the subsidiary of the Kelag company, which holds a 100 percent share, yet issued no securities for trading on a regulated market. Accordingly and in accordance with Paragraph 6, Article 56 of the Companies Act (ZGD-1), Interenergo is not obliged to compile a consolidated annual report (excluded company) as it is included in the consolidation of the Kelag controlling company. The Company will publish the translation of the consolidated annual report of the Kelag Group within one month after its publication.

The annual report is available at the registered seat of Interenergo, d. o. o., Tivolska 48, Ljubljana, the consolidated annual report of the overall Kelag Group is kept by the company KELAG-Kärntner Elektrizitäts-Aktiengesellschaft as the parent company of a larger group of companies at the address Arnulfplatz 2, Postfach 176, Klagenfurt am Wörthersee, Austria.

2.2 Basis for the preparation of financial statements

2.2.1 Compliance statement

Company's financial statements are compiled in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and pursuant to provisions of the Companies Act.

The financial statements were prepared by complying with the fundamental accounting assumptions i.e. going concern and accrual basis.

2.2.2 Basis for measurement

Company's financial statements are prepared by applying the historical cost changed by fair value of financial instruments' classifications.

2.2.3 Functional and presentation currency

The financial statements hereof are presented in euro (EUR), which is also the Company's functional currency. All financial information is presented in rounded to one unit, which may result in insignificant deviations in the tables.

2.2.4 Use of estimates and judgements

Judgements, assumptions and uncertainty related to estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

As assessments and assumptions are subject to subjective judgment and some degree of uncertainty, subsequent actual results may differ from estimates. Changes in accounting estimates, judgments and assumptions are recognized in the period in which the estimates are changed, if the change affects only that period, or in the period of the change and in future periods, if the change affects future periods. Information on assessments, assumptions and uncertainties associated with estimates is included in the following disclosures:

- Note 2.4.3 – assessing the impairment of investments in subsidiaries and loans to other subsidiaries: key assumptions used in determining the recoverable value;
- Note 2.4.16 – assessing whether the company acts as an agent or principal in implementing the contract on commission services;
- Note 2.4.16 – assessing whether revenue are recognised immediately or gradually;
- Note 2.5.1 – measuring expected credit loss (ECL) from trade receivables and contract assets: key assumptions in determining the loss rate.

Fair value measurement

Numerous accounting policies and disclosures require the measuring of fair value of financial assets, non-financial assets and liabilities.

The Company applies valuation methods that are adequate in given circumstances and for which sufficient information exists, in particular by using proper market input data and a minimum use of non-market data.

Assets and liabilities measured or disclosed in the financial statements at fair value are classified pursuant to the fair value hierarchy on the basis of the lowest level of input data that are significant for measuring the whole fair value:

- Level 1 – market prices (unadjusted) on the active market for similar assets and liabilities. Quoted prices (unadjusted) on active markets for equal assets or liabilities;
- Level 2 - valuation model based directly or indirectly on market data. Contributions in addition to quoted prices included in Level 1 that are directly (i.e. as prices) or indirectly (i.e. as derived from prices), perceptible to the asset or liability;
- Level 3 – valuation model that is founded on market data. Contributions to an asset or liability that are not based on observable market data.

The level in the fair value hierarchy in which the fair value measurement is fully classified is determined on the basis of the input at the lowest level that is relevant to the fair value measurement as a whole. The significance of the input is for this purpose is assessed relative to the measurement of fair value as a whole. Level 3 measurement occurs if the fair value measurement uses detectable inputs that require significant adjustments based on undetectable inputs. Assessing the significance of an individual input compared to measuring fair value as a whole requires an assessment of consideration of asset-specific factors.

The Company recognizes the transition between levels at the end of the accounting period in which the change was made.

Further disclosures about the assumptions used in measuring fair values are included in the following notes:

- Note 2.5.6 – fair values of financial instruments.

2.3 Company's fundamental accounting policies

Accounting policies that are outlined below were consistently applied in all periods presented in the accompanying financial statements. Certain reclassifications of amounts within individual items were carried out in some cases. Accordingly, also amounts in the comparative periods were reclassified due to comparability purposes.

2.3.1 Foreign currencies

Transactions expressed in a foreign currency are translated into the functional currency at the reference exchange rate of the ECB as at the date of transaction. Assets and liabilities expressed in a foreign currency at the end of the reporting period are translated into the functional currency at the then applicable reference rate of the ECB. The foreign currency exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate of the ECB at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the ECB at the date that the fair value was determined. Foreign exchange differences are recognised in profit or loss.

2.3.2 Intangible assets

The item of intangible assets includes primarily payments for developing software and easements.

Purchase cost includes costs that are directly attributable to the acquisition of an item of property, plant and equipment. The cost model is used for the subsequent measurement of intangible fixed assets. The Company has no intangible assets with an indefinite useful life.

Subsequent expenditure on an intangible asset is recognized in the carrying amount of the asset if it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenses are recognized in profit or loss as an expense when incurred.

The straight-line method of amortisation is applied with intangible assets in their useful life, without considering the residual value.

The estimated useful lives for the current and comparable year are as follows:

	2021	2020
Software	25%	25%
Easement	6.7%	6.7%

An item of intangible asset shall be derecognised in the books of account on its disposal or when no future economic benefits are expected from its use. Difference between the profit on disposal and the carrying amount of the disposed intangible asset is included in profit or loss.

Amortisation rates, useful lives and residual values are verified at each year-end and adjusted if applicable.

2.3.3 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss. The cost of an asset comprises costs that are directly attributable to the purchase of an item of asset. The cost model is applied for subsequent measurement of property, plant and equipment.

Assets under construction are transferred to property, plant and equipment when they are ready for their intended use.

Gains or losses arising from the disposal or disposal of property, plant and equipment are defined as the difference between the net realizable value and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or disposal.

The straight-line method of depreciation is applied with property, plant and equipment in their useful life, without considering their residual value.

The estimated useful lives of property, plant and equipment for the current and comparable year are as follows:

	2021	2020
Production plant	6.7 – 8.9%	6.7 – 8.9%
Mechanical and electronic equipment	5 – 20%	10 – 20%
Computer and communications equipment	50%	50%
Other equipment	20%	20%

An item of property, plant and equipment shall be derecognised in the books of account on its disposal or when no future economic benefits are expected from its use. Difference between the profit on disposal and the carrying amount of the disposed item of property, plant and equipment is included in profit or loss.

Depreciation rates, useful lives and residual values are verified at each year-end and adjusted if applicable.

Costs incurred in connection with property, plant and equipment increase their cost if the future economic benefits associated with the part of this asset are likely to flow and if the cost can be measured reliably. Repairs and maintenance costs intended to restore and maintain economic benefits are recognized as an expense when incurred.

2.3.4 Leases

When concluding a contract, the Company assesses whether it is a lease contract or whether the contract contains a lease. A contract is a lease contract if it conveys the right to control the use of the identified asset for a fixed period in exchange for compensation. In assessing the transfer of the right to control, the Company applies the criteria as defined IFRS 16.

The Company accounts for each lease component in the contract as a lease separately from the non-lease components of the contract, unless it decides for practical reasons to account for all components as a single lease component.

At the date of the lease's start, the Company recognises the item of a fixed asset that represents the right to use and the lease liability. Fixed assets acquired under a lease are an integral part of the lessee's property, plant and equipment. Its cost includes:

- amount of the initial measurement of lease liabilities;
- payments of rents that were made on or before the lease's start, less received incentives for the lease;
- opening direct costs;
- an estimate of the costs that the lessee will have while dismantling or removing the leased asset, rebuilding the leased location or returning the leased asset to the condition as required by the lease terms, unless such occurred during the production of inventories.

The right to use the asset is subsequently reduced by accrued depreciation. Depreciation of leased property, plant and equipment must be in line with the depreciation of other similar property, plant and equipment. If there is no reasonable assurance that the lessee will acquire ownership until the end of the lease term, such property, plant and equipment will be fully depreciated, either during the lease term or during its useful life, whichever is shorter.

At the date of the lease's start, the Company measures the lease liability at the present value of the rents not yet paid at that date. While calculating the present value of rents, the discount rate on the lease is the associated interest rate, if it can be determined, otherwise the assumed borrowing rate to be paid by the lessee. Leases recorded at their starting date when measuring liabilities from the lease that are not paid yet include following payments of the right to use the leased asset during the lease period:

- fixed rents less receivables for lease-related incentives;
- variable rents, which depend on the index or rate and are initially measured with the index or rate that is applicable at the date the lease;
- amounts expected to be paid by the lessee based on guarantee for the residual value;
- the price of the purchase option if it is fairly certain that the lessee will exercise that option, and
- payment of fines for terminating the lease, if the duration of the lease indicates that the lessee will use the option of terminating the lease.

Upon the date of the lease's start, the Company measures lease liabilities as follows:

- increases the carrying amount, which reflects the interest on the lease liability;
- decreases the carrying amount, which reflects the payment of rents; and
- remeasures the carrying amount that must reflect new estimates or changes to the lease in terms of unmodified rents. The Company remeasures the lease liability by discounting the modified rents using the modified discount rate if the lease term has changed or the estimated option to purchase the leased asset has changed. In doing so, the Company determines the modified discount rate as the interest rate, which was adopted for the lease, for the remainder of the lease term. The Company remeasures the lease liability by discounting the modified rents if the amounts expected to be paid under the residual value guarantee are changed or future rents are changed as a result of changes in the index or rate, whereby the Company uses the unmodified discount rate, unless the modified rent is due to a change in variable interest rates.

Short-term leases and leases, where the leased asset is of minor value, are not recognised as an asset; instead the Company recognises lease-related rents as expenses on the straight-line basis over the entire lease term or any other systematic basis. Short-term lease refers to leases of up to 1 year. Low-value lease is a lease with a value of up to EUR 5,000, taking into account the value of the new leased asset.

Assets representing the right to use is in a lease depreciated from the date of lease's start until the end of its useful life or the end of the lease term if it is shorter from the asset's useful life. Rates ranging from 20% and 86% were used for such assets.

2.3.5 Investments in subsidiaries

Investments in subsidiaries, disclosed among non-current investments, are valued at cost.

2.3.6 Financial instruments

Trade receivables are recognised upon their accrual. Other financial assets and financial liabilities are recognised when the Company becomes subject to contractual provisions of the instrument.

Company's financial instruments comprise:

- financial assets, which comprise non-current and current investments, non-current and current operating receivables, as well as cash and cash equivalents, and
- financial liabilities, which comprise non-current and current financial liabilities and current operating liabilities.

Financial instruments are classified in groups in terms of their measurement, namely a) at amortised cost, b) at fair value through other comprehensive income or c) at fair value through profit or loss based on the business model for financial asset management and the characteristics of the financial asset's contractual cash flows. The business model relates to the manner used by the Company to manage financial assets in order to generate cash flows. The latter indicates that the business model determines whether the cash flows will arise from contractual cash flows, sale of financial assets or both:

- Financial assets held within a business model whose objective is to hold assets to collect contractual cash flows, are managed with the purpose to generate cash flows by receiving payments during the financial instrument's duration. These financial instruments are measured at amortised cost. These assets are generally kept until the date of expiry and contractually agreed cash flows are collected until the date of maturity. Most of financial assets disclosed by the Company are classified within this business model (i.e. non-current and current investments, non-current and current operating receivables, cash and cash equivalents).
- Financial assets held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, are managed by the management and considered as essential for achieving the goal of this business model. These financial instruments are measured at fair value through other comprehensive income and the Company does not disclose any such assets.
- Financial assets are measured at fair value through profit or loss if they are not part of a business model whose objective is to hold assets to collect contractual cash flows or a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, but are classified within a business model under which a company manages the financial assets in order to generate cash flows through the sale of assets. This group comprises Company's derivatives used in its trading activity i.e. commodities forwards contracts, contracts for cross-border transmission capacities and foreign currency forward contracts, whose fair value of open transactions is defined on the basis of the valuation model that is as at the date of the statement of financial position based on publicly available market data on the values of such instruments.

Non-derivative financial assets

Financial assets are not reclassified upon initial recognition unless the Company changes its business model for financial assets' management; in such case, the respective financial assets shall be reclassified on the first day of the next reporting period following the change in the business model.

The Company derecognises a financial asset when the contractual cash flow rights from the financial asset expire or when it transfers the rights to receive the contractual cash flow from a transaction in which all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains all risks and benefits of ownership and does not retain control of the financial asset.

Receivables are initially recognized at fair value and subsequently at amortised cost using the effective interest method, less any impairment losses. Interest expenses and exchange differences are recognized in profit or loss. Any gain or loss arising on derecognition are also recognized in profit or loss.

Trade receivables and other receivables without a fixed interest rate are measured at the initial amount of the invoice, less expected credit losses.

Non-derivative financial liabilities

Financial liabilities are initially recognised on the date they are incurred. The Company derecognises a financial liability when the obligations under the contract are fulfilled, cancelled or when they expire. The Company derecognises a financial liability even when its terms change and the cash flow of the modified liability differs materially; in such case, the new financial liability is recognised at fair value based on the changed conditions.

Upon derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including any non-monetary assets transferred or liabilities assumed) is recognized in profit or loss.

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Trade and other payables are not measured at the initial amount of the invoice if the effect of discounting is insignificant.

Most of the Company's operating and financial liabilities are disclosed at amortised cost, except for derivatives traded within the framework of its trading activity, such as commodity futures contracts, contracts for cross-border transmission capacities and foreign currency forward contracts. The fair value of these contracts is defined on the basis of the valuation model that is as at the date of the statement of financial position based on publicly available market data on the values of such instruments and is recognized in the statement of profit or loss.

Offsetting

Financial assets and liabilities are offset and the amount is disclosed in the statement of financial position if and only if the Company has a legally enforceable right to offset the recognized amounts and intends to either settle the net amount or cash the asset and settle its liability at the same time.

2.3.7 Derivatives

Contracts relating to purchase or sale of a non-financial asset that can be settled net of cash or by means of another financial instrument or exchange of financial instruments, are treated in accordance with IFRS 9 as if they were financial instruments, except for contracts that the Company concluded and continues to own them for the purpose of receiving or supplying the non-financial asset in accordance with the expected needs after the purchase, sale or use. Purchase contracts that fall within the scope of IFRS 9 are treated as derivatives and are valued at fair value through profit or loss.

The Company enters into contracts on purchasing or selling electricity with financial or physical settlement for the purpose of trading (futures contracts and commodity forward contracts). Futures contracts are binding agreements on the purchase or sale of a standard quantity of electricity on a standard day in the future at a price agreed in the present, and they are traded with on an organized (exchange market) market and are financially settled. Commodity forward contracts are contracts on the purchase or sale of electricity with a deadline in the future at a price agreed during the contract's signing and with which the Company trades directly with partners and are physically settled, whereby the Company is also required to provide for cross-border transmission capacities. The Company treats these contracts as derivatives and does not apply an exemption based on own use (IFRS 9.2.4). The effects of trading with futures and forward contracts are recognized within operating income and expenses, as the Company does not avail itself of the possibility of using hedge accounting.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, while changes therein are generally recognized in the statement of profit or loss.

Assets and liabilities measured at fair value through profit or loss are remeasured at fair value at least annually during the preparation of financial statements.

2.3.8 Impairment of assets

Impairment of financial assets and contract assets

The Company recognises impairments arising on expected credit losses for:

- financial assets measured at amortised cost;
- contract assets;
- derivatives (commodity futures contracts).

The Company measures impairments in amounts equal to the loss over the life of the financial asset (LECL). The Company measures impairments equal to the 12-month expected credit losses for cash and bank deposits and financial assets for which the credit risk has not increased significantly since initial recognition. The recognized amount of impairment of receivables and contract assets is measured at the amount of losses over the life of the financial asset (LECL). Losses over the life of the financial asset are expected credit losses that arise from all possible events of default over the life of the financial instrument. 12-month expected credit losses are those portions of expected credit losses that result from potential defaults within 12 months of the reporting date (or a shorter period if the expected life of the total life of the instrument is less than 12 months).

Operating receivables that do not include a significant financial component usually have a short-term duration (less than 12 months), which means that the measurement of impairments in the amount of losses over the life of the financial asset (LECL) does not differ from that measured in 12 -monthly expected credit losses.

While determining whether the credit risk of a financial asset has increased significantly since initial recognition, and while estimating expected credit losses, the Company considers reasonable and useful information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative data and analyses, based on the Company's past experience and sound credit ratings, and includes forward-looking information.

The Company assumes that the credit risk of a financial asset is materially increased if the maturity of the payment is longer than 30 days for debtors outside the Interenergo Group. An asset is credit impaired if there is a breach of contract, for example due to late payment or maturity.

The Company assumes that a financial asset is in default if:

- the debtor is unlikely to pay its payables to the Company in full without the latter using the possibility of incashing the collateral (if any), and/or
- the debtor is considered to be at high risk (late payment is longer than 90 days) – for debtors outside the Interenergo Group.

The Company considers that the financial assets have a low credit risk according to the generally known and accepted credit rating definitions. It takes into account that the low-risk rating is Baa3 or higher (Moody's rating) or BBB rating or higher (S&P rating) or BBB and above (according to FinAPU[1], which is based on based on Fitch Solutions and Refinitiv ratings).

The maximum period for which expected credit losses are taken into account equals the maximum period for which the Company is exposed to credit risk.

Trade receivables and other receivables without a significant financing component are initially recognized at the transaction price and do not have a contractual interest rate. The effective interest rate for these claims is therefore considered to be zero. Accordingly, cash deficit discounting, which reflects the time value of money when measuring expected credit losses, is not applied.

As of each balance sheet date, the Company checks whether financial assets measured at amortised cost and assets from contracts with customers, are credit impaired. A financial asset is impaired if one or more events have occurred that adversely affect the estimated future cash flow of the financial asset. Evidence that a financial asset is impaired includes the following visible data:

- significant financial difficulties of the debtor;
- breach of contract e.g. late or overdue payment by more than 90 days;
- the probability that the debtor will go bankrupt or start insolvency proceedings;
- the likelihood that the debtor will not be able to comply with contractual provisions;
- the existence of negative external and internal factors indicating that the debtor will not be able to meet its contractual obligations.

Impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the asset. Increases and decreases due to impairment are recognized in profit or loss.

The gross carrying amount of a financial asset is written off if the Company has no reasonable expectation that the financial asset will be repaid in full or in part. Che company prepares an assessment for each individual asset regarding the time and amount of the write-off and whether it is reasonably expected that repayment will occur. The Company does not expect a larger recovery from the written-off amount. However, write-offs may still be subject to enforcement activities in accordance with the Company's procedures for recovering outstanding amounts.

For financial assets that are credit impaired at the reporting date but not impaired at the acquisition date, including loans granted, the expected credit loss is measured as the difference between the carrying amount and the present value of expected cash flows, discounted at the original effective interest rate.

[1] The Financial Application Pooling Unit (FinAPU) provides an independent platform for assessing issuer risk based on real-time information, evaluating issuers and instruments using data from Refinitiv, Fitch Solutions and its own risk and audit models.

Impairment of other non-financial assets

The Company reviews the carrying amount of its non-financial assets (other than the carrying amount of inventories, contract assets and deferred tax assets) at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

At the end of each reporting period, the Company reviews internal and external sources of information to determine whether non-financial assets, including investments in subsidiaries, property, plant and equipment and the right to use assets, need to be impaired.

Other assets are impaired and impairment losses are recognized in profit or loss when the recoverable amount of the asset is less than its carrying amount and are reversed if the recoverable amount has changed favourably.

The recoverable amount of an asset or group of assets is the higher of its value in use and its fair value less costs to sell. In determining the value in use of an asset - or when the asset does not generate cash flows independently of other assets - the expected 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 money and risk for an asset or group of assets.

Impairment losses are recognized in profit or loss.

Impairment of investments in subsidiaries

An impairment loss in connection with a financial asset is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future expected cash flows are discounted at a weighted average cost of capital rate (WACC) that reflects the cost of capital and financing. The value of the company, which expresses the value of the capital of a subsidiary, is relevant for assessing the impairment of investments; the debt's fair value is deducted from the present value of expected cash flows.

2.3.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash, sight deposits with banks and other financial institutions, sight deposits with third parties and short-term, highly liquid investments that are readily convertible to known amounts of cash and for which there is insignificant risk of change in value.

2.3.10 Equity

Share capital is the called-up capital of the shareholder. Total equity consists of share capital, capital surplus (share premium), legal reserves, and retained earnings or losses.

2.3.11 Income

Income is the gross inflow of economic benefits during the period arising in course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Income is recognised when the company transfers the right of controlling the asset or service to the buyer i.e. up to the amount expected to be justified. Depending on whether certain criteria are met, income is recognised a) over time, in a manner depicting the company's performance, or b) at a point in time when control is transferred to the customer. Income arises on the sale of products and goods and rendering of services.

Manner and the point of time of complying with enforceable obligations and recognition of income for individual types of goods or services are as follows:

- Sale of products and goods: control of goods and products is transferred to the customer at the time of delivery. Revenue generated thereunder are recognised at the time of delivery. The Company generates this revenue from sale of electricity produced by solar power plants and from electricity wholesale trading and trading at power exchanges. In case of an electricity supply contract, the seller transfers control gradually, and the buyer simultaneously obtains and uses the benefits of the seller's obligation when it is performed. Thus, the seller fulfils its enforceable obligation and recognizes revenue gradually by measuring progress towards complete fulfilment of the enforceable obligation of supplying electricity by the method of outputs i.e. method of calculated amounts based on the delivered quantities of electricity.
- Sale of services: the control over services is transferred to the customer in the moment when the service is performed. Revenue from rendered trading, energy and engineering services are recognised in the reporting period in which the services are performed. Revenue from services rendered is recognized in the income statement based on the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reviewing the work performed.
- Commission services: the Company has a contract with the parent company, where it acts as a commission agent who pursuant to the contract conducts electricity trading on behalf of the client, for which it charges a commission fee. The Company is under the contract entitled to a fixed monthly part of the commission and a variable part of the commission, which is determined at the end of the accounting period. During the provision of services, the Company does not bear the risk of losses that would arise from the concluded commission transactions, as these are borne by the client. As the Company does not bear the risk of losses that must be settled by the client under the contract, the Company deemed that it acts as an agent in this contract. Revenue is recognized on a net basis, in the amount of the commission as defined under the contract. Revenue is recognized gradually according to the stage of completion of the enforcement obligation.

2.3.12 Employee benefits

Salaries, allowances, paid annual leave and defined retirement benefit plans and non-cash benefit costs are recognized as a liability in profit or loss or in costs related to services during the period in which they are incurred by employees.

2.3.13 Finance income and finance costs

Finance income and finance costs comprise:

- interest income;
- dividend income;
- income from reversal of investments' impairment;
- interest expenses;
- expenses for impairment of investments, and
- foreign exchange differences arising on revaluation of financial assets and financial liabilities.

Dividend income is recognized in the income statement on the date the Company obtains the right to receive the dividend.

When calculating finance income and costs, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not impaired) or the amortised cost of the financial liability. For financial assets that were impaired after their initial recognition, financial income is calculated from the amortised cost (gross carrying amount of the impairment loss), whereas it is recalculated from the gross carrying amount when the asset is no longer financially impaired.

2.3.14 Income tax expense

Income tax for the financial year comprises current tax and changes in deferred tax assets and deferred tax liabilities. Current tax and changes in deferred tax assets and liabilities are recognized in the income statement, except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity.

Current tax is the tax expected to be payable on the taxable profit for the financial year, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax liabilities in respect of previous years.

Deferred tax is provided, taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Future taxable profit, on the basis of which deferred tax assets from deductible temporary differences may be recognized, includes temporary differences that will arise from the elimination of existing temporary tax differences if those differences relate to the same tax authority in respect of the same taxable unit or to different taxable units that intend to repay tax liabilities or receive payment of deferred tax assets in a set-off amount or that intend to repay tax liabilities or receive payment of deferred tax assets at the same time. The same criteria are adopted in determining whether existing taxable temporary differences support the recognition of a deferred tax asset due to unused tax losses and credits i.e. these differences are taken into account if they relate to the same tax authority and the same taxpayer and are expected to be eliminated in the period or periods in which the tax loss or credit can be used.

The amount of recognized deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax benefit can be utilized. Any such reduction shall be reversed if it is probable that sufficient taxable profit will be available.

Accounted taxes, deferred taxes and their changes are presented separately and are not offset. Accounted tax receivables are offset by current tax liabilities, and deferred tax assets are offset by deferred tax liabilities if the Company has legally enforceable rights to offset accounted tax receivables with short-term tax liabilities and the following additional conditions are met:

- in case of accounted tax receivables and liabilities: the Company intends to either settle the net amount or liquidate the asset and settle its liability at the same time, or
- in case of deferred tax assets and deferred tax liabilities: in the case of income taxes levied by the same tax authority on the same taxable person or on different taxable persons and intended for any future period in which significant future payments are expected to be settled or recovered the amounts of deferred tax liabilities or assets, either to cash in the accounted tax receivables and settle the net amount of the tax liability, or to cash and settle at the same time.

2.3.15 Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, which can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the time value of money is significant, provisions are stated at the present value of the expected costs of settling the liability.

When it is unlikely that an outflow of economic benefits will be required or if the amount cannot be estimated reliably, a contingent liability is disclosed unless the probability of an outflow of economic benefits is low. Possible liabilities, the existence of which will be confirmed only by the occurrence or absence of one or more future events, are also disclosed as contingent liabilities, unless the probability of an outflow of economic benefits is low.

2.3.16 Statement of cash flows

The statement of cash flows is a fundamental financial statement showing a true and fair view of changes in cash and cash equivalents during a financial year. The statement of cash flows is prepared by using the indirect method in accordance with IFRS. The cash flow statement includes cash flows from operating, investing and financing activities. Cash flows are generally not presented in set-off amounts. The statement of cash flows includes data taken from the statement of financial position and the statement of profit or loss by considering also appropriate adjustments for cash flows.

2.3.17 New standards and interpretations, amendments to applicable standards

Certain new accounting standards and interpretations have been published, which are not mandatory for the reporting periods as of 31 December 2021 and have not been adopted by the Company prematurely. These standards are not expected to have a material impact on the Company in the short or future reporting periods and on foreseeable future transactions:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Disclosure of Accounting Policies (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16);
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts;
- Annual Improvements to IFRS Standards 2018-2020.

2.4 Disclosures to the items of financial statements

2.4.1 Intangible assets

in EUR	31 Dec 2021	31 Dec 2020
Intangible assets	**471,770**	**396,683**
Long-term property rights	350,454	384,678
Intangible assets in acquisition	121,315	12,005

Long-term property rights include computer software in the amount of EUR 221,306 (2020: EUR 240,083) and easements for installing solar power plants on the Martex and Mura buildings in the amount of EUR 129,148 (2020: EUR 144,595), whereby intangible assets in acquisition include investments in developing the software.

Movement of intangible assets in 2021

in EUR	Long-term property rights	Intangible assets in acquisition	Total
Purchase cost			
Balance at 1 Jan 2021	1,056,678	12,005	**1,068,683**
Additions	76,961	142,701	**219,662**
Transfer	12,366	-12,366	**0**
Disposals	0	-21,025	**-21,025**
Balance at 31 Dec 2021	1,146,005	121,315	**1,267,320**
Accumulated amortisation			
Balance at 1 Jan 2021	-672,000	0	**-672,000**
Amortisation	-123,551	0	**-123,551**
Balance at 31 Dec 2021	-795,551	0	**-795,551**
Carrying amount			
Balance at 1 Jan 2021	384,678	12,005	**396,683**
Balance at 31 Dec 2021	350,454	121,315	**471,770**

Movement of intangible assets in 2020

in EUR	Long-term property rights	Intangible assets in acquisition	Total
Purchase cost			
Balance at 1 Jan 2020	870,101	74,629	**944,730**
Additions	60,725	63,229	**123,953**
Transfer	125,853	-125,853	**0**
Disposals	0	0	**0**
Balance at 31 Dec 2020	1,056,678	12,005	**1,068,683**
Accumulated amortisation			
Balance at 1 Jan 2020	-515,265	0	**-515,265**
Amortisation	-156,735	0	**-156,735**
Balance at 31 Dec 2020	-672,000	0	**-672,000**
Carrying amount			
Balance at 1 Jan 2020	354,836	74,629	**429,465**
Balance at 31 Dec 2020	384,678	12,005	**396,683**

2.4.2 Property, plant and equipment

in EUR	31 Dec 2021	31 Dec 2020
Property, plant and equipment	**5,949,009**	**5,563,928**
Real properties	872,536	100,095
Production plant	4,778,182	1,787,158
Other plant and equipment	242,865	2,839,829
Other plant and equipment in construction	55,427	836,846

Production plants include solar power plants as well as mechanical and electronic equipment referring to energy contracting projects, while other plant and equipment comprise passenger cars, investments in foreign-owned fixed assets, and other equipment.

The item of solar power plants comprises: the solar power plant in Volčja Draga on the Martex building (PV Martex), the solar power plant on the Mura building in Murska Sobota (PV Mura), the solar power plants in Trebnje, Limbuš and Lendava under the collective name Galaksija (PV Galaksija), and the solar power plant on the Jeruzalem building in Ormož (PV Jeruzalem). All solar power plants are insured and none are pledged as security. Based on energy contracting, the Company reclassified in 2021 the project's equipment from other equipment to production plant, as solely assets that are not directly used in generating income are classified in the other equipment category.

Movement of property, plant and equipment in 2021

in EUR	Real properties	Production plant	Other plant and equipment	Other plant and equipment in construction	Total
Purchase cost					
Balance at 1 Jan 2021	364,182	3,665,602	3,696,379	836,846	**8,563,009**
Additions	1,298,601	6,000	98,802	469,186	**1,872,589**
Transfer	0	4,249,986	-2,999,380	-1,250,606	**0**
Disposals	-688,951	0	-103,100	0	**-792,050**
Balance at 31 Dec 2021	973,832	7,921,588	692,701	55,427	**9,643,548**
Accumulated depreciation					
Balance at 1 Jan 2021	-264,087	-1,878,444	-856,550	0	**-2,999,081**
Depreciation	-195,320	-395,574	-511,871	0	**-1,102,765**
Transfer	0	-869,388	869,388		**0**
Disposals	358,111	0	49,197	0	**407,307**
Balance at 31 Dec 2021	-101,296	-3,143,406	-449,836	0	**-3,694,539**
Carrying amount					
Balance at 1 Jan 2021	100,095	1,787,158	2,839,829	836,846	**5,563,928**
Balance at 31 Dec 2021	872,536	4,778,182	242,865	55,427	**5,949,009**

Movement of property, plant and equipment in 2020

in EUR	Real properties	Production plant	Other plant and equipment	Other plant and equipment in construction	Total
Purchase cost					
Balance at 1 Jan 2020	363,702	3,665,602	1,783,407	749,642	**6,562,353**
Additions	479	0	116,124	1,956,485	**2,073,088**
Transfers	0	0	1,869,280	-1,869,280	**0**
Disposals	0	0	-72,432	0	**-72,432**
Balance at 31 Dec 2020	364,182	3,665,602	3,696,379	836,846	**8,563,009**
Accumulated depreciation					
Balance at 1 Jan 2020	-126,285	-1,612,009	-438,330	0	**-2,176,623**
Depreciation	-137,802	-266,436	-468,127	0	**-872,365**
Disposals			49,908	0	**49,908**
Balance at 31 Dec 2020	-264,087	-1,878,444	-856,550	0	**-2,999,081**
Carrying amount					
Balance at 1 Jan 2020	237,417	2,053,594	1,345,077	749,642	**4,385,730**
Balance at 31 Dec 2020	100,095	1,787,158	2,839,829	836,846	**5,563,928**

Company's assets are not pledged.

Based on the new IFRS 16 standard, the Company recognised in its statement of financial position also the right of use the assets arising from the operating and finance leases, in which it acts as lessee of business premises, office furniture and passenger cars. The Company leases also other equipment, although these leases are of short-term nature or the objects of such leases are assets of minor value.

Movement of values relating to the right-of-use the assets

in EUR	2021			2020		
	Real properties	Equipment	Total	Real properties	Equipment	Total
Purchase cost						
Balance at 1 Jan	364,182	138,026	**502,208**	363,702	126,883	**490,586**
Additions	1,298,601	49,294	**1,347,895**	0	47,999	**47,999**
Changes	0	0	**0**	479	0	**479**
Disposals	-688,951	-15,205	**-704,155**	0	-36,856	**-36,856**
Balance at 31 Dec	973,832	172,116	**1,145,948**	364,182	138,026	**502,208**
Accumulated depreciation						
Balance at 1 Jan	-264,087	-50,368	**-314,455**	-126,285	-38,501	**-164,786**
Depreciation	-195,320	-32,559	**-227,879**	-137,802	-43,456	**-181,258**
Disposals	358,111	15,205	**373,316**	0	31,589	**31,589**
Balance at 31 Dec	-101,296	-67,722	**-169,018**	-264,087	-50,368	**-314,455**
Carrying amount						
Balance at 1 Jan	100,095	87,659	**187,753**	237,417	88,382	**325,800**
Balance at 31 Dec	872,536	104,394	**976,930**	100,095	87,659	**187,753**

Lease-related expenditure

in EUR	2021	2020
Amounts recognised in the income statement		
Interest on lease liabilities	8,183	4,102
Costs for current leases for which the right of use the asset was not recognised	13,910	11,569
Lease related costs of minor value for which the right of use the asset was not recognised	232,459	200,929
Amounts recognised in the statement of cash flows		
Cash flows from leases	228,942	187,053

2.4.3 Non-current investments

in EUR	31 Dec 2021	31 Dec 2020
Non-current investments	**83,998,457**	**88,839,837**
Investments in subsidiaries	24,993,168	25,706,657
Non-current loans granted	59,005,288	63,133,181

2.4.3.1 Investments in subsidiaries

Company's non-current investments in subsidiaries comprise following:

in EUR	Equity interest	Carrying amount of the investment		Equity of subsidiary		Net profit or loss of the subsidiary	
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	2021	2020
EHE, d. o. o., BA	100%	0	0	6,961,450	7,314,024	-352,575	-1,616,681
Interenergo, d. o. o., BA	100%	399,105	399,105	650,867	587,744	63,124	63,590
PLC Interenergo, d. o. o., RS	100%	400,000	400,000	888,210	863,250	23,490	2,807
• *Hidrowatt d.o.o., RS	89%	-	-	624,172	579,529	43,656	47,307
• *Hydro Ljutina d.o.o., RS	100%	-	-	779,213	918,581	-140,933	-185,149
Interenergo Makedonija, d. o. o. e. l., MK	100%	258,613	258,613	231,731	121,855	109,557	5,718
Inter-Energo, d. o. o., BA	100%	4,290,791	2,667,530	6,886,524	6,881,040	5,485	-119,676
MHE Vrbnica, d. o. o., ME	70%	7,000	7,000	-1,012,926	-934,272	-78,654	-837,557
Interenergo, d. o. o.-Kosova Sh. p. k., XK	100%	10,000	10,000	21,952	-10,869	32,821	-4,298
Lumbardhi Beteiligungs GmbH, AT	90%	0	3,793,240	3,915,426	3,917,303	-1,877	-4,425,189
• *KelKos Energy Sh.p.k., XK	90%	-	-	-4,893,420	-3,219,800	-1,673,620	-5,247,645
Ekoenergo, d. o. o., SI	100%	1,683,075	1,740,563	1,628,597	1,305,696	241,229	-155,968
• *Eneregtika Šentrupert, d. o. o., SI	100%	-	-	0	430,678	0	-8,068
Vjetropark Jasenice, d. o. o., HR	100%	3,195,567	3,194,111	1,554,606	1,021,571	528,101	60,416
Solarne elektrane Bukovica, d. o. o, HR	100%	489,381	489,381	-29,396	-33,202	3,966	-9,449
Vjetroelektrana Orjak, d. o. o., HR	100%	12,143,184	12,062,904	2,662,862	2,899,259	-250,401	0
Osen toplota, d. o. o., SI	100%	579,149	553,273	109,079	61,130	47,922	0
Solarne elektrane Nin, d. o. o., HR	80%	132,000	130,936	-4,488	1,014	-5,506	0
Vjetroelektrana Čardakov, d. o. o., BA	60%	9,627	0	2,093	-	-13,885	-
PVE Perun, d. o. o., MK	51%	1,395,677	0	-152,082	-	-128,580	-
Total		**24,993,168**	**25,706,657**	**20,824,471**	**22,704,533**	**-1,546,682**	**-12,429,844**

* Indirect ownership.

In 2021, the Company acquired a 60 percent equity interest in Vjetroelektrane Čardakov, d. o. o. and a 51 percent equity interest in PVE Perun, d. o. o. In addition, Ekoenergo, d. o. o. (former Energetika Šentrupert, d. o. o.) was merged with Eko-toplota energetika, d. o. o., whereas the latter was also renamed into Ekoenergo, d. o. o.

Movement of investments in subsidiaries

in EUR	2021	2020
Balance at 1 Jan	**25,706,657**	**15,527,984**
Additions	1,592,311	9,392,316
Disposals	-135,820	0
Impairments	-3,793,240	-3,906,237
Reversal of impairment	1,623,260	0
Transfer of impairment from loans to subsidiaries	0	-5,225,554
Share capital increase in subsidiaries based on conversion of loans granted	0	9,918,147
Balance at 31 Dec	**24,993,168**	**25,706,657**

As at 31 December 2021, the Company assessed the indications of impairment and established that following investments show signs of impairment:

- EHE, d. o. o.: reducing the average production volume based on the average of the last years and upward forecasting on the future movement of electricity prices for the period for which the subsidized electricity price is no longer valid on the basis of the FiT contract;
- Inter-Energo, d. o. o., Gornji Vakuf: reducing the average production volume based on the average of the last years and upward forecasting on the future movement of electricity prices for the period for which the subsidized electricity price is no longer valid on the basis of the FiT contract;
- Lumbardhi Beteiligungs GmbH, which owns Kelkos Sh.p.k. that operates four power plants: temporary suspension of the power plants' operations, shortening of the foreseen period of operation, as well as upward forecasting on the future movement of electricity prices for the period for which the subsidized electricity price is no longer valid on the basis of the FiT contract.

The recoverable value estimate was calculated based on the return-based approach using the discounted cash flow method. The estimated value is in view of assumptions used classified as Level 3 within the fair value hierarchy (Note 2.5.6). Assumptions used the anticipated quantity of electricity produced, estimated future electricity prices, duration of concessions, the amount of concession fees and operating costs including investments (industrial standard combined with a historical cost analysis). The discount rates used were calculated as the weighted average costs of capital for investments in power plants by taking into account the risk of individual country.

The estimated recoverable value was determined based on following assumptions:

- electricity produced on an annual basis equals the estimated production as confirmed by the competent bodies and the parent company. An exception would apply with power plants, where their multi-annual average production, normalised by one-off events, would fail to achieve the initially expected production.
- during the initial phase, the "feed-in" (FiT) tariffs were used as the price for electricity produced. The transition to the market price for electricity, whose amount is assessed via an external study, is carried out once the announced market price for electricity exceeds the "feed-in" tariff or not later than at the latter's expiry.
- considered duration of the project equals the duration of the licence.

Impairment testing was carried out on 31 December 2021 based on the present value method of expected cash flows. The significant assumptions used for individual investments are shown in the table below.

Investment	Cash generating unit (CGU)	Discount rate (WACC) in %	Average annual production of electricity in MWh	Production period until the year	FIT period	Initial market purchase price in EUR/MWh*	Period of market prices	Total exposure prior to impairment **	Estimate of recoverable amount	Impairment of investments or reversal of impairment recognised in income statement
EHE, d. o. o.	CGU1	9,25%	9,500	2046	2022-2031	57.90	2031-2046	24,467,921	22,945,028	-1,522,893
	CGU2	9,25%	15,500	2056	2022-2028	61.06	2028-2056			
	CGU3	9,25%	20,000	2056	2022-2033	62.97	2034-2056			
Inter-Energo d.o.o Gornji Vakuf	CGU1	9,10%	3,400	2035	-	63.42	2022-2035	2,667,530	4,290,791	1,623,261
	CGU2	9,15%	7,500	2041	2022-2027	68.97	2027-2042			
Lumbardhi GmbH	CGU1	9,25%	25,000	2046	-	42.00	2022-2046	3,793,240	0	-3,793,240
	CGU2	9,30%	20,000	2061	2022-2028	61.06	2028-2061			
	CGU3	9,30%	29,500	2061	2022-2028	61.06	2028-2061			
	CGU4	9,30%	14,000	2063	2022-2031	59.58	2032-2063			

* Market prices are based on the exchange prices of standardized futures contracts on the HUPX energy exchange for the 2022–2025 period; upon that period, the RWE study is the source of long-term forecasts of market price movements.

** Inclusive of the value of investment in the subsidiary, long-term and short-term loans and interest receivables.

While the calculation method remained the same – relative to the impairment-related estimates made by the Company last year – the key change in this year's impairment assumptions was the reduction of production volumes in Bosnia and Herzegovina, shortening of the foreseen period of the power plant's operation in Kosovo and emergencies related to unforeseen activities by the state bodies in Kosovo, due to which the operation of power plants is partially curtailed.

The Company is of the opinion that the stated changes in assumptions contribute to a more accurate and realistic valuation of non-current investments in subsidiaries. In view of the results of the performed analysis, which included the aforesaid changes in assumptions, the Company impaired the short-term loan to EHE, d. o. o., (EUR 1,522,893), the investment in Lumbardhi Beteiligungs GmbH (EUR 3,793,240) and partially reversed the impaired investment in Intere-energo, d. o. o., Gornji Vakuf (EUR 1,623,261).

The Management assesses that the key assumptions for estimating the recoverable amount of investments are the quantity of electricity production and the weighted average cost of capital. The sensitivity analysis of the recoverable amount to changes in the projected amount of electricity production and the weighted average cost of capital is shown in the table below.

Sensitivity analysis of the estimated recoverable amount

in EUR	Changed estimate of the recoverable value relative to	
	changed quantity by +/- 5%	changed quantity by +/- 0.5%
EHE, d. o. o., BA	+/- 1,318,028	-/+ 916,805
Inter-Energo, d. o. o., BA	+/- 196,633	-/+ 88,361
KelKos Energy Sh. p. k., XK	+/- 2,480,705	-/+ 2,018,795

2.4.3.2 Non-current loans granted

The item of non-current loans includes loans granted to subsidiaries that bear the fixed interest rate. The loans mature in years from 2030 to 2035 and are not secured.

Movement of non-current loans granted

in EUR	2021	2020
Balance at 1 Jan	**63,133,181**	**43,439,876**
Increase	2,085,000	25,335,899
Decrease	-4,790,000	-950,000
Impairment	-1,522,892	0
Transfer of 'impairment of granted loans' to 'investments in subsidiaries'	0	5,225,554
Share capital increase in subsidiaries based on conversion of granted loans	0	-9,918,147
Transfer from current loans	100,000	0
Balance at 31 Dec	**59,005,288**	**63,133,181**

The need to impair the non-current loans to subsidiaries was assessed together with the impairment testing of investments by applying the discounted cash flow method (Note 2.4.3.1). In line with the analysis performed, the Company impaired the non-current loan to EHE, d. o. o. (EUR 1,522,893).

Non-current loans granted to Group companies are in detail outlined among related party transactions (Note 2.6).

2.4.4 Non-current receivables

in EUR	31 Dec 2021	31 Dec 2020
Non-current receivables	**51,812**	**55,453**
Non-current given securities	26,793	26,793
Other non-current receivables	25,020	28,660

Non-current receivables comprise given securities and the non-current receivable to the servient owner.

2.4.5 Deferred tax assets

in EUR	31 Dec 2021	31 Dec 2020
Deferred tax assets	**197,994**	**163,483**
from impairment of receivables and investments	165,561	149,915
from provisions	16,825	0
from temporary differences arising on useful lives of property, plant and equipment	15,608	13,568

Movement of deferred tax assets

in EUR	Impairments	Provisions	Useful lives of fixed assets	Total
Balance at 1 Jan	**149,915**	**0**	**13,568**	**163,483**
Change	15,646	16,825	2,039	34,511
Balance at 31 Dec	**165,561**	**16,825**	**15,608**	**197,994**

2.4.6 Current investments

in EUR	31 Dec 2021	31 Dec 2020
Current investments	**14,289,581**	**4,593,239**
Current loans to subsidiaries	1,988,852	305,655
Other current investments	10,000,000	0
Current interest receivables from loans	2,300,730	4,287,584

Current investments comprise loans granted to subsidiaries and the value of interest receivables from loans that fall due in the period of up to 1 year and other current investments that represent surplus of assets in the cash pool.

Movement of current investments

in EUR	2021	2020
Balance at 1 Jan	**4,593,239**	**3,110,671**
Increase in current loans granted	2,001,027	222,000
Repayment of current loans granted	-140,001	0
Transfer to non-current loans	-100,000	0
Impairments	-77,829	0
Increase in other non-current investments	10,000,000	0
Increase in interest receivables	2,758,906	3,204,559
Decrease in interest receivables	-4,745,760	-1,943,991
Balance at 31 Dec	**14,289,581**	**4,593,239**

2.4.7 Derivatives

in EUR	31 Dec 2021	31 Dec 2020
Derivatives (assets)	**12,333,649**	**5,293,775**
Assets relating to commodity forward contracts	12,333,649	5,293,775
Derivatives (liabilities)	**-11,279,335**	**-5,065,860**
Assets relating to commodity forward contracts	-11,096,630	-5,043,303
Assets relating to foreign currency forward contracts	-182,705	-22,557

The value of derivatives is derived from the fair value estimate of commodity forwards with physical settlement and cross-border transmission capacity contracts related to electricity trading and foreign exchange forwards arising from currency risk hedging, open on the reporting day. The stated assets and liabilities are to be treated collectively; the assets refer to the group of contracts, whose fair value is positive, whereas the liabilities refer to the group of contracts, whose fair value is negative. If a contract is signed with a partner with a netting clause, the positive and negative fair values of individual contracts with that partner are shown in a netted amount for the relevant periods. In the financial year, the Company discloses income from the valuation of derivatives (commodity forward contracts) in the fair value of EUR 986,547 (Note 2.4.16). The effects of trading with standardized futures contracts are recorded as revenue for the period in the amount of EUR 13,463,192 (Note 2.4.16).

2.4.8 Trade and other receivables

in EUR	31 Dec 2021	31 Dec 2020
Trade and other receivables	**37,600,160**	**27,205,596**
Trade receivables to domestic customers	2,616,901	7,507,561
Trade receivables to foreign customers	8,811,242	7,198,009
Receivables to related entities	21,473,253	11,113,089
Tax receivables	2,769,365	998,645
Other receivables	2,720,924	1,175,165
Bad debt allowance	-791,526	-786,873

Current trade receivables to customers refer to the sale of electricity and cross-border transmission capacities in December 2021. Trade receivables and trade payables can be set off in accordance with provisions of the standard EFET agreement. The set-offs include receivables to domestic, foreign and related customers, who on the hand act also as suppliers.

As at 31 December 2021, 45% of trade receivables were secured by means of credit insurance provided by an insurance company or other forms of credit insurance (2020: 75%). The Company formed EUR 4,653 of bad debt allowances in 2021 based on the expected credit loss model (2020: EUR 1,103).

As at 31 December 2021 as well as at 31 December 2020, the Company recorded no receivables to members of the Management Board and the Supervisory Board.

2.4.9 Prepayments, contract assets and other assets

in EUR	31 Dec 2021	31 Dec 2020
Prepayments, contract assets and other assets	**20,793,987**	**11,695,507**
Prepayments	16,201,735	8,694,142
Contract assets	2,736,285	2,500,931
Other assets	1,855,967	500,435

Receivables for prepayments refer to advance payment made on the basis of electricity purchase contracts and guarantees provided for trading at European energy exchanges. Their value depends on the volume of electricity purchased at individual energy exchanges in the respective period; relative to December 2020, more purchases of electricity or at higher prices at energy exchanges were recorded in December 2021, which resulted also in higher relevant receivables.

Other assets refer to short-term deferred operating costs, primarily to the purchase of cross-border transmission capacities, annual memberships, subscriptions and insurances.

Contract assets relate to Company's rights to compensation for performance obligations fulfilled under contracts with customers. Contract assets are transferred to receivables when the right to payment becomes unconditional, but after time period elapses. This occurs when the Company issues an invoice to the customer in accordance with the billing specifics agreed in the contract. Contract assets refer to non-charged sale of goods and service as the Company deferred accrued income from the December electricity sale at the year-end of 2021, which primarily relate to the electricity sales on power exchanges and sales of cross-border transmission capacities in December 2021. The value of income is based on the confirmed contracts on the sale of electricity including delivery in December 2021.

Contract balances relating to contracts with customers

in EUR	31 Dec 2021	31 Dec 2020
Receivables included in 'Trade and other receivables'	32,901,396	25,818,658
Contract assets included in 'Prepayments, contract assets and other assets'	2,736,285	2,500,931
Contract liabilities included in 'Trade and other payables'	0	0

Changes in the value of contract assets

in EUR	2021	2020
Balance at 1 Jan	**2,500,861**	**2,877,577**
Increase	2,736,285	2,500,931
Transfer to receivables	-2,500,861	-2,877,577
(Recognition) / Reversal of impairment	-1,195	-70
Balance at 31 Dec	**2,735,090**	**2,500,861**

2.4.10 Cash and cash equivalents

in EUR	31 Dec 2021	31 Dec 2020
Cash	**11,983,320**	**7,255,628**
Bank balances	11,782,711	7,186,073
Short-term deposits	200,609	69,555

2.4.11 Equity

in EUR	31 Dec 2021	31 Dec 2020
Equity	**67,859,243**	**63,562,437**
Share capital	10,200,000	10,200,000
Capital surplus	66,850,000	65,450,000
Revenue reserves	95,722	95,722
Retained losses	-12,183,285	-13,292,010
Profit or loss for the period	2,896,806	1,108,725

The capital surplus was created by additional contributions from the sole shareholder. In 2021, the shareholder paid in additional capital surplus amounting to EUR 1,400,000.

Revenue reserves comprise legal reserves and capital surplus that arises from additional contributions paid by the sole shareholder. Profit for the period covers the loss from previous periods.

Accumulated profit or loss for 2021

in EUR	2021	2020
Accumulated profit or loss	**-9,286,479**	**-12,183,285**
Profit for the period	2,896,806	1,108,725
Retained earnings or losses from previous periods	-12,183,285	-13,292,010

2.4.12 Non-current financial liabilities

in EUR	31 Dec 2021	31 Dec 2020
Non-current financial liabilities	**64,944,239**	**61,610,638**
Non-current borrowings	62,512,777	60,427,190
Non-current lease liabilities	729,093	48,277
Other non-current financial liabilities	1,702,369	1,135,171

Company's non-current financial liabilities primarily relate to the borrowings granted by KI-Kelag International in the amount of EUR 62,512,777 (2020: EUR 60,427,190), which bear the fixed interest rates ranging from 0.7% to 1.75% and are not secured. The borrowings mature between 2030 and 2035. The borrowings are used for financing investments in projects relating to renewable energy sources based on energy contracting. The remaining non-current investments refer to payables arising from the purchase of investments and to leases.

Movement of non-current financial liabilities

in EUR	31 Dec 2021	31 Dec 2020
Balance at 1 Jan	**61,610,638**	**24,285,059**
Increase in borrowings	2,572,750	54,344,867
Repayment of borrowings	-487,163	-17,740,743
Increase in other non-current financial liabilities	1,517,025	852,868
Decrease in other non-current financial liabilities	-269,011	-131,413
Balance at 31 Dec	**64,944,239**	**61,610,638**

Based on the IFRS 16 standard, the Company discloses in its statement of financial position the non-current labilities from operating and finance leases, in which it acts as lessee of business premises, office furniture and passenger cars. Non-current lease liabilities are due not later than by the first quarter of 2026.

Movement of non-current lease liabilities

in EUR	2021	2020
Balance at 1 Jan	**48,277**	**136,965**
Increase	794,620	29,944
Changes	12,312	203
Interest	6,115	2,028
Repayments	-132,230	-120,863
Balance at 31 Dec	**729,093**	**48,277**

2.4.13 Other non-current liabilities

in EUR	31 Dec 2021	31 Dec 2020
Other non-current liabilities	**1,335,823**	**556,018**
Accrued costs	1,109,646	494,093
Provisions	177,108	0
Long-term deferred income	49,069	61,925

Accrued costs comprise primarily the variable earnings of the employees that are to be paid out in a period longer than one year and provisions for jubilee premiums and retirement benefits, calculated pursuant to IAS 19.

2.4.14 Current financial liabilities

in EUR	31 Dec 2021	31 Dec 2020
Current financial liabilities	**440,642**	**3,074,708**
Current borrowings	306	2,501,297
Current lease liabilities	234,484	125,411
Other current financial liabilities	205,852	448,000

Other current financial liabilities represent liabilities arising under the purchase of investments.

Movement of current liabilities

in EUR	31 Dec 2021	31 Dec 2020
Balance at 1 Jan	**3,074,708**	**4,749,460**
Increase in current borrowings	0	2,500,000
Repayment of current borrowings	-2,500,991	-1,741,857
Increase in other current financial liabilities	220,308	338,079
Decrease in other financial liabilities	-353,383	-2,770,974
Balance at 31 Dec	**440,642**	**3,074,708**

Based on the IFRS 16 standard, the Company discloses in its statement of financial position the current liabilities from operating and finance leases, in which it acts as lessee of business premises, office furniture and passenger cars.

Movement of current lease liabilities

in EUR	2021	2020
Balance at 1 Jan	**125,411**	**174,448**
Increases	207,185	18,055
Decreases	0	-3,253
Changes	-3,470	277
Interest	2,069	2,074
Repayments	-96,711	-66,190
Balance at 31 Dec	**234,484**	**125,411**

2.4.15 Trade and other payables

in EUR	31 Dec 2021	31 Dec 2020
Trade and other payables	**41,579,637**	**17,697,371**
Trade payables to domestic suppliers	934,524	391,202
Trade payables to foreign suppliers	5,114,315	7,030,583
Liabilities to related entities	32,037,280	6,242,463
Liabilities for received prepayments and collaterals	90,768	367,325
Payables to employees	115,373	94,240
Tax payables and payables for contributions	93,886	931,593
Other payables	3,193,490	2,639,963

Current trade payables to suppliers include payables referring to the purchase of electricity and the related costs in December 2021. Trade receivables to customers and trade payables to suppliers relating to electricity trading can be set off in accordance with provisions of the standard EFET agreement. The set-offs comprise receivables to domestic, foreign and related suppliers, who on the other hand act also as buyers.

Company's other payables comprise mostly short-term accrued costs for electricity purchased, cross-border transmission capacities and the related costs of trading for December 2021. The Company has deferred costs based on the confirmed contracts on the sale of electricity including delivery in December 2021. As the purchases of electricity increased or were made at higher prices at the exchanges in the reporting period over the last year's comparable period, the value of accrued costs is thereby higher.

2.4.16 Revenue

in EUR	2021	2020
Revenue	**1,084,007,411**	**458,898,377**
Revenue from contracts with customers, recognised gradually	**1,069,557,671**	**455,913,471**
Revenue from electricity trading	1,055,239,863	450,351,059
Revenue from sale of electricity produced	1,011,166	520,904
Revenue from commission services	10,619,203	3,178,523
Revenue from sale of other services	2,687,439	1,862,985
Fair value of commodity forward contracts	**986,547**	**-2,286,687**
Effects of standardized futures contracts	**13,463,192**	**5,271,592**

The Company increased its revenue from electricity trading by 134% over the previous year. The main reason for the respective increase is the historically highest growth in electricity prices on all markets.

Revenue from commission services are recognized on a net basis, in the amount of the commission to which it is entitled on the basis of a contract in which the Company acts as a commission agent who performs electricity trading in its name for the client's account. As the Company does not bear the risk of losses that must be settled by the client based on the contract, the Company acts as an agent in this contract.

Revenue from the sale of other services include energy services, trading services and engineering services.

2.4.17 Cost of goods sold and cost of material

in EUR	2021	2020
Purchase cost of goods sold and material used	**-1,068,122,688**	**-448,688,524**
Purchase cost of goods sold	-1,067,545,905	-448,479,230
Cost of material used	-576,784	-209,293

Costs of goods sold, which include electricity purchases, cross-border transmission capacities and trading costs, have increased by 138% over the previous period. The respective increase in expenses is primarily attributable to the historically highest growth in electricity prices on all markets.

Costs of material used comprise costs of energy systems, fuel, of energy used, office stationary and professional literature, and write-off of small tools.

2.4.18 Cost of services

in EUR	2021	2020
Costs of services	**-2,510,110**	**-2,271,012**
Consultancy services	-880,461	-785,703
Costs of maintenance	-412,586	-320,088
Bank fees	-273,257	-241,644
Rents	-253,512	-219,879
Costs of student work	-198,688	-164,741
Insurance costs	-75,687	-126,929
Marketing costs	-134,800	-75,920
Reimbursement of work-related costs to employees	-50,827	-35,102
Other costs of services	-230,292	-301,005

The costs of professional services increased in 2021 mainly because of consultancy services in connection with new investments (2021: EUR 374,943, 2020: EUR 363,038) and with costs for lawyers and notary public (2021: EUR 136,273, 2020: EUR 67,968). The costs of audit services amounted in the reporting period to EUR 26,875 (2020: EUR 23,550), whereof EUR 24,875 (2020: EUR 21,550) refers to auditing of the annual report and EUR 2,000 (2020: EUR 2,000) to other assurance-related services. KPMG did not perform any non-audit services for the Company.

2.4.19 Personnel costs

in EUR	2021	2020
Personnel costs	**-5,205,816**	**-2,414,520**
Salaries	-4,316,906	-1,791,152
Pension and social insurance costs	-505,446	-447,375
Other personnel costs	-383,464	-175,993

As at 31 December 2021, the Company recorded 50 full-time employees (2020: 44), who in terms of full working time equal 49.875 employees. Relative to 2020, the personnel costs increased due to new employments, changed structure and higher variable remuneration of employees, which depends on the Company's business results. The Company formed provisions for jubilee premiums and retirement benefits in the amount of EUR 177,108.

The Company is run by two Managing Directors and a holder of procuration. Remuneration of management members, which includes gross salaries, other work-related remuneration, bonuses and premiums for voluntary supplementary pension insurance, amounted to EUR 186.970 in 2021 (2020: EUR 198,389). Remuneration of other employees employed under contracts for which the tariff part of the collective agreement does not apply, amounted to EUR 523,816 (2020: EUR 1,004,650). In 2021 and 2020, no remuneration was paid to the members of the Supervisory Board.

Educational structure of staff

	No. of employees*		Average no. of employees*	
	31 Dec 2021	31 Dec 2020	2021	2020
Secondary school education (level V)	3	3	3	2
1st level university education (level VI.1, VI.2)	24	20	22	18.5
2nd level university education (level VII.)	18.875	18.875	18.875	17.9375
Master's degree (level VIII.1)	3	1	2	1.5
Ph.D. (level VIII.2)	1	1	1	0.5
Total	**49.875**	**43.875**	**46.875**	**40.4375**

* Full time equivalents.

2.4.20 Amortisation and depreciation expense

in EUR	2021	2020
Amortisation and depreciation expense	**-1,226,316**	**-1,029,100**
Amortisation of intangible assets	-123,551	-156,735
Depreciation of property, plant and equipment	-874,886	-691,107
Depreciation of the right-of-use assets	-227,879	-181,258

2.4.21 Other operating expenses

in EUR	2021	2020
Other operating expenses	**-54,577**	**-175,169**
Charges and other levies	-27,746	-24,055
Net foreign exchange losses	-4,894	-129,576
Other costs	-21,936	-21,538

2.4.22 Operating result from financing activities

in EUR	2021	2020
Finance income	**4,410,595**	**3,207,835**
Finance income on interests and loans to subsidiaries	2,763,175	3,204,559
Finance income on reversal of investments' impairment	1,623,260	0
Other finance income	24,160	3,276
Finance costs	**-6,795,205**	**-5,250,183**
Costs of impairment of investments	-5,316,132	-3,906,237
Costs of borrowings from the parent company	-1,015,476	-1,215,047
Finance costs of loans from others	-101,824	-72,206
Net foreign currency exchange losses	-353,589	-52,592
Finance lease expenses	-8,183	-4,102
Operating result from financing activities	**-2,384,610**	**-2,042,348**

Finance costs for impairment of investments refer to the impairment of an investment in the amount of EUR 5,316,132 (Notes 2.4.3.1 and 2.4.3.2).

2.4.23 Income tax expense

in EUR	2021	2020
Income tax	1,562,950	1,189,395
Deferred tax	-34,511	685
Total income tax	**1,528,439**	**1,190,080**
Profit or loss before tax	4,425,245	2,298,805
Current tax pursuant to applicable tax rate	**840,797**	**436,773**
Tax effect from increase of the taxable base	1,036,122	761,574
Tax effect from decrease of the taxable base	-369,500	-26,358
Tax effect from temporary differences	0	8,449
Non-deductible foreign tax	21,021	7,741
Tax effect from previous periods	0	1,902
Total income tax	**1,528,439**	**1,190,080**
Effective tax rate (in %)	**34.54%**	**51.77%**

The Company does not form deferred tax assets from impairment of investments, as deferred taxes thereunder can be claimed only upon their disposal, which is not planned and thus the Company assesses that the period until enforcement is too long and associated with excessive uncertainty.

The Company discloses income tax receivable from deducting foreign tax for previous periods in the amount of EUR 147,259 and from the income tax liability for the reporting period in the amount of EUR 378,080.

2.5 Financial instruments and risk management

Disclosures relating to financial risks (i.e. credit risk, liquidity risk, currency risk, interest rate risk and price risk) are outlined below.

2.5.1 Credit risk

Credit risk is the risk that a client included in a financial instrument will default, as well as the risk that a bank will default.

The largest item among financial assets that are exposed to credit risk are in terms of value the non-current loans granted to subsidiaries, while the trade receivables are the second largest item. In 2021, 45% (2020: 75%) of trade receivables, exclusive of subsidiaries and parent companies, were secured with credit insurance and other forms of credit insurance.

The carrying amount of financial assets represents the maximum exposure to credit risk, and at the reporting date amounted as follows:

in EUR	31 Dec 2021	31 Dec 2020
Non-current loans granted	59,005,288	63,133,181
Non-current receivables	51,812	55,453
Current investments	14,289,581	4,593,239
Derivatives (assets)	12,333,649	5,293,775
Trade receivables	32,109,871	25,031,786
Cash and cash equivalents	11,983,320	7,255,628
Total	**129,773,522**	**105,363,062**

Impairment of trade receivables, contract assets and derivatives (assets)

As part of the credit risk management process, the Company determines credit limits for customers based on credit ratings of internationally recognized credit rating agencies (Moody's), the additionally introduced FinAPU system (the Fitch Solution credit rating agency and Refinitiv), and internal creditworthiness testing. Based on internally adopted policies, the risk management department analyses and classifies the customer into one of seven credit rating classes before starting business operations and checks the possibility of assigning a credit limit to the insurance company, on the basis of which customer's receivables are included in credit insurance. Approved limits are checked and supplemented on an ongoing basis. The ratings of all customers are updated annually. A review of customer credit assessment procedures is also carried out on an annual basis and a formal opinion on compliance is obtained.

Customers are ranked in seven credit rating classes:

- Class 1 (very good credit rating - very low credit risk), equivalent to Moody's credit ratings from AAA to A2 and FinAPU from AAA to A;
- Class 2 (high credit rating - low credit risk), equivalent to Moody's A3 credit rating and FinAPU at A-;
- Class 3 (good credit rating - certain credit risk), equivalent to Moody's credit ratings from Baa1 to Baa3 and FinAPU from BBB+ to BBB-;
- Class 4 (medium credit rating - medium credit risk), equivalent to Moody's credit ratings from Ba1 to Ba3 and FinAPU from BB+ to B-;
- Class 5 (speculative credit rating - significant credit risk), equivalent to Moody's credit ratings from B1 to B3 and FinAPU from B+ to B-;
- Class 6 (low credit rating - high credit risk), equivalent to Moody's credit rating Caa1 and FinAPU at CCC+;
- Class 7 (very low credit rating - very high credit risk), equivalent to Moody's credit ratings from Caa2 to C and FinAPU from CCC to C.

Transactions are concluded only with customers classified within the credit rating Class 3 (good credit rating) and higher, which represents a credit rating of Baa3 and higher according to Moody's, as well as higher credit rating pursuant to FinAPU. Trading with partners in lower classes is possible in cases where they provide additional collateral, such as corporate guarantees, bank guarantees, deposits or other forms of collateral that can significantly reduce the credit risk of the buyer.

in EUR	31 Dec 2021	31 Dec 2020
Impairment of trade receivables, contract assets and other assets, recognised in the income statement	5,675	1,103
Impairment of derivatives (assets), recognised in the income statement	31,499	36,674

As for assessing the credit risk, the Company applies a model based on the individual assessment of each customer. The 12-month probability of default (PD) or the probability of default over the life of the financial asset is determined based on data of the Moody's credit rating agency or FinAPU. The loss generated on default (LGD) is set at 90%, except when the instrument is financially impaired, in which case the value is estimated on the basis of the expected contractual cash flows. The Company recognises expected credit losses for unsecured assets as well as for secured assets, as it receives 90% of the value of secured receivables from the insurance company on the basis of a credit insurance contract if the customer fails to pay. For the secured part of receivables, the probability of default of the insurance company is taken into account, which is also estimated on the basis of data from the credit rating agency Moody's or S&P.

Expected credit loss in 2021

	Secured			Unsecured		
in EUR	Gross value	Rate of weighted average loss	Expected credit loss	Gross value	Rate of weighted average loss	Expected credit loss
Trade receivables	**5,003,867**	**0.03%**	**-1,519**	**27,965,262**	**2.83%**	**-790,006**
Very low credit risk	0	0.00%	0	2,113,387	0.00%	0
Low credit risk	0	0.00%	0	0	0.00%	0
Certain credit risk	2,576,347	0.06%	-1,519	23,969,746	0.02%	-3,751
Medium credit risk	2,417,520	0.00%	0	36,663	0.06%	-21
Significant credit risk	0	0.00%	0	578,740	0.34%	-1,952
High credit risk	0	0.00%	0	0	0.00%	0
Very high credit risk	0	0.00%	0	782,668	100.00%	-782,668
Credit rating is not available	10,000	0.00%	0	484,058	0.34%	-1,660
Contract assets	**0**	**0.00%**	**0**	**29,938,694**	**0.00%**	**-1,265**
Very low credit risk	0	0.00%	0	10,100,680	0.00%	-5
Low credit risk	0	0.00%	0	0	0.00%	0
Certain credit risk	0	0.00%	0	19,063,848	0.00%	-123
Medium credit risk	0	0.00%	0	0	0.00%	0
Significant credit risk	0	0.00%	0	0	0.00%	0
High credit risk	0	0.00%	0	0	0.00%	0
Very high credit risk	0	0.00%	0	0	0.00%	0
Credit rating is not available	0	0.00%	0	774,166	0.15%	-1,136
Other assets	**0**	**0.00%**	**0**	**7,920,615**	**0.01%**	**-411**
Total	**5,003,867**	**0.03%**	**-1,519**	**65,824,572**	**1.20%**	**-791,728**

Expected credit loss in 2020

in EUR	Secured			Unsecured		
	Gross value	Rate of weighted average loss	Expected credit loss	Gross value	Rate of weighted average loss	Expected credit loss
Trade receivables	**9,958,697**	**0.01%**	**-1,189**	**15,928,227**	**4.93%**	**-785,683**
Very low credit risk	0	0.00%	0	509,798	0.00%	0
Low credit risk	0	0.00%	0	11,099,976	0.00%	-312
Certain credit risk	1,272,951	0.00%	-56	1,616,977	0.01%	-223
Medium credit risk	7,919,961	0.0%	-887	1,436,855	0.07%	-944
Significant credit risk	533,129	0.04%	-200	62,708	0.21%	-131
High credit risk	0	0.00%	0	0	0.00%	0
Very high credit risk	223,721	0.02%	-46	782,668	100.00%	-782,668
Credit rating is not available	8,935	0.00%	0	419,244	0.34%	-1,405
Contract assets	**0**	**0.00%**	**0**	**2,500,931**	**0.00%**	**-70**
Very low credit risk	0	0.00%	0	2,347,612	0.00%	0
Low credit risk	0	0.00%	0	108,000	0.00%	-3
Certain credit risk	0	0.00%	0	0	0.00%	0
Medium credit risk	0	0.00%	0	0	0.00%	0
Significant credit risk	0	0.00%	0	0	0.00%	0
High credit risk	0	0.00%	0	0	0.00%	0
Very high credit risk	0	0.00%	0	0	0.00%	0
Credit rating is not available	0	0.00%	0	45,318	0.15%	-66
Other assets	**0**	**0.00%**	**0**	**8,707,255**	**0.01%**	**-585**
Total	**9,958,697**	**0.01%**	**-1,189**	**27,136,413**	**2.90%**	**-786,338**

Movement of allowances for trade receivables

in EUR	31 Dec 2021	31 Dec 2020
Balance at 1 Jan	**-786,873**	**-796,731**
Formation of allowances	-4,653	0
Reversal of allowances	0	1,199
Write-off of receivables	0	8,659
Balance at 31 Dec	**-791,526**	**-786,873**

Impairment of loans granted

The credit quality of loans granted to Group companies, measured at amortised cost, is presented below i.e. for granted loans that were subject to impairment assessment including investments in subsidiaries, and for loans that were not subject to impairment assessment including investments in subsidiaries. By checking the impairment of investments in subsidiaries, the Company also checks the impairment of loans. In this case, the impairment value is recognized as the difference between the carrying amount and the expected contractual cash flows, discounted at the initial effective interest rate.

in EUR	Gross value	Expected credit loss
Granted loans subject to impairment testing	27,403,578	-5,210,367
Granted loans not subject to impairment testing	38,878,758	-77,829
Total	**66,282,337**	**-5,288,196**

Movement of allowances for loans granted

in EUR	31 Dec 2021	31 Dec 2020
Balance at 1 Jan	**-3,687,475**	**-8,913,028**
Formation of allowances	-1,600,722	0
Transfer of allowances to investments	0	5,225,554
Balance at 31 Dec	**-5,288,196**	**-3,687,475**

Cash and cash equivalents

The value of cash and cash equivalents amounted as at 31 December 2021 to EUR 14,698,821 (2020: EUR 8,432,215). Cash and cash equivalents are invested with first-class banks with the highest credit rating according to the company's internal valuation.

Impairment of cash and cash equivalents was measured based on a 12-month expected credit loss, reflecting the short-term maturity of the instrument and the short-term exposure of the Company. Based on the credit ratings of banks, the Company estimates that cash and cash equivalents have a low credit risk, and impairment was recognised in the amount of EUR 342 on 31 December 2021 (2020: EUR 1,497).

2.5.2 Liquidity risk

Liquidity risk is the financial risk associated with the Company's liquidity. Liquidity risk is the risk of a mismatch between Company's matured assets and liabilities. Liquidity risk indicates the possibility of a lack of cash to repay overdue liabilities.

The Company in engaged in an active and on-going monitoring of liquidity and planning of all cash flows. In 2021 and 2020, the Company settled its liabilities without any delays.

Liabilities by maturity are outlined below.

Company's liabilities by maturity as at 31 December 2021

in EUR	Carrying amount of liability	Contractual cash flows			
		Liability	Due in 1 year	Due in 1 to 5 years	Due in more than 5 years
Non-current financial liabilities	64,944,239	**73,650,001**	1,027,332	12,833,996	59,788,673
Current financial liabilities	440,642	**440,642**	440,642	0	0
Derivatives (liabilities)	11,279,335	**11,279,335**	11,279,335		
Trade and other payables	41,579,637	**41,579,637**	41,579,637	0	0

Company's liabilities by maturity as at 31 December 2020

in EUR	Carrying amount of liability	Contractual cash flows			
		Liability	Due in 1 year	Due in 1 to 5 years	Due in more than 5 years
Non-current financial liabilities	61,610,638	**77,926,637**	1,700,344	12,645,143	63,581,150
Current financial liabilities	3,074,708	**3,074,708**	3,074,708	0	0
Derivatives (liabilities)	5,065,860	**5,065,860**	5,065,860		
Trade and other payables	17,697,371	**17,697,371**	17,697,371	0	0

2.5.3 Currency risk

Currency risk is a financial risk and indicates the risk of financial loss due to changes in the value of one currency compared to another. Within the framework of electricity trading, the Company is exposed to currency risk, particularly to the Romanian leu (RON), the Czech koruna (CZK) and the Hungarian forint (HUF). The Company actively manages and hedges foreign currency transactions and for this purpose concludes also foreign currency forward contracts. As at 31 December 2021, the fair value of foreign currency forward contracts was recorded at EUR -182,705 (2020: EUR -22,557).

in EUR	31 Dec 2021							
	Total	EUR	RON	HUF	CZK	BAM	BGN	HRK
Trade and other receivables	**37,600,160**	37,166,751	305,036	80,016	0	14,192	34,165	0
Cash and cash equivalents	**11,983,320**	7,978,395	2,439,826	200,881	292,259	248,056	823,902	0
Trade and other payables	**-41,579,637**	-41,456,502	-2,736	-107,061	0	-636	-10,377	-2,324
Statement of financial position's exposure	**8,003,844**	**3,688,644**	**2,742,126**	**173,836**	**292,259**	**261,613**	**847,690**	**-2,324**

in EUR	31 Dec 2020							
	Total	EUR	RON	HUF	CZK	BAM	BGN	HRK
Trade and other receivables	**27,205,596**	26,850,031	310,042	0	49	1,074	44,400	0
Cash and cash equivalents	**7,255,628**	5,075,203	1,485,368	69,830	274,969	219,030	131,229	0
Trade and other payables	**-17,697,371**	-17,287,356	-356,252	0	0	-260	-53,314	-189
Statement of financial position's exposure	**16,763,854**	**14,637,878**	**1,439,158**	**69,830**	**275,018**	**219,844**	**122,315**	**-189**

2.5.4 Interest rate risk

Interest rate risk means the possibility of loss due to adverse interest rate movements on the market. The Company is financed based on non-current borrowings bearing a fixed interest rate from the parent company, and is exposed to interest rate risk when using bank overdrafts at commercial banks for the purpose of financing temporary liquidity gaps. Variable interest rates are based on Euribor and the euro short-term rate (€STR).

in EUR	31 Dec 2021	31 Dec 2020
Instruments bearing the fixed interest rate	**-3,507,489**	**205,991**
Non-current loans granted	59,005,288	63,133,181
Non-current borrowings	-62,512,777	-60,427,190
Current borrowings	0	-2,500,000
Instruments bearing a variable interest rate	**-306**	**-1,297**
Current borrowings	-306	-1,297

2.5.5 Price risk

Price risk is a type of market risk that arises from unfavourable movements in electricity prices on the markets and has a negative impact on the value of open commodity forward contracts and consequently a negative effect on business operations. Concluded and not yet delivered electricity forward contracts and cross-border transmission capacity contracts are exposed to price risk is exposed to. The mark-to-market (MtM) value of open commodity forward contracts is estimated daily on the basis of the relevant hourly price forward curves (HPFCs) derived from exchange prices, whereas transactions related to cross-border transmission capacities are based on differences between the relevant forward price curves. A risk management system based on the value-at-risk model (VaR) has also been established. The latter enables that the risk measures of the concluded contracts are valued by different portfolios, markets and strategies for which pre-defined maximum exposure limits are defined.

A sensitivity analysis of the change in prices showed that in the event of a general price change of 10%, the fair value of open commodity forward contracts and cross-border transmission capacity contracts would change by EUR 8,840.

2.5.6 Carrying amounts and fair value of financial instruments

Financial instruments are classified to three levels according to the verifiability of the input data for the calculation of their fair value. Derivatives consist of:

- standardized futures contracts, whose fair values are valued based on the market prices of the relevant European Energy Exchange (EEX) products on the last active trading day;
- commodity forward contracts and cross-border transmission capacity contracts, whose fair values are valued on the basis of the market prices of annual products on the European Energy Exchange (EEX) on the last active trading day;
- foreign currency forward contracts, whose fair values are valued on the basis of market exchange rates and differences in market interest rates.

The fair value levels of derivatives are hence determined on the basis of:

- Level 1: prices for similar instruments i.e. the valuation is based on unadjusted prices of products that are traded on active markets. At this level, the Company values futures contracts, whose market prices are publicly listed on the EEX for each trading day but due to day-to-day settlement, the reported value of assets or liabilities arising from this equals zero;
- Level 2: market inputs that can be observed directly if they are not Level 1 inputs. The aforesaid indicates that the valuation is based on models, whose inputs are market parameters (exchange prices). At this level, the Company discloses commodity forward contracts, cross-border transmission capacity contracts and foreign currency forward contracts. Commodity forward contracts are valued on the basis of the hourly price forward curves (HPFCs) derived from exchange prices, whereas transactions related to cross-border transmission capacities are based on differences between the relevant forward price curves. Foreign currency forward contracts are valued on the basis of the market exchange rate and differences in the respective interest rates.

The table below outlines the carrying amounts and fair values of financial assets and financial liabilities. The table is exclusive of disclosures about the fair values of financial assets and liabilities not measured at fair value when the carrying amount is a sufficient approximation of fair value.

in EUR	31 Dec 2021			31 Dec 2020		
	Carrying amount	Fair value		Carrying amount	Fair value	
		Level 2	Total		Level 2	Total
Financial assets measured at amortised cost	**143,724,149**	**-**	**0**	**113,938,605**	**-**	**0**
Non-current loans granted	59,005,288	-	-	63,133,181	-	-
Non-current receivables	51,812	-	-	55,453	-	-
Current investments	14,289,581	-	-	4,593,239	-	-
Trade and other receivables	37,600,160	-	-	27,205,596	-	-
Prepayments, contract assets and other assets	20,793,987	-	-	11,695,507	-	-
Cash and cash equivalents	11,983,320	-	-	7,255,628	-	-
Financial assets measured at fair value	**12,333,649**	**12,333,649**	**12,333,649**	**5,293,775**	**5,293,775**	**5,293,775**
Derivatives (assets)	12,333,649	12,333,649	12,333,649	5,293,775	5,293,775	5,293,775
Financial liabilities measured at amortised cost	**-108,300,340**	**-**	**0**	**-82,938,735**	**-**	**0**
Non-current financial liabilities	-64,944,239	-	-	-61,610,638	-	-
Other non-current liabilities	-1,335,823	-	-	-556,018	-	-
Current financial liabilities	-440,642	-	-	-3,074,708	-	-
Trade and other payables	-41,579,637	-	-	-17,697,371	-	-
Financial liabilities measured at fair value	**-11,279,335**	**-11,279,335**	**-11,279,335**	**-5,065,860**	**-5,065,860**	**-5,065,860**
Derivatives (liabilities)	-11,279,335	-11,279,335	-11,279,335	-5,065,860	-5,065,860	-5,065,860

2.6 Related party transactions

As at 31 December 2021, the Company recorded following equity interests in its subsidiaries:

Subsidiary	Address	Country	Equity interest
EHE, d. o. o.	Dunavska 1C, 78000 Banja Luka	BA	100%
Interenergo, d. o. o.	Fra Anđela Zvizdovića 1A/8, 71000 Sarajevo	BA	100%
PLC Interenergo, d. o. o.	Osmana Đikića 30, 11000 Beograd	RS	100%
Hidrowatt, d. o. o.	Osmana Đikića 30, 11000 Beograd	RS	88.87% indirect
Interenergo Makedonija, d. o. o. e. l.	Ul. Maksim Gorki br. 10/1-1, 1000 Skopje-Centar	MK	100%
Inter-Energo, d. o. o.	Vrbaska 42, 70240 Gornji Vakuf - Uskoplje	BA	100%
MHE Vrbnica, d. o. o.	Ulica 8. marta 74, 8100 Podgorica	ME	70%
Interenergo, d. o. o., Kosova Sh. p. k.	Rr. Demë Ali Pozhari Nr.41, 51000 Deçan	XK	100%
Lumbardhi Beteiligungs GmbH	Arnulfplatz 2, 9020 Klagenfurt am Wörthersee	AT	90%
KelKos Energy Sh. p. k.	Rr. Demë Ali Pozhari Nr.41, 51000 Deçan	XK	90% indirect
Ekoenergo, d. o. o.	Tivolska cesta 48, 1000 Ljubljana	SI	100%
Vjetropark Jasenice, d. o. o.	Podudbina 15, 53234 Udbina	HR	100%
Solarne elektrane Bukovica, d. o. o.	Petra Zoranića 61, 23450 Obrovac	HR	100%
Hydro Ljutina, d. o. o.	Dragoljuba Savića 23, 31330 Priboj	RS	100% indirect
Vjetroelektrana Orjak, d. o. o.	Trg žrtava fašizma 14, 10000 Zagreb	HR	100%
Osen toplota, d. o. o.	Tivolska cesta 48, 1000 Ljubljana	SI	100%
Solarne elektrane Nin, d. o. o.	Trg žrtava fašizma 14, 10000 Zagreb	HR	80%
Vjetroelektrane Čardakov, d. o. o.	Ul. Josipa Vancaša br. 18, Sarajevo	BA	60%
PVE Perun, d. o. o.	Ul. Maksim Gorki br. 10/1-1, 1000 Skopje-Centar	MK	51%

In 2021, the Company acquired a 60 percent equity interest in Vjetroelektrane Čardakov, d. o. o. and a 51 percent equity interest in PVE Perun, d. o. o. In addition, Ekoenergo, d. o. o. (former Energetika Šentrupert, d. o. o.) was merged with Eko-toplota energetika, d. o. o., whereas the latter was also renamed into Ekoenergo, d. o. o.

Related party transactions are outlined below and are carried out by using the arm's length principle that applies to transactions with non-Group entities.

Business transactions with related parties

	Receivables		Liabilities		Receivables		Liabilities	
in EUR	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	2021	2020	2021	2020
Parent companies								
KELAG-Kärntner Elektrizitäts-AG, AT	2,032,642	2,438,438	10,052,682	46,841	404,443,164	144,646,530	397,405,815	84,109,946
KI-KELAG International GmbH, AT	0	0	61,188	88,652	0	0	183,789	175,784
Subsidiaries								
EHE, d. o. o., BA	15,036	18,525	36,424	90	19,506	14,146	37,250	967
Interenergo, d. o. o., BA	1,872,304	2,235,108	4,832,751	2,834,111	67,207,842	16,159,296	75,221,348	17,955,707
PLC Interenergo, d. o. o., RS	0	7,865	33,765	52,127	0	7,865	62,019	94,508
Hidrowatt, d. o. o., RS	4,326	0	0	0	4,326	0	0	0
Interenergo Makedonija d. o. o. e. l., MK	17,186,090	5,934,914	13,901,428	3,258,642	38,145,414	29,013,244	36,131,785	26,257,243
LSB Elektrane, d. o. o., BA	0	0	0	0	0	3,912	0	0
Inter-Energo, d. o. o., BA	2,352	0	0	0	11,560	212	0	0
MHE Vrbnica, d. o. o., ME	2,844	493,893	0	0	3,764	66,558	0	0
Interenergo, d. o. o.-Kosova Sh. p. k., XK	0	0	3,041,350	0	1,176,195	0	4,455,299	0
KelKos Energy Sh. p. k., XK	38,026	21,258	0	0	38,026	21,258	0	0
Ekoenergo, d. o. o., SI	70,706	11,117	70,769	0	68,873	30,082	58,007	0
Vjetropark Jasenice, d. o. o., HR	1,150	0	0	0	3,591	14,673	0	0
Solarne elektrane Bukovica, d. o. o, HR	68,971	42,132	0	0	26,840	42,132	0	0
Hydro Ljutina, d. o. o., RS	2,888	4,446	0	0	6,843	7,278	0	0
Vjetroelektrana Orjak, d. o. o., HR	1,607	1,133	0	0	11,264	1,133	0	0
Osen toplota, d. o. o., SI	6,876	0	0	0	7,183	0	0	0
Solarne elektrane Nin, d. o. o., HR	10,000	0	0	0	10,000	0	0	0
Vjetroelektrane Čardakov, d. o. o., BA	25,710	0	0	0	25,710	0	0	0
PVE Perun, d. o. o., MK	317,433	0	0	0	317,433	0	0	0
Other related parties								
Windfarm Balchik 1 OOD, BG	0	4,087	0	0	0	4,087	0	0
Windfarm Balchik 2 OOD, BG	0	4,087	0	0	0	4,087	0	0
Windfarm Balchik 4 OOD, BG	0	4,087	0	0	0	4,087	0	0
Total	**21,658,963**	**11,221,089**	**32,030,358**	**6,280,463**	**511,527,535**	**190,040,579**	**513,555,312**	**128,594,155**

Financial transactions with related parties

in EUR	Financial receivables		Financial liabilities		Finance income		Finance costs	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	2021	2020	2021	2020
Parent companies								
KELAG-Kärntner Elektrizitäts-AG, AT	10,000,000	0	0	2,500,000	0	0	14,973	1,228
KI-KELAG International GmbH, AT	0	0	62,512,777	60,427,190	0	0	1,000,504	1,213,818
Subsidiaries								
EHE, d. o. o., BA	28,155,396	30,117,122	0	0	1,489,188	1,669,982	0	0
Interenergo, d. o. o., BA	0	0	0	0	4,269	0	0	0
Interenergo Makedonija d. o. o. e. l., MK	1,044,522	908,826	0	0	37,211	8,826	0	0
LSB Elektrane, d. o. o., BA	0	0	0	0	0	306,706	0	0
MHE Vrbnica, d. o. o., ME	8,555,879	8,276,817	0	0	469,062	431,004	0	0
Interenergo d. o. o.-Kosova Sh. p. k., XK	100,511	13,560	0	0	1,820	476	0	0
Ekoenergo, d. o. o., SI	4,708,491	3,282,757	0	0	89,053	125,935	0	0
Vjetropark Jasenice, d. o. o., HR	9,006,674	10,758,968	0	0	235,715	458,968	0	0
Solarne elektrane Bukovica, d. o. o, HR	169,609	125,778	0	0	3,831	3,003	0	0
Hydro Ljutina, d. o. o., RS	5,974,464	6,090,445	0	0	216,080	170,445	0	0
Energetika Šentrupert, d. o. o., SI	0	1,048,030	0	0	0	7,997	0	0
Vjetroelektrana Orjak, d. o. o., HR	9,451,195	10,791,593	0	0	211,648	21,217	0	0
Solarne elektrarne Nin, d. o. o., HR	87,599	0	0	0	928	0	0	0
PVE Perun, d. o. o., MK	1,328,726	0	0	0	4,371	0	0	0
Total	**78,583,066**	**71,413,895**	**62,512,777**	**62,927,190**	**2,763,175**	**3,204,559**	**1,015,476**	**1,215,047**

The balance of guarantees received from parent companies as at 31 December 2021 was as follows:

- corporate guarantee by KELAG-Kärntner Elektrizitäts-AG in the amount of EUR 9,000,000 (2020: EUR 7,000,000), and
- corporate guarantee by KI-KELAG International GmbH in the amount of EUR 20,750,000 (2020: EUR 15,750,000).

2.7 Contingent liabilities

Company's contingent liabilities comprise bank and corporate guarantees for insuring timely payment, performance guarantees and bid bonds, as well as contingent purchase considerations for new investments to be made in the event that the sellers fulfil the conditions precedent under the purchase contract.

in EUR	31 Dec 2021	31 Dec 2020
Contingent liabilities	**22,407,656**	**16,943,881**
Corporate guarantees issued	250,000	0
Bank guarantees issued	20,832,272	16,771,836
Bills of exchange issued	63,134	172,045
Purchase price for investments	1,262,250	0

2.8 Company's financial statements by activity pursuant to the Services of General Economic Interest Act

In addition to marketing activities, the Company provided in 2021 public utility service for public lighting based on concession contracts (hereinafter: SGEI activities), and is required to provide separate accounting monitoring of the activity (i.e. performing of the SGEI activities under concession contracts) in accordance with provisions of the Services of General Economic Interest Act and Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act, in a manner that enables the accounting of costs, expenses and revenue by the principles applicable to companies. The activity of supplying heat from the district heating system was spun off and merged into the subsidiary Ekoenergo, d. o. o. as of 1 January 2021.

Company's activity is divided into three segments: investments and trading, which are entirely market activities, and energy services, which are partly a market and partly a SGEI activity. In accordance with the aforesaid structure, the Company records all revenue, costs and expenses by cost centre, which enables accurate division of all revenue, costs and expenses by segment and simultaneously by type of activities. The indirect costs of the segment and Company's general costs are divided by the different types of activities according to predefined criteria (allocation keys).

The income, expenses and expenses of the SGEI activities shown in the income statement by type of activity thus consist of:

- direct revenue, expenses and costs identified by the cost centres of the SGEI activity;
- the proportionate share of indirect revenue, expenses and costs of the segment allocated to the SGEI activity based on the appropriate allocation key; and
- the proportionate share of general revenue, expenses and costs of the Company assigned to the SGEI activity based on the appropriate allocation key.

The assets and liabilities of the SGEI activity recorded in the statement of financial position by type of activity consist of:

- plant and equipment directly assigned to the SGEI activity;
- current receivables arising directly from the SGEI activity;
- current liabilities arising directly from the SGEI activity, and
- net profit or loss as shown in the statement of profit or loss by type of activity.

All other items of the statement of financial position that are not directly attributable to the SGEI activity are shown under the market activity.

2.9.1 Statement of Financial Position by Activity as at 31 December 2021

in EUR	Total	Market activity	SGEI activity
Assets	**196,716,999**	**195,940,569**	**776,429**
Non-current assets	**90,669,041**	**89,974,273**	**694,768**
Intangible assets	471,770	471,770	0
Property, plant and equipment	5,949,009	5,254,242	694,768
Non-current investments	83,998,457	83,998,457	0
Non-current receivables	51,812	51,812	0
Deferred tax assets	197,994	197,994	0
Current assets	**106,047,957**	**105,966,296**	**81,662**
Current investments	14,289,581	14,289,581	0
Derivatives (assets)	12,333,649	12,333,649	0
Trade and other receivables	43,784,659	43,702,998	81,662
Prepayments, contracts assets and other assets	20,793,987	20,793,987	0
Income tax receivables	147,259	147,259	0
Cash and cash equivalents	14,698,821	14,698,821	0
Equity and liabilities	**196,716,999**	**196,522,350**	**194,649**
Equity	**76,759,243**	**76,564,879**	**194,364**
Share capital	10,200,000	10,200,000	0
Capital surplus	75,750,000	75,750,000	0
Legal reserves	95,722	95,722	0
Retained losses	-12,183,285	-12,377,648	194,364
Net profit or loss for the period	2,896,806	2,896,806	0
Non-current liabilities	**66,280,062**	**66,280,062**	**0**
Non-current financial liabilities	64,944,239	64,944,239	0
Other current liabilities	1,335,823	1,335,823	0
Current liabilities	**53,677,694**	**53,677,409**	**285**
Current financial liabilities	440,642	440,642	0
Derivatives (liabilities)	11,279,335	11,279,335	0
Trade and other payables	41,579,637	41,579,352	285
Income tax payables	378,080	378,080	0

2.9.2 Statement of Profit or Loss for 2021

in EUR	Total	Market activity	SGEI activity
Revenue	1,084,007,411	1,083,690,350	317,060
Other operating income	4,300	4,300	0
Costs of goods sold and material used	-1,068,122,688	-1,068,122,520	-169
Costs of services	-2,510,110	-2,494,881	-15,229
Personnel costs	-5,205,816	-5,203,948	-1,868
Amortisation and depreciation expense	-1,226,316	-1,044,400	-181,916
Impairment of trade receivables and contract assets	-82,348	-82,348	0
Other operating expenses	-54,577	-54,552	-25
Operating profit or loss	**6,809,855**	**6,692,001**	**117,854**
Finance income	4,410,595	4,410,595	0
Finance costs	-6,795,205	-6,795,032	-173
Profit or loss from financing activities	**-2,384,610**	**-2,384,437**	**-173**
Profit or loss before tax	**4,425,245**	**4,307,564**	**117,681**
Income tax expense	-1,528,439	-1,528,439	0
Profit or loss for the period	**2,896,806**	**2,779,125**	**117,681**

2.9.3 Statement of Cash Flows by Activity for 2021

in EUR	Total	Market activity	SGEI activity
Cash flows from operating activities			
Profit or loss before tax	4,425,245	4,307,564	117,681
Adjustments	2,038,649	1,856,732	181,916
Change in working capital	6,629,234	6,688,535	-59,301
Cash flows from operating activities	**13,093,127**	**12,852,831**	**240,296**
Cash flows from investing activities			
Cash proceeds from investing activities	9,779,034	9,779,034	0
Cash disbursements from investing activities	-15,968,149	-15,934,004	-34,145
Cash used in investing activities	**-6,189,114**	**-6,154,970**	**-34,145**
Cash flows from financing activities			
Cash proceeds from financing activities	3,972,750	4,178,902	-206,152
Cash disbursements from financing activities	-4,610,157	-4,610,157	0
Cash used in financing activities	**-637,407**	**-431,255**	**-206,152**
Opening balance of cash and cash equivalents	**8,432,215**	**8,432,215**	**0**
Change in cash and cash equivalents	6,266,606	6,266,606	0
Closing balance of cash and cash equivalents	**14,698,821**	**14,698,821**	**0**

3. Independent auditor's report

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This document is a free translation of the Slovenian original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Slovenian original should be referred to in matters of interpretation.

Independent Auditors' Report

To the owner
of Interenergo, energetski inženiring, d.o.o.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Interenergo, energetski inženiring, d.o.o. (the "Company"), which comprise:

- the statement of financial position as at 31 December 2021;

and, for the period from 1 January to 31 December 2021:

- the statement of profit or loss;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

The Independent Auditor's Report is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

TRR: SI56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for other information. The other information comprises the Business Report included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report, we considered whether the Business Report includes the disclosures required by the Company's Act dated 4 May 2006 (official gazette of Republic of Slovenia No. 42/2006 with amendments - hereafter referred to as "the applicable legal requirements"). Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion, in all material respects:

- the information given in the Business Report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Business Report. We have nothing to report in this respect.

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

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

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

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

The Independent Auditor's Report is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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Report on Other Legal and Regulatory Requirements

The Company disclosed the financial statements by activity with notes in the section *Company's financial statements by type of activity in accordance with the Services of General Economic Interest Act*, which include the statement of financial position by activity as at 31 December 2021, the statement of profit or loss by activity, and the statement of cash flows by activity for the year then ended.

Company's management is responsible for keeping separate accounting records by activity and applying criteria defined in the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFOLERD-1) and in compliance with provisions of the Services of General Economic Interest Act (ZGJS).

Our responsibility is to examine the adequacy of criteria and accuracy of their use as required under the provisions of ZPFOLERD-1 and whether the Company observed the provisions of the ZGJS in view of disclosures in the financial statements by activity.

Based on procedures carried out during the audit of financial statements, we herewith report that the Company disclosed the financial statements by activity and that it appropriately applied the criteria during the compilation of these statements.

On behalf of audit firm

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Signed on the Slovenian original

Matej Ušaj
Certified Auditor

Ljubljana, 25 April 2022

Signed on the Slovenian original

Danilo Bukovec
Certified Auditor
Director

KPMG Slovenija, d.o.o.
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